

# CHANGING MIDWEST MARIJUANA LANDSCAPE IMPACTS WISCONSIN

*Since late 2019, consumption and sales of recreational marijuana have begun in two of Wisconsin's neighboring states, while a third appears poised to legalize the substance soon. Policy deliberations in Wisconsin have stalled, allowing time to learn from other states' experience but also forestalling the chance to collect some tax revenue and write regulations even as residents can now easily bring the drug back across the border.*

As of January 2023, three out of every ten Wisconsin residents above the age of 21 live within an hour's drive of a legally-operating, recreational marijuana dispensary. When that zone is expanded to a 75-minute drive, 50% of all Wisconsinites of legal age (about 2.16 million individuals) can drive to a recreational dispensary, including all residents of major cities like Milwaukee and Madison (see Figure 1).

As recently as November 2019, those numbers were zero. Both Michigan (2018) and Illinois (2019) have

passed laws legalizing marijuana, with Michigan opening its first recreational dispensaries in December 2019 and Illinois stores debuting in January 2020. Since then, more than 100 locations in Illinois and 600 locations in Michigan have begun sales. Meanwhile, Minnesota lawmakers have legalized marijuana for medical purposes and appear poised to approve recreational use of the drug by the end of the year.

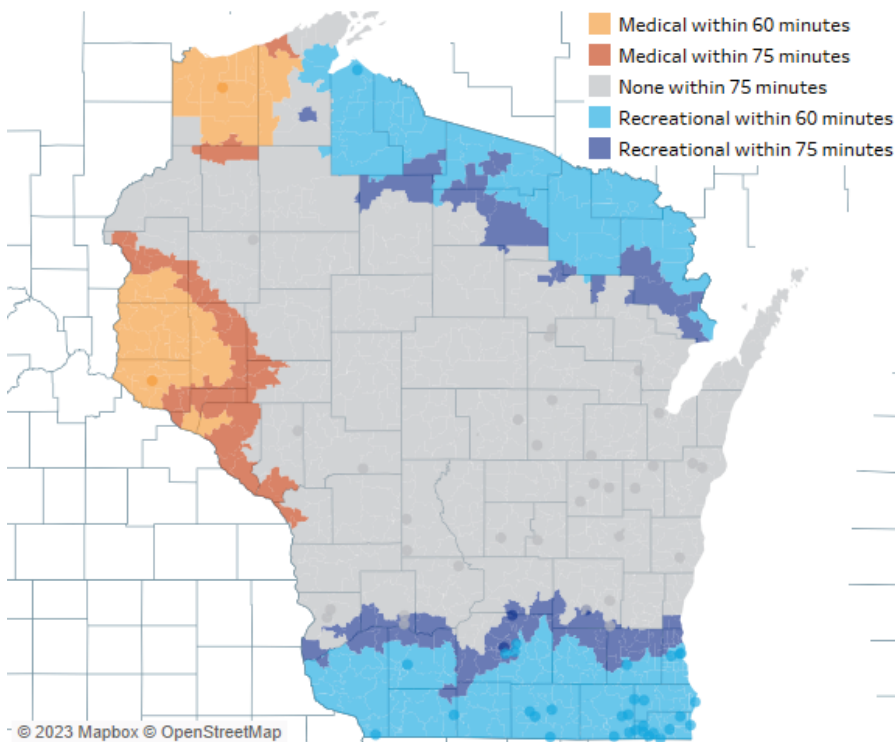
In Wisconsin, however, bills to legalize marijuana for any purpose have repeatedly stalled. While advisory referenda on marijuana legalization have passed by wide margins in a number of communities, many lawmakers here remain skeptical of legalizing medical marijuana and flatly opposed to legalization for recreational use.

The Wisconsin Policy Forum takes no position on marijuana legalization for either medical or recreational purposes. However, in recent years, we have sought to add context to this debate by [comparing marijuana policy in Milwaukee](#) to other U.S. cities, reviewing Milwaukee's marijuana [arrest trends](#) and implications, and assessing the impacts of [statewide marijuana legalization proposals in Wisconsin](#).

In this report, we briefly review the changing marijuana legalization landscape in the Midwest and summarize Michigan's and Illinois' experiences. While the possession and usage of marijuana is still illegal in Wisconsin and federally, it

**Figure 1: Most Wisconsinites Can Drive to a Dispensary**

Location of Wisconsin residents w/in driving distance of a marijuana dispensary, by Zip Code



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Sources: Illinois Department of Financial and Professional Regulation, Michigan Cannabis Industry Association, Minnesota Department of Health. Mapping from smappen.com.

may be increasingly difficult to enforce those laws over time or to prevent Wisconsinites from easily buying marijuana, as dispensaries continue to crop up near the state’s borders. In fact, new data from Illinois show that as much as one-third of the sales in that state are to visitors from other states, including Wisconsin.

