

November 7, 2023

Recreational Marijuana and Economic Development

Advocates of legalizing the use of marijuana for recreational purposes sometimes argue that taking such a step could potentially create economic benefits. For example, when Colorado voters considered Amendment 64 in 2012—an ultimately successful ballot initiative to allow recreational marijuana in the state—the Colorado legislature’s accompanying nonpartisan voting guide noted that one of the arguments in favor of the amendment was that “the measure will ... add sales tax revenue and may add job opportunities to the state economy.”

Some Members of Congress have made similar claims. A 2018 report published by Democrats on the Joint Economic Committee stated that “the legalization of cannabis has significant implications for state economies, as well as the national economy...As more states move to legalize cannabis, these numbers will only continue to rise, potentially providing a new stream of revenue and jobs to local economies.” Other sources suggest that economic gains from recreational marijuana may be relatively muted, or concentrated in certain sectors.

Assessing the economic effects of recreational marijuana can be difficult. One reason is that the recreational marijuana industry is young. Colorado, the first state to legalize recreational marijuana, did so in 2012, with sales beginning in 2014. As a result, it is hard to discern long-term trends. Another complicating factor is the fact that marijuana remains illegal at the federal level and federal agencies such as the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA) can only collect limited information related to marijuana. This In Focus provides context on recreational marijuana and economic development. It does not address medical use of marijuana.

Federal and State Legal Status of Marijuana

Marijuana is a Schedule I controlled substance under the Controlled Substances Act (CSA, 21 U.S.C. §801 et seq.). This means the CSA prohibits the manufacture, distribution, dispensation, and possession of marijuana except in federal government-approved research studies. For more details on marijuana’s federal legal status, see CRS Report R44782, *The Evolution of Marijuana as a Controlled Substance and the Federal-State Policy Gap*.

In August 2023, the Department of Health and Human Services (HHS) recommended to the Drug Enforcement Administration (DEA) that marijuana be rescheduled from Schedule I to Schedule III under the CSA. As a Schedule III controlled substance, marijuana would be eligible for medical use while maintaining federal criminal control over unauthorized use of the substance pursuant to the CSA. The recommendation is based on the Food and Drug

Administration’s (FDA’s) review of marijuana, as requested by President Biden in 2022. A DEA official testified in a 2020 congressional hearing that DEA is bound by FDA’s recommendations on scientific and medical matters, which could make it likely that DEA will reschedule marijuana according to HHS’s recommendation. For more details, see CRS Insight IN12240, *Department of Health and Human Services Recommendation to Reschedule Marijuana: Implications for Federal Policy*.

Despite marijuana’s Schedule I status, in recent years a number of states have repealed state criminal prohibitions on recreational marijuana, although it remains illegal under the CSA. According to the National Conference of State Legislatures, as of June 2023, 23 states and the District of Columbia allow recreational marijuana.

Economic Development Possibilities

Policy discussions about recreational marijuana sometimes occur in the context of potential economic benefits—primarily jobs. Broadly speaking, jobs in the recreational marijuana industry belong to one of four categories:

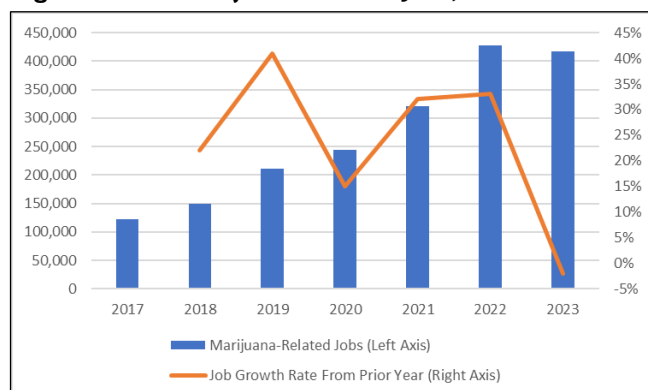
- **Cultivators and producers:** These entities grow and harvest recreational marijuana.
- **Manufacturers and processors:** These entities turn unprocessed marijuana into finished recreational products such as edibles and tinctures.
- **Testers:** These entities conduct potency and contaminant testing for retail marijuana businesses.
- **Retailers:** These entities sell recreational marijuana to consumers.

While these categories represent the bulk of direct recreational marijuana-related jobs, some have argued that jobs in other industries may also benefit from recreational marijuana. For example, an October 2022 article from the Federal Reserve Bank of Kansas City found that the emergence of the recreational marijuana industry throughout the Tenth Federal Reserve District had led to stronger demand for commercial real estate, as recreational marijuana businesses purchased or rented industrial facilities that had otherwise been unoccupied. (The Tenth Federal Reserve District includes Colorado, which, along with Washington, was one of the first states to open recreational marijuana markets in 2014.)

