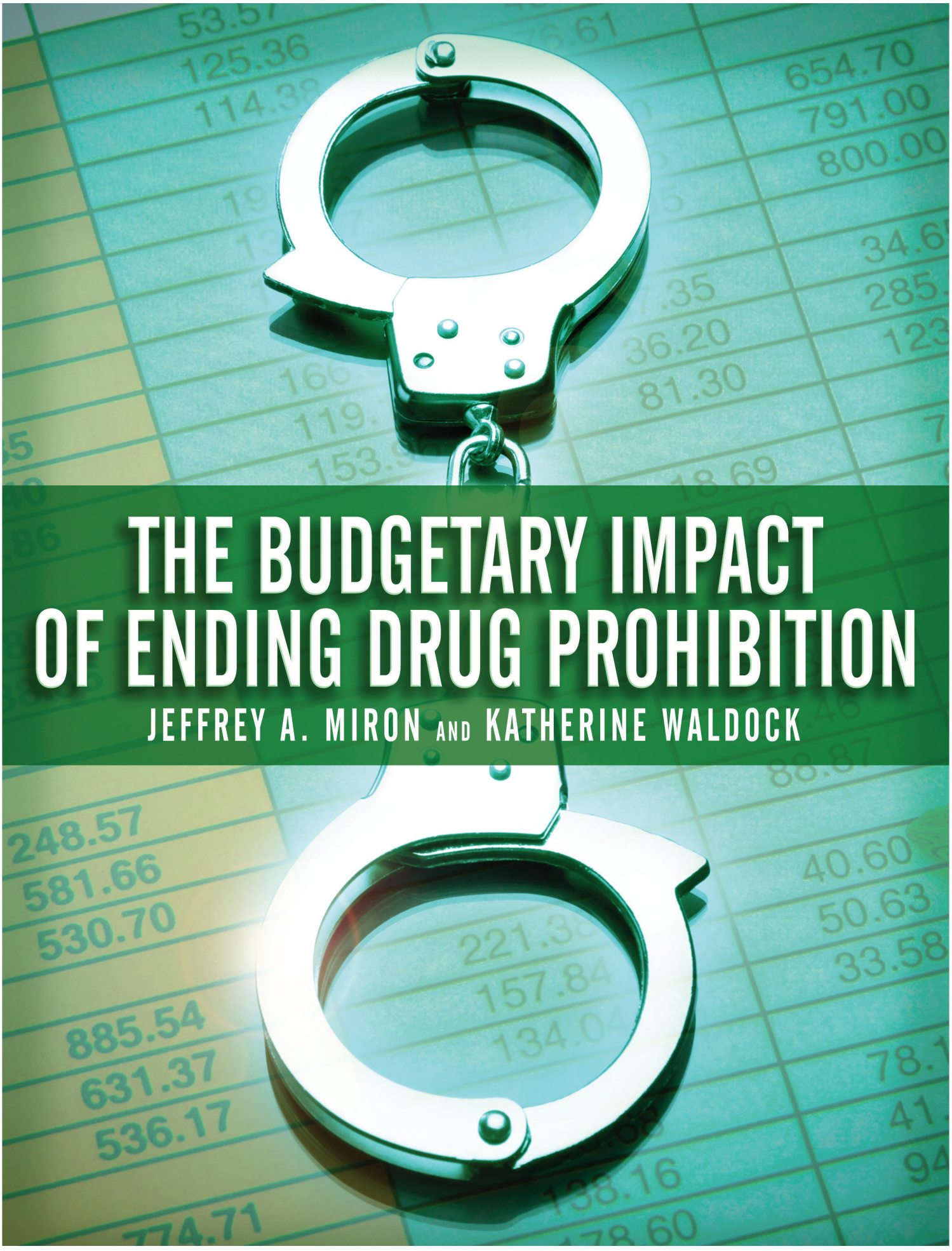

THE BUDGETARY IMPACT OF ENDING DRUG PROHIBITION

JEFFREY A. MIRON AND KATHERINE WALDOCK

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Executive Summary

State and federal governments in the United States face massive looming fiscal deficits. One policy change that can reduce deficits is ending the drug war. Legalization means reduced expenditure on enforcement and an increase in tax revenue from legalized sales.

This report estimates that legalizing drugs would save roughly $41.3 billion per year in government expenditure on enforcement of prohibition. Of these savings, $25.7 billion would accrue to state and local governments, while $15.6 billion would accrue to the federal government. Approximately $8.7 billion of the savings would result from legalization of marijuana and $32.6 billion from legalization of other drugs.

The report also estimates that drug legalization would yield tax revenue of $46.7 billion annually, assuming legal drugs were taxed at rates comparable to those on alcohol and tobacco. Approximately $8.7 billion of this revenue would result from legalization of marijuana and $38.0 billion from legalization of other drugs.

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Introduction

State and federal governments in the United States face a daunting fiscal outlook. The national debt currently stands at 60 percent of GDP, its highest level since World War II, and under current projections this ratio will rise to more than 75 percent of GDP by 2020 and continue increasing thereafter.[1] States are also facing severe budget shortfalls.[2]

Both politicians and the public express concern about the debt, but the standard proposals for expenditure cuts or tax increases garner little support. Understandably, therefore, some politicians, commentators, interest groups, and citizens have embraced unconventional approaches to closing fiscal gaps, such as legalizing drugs. Legalization would reduce state and federal deficits by eliminating expenditure on prohibition enforcement—arrests, prosecutions, and incarceration—and by allowing governments to collect tax revenue on legalized sales.

This potential fiscal windfall is of particular interest because California, which is facing a budget shortfall of $19.9 billion for fiscal year 2011, will vote in November 2010 on a ballot initiative that would legalize marijuana under California law.[3] Advocates of the measure have suggested the state could raise "billions" in annual tax revenue from legalized marijuana, in addition to saving criminal justice expenditure or re-allocating this expenditure to more important priorities.[4] And should the California measure pass and generate the forecasted budgetary savings, other states would likely follow suit.

The fact that legalization might generate a fiscal dividend does not, by itself, make it a better policy than prohibition. Legalization would have many effects, and opinions differ on whether these are desirable on net. Both sides in this debate, however, should want to know the order of magnitude of the fiscal benefit that might arise from legalization.

This report estimates and discusses the reductions in government expenditure and the increases in tax revenue that would result from legalizing drugs. The report concludes that drug legalization would reduce government expenditure by about $41.3 billion annually. Roughly $25.7 billion of this savings would accrue to state and local governments, and roughly $15.6 billion would accrue to the federal government. Approximately $8.7 billion of the savings would result from legalization of marijuana, $20.0 billion from legalization of cocaine and heroin, and $12.6 from legalization of all other drugs. Legalization would also generate tax revenue of roughly $46.7 billion annually if drugs were taxed at rates comparable to those on alcohol and tobacco. Approximately $8.7 billion of this revenue would result from legalization of marijuana, $32.6 billion from legalization of cocaine and heroin, and $5.5 billion from legalization of all other drugs.

This report will begin with an explanation of our estimation methodology. We will then set forth and explain our estimates of the expenditures that can be saved by ending drug prohibition, and then explain our estimate of the tax revenue that would accrue by ending drug prohibition. The report will conclude with a brief discussion of the implications of our research findings.

The Analytic Framework

Analyzing the budgetary impact of legalization requires a number of assumptions about exactly what policy change is being examined. The implications of legalization by one state, with prohibition maintained in all other states and by the federal government, are likely to differ from legalization by a number of states because competition between states would undermine the tax revenue that might accrue to a single state if it were the only legal source of drugs. Legalization by the federal government is likely to have substantially different impacts than legalization by states with federal prohibition still in place, since federal prohibition might hamper state legalization in various ways.

Drug legalization would reduce government expenditure by about $41.3 billion annually.

Legalization would generate tax revenue of roughly $46.7 billion annually.

This report therefore considers the following policy change: simultaneous legalization by all states and the federal government. This policy change is not currently on the table, nor is it likely to occur in the near future. But this hypothetical case is analytically tractable because it circumvents the need for assumptions about cross-border effects or about state versus federal impacts of legalization. More importantly, this hypothetical provides an upper bound on the expenditure savings and revenue increases that might occur from legalization.

The policy change considered here—legalization—is more substantial than decriminalization, which means repealing criminal penalties against simple possession but retaining them against drug smuggling and selling. The budgetary implications of legalization exceed those of decriminalization for three reasons.[5] First, legalization eliminates arrests for drug trafficking in addition to arrests for simple possession. Second, legalization saves prosecutorial, judicial, and incarceration expenses; these savings are minimal in the case of decriminalization. Third, legalization allows taxation of drug production and sale.

The estimates provided here should not be taken as precise estimates of the budgetary implications of a legalized regime for currently illegal drugs. The analysis employs numerous assumptions, some that plausibly bias the estimates downward and some that plausibly bias the estimate upward. Thus, the estimates reported here should be considered "ballpark figures" that indicate what order of magnitude of fiscal benefit policymakers should expect from legalization.

State and Local Expenditure for Drug Prohibition Enforcement

The savings in state and local government expenditure that would result from drug legalization consist of three main components: the reduction of expenditures of police resources from eliminating drug arrests; the reduction in prosecutorial and judicial resources from eliminating drug prosecutions; and the reduction in correctional resources from eliminating drug incarcerations.[6] Other savings in government expenditure might result from legalization, but these are minor or extremely difficult to estimate with existing data.[7]

To estimate the state and local savings in criminal justice resources, this report uses the following procedure. It estimates the percentage of state and local arrests for drug violations and multiplies this percentage by the state and local budget for police (subject to one adjustment discussed below). It estimates the percentage of state and local felony convictions for drug violations and multiplies this percentage by the state and local budget for prosecutors and judges (subject to one adjustment described below). It estimates the percentage of state and local incarcerations for drug violations and multiplies this percentage by the state and local budget for prisons. It then sums these components to estimate the overall reduction in state and local government expenditures. Under plausible assumptions, this procedure yields a reasonable estimate of the cost savings from drug legalization.

Portion of State and Local Police Budget Devoted to Drug Prohibition

The first cost of drug prohibition is the portion of state and local police budgets devoted to drug arrests. This report calculates that expenditure in two steps. It first calculates the percentage of drug arrests due to prohibition. It then multiplies this percentage by state and local expenditure on police, adjusted downward by approximately 9.6 percent to account for police activity unrelated to making arrests.[8]

Table 1 calculates the fraction of state and local arrests due to drug prohibition. Line 1 gives the total number of state and local arrests in 2007. Line 2 gives the number of such arrests for drug law violations. Line 3 gives the fraction of arrests due to drug law violations, defined as Line 2 divided by Line 1. Line 4 gives the percentage of drug arrests

Table 1
Percentage of Arrests Due to Drug Prohibition, 2007

	All Drugs	Heroin/ Cocaine	Marijuana	Synthetic	Other
1. Total Arrests	14,209,365				
2. Arrests for Drug Violations	1,841,182				
3. % of Arrests, Drug Violations	12.96				
4. % of Drug Arrests, Sale/Man	17.50	7.90	5.30	1.50	2.80
5. % of Total Arrests, Sale/Man	2.27	1.02	0.69	0.19	0.36
6. % of Drug Arrests , Possession	82.50	21.50	42.10	3.30	15.60
7. % of Total Arrests, Possession	10.69	2.79	5.46	0.43	2.02
8. 0.5 * % of Arrests, Possession	5.34	1.39	2.73	0.21	1.01

Sources: Total arrests and arrests for drug violations: U.S. Department of Justice, *Crime in the United States: Estimated Number of Arrests* (Washington: Federal Bureau of Investigation, Uniform Crime Reporting Program, 2007), http://www.fbi.gov/ucr/cius2007/data/table_29.html. Drug violation and sale/manufacturing percentages: U.S. Department of Justice, *Crime in the United States: Persons Arrested* (Washington: Federal Bureau of Investigation, Uniform Crime Reporting Program, 2007), http://www.fbi.gov/ucr/cius2007/arrests/index.html.

due to sale or manufacturing violations. Line 5 gives the percentage of overall arrests due to sale/manufacturing violations, defined as Line 3 times Line 4. Line 6 gives the percentage of drug law violations due to possession violations. Line 7 gives the percentage of overall arrests due to possession violations, defined as Line 6 times Line 3.

The information in Lines 5 and 7 is what is required in subsequent calculations, subject to one modification. Some arrests for drug violations, especially those for possession, occur because the arrestee is under suspicion for a non-drug crime but possesses drugs that are discovered by police during a routine search. This means an arrest for drug possession is recorded, along with, or instead of, an arrest on the other charge. If drug possession were not a criminal offense, the suspects in such cases would still be arrested on the charge that led to the search, and police resources would be used to approximately the same extent as when drug possession is a criminal violation.[9]

In determining which arrests represent a cost of drug prohibition, therefore, it is appropriate to count only those that are "stand-alone," meaning those in which a drug violation rather than some other charge is the reason for the arrest. This issue arises mainly for possession rather than trafficking. Few hard data exist on the fraction of "stand-alone" possession arrests, but previous research studies suggest it is between 33 percent and 85 percent.[10] To err on the conservative side, this report assumes that 50 percent of possession arrests are due solely to drug possession rather than being incidental to some other crime. Thus the resources utilized in making these arrests would be available for other purposes if drug possession were legal. Line 8 of Table 1 therefore shows Line 7 divided by 2; this is the fraction of possession arrests attributable to drug prohibition.

Whereas Table 1 presents an overview of the percentages of drug arrests in the United States based on type of violation, Appendix A presents the same data broken down by individual state. Appendices C-G then use these fractions to calculate expenditures attributable to drug prohibition at the state level. Total police expenditure for the U.S. is indicated in the first part of Table 2. Line 1 gives total state and local expenditure on police in

We assume that 50 percent of possession arrests are due solely to drug possession rather than being incidental to some other crime.

Table 2
State and Local Expenditures Attributable to Drug Prohibition, Billions of 2008 dollars

	All Drugs	Heroin/ Cocaine	Marijuana	Synthetic	Other
1. Police Budget	81.03				
2. Police Budget, S/M violations	1.74	0.80	0.52	0.24	0.31
3. Police Budget, Possession violations	4.28	1.13	2.15	0.14	0.86
4. Police Budget, Drug Violations	6.02	1.93	2.67	0.38	1.17
5. Judicial Budget	17.27				
6. % Felony Convictions, Drug Violations	34.00	15.15	9.64	2.85	6.34
7. Judicial Budget, Drug Violations	5.87	2.62	1.66	0.49	1.10
8. Corrections Operating Budget	72.90				
9. % of Prisoners, Drug Charges	19.50	10.05	1.57	5.02	2.86
10. Correct. Budget, Drug Violations	14.22	7.33	1.14	3.66	2.09
11. Gross S/L Expend, Drug Prohibition	26.11	11.88	5.48	4.53	4.35
12. Net S/L Expend, Drug Prohibition*	25.68	11.68	5.39	4.45	4.28

Sources: The data on felony convictions are from Matthew Durose and Patrick A. Langan, Felony Sentences in State Courts, 2000, Bureau of Justice Statistics, Office of Justices Programs, U.S. Department of Justice, NCJ 198821 (2003), p. 2. The data on prisoners are from U.S. Department of Justice, Prisoners in 2007: Estimated Number and Percent Distribution of Prisoners under Jurisdiction of State Correctional Authorities (Bulletin NCJ 219416) (Washington: Federal Bureau of Investigation, 2008), http://www.albany.edu/sourcebook/pdf/t600012005.pdf. The data on budgets are from U.S. Census Bureau, State and Local Government Finances by Level of Government and by State (2008), http://www.census.gov/govs/estimate/0600ussl_1.html. Budgets were originally reported for 2005–2006 and were converted to 2008 dollars with U.S. Department of Labor, "Consumer Price Index—All Urban Consumers" http://www.bls.gov/cpi/home.htm#data.

FY 2008, adjusted for non-arrest activities. Line 2 gives police expenditure due to arrests for sales/manufacturing. Line 3 gives police expenditures due to possession. Line 4 gives total police expenditure due to drug violations, defined as Line 2 plus Line 3.

Portion of State and Local Judicial and Legal Budget Devoted to Drug Prohibition

The second main cost of drug prohibition is the portion of the prosecutorial and judicial budget devoted to drug prosecutions. A possible indicator of this percentage is the fraction of felony convictions in state courts for drug offenses. This indicator likely overstates, however, because the judicial and legal budget encompasses domestic relations, civil, and other case types that are unrelated to criminal activity. We therefore use the fraction of felony convictions multiplied by 41.7 percent of the overall judicial and legal budget, to account only for felony and misdemeanor cases. This fraction came from individual state data on judicial workloads for eight states.[11]

The second portion of Table 2 calculates the judicial and legal budget due to drug prohibition.[12] Line 5 gives 41.7 percent of the state and local judicial and legal budget in 2008, which represents the fraction of that budget that is spent on felony and misdemeanor cases. Line 6 gives the percent of felony convictions in state courts due to drug law violations.[13] Line 7 gives the state and local judicial and legal budget due to drug prosecutions, equal to the product of Line 5 and Line 6.