## MARIJUANA IN THE MIDWEST

Via ballot referendum, Michigan residents passed the Regulation and Taxation of Marihuana [sic] Act in a November 2018 voter referendum by a margin of 56% to 44%, making it the first state in the Midwest (and 10<sup>th</sup> overall) to legalize marijuana for recreational consumption. It had been legal for medical purposes in the state since 2008.

Shortly thereafter, Illinois became the second Midwest state (and 11<sup>th</sup> overall) to legalize marijuana, but the first state nationwide to do so not through a ballot initiative, but by an action taken by the state legislature. Medical marijuana had been legal in the state since 2013. Along with this change in the legal status of the substance, laws in both Illinois and Michigan created a policy framework for marijuana, including (but not limited to) possession limits, taxes, licensing rules, and provisions for local governments to opt out of the retail program.

Minnesota has had medical marijuana provisions in place since 2014, and as of last year, edible products

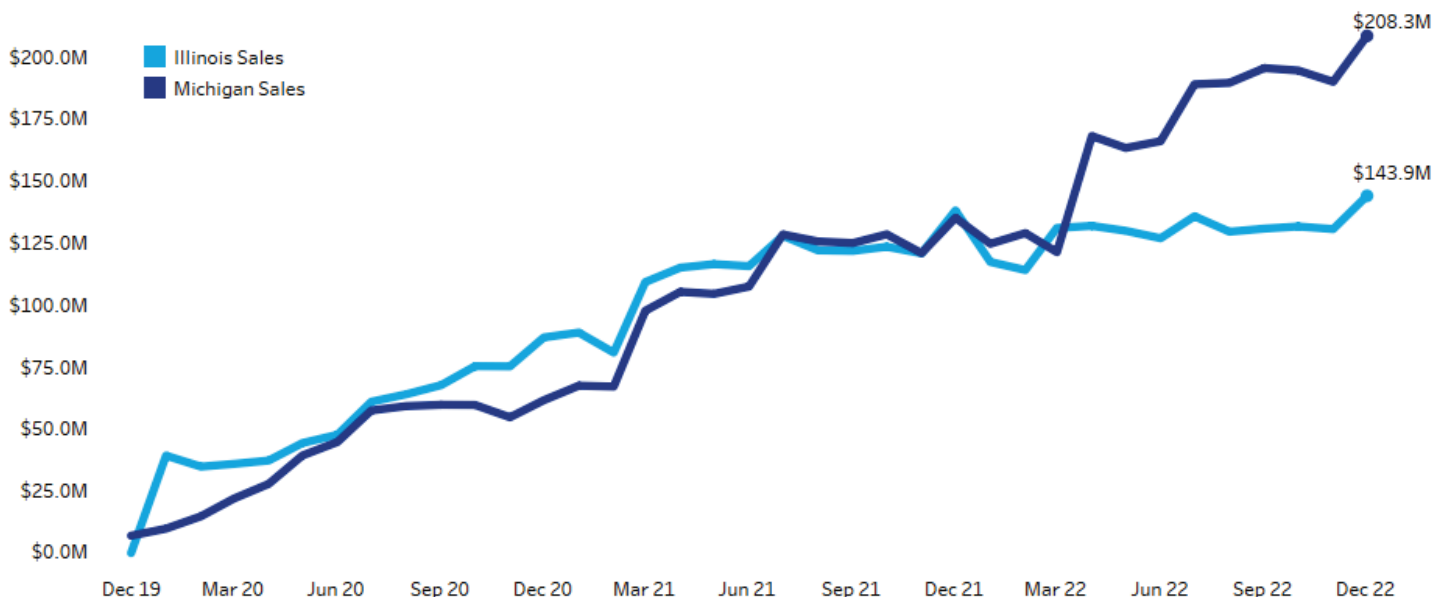
with low amounts of tetrahydrocannabinol (THC, the compound in marijuana which produces a “high” feeling) have become legal. However, House File 100 – which would legalize marijuana for recreational purposes in the state – passed the first of many potential committee hurdles in January of this year, and Governor Tim Walz has signaled that recreational marijuana legalization will be included in his state budget proposal. Given that Minnesota’s Democratic-Farmer-Labor (DFL) Party – which includes the author of HF 100 and the governor – now controls both legislative houses, it appears likely that a third Wisconsin neighbor will legalize recreational marijuana in 2023.

## MICHIGAN’S EXPERIENCE

Michigan’s law allows any state resident ages 21 and over to possess up to 2.5 ounces of marijuana and grow up to 12 plants at home. On top of the state sales tax of 6%, recreational marijuana is subject to a 10% excise tax. While the law went into effect in December 2018, the first recreational dispensary did not open in Michigan until December 1, 2019.

