



Ask an Economist: A look at the marijuana industry in Tenth District states

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Research led by Senior Policy Advisor Alison Felix shows that the marijuana industry tends to have sizable effects in the initial years after legalization. However, the industry's overall size remains moderate relative to the broader economy.

Since Colorado became the first state to open recreational marijuana stores in January 2014, the marijuana industry has continued to expand across the country, and the industry's effects have rippled through many aspects of the Tenth District economy, especially in the years immediately following legalization. In an October 2022 *Economic Bulletin*, Senior Policy Advisor [Alison Felix](#) and Research Associate Samantha Shampine examine the impact of this emerging industry in Tenth District states.

What is the status of legalization in the Tenth District?

Marijuana is legal for medical and recreational uses in Colorado and New Mexico, while Missouri and Oklahoma have legalized medical marijuana only. This expansion might continue in the years to come. In November, Missouri voters will decide whether they want to legalize recreational marijuana. Industry advocates also collected signatures for marijuana-related ballot initiatives in Nebraska and Oklahoma, but those measures will not appear on voter ballots this year.

What is the industry's effect on employment?

The marijuana industry accounts for a fairly small share of total employment in Tenth District states, with estimates ranging from less than 0.3% in Missouri to around 1.35% in Colorado. Still, new jobs in the marijuana industry in the few years following legalization can contribute substantially to total employment growth. For example, new jobs in the marijuana sector may have contributed up to 13.6 percent of total employment growth in Colorado between 2014 and 2017. However, as the industry matured in Colorado, employment gains moderated. From 2018 to 2021, new occupational licenses equated to about 3 percent of total employment gains in Colorado. Outside Colorado, the marijuana industry is much newer in the District. Thus, District employment growth in the marijuana industry may moderate in the coming years as the industry matures in other states.

What is known about sales?

With perhaps the most well-established marijuana industry in the country, sales in Colorado are much higher than in other District states, totaling more than \$2.2 billion in 2021. However, marijuana sales still make up less than 1% of total consumer spending in Colorado. Meanwhile, Oklahoma—a state with only medical sales—had a surprisingly large estimated \$945 million in sales in 2021. Relative to other states, regulations in the marijuana industry are less stringent in Oklahoma, including the licensing of businesses and patients. About 9.3% of Oklahoma residents have a medical I.D. card enabling marijuana purchases. The card requires a physician’s signature but unlike other states is not restricted to specific underlying health conditions.

Business licenses also were inexpensive and relatively easy to obtain in Oklahoma, leading the state to have more retail cannabis stores than Colorado, Oregon and Washington combined and the largest number of licensed cannabis farms (more than 9,000) in the United States. However, Oklahoma legislators recently passed a moratorium on the issuance of new cannabis business licenses that is expected to remain in place through August 2024.

How have state coffers benefitted from taxes?

Tax rates on marijuana vary significantly across states, with taxes typically much higher for recreational sales compared with medical sales. Among the Tenth District states, Colorado had the highest tax revenue in 2021

at more than \$423 million. The marijuana industry generated almost \$150 million in revenue for Oklahoma in 2021; about \$50 million in revenue is projected in New Mexico’s first year of recreational sales; and Missouri has collected less than \$10 million since sales began. Still, tax revenue from marijuana remains a fairly small share of overall state and local government revenue.

How has the industry impacted other parts of the economy?

As the marijuana industry emerged, businesses looked to snap up industrial and retail space, and some residential realtors reported an increase in all-cash offers. According to a 2019 survey conducted by the National Association of Realtors, 23 percent of realtors located in states that had legalized both medical and recreational marijuana prior to 2016 reported that residential inventory had tightened due to all-cash purchases from the marijuana industry, but the realtors listed this factor as only one of many.

In these same states, 27 percent of respondents reported that demand had increased for storefronts, 21 percent reported stronger demand for land, and 42 percent reported higher demand for warehouses. In general, the marijuana industry has tended to have sizable effects in the initial years after legalization as business is ramping up. However, the overall size of the industry relative to the broader economy has remained more moderate.