Portion of State and Local Corrections Budget Devoted to Drug Prohibition

The third main cost of drug prohibition is

the portion of the corrections budget devoted to incarcerating drug prisoners. A reasonable indicator of this portion is the fraction of prisoners incarcerated for drug offenses.

The third portion of Table 2 calculates the corrections budget due to drug prohibition.[14] Line 8 gives the overall corrections budget. Line 9 gives the percent of state prisoners incarcerated for drug law violations. Line 10 gives the corrections budget devoted to drug prisoners, equal to the product of Line 8 and Line 9.[15]

Overall State and Local Expenditure for Enforcement of Drug Prohibition

Line 11 of Table 2 adds Lines 4, 7, and 10 to estimate total state and local government expenditure for enforcement of drug prohibition. The figures in lines 11 are overstatements of the savings in government expenditure that would result from legalization, for two reasons. First, under prohibition the police sometimes seize assets from those arrested for drug violations (e.g., financial accounts, cars, boats, land, and houses), with the proceeds used to fund police and prosecutors.[16] Second, some drug offenders pay fines, which partially offset the expenditure required to arrest, convict, and incarcerate these offenders. Appendix M shows that this offsetting revenue has been at most $0.5 billion per year in recent years at the state and local levels.

Line 12 therefore shows the net state and local expenditure on drug prohibition for 2008 after subtracting out revenue from seizures and fines.[17] For all drugs, the estimate is $25.7 billion; for marijuana, $5.4 billion; for cocaine and heroin, $11.7 billion; and for other drugs, $8.7 billion.[18]

State-by-State Estimates

Table 3 provides the state-by-state breakdown of state-and-local expenditure on drug prohibition for the year 2008, net of seizures and fines. Appendixes C–G provide state-by-

Some drug offenders pay fines, which partially offset the expenditure required to arrest, convict, and incarcerate these offenders.

Table 3
State-Level Expenditures Attributable to Drug Prohibition, Thousands of 2008 Dollars

State	All Drugs	Marijuana	Heroin/Cocaine	Other
U.S.	25,684,407	5,386,753	11,682,223	8,733,307
Alabama	235,438	49,854	108,937	76,602
Alaska	83,573	15,493	39,360	28,697
Arizona	577,941	128,252	244,486	205,093
Arkansas	156,452	31,082	66,978	58,368
California	5,378,683	959,755	2,437,665	2,102,697
Colorado	352,303	74,038	157,694	120,514
Connecticut	296,033	66,673	144,355	84,932
Delaware	100,469	22,101	48,661	29,690
Florida	1,488,538	269,324	757,908	461,040
Georgia	767,281	170,553	346,789	249,827
Hawaii	104,975	26,674	45,005	33,257
Idaho	95,534	18,731	41,580	35,204
Illinois	574,901	89,261	282,209	203,287
Indiana	347,104	74,265	157,169	115,613
Iowa	154,664	36,607	66,926	51,095

Continues next page

Table 3 *Continued*
State-Level Expenditures Attributable to Drug Prohibition, Thousands of 2008 Dollars

State	All Drugs	Marijuana	Heroin/Cocaine	Other
Kansas	165,892	40,646	69,594	55,622
Kentucky	271,032	71,436	112,239	87,309
Louisiana	416,712	91,552	189,688	135,404
Maine	68,972	14,326	30,714	23,920
Maryland	620,413	132,108	320,345	167,874
Massachusetts	480,221	92,326	236,489	151,299
Michigan	768,910	158,914	355,670	254,206
Minnesota	346,809	89,116	143,991	113,629
Mississippi	165,916	36,366	73,996	55,531
Missouri	343,851	93,426	126,532	123,839
Montana	62,562	13,255	27,698	21,596
Nebraska	116,197	32,920	44,322	38,936
Nevada	258,275	53,764	113,639	90,824
New Hampshire	63,308	17,202	26,631	19,461
New Jersey	831,801	183,039	418,332	230,270
New Mexico	181,169	33,112	85,392	62,631
New York	2,370,063	654,247	951,963	763,433
North Carolina	556,719	120,527	264,100	172,018
North Dakota	28,716	6,590	12,285	9,834
Ohio	832,616	204,572	377,656	250,203
Oklahoma	231,650	53,204	96,742	81,670
Oregon	316,804	61,318	138,327	117,114
Pennsylvania	1,016,263	190,445	504,992	320,656
Rhode Island	81,514	20,172	37,884	23,446
South Carolina	260,955	65,333	118,772	76,816
South Dakota	45,287	10,239	19,645	15,397
Tennessee	383,247	96,801	163,584	122,797
Texas	1,673,794	330,606	755,911	587,038
Utah	169,558	31,090	76,291	62,141
Vermont	39,625	8,358	17,395	13,863
Virginia	628,738	125,746	296,411	206,494
Washington	528,774	98,944	231,014	198,728
West Virginia	95,356	20,454	42,956	31,925
Wisconsin	412,066	78,466	191,225	142,311
Wyoming	66,380	12,076	30,217	24,076
D.C.	70,350	11,396	33,860	25,082

Source: Authors' calculations.

state breakdowns for the components of these estimates.

Federal Expenditure for Drug Prohibition Enforcement

This section estimates federal expenditure on drug prohibition enforcement. The estimate relies on data from the Office of Drug Control Policy and equals $16.5 billion for 2007.[19] Adjusting this number for inflation between 2007 and 2008 gives an estimate of $17.1 billion for 2008.

As with state and local revenue, this figure should be adjusted downward by the revenue generated from federal seizures and fines. Appendix M indicates that this amount has been at most $1.5 billion in recent years, implying a net expenditure for the federal government of about $15.6 billion.

Table 4 allocates this $15.6 billion to different drug categories using the percentage of DEA arrests by drug. The fourth line shows that approximately $3.4 billion of the federal expenditure on drug prohibition is due to marijuana prohibition, $8.4 billion to cocaine and heroin, and $3.9 billion to other drugs.

The Tax Revenue from Legalized Drugs

In addition to reducing government expenditure, drug legalization would generate tax revenue from the legal production and sale of drugs. To estimate the revenue, this report employs the following procedure. First, it estimates current consumer (retail) expenditure on drugs under prohibition. Second, it estimates the consumer expenditure likely to occur under legalization. Third, it estimates the tax revenue that would result from that expenditure based on assumptions about the kinds of taxes that would apply to legalized drugs.

Consumer Expenditure on Drugs under Current Prohibition

The first step in determining the tax revenue under legalization is to estimate expenditures on drugs under current prohibition. ONDCP provides estimates of this expenditure for 2000.[20] These estimates are controversial and rely on a range of assumptions about the drug market. Many analysts have estimated the marijuana market, in particular, to be 10–30 times larger than the ONDCP estimates.

We make three adjustments to the ONDCP estimates. First, we scale them up by the

Drug legalization would generate tax revenue from the legal production and sale of drugs.

Table 4
Federal Drug Prohibition Expenditure, Billions of 2008 Dollars

	All	Marijuana	Cocaine	Heroin	Other
1. Federal Expenditure (2008)	15.6				
2. Number of DEA arrests (2007)	26,550	5,700	12,104	2,116	6630
3. Percentage of DEA arrests, by Drug	100.00	21.47	45.59	7.97	24.97
4. Federal Expenditure, by Drug	15.60	3.35	7.11	1.24	3.90

Sources: The data on the fraction of DEA arrests by drug are from U.S. Department of Justice, *Federal Drug-Related Arrests, United States, 2003–2008* (Washington: National Drug Intelligence Center, 2009), http://www.usdoj.gov/ndic/pubs31/31379/appendb.htm#TableB1. Federal expenditures were originally reported in 2007 dollars and were adjusted for inflation to 2008 dollars with Office of National Drug Control Policy, *National Drug Control Strategy* (Washington: ONDCP, 2009), http://www.whitehousedrugpolicy.gov/publications/policy/10budget/fy10budget.pdf.

Table 5
State and Federal Tax Revenues from Drug Legalization, Billions of 2008 Dollars

	All Drugs	Marijuana	Cocaine	Heroin	Other
1. Consumer Expenditure by Drug, 2000	79.50	13.13	44.13	12.50	9.75
2. Consumer Expenditure by Drug, 2008	121.55	18.15	66.12	21.07	16.21
3. Assumed Percent Decline in Price		50.00	80.00	95.00	95.00
4. Assumed Elasticity		-0.50	-0.50	-0.50	-0.50
5. Percent Decline in Expenditure, Legalization		25.00	40.00	47.50	47.50
6. Consumer Expenditure, Legalization	72.86	13.61	39.67	11.06	8.51
7. Consumer Expenditure, Sin Taxation	91.07	17.01	49.59	13.83	10.64
8. Revenue from Sin Taxation	30.36	5.67	16.53	4.61	3.55
9. Consumer Expenditure Subject to Standard Taxation	54.64	10.21	29.76	8.30	6.38
10. Revenue, Standard Taxation	16.39	3.06	8.93	2.49	1.91
11. Tax Revenue	46.75	8.73	25.46	7.10	5.46
12. Federal Tax Collection	31.17	5.82	16.97	4.73	3.64
13. State Collection	15.58	2.91	8.49	2.37	1.82

Sources: http://www.whitehousedrugpolicy.gov/publications/pdf/american_users_spend_2002.pdf; and http://www.census.gov/popest/states/NST-ann-est.html. Consumer expenditures were originally reported in 2000 dollars and were adjusted for inflation to 2008 dollars with http://www.bls.gov/cpi/home.htm#data and for increase in drug usage based on estimates from *Monitoring the Future*, 2009, http://monitoringthefuture.org/pubs/monigraphs/vol2_2008.pdf.

increase in population and the increase in the overall price level from 2000 to 2008.[21] Second, we adjust for changes in use rates between 2000 and 2008, which varied by drug.[22] Third, we inflate the ONDCP estimates to account for underreporting. Considerable evidence suggests that underreporting of illicit drug use is not extreme in the National Household Survey on Drug Abuse, the data source utilized by ONDCP, but the evidence does suggest underreporting in the range of 20–30 percent.[23] We inflate the ONDCP estimates by 25 percent to account for underreporting.[24]

Table 5, line 1, gives the ONDCP estimates for 2000, adjusted for underreporting. Line 2 gives these estimates adjusted for inflation, population growth, and changes in use rates between 2000 and 2008.

Consumer Expenditure on Drugs under Legalization

The second step in estimating the tax revenue from legalization is to determine how expenditure on drugs would change as the result of legalization. A simple framework in which to consider various assumptions is the supply and demand model. To use this model to assess legalization's impact on drug expenditure, it is necessary to state what effect legalization would have on the demand and supply curves for drugs.

This report assumes that the demand for drugs would not shift.[25] This assumption likely errs in the direction of understating the tax revenue from legalized drugs since the penalties for possession potentially deter some persons from consuming. Any increase in demand as a result of legalization, however, would plausibly come from casual users, since most heavy users are already consuming despite prohibition. Any increase in use might also come from decreased consumption of alcohol, tobacco, or other goods, so increased tax revenue from legal drugs would be partially offset by decreased tax revenue from other goods. "Forbidden fruit" effects

from prohibition might also tend to offset the demand-decreasing effects of penalties for possession.[26] Thus, the assumption of no change in demand is plausible.[27]

If demand does not shift due to legalization, any change in quantity and price must result from changes in supply conditions. Two main effects would operate.[28] On the one hand, drug suppliers in a legal market would not incur the costs imposed by prohibition, such as the threat of arrest, incarceration, fines, asset seizure, and the like. Other things equal, therefore, costs and prices would be lower under legalization. On the other hand, drug suppliers in a legal market would bear the costs of tax and regulatory policies that apply to legal goods but that black market suppliers normally avoid.[29] This implies an offset to the cost reductions resulting from legalization. Further, changes in competition and advertising under legalization can potentially yield higher prices than under prohibition.

The magnitude of legalization's impact on price is therefore likely to differ across drugs, given differences in supply conditions and in the degree to which prohibition is enforced. For marijuana, the best available evidence comes from comparisons of prices between the U.S. and the Netherlands. Although marijuana is still technically illegal in the Netherlands, the degree of enforcement is substantially below that in the United States, and the sale of marijuana in coffee shops is officially tolerated. The regime thus approximates *de facto* legalization. Existing data suggest that retail prices in the Netherlands are roughly 50–100 percent of U.S. prices.[30] This report assumes that legalized prices for marijuana would be 50 percent of current prices. For cocaine, available evidence suggests that prices might fall to 20 percent of the current level; for heroin, the evidence suggests prices might fall to 5 percent of the current level.[31] For other drugs, this report assumes that prices fall to 5 percent of the current level.[32] Table 5, line 3, shows these assumptions.

The effect of any price decline that occurs due to legalization depends on the elasticity of demand for drugs.[33] "Elasticity" is a concept that economists use to describe the degree of responsiveness of consumers to price changes, which can vary considerably depending on the product. Evidence concerning this elasticity is limited because appropriate data on drug price and consumption are not readily available. Existing estimates, however, suggest an elasticity of at least -0.5 and plausibly more than -1.0.[34] Estimates for other drugs, as well as for alcohol and tobacco, generally suggest an elasticity in the range of -0.5 to -1.0. If the demand elasticity equals -1.0, then expenditure will remain constant. If demand is less elastic, then expenditure will decline.[35] This report assumes an elasticity of -0.5, as shown in Table 5, line 4.

Table 5, line 5, shows the implications of these assumptions about the decline in price combined with an elasticity of -0.5 for the amount of expenditure that would occur for legalized drugs, assuming the economic activity in legalized drugs markets is subject to standard income and sales taxation. The estimates in line 5 do not assume the presence of a sin tax on legalized drugs.

Tax Revenue from Legalized Drugs

To estimate the tax revenue that would result from drug legalization, it is necessary to assume a particular tax structure. This report assumes that legalized drugs would be taxed at rates comparable to alcohol and tobacco. This means that the legalized drug market would be subject to "sin" taxation as well as standard income and sales taxation.[36] Imposing a high sin tax can force a market underground, thereby reducing rather than increasing tax revenue. Existing evidence, however, suggests that relatively high rates of sin taxation are possible without generating a black market. Cigarette taxes in many European countries, for example, account for 70–80 percent of the price.[37]

To estimate the revenue from sin taxation, this report assumes that state and local plus federal governments impose excise taxes on legalized drugs at a rate equal to 50 percent of the retail price. This implies that excise taxation accounts for 33 percent of the final price

We assume that legalized drugs would be taxed at rates comparable to alcohol and tobacco.

Legalized drugs would also generate tax revenue because the income earned by the producers would be subject to standard income and sales taxation.

to consumers.[38] An excise tax of 50 percent on top of the legalized, retail price would increase (tax-inclusive) expenditure by 25 percent given an assumed elasticity of -0.5. Line 7 of Table 5 shows total expenditure on legalized drugs under these assumptions, while line 8 shows the revenue from sin taxation.[39]

Legalized drugs would also generate tax revenue because the income earned by the producers would be subject to standard income and sales taxation. The amount of income earned is roughly equal to the amount of expenditure. For most legal goods, tax revenue as a fraction of expenditure is approximately 30 percent.[40] This figure includes the sales taxation of roughly 5 percent imposed by most state governments as well as income taxation imposed by state and federal governments.

This 30 percent tax share is consistent with the estimates derived above on the relation between prices under prohibition and prices in a legalized market since those prices were based on comparisons that incorporated any costs of legal goods due to standard taxation.

This 30 percent should be applied to an amount equal to 75 percent of the legalized, pre–sin tax expenditure. This is because while the sin tax raises expenditure given that demand is inelastic, the 50 percent higher price combined with an elasticity of -0.5 leads to a 25 percent reduction in (tax-exclusive) expenditure. Assuming constant costs therefore means that expenditure should be 75 percent of pre–sin tax expenditure. Table 5, lines 9 and 10, provide these calculations.

Table 5, line 11, adds the revenue from sin taxation and standard income/sales taxation to provide estimates of the total tax revenue that would accrue from a regime in which drugs are legal but taxed and regulated similarly to alcohol and tobacco. For all drugs, the estimate is $46.7 billion. Of this, $8.7 billion would be attributed to marijuana, $32.6 billion to cocaine and heroin, and $5.5 billion to other drugs. In lines 12 and 13, we attribute two-thirds of this revenue to federal tax collection and one-third to state/local tax collection because that is roughly the ratio for existing tax revenues.