In the first month that the state tracked sales of recreational marijuana (December 2019), Michigan consumers purchased just under \$7 million of the substance. Just three years later, as of December 2022, sales of recreational marijuana have increased by a factor of nearly 30, reaching their highest single month total of \$208.3 million (see Figure 2) – or nearly

**Figure 2: Recreational Marijuana Sales Rise in Illinois, Michigan**  
Total sales of adult-use marijuana, by state, by month



Sources: Illinois Department of Financial and Professional Regulation, Michigan Cannabis Regulatory Agency



368,000 pounds of marijuana solids and just over 392,000 fluid ounces of liquid products. Michiganders – and those travelling to the state – purchased over \$2 billion of recreational marijuana products in 2022, almost quadrupling the 2020 total of just over \$510 million.

One explanation for the vast expansion of recreational marijuana purchases in Michigan has been growth in the number of municipalities that allow for its sale. The state tracks the number of municipalities that opt in, or out, of allowing retail outlets to conduct operations within the recreational program. In October 2020 – the first month for which data are publicly available – just 78 municipalities had opted into the program, compared to 1,409 that opted out. By December 2022, the opt-in number had risen by 65.4% to 129 municipalities, while the number opting out had shrunk to 1,378. Accordingly, the number of active licenses for retail locations for sales of the substance rose from just six in the first month of legalization to 609 in December 2022; on average, in 2022, about 15 new retail locations became active each month in the state.

In fiscal year (FY) 2021, Michigan collected upwards of \$111 million (about \$11 per state resident) from the 10% recreational marijuana excise tax. Including prior revenues held in the state’s marijuana regulation fund, Michigan had a total of \$172 million to distribute in FY 2021, of which \$42.2 million was allocated to municipalities and counties, and \$49.3 million was provided to both the state’s School Aid Fund for K-12 education and its Transportation Fund.

The widespread availability of legal marijuana in Michigan is still very likely being undercut by a black market. In 2020, researchers with the Anderson Economic Group [estimated](#) that only about 15% of total demand for cannabis in the state was being met by recreational stores, while much larger segments were met through illicit sales and recreational home cultivation (39%) or caregiver and medical home cultivation (30%). While the exponential growth in retail locations since 2020 has almost certainly curbed some of the illicit market, it has not disappeared.

Still, according to the state’s Cannabis Regulatory Agency, per ounce average retail flower (the smokable part of the cannabis plant) prices dropped by nearly 50% from September 2021 to September 2022, from \$204 to \$110. Further downward pressure on

recreational marijuana prices may lure buyers away from illicit markets.

## ILLINOIS’ EXPERIENCE

Illinois’ Cannabis Regulation and Tax Act was signed into law by Governor J.B. Pritzker in June 2019, and the first recreational dispensaries in the state opened on the first day of 2020. Illinois residents above the age of 21 may possess up to 30 grams of marijuana flower, five grams of concentrate, and 500 milligrams of marijuana in an infused product. Unlike Michigan, possession limits differ for non-state residents, who may only possess half of those amounts.

Illinois’ tax structure is also different – and significantly more complex – than that of Michigan. In addition to the state’s 6.25% sales tax and up to 3.5% in local sales taxes, recreational marijuana is subject to a 7% gross receipts tax. On top of that, an excise tax is applied based on the type of product: 10% for flower or products with less than 35% THC; 20% for any products infused with cannabis (i.e. “edibles”); and 25% for flower or products with more than 35% THC.

Like Michigan, sales of recreational marijuana have risen rapidly in Illinois. In the first month of legalization (January 2020), \$39.2 million of the substance was purchased. By December 2022, that total had nearly quadrupled to \$143.9 million (see Figure 2 on page 2). In 2022, Illinois dispensaries sold \$1.55 billion of recreational marijuana.

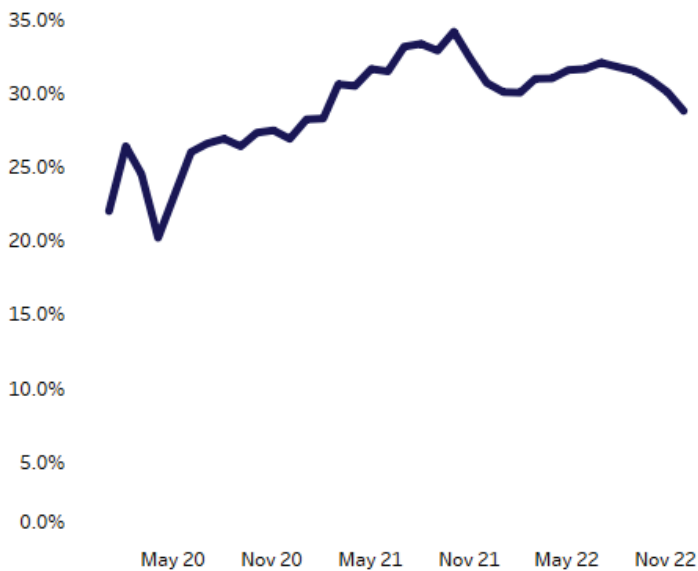
Because Illinois has a different legal possession limit for in-state and out-of-state residents, the state tracks total sales by consumer residence. In each month since June 2020, between 25% and 35% of all recreational marijuana sold in Illinois was purchased by out-of-state residents, peaking at a high of 34.2% in October 2021 (see Figure 3 on page 4). It has since declined slightly, as recreational marijuana became legal in Missouri and vastly expanded in Michigan. Still, throughout 2022, \$479.2 million in recreational marijuana was purchased in Illinois by individuals who did not live in the state.

