

OFFICE OF FISCAL ANALYSIS

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sHB-7178

AN ACT CONCERNING CANNABIS, HEMP AND TOBACCO REGULATION.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Consumer Protection, Dept.	GF - Cost	329,000	322,000
State Comptroller - Fringe Benefits ¹	GF - Cost	124,588	124,588
Department of Revenue Services	GF - Potential Cost	170,000	170,000
State Comptroller - Fringe Benefits ²	GF - Potential Cost	69,207	69,207
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below
Consumer Protection, Dept.	CSEIF - Potential Revenue Gain	Potential	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes various changes to cannabis, hemp, and tobacco statutes resulting in the fiscal impact described below.

Section 1, 13, 17 allow infused beverages for out of state sale, allow certain social equity applicants to partner with hemp producers to

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 40.71% of payroll in FY 26.

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cultivate cannabis, and limits the hours of retail cannabis stores resulting in a cost to the state. To meet the requirements of these sections the Department of Consumer Protection (DCP) will need to hire three additional employees for a salary and other expenses cost of \$329,000 in FY 26 and \$322,000 in FY 27, along with annual associated fringe benefit costs of \$124,588. The new employees are needed to: 1) help conduct inspections which will become more complicated and time consuming due to the manufacturing of out-of-state products with higher THC content, 2) regulate and inspect hemp farmers who can partner with social equity applicants, and 3) regulate and enforce the hours of operation for cannabis retail stores.

Section 2 allows liquor wholesalers to only wholesale infused beverages without having to wholesale liquor resulting in a potential revenue gain to the state to the extent additional liquor wholesaler permits are applied for. The annual fee for a liquor wholesaler permit is \$2,650.

Sections 3, 12 – 13 result in a potential revenue gain to the Cannabis Social Equity and Innovation Fund by allowing certain social equity cultivator applicants partnering with hemp producers to apply for either a cultivator or micro-cultivator license that allows cultivation outside a disproportionately impacted area. The bill requires a cultivator application to pay a \$3 million fee or the micro-cultivator to pay a \$500,000 fee unless the applicant received a provisional license. Applicants may apply between July 1, 2025 and March 31, 2026, which limits any revenue impact to FY 26.

The actual revenue gain will be dependent upon the number of qualified applicants received under this provision.

Section 14 allows micro-cultivators who exclusively maintain an indoor grow facility to apply for a retailer or hybrid retailer endorsement for a fee of \$25,000 resulting in a potential revenue gain to the General Fund to the extent these licensees apply for the endorsement. In FY 24 there were 3 micro-cultivator license applications and renewals.

Section 15 allows a transporter licensee to expand its authorized activities to include a product packager for a fee of \$25,000 resulting in a potential revenue gain to the General Fund to the extent this occurs. In FY 24 there was one transporter license applied for.

Sections 19 & 20 make (1) detailed written responses by the Department of Revenue Services (DRS) commissioner mandatory upon receipt of written comments regarding cigarette dealer's license renewals, and (2) expanded DRS location suitability hearings for cigarette dealer's license applicants mandatory, rather than optional. In order to accommodate the potential volume of responses and hearings it is anticipated that DRS could require two positions at a total General Fund cost of \$239,207 (\$85,000 each for salary and \$34,604 each for fringe benefits).³

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to employee wage increases, the number of applications, and inflation. The impact to the Cannabis Social Equity and Innovation Fund noted above is limited to FY 26 only.

³ There are approximately 5,000 cigarette dealer license applications and renewals.