State-by-State Estimates

Table 6 provides state-by-state breakdowns

Table 6
State Drug Tax Revenue—Population Method, Millions of 2008 Dollars

State	All Drugs	Marijuana	Heroin/Cocaine	Other
U.S.	15,583.33	2,910.87	10,852.17	1,820.30
Alabama	238.93	44.63	166.39	27.91
Alaska	35.17	6.57	24.49	4.11
Arizona	333.14	62.23	232.00	38.91
Arkansas	146.34	27.34	101.91	17.09
California	1,883.81	351.88	1,311.88	220.05
Colorado	253.15	47.29	176.29	29.57
Connecticut	179.44	33.52	124.96	20.96
Delaware	44.75	8.36	31.16	5.23
Florida	939.34	175.46	654.16	109.73
Georgia	496.40	92.72	345.69	57.99
Hawaii	66.02	12.33	45.98	7.71
Idaho	78.10	14.59	54.39	9.12
Illinois	661.22	123.51	460.47	77.24

State	All Drugs	Marijuana	Heroin/Cocaine	Other
Indiana	326.82	61.05	227.59	38.18
Iowa	153.88	28.74	107.16	17.98
Kansas	143.61	26.83	100.01	16.78
Kentucky	218.80	40.87	152.37	25.56
Louisiana	226.06	42.23	157.43	26.41
Maine	67.47	12.60	46.99	7.88
Maryland	288.73	53.93	201.07	33.73
Massachusetts	333.03	62.21	231.92	38.90
Michigan	512.68	95.77	357.03	59.89
Minnesota	267.55	49.98	186.32	31.25
Mississippi	150.61	28.13	104.88	17.59
Missouri	302.98	56.59	210.99	35.39
Montana	49.58	9.26	34.53	5.79
Nebraska	91.40	17.07	63.65	10.68
Nevada	133.26	24.89	92.80	15.57
New Hampshire	67.44	12.60	46.96	7.88
New Jersey	444.99	83.12	309.89	51.98
New Mexico	101.70	19.00	70.82	11.88
New York	998.90	186.59	695.63	116.68
North Carolina	472.66	88.29	329.16	55.21
North Dakota	32.88	6.14	22.90	3.84
Ohio	588.66	109.96	409.94	68.76
Oklahoma	186.67	34.87	130.00	21.81
Oregon	194.24	36.28	135.27	22.69
Pennsylvania	637.99	119.17	444.29	74.52
Rhode Island	53.85	10.06	37.50	6.29
South Carolina	229.59	42.89	159.89	26.82
South Dakota	41.22	7.70	28.70	4.81
Tennessee	318.52	59.50	221.82	37.21
Texas	1,246.78	232.89	868.25	145.64
Utah	140.24	26.20	97.67	16.38
Vermont	31.84	5.95	22.17	3.72
Virginia	398.17	74.38	277.29	46.51
Washington	335.65	62.70	233.75	39.21
West Virginia	92.99	17.37	64.76	10.86
Wisconsin	288.44	53.88	200.87	33.69
Wyoming	27.30	5.10	19.01	3.19
D.C.	30.33	5.67	21.12	3.54

Source: Authors' calculations.

Table 7
Summary of Expenditures and Revenues from Drug Legalization, Billions of 2008 Dollars

		All Drugs	Marijuana	Heroin/Cocaine	Other
Expenditures	State/Local	25.7	5.4	11.7	8.7
	Federal	15.6	3.3	8.4	3.9
	Total	41.3	8.7	20.0	12.6
Revenues	State	15.6	2.9	10.9	1.8
	Federal	31.2	5.8	21.7	3.6
	Total	46.7	8.7	32.6	5.5

Source: Authors' calculations.

The total impact of drug legalization on government budgets would be approximately $88 billion per year.

of all the estimates provided in this section, assuming these revenues are proportional to population. These should be regarded as subject to more uncertainty than the national estimates due to data limitations. Alternatively, Appendix Table I utilizes the state-level estimates of drug consumption rates from the 2006 and 2007 National Survey on Drug Use and Health to provide state level estimates based on state use rates.[41] Given the sample sizes involved in estimating these use rates, the estimates based on population are plausibly more reliable.

Conclusion

Table 7 summarizes all the estimates of expenditure reductions and tax increases for both the federal government and the sum of all state governments. Three aspects of these estimates stand out.

First, the total impact of drug legalization on government budgets would be approximately $88 billion per year.

Second, about half of the budgetary improvement from legalization is due to reduced criminal justice expenditure. But for this component of the impact to show up in government budgets, policymakers would have to lay off police, prosecutors, prison guards, and the like. Because such a move would be politically painful, it may not occur. It is certainly true that reduced expenditure on enforcing drug prohibition can still be beneficial if those criminal justice resources are re-deployed to better uses, but that outcome is difficult to achieve.

Third, only about $17.4 billion in budgetary improvement can be expected to come from legalizing marijuana in isolation. Yet the current political climate gives no indication that legalization of other drugs is achievable in the short term. So the budgetary impact from the politically possible component of legalization—marijuana—seems fairly modest.

None of these considerations weakens the critique of drug prohibition since that critique has always rested mainly on other considerations, such as the crime, corruption, and curtailment of civil liberties that have been the side-effects of attempting to fight drug use with police officers and prisons.[42] What the estimates provided here do provide are two additional reasons to end drug prohibition: reduced expenditure on law enforcement and an increase in tax revenue from legalized sales.

Appendixes

Appendix A
State-by-State Arrest Data

	Arrests		Sales and Manufacturing Arrests				
State	Total Arrests	Drug Violation Total Arrests	All Drugs	Cocaine	Marijuana	Synthetic	Other
Alabama	199,688	17,308	1,316	661	131	172	352
Alaska	38,578	1,767	302	109	108	32	53
Arizona	321,503	36,050	5,015	1,675	1,645	811	884
Arkansas	101,694	12,486	2,031	478	634	238	681
California	1,540,894	292,263	45,961	16,885	14,821	0	14,255
Colorado	225,099	19,250	2,061	858	657	122	424
Connecticut	120,182	15,812	2,354	1,523	678	84	69
Delaware	41,350	5,908	2,139	1,367	581	66	125
Florida	1,126,395	79,003	17,269	12,823	4,047	263	135
Georgia	333,657	49,400	10,954	3,839	4,033	687	2,395
Hawaii	213,219	19,507	6,259	683	4,013	38	1,523
Idaho	73,896	5,851	605	54	215	14	322
Illinois	191,268	1,085	192	108	75	5	4
Indiana	215,449	23,363	4,747	2,189	1,556	450	552
Iowa	114,816	9,156	781	179	381	12	209
Kansas	73,904	8,060	1,310	317	568	24	401
Kentucky	63,884	12,538	1,682	534	744	70	334
Louisiana	173,584	23,056	4,145	1,979	1,199	280	687
Maine	57,731	5,731	1,276	431	440	121	284
Maryland	296,861	55,401	13,242	9,597	2,666	848	131
Massachusetts	296,861	21,303	6,021	4,068	1,508	267	178
Michigan	312,777	34,306	7,723	3,256	3,152	210	1,105
Minnesota	215,671	19,167	6,161	619	3,966	53	1,523
Mississippi	85,271	11,709	1,556	669	424	212	251
Missouri	297,234	39,152	5,089	608	1,803	789	1,889
Montana	28,136	1,805	153	20	86	17	30

Possession Arrests					% of Arrests
All Drugs	Cocaine	Marijuana	Synthetic	Other	Drug Violations
15,992	4,664	9,524	1,023	781	8.67
1,465	304	864	146	151	4.58
31,035	3,192	17,888	3,366	6,589	11.21
10,455	1,145	5,711	596	3,003	12.28
246,302	83,727	59,132	0	103,443	18.97
17,189	2,692	11,245	349	2,903	8.55
13,458	5,838	6,652	525	443	13.16
3,769	896	2,582	109	182	14.29
61,734	28,940	31,360	755	676	7.01
38,446	10,744	22,984	2,421	2,297	14.81
13,250	3,386	7,079	510	2,273	9.15
5,246	106	3,328	97	1,715	7.92
893	312	542	12	27	0.57
18,616	3,502	11,695	1,114	2,305	10.84
8,375	749	6,237	137	1,252	7.97
6,750	980	4,364	131	1,275	10.91
10,856	1,512	7,290	580	1,474	19.63
18,911	4,449	11,728	1,111	1,623	13.28
4,455	663	2,814	326	652	9.93
42,159	19,142	22,028	492	497	18.66
15,282	5,372	8,717	538	655	7.18
26,583	6,444	16,288	805	3,046	10.97
13,006	2,809	7,642	480	2,075	8.89
10,153	2,507	5,578	758	1,310	13.73
34,063	2,758	21,247	1,709	8,349	13.17
1,652	46	1,269	57	280	6.42

Continued next page

Appendix A *Continued*
State-by-State Arrest Data

	Arrests		Sales and Manufacturing Arrests				
State	Total Arrests	Drug Violation Total Arrests	All Drugs	Cocaine	Marijuana	Synthetic	Other
Nebraska	83,957	10,117	1,084	189	307	153	435
Nevada	167,412	14,660	2,729	1,004	731	432	562
New Hampshire	38,396	3,005	508	111	334	27	36
New Jersey	383,797	52,875	12,730	8,907	3,062	447	314
New Mexico	78,484	6,673	2,552	1,534	322	626	70
New York	345,251	63,058	6,112	2,913	1,113	171	1,915
North Carolina	407,663	43,711	6,966	4,220	2,365	149	232
North Dakota	27,359	1,870	283	33	139	13	98
Ohio	256,718	35,808	4,472	2,301	1,381	177	613
Oklahoma	161,719	22,338	3,245	518	1,272	923	532
Oregon	147,335	19,234	1,788	531	552	49	656
Pennsylvania	467,655	58,944	20,744	13,411	5,310	1,340	683
Rhode Island	26,966	3,492	588	363	183	19	23
South Carolina	213,355	31,952	5,964	3,406	1,749	106	703
South Dakota	18,014	1,715	181	18	112	10	41
Tennessee	304,793	43,459	10,998	4,081	4,115	845	1,957
Texas	1,087,325	145,585	15,925	4,637	1,753	7,972	1,563
Utah	120,167	10,263	1,400	577	267	75	481
Vermont	16,731	1,602	245	87	80	16	62
Virginia	313,457	34,498	7,319	3,909	2,157	450	803
Washington	248,676	29,192	3,569	667	1,347	706	849
West Virginia	46,835	4,884	1,042	435	342	88	177
Wisconsin	421,093	25,968	6,096	2,631	2,371	401	693
Wyoming	39,808	3,128	302	29	151	89	33
DC	5,933	80	12	2	8	0	2

Sources: Uniform Crime Reports Drug Arrest Data 2007. Florida (1995): http://fisher.lib.virginia.edu/collections/stats/crime/. Minnesota (2006): http://www.icpsr.umich.edu/cocoon/NACJD/STUDY/23780.xml.

Possession Arrests					% of Arrests
All Drugs	Cocaine	Marijuana	Synthetic	Other	Drug Violations
9,033	395	7,062	226	1,350	12.05
11,931	1,647	7,118	2,355	811	8.76
2,497	301	1,905	99	192	7.83
40,145	17,043	20,179	935	1,988	13.78
4,121	237	2,947	592	345	8.50
56,946	7,713	37,173	734	11,326	18.26
36,745	10,965	22,746	1,046	1,988	10.72
1,587	52	1,217	50	268	6.84
31,336	9,745	16,928	1,015	3,648	13.95
19,093	2,781	11,845	2,743	1,724	13.81
17,446	2,907	8,493	802	5,244	13.05
38,200	12,887	19,799	1,849	3,665	12.60
2,904	809	1,922	55	118	12.95
25,988	6,550	16,850	632	1,956	14.98
1,534	65	1,282	39	148	9.52
32,461	6,802	19,038	1,904	4,717	14.26
129,660	36,764	67,916	9,038	15,942	13.39
8,863	1,491	3,935	330	3,107	8.54
1,357	153	836	78	290	9.58
27,179	6,752	17,537	532	2,358	11.01
25,623	2,528	12,960	3,800	6,335	11.74
3,842	704	2,344	375	419	10.43
19,872	1,856	15,319	742	1,955	6.17
2,826	114	2,046	333	333	7.86
68	13	52	0	3	1.35

Appendix B
State-by-State Sale/Manufacturing and Possession Data

	% of Total Arrests, Sales and Manufacturing				
State	All Drugs	Heroin/ Cocaine	Marijuana	Synthetic	Other
Alabama	0.66	0.33	0.07	0.09	0.18
Alaska	0.78	0.28	0.28	0.08	0.14
Arizona	1.56	0.52	0.51	0.25	0.27
Arkansas	2.00	0.47	0.62	0.23	0.67
California	2.98	1.10	0.96	0.93	0.93
Colorado	0.92	0.38	0.29	0.05	0.19
Connecticut	1.96	1.27	0.56	0.07	0.06
Delaware	5.17	3.31	1.41	0.16	0.30
Florida	1.53	1.14	0.36	0.02	0.01
Georgia	3.28	1.15	1.21	0.21	0.72
Hawaii	2.94	0.32	1.88	0.02	0.71
Idaho	0.82	0.07	0.29	0.02	0.44
Illinois	0.10	0.06	0.04	0.00	0.00
Indiana	2.20	1.02	0.72	0.21	0.26
Iowa	0.68	0.16	0.33	0.01	0.18
Kansas	1.77	0.43	0.77	0.03	0.54
Kentucky	2.63	0.84	1.16	0.11	0.52
Louisiana	2.39	1.14	0.69	0.16	0.40
Maine	2.21	0.75	0.76	0.21	0.49
Maryland	4.46	3.23	0.90	0.29	0.04
Massachusetts	2.03	1.37	0.51	0.09	0.06
Michigan	2.47	1.04	1.01	0.07	0.35
Minnesota	2.86	0.29	1.84	0.02	0.71
Mississippi	1.82	0.78	0.50	0.25	0.29
Missouri	1.71	0.20	0.61	0.27	0.64
Montana	0.54	0.07	0.31	0.06	0.11
Nebraska	1.29	0.23	0.37	0.18	0.52

1/2 * % of Total Arrests, Possession				
All Drugs	Heroin/Cocaine	Marijuana	Synthetic	Other
4.00	1.17	2.38	0.26	0.20
1.90	0.39	1.12	0.19	0.20
4.83	0.50	2.78	0.52	1.02
5.14	0.56	2.81	0.29	1.48
7.99	2.72	1.92	0.00	3.36
3.82	0.60	2.50	0.08	0.64
5.60	2.43	2.77	0.22	0.18
4.56	1.08	3.12	0.13	0.22
2.74	1.28	1.39	0.03	0.03
5.76	1.61	3.44	0.36	0.34
3.11	0.79	1.66	0.12	0.53
3.55	0.07	2.25	0.07	1.16
0.23	0.08	0.14	0.00	0.01
4.32	0.81	2.71	0.26	0.53
3.65	0.33	2.72	0.06	0.55
4.57	0.66	2.95	0.09	0.86
8.50	1.18	5.71	0.45	1.15
5.45	1.28	3.38	0.32	0.47
3.86	0.57	2.44	0.28	0.56
7.10	3.22	3.71	0.08	0.08
2.57	0.90	1.47	0.09	0.11
4.25	1.03	2.60	0.13	0.49
3.02	0.65	1.77	0.11	0.48
5.95	1.47	3.27	0.44	0.77
5.73	0.46	3.57	0.29	1.40
2.94	0.08	2.26	0.10	0.50
5.38	0.24	4.21	0.13	0.80

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Appendix B *Continued*
State-by-State Sale/Manufacturing and Possession Data

	% of Total Arrests, Sales and Manufacturing				
State	All Drugs	Heroin/ Cocaine	Marijuana	Synthetic	Other
Nevada	1.63	0.60	0.44	0.26	0.34
New Hampshire	1.32	0.29	0.87	0.07	0.09
New Jersey	3.32	2.32	0.80	0.12	0.08
New Mexico	3.25	1.95	0.41	0.80	0.09
New York	1.77	0.84	0.32	0.05	0.55
North Carolina	1.71	1.04	0.58	0.04	0.06
North Dakota	1.03	0.12	0.51	0.05	0.36
Ohio	1.74	0.90	0.54	0.07	0.24
Oklahoma	2.01	0.32	0.79	0.57	0.33
Oregon	1.21	0.36	0.37	0.03	0.45
Pennsylvania	4.44	2.87	1.14	0.29	0.15
Rhode Island	2.18	1.35	0.68	0.07	0.09
South Carolina	2.80	1.60	0.82	0.05	0.33
South Dakota	1.00	0.10	0.62	0.06	0.23
Tennessee	3.61	1.34	1.35	0.28	0.64
Texas	1.46	0.43	0.16	0.73	0.14
Utah	1.17	0.48	0.22	0.06	0.40
Vermont	1.46	0.52	0.48	0.10	0.37
Virginia	2.33	1.25	0.69	0.14	0.26
Washington	1.44	0.27	0.54	0.28	0.34
West Virginia	2.22	0.93	0.73	0.19	0.38
Wisconsin	1.45	0.62	0.56	0.10	0.16
Wyoming	0.76	0.07	0.38	0.22	0.08
DC	0.20	0.03	0.13	0.00	0.03

Sources: Uniform Crime Reports Drug Arrest Data 2007. Florida (1995): http://fisher.lib.virginia.edu/collections/stats/crime/. 3. Minnesota (2006): http://www.icpsr.umich.edu/cocoon/NACJD/STUDY/23780.xml.

