

OFFICE OF FISCAL ANALYSIS

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sHB-5350

AN ACT CONCERNING CANNABIS, HEMP AND INFUSED BEVERAGE REGULATION.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Consumer Protection, Dept.	Cannabis Regulatory Fund - Cost	159,407	207,209
State Comptroller - Fringe Benefits ¹	GF - Cost	63,335	84,447
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below
Department of Revenue Services	Various - Potential Revenue Gain	See Below	See Below
Consumer Protection, Dept.	Consumer Protection Enforcement Account - Potential Revenue Gain	See Below	See Below

Note: Various=Various; GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 27 \$	FY 28 \$
Various Municipalities	Potential Revenue Gain	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 41.82% of payroll in FY 27.

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Explanation

The bill makes various changes to the cannabis statutes resulting in the costs and revenue impacts described below.

Costs:

Sections 49, 68, 89 require the Department of Consumer Protection (DCP) to conduct informal hearings between certain cannabis licensees regarding delinquent payments, reduces restrictions on cannabis packaging and labeling, and creates a new commercial extractor license resulting in a cost to the Cannabis Regulatory Fund. To meet these requirements DCP will have to hire two employees² for a salary and other expenses cost of \$159,407 in FY 27³ and \$207,209 in FY 28, along with associated fringe benefit costs of \$63,335 in FY 27 and \$84,447 in FY 28. The additional employees are needed to conduct the informal hearings, review the cannabis packaging and labeling which will increase in complexity due to reduced restrictions, and inspect and regulate cannabis commercial extractors.

Revenue:

Section 49 requires DCP to conduct informal hearings between certain cannabis licensees and requires the adverse party to pay for the cost of the meeting (the cost is determined by the Commissioner and shall be at least \$50). This results in a potential revenue gain to the General Fund to the extent these hearings occur.

Section 89 creates a commercial extractor license for an initial license fee and subsequent annual renewal fee of \$375, resulting in a potential revenue gain of up to \$3,750 per year to the Consumer Protection Enforcement Account⁴.

²The employees consist of one drug control agent and one program manager.

³Costs in FY 27 reflect nine months of expenditures due to the bill's 10/1/26 effective date.

⁴The bill specifies that DCP may issue a maximum of ten commercial extractor licenses and that the funding shall be deposited into the Consumer Protection Enforcement Account.

The bill also results in a potential increase in state and municipal sales tax revenue by:⁵

- expanding the sale of certain medical use cannabis products to retail consumers (**Sections 50 & 60**)
- increasing the allowable THC levels in an infused beverage to be sold or offered for sale within the state (**Sections 82 & 83**).

The actual tax revenue impact is dependent upon availability of and demand for these products.

The bill also makes various changes to cannabis statutes that do not result in a fiscal impact to the state.

The Out Years

The annualized ongoing fiscal impact identified above will continue into the future subject to employee wage increases, the number of licenses applied for, the number of informal hearings, and inflation.

⁵Under current law, there is a 3% municipal sales tax on retail cannabis.