

OFFICE OF FISCAL ANALYSIS

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sHB-5329

AN ACT CONCERNING CANNABIS.

As Amended by House "A" (LCO 5358)

House Calendar No.: 183

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22\$	FY 23\$	FY 24\$
Resources of the General Fund	GF - Revenue Loss	None	None	5.3 million
Resources of the General Fund	GF - Revenue Impact	See Below	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 22\$	FY 23\$	FY 24\$
Various Municipalities	Potential Revenue Gain	See Below	See Below	See Below

Explanation

The bill makes various changes regarding the regulation and licensing of adult use cannabis resulting in various revenue impacts to the state and a potential revenue gain to municipalities.

Sections 2-4 prohibit the gifting of cannabis in certain situations resulting in the potential revenue gain to the General Fund and municipalities to the extent violations occur, described below:

- Section 2 allows the Commissioner of Emergency Services and Public Protection to administer a fine of \$1,000 per offense resulting in a potential revenue gain to the General Fund to

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the extent violations occur.

- Section 2 also results in a potential minimal revenue gain to the General Fund beginning in FY 23 to the extent the Department of Revenue Services hold administrative hearings regarding potential violations and levies associated penalties (which are up to \$1,000 per violation under the bill).
- Section 3 of the bill allows municipalities to levy fines of up to \$1,000 per violation against anyone that violates the bill's prohibition on marijuana donations or giveaways. This results in a revenue gain to municipalities that will vary based on the number of fines issued, but is anticipated to be minimal.

Sections 5-8 result in a potential revenue gain by establishing a deadline for certain producers or dispensaries to create equity joint ventures necessary to maintain eligibility for a reduced conversion fee. If a producer or dispensary misses the 14-month deadline outlined under the bill, then the entity would be required to pay the difference between the full fee and the reduced rate.

The full fee amount is \$3 million for producers and \$1 million for dispensary facilities. The reduced fee amount is \$1.5 million for producers and \$500,000 for dispensaries.

The bill also results in a potential revenue loss in fee revenue by limiting the various applicable licensing fees of equity joint ventures to 50% of any applicable fee for the first three renewal cycles.

Section 10 removes the cap on cannabis retailers or micro cultivators in each municipality. To the extent that this increases the volume of sales of cannabis in a given municipality, there is a revenue gain via the Municipal Cannabis Tax that would vary based on the amount sold.

Section 11 creates a hemp working group resulting in no fiscal impact to the state. This section has no fiscal impact as PA 17-236 prohibits transportation allowances for working group members.

Section 505 and 507 remove the fees for a medical marijuana license beginning July 1, 2023 resulting in an annual revenue loss to the state of approximately \$5.3 million beginning in FY 24.

House "A" made various changes to cannabis related statutes resulting in the revenue impacts described below.

- Reduced the fine for gifting cannabis from \$2,500 to \$1,000 resulting in a reduction in the potential revenue gain to the state and municipalities described above.
- Changed the effective date to effective from passage in section 2 and 3 resulting in a potential revenue gain to the state and municipalities in FY 22 to the extent fines are administered.
- Removed the fees for a medical marijuana license beginning July 1, 2023 resulting in an annual revenue loss to the state of approximately \$5.3 million beginning in FY 24.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of violations and the number of cannabis licenses impacted by the provisions of the bill.