1/2 * % of Total Arrests, Possession				
All Drugs	Heroin/Cocaine	Marijuana	Synthetic	Other
3.56	0.49	2.13	0.70	0.24
3.25	0.39	2.48	0.13	0.25
5.23	2.22	2.63	0.12	0.26
2.63	0.15	1.88	0.38	0.22
8.25	1.12	5.38	0.11	1.64
4.51	1.34	2.79	0.13	0.24
2.90	0.10	2.22	0.09	0.49
6.10	1.90	3.30	0.20	0.71
5.90	0.86	3.66	0.85	0.53
5.92	0.99	2.88	0.27	1.78
4.08	1.38	2.12	0.20	0.39
5.38	1.50	3.56	0.10	0.22
6.09	1.54	3.95	0.15	0.46
4.26	0.18	3.56	0.11	0.41
5.33	1.12	3.12	0.31	0.77
5.96	1.69	3.12	0.42	0.73
3.69	0.62	1.64	0.14	1.29
4.06	0.46	2.50	0.23	0.87
4.34	1.08	2.80	0.08	0.38
5.15	0.51	2.61	0.76	1.27
4.10	0.75	2.50	0.40	0.45
2.36	0.22	1.82	0.09	0.23
3.55	0.14	2.57	0.42	0.42
0.57	0.11	0.44	0.00	0.03

Appendix C
State and Local Expenditures Attributable to Drug Prohibition, Thousands of 2008 Dollars

State	Total Police Expenditures	Expenditures on Sales/ Manufacturing	Expenditures on Possession	Police Expenditures on Drug Violations	Total Judicial Expenditures	% Felony Convictions, Drug Violations
Alabama	943,030	6,215	37,761	43,976	171,677	34.00
Alaska	236,704	1,853	4,494	6,347	88,517	34.00
Arizona	1,947,729	30,382	94,008	124,390	419,464	34.00
Arkansas	445,832	8,904	22,918	31,822	87,778	34.00
California	13,456,466	401,373	1,075,465	1,476,837	3,865,783	34.00
Colorado	1,312,349	12,016	50,107	62,123	214,840	34.00
Connecticut	899,882	17,626	50,384	68,010	276,024	34.00
Delaware	261,461	13,525	11,916	25,441	64,580	34.00
Florida	6,086,644	93,316	166,794	260,110	960,971	34.00
Georgia	2,072,287	68,033	119,391	187,424	423,937	34.00
Hawaii	302,685	8,885	9,405	18,290	134,439	34.00
Idaho	289,850	2,373	10,288	12,662	70,616	34.00
Illinois	3,832,982	3,848	8,948	12,795	547,628	34.00
Indiana	1,104,945	24,345	47,737	72,082	216,274	34.00
Iowa	554,741	3,773	20,232	24,006	138,855	34.00
Kansas	618,319	10,960	28,237	39,197	114,359	34.00
Kentucky	634,648	16,710	53,924	70,634	181,508	34.00
Louisiana	1,199,311	28,638	65,329	93,967	256,977	34.00
Maine	210,830	4,660	8,135	12,795	46,426	34.00
Maryland	1,664,230	74,236	118,174	192,409	323,515	34.00
Massachusetts	1,665,417	33,778	42,867	76,645	403,103	34.00
Michigan	2,191,695	54,117	93,136	147,253	453,931	34.00
Minnesota	1,379,692	39,413	41,601	81,014	274,181	34.00
Mississippi	543,108	9,910	32,333	42,244	91,688	34.00
Missouri	1,474,301	25,242	84,477	109,719	203,356	34.00
Montana	203,986	1,109	5,989	7,098	53,655	34.00
Nebraska	476,725	6,155	25,646	31,801	68,458	34.00

Judiciary Expenditures on Drug Violations	Corrections Expenditures Total	% Corrections, Drug Violations	Corrections Expenditures on Drug Violations	Gross State and Local Expenditures	Net State and Local Expenditures
58,370	702,569	19.50	137,001	239,347	235,438
30,096	248,805	19.50	48,517	84,960	83,573
142,618	1,643,732	19.50	320,528	587,535	577,941
29,845	499,399	19.50	97,383	159,049	156,452
1,314,366	13,727,037	19.50	2,676,772	5,467,976	5,378,683
73,046	1,143,507	19.50	222,984	358,152	352,303
93,848	713,276	19.50	139,089	300,947	296,033
21,957	280,710	19.50	54,738	102,137	100,469
326,730	4,750,819	19.50	926,410	1,513,250	1,488,538
144,139	2,299,773	19.50	448,456	780,019	767,281
45,709	219,069	19.50	42,718	106,718	104,975
24,009	309,996	19.50	60,449	97,120	95,534
186,194	1,976,700	19.50	385,457	584,446	574,901
73,533	1,062,827	19.50	207,251	352,867	347,104
47,211	441,106	19.50	86,016	157,232	154,664
38,882	464,447	19.50	90,567	168,646	165,892
61,713	734,285	19.50	143,186	275,532	271,032
87,372	1,242,513	19.50	242,290	423,630	416,712
15,785	213,015	19.50	41,538	70,117	68,972
109,995	1,683,629	19.50	328,308	630,712	620,413
137,055	1,407,655	19.50	274,493	488,193	480,221
154,337	2,461,976	19.50	480,085	781,675	768,910
93,222	914,515	19.50	178,330	352,566	346,809
31,174	488,477	19.50	95,253	168,671	165,916
69,141	875,380	19.50	170,699	349,559	343,851
18,243	196,208	19.50	38,261	63,601	62,562
23,276	323,329	19.50	63,049	118,126	116,197

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Appendix C *Continued*
State and Local Expenditures Attributable to Drug Prohibition, Thousands of 2008 Dollars

State	Total Police Expenditures	Expenditures on Sales/ Manufacturing	Expenditures on Possession	Police Expenditures on Drug Violations	Total Judicial Expenditures	% Felony Convictions, Drug Violations
Nevada	974,771	15,890	34,735	50,624	182,822	34.00
New Hampshire	286,089	3,785	9,303	13,088	54,694	34.00
New Jersey	2,789,161	92,513	145,873	238,385	603,122	34.00
New Mexico	544,753	17,713	14,302	32,015	129,697	34.00
New York	7,377,107	130,597	608,393	738,991	1,589,828	34.00
North Carolina	2,003,622	34,237	90,299	124,536	282,143	34.00
North Dakota	107,995	1,117	3,132	4,249	25,228	34.00
Ohio	2,852,685	49,693	174,105	223,798	702,050	34.00
Oklahoma	689,834	13,842	40,722	54,564	127,990	34.00
Oregon	912,114	11,069	54,002	65,071	173,026	34.00
Pennsylvania	2,566,394	113,839	104,817	218,656	645,897	34.00
Rhode Island	286,589	6,249	15,432	21,681	49,601	34.00
South Carolina	885,782	24,761	53,947	78,708	132,701	34.00
South Dakota	127,282	1,279	5,419	6,698	27,837	34.00
Tennessee	1,332,062	48,065	70,933	118,999	246,891	34.00
Texas	5,083,807	74,458	303,114	377,571	906,254	34.00
Utah	578,339	6,738	21,328	28,066	133,829	34.00
Vermont	127,306	1,864	5,163	7,027	29,428	34.00
Virginia	1,817,643	42,441	78,801	121,242	330,161	34.00
Washington	1,308,012	18,773	67,387	86,160	334,427	34.00
West Virginia	282,947	6,295	11,605	17,901	76,572	34.00
Wisconsin	1,402,444	20,303	33,092	53,394	245,426	34.00
Wyoming	153,739	1,166	5,457	6,623	41,201	34.00
DC	533,942	1,080	3,060	4,140	44,939	34.00
Total	81,034,269	1,739,163	4,284,116	6,023,278	17,268,302	34.00

Sources: Police Expenditure and Judicial Budget: 2005–2006 State Government Finance Data, US Census: http://www.census.gov/govs/estimate/. Felony Convictions: http://ojp.usdoj.gov/bjs/pub/html/scscf04/tables/scs04101tab.htm. Corrections Budget: http://www.census.gov/govs/www/estimate06.html; http://www.albany.edu/sourcebook/pdf/t600012005.pdf. Budgets were originally reported for 2005–2006 and were converted to 2008 dollars with http://www.bls.gov/

Judiciary Expenditures on Drug Violations	Corrections Expenditures Total	% Corrections, Drug Violations	Corrections Expenditures on Drug Violations	Gross State and Local Expenditures	Net State and Local Expenditures
62,160	768,096	19.50	149,779	262,563	258,275
18,596	167,566	19.50	32,675	64,359	63,308
205,061	2,062,377	19.50	402,164	845,610	831,801
44,097	554,179	19.50	108,065	184,177	181,169
540,541	5,794,240	19.50	1,129,877	2,409,409	2,370,063
95,929	1,771,779	19.50	345,497	565,962	556,719
8,578	83,926	19.50	16,366	29,192	28,716
238,697	1,968,938	19.50	383,943	846,438	832,616
43,516	704,692	19.50	137,415	235,495	231,650
58,829	1,016,224	19.50	198,164	322,063	316,804
219,605	3,050,636	19.50	594,874	1,033,135	1,016,263
16,864	227,295	19.50	44,323	82,868	81,514
45,118	725,443	19.50	141,461	265,287	260,955
9,464	153,211	19.50	29,876	46,039	45,287
83,943	957,268	19.50	186,667	389,609	383,247
308,126	5,209,661	19.50	1,015,884	1,701,582	1,673,794
45,502	506,695	19.50	98,806	172,373	169,558
10,006	119,233	19.50	23,250	40,283	39,625
112,255	2,080,407	19.50	405,679	639,176	628,738
113,705	1,731,729	19.50	337,687	537,552	528,774
26,034	271,814	19.50	53,004	96,939	95,356
83,445	1,446,503	19.50	282,068	418,907	412,066
14,008	240,259	19.50	46,851	67,482	66,380
15,279	267,174	19.50	52,099	71,518	70,350
5,871,223	72,904,099	19.50	14,216,299	26,110,800	25,684,407

cpi/home.htm#data. Net S/L Expenditure was calculated using total seizures and fines of $426,393,100. Seizures and fines numbers are explained in Appendix M, and are adjusted for inflation to 2008.

Appendix D
Expenditures Attributable to Heroin/Cocaine Prohibition, Thousands of 2008 Dollars

State	Total Police Expenditures	Expenditures on Sales/ Manufacturing	Expenditures on Possession	Police Expenditures on Drug Violations	Total Judicial Expenditures	% Felony Convictions, Drug Violations
Alabama	943,030	3,122	11,013	14,134	171,677	15.15
Alaska	236,704	669	933	1,601	88,517	15.15
Arizona	1,947,729	10,147	9,669	19,816	419,464	15.15
Arkansas	445,832	2,096	2,510	4,605	87,778	15.15
California	13,456,466	147,455	365,590	513,045	3,865,783	15.15
Colorado	1,312,349	5,002	7,847	12,850	214,840	15.15
Connecticut	899,882	11,404	21,856	33,260	276,024	15.15
Delaware	261,461	8,644	2,833	11,476	64,580	15.15
Florida	6,086,644	69,291	78,191	147,482	960,971	15.15
Georgia	2,072,287	23,843	33,365	57,208	423,937	15.15
Hawaii	302,685	970	2,403	3,373	134,439	15.15
Idaho	289,850	212	208	420	70,616	15.15
Illinois	3,832,982	2,164	3,126	5,291	547,628	15.15
Indiana	1,104,945	11,226	8,980	20,207	216,274	15.15
Iowa	554,741	865	1,809	2,674	138,855	15.15
Kansas	618,319	2,652	4,100	6,752	114,359	15.15
Kentucky	634,648	5,305	7,510	12,815	181,508	15.15
Louisiana	1,199,311	13,673	15,369	29,042	256,977	15.15
Maine	210,830	1,574	1,211	2,785	46,426	15.15
Maryland	1,664,230	53,802	53,656	107,458	323,515	15.15
Massachusetts	1,665,417	22,822	15,069	37,891	403,103	15.15
Michigan	2,191,695	22,815	22,577	45,393	453,931	15.15
Minnesota	1,379,692	3,960	8,985	12,945	274,181	15.15
Mississippi	543,108	4,261	7,984	12,245	91,688	15.15
Missouri	1,474,301	3,016	6,840	9,856	203,356	15.15
Montana	203,986	145	167	312	53,655	15.15
Nebraska	476,725	1,073	1,121	2,195	68,458	15.15

Judiciary Expenditures on Drug Violations	Corrections Expenditures Total	% Corrections, Drug Violations	Corrections Expenditures on Drug Violations	Gross State and Local Expenditures	Net State and Local Expenditures
26,003	702,569	10.05	70,608	110,745	108,937
13,407	248,805	10.05	25,005	40,013	39,360
63,533	1,643,732	10.05	165,195	248,545	244,486
13,295	499,399	10.05	50,190	68,090	66,978
585,521	13,727,037	10.05	1,379,567	2,478,133	2,437,665
32,540	1,143,507	10.05	114,922	160,312	157,694
41,807	713,276	10.05	71,684	146,752	144,355
9,781	280,710	10.05	28,211	49,469	48,661
145,551	4,750,819	10.05	477,457	770,490	757,908
64,211	2,299,773	10.05	231,127	352,546	346,789
20,363	219,069	10.05	22,016	45,752	45,005
10,696	309,996	10.05	31,155	42,270	41,580
82,945	1,976,700	10.05	198,658	286,894	282,209
32,757	1,062,827	10.05	106,814	159,778	157,169
21,031	441,106	10.05	44,331	68,037	66,926
17,321	464,447	10.05	46,677	70,750	69,594
27,492	734,285	10.05	73,796	114,103	112,239
38,922	1,242,513	10.05	124,873	192,837	189,688
7,032	213,015	10.05	21,408	31,224	30,714
49,000	1,683,629	10.05	169,205	325,663	320,345
61,055	1,407,655	10.05	141,469	240,415	236,489
68,754	2,461,976	10.05	247,429	361,575	355,670
41,528	914,515	10.05	91,909	146,382	143,991
13,887	488,477	10.05	49,092	75,224	73,996
30,801	875,380	10.05	87,976	128,632	126,532
8,127	196,208	10.05	19,719	28,157	27,698
10,369	323,329	10.05	32,495	45,058	44,322

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Appendix D *Continued*
Expenditures Attributable to Heroin/Cocaine Prohibition, Thousands of 2008 Dollars

State	Total Police Expenditures	Expenditures on Sales/ Manufacturing	Expenditures on Possession	Police Expenditures on Drug Violations	Total Judicial Expenditures	% Felony Convictions, Drug Violations
Nevada	974,771	5,846	4,795	10,641	182,822	15.15
New Hampshire	286,089	827	1,121	1,948	54,694	15.15
New Jersey	2,789,161	64,730	61,928	126,658	603,122	15.15
New Mexico	544,753	10,647	823	11,470	129,697	15.15
New York	7,377,107	62,243	82,403	144,646	1,589,828	15.15
North Carolina	2,003,622	20,741	26,946	47,687	282,143	15.15
North Dakota	107,995	130	103	233	25,228	15.15
Ohio	2,852,685	25,569	54,144	79,713	702,050	15.15
Oklahoma	689,834	2,210	5,931	8,141	127,990	15.15
Oregon	912,114	3,287	8,998	12,286	173,026	15.15
Pennsylvania	2,566,394	73,597	35,361	108,957	645,897	15.15
Rhode Island	286,589	3,858	4,299	8,157	49,601	15.15
South Carolina	885,782	14,141	13,597	27,737	132,701	15.15
South Dakota	127,282	127	230	357	27,837	15.15
Tennessee	1,332,062	17,836	14,864	32,699	246,891	15.15
Texas	5,083,807	21,680	85,945	107,626	906,254	15.15
Utah	578,339	2,777	3,588	6,365	133,829	15.15
Vermont	127,306	662	582	1,244	29,428	15.15
Virginia	1,817,643	22,667	19,576	42,244	330,161	15.15
Washington	1,308,012	3,508	6,649	10,157	334,427	15.15
West Virginia	282,947	2,628	2,127	4,755	76,572	15.15
Wisconsin	1,402,444	8,763	3,091	11,853	245,426	15.15
Wyoming	153,739	112	220	332	41,201	15.15
DC	533,942	180	585	765	44,939	15.15
Total	81,034,269	800,973	1,132,826	1,933,799	17,268,302	15.15

