

OFFICE OF FISCAL ANALYSIS

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

sSB-888

AN ACT RESPONSIBLY AND EQUITABLY REGULATING ADULT-
USE CANNABIS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Consumer Protection, Dept.	GF - Cost	4.6 million	6.2 million
State Comptroller - Fringe Benefits ¹	GF - Cost	754,657	1.6 million
Social Equity Council	GF - Cost	Up to \$500,000	See Below
Treasurer, Debt Serv.	GF - Potential Cost	None	Up to \$2.5 million
Department of Motor Vehicles	TF - Cost	625,639	529,446
State Comptroller - Fringe Benefits	GF&TF - Cost	210,563	218,661
Cannabis Control Commission	GF - Potential Cost	159,178	163,953
State Comptroller - Fringe Benefits	GF - Potential Cost	65,741	67,713
Department of Emergency Services and Public Protection; Criminal Justice, Div.; Judicial Dept.	GF - Cost	825,000	None
Department of Revenue Services	GF&TF - Revenue Gain	See Below	31.4 million
Department of Revenue Services	GF - Revenue Loss	Up to 15.1 million	Up to 15.1 million
Department of Revenue Services	GF - Cost	286,189	490,547
State Comptroller - Fringe Benefits	GF - Cost	97,546	202,596
Department of Emergency Services and Public Protection;	Various - Potential Cost	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 41.3% of payroll in FY 22 and FY 23.

Primary Analyst: ME

4/21/21

Contributing Analyst(s): SB, RDP, DD, CG, EMG, PM, MM, AN, MP, CP, MR, PR, ES, JS, CW, EW

Legislative Mgmt.; Department of Transportation; Department of Energy and Environmental Protection; Higher Education Constituent Units; Department of Economic & Community Development			
Correction, Dept.; Judicial Dept. (Probation)	GF - See Below	See Below	See Below
Resources of the General Fund; Department of Emergency Services and Public Protection	GF - Revenue Impact	See Below	See Below

Note: GF=General Fund; GF&TF=General Fund & Transportation Fund; Various=Various

Municipal Impact:

Municipalities	Effect	FY 22 \$	FY 23 \$
Various Municipalities	Revenue Gain	See Below	See Below
Various Municipalities	STATE MANDATE ² - Potential Cost	See Below	See Below

Explanation

The bill makes numerous changes to employment, licensing, consumer, economic development, tax, criminal justice and traffic enforcement laws to establish a legal recreational cannabis consumer and business sector, which results in the following fiscal impacts:

Sections 2, 6, 15, 20, 107-113 create new violations for cannabis and result in a marginal cost to the Department of Correction and the Judicial Department for violations and a revenue gain from fines. On average, the marginal cost to the state for incarcerating an offender for the year is \$2,200³ while the average marginal cost for supervision in

² State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

³ Inmate marginal cost is based on increased consumables (e.g. food, clothing, water, sewage, living supplies, etc.). This does not include a change in staffing costs or utility expenses because these would only be realized if a unit or facility opened.

the community is less than \$700⁴ each year.

Sections 3-5, 7, 14, 16, 17, 136 modify allowable possession of cannabis and result in: 1) a marginal savings to the Department of Correction and Judicial Department due to decreased violations, and 2) a revenue loss from less fines collected.

Sections 8-10 require the erasure of certain police and court records resulting in a one-time cost in FY 22 of approximately \$825,000. To meet the requirements of the bill the Department of Emergency Services and Public Protection, Division of Criminal Justice, and the Judicial Department will require an information technology consultant to make necessary technology changes.

These sections also result in a potential cost to municipalities to the extent additional resources are needed due to the requirement that certain electronic records be deleted. It is anticipated potential costs will be isolated to municipalities with greater volumes of criminal records.

Sections 18, 25 establish various traffic stop and law enforcement procedures and policies related to the detection and enforcement of cannabis by law enforcement personnel, resulting in no fiscal impact to the state or municipalities.

Section 19 makes a procedural change involving disciplinary policies at local and regional boards of education and does not result in a fiscal impact.

Section 21 establishes a Cannabis Control Commission consisting of the Commissioner of Consumer Protection and two commissioners appointed by the Governor, resulting in a potential cost to the state. If the two commissioners appointed by the Governor receive a salary,

⁴ Probation marginal cost is based on services provided by private providers and only includes costs that increase with each additional participant. This does not include a cost for additional supervision by a probation officer unless a new offense is anticipated to result in enough additional offenders to require additional probation officers.

there is a potential cost of \$224,919 in FY 22 and \$231,666 in FY 23 (costs include salary and fringe benefits).

