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Fiscal Note
April 27, 2023
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H.270 – An act relating to miscellaneous amendments to the adult-use and medical cannabis programs

As passed by the House of Representatives[1] and as proposed to be amended by the Senate Committee on Economic Development, Housing and General Affairs[2]

Bill Summary

This bill makes various changes to the Vermont adult-use and medical cannabis programs:

- Repeals the Cannabis Control Board Advisory Committee
- Repeals the sunset of the Cannabis Control Board in 2024
- Clarifies what constitutes the advertisement of cannabis products
- Allows outdoor cannabis cultivators to enroll in the Use Value Appraisal Program
- Increases the maximum THC, the active component of cannabis, content of a packaged cannabis product from 50 to 100 milligrams
- Creates a new propagator license, which would allow for production of clones or immature cannabis plants
- Allow a registered patient or caregiver to grow up to 6 mature plants and 12 immature plants
- Changes background check requirements for caregivers and allows caregivers to care for up to 2 people at a time
- Changes the renewal period for medical registry cards for people with certain types of qualifying conditions
- Clarifies that cannabis is not a tobacco substitute product or other tobacco product
- Transfers $500,000 from the Cannabis Regulation Fund to support loans and grants to social equity applicants

Fiscal Impact

JFO estimates that the proposed bill will result in reduced revenue to the Cannabis Regulation Fund of approximately $35,000 in fiscal year 2024. In fiscal year 2025 and in future years, the revenue from the newly

[1] https://legislature.vermont.gov/Documents/2024/Docs/BILLS/H-0270/H-0270%20As%20passed%20by%20the%20House%20Official.pdf

[2] https://legislature.vermont.gov/Documents/2024/WorkGroups/Senate%20Economic%20Development/Bills/H.270/Drafts,%20Amendments,%20and%20Legal%20Documents/H.270~Michele%20Childs~Draft%201.1,%204-24-2023,%20Senate%20Economic%20Development%20Amendment~4-26-2023.pdf

created propagator licenses would offset this reduced revenue, resulting in a net increase of approximately $15,000 in annual Special Fund revenue.

Table 1: Fiscal Summary of H.270

	Fiscal Year 2024	Fiscal Year 2025 and Future Years
Decreased revenue from patient and caregiver registration cards	($35,000)	($35,000)
Increased revenue from newly created propagator licenses		$50,000
Total	**($35,000)**	**$15,000**

The bill also extends benefits that were previously limited to small outdoor cultivators to all outdoor cultivators. First, JFO estimates that defining outdoor cultivators as "farming" for the purposes of Act 250 permitting would result in a small amount of future foregone Special Fund revenues. Second, the expansion of Use Value Appraisal Program eligibility to all outdoor cultivators would have *de minimis* property tax impacts. Finally, the bill would also allow all cannabis cultivators to receive certain agricultural sales tax exemptions, which would result in an estimated tax expenditure of $40,000, which is a *de minimis* impact to the Education Fund. Because the cost of the expansion of the Use Value Appraisal Program and agricultural sales tax exemptions would represent less than 0.01% of all Education Fund revenues, JFO expects these changes would have a *de minimis* effect on tax rates.

Finally, the bill would transfer $500,000 from the Cannabis Regulation Fund to the Cannabis Business Development Fund, which would then appropriate that funding to the Agency of Commerce and Community Development to provide loans and grants to social equity applicants.

Background and Details

The following sections have a potential fiscal impact.

Section 1

Section 1 would repeal the Cannabis Control Board Advisory Committee. Although the Cannabis Control Board budgeted for Advisory Committee per diems in the last fiscal year, no Advisory Committee member requested per diems. The budgetary savings associated with this change are minimal.

Section 6

Section 6 specifies that outdoor cannabis cultivation be regulated as "farming" for permitting processes, and that outdoor cannabis cultivators would be eligible for the Use Value Appraisal Program and certain agricultural sales tax exemptions. Previously, this provision only applied to small cultivators with less than 1,000 square feet of cultivated space.