Sources: Police Expenditure and Judicial Budget: 2005–2006 State Government Finance Data, US Census: http://www.census.gov/govs/estimate/. Felony Convictions: http://ojp.usdoj.gov/bjs/pub/html/scscf04/tables/scs04101tab.htm. Corrections Budget: http://www.census.gov/govs/www/estimate06.html; http://www.albany.edu/sourcebook/pdf/t600012005.pdf. Budgets were originally reported for 2005–2006 and were converted to 2008 dollars with http://

Judiciary Expenditures on Drug Violations	Corrections Expenditures Total	% Corrections, Drug Violations	Corrections Expenditures on Drug Violations	Gross State and Local Expenditures	Net State and Local Expenditures
27,691	768,096	10.05	77,194	115,525	113,639
8,284	167,566	10.05	16,840	27,073	26,631
91,350	2,062,377	10.05	207,269	425,277	418,332
19,644	554,179	10.05	55,695	86,809	85,392
240,799	5,794,240	10.05	582,321	967,767	951,963
42,734	1,771,779	10.05	178,064	268,485	264,100
3,821	83,926	10.05	8,435	12,489	12,285
106,334	1,968,938	10.05	197,878	383,925	377,656
19,386	704,692	10.05	70,822	98,348	96,742
26,207	1,016,224	10.05	102,131	140,623	138,327
97,829	3,050,636	10.05	306,589	513,375	504,992
7,513	227,295	10.05	22,843	38,513	37,884
20,099	725,443	10.05	72,907	120,744	118,772
4,216	153,211	10.05	15,398	19,971	19,645
37,395	957,268	10.05	96,205	166,299	163,584
137,264	5,209,661	10.05	523,571	768,460	755,911
20,270	506,695	10.05	50,923	77,558	76,291
4,457	119,233	10.05	11,983	17,684	17,395
50,007	2,080,407	10.05	209,081	301,331	296,411
50,653	1,731,729	10.05	174,039	234,849	231,014
11,598	271,814	10.05	27,317	43,670	42,956
37,173	1,446,503	10.05	145,374	194,400	191,225
6,240	240,259	10.05	24,146	30,719	30,217
6,807	267,174	10.05	26,851	34,422	33,860
2,615,501	72,904,099	10.05	7,326,862	11,876,162	11,682,223

www.bls.gov/cpi/home.htm#data. Net S/L Expenditure was calculated using total seizures and fines of $426,393,100. Seizures and fines numbers are explained in Appendix M, and are adjusted for inflation to 2008.

Appendix E
Expenditures Attributable to Marijuana Prohibition, Thousands of 2008 Dollars

State	Total Police Expenditures	Expenditures on Sales/ Manufacturing	Expenditures on Possession	Police Expenditures on Drug Violations	Total Judicial Expenditures	% Felony Convictions, Drug Violations
Alabama	943,030	619	22,489	23,107	171,677	9.64
Alaska	236,704	663	2,651	3,313	88,517	9.64
Arizona	1,947,729	9,966	54,185	64,150	419,464	9.64
Arkansas	445,832	2,779	12,519	15,298	87,778	9.64
California	13,456,466	129,430	258,197	387,627	3,865,783	9.64
Colorado	1,312,349	3,830	32,780	36,610	214,840	9.64
Connecticut	899,882	5,077	24,904	29,981	276,024	9.64
Delaware	261,461	3,674	8,163	11,837	64,580	9.64
Florida	6,086,644	21,869	84,729	106,598	960,971	9.64
Georgia	2,072,287	25,048	71,375	96,423	423,937	9.64
Hawaii	302,685	5,697	5,025	10,722	134,439	9.64
Idaho	289,850	843	6,527	7,370	70,616	9.64
Illinois	3,832,982	1,503	5,431	6,934	547,628	9.64
Indiana	1,104,945	7,980	29,989	37,969	216,274	9.64
Iowa	554,741	1,841	15,067	16,908	138,855	9.64
Kansas	618,319	4,752	18,256	23,008	114,359	9.64
Kentucky	634,648	7,391	36,211	43,602	181,508	9.64
Louisiana	1,199,311	8,284	40,515	48,799	256,977	9.64
Maine	210,830	1,607	5,138	6,745	46,426	9.64
Maryland	1,664,230	14,946	61,745	76,691	323,515	9.64
Massachusetts	1,665,417	8,460	24,452	32,912	403,103	9.64
Michigan	2,191,695	22,087	57,067	79,153	453,931	9.64
Minnesota	1,379,692	25,371	24,444	49,815	274,181	9.64
Mississippi	543,108	2,701	17,764	20,464	91,688	9.64
Missouri	1,474,301	8,943	52,693	61,636	203,356	9.64
Montana	203,986	624	4,600	5,224	53,655	9.64
Nebraska	476,725	1,743	20,050	21,793	68,458	9.64

Judiciary Expenditures on Drug Violations	Corrections Expenditures Total	% Corrections, Drug Violations	Corrections Expenditures on Drug Violations	Gross State and Local Expenditures	Net State and Local Expenditures
16,544	702,569	1.57	11,030	50,682	49,854
8,530	248,805	1.57	3,906	15,750	15,493
40,424	1,643,732	1.57	25,807	130,381	128,252
8,459	499,399	1.57	7,841	31,598	31,082
372,546	13,727,037	1.57	215,514	975,688	959,755
20,704	1,143,507	1.57	17,953	75,267	74,038
26,600	713,276	1.57	11,198	67,779	66,673
6,224	280,710	1.57	4,407	22,468	22,101
92,609	4,750,819	1.57	74,588	273,795	269,324
40,855	2,299,773	1.57	36,106	173,384	170,553
12,956	219,069	1.57	3,439	27,117	26,674
6,805	309,996	1.57	4,867	19,042	18,731
52,775	1,976,700	1.57	31,034	90,743	89,261
20,842	1,062,827	1.57	16,686	75,498	74,265
13,381	441,106	1.57	6,925	37,215	36,607
11,021	464,447	1.57	7,292	41,321	40,646
17,492	734,285	1.57	11,528	72,622	71,436
24,765	1,242,513	1.57	19,507	93,071	91,552
4,474	213,015	1.57	3,344	14,564	14,326
31,177	1,683,629	1.57	26,433	134,302	132,108
38,847	1,407,655	1.57	22,100	93,859	92,326
43,745	2,461,976	1.57	38,653	161,552	158,914
26,423	914,515	1.57	14,358	90,596	89,116
8,836	488,477	1.57	7,669	36,969	36,366
19,597	875,380	1.57	13,743	94,977	93,426
5,171	196,208	1.57	3,080	13,475	13,255
6,597	323,329	1.57	5,076	33,466	32,920

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Appendix E *Continued*
Expenditures Attributable to Marijuana Prohibition, Thousands of 2008 Dollars

State	Total Police Expenditures	Expenditures on Sales/ Manufacturing	Expenditures on Possession	Police Expenditures on Drug Violations	Total Judicial Expenditures	% Felony Convictions, Drug Violations
Nevada	974,771	4,256	20,723	24,979	182,822	9.64
New Hampshire	286,089	2,489	7,097	9,586	54,694	9.64
New Jersey	2,789,161	22,252	73,323	95,576	603,122	9.64
New Mexico	544,753	2,235	10,227	12,462	129,697	9.64
New York	7,377,107	23,782	397,145	420,927	1,589,828	9.64
North Carolina	2,003,622	11,624	55,897	67,521	282,143	9.64
North Dakota	107,995	549	2,402	2,951	25,228	9.64
Ohio	2,852,685	15,346	94,053	109,399	702,050	9.64
Oklahoma	689,834	5,426	25,263	30,689	127,990	9.64
Oregon	912,114	3,417	26,289	29,706	173,026	9.64
Pennsylvania	2,566,394	29,140	54,326	83,467	645,897	9.64
Rhode Island	286,589	1,945	10,213	12,158	49,601	9.64
South Carolina	885,782	7,261	34,978	42,239	132,701	9.64
South Dakota	127,282	791	4,529	5,320	27,837	9.64
Tennessee	1,332,062	17,984	41,602	59,586	246,891	9.64
Texas	5,083,807	8,196	158,771	166,967	906,254	9.64
Utah	578,339	1,285	9,469	10,754	133,829	9.64
Vermont	127,306	609	3,181	3,789	29,428	9.64
Virginia	1,817,643	12,508	50,846	63,354	330,161	9.64
Washington	1,308,012	7,085	34,084	41,169	334,427	9.64
West Virginia	282,947	2,066	7,080	9,147	76,572	9.64
Wisconsin	1,402,444	7,897	25,510	33,406	245,426	9.64
Wyoming	153,739	583	3,951	4,534	41,201	9.64
DC	533,942	720	2,340	3,060	44,939	9.64
Total	81,034,269	517,173	2,150,263	2,667,436	17,268,302	9.64

Sources: Police Expenditure and Judicial Budget: 2005–2006 State Government Finance Data, US Census: http://www.census.gov/govs/estimate/. Felony Convictions: http://ojp.usdoj.gov/bjs/pub/html/scscf04/tables/scs04101tab.htm. Corrections Budget: http://www.census.gov/govs/www/estimate06.html; http://www.albany.edu/sourcebook/pdf/t600012005.pdf. Budgets were originally reported for 2005–2006 and were converted to 2008 dollars with http://www.bls.

Judiciary Expenditures on Drug Violations	Corrections Expenditures Total	% Corrections, Drug Violations	Corrections Expenditures on Drug Violations	Gross State and Local Expenditures	Net State and Local Expenditures
17,619	768,096	1.57	12,059	54,657	53,764
5,271	167,566	1.57	2,631	17,487	17,202
58,123	2,062,377	1.57	32,379	186,078	183,039
12,499	554,179	1.57	8,701	33,662	33,112
153,212	5,794,240	1.57	90,970	665,108	654,247
27,190	1,771,779	1.57	27,817	122,528	120,527
2,431	83,926	1.57	1,318	6,700	6,590
67,657	1,968,938	1.57	30,912	207,968	204,572
12,334	704,692	1.57	11,064	54,087	53,204
16,675	1,016,224	1.57	15,955	62,336	61,318
62,245	3,050,636	1.57	47,895	193,607	190,445
4,780	227,295	1.57	3,569	20,507	20,172
12,788	725,443	1.57	11,389	66,417	65,333
2,683	153,211	1.57	2,405	10,409	10,239
23,793	957,268	1.57	15,029	98,408	96,801
87,336	5,209,661	1.57	81,792	336,095	330,606
12,897	506,695	1.57	7,955	31,606	31,090
2,836	119,233	1.57	1,872	8,497	8,358
31,818	2,080,407	1.57	32,662	127,834	125,746
32,229	1,731,729	1.57	27,188	100,586	98,944
7,379	271,814	1.57	4,267	20,793	20,454
23,652	1,446,503	1.57	22,710	79,768	78,466
3,971	240,259	1.57	3,772	12,277	12,076
4,331	267,174	1.57	4,195	11,585	11,396
1,664,149	72,904,099	1.57	1,144,594	5,476,180	5,386,753

gov/cpi/home.htm#data. Net S/L Expenditure was calculated using total seizures and fines of $426,393,100. Seizures and fines numbers are explained in Appendix M, and are adjusted for inflation to 2008.

Appendix F
Expenditures Attributable to Synthetic Prohibition, Thousands of 2008 Dollars

State	Total Police Expenditures	Expenditures on Sales/ Manufacturing	Expenditures on Possession	Police Expenditures on Drug Violations	Total Judicial Expenditures	% Felony Convictions, Drug Violations
Alabama	943,030	812	2,416	3,228	171,677	2.85
Alaska	236,704	196	448	644	88,517	2.85
Arizona	1,947,729	4,913	10,196	15,109	419,464	2.85
Arkansas	445,832	1,043	1,306	2,350	87,778	2.85
California	13,456,466	124,487	0	124,487	3,865,783	2.85
Colorado	1,312,349	711	1,017	1,729	214,840	2.85
Connecticut	899,882	629	1,966	2,594	276,024	2.85
Delaware	261,461	417	345	762	64,580	2.85
Florida	6,086,644	1,421	2,040	3,461	960,971	2.85
Georgia	2,072,287	4,267	7,518	11,785	423,937	2.85
Hawaii	302,685	54	362	416	134,439	2.85
Idaho	289,850	55	190	245	70,616	2.85
Illinois	3,832,982	100	120	220	547,628	2.85
Indiana	1,104,945	2,308	2,857	5,164	216,274	2.85
Iowa	554,741	58	331	389	138,855	2.85
Kansas	618,319	201	548	749	114,359	2.85
Kentucky	634,648	695	2,881	3,576	181,508	2.85
Louisiana	1,199,311	1,935	3,838	5,773	256,977	2.85
Maine	210,830	442	595	1,037	46,426	2.85
Maryland	1,664,230	4,754	1,379	6,133	323,515	2.85
Massachusetts	1,665,417	1,498	1,509	3,007	403,103	2.85
Michigan	2,191,695	1,472	2,820	4,292	453,931	2.85
Minnesota	1,379,692	339	1,535	1,874	274,181	2.85
Mississippi	543,108	1,350	2,414	3,764	91,688	2.85
Missouri	1,474,301	3,913	4,238	8,152	203,356	2.85
Montana	203,986	123	207	330	53,655	2.85
Nebraska	476,725	869	642	1,510	68,458	2.85

Judiciary Expenditures on Drug Violations	Corrections Expenditures Total	% Corrections, Drug Violations	Corrections Expenditures on Drug Violations	Gross State and Local Expenditures	Net State and Local Expenditures
4,885	702,569	5.02	35,269	43,382	42,674
2,519	248,805	5.02	12,490	15,653	15,398
11,937	1,643,732	5.02	82,515	109,561	107,772
2,498	499,399	5.02	25,070	29,918	29,429
110,007	13,727,037	5.02	689,097	923,592	908,509
6,114	1,143,507	5.02	57,404	65,246	64,181
7,855	713,276	5.02	35,806	46,256	45,500
1,838	280,710	5.02	14,092	16,691	16,419
27,346	4,750,819	5.02	238,491	269,298	264,900
12,064	2,299,773	5.02	115,449	139,297	137,023
3,826	219,069	5.02	10,997	15,239	14,990
2,009	309,996	5.02	15,562	17,816	17,525
15,584	1,976,700	5.02	99,230	115,034	113,156
6,154	1,062,827	5.02	53,354	64,673	63,617
3,951	441,106	5.02	22,144	26,484	26,051
3,254	464,447	5.02	23,315	27,318	26,872
5,165	734,285	5.02	36,861	45,603	44,858
7,313	1,242,513	5.02	62,374	75,459	74,227
1,321	213,015	5.02	10,693	13,052	12,838
9,206	1,683,629	5.02	84,518	99,857	98,227
11,471	1,407,655	5.02	70,664	85,142	83,752
12,917	2,461,976	5.02	123,591	140,800	138,501
7,802	914,515	5.02	45,909	55,585	54,678
2,609	488,477	5.02	24,522	30,895	30,390
5,787	875,380	5.02	43,944	57,883	56,938
1,527	196,208	5.02	9,850	11,706	11,515
1,948	323,329	5.02	16,231	19,690	19,368

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Appendix F *Continued*
Expenditures Attributable to Synthetic Prohibition, Thousands of 2008 Dollars

State	Total Police Expenditures	Expenditures on Sales/ Manufacturing	Expenditures on Possession	Police Expenditures on Drug Violations	Total Judicial Expenditures	% Felony Convictions, Drug Violations
Nevada	974,771	2,515	6,856	9,371	182,822	2.85
New Hampshire	286,089	201	369	570	54,694	2.85
New Jersey	2,789,161	3,248	3,397	6,646	603,122	2.85
New Mexico	544,753	4,345	2,055	6,400	129,697	2.85
North Carolina	2,003,622	732	2,570	3,303	282,143	2.85
North Dakota	107,995	51	99	150	25,228	2.85
Ohio	2,852,685	1,967	5,639	7,606	702,050	2.85
Oklahoma	689,834	3,937	5,850	9,787	127,990	2.85
Oregon	912,114	303	2,482	2,786	173,026	2.85
Pennsylvania	2,566,394	7,354	5,073	12,427	645,897	2.85
Rhode Island	286,589	202	292	494	49,601	2.85
South Carolina	885,782	440	1,312	1,752	132,701	2.85
South Dakota	127,282	71	138	208	27,837	2.85
Tennessee	1,332,062	3,693	4,161	7,854	246,891	2.85
Texas	5,083,807	37,273	21,129	58,402	906,254	2.85
Utah	578,339	361	794	1,155	133,829	2.85
Vermont	127,306	122	297	418	29,428	2.85
Virginia	1,817,643	2,609	1,542	4,152	330,161	2.85
Washington	1,308,012	3,713	9,994	13,707	334,427	2.85
West Virginia	282,947	532	1,133	1,664	76,572	2.85
Wisconsin	1,402,444	1,336	1,236	2,571	245,426	2.85
Wyoming	153,739	344	643	987	41,201	2.85
DC	533,942	0	0	0	44,939	2.85
Total	81,034,269	238,068	138,622	376,689	17,268,302	2.85

Sources: Police Expenditure and Judicial Budget: 2005–2006 State Government Finance Data, US Census: http://www.census.gov/govs/estimate/. Felony Convictions: http://ojp.usdoj.gov/bjs/pub/html/scscf04/tables/scs04101tab.htm. Corrections Budget: http://www.census.gov/govs/www/estimate06.html; http://www.albany.edu/sourcebook/pdf/t600012005.pdf. Budgets were originally reported for 2005–2006 and were converted to 2008 dollars with http://www.bls.gov/cpi/home.htm#data. Net S/L Expenditure was calculated using total seizures and fines of $426,393,100. Seizures and fines numbers are explained in Appendix M, and are adjusted for inflation to 2008.

