

The Self-Inflicted Cost of Prohibition

A MACRO-ECONOMIC ANALYSIS OF TENNESSEE'S HEMP REGULATION & INFRASTRUCTURE DEFICIT

This high-level policy brief examines the economic damage of Public Chapter 526 on Tennessee's domestic commerce and documents how sweeping cannabinoid bans directly starve critical state projects—like road repairs—of reliable, non-debt tax infrastructure funding.

1. Macro-Economic Collapse: Projection vs. Reality

Prior to the implementation of sweeping retail constraints, Tennessee's independent hemp-derived cannabinoid market had evolved into a top-performing agricultural and retail powerhouse in the Southeast region.

- **The Tracked Trajectory:** Validated third-party economic reporting from **Whitney Economics** benchmarked Tennessee's comprehensive hemp-derived marketplace at an estimated value of **\$1.7 billion to \$1.8 billion**, establishing an infrastructure that supported over **18,770 domestic jobs**.
- **The Immediate Revenue Drop:** Because THCA and associated full-spectrum options accounted for approximately **60% to 85% of total retail sales volume** for independent dispensaries, the statutory ban creates an immediate market contraction. Hundreds of brick-and-mortar small businesses are forced into sudden closure, while domestic multi-year agricultural investments are permanently erased.

2. Erasing State Treasury Collections

By shifting to an unworkable post-decarboxylation testing metric and capping physical device dimensions, Tennessee is shifting standard commerce directly out of the state.

- **The Missing Revenues:** Historical economic tracking indicates the state's legal cannabinoid ecosystem generated more than **\$245 million in annual sales** during optimal operational periods. Analysts project that removing the highest-grossing consumer products will dry up as much as **\$180 million in projected state tax and economic yields**.
- **Capital Flight:** Prohibition has failed to suppress consumer demand. Instead, millions of consumer dollars are leaking into out-of-state e-commerce networks or across borders into adjacent jurisdictions, enriching foreign economies while depriving Tennessee of vital funding.

3. Starving Infrastructure: The Pothole Funding Deficit

Tennessee's current statutory framework creates a direct link between product prohibition and the visible, ongoing deterioration of public state highways and roads.

The Infrastructure DeficitThe Statutory Funding Lock

Strategic Metric	The Tennessee Reality & Policy Backlog
Tennessee currently faces a massive \$58 billion infrastructure backlog for highway maintenance, regional bridge safety, and municipal road management.	
Operating strictly on a "pay-as-you-go" fiscal model, Tennessee is legally barred from issuing state debt to fix roads. Repairs can only occur when real, unallocated cash collections exist.	

THE "POT FOR POTHOLE" SOLUTION: ERASED BY POLICY

To resolve this precise transportation funding crisis, state policy advocates previously introduced the **"Pot for Potholes Act" (HB 2525 / SB 0921)**. The framework designed a smart approach to public financing: authorize, safely batch-test, and regulate cannabinoid products under a 15% state excise tax, with **75% of all generated tax revenues explicitly locked into the State Highway Fund** to patch potholes and repair rural roads.

By enforcing an unworkable product ban rather than embracing common-sense commercial taxation, the state government has created a severe fiscal bottleneck. Lawmakers have not altered cannabinoid demand; they have merely ensured that millions of dollars in transactions remain untaxed, forcing everyday Tennessee drivers to endure crumbling, underfunded road networks while local small businesses close their doors.