Estimates for the percentage of out-of-state sales going to residents of each state are not available, but of Illinois’ bordering states without legal recreational marijuana – Iowa, Indiana, Kentucky, and Wisconsin – Wisconsin’s major population centers of both Milwaukee and Madison are located closest to the Illinois border. This is especially true now that



**Figure 3: Out-of-State Purchasers A Key Source of Revenue**

Percentage of recreational marijuana sales in Illinois to out-of-state residents, by month



Source: Illinois Department of Financial and Professional Regulation

recreational marijuana became legal in Missouri and nearby St. Louis in December 2022.

State law dictates where Illinois must spend the revenue it gains from state taxes on the product. After being deposited in the state’s Cannabis Regulation Fund, revenues must first cover administrative costs. Remaining revenue is then transferred to the General Revenue Fund (35%), the Criminal Justice Information Projects Fund within the state’s [R3 Program](#) (25%), the Department of Health Services Community Services Fund (20%), the Budget Stabilization Fund (10%), the Local Government Distributive Fund (8%), and the Drug Treatment Fund (2%). In FY 2022, Illinois generated \$445.3 million in state taxes (or about \$35 per state resident) and an additional \$146.2 million in local tax revenue from marijuana sales, both of which were significant increases from FY 2021 collections.

### WHAT’S NEXT FOR WISCONSIN

Wisconsin lawmakers have yet to introduce any legislation in this session to legalize marijuana for any purpose. While both Governor Tony Evers and legislative Democrats have said they want to legalize marijuana for both medical and recreational purposes, no movement is possible without the support of at least some Assembly and Senate Republicans.

Earlier this year, Senate Majority Leader Devin LeMahieu [said](#) that GOP senators as a group were getting closer to supporting medical marijuana in some form. However, while Assembly Speaker Robin Vos has noted similar feelings in the past, he has [said more recently](#) that Assembly Republicans may be further away than anticipated, and that they may see medical marijuana as “a gateway to recreational marijuana.”

Possession of marijuana in any form in Wisconsin is illegal at the state as well as the federal level. That said, many local governments have made pushes to decriminalize the drug; for example, individuals can carry up to 28 grams of cannabis in [Madison](#), although it is still illegal to buy and sell it. Other cities like Green Bay, Oshkosh, and Eau Claire have all eased restrictions on possession in recent years. In 2021, the Milwaukee County Board of Supervisors lowered the fine for the possession of small amounts of marijuana (under 25 grams) and for smoking marijuana in public both to just \$1. However, law enforcement officers can still choose to enforce state marijuana statutes, which carry much higher fines.

So while marijuana is not available for legal purchase in Wisconsin, it is sold at retail locations less than a mile from the state border in East Dubuque and South Beloit, Illinois. Meanwhile, in some Wisconsin localities it is legal to possess and consume it – but it is still illegal to do so under state and federal law. This combination of factors makes for a complicated legal and regulatory environment.

Changes to state law in Illinois, Michigan, and potentially Minnesota mean that Wisconsinites who have been unwilling to purchase the drug on the black market now have a route towards marijuana consumption that, at least in some jurisdictions, they may see as quasi-legal or at least less risky. For now, at least, other states and communities are receiving a financial benefit as a result of such purchases while Wisconsin still must confront many of the public health and public safety challenges that may emerge without any enhanced revenue.

As with the use of other substances, marijuana use may impact health, crime, and road safety. Evidence of the impact of recreational marijuana legalization on these outcomes tends to be mixed. Still, there seems to be [evidence](#) that marijuana legalization may increase the prevalence of car crashes and fatal injuries, including



[anecdotes](#) from Michigan. Lawmakers may wish to take these studies into consideration as they draft and consider marijuana legislation, and they should pay attention as new studies emerge in states that have legalized marijuana within the last few years, such as Illinois and Michigan.

While the law in Wisconsin has not changed greatly, the market for marijuana in the state undeniably has through the actions of neighboring states. Each side in the legal and ideological debate – both supporters and opponents of legalization – should factor these on-the-ground changes into their future deliberations.