Judiciary Expenditures on Drug Violations	Corrections Expenditures Total	% Corrections, Drug Violations	Corrections Expenditures on Drug Violations	Gross State and Local Expenditures	Net State and Local Expenditures
5,202	768,096	5.02	38,558	53,132	52,265
1,556	167,566	5.02	8,412	10,538	10,366
17,163	2,062,377	5.02	103,531	127,340	125,261
3,691	554,179	5.02	27,820	37,910	37,291
8,029	1,771,779	5.02	88,943	100,275	98,637
718	83,926	5.02	4,213	5,081	4,998
19,978	1,968,938	5.02	98,841	126,425	124,360
3,642	704,692	5.02	35,376	48,805	48,008
4,924	1,016,224	5.02	51,014	58,724	57,765
18,380	3,050,636	5.02	153,142	183,949	180,945
1,411	227,295	5.02	11,410	13,316	13,098
3,776	725,443	5.02	36,417	41,945	41,261
792	153,211	5.02	7,691	8,692	8,550
7,026	957,268	5.02	48,055	62,934	61,906
25,789	5,209,661	5.02	261,525	345,716	340,070
3,808	506,695	5.02	25,436	30,399	29,903
837	119,233	5.02	5,985	7,241	7,123
9,395	2,080,407	5.02	104,436	117,984	116,057
9,517	1,731,729	5.02	86,933	110,157	108,358
2,179	271,814	5.02	13,645	17,488	17,203
6,984	1,446,503	5.02	72,614	82,170	80,828
1,172	240,259	5.02	12,061	14,220	13,988
1,279	267,174	5.02	13,412	14,691	14,451
491,397	72,904,099	5.02	3,659,786	4,527,872	4,453,931

Appendix G
Expenditures Attributable to Prohibition of Other Drugs, Thousands of 2008 Dollars

State	Total Police Expenditures	Expenditures on Sales/ Manufacturing	Expenditures on Possession	Police Expenditures on Drug Violations	Total Judicial Expenditures	% Felony Convictions, Drug Violations
Alabama	943,030	1,662	1,844	3,506	171,677	6.34
Alaska	236,704	325	463	788	88,517	6.34
Arizona	1,947,729	5,355	19,959	25,314	419,464	6.34
Arkansas	445,832	2,986	6,583	9,568	87,778	6.34
California	13,456,466	124,487	451,678	576,166	3,865,783	6.34
Colorado	1,312,349	2,472	8,462	10,934	214,840	6.34
Connecticut	899,882	517	1,659	2,175	276,024	6.34
Delaware	261,461	790	575	1,366	64,580	6.34
Florida	6,086,644	729	1,826	2,556	960,971	6.34
Georgia	2,072,287	14,875	7,133	22,008	423,937	6.34
Hawaii	302,685	2,162	1,613	3,775	134,439	6.34
Idaho	289,850	1,263	3,363	4,626	70,616	6.34
Illinois	3,832,982	80	271	351	547,628	6.34
Indiana	1,104,945	2,831	5,911	8,742	216,274	6.34
Iowa	554,741	1,010	3,025	4,034	138,855	6.34
Kansas	618,319	3,355	5,334	8,689	114,359	6.34
Kentucky	634,648	3,318	7,322	10,640	181,508	6.34
Louisiana	1,199,311	4,747	5,607	10,353	256,977	6.34
Maine	210,830	1,037	1,191	2,228	46,426	6.34
Maryland	1,664,230	734	1,393	2,128	323,515	6.34
Massachusetts	1,665,417	999	1,837	2,836	403,103	6.34
Michigan	2,191,695	7,743	10,672	18,415	453,931	6.34
Minnesota	1,379,692	9,743	6,637	16,380	274,181	6.34
Mississippi	543,108	1,599	4,172	5,770	91,688	6.34
Missouri	1,474,301	9,370	20,706	30,075	203,356	6.34
Montana	203,986	218	1,015	1,233	53,655	6.34
Nebraska	476,725	2,470	3,833	6,303	68,458	6.34

Judiciary Expenditures on Drug Violations	Corrections Expenditures Total	% Corrections, Drug Violations	Corrections Expenditures on Drug Violations	Gross State and Local Expenditures	Net State and Local Expenditures
10,892	702,569	2.86	20,093	34,491	33,928
5,616	248,805	2.86	7,116	13,520	13,299
26,612	1,643,732	2.86	47,011	98,937	97,321
5,569	499,399	2.86	14,283	29,420	28,939
245,254	13,727,037	2.86	392,593	1,214,013	1,194,188
13,630	1,143,507	2.86	32,704	57,269	56,333
17,512	713,276	2.86	20,400	40,086	39,432
4,097	280,710	2.86	8,028	13,491	13,271
60,966	4,750,819	2.86	135,873	199,395	196,139
26,896	2,299,773	2.86	65,774	114,677	112,804
8,529	219,069	2.86	6,265	18,570	18,267
4,480	309,996	2.86	8,866	17,972	17,679
34,743	1,976,700	2.86	56,534	91,627	90,131
13,721	1,062,827	2.86	30,397	52,859	51,996
8,809	441,106	2.86	12,616	25,459	25,043
7,255	464,447	2.86	13,283	29,227	28,750
11,515	734,285	2.86	21,001	43,156	42,451
16,303	1,242,513	2.86	35,536	62,192	61,177
2,945	213,015	2.86	6,092	11,265	11,081
20,524	1,683,629	2.86	48,152	70,804	69,648
25,574	1,407,655	2.86	40,259	68,669	67,547
28,798	2,461,976	2.86	70,413	117,626	115,705
17,395	914,515	2.86	26,155	59,930	58,951
5,817	488,477	2.86	13,970	25,558	25,140
12,901	875,380	2.86	25,036	68,013	66,902
3,404	196,208	2.86	5,612	10,248	10,081
4,343	323,329	2.86	9,247	19,893	19,568

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Appendix G *Continued*
Expenditures Attributable to Prohibition of Other Drugs, Thousands of 2008 Dollars

State	Total Police Expenditures	Expenditures on Sales/ Manufacturing	Expenditures on Possession	Police Expenditures on Drug Violations	Total Judicial Expenditures	% Felony Convictions, Drug Violations
Nevada	974,771	3,272	2,361	5,633	182,822	6.34
New Hampshire	286,089	268	715	984	54,694	6.34
New Jersey	2,789,161	2,282	7,224	9,506	603,122	6.34
New Mexico	544,753	486	1,197	1,683	129,697	6.34
New York	7,377,107	40,919	121,003	161,922	1,589,828	6.34
North Carolina	2,003,622	1,140	4,885	6,026	282,143	6.34
North Dakota	107,995	387	529	916	25,228	6.34
Ohio	2,852,685	6,812	20,269	27,080	702,050	6.34
Oklahoma	689,834	2,269	3,677	5,946	127,990	6.34
Oregon	912,114	4,061	16,232	20,293	173,026	6.34
Pennsylvania	2,566,394	3,748	10,056	13,805	645,897	6.34
Rhode Island	286,589	244	627	871	49,601	6.34
South Carolina	885,782	2,919	4,060	6,979	132,701	6.34
South Dakota	127,282	290	523	813	27,837	6.34
Tennessee	1,332,062	8,553	10,308	18,860	246,891	6.34
Texas	5,083,807	7,308	37,269	44,576	906,254	6.34
Utah	578,339	2,315	7,477	9,792	133,829	6.34
Vermont	127,306	472	1,103	1,575	29,428	6.34
Virginia	1,817,643	4,656	6,837	11,493	330,161	6.34
Washington	1,308,012	4,466	16,661	21,126	334,427	6.34
West Virginia	282,947	1,069	1,266	2,335	76,572	6.34
Wisconsin	1,402,444	2,308	3,256	5,564	245,426	6.34
Wyoming	153,739	127	643	770	41,201	6.34
DC	533,942	180	135	315	44,939	6.34
Total	81,034,269	307,428	862,395	1,169,823	17,268,302	6.34

Sources: Police Expenditure and Judicial Budget: 2005–2006 State Government Finance Data, US Census: http://www.census.gov/govs/estimate/. Felony Convictions: http://ojp.usdoj.gov/bjs/pub/html/scscf04/tables/scs04101tab.htm. Corrections Budget: http://www.census.gov/govs/www/estimate06.html; http://www.albany.edu/sourcebook/pdf/t600012005.pdf. Budgets were originally reported for 2005–2006 and were converted to 2008 dollars with

Judiciary Expenditures on Drug Violations	Corrections Expenditures Total	% Corrections, Drug Violations	Corrections Expenditures on Drug Violations	Gross State and Local Expenditures	Net State and Local Expenditures
11,599	768,096	2.86	21,968	39,200	38,559
3,470	167,566	2.86	4,792	9,246	9,095
38,263	2,062,377	2.86	58,984	106,753	105,010
8,228	554,179	2.86	15,850	25,761	25,340
100,862	5,794,240	2.86	165,715	428,499	421,502
17,900	1,771,779	2.86	50,673	74,598	73,380
1,601	83,926	2.86	2,400	4,917	4,836
44,540	1,968,938	2.86	56,312	127,931	125,842
8,120	704,692	2.86	20,154	34,220	33,662
10,977	1,016,224	2.86	29,064	60,334	59,349
40,977	3,050,636	2.86	87,248	142,030	139,710
3,147	227,295	2.86	6,501	10,519	10,347
8,419	725,443	2.86	20,748	36,146	35,555
1,766	153,211	2.86	4,382	6,960	6,847
15,663	957,268	2.86	27,378	61,902	60,891
57,495	5,209,661	2.86	148,996	251,067	246,967
8,490	506,695	2.86	14,491	32,773	32,238
1,867	119,233	2.86	3,410	6,852	6,740
20,946	2,080,407	2.86	59,500	91,939	90,437
21,217	1,731,729	2.86	49,527	91,871	90,370
4,858	271,814	2.86	7,774	14,967	14,722
15,570	1,446,503	2.86	41,370	62,504	61,483
2,614	240,259	2.86	6,871	10,256	10,088
2,851	267,174	2.86	7,641	10,807	10,631
1,095,538	72,904,099	2.86	2,085,057	4,350,419	4,279,376

http://www.bls.gov/cpi/home.htm#data. Net S/L Expenditure was calculated using total seizures and fines of $426,393,100. Seizures and fines numbers are explained in Appendix M, and are adjusted for inflation to 2008.

Appendix H
State Drug Tax Revenue—Population Method in Millions of 2008 Dollars

State	Population	Proportion of Population	All Drugs	Heroin	Marijuana	Cocaine	Other
All States	304,059,724	100.00	15,583.33	2,366.35	2,910.87	8,485.82	1,820.30
Alabama	4,661,900	1.53	238.93	36.28	44.63	130.11	27.91
Alaska	686,293	0.23	35.17	5.34	6.57	19.15	4.11
Arizona	6,500,180	2.14	333.14	50.59	62.23	181.41	38.91
Arkansas	2,855,390	0.94	146.34	22.22	27.34	79.69	17.09
California	36,756,666	12.09	1,883.81	286.06	351.88	1,025.82	220.05
Colorado	4,939,456	1.62	253.15	38.44	47.29	137.85	29.57
Connecticut	3,501,252	1.15	179.44	27.25	33.52	97.71	20.96
Delaware	873,092	0.29	44.75	6.79	8.36	24.37	5.23
Florida	18,328,340	6.03	939.34	142.64	175.46	511.51	109.73
Georgia	9,685,744	3.19	496.40	75.38	92.72	270.31	57.99
Hawaii	1,288,198	0.42	66.02	10.03	12.33	35.95	7.71
Idaho	1,523,816	0.50	78.10	11.86	14.59	42.53	9.12
Illinois	12,901,563	4.24	661.22	100.41	123.51	360.06	77.24
Indiana	6,376,792	2.10	326.82	49.63	61.05	177.97	38.18
Iowa	3,002,555	0.99	153.88	23.37	28.74	83.80	17.98
Kansas	2,802,134	0.92	143.61	21.81	26.83	78.20	16.78
Kentucky	4,269,245	1.40	218.80	33.23	40.87	119.15	25.56
Louisiana	4,410,796	1.45	226.06	34.33	42.23	123.10	26.41
Maine	1,316,456	0.43	67.47	10.25	12.60	36.74	7.88
Maryland	5,633,597	1.85	288.73	43.84	53.93	157.22	33.73
Massachusetts	6,497,967	2.14	333.03	50.57	62.21	181.35	38.90
Michigan	10,003,422	3.29	512.68	77.85	95.77	279.18	59.89
Minnesota	5,220,393	1.72	267.55	40.63	49.98	145.69	31.25
Mississippi	2,938,618	0.97	150.61	22.87	28.13	82.01	17.59
Missouri	5,911,605	1.94	302.98	46.01	56.59	164.98	35.39
Montana	967,440	0.32	49.58	7.53	9.26	27.00	5.79
Nebraska	1,783,432	0.59	91.40	13.88	17.07	49.77	10.68

State	Population	Proportion of Population	All Drugs	Heroin	Marijuana	Cocaine	Other
Nevada	2,600,167	0.86	133.26	20.24	24.89	72.57	15.57
New Hampshire	1,315,809	0.43	67.44	10.24	12.60	36.72	7.88
New Jersey	8,682,661	2.86	444.99	67.57	83.12	242.32	51.98
New Mexico	1,984,356	0.65	101.70	15.44	19.00	55.38	11.88
New York	19,490,297	6.41	998.90	151.68	186.59	543.94	116.68
North Carolina	9,222,414	3.03	472.66	71.77	88.29	257.38	55.21
North Dakota	641,481	0.21	32.88	4.99	6.14	17.90	3.84
Ohio	11,485,910	3.78	588.66	89.39	109.96	320.55	68.76
Oklahoma	3,642,361	1.20	186.67	28.35	34.87	101.65	21.81
Oregon	3,790,060	1.25	194.24	29.50	36.28	105.77	22.69
Pennsylvania	12,448,279	4.09	637.99	96.88	119.17	347.41	74.52
Rhode Island	1,050,788	0.35	53.85	8.18	10.06	29.33	6.29
South Carolina	4,479,800	1.47	229.59	34.86	42.89	125.02	26.82
South Dakota	804,194	0.26	41.22	6.26	7.70	22.44	4.81
Tennessee	6,214,888	2.04	318.52	48.37	59.50	173.45	37.21
Texas	24,326,974	8.00	1,246.78	189.33	232.89	678.93	145.64
Utah	2,736,424	0.90	140.24	21.30	26.20	76.37	16.38
Vermont	621,270	0.20	31.84	4.84	5.95	17.34	3.72
Virginia	7,769,089	2.56	398.17	60.46	74.38	216.82	46.51
Washington	6,549,224	2.15	335.65	50.97	62.70	182.78	39.21
West Virginia	1,814,468	0.60	92.99	14.12	17.37	50.64	10.86
Wisconsin	5,627,967	1.85	288.44	43.80	53.88	157.07	33.69
Wyoming	532,668	0.18	27.30	4.15	5.10	14.87	3.19
DC	591,833	0.19	30.33	4.61	5.67	16.52	3.54

Source: State population estimates (2008): http://www.census.gov/popest/national/files/NST-EST2008-alldata.csv.

