Ballot Proposition 207
Smart and Safe Arizona Act
Fiscal Analysis

A.R.S. § 19-123E requires the Joint Legislative Budget Committee Staff to prepare a summary of 300 words or less on the fiscal impact of voter-initiated ballot measures. Proposition 207 would legalize the sale and use of recreational marijuana for persons 21 years of age and older. The initiative establishes a 16.0% tax on the sale of recreational marijuana and recreational marijuana products. Marijuana establishments would also pay licensing fees.

The tax and the licensing fees are projected to generate $166 million in annual revenue after the program becomes more fully operational in the next several years.

These monies would be deposited into the Smart and Safe Arizona Fund (SSAF). SSAF monies would first be used to pay administrative costs of certain agencies. The remainder of these monies would then be distributed as follows:

- 33.0% to community colleges
- 31.4% to local law enforcement and fire departments
- 25.4% to the state and local transportation programs
- 10.0% to public health and criminal justice programs
- 0.2% to the Attorney General for enforcement

The regular sales tax would apply to recreational marijuana purchases. Annual state and local sales tax collections on these purchases may reach $88 million in the next several years. These monies would be available for general use.

Due to uncertainty about the level of marijuana sales, the revenue estimates are speculative and subject to change.

The initiative also requires a one-time transfer from the Medical Marijuana Fund of $45 million for the Department of Health Services, a university tuition program, and an impaired driving program.

There could be fiscal costs from increased emergency room visits, hospitalizations, and substance abuse treatment, as well as savings from reduced arrests, prosecutions, and punishment of marijuana offenses. The magnitude of such costs or savings would depend on subsequent funding decisions made by the state government.