

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◊ (860) 240-0200
<http://www.cga.ct.gov/ofa>

sHB-6699

AN ACT CONCERNING CANNABIS REGULATION.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Consumer Protection, Dept.	GF - Cost	182,781 to 365,562	183,063 to 366,126
State Comptroller - Fringe Benefits ¹	GF - Cost	73,343 to 146,685	75,176 to 150,352
Healthcare Advocate, Off.	IF - Cost	At least 179,063	At least 244,345
Labor Dept.	GF - Cost	Up to 250,000	Up to 100,000
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below
Department of Revenue Services	Various - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund; IF=Insurance Fund; Various=Various

Municipal Impact:

Municipalities	Effect	FY 24 \$	FY 25 \$
Various Municipalities	Potential Revenue Gain	See Below	See Below

Explanation

The bill makes various changes to the recreational cannabis market

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 42.82% of payroll in FY 24.

resulting in the various costs and revenue gains described below.

Section 2 allows cannabis retailer and hybrid retailers to apply for an off-site event permit resulting in a cost to the Department of Consumer Protection (DCP) of \$182,781-\$365,562 in FY 24 and \$183,063-\$366,126 in FY 25, along with fringe benefit costs of \$73,343-\$146,685 in FY 24 and \$75,176-\$150,352 in FY 25. To meet the requirements of the bill DCP will have to hire two to four additional employees depending on the number of permits requested. There are currently 58 licensees who would be eligible to apply for this permit up to four times per year, with each permit lasting up to three days. This allows these retailers to sell their products at locations throughout the state creating a significant inspection, regulation, and investigation burden for the department.

Section 2 results in a potential revenue gain to the General Fund to the extent retailers apply for off-site event permits. This permit requires a \$500 nonrefundable fee to be submitted with each application.

Section 2 also results in a potential tax revenue gain to the state and certain municipalities by allowing the sale of retail cannabis at permitted off-site events. Any tax revenue impact would be only to the extent that there is an increase in cannabis sales rather than a shift from currently allowed transactions for cannabis.

Section 13 requires the Department of Labor (DOL) to develop a list of labor unions that are actively seeking to represent cannabis workers in the state. In order to accomplish this requirement without the loss of federal funding, DOL would need to relocate the State Board of Labor Relations (SBLR) staff to a new, fully state-funded facility along with necessary equipment.² This results in a one-time cost estimated at up to \$250,000 for relocation, lease, and equipment expenses in FY 24 and an

² According to the United States Department of Labor, "federal grant funds cannot be used to support any activity or initiative that involves cannabis production or the cannabis industry." DOL is projected to administer approximately \$102.7 million and \$112.4 million in federal funds in FY 24 and FY 25, respectively.

ongoing cost of up to \$100,000 annually thereafter.³

Sections 15-16 require the Office of the Healthcare Advocate (OHA) to designate an employee with specialized expertise and experience to serve as the Cannabis Ombudsman. Due to the lack of such expertise at OHA and the anticipated workload of the Cannabis Ombudsman under the bill, these sections result in a cost to OHA of at least \$179,063 in FY 24 and \$244,345 in FY 25, and annually thereafter, to hire at least one new staff to start on October 1, 2023.

The estimate reflects the cost for an Ombudsman with a starting annual salary of \$110,000, with corresponding fringe benefits of \$113,751, as well as other expenses and indirect overhead costs totaling \$15,000 annually.⁴ The costs in FY 24 reflect nine months of employment to adjust for the effective date of the bill.

Section 17 establishes a task force to study the impact of allowing individuals who cultivate cannabis in their homes, sell their product at organized events resulting in no fiscal impact to the state because the task force has the expertise to meet the requirements of the bill.

The bill also makes various technical and conforming changes to recreational cannabis statutes that are not anticipated to result in a fiscal impact to the state or municipalities.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of permits applied for, state employee wages and benefits, and inflation.

³ Other Expenses for the SBLR totaled \$91,796 in FY 22.

⁴ The fringe benefit costs for employees funded out of other appropriated funds are budgeted within the fringe benefit account of those funds, as opposed to the fringe benefit accounts within the Office of the State Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes for other appropriated fund employees is 103.41% of payroll in FY 24.