Treating all outdoor cultivators as farming for the purposes of permitting could impact State revenues through decreased Act 250 permits issued in the future. However, the jurisdictional limits of Act 250 would impact very few outdoor cannabis cultivation projects under current law. According to data from the Natural Resources Board, no outdoor cannabis cultivation projects have been issued an Act 250 permit.[3]

[3] https://anrweb.vt.gov/ANR/Act250/

Although increased participation in the Use Value Appraisal Program would carry costs to the Education Fund through forgone property tax revenues, most outdoor cultivators are registered with licenses that limit the areas of cultivation. In total, the current amount of outdoor space licensed for cannabis cultivation that would become eligible for the Use Value Appraisal Program in this bill is about 8 acres, limiting the amount of acreage that would enter the program and the associated cost to the Education Fund.

This section would also extend the agricultural sales tax exemptions for certain agricultural inputs, agricultural machinery, and compost purchased in bulk to all outdoor cannabis cultivators. Since the extension of this provision would only include a small number of outdoor cultivators and these cultivators likely have limited input and machinery costs, JFO estimates a *de minimis* tax expenditure of $40,000 carried by the Education Fund.

Section 7

As part of the rulemaking process, dispensaries in the adult-use program would be able to sell packaged products with a maximum 100mg of THC, up from the current maximum of 50mg. Increasing package sizes will likely have a minimal impact on the total product sold. As a result, overall purchases, excise tax, and sales tax revenues likely will not change.

Section 11-12

Section 11 would create a new license for propagators. The propagator license would allow nursery-type cultivation of immature plants or clones. Section 12 sets the implementation date of this license as on or before July 1, 2024. This new license type has an associated fee that is established in Section 16.

Section 16

Section 16 establishes a $500 registration fee for the propagator license. These funds would be deposited into the Cannabis Regulation Fund.

- **The Cannabis Control Board estimates licensing 100 propagators in fiscal year 2025 at the $500 registration fee, generating $50,000 annually in new Special Fund revenue starting in fiscal year 2025.**

Section 16 also adjusts the revenue threshold of the Manufacturer – Tier 1 license. Currently, manufacturers with less than $10,000 in sales who do not use solvents are considered "Tier 1" and assessed a $750 fee. Manufacturers with more than $10,000 in sales are considered "Tier 2" and assessed a fee of $2,500. In Section 16, the definition of the Manufacturer – Tier 1 license would expand to include all manufacturers with less than $50,000 in revenue. This change is unlikely to change the number of Tier 1 and Tier 2 licenses and will not have a significant fiscal impact.

Section 17

Section 17 makes a variety of changes to the medical cannabis program. Two main provisions have a fiscal impact.

- First, medical cannabis patients and caregivers are required to maintain registry cards and renew them annually at a cost of $50. The proposed legislation would change the renewal period to once every three years for all patients except those who qualify for chronic pain, who would still have to renew every year. According to the Cannabis Control Board, approximately 2,500 of the 3,570 patients in the medical program qualify for chronic pain and renew annually, while the remaining 1,070 would renew every three years. **This would result in an estimated $35,000 decrease in revenue to the Cannabis Regulation Fund annually.**
- Second, registered patients or caregivers would be able to grow up to six mature plants and 12 immature plants, an increase from two mature plants and seven immature plants. More homegrown

cannabis could potentially impact both the adult-use and medical program, which would potentially decrease both excise and sales tax revenues from cannabis. However, it is unlikely that the amount of product that could enter the illicit market is large enough to have a measurable impact on revenues.

Section 24

Section 24 transfers $500,000 from the Cannabis Regulation Fund to the Cannabis Business Development Fund and appropriates $500,000 from the Cannabis Business Development Fund to the Agency of Commerce and Community Development to provide loans and grants to social equity applicants. In fiscal years 2024 and 2025, excise tax revenue from cannabis sales is allocated to the Cannabis Regulation Fund. A portion of this excise tax revenue in fiscal year 2024 is the source of funding for this transfer.