Appendix I
State Drug Tax Revenue—Consumption Method in Millions of 2008 Dollars

State	Use Proportion				Tax Revenue			
	All Drugs**	Marijuana	Cocaine	Other*	All Drugs***	Marijuana	Cocaine	Other*
All States	100.00	100.00	100.00	100.00	15,583.33	2,910.87	8,485.82	12,672.46
Alabama	1.32	1.19	1.29	1.56	205.17	34.76	109.42	197.86
Alaska	0.30	0.30	0.26	0.23	46.41	8.87	22.12	28.90
Arizona	2.38	1.96	2.84	3.09	371.61	56.93	241.37	391.47
Arkansas	0.99	0.93	0.87	1.20	154.07	26.99	74.02	152.03
California	13.51	13.30	12.29	12.66	2,105.98	387.00	1,042.99	1,604.11
Colorado	2.19	2.06	2.14	1.94	340.85	60.10	181.69	245.74
Connecticut	1.12	1.28	1.16	0.97	174.59	37.26	98.53	123.39
Delaware	0.30	0.31	0.30	0.28	47.00	9.13	25.49	36.10
Florida	5.69	5.57	5.80	6.11	887.41	162.07	492.25	773.88
Georgia	2.94	3.08	3.43	2.76	457.37	89.64	290.67	349.78
Hawaii	0.39	0.37	0.35	0.31	60.42	10.91	29.33	39.07
Idaho	0.46	0.42	0.36	0.44	71.00	12.33	30.78	56.03
Illinois	3.82	3.96	4.23	3.68	595.42	115.17	358.56	465.92
Indiana	2.17	2.03	1.92	2.22	338.06	58.96	163.07	281.77
Iowa	0.63	0.71	0.74	0.66	98.30	20.59	62.41	84.19
Kansas	0.84	0.87	0.86	0.90	130.20	25.46	73.29	114.03
Kentucky	1.39	1.38	1.25	1.44	216.38	40.11	105.69	182.59
Louisiana	1.45	1.42	1.56	1.79	226.33	41.36	132.37	226.66
Maine	0.51	0.53	0.41	0.37	79.57	15.56	34.59	47.25
Maryland	1.60	1.76	1.82	1.68	249.36	51.24	154.59	213.28
Massachusetts	2.57	2.82	2.67	2.29	400.53	82.11	226.87	289.96
Michigan	3.69	3.83	2.79	3.32	574.41	111.60	237.13	420.19
Minnesota	1.75	1.89	1.64	1.45	273.47	55.16	138.99	183.97
Mississippi	0.85	0.74	0.66	0.94	131.73	21.44	55.93	119.59
Missouri	1.91	1.89	1.78	2.11	297.39	55.10	151.18	267.67
Montana	0.40	0.39	0.31	0.32	62.80	11.29	26.21	40.64
Nebraska	0.48	0.50	0.47	0.49	75.57	14.55	39.57	62.65

State	Use Proportion				Tax Revenue			
	All Drugs**	Marijuana	Cocaine	Other*	All Drugs***	Marijuana	Cocaine	Other*
Nevada	0.95	0.85	0.85	0.93	147.34	24.79	72.26	117.45
New Hampshire	0.52	0.59	0.47	0.40	81.52	17.03	39.64	50.39
New Jersey	2.27	2.54	2.25	2.24	354.25	74.01	190.61	284.19
New Mexico	0.77	0.72	0.76	0.67	119.57	20.82	64.42	84.87
New York	7.15	7.30	7.43	6.06	1,114.25	212.51	630.43	767.65
North Carolina	2.66	2.74	3.06	2.85	415.17	79.65	259.54	361.23
North Dakota	0.16	0.18	0.15	0.14	25.04	5.16	12.96	17.99
Ohio	3.64	3.95	3.98	3.41	567.69	115.02	337.99	432.34
Oklahoma	1.25	1.00	0.93	1.44	194.47	29.04	79.11	182.40
Oregon	1.56	1.60	1.23	1.38	242.45	46.58	104.45	174.91
Pennsylvania	3.51	3.73	3.39	3.33	547.07	108.68	287.81	422.39
Rhode Island	0.53	0.55	0.59	0.50	82.50	15.87	50.43	63.17
South Carolina	1.19	1.25	1.28	1.23	184.75	36.34	108.28	155.92
South Dakota	0.22	0.22	0.19	0.18	34.08	6.45	16.25	22.37
Tennessee	2.21	1.99	2.35	2.78	343.95	57.98	199.57	351.92
Texas	6.54	6.20	7.73	8.29	1,018.56	180.48	656.20	1,051.05
Utah	0.71	0.63	0.85	0.81	110.78	18.38	72.22	102.40
Vermont	0.29	0.31	0.25	0.22	44.94	9.17	21.55	28.06
Virginia	2.58	2.53	2.81	2.43	401.60	73.72	238.60	307.69
Washington	2.70	2.49	2.30	2.57	420.60	72.45	195.01	325.83
West Virginia	0.54	0.52	0.59	0.65	84.20	14.99	49.79	82.35
Wisconsin	1.87	1.92	1.83	2.04	291.98	55.93	155.10	259.12
Wyoming	0.19	0.19	0.18	0.18	29.08	5.64	15.30	22.49
DC	0.29	0.30	0.42	0.25	45.20	8.71	35.25	31.06

Source: Use proportion (2007): http://www.oas.samhsa.gov/2k7state/AppB.htm#TabB-1.
Notes: *Illicit Drugs Other Than Marijuana include cocaine (including crack), heroin, hallucinogens, inhalants, or prescription-type psychotherapeutics used nonmedically; these estimates are based on data from original questions.
**All Drugs include marijuana, cocaine (including crack), heroin, hallucinogens, inhalants, or prescription-type psychotherapeutics used nonmedically.
***Does not include prescription-type psychotherapeutics used nonmedically.

Appendix J
Adjudications Expenditures Attributable to Misdemeanor/Felony Cases

Since we weight the judicial and legal budget by the proportion of felony cases (and not all cases) that are drug-related, we must accordingly adjust state and local adjudications expenditures to reflect the proportion of cases spent on felonies and misdemeanors. We assume that the proportion of felony cases that are drug-related can be applied to misdemeanor cases as well. There is no aggregate report that reflects the proportion of adjudications expenditures that goes to felony and misdemeanor cases, so we collected data from eight existing state reports.

The unit of measurement for workload varied across reports—for California it was measured by judicial need, and for the other states it was measured in units of time. The fraction of felony and misdemeanor cases for each state was taken by dividing the workload for felony and misdemeanor cases by the workload for all cases. These numbers were then adjusted by state weights based on population. The weighted average for the amount of judicial and legal workload attributable to felony and misdemeanor cases was 41.66%.

State	Year	Jurisdiction Studied	Workload for Felony and Misdemeanor Cases	Workload for All Cases	Fraction of Felony and Misdemeanor Workloads	Population (2009)	Population Weight	Weighted Fraction
California	2002	All judicial officers	987	2254	0.437888199	36,961,664	0.6731833	0.2948
Hawaii	1997	District courts	357,262.1	1,114,524	0.320551285	1,295,178	0.02358909	0.0076
Iowa	2000	All judicial officers	6,136,036.78	16,567,588	0.370363917	3,007,856	0.05478212	0.0203
Nebraska	2006	District and county courts	2,504,782	4,787,784	0.523161028	1,796,619	0.03272185	0.0171
Oregon	1999	Circuit courts	5,295,909	12,711,403	0.41662663	3,825,657	0.06967674	0.029
West Virginia	2007	Circuit courts	1,131970	6,213,660	0.182174435	1,819,777	0.03314362	0.006
Wisconsin	2006	All judicial officers	8,607,237	23,945,697	0.359448171	5,654,774	0.10299048	0.037
Wyoming	1999	County courts	154,607	321,903	0.480290647	544,270	0.0099128	0.0048
					0.386313039			0.4166
						Average:		0.3863
						Weighted Average:		**0.4166**

Source: All reports can be found at http://www.ncsconline.org/wc/CourTopics/StateLinks.asp?id=87&topic=WorkLd.

Appendix K
Percentage of Incarcerated Drug Offenders by Drug Type (Marijuana)

While there is data available on the fraction of drug sales and manufacturing arrests by drug type, there is no aggregate statistic for the fraction of drug-related incarcerations by drug type. This was problematic for calculating corrections expenditures by drug because offenders are not necessarily incarcerated in the same proportion by drug for which they are arrested. This is because some offenses, such as possession of heroin, might be considered more punishable than others, such as possession of marijuana.

In order to calculate a proportion for drug incarcerations by drug, we looked at prisoner population statistics from every state. Only six states classified drug offenders by type of drug, and of those six, only three were specific enough to make distinctions among heroin, cocaine, and other types of drugs.

In order to use all available data, we first constructed a weighted average (by state population) for the proportion of drug offenders that were incarcerated for a marijuana offense. This number came out to be 8.2%, as demonstrated below.

State	Year	% Marijuana	Population (July 2009)	Population %	Weighted Share for Marijuana
California	2008	5.1	36,961,664	48.4	2.468
Colorado	2009	7.4	5,024,748	6.6	0.488
Georgia	2009	18.3	9,829,211	12.9	2.361
Illinois	2009	7.2	12,910,409	16.9	1.217
Indiana	2009	17.7	6,423,113	8.4	1.487
Minnesota	1989–2005	2.1	5,266,214	6.9	0.145
Total			76,415,359		
Average:		9.6			
			Weighted Average:		**8.2**

Sources: California: http://www.cdcr.ca.gov/Reports_Research/Offender_Information_Services_Branch/Annual/CalPris/CALPRISd2008.pdf. Colorado: http://www.doc.state.co.us/sites/default/files/opa/StatRprt_FY09.pdf. Georgia: http://www.dcor.state.ga.us/Reports/Annual/pdf/inmadmFY2009.pdf. Illinois: http://www.idoc.state.il.us/subsections/reports/annual_report/FY09%20DOC%20Annual%20Rpt.pdf. Indiana: http://www.in.gov/idoc/files/CY2009OffenderPopulation.pdf. Minnesota: http://www.corr.state.mn.us/publications/documents/drugbackgrounder.pdf.

Appendix L
Percentage of Incarcerated Drug Offenders by Drug Type (Non-Marijuana)

After the proportion of drug offenders incarcerated for marijuana was calculated, we came up with similar state-level proportions for the three states with data on other drugs, except excluding marijuana. These were then weighted by the populations of these three states. The final proportions were then normalized to account for the inclusion of marijuana. The final weighted share for heroin and cocaine offenders is 51.5%, for synthetic drug offenders is 25.7%, and for all other drug offenders is 14.6%. This is demonstrated in the table below.

State	Year	% Heroin/ Cocaine*	% Synthetic*	% Other*	Population %	Weighted Share for Heroin/ Cocaine	Weighted Share for Synthetics	Weighted Share for Other Drugs
Georgia	2009	58.1	21.3	20.6	0.456778755	26.53885	9.729387	9.409642
Indiana	2009	64.7	15.4	19.9	0.298492072	19.31244	4.596778	5.939992
Minnesota	1989–2005	41.9	55.9	2.2	0.244729173	10.25415	13.68036	0.538404
Averages:	54.9	30.8	14.4					
					Weighted averages:	56.1	28	15.89
					Including marijuana:	**51.5**	**25.7**	**14.6**

Sources: Georgia: http://www.dcor.state.ga.us/Reports/Annual/pdf/inmadmFY2009.pdf. Indiana: http://www.in.gov/idoc/files/CY2009OffenderPopulation.pdf. Minnesota: http://www.corr.state.mn.us/publications/documents/drugbackgrounder.pdf.

* Opiates were categorized as heroin; "cocaine and narcotics" were categorized as cocaine and heroin. When unspecified, drugs were categorized as "other," even though this category might be overestimated because the original figures might have included heroin, cocaine, or synthetic drugs. "Legend drugs" and "Indiana schedule IV substances" are categorized as synthetic drugs. For Minnesota, it was assumed that half of all drugs categorized as "other" were heroin or opiates.

Appendix M
Revenue under Prohibition from Seizures and Fines

Seizures. In 2007, U.S. attorneys received $1.3 billion of forfeiture. This overstates revenue related to drugs because the figure includes seizures for all reasons, such as violation of gun laws, intellectual property laws, and the like. There may also be double-counting between the DEA seizures and the U.S. Customs seizures.

State and local data on forfeiture revenue are not readily available. Katherine Baicker and Mireille Jacobson, "Finders Keepers: Forfeiture Laws, Policing Incentives, and Local Budgets" (manuscript, Department of Economics, Dartmouth College, 2004), however, estimate using a sample of states that state forfeiture revenue per capita was roughly $1.14 during the 1994–2001 period. This implies aggregate state forfeiture revenue of $342 million. Adjusting for inflation implies a number around $400 million.

Fines. In 2007, the total quantity of fines and restitutions ordered for drug offense cases in U.S. District Courts was just under $38.1 million.[1] Assuming the ratio of state/local to federal fine/restitution revenue is similar to ratio of state/local to federal seizure revenue implies that state and local fine/restitution revenue from drug cases is about $10 million.

[1] See http://www.albany.edu/sourcebook/1995 /pdf/t531.pdf.

Notes

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1. Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2010 to 2020* (Washington: CBO, 2010), p. xii; Office of Management and Budget, *Analytical Perspectives: Budget of the U.S. Government, Fiscal year 2011* (Washington: OMB, 2010): p. 47.

2. Elizabeth McNichol and Nicholas Johnson, "Recession Continues to Batter State Budgets: State Responses Could Slow Recovery," Center on Budget and Policy Priorities, May 27, 2010.

3. See Office of the Governor, "2010–2011 Budget Proposal: Solving California's $20 Billion Deficit", Fact Sheet, http://gov.ca.gov/index.php?/fact-sheet/14147/. Marijuana would still be prohibited under federal law, which raises constitutional issues as well as complications for estimating the fiscal impact of legalization.

4. See "Yes on Prop 19," http://www.taxcannabis.org/index.php/pages/about.

5. See, for example, the estimates in Jeffrey A. Miron, "The Effect of Marijuana Decriminalization on the Budgets of Massachusetts Governments, with a Discussion of Decriminalization's Effect on Drug Use," Report to the Drug Policy Forum of Massachusetts (October 2002) versus those in Jeffrey A. Miron, "The Budgetary Implications of Marijuana Legalization in Massachusetts," *Report to Change the Climate* (August 2003).

6. This report addresses only the criminal justice costs of enforcing drug prohibition; it does not address any possible changes in prevention, education, or treatment expenses that might accompany legalization. The narrower approach is appropriate because the decision to prohibit drugs is separate from the decision to subsidize prevention, education, and treatment. Drug legalization might nevertheless cause some reduction in government expenditure for demand-side policies. For example, legalization would likely mean reduced criminal justice referrals of drug offenders to treatment; this category accounted for 15–50 percent of drug treatment referrals in 2006, depending on the drug category (U.S. Department of Health and Human Services, 2006, Appendix Table D, p. 14). Thus, the approach adopted here implies a conservative estimate of the reduction in government expenditure from drug legalization.

7. For example, under current rules regarding parole and probation, a positive urine test for drugs can send a parolee or probationer to prison, regardless of the original offense. These rules might change under legalization, implying additional reductions in government expenditure.

8. Only 90.4 percent of paid full-time and part-time police officers have general arrest powers. See the 2003 Sample Survey of Law Enforcement Agencies at http://www.icpsr.umich.edu/cocoon/NACJD/STUDY/04411.xml.

9. To the extent it takes additional resources to process an arrestee on multiple charges rather than on a single charge, there is still a net utilization of police resources in such cases due to prohibition. In addition, there is typically a lab test to determine the precise content of any drugs seized when there is an arrest on drug charges, implying utilization of additional resources due to prohibition. A different issue is that in some cases, police stops for non-drug charges that discover drugs and produce an arrest on drug charges might not have led to any arrest in the absence of the drug charge (e.g., because of insufficient evidence).

10. Jeffrey A. Miron, "The Effect of Marijuana Decriminalization"; Peter Reuter, Paul Hirschfield, and Curt Davies, "Assessing the Crack-Down on Marijuana in Maryland," (manuscript, University of Maryland, 2001). Minchin Lewis, *Report on the Syracuse Police Department Activity for the Year Ended June 30, 2002* (Department of Audit, City of Syracuse, 2004) reports that in 2002 the fraction of stand-alone arrests was 90.5 percent in Syracuse, New York.

