OFFICE OF FISCAL ANALYSIS
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sHB-7181
AN ACT CONCERNING ENFORCEMENT OF THE STATE'S CANNABIS, HEMP AND TOBACCO LAWS.
As Amended by House "A" (LCO 10422)
House Calendar No.: 397
Senate Calendar No.: 603

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 $	FY 27 $
Consumer Protection, Dept.	GF - Cost	Up to 745,000	Up to 615,000
Department of Revenue Services	GF - Potential Cost	170,000	170,000
State Comptroller - Fringe Benefits[1]	GF - Cost	233,528	233,528
State Comptroller - Fringe Benefits[2]	GF - Potential Cost	69,208	69,208
Resources of the General Fund	GF - Revenue Impact	See Below	See Below
Department of Economic & Community Development	Social Equity and Innovation Fund - Potential Revenue Loss	See Below	See Below
Consumer Protection, Dept.	Consumer Protection Enforcement Account - Revenue Impact	See Below	See Below

[1]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 40.71% of payroll in FY 26.

[2]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 40.71% of payroll in FY 26.

Primary Analyst: ME 6/4/25
Contributing Analyst(s): LG, BP, CW, EW
Reviewer: PR

Judicial Department (Probation & Adult Services); Correction, Dept.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 26 $	FY 27 $
Various Municipalities	Potential Revenue Gain	See Below	See Below

Explanation

The bill makes various changes regarding the states cannabis, hemp, and tobacco laws resulting in the costs and revenue impacts described below.

Costs:

The bill creates a cannabis control division with the Department of Consumer Protection (DCP), increases agency oversight over the hemp, electronic nicotine delivery system, and cannabis markets, creates new licenses, and allows the conversion of certain licenses resulting in a cost to DCP. To meet the requirements of the bill DCP will need to hire up to six people for an FY 26[3] cost of up to $745,000 and an FY 27 cost of up to $615,000, along with associated fringe benefit costs of up to $233,528 per year. The final cost is dependent on the number of new license applications, conversions, violations, and investigations.

Sections 1 & 2 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

[3]The FY 26 costs include $130,000 for e-licnese system upgrades which are one-time, as a result of the new licenses and altering of existing licenses.

Fund cost of $239,207 ($85,000 each for salary and $34,604 each for fringe benefits).[4]

Section 41 creates a new class E felony for selling or delivering synthetic cannabinoids, which results in a potential cost to the Department of Correction and the Judicial Department for incarceration or probation and a potential revenue gain to the General Fund from fines. On average, the marginal cost to the state for incarcerating an offender for the year is $3,300[5] while the average marginal cost for supervision in the community is less than $600[6] each year for adults.

Section 42 increases the penalty for selling cannabis to a person under 21 from a class A misdemeanor to a class E felony and decreases the penalty for selling cannabis paraphernalia to a person under 21 from a class A misdemeanor to a class C misdemeanor. This results in a net potential cost to the Department of Correction and the Judicial Department for incarceration or probation and a net potential revenue gain to the General Fund from fines.

Revenue Impacts

The following sections have a revenue impact to various funds and accounts listed below:

Consumer Protection Enforcement Account (CPEA)[7]

- **Section 5** increases various fees and fines and establishes certain

[4]There are approximately 5,000 cigarette dealer license applications and renewals.
[5]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.
[6]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.
[7]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.

additional fines related electronic cigarettes. There is a potential revenue loss to the General Fund pertaining to fines and fees that are deposited to the GF under current law but will be deposited to the CPEA under this bill.

- **Sections 8** allows social equity applicants for a cultivator license or applicants who have received a provisional cultivator license to apply instead for a micro-cultivator license during the period of July 1, 2025 to December 31, 2026. The bill requires the applicant to pay a $500,000 application fee that shall be deposited into the CPEA.

- **Section 20** allows micro-cultivators to apply for a retailer or hybrid retailer endorsement which results in a potential revenue gain to the CPEA as the bill requires such fees to be deposited into that account.

- **Section 28** results in a potential revenue gain to the CPEA to the consumer protection enforcement account by requiring transporters to pay a one-time expansion authorization payment of $5,000.

- **Section 37** results in a potential revenue gain by establishing an infused beverage wholesaler fee of $1 per infused beverage container. Any revenue gain is dependent upon the wholesale containers sales.

Social Equity and Innovation Fund

- **Section 17** results in a potential revenue loss to the Social Equity and Innovation Fund by extending the time period in which a producer who has paid a reduced conversion fee may create two equity joint ventures without being liable for the to pay the full conversion fee of $3 million.

- **Section 26** results in a potential revenue loss by the extending the timeframe in which a dispensary facility has paid the reduced conversion fee may create one equity joint venture without be liable for the full conversion fee of $1 million.

Other Revenue Impacts

- **Section 6** results in a potential revenue gain to the General Fund by imposing a civil penalty of up to $10,000 related to the shipment or transportation of electronic cigarettes.

- **Section 11** results in a potential revenue gain to municipalities and associated potential revenue loss to the General Fund beginning in FY 26. The potential revenue gain is a result of a provision in the bill that allows municipalities to keep all the fine revenue[8] recovered from violations of selling or offering cannabis products without a license. Currently, half of this revenue is deposited into the state's General Fund.

- **Section 18** results in a potential revenue loss by the extending the timeframe in which a cultivator licensee must cultivate, grow, and propagate cannabis at a licensed establishment of 15,000 square feet without incurring a $500 extension fee.

- **Section 20** results in a potential revenue gain to the state by allowing qualifying micro-cultivators to sell cannabis directly to consumers.

- **Section 24** results in a potential revenue loss by allowing a retailer to apply to convert a license to a hybrid retail license without applying through the lottery application system.

- **Section 37 & 44** allow DCP to issue fines for certain cannabis and electronic nicotine delivery system related violations

[8]These fines are $30,000 for each violation and $10,000 for anyone who controls property and knowingly makes the area available for the violations to occur. Each day a violation continues can result in an additional offense.

resulting in a potential revenue gain to the state to the extent violations occur.

- **Section 46** eliminates a potential revenue gain by repealing a revision that allows the SEC to approve a sale or change of ownership of a business from one with social equity status to one without social equity status. In such a case, the new licensee without social equity status would no longer be eligible to pay reduced license renewal fees.

House "A" strikes the underlying bill and its associated fiscal impact resulting in the impact described above.

The Out Years

The annualized ongoing fiscal impact identified above will continue into the future subject to the number of license conversations, number of violations, employee wage increases, and inflation.