

# OFFICE OF FISCAL ANALYSIS

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sHB-5150

## AN ACT CONCERNING CANNABIS AND HEMP REGULATION. AMENDMENT

LCO No.: 4912

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### ***OFA Fiscal Note***

#### ***See Fiscal Note Details***

The amendment strikes the underlying bill and its associated fiscal impact resulting in the following impacts 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.<sup>1</sup>
- (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

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<sup>1</sup>Per 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.

\$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 amendment. 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 active; 5 provisional).

**Section 6, 14, 27, and 28** allows the sale of infused beverages and of seedlings<sup>2</sup> 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 positions<sup>3</sup> 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** creates 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

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<sup>2</sup>Currently, 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.

<sup>3</sup>The positions include a drug control agent, program manager, and staff attorney

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 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** allow 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 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.<sup>4</sup>

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<sup>4</sup>Income 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.

**Section 10 and 18** allows 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 15, 2024, resulting in a potential revenue gain to the consumer protection enforcement account.

**Section 31-32** creates 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. This section also allows 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 amendment also makes various minor and technical cannabis related changes resulting in no fiscal impact to the state or municipalities.

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*The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*