11. Appendix J contains more information on the methodology employed to arrive at this percentage.

12. These calculations are for the aggregate of all state and local expenditure in this category because state-level data on the percent of prosecutions due to drug laws are available.

13. This figure is not available by drug. The calculations here assume that the fraction of felony convictions by drug equals the fraction of sale/manufacturing arrests by drug. One study suggests that this assumption overstates judicial and legal budget due to marijuana prohibition because marijuana charges are less likely to be prosecuted than other drug charges. See Beau Kilmer et al., "Altered States? Assessing How Marijuana Legalization in California Could Influence Marijuana Consumption and Public Budgets," Rand Drug Policy Research Center Occasional Paper no. 315, 2010.

14. This report excludes the capital outlays por-

tion of the corrections budget since the available data do not indicate the average rate of such expenditures. This biases the estimates downward. Further, these calculations are for the aggregate of all state and local expenditure in this category because state-level data on the percent of prisoners due to drug laws are not available.

15. The proportion of drug offenders who are incarcerated by drug is not necessarily equivalent to the proportion of sales/manufacturing arrests by drug, since certain drugs might be considered more serious than others. This proportion, however, is not available for all states. In order to come up with an estimate of percentages by drug, we gathered individual state data on incarcerated drug offenders from six state-specific reports. All six included information on the number of marijuana prisoners, but only three reports contained information on the number of incarcerated prisoners for heroin, cocaine, and other drugs. Appendix K gives more information on this weighting methodology.

16. Most seized assets are ultimately forfeited.

17. Since these data are not available by drug, the estimates assume that seizure and fine revenue are roughly proportional to gross expenditure.

18. Inflation rate data used throughout the paper are from the U.S. Department of Labor, Consumer Price Index—All Urban Consumers (Bureau of Labor Statistics, http://www.bls.gov/cpi/home.htm#data). As a check, it is useful to compare the estimate provided here to that derived from an alternative methodology. Office of National Drug Control Policy, *State and Local Spending on Drug Control Activities*, Washington, 1993, reports survey evidence on drug prohibition enforcement by state and local authorities for the years 1990/1991. Adjusting these data for inflation and the percent attributable to drug prohibition yields an estimate similar to that reported above. The 1990 estimate is $23.02 billion for state and local drug expenditures on police/adjudications/corrections combined, and the 1991 estimate is $24.96 billion.

19. Office of National Drug Control Policy, *National Drug Control Strategy* (Washington, 2009), pp. 14 and A1, http://www.whitehousedrugpolicy.gov/publications/policy/10budget/fy10budget.pdf. This consists of expenditures in the following categories: Department of Defense ($1,242.7 million); Department of Homeland Security ($2,934.8 million and $65.0 million for other expenditures); Department of Justice ($2,921.1 million and $4,996.7 million for other expenditures); ONDCP ($421.7 million); Department of State ($1,125.7 million and $3.0 million for other expenditures); Department of Transportation ($2.7 million and $25.7 million for other expenditures); Department of Treasury ($57.3 million and $1,546.8 million for other expenditures); D.C. Court Services and Offender Supervision ($78.5 million); Department of the Interior ($6.6 million); and The Federal Judiciary ($1,025.3 million). Patrick Murphy et al., *Improving Anti-Drug Budgeting* (Santa Monica, CA: Rand, 2000) examine the methods used by ONDCP to estimate this expenditure. They conclude that methodological problems render parts of the estimates biased, by substantial amounts in some cases. However, these issues do not imply major qualifications to the data considered here. Murphy et al. find that the anti-drug budgets of the Coast Guard and the Bureau of Prisons are accurate reflections of the resources expended, whereas the reported expenditure of the Department of Defense probably underestimates its anti-drug budget. The overestimates that they identify occur for demand-side activities. The 2003 *National Drug Control Strategy* adopted a new methodology for estimating the federal drug control budget. This new methodology implies a substantial reduction in supply side expenditure (Office of National Drug Control Policy, *National Drug Control Strategy*, pp. 33–34). For the purposes of this report, however, the old methodology is more appropriate. For example, the new approach excludes expenditures on incarceration of persons imprisoned for drug crimes.

20. Office of National Drug Control Policy, *What America's Users Spend on Illegal Drugs* (Cambridge, MA: Abt Associates, 2001); Table A, p. 3.

21. Inflation data came from http://www.bls.gov/data/inflation_calculator.htm, and population data from http://www.census.gov/popest/states/NST-ann-est.html.

22. Usage rates have increased slightly between 2000 and 2008. Prevalence rates for usage of all illicit drugs have increased from 30.8 percent to 33.8 percent; for marijuana usage, from 27.9 percent to 28.6 percent; for cocaine, from 5.4 percent to 6.0 percent; for heroin, from 0.4 percent to 0.5 percent; for other drugs, from 11.6 percent to 14.3 percent. See *Monitoring the Future 2009*, p. 151, http://monitoringthefuture.org/pubs/monographs/vol2_2008.pdf.

23. Beau Kilmer and Rosalie Liccardo Pacula, *Estimating the Size of the Global Drug Market: A Demand-Side Approach—Report 2* (Santa Monica, CA: RAND Corporation, 2009), http://www.rand.org/pubs/technical_reports/TR711/.

24. Some evidence suggests that underreporting is lower for marijuana than for harder drugs, but for simplicity we apply the same adjustment across drugs. This could mean our marijuana estimates are too large.

25. To be explicit, we assume no shift in the demand curve. If the supply curve shifts, the quantity demanded will change.

26. The "forbidden fruit" effect refers to the idea that some people use drugs *because they are illegal*. If drugs are made legal, these consumers might well stop spending their dollars on drugs.

27. Regulation aimed at drug use and sale (e.g., age limits on purchase or licensing and zoning restrictions on sale) might also reduce demand relative to prohibition because legal sellers face a stronger incentive to obey such regulation than underground sellers, who are already hiding their actions from authorities.

28. Jeffrey A. Miron, "Do Prohibitions Raise Prices? Evidence from the Markets for Cocaine and Heroin," *Review of Economics and Statistics* 85, no. 3 (2003): 522–30.

29. The underlying assumption is that the marginal costs of evading tax and regulatory costs is zero for black market suppliers who are already conducting their activities in secret.

30. Robert MacCoun and Peter Reuter, "Interpreting Dutch Cannabis Policy: Reasoning by Analogy in the Legalization Debate," *Science* 278 (1997): 47–52. Authors report gram prices of $2.50–$12.50 in the Netherlands and $1.50–$15.00 in the U.S. They speculate that the surprisingly high prices in the Netherlands might reflect enforcement aimed at large-scale trafficking. Lana D. Harrison, Michael Backenheimer, and James A. Inciardi, "Cannabis Use in the United States: Implications for Policy," in Peter Cohen and Arjan Sas, eds., *Cannabisbeleid in Duitsland, Frankrijk en do Verenigde Staten* (Amsterdam: Centrum voor Drugsonderzoek, Universiteit van Amsterdam, 1995), pp. 231–36. Harrison et al. note that ONDCP data on marijuana prices in the U.S. are similar to prices charged in Dutch coffee shops. Office of National Drug Control Policy, *The Price of Illicit Drugs: 1981 through Second Quarter of 2000* (Washington: Abt Associates, 2001b) reports a price per gram for small-scale purchases of roughly $9 in the second quarter of 2000, while European Monitoring Centre for Drugs and Drug Addiction, *Annual Report 2002* (2002), http://annualreport.emcdda.u.int/pdfs/2002_0458_EN.pdf, suggests a price of 2–8 Euros per gram, which is roughly $6 on average. Various web sites that discuss the coffee shops in Amsterdam suggest prices of $5–$11 per gram in recent years. These comparisons do not adjust for potency or other dimensions of quality. Kenneth W. Clements and Mert Daryal, "Marijuana Prices in Australia in 1990s" (manuscript, Economic Research Centre, Department of Economics, The University of Western Australia, 2001) report marijuana prices for Australia that are similar to or higher than those in the United States. Since Australian drug policy is noticeably less strict than U.S. policy, this observation is consistent with the view that legalization would not produce a dramatic fall in price.

31. The results in Jeffrey A. Miron, "Do Prohibitions Raise Prices?" pp. 522–30 come from two kinds of evidence. The first is analysis of the relation between farm gate prices and retail prices for "similar" goods such as coffee or chocolate. The second is examination of prices for legal versions of currently illegal drugs, such as those for medical versions of cocaine and opiates like morphine.

32. The report assumes a 5 percent value for other drugs because direct evidence is not available, and this assumption errs on the conservative side.

33. The elasticity of demand is the percentage change in the quantity demanded that results from a one percentage point change in the price. For example, an elasticity of -0.5 means that if price falls by 10 percent, the quantity demanded will increase by 5 percent. An "elastic" demand curve is one for which the elasticity is large (in absolute value).

34. See Charles T. Nisbet and Firouz Vakil, "Some Estimates of Price and Expenditure Elasticities of the Demand for Marijuana among U.C.L.A. Students," *Review of Economics and Statistics* 54 (1972): 473–75. Their estimates that use survey data imply price elasticities of -0.365 or -0.51 in the log and linear specifications, respectively, while the purchase data imply price elasticities of -1.013 and -1.51. The estimates based on purchase data are plausibly more reliable. Moreover, as they note, these estimates are likely biased downward by standard simultaneous equations bias. Clemens and Daryal (1999) estimate a price elasticity of -0.5 for drugs using Australian data. Estimates of the demand for "similar" goods (e.g., alcohol, cocaine, heroin, or tobacco) suggest similar elasticities. Rosalie Liccardo Pacula et al., "Drugs and Youth," National Bureau of Economic Research Working Paper no. 7703 (2000). Pacula et al. summarize the literature on the relation between drug use and factors that can affect use, such as legal penalties. They conclude the evidence is mixed but overall indicates a moderate response of drug consumption to "price." The papers summarized do not provide measures of the price elasticity. The results reported by Pacula et al. suggest an elasticity of drug participation between 0.0 and -0.5; this understates the total elasticity, which includes any change in consumption conditional on participation. The literature since Nisbet and Vakil is thus consistent with the elasticity estimate assumed above.

35. The phrase "if demand is less elastic" can be read as "if demand is less responsive (to price)."

36. R. Keith Schwer, Mary Riddel, and Jason Henderson, "Fiscal Impact of Question 9: Potential State-Revenue Implications" (Center for Business and Economic Research, University of Nevada, Las Vegas, 2002). Schwer et al. estimate the tax revenue from marijuana legalization in Nevada assuming "sin" taxation. Their estimates are not readily comparable to those presented here because they consider the situation in which one state legalizes marijuana while other states and the federal government prohibit marijuana. The same comment applies to Scott W. Bates, "The Economic Implications of Marijuana Legalization in Alaska" (report for *Alaskans for Rights & Revenues*, Fairbanks, Alaska, 2004), who estimates the tax revenue from marijuana legalization in Alaska. See Stephen T. Easton, "Marijuana Growth in British Columbia," *Public Policy Sources*, Fraser Institute Occasional Paper no. 74, 2004. Easton estimates the tax revenue from marijuana legalization in Canada under the assumption of sin taxation. His estimates are comparable but modestly higher than those presented here, adjusted for the different size of the U.S. and Canadian economies. See Michael R. Caputo and Brian J. Ostrom, "Potential Tax Revenue from a Regulated Drug Market: A Meaningful Revenue Source," *American Journal of Economics and Sociology* 53 (1994): 475–90. Authors provide estimates for the overall economy that are similar to those obtained here.

37. U.S. Department of Health and Humans Services, *Reducing Tobacco Use: A Report of the Surgeon General, Tobacco Taxation Fact Sheet* (2000), http://www.cdc.gov/tobacco/data_statistics/sgr/sgr_2000/00_pdfs/CDC-60100788-Tax.PDF. But see Patrick Fleenor, "Cigarette Taxes, Black Markets, and Crime: Lessons from New York's 50-Year Losing Battle," Cato Institute Policy Analysis no. 468 (2003).

38. These assumptions imply an amount of sin taxation as a percent of expenditure that is similar to what currently occurs in the U.S. for alcohol and tobacco. In 2007, federal excise tax receipts from alcohol and tobacco were $8.6 billion and $7.6 billion, respectively (See Table 457 of U.S. Census 2009, http://www.census.gov/compendia/statab/tables/09s0457.pdf), and state and local excise tax receipts from alcohol and tobacco were $5.7 billion and $15.8 billion, respectively (See Appendix Table A of U.S. Census 2007, http://www2.census.gov/govs/estimate/0700ussl_1.txt). This implies total excise taxation on alcohol and tobacco of $14.3 billion and $23.4 billion, respectively. In this same year, consumer expenditure on alcohol and tobacco were $54.9 billion ($457 per consumer unit for 120,171 units) and $33.8 billion ($323 per consumer unit for 120,171 units), respectively (See U.S. Department of Labor 2007, ftp://ftp.bls.gov/pub/special.requests/ce/standard/2007/cusize.txt). These figures imply that excise taxation accounts for roughly 26 percent (alcohol) and 69 percent (tobacco) of expenditure.

39. These amounts are not necessarily attainable given the characteristics of drug production. Small scale, efficient production is possible, so the imposition of a substantial tax might encourage a portion of the market to remain underground. Whether such production is illicit depends on the details of a legalization law. Plausibly, growing small amounts for personal use would not be subject to taxation or regulation, just as growing small amounts of vegetables or herbs is not subject to taxation or regulation. The evidence suggests that the magnitude of such production would be minimal. In particular, alcohol production switched mostly from the black market to the licit market after repeal of Alcohol Prohibition in 1933.

The assumption of a constant demand elasticity in response to a price change of this magnitude is also debatable; more plausibly, the elasticity would increase as the price rose, implying a larger decline in consumption and thus less revenue from excise taxation.

40. In 2001 total government receipts divided by GDP equaled 29.7 percent. See the *2003 Economic Report of the President*, http://www.gpoaccess.gov/usbudget/fy04/pdf/2003_erp.pdf, Tables B-1 and B-92, pp. 276 and 373.

41. Tables can be found at http://www.oas.samhsa.gov/2k7state/AppB.htm#TabB-1.

42. See Jeffrey A. Miron, *Drug War Crimes: The Consequences of Prohibition* (Oakland, CA: Independent Institute, 2004); James Ostrowski, "Thinking about Drug Legalization," Cato Institute Policy Analysis no. 121 (May 25, 1989).

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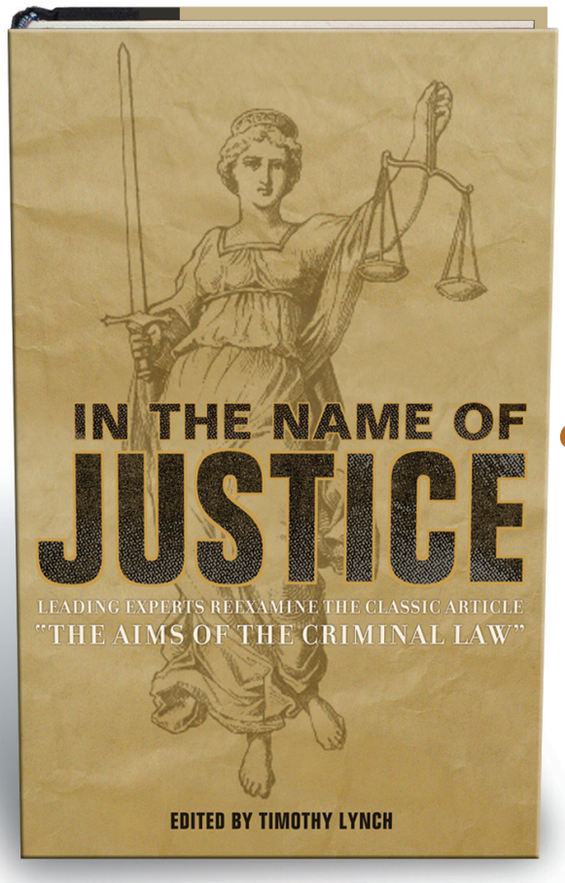

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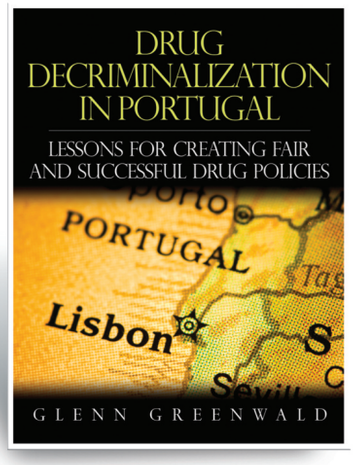

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