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MEMORANDUM

TO: Senate Committee on Economic Development, Housing, and General Affairs

FROM: Chris Rupe, Associate Fiscal Officer
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SUBJECT: H.321 – Miscellaneous Cannabis Bill - Fee Estimates and Fiscal Considerations

DATE: May 7, 2025

This memo provides preliminary fiscal impact estimates and considerations for several proposed amendments to H.321.

1. Proposed Cultivator Fee Changes

The table below reflects preliminary estimates of the proposed annual license fee changes for cannabis cultivators. These changes are expected to have a net fiscal impact of approximately $44,000 to the Cannabis Regulation Fund, a relatively minimal impact in the context of approximately $1.1 million of total expected annual revenue from these cultivator licenses.

Fee	Current	Proposed	Fiscal Impact of Change
Cultivator - Outdoor Tier 1	$750	$375	($36,375)
Cultivator - Outdoor Tier 2	$1,875	$925	($26,600)
Cultivator - Outdoor Tier 3	$4,000	$2,000	($22,000)
Cultivator - Outdoor Tier 4	$8,000	$4,000	($16,000)
Cultivator - Outdoor Tier 5	$18,000	$9,000	($27,000)
Cultivator - Outdoor Tier 6	$34,000	remove	$0
			($127,975)
Cultivator - Indoor Tier 1	$1,500	$1,500	$0
Cultivator - Indoor Tier 2	$3,750	$7,500	$67,500
Cultivator - Indoor Tier 3	$8,000	$16,000	$80,000
Cultivator - Indoor Tier 4	$16,000	$32,000	$16,000
Cultivator - Indoor Tier 5	$36,000	$72,000	$36,000
Cultivator - Indoor Tier 6	$75,000	remove	$0
			$199,500
Mixed Cultivator - Tier 1	$2,250	$1,875	($27,375)
Mixed Cultivator - Tier 2	$5,625	$8,425	$44,800
Mixed Cultivator - Tier 3	$5,500	$3,500	($14,000)
Mixed Cultivator - Tier 4	$9,500	$5,500	($4,000)
Mixed Cultivator - Tier 5	$19,500	$10,500	($27,000)
			($27,575)
Total net revenue changes:			**$43,950**

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2. Proposed Changes to Product Licensing Fees

- Under current law, the Cannabis Control Board (CCB) assesses a $50 annual product licensing fee for every type of cannabis and cannabis product that is sold.
- The proposed change would make these product registrations valid for two years, but leave the amount of the fee unchanged at $50 per year.
- If two-year product licenses are issued for one $100 payment made in Year 1, it would impact the timing of collections (revenues would occur in Year 1 but not recur in Year 2).
- Product licensing fees generate approximately $300,000 annually to the Cannabis Regulation Fund.

3. Proposed Cannabis Showcase Event Permit Pilot

- The proposed $250 fee for each permit (limit of 5 permits to be issued between July 1, 2025 and December 31, 2026) would be allocated 50% to the Cannabis Regulation Fund and 50% to the host municipality. This is expected to have a de minimis impact to revenues due to the limited volume of permits.

4. Proposed Cannabis Excise Tax Construct

CURRENT LAW:

- Fiscal Year 2025: Cannabis excise tax (14%) is deposited in the Cannabis Regulation Fund. The unexpended and unobligated balance of the Cannabis Regulation Fund at the close of the prior fiscal year is transferred to the General Fund not later than July 31 each year (32 V.S.A. § 845(d)(1)).
    - 30% of the unexpended and unobligated balance of the Cannabis Regulation Fund that is transferred to the General Fund pursuant to 7 V.S.A. § 845(d)(1), not to exceed $10 million/year, shall be used to fund substance misuse prevention programming in the subsequent fiscal year.
- Fiscal Year 2026 and on: Cannabis excise tax is deposited in the General Fund.
    - 30% of the revenues raised by the cannabis excise tax, not to exceed $10 million/year, shall be used to fund substance misuse prevention programming in the subsequent fiscal year.
    - Cannabis excise tax is reflected as available General Fund revenue in the consensus revenue forecast beginning in FY 2026 and is factored into the budget construct.

SENATE BUDGET – H.493 (FY 2026 Appropriations Act):

- Updates the transfer from the Cannabis Regulation Fund to the General Fund in Fiscal Year 2025 to $15,417,084, which reflects the actual amount transferred from the close of Fiscal Year 2024.
- Beginning in Fiscal Year 2026, 70% of cannabis excise tax is deposited in the General Fund.
- Creates a Substance Misuse Prevention Special Fund to directly receive 30% of the cannabis excise tax revenue, not to exceed $10 million/year. Would repeal existing language (provides administrative efficiency).
- Fiscal Year 2026 transfers from the Cannabis Regulation Fund to:

    - General Fund: 70% of the unencumbered and unexpended balance of the fund in excess of $4,035,000 following the close of Fiscal Year 2025. For purposes of developing the Fiscal Year 2026 budget, this amount is estimated to be $8,900,000.
    - Substance Misuse Prevention Special Fund: 30% of the unencumbered and unexpended balance of the fund in excess of $4,035,000 following the close of Fiscal Year 2025. For purposes of developing the Fiscal Year 2026 budget, this amount is estimated to be $3,800,000.
    - These changes effectively carry forward the first $4,035,000 of Fiscal Year 2025 surplus in the Cannabis Regulation Fund into Fiscal Year 2026.

PROPOSAL:

- Beginning in Fiscal Year 2027, 70% of cannabis excise tax would go to Cannabis Regulation Fund (not to the General Fund).
- Unexpended and unobligated balance of the Cannabis Regulation Fund at the close of the prior fiscal year would be transferred to the General Fund.
- Would create a revenue shortfall in General Fund revenue in Fiscal Year 2027 due to timing, which would need to be accounted for when building the budget. But the General Fund would also presumably avoid the cost of funding the CCB (net of fee revenue).
    - 70% of the excise tax ($16.4 million) would flow to the Regulation Fund, not to the General Fund.
    - Fiscal Year 2027 revenue to the Regulation Fund = $19 million (approximately)
        - $16.4 million from 70% of excise tax
        - $2.5 million from regulatory fees
    - Fiscal Year 2027 expenses from the Regulation Fund = $6.5 million (approximately)
    - Approx. $12.4 million of surplus in the Regulation Fund at the end of Fiscal Year 2027 would go to the General Fund in Fiscal Year 2028.
- If the Regulation Fund balance at the end of the Fiscal Year was instead credited to the "current year" (Fiscal Year 2027) rather than the subsequent year (Fiscal Year 2028), these changes would generally be budget-neutral to the General Fund.