

# OFFICE OF FISCAL ANALYSIS

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sHB-6700

AN ACT CONCERNING HEMP LICENSEES AND THE ADULT-USE CANNABIS MARKET.

## ***OFA Fiscal Note***

### ***State Impact:***

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 24 \$</b>	<b>FY 25 \$</b>
Consumer Protection, Dept.	GF - Cost	107,259	107,715
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Cost	42,075	43,126
Department of Revenue Services	Various - Revenue Gain	Potential	Potential Significant
Department of Revenue Services	Social Equity and Innovation Fund - Potential Revenue Gain	See Below	See Below
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund; Various=Various

### ***Municipal Impact:***

<b>Municipalities</b>	<b>Effect</b>	<b>FY 24 \$</b>	<b>FY 25 \$</b>
Various Municipalities	Potential Revenue Gain	None	See Below

### ***Explanation***

The bill allows hemp producers to convert their license to a cultivator or micro-cultivator cannabis license resulting in the various costs and

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<sup>1</sup>The 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.

revenue gains described below.

**Cost:**

To meet the requirements of the bill DCP will have to hire one drug control agent for a salary and other expenses cost of \$107,259 in FY 24 and \$107,715 in FY 25, along with corresponding fringe benefits costs of \$42,075 in FY 24 and \$43,126 in FY 25. The additional employee is needed to regulate this new market through inspections, monitoring compliance and security, employee licensing, and investigating complaints.

**Revenue Impact:**

**State and Municipal Tax Impact.** The bill results in a potential significant revenue gain to the state anticipated to begin in FY 25 by allowing hemp producers to apply for licensure to cultivate cannabis.

The actual revenue gain to the state would depend upon the number of hemp cultivator licenses approved and the total volume of product that is produced and sold per year. The state's sales tax and cannabis excise tax would apply to the cannabis sold.

The bill also results in a potential revenue gain to municipalities in which the retailer selling the cannabis permitted under this bill is located. Under current law, there is a 3% municipal sales tax imposed on the retail sale of cannabis.

The bill also results in a potential revenue gain in sales tax to the state by allowing the sale of manufactured hemp products in licensed dispensary facilities and cannabis retailers. Any tax revenue impact would be only to the extent that there is an increase in hemp products sales rather than a shift from currently allowed transactions for hemp products.

Currently there are 78 hemp producers licensed in the state.

**Licensing fees.** The bill results in a potential revenue gain of up to \$3

million by charging a fee of \$12 per square foot of growing space to hemp producers converting to cultivators or micro-cultivators. The total aggregate allowable grow space for hemp producers under the bill is 250,000 square feet.

Under the bill, the conversion fee revenue generated is to be deposited into the Social Equity and Innovation Fund.

The bill also results in a potential revenue gain to the General Fund to the extent additional cultivator and micro-cultivator licenses are applied for. The annual renewal fee for a cultivator license is \$75,000 and the annual renewal fee for a micro-cultivator license is \$1,000.

### ***The Out Years***

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