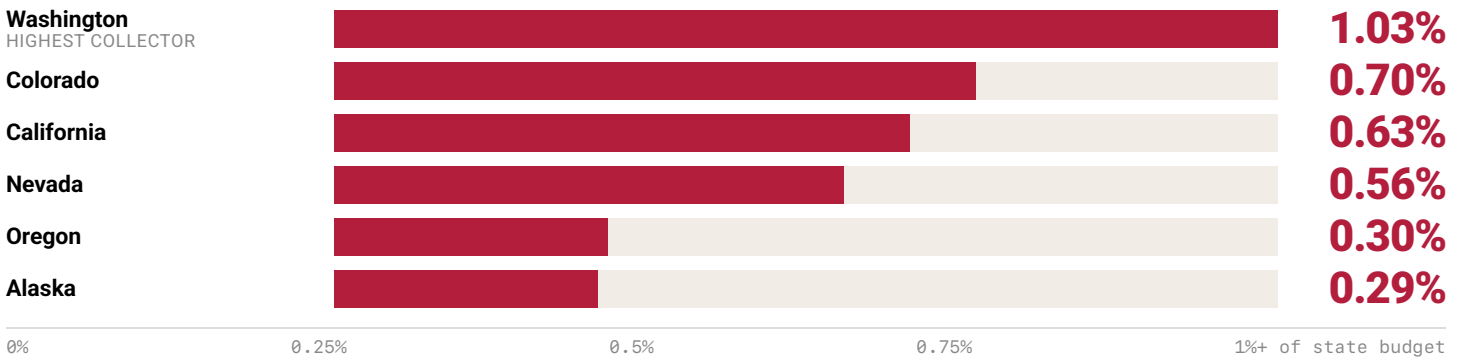


Revenues vs. Reality

Marijuana tax revenue is a **rounding error** in state budgets — even in early-adopting states — while substitution from alcohol and tobacco, a **cooling industry**, and uncounted social costs make the “tax windfall” promise “a drop in the bucket.”

MARIJUANA TAX REVENUE AS % OF TOTAL STATE BUDGET · LEGAL-ADULT-USE STATES

Even the highest-collecting state never cleared 1.1% of its budget — the seven-state average sits at 0.36%.^{1,2}



FEDERAL RESERVE BANK OF KANSAS CITY · 2024³

After alcohol & tobacco substitution, the net is roughly \$14 per person, per year



Fed economists found **no significant effect on overall state tax revenue** post-legalization — gains were largely offset by lost “sin tax” revenue.³

MATURE-MARKET REVENUE DECLINE · FY2022 PEAK → FY2024-25^{4,5}

The richest legal markets are *shrinking*, not growing



California cut its excise tax from 19%→15% in Sept. 2025 under industry pressure — the same lobbying playbook tobacco perfected.⁵

7-STATE AVERAGE · SHARE OF TOTAL STATE SPENDING^{1,2}

0.36%

Of every \$1,000 a legal state spends, marijuana tax covers about \$3.60

Hickenlooper, 2018: “We’re a \$30 billion budget, so it’s **a drop in the bucket** — it’s not going to pay for early childhood education or solve any social ill.”⁶

FEDERAL RESERVE BANK OF KANSAS CITY · SOCIAL COSTS³

+17%

Substance use disorders rose post-legalization — a cost no state has quantified

The same Fed paper found **+35% chronic homelessness**, **+13% arrests**, and **+28% past-month marijuana use** — concentrated, taxpayer-borne costs that revenue figures never net out.³

THE PROMISE VS. THE POST-2024 LEDGER^{3,4,7}

<1%

Of the state budget in **every** legal state but Washington.^{1,2}

\$14/yr

Net per-capita revenue gain after **substitution**.³

4 states

Mature markets now seeing **revenue declines**.⁴

Endnotes

All statistics in this brief are drawn from peer-reviewed studies, Federal Reserve research, and official state budget documents. Where a finding appears in multiple cited sources, the most rigorous primary source is named.

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