

OFFICE OF FISCAL ANALYSIS

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sHB-5150

AN ACT CONCERNING CANNABIS AND HEMP REGULATION.

As Amended by House "A" (LCO 4912)

House Calendar No.: 152

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Consumer Protection, Dept.	GF - Potential Cost	394,000	394,000
Attorney General	GF - Potential Cost	113,000	150,000
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	167,000	183,000
Resources of the General Fund, Consumer Protection Enforcement Account, Cannabis Social Equity and Innovation Fund	Various - Potential Revenue Gain	See Below	See Below
Attorney General; Consumer Protection Enforcement Account	Various - Transfer	See Below	See Below

Note: Various=Various; GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 25 \$	FY 26 \$
Various Municipalities	Potential Cost	See Below	See Below
Various Municipalities	Potential Revenue Gain	See Below	See Below

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 41.25% of payroll in FY 25.

OFA Fiscal Note

The bill makes various changes to the laws governing cannabis, hemp, and medical marijuana resulting in the costs and revenue gains described below.

Section 5 results in a potential revenue gain to various funds and accounts by:

- (1) allowing social equity applicants for a cultivator license to apply instead for a provisional micro-cultivator license. The bill requires the applicant to pay a \$500,000 application fee that shall be deposited into the consumer protection enforcement account.²
- (2) requiring a renewal fee for the final micro-cultivator license to be \$1,000 and to be deposited into the General Fund (this is the same as existing law for this fee).
- (3) requiring social equity applicants seeking to operate an equity joint venture to (1) obtain a micro-cultivator license, (2) commence cultivation activities under such micro-cultivator license and (3) pay both the application fee noted above and a conversion fee of \$500,000 which is to be deposited into the Cannabis Social Equity and Innovation Fund.

As this provision generally provides expanded access for qualified social equity applicants to develop businesses, it is anticipated that more businesses may apply and pay the fees for licensure as permitted under the bill. The actual revenue gain will be dependent upon the number of qualified applicants and the type of licensure they are seeking.

Based on information from the Department of Consumer Protection and Social Equity Council (SEC), as of March 2024 there are currently 13 cultivator licensees (1 active; 12 provisional) and 6 micro-cultivators (1

²Per section 21a-8a of the Connecticut General Statutes, the consumer protection enforcement account is a non-lapsing account to be used by the Department of Consumer Protection to fund positions and other related expenses for the enforcement of licensing and registration laws.

active; 5 provisional).

Sections 6, 14, 27, and 28 allow the sale of infused beverages and of seedlings³ by a micro-cultivator resulting in a potential cost to the Department of Consumer Protection (DCP) and the State Comptroller. To the extent the sale of infused beverages and seedlings generates a significant number of complaints which result in investigations, DCP may have to hire up to three additional positions⁴ for a salary and other expenses cost of \$394,000 per year, along with associated fringe benefit costs of \$121,000 per year.

Sections 6 and 35 create a fee of one dollar for each infused beverage container or legacy infused beverage container sold for wholesaler permits, dispensary facilities, hybrid retailers, or retailers resulting in a revenue gain to the consumer protection enforcement account dependent on how many infused beverages are sold.

Section 27 creates an infused beverage manufacturer license for an initial and annual renewal fee of \$5,000 resulting in a potential revenue gain to the consumer protection enforcement account to the extent applications and renewals are received. This section also allows DCP to administer a \$5,000 civil penalty for any violations resulting in a potential revenue gain to the consumer protection enforcement account to the extent violations occur.

These sections also expand CUTPA enforcement by the Office of the Attorney General (OAG) to include the unauthorized sale of (cannabis) infused beverages. It is anticipated that the OAG could require at least one Assistant Attorney General and one Investigator position as a result. The total annualized cost of these positions in FY 25 would be less than \$212,000.

These sections also result in a potential state and municipal tax

³Currently, no live cannabis or hemp plants are permitted for retail sale in the state which results in additional oversight for DCP. Violations will require swift inspections to ensure product safety.

⁴The positions include a drug control agent, program manager, and staff attorney

revenue gain by allowing the sale of cannabis seedlings. The bill limits sales to only micro-cultivator establishments. The revenue gain is therefore anticipated to be less than \$100,000 annually for the state and less than \$50,000 annually for various municipalities in total from applicable state and local taxes.

Section 8 allows municipalities to (1) prohibit certain businesses from operating, and (2) apply for a court order to remove certain merchandise from stores that violate provisions related to the delivery of cannabis, medical marijuana, or hemp. These sections also permit (1) civil fines up to \$30,000 for each violation committed, and (2) civil fines up to \$10,000 for anyone who knowingly makes commercial areas available for use in these violations. This results in a potential cost to municipalities beginning in FY 25 for legal costs. This potential cost may be offset by a potential revenue gain to municipalities for the collection of civil fines. The civil fines collected are first paid to the municipality to reimburse for legal costs. Half of the remainder is then paid to the municipality.

Section 8 also results in a potential revenue gain to the state to the extent civil penalties are imposed.⁵

Sections 10 and 18 allow a product packager to expand its authorized activities to include a product manufacturer if certain conditions are met and a \$30,000 application fee is paid resulting in a potential revenue gain to the state to the extent these applications are received. There are currently seven provisional product manufacturer licenses issued and seven provisional product packager licenses issued in the state.

Section 24 increases fines regarding manufacturer licenses resulting in a potential revenue gain to the state to the extent violations occur and fines are assessed.

Section 29 requires certain businesses to pay a one-dollar fee for each infused beverage or legacy infused beverage in their possession by June

⁵Income from civil penalties must first be paid to the municipality to reimburse it for the costs of instituting the action. If there is a remainder, half is paid to the municipality and half is paid to the state treasurer to deposit into the General Fund.

15, 2024, resulting in a potential revenue gain to the consumer protection enforcement account.

Sections 31-32 create a certificate of registration for a moderate-THC hemp product vendor that has a \$2,000 application and annual renewal fee resulting in a potential revenue gain to the consumer protection enforcement account. These sections also allow DCP to impose a civil penalty of up to \$5,000 for violations resulting in a potential revenue gain to the consumer protection enforcement account to the extent violations occur.

Section 33 creates an infused beverage endorsement for package store permittees for an annual fee of \$500 resulting in a potential revenue gain to the consumer protection enforcement account to the extent the endorsement is applied for. In FY 23 there were 1,352 package store permits in the state.

Section 36 allows the consumer protection enforcement account to reimburse the OAG for certain enforcement expenses resulting in a cost to the account and a savings to the OAG.

This bill also makes various minor and technical cannabis related changes resulting in no fiscal impact to the state or municipalities.

House "A" strikes the underlying bill and its associated fiscal impact resulting in the impact described above.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to employee wage increases, number of registrations, licenses, endorsements applied for, the number of violations, and the number of infused beverages sold.