While the federal government collects limited data on marijuana-related jobs, other organizations—sometimes affiliated with the marijuana industry—offer relevant information. As **Figure 1** shows, according to the marijuana employment agency Vangst, total marijuana-related jobs in the United States more than tripled from 2017 to 2023, though with a slight decline in the number of jobs between

2022 and 2023. That decline may reflect contractions in the marijuana industry after it appeared to experience strong growth during the early part of the COVID-19 pandemic.

Figure 1. U.S. Marijuana-Related Jobs, 2017-2023



Source: Vangst, Jobs Report 2023, <https://vangst.com/blog/2023-jobs-report>.

Notes: Includes direct and indirect jobs. 2023 data is from February.

Recent marijuana-related job growth is unevenly distributed among states. In a 2023 report, Vangst noted that some of the states that have had recreational marijuana for the longest periods, including Colorado, Nevada, and Oregon, experienced some of the largest marijuana-related job losses that year, while states that introduced recreational marijuana more recently, such as Missouri and New Jersey, saw the largest job gains. This echoes research, including a 2019 report from the Pew Charitable Trusts, that found that state recreational marijuana markets often have strong growth immediately after introduction, but that growth may slow—or potentially even decline—over time.

COVID-19 Pandemic Impact

As mentioned, the pandemic also appears to have impacted the recreational marijuana industry. Various studies suggest marijuana use may have increased during the pandemic, as many people found themselves unable to engage in regular social activities. **Figure 2**, which provides recreational marijuana sales figures for Colorado, shows that trend in 2020, with slowing sales in the pandemic's later years.

Figure 2. Colorado Recreational Marijuana Sales, 2014-2022



Source: Colorado Department of Revenue, Marijuana Sales Reports, <https://cdor.colorado.gov/data-and-reports/marijuana-data/marijuana-sales-reports>.

Notes: Dollars in millions.

Considerations for Congress

Recreational marijuana's potential economic effects may be a factor in any congressional actions on the substance. However, as noted, there are limited federal data sources concerning marijuana's potential economic impact. Should Congress wish to collect more information on recreational marijuana's potential impacts on economic development, it could consider directing BLS, BEA, or other agencies to develop and collect metrics related to marijuana. Obtaining such information from nonpartisan sources could help provide context for any potential legislative pursuits.

Congress may consider acting on marijuana's Schedule I status. Congress could de-schedule or reschedule marijuana under the CSA and/or repeal associated criminal provisions. In the 118th Congress, the Marijuana Opportunity Reinvestment and Expungement (MORE) Act (H.R. 5601) would remove marijuana from control under the CSA. (A version of the bill in the 117th Congress, H.R. 3617, passed the House but not the Senate.) Conversely, Congress could opt to encourage enforcement of the CSA and push for federal law enforcement to dismantle state recreational marijuana programs. Congress could also take no action.

If Congress were to decide to de-schedule or reschedule marijuana or otherwise allow for a federal system of legalized recreational marijuana, there may be questions of whether and how to impose a federal tax on marijuana. By way of comparison, the federal government imposes excise taxes on tobacco. Recreational marijuana's tax structure could affect its economic development potential. For example, some research has suggested that high marijuana tax rates—and resulting high recreational marijuana prices—may contribute to the risk of turning potential consumers toward the untaxed black market, in turn jeopardizing recreational marijuana's economic potential. On the other hand, higher tax rates could deter potential consumers—especially those that may be new to recreational marijuana and unlikely to purchase from the black market—from using recreational marijuana at all, which may be a policy goal for some lawmakers. In this way, public health and economic development goals for recreational marijuana could, to some extent, be at odds.

Partly due to its Schedule I classification, recreational marijuana businesses often have difficulty accessing certain financial services, including deposit accounts and insurance. This can create uncertainty for recreational marijuana businesses, and could make it harder for them to grow and provide greater employment. In the 118th Congress, the SAFER Banking Act (S. 2860) would, among other things, restrict federal regulators' ability to terminate a deposit account for a recreational marijuana business and create a safe harbor from federal law for transactions with a state-sanctioned recreational marijuana business and any entity handling that business's proceeds. The Senate Committee on Banking, Housing, and Urban Affairs reported S. 2860 on September 28, 2023, and the bill was placed on the Senate legislative calendar.

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