Sections 22-23 establish a Social Equity Council and requires the council to field an RFP to conduct a cannabis study resulting in a cost of up to \$500,000 in FY 22. The exact cost will be dependent on the responses to the RFP, requirements of the study, and negotiations with the third-party vendor. These sections also allow the council to be reimbursed for expenses necessary to perform their duties resulting in an unknown cost which is dependent on the rate of reimbursements.

Sections 24, 29, 32, 35, 41-49, 56, 59-60, 75 require DCP to license, regulate, and enforce recreational cannabis, resulting in additional staffing needs. DCP will need to hire 24 staff in FY 22 and 24 additional staff in FY 23, for a cost of \$5.4 million in FY 22 and \$7.7 million in FY 23 for salaries, fringe benefits, and other expenses.

Sections 30-31 require certain applicants to submit to background checks and result in a potential revenue gain to the Department of Emergency Services and Public Protection (DESPP) to the extent applicants go through DESPP for the background checks⁵.

Sections 34-35 allows DCP to accept applications for various recreational cannabis licenses and results in a revenue gain to the state. The revenue will depend on the number of applications submitted and licenses granted.

Sections 36-39 require the Cannabis Control Commission in collaboration with other agencies to develop a cannabis business accelerator program, workforce training program, and adopt regulations resulting in no fiscal impact because the Commission has the expertise to meet the requirements of the bill.

Section 58 allows DCP to issue fines for certain violations of up to \$25,000, resulting in a potential revenue gain to the state that is

⁵ Applicants can satisfy the background check requirements through DESPP or a third-party vendor.

dependent on the number of violations and the amount of each fine.

Section 61 requires anyone entering into a transaction resulting in a significant change to a cannabis establishment to file a written notice with the Office of the Attorney General. This is not expected to result in a fiscal impact to the state.

Section 63 requires the Department of Banking, in consultation with the Department of Consumer Protection, to report on the access of cannabis establishments to the banking industry, which has no fiscal impact as the department has the expertise to complete the report.

Section 64 requires the Insurance Commissioner to provide a report on the access to insurance for cannabis establishments, which does not result in a fiscal impact because the Insurance Department has the capacity to provide such report through existing resources.

Section 65, which requires the Alcohol and Drug Policy Council to report by January 1, 2023 on its recommendations regarding efforts to pursue certain public health initiatives and collect data for review, has no fiscal impact.

Sections 83-84 allow municipalities to implement restrictions on smoking cannabis on public property and restaurants, and to fine anyone who violates these restrictions. This results in a revenue gain, anticipated to be minimal, in a municipality that implements these restrictions.

The sections also allow each municipality to vote to prohibit or otherwise regulate the sale of cannabis in that town. This has no fiscal impact as it is not anticipated to change the cost of administering or enforcing any local ordinances.

Section 85 codifies requirements regarding the Department of Public Health's administration of the Connecticut School Health Survey and does not result in a fiscal impact.

Sections 86-87 update Clean Indoor Air Act provisions and do not

result in a fiscal impact to the Department of Public Health.

Section 91 establishes penalties for using cannabis on state lands or waters managed by DEEP. This is anticipated to result in a revenue gain to the resources of the General Fund to the extent violations occur in on state parks or forests, or other DEEP-managed properties.

Section 94 clarifies language in the Department of Children and Families statutes and results in no fiscal impact.

Sections 95-96 result in no fiscal impact to the higher education constituent units as the bill ensures that student cannabis use, within certain limitations, will not impact student or federal revenues to public colleges and universities.

Sections 97-100 establish allowed and prohibited employer actions regarding employee cannabis use and exempt certain types of employers and employees from these requirements. This does not result in any fiscal impact to the state or municipalities as enforcement is through a private right of action.

Section 114 requires the Police Officer Standards and Training Council (POST) to determine how many drug recognition experts (DRE) are needed for each law enforcement unit resulting in a potential cost to various agencies⁶ and municipalities. If agencies with law enforcement units and municipalities do not meet the minimum standard developed by POST, they will need to train additional DREs resulting in a potential cost. The estimated cost per officer is \$15,000 (including the cost to send the officer to training and to cover the missing shifts with overtime).

Section 114 requires each police officer who has not been recertified for the first time after the initial certification to be trained in advanced roadside impaired driving enforcement (ARIDE) resulting in a cost to

⁶ Agencies with law enforcement personnel include Department Emergency Services and Public Protection, Office of Legislative Management, Department of Energy and Environmental Protections, the Department of Transportation and the higher education constituent units.

various agencies and municipalities for the training. For example, the cost for the Department of Transportation to hold additional classes is estimated at approximately \$50,000 annually and the cost per officer is estimated at \$2,000.

Sections 115-117, 119-123 establish various traffic stop procedures and policies related to the detection and enforcement of cannabis by police officers and require municipalities to report the number of officers that will require specialized detection training. These provisions are not anticipated to result in a fiscal impact to the state or municipalities.

Section 118 expands the administrative license suspension process to drug-impaired drivers and results in a cost to the Department of Motor Vehicles of approximately \$720,400 in FY 22 and \$748,107 in FY 23 for salary and fringe benefit costs for seven new positions, and a one-time cost in FY 22 of \$115,802 for information technology and ancillary costs.

Section 124 requires DOT, in consultation with DMV and a Statewide Impaired Driving Task Force, to make recommendations regarding enhanced data collection, electronic warrants, and feasibility of oral fluid testing in impaired driving investigations, which does not result in a cost, because it is within the agencies' expertise.

Section 125 establishes an excise tax on the first sale or use of cannabis flowers, cannabis trim, or wet cannabis by a producer, cultivator, or micro-cultivator in the state. This results in an estimated revenue gain of \$18.9 million in FY 23 and \$36.1 million in FY 24; the annual revenue gain is expected to grow to \$58.7 million by FY 27.

The bill specifies that all excise tax revenue be deposited in the General Fund for the FY 22-FY 23 biennium, after which 55% is deposited in the cannabis equity account, 15% is deposited in the prevention and recovery services account, and 30% is deposited in the General Fund.

Section 125 results in administrative costs to the Department of Revenue Services estimated at \$383,735 in FY 22 and \$693,143 in FY 23. This includes salary and fringe benefit costs for two Revenue Agents and five Revenue Examiners, as well as a one-time set-up and information technology programming cost estimated at \$50,000 in FY 22 only.

Sections 127-129 specify how the state sales and use tax applies to cannabis or cannabis product sales. This results in an estimated revenue gain of \$12.5 million in FY 23 and \$23.8 million in FY 24; the annual revenue gain is expected to grow to \$38.6 million by FY 27. This revenue would be deposited in the General and Special Transportation funds.

Sections 130-132 and 140 repeal the marijuana and controlled substances tax, which results in a General Fund loss of less than \$100,000 annually beginning in FY 22.

Section 133 extends the angel investor tax credit program to eligible cannabis businesses, which results in a General Fund revenue loss of up to \$15 million annually from FY 22 to FY 24.

Section 125-133 result in a revenue gain to municipalities by establishing a 3% local sales tax on cannabis in addition to the general sales tax. This is estimated to generate approximately \$5.9 million in FY 23 and up to \$18 million annually in the out years for all municipalities that allow the sale of cannabis. To the extent that sales occur earlier than FY 23, there would be a revenue gain as early as FY 22.

Any revenue gain would depend on 1) whether a municipality authorizes the sale of cannabis, and 2) the amount of sales that occur in such municipality. The bill also specifies the uses of revenue generated from the state excise tax on cannabis established by the bill. To the extent that municipalities are eligible to receive this funding, there is an additional revenue gain.

Section 134 includes an authorization of \$50 million of General Obligation (GO) bonds in FY 22. To the extent that the bonding authorized in the bill is fully allocated and expended, debt repayment of up to \$2.5 million could begin as early as FY 23. Total debt service costs for \$50 million of GO bonds issued at market rates in FY 22 is estimated to be approximately \$70.25 million between FY 22 and FY 42.

Section 135 requires the Department of Economic and Community Development (DECD) and the Cannabis Control Commission to develop a revolving loan program. Depending upon its scope in administering the \$50 million bond-funded program DECD could incur costs to administer the program.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to: 1) inflation, 2) the number of cannabis applications and licensees, 3) the length of time required to erase records, 4) the number of law enforcement officers required to receive additional training, 5) the debt service repayment schedule established when the bonds are issued, and 6) the number of violations.