

S.278 – Fiscal Note Preview (Draft 1.1)

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Various Sections: Market Changes and Excise Tax Rate Adjustment

- The main fiscal impact of the bill would be the decrease in the cannabis excise tax rate from 14 percent to 10 percent, as shown in Table 1 below. In fiscal year 2027, that change would decrease cannabis revenues from an estimated \$23.6 million to \$18.3 million, a difference of approximately \$5.3 million.
 - Since cannabis excise tax revenues are allocated 70% to the General Fund and 30% to the Substance Misuse and Prevention Special Fund, in fiscal year 2027 the General Fund would lose an estimated \$3.7 million, and the Substance Misuse Prevention Fund would lose \$1.6 million.
 - This estimate does include an adjustment for behavior change in response to the lower tax rate
- Many changes in the bill are designed to increase the size of the adult-use cannabis market. The potential fiscal impact of these changes is challenging to quantify, especially as a comprehensive policy package. However, any increase in the size of the adult-use market would benefit both cannabis excise and sales tax revenues, the latter of which flows to the Universal Afterschool and Summer Programs Special Fund.

Secs 7-8: Fee Changes

- Event permits would generate a maximum of \$10,000 annually, of which \$5,000 would be allocated to municipalities and \$5,000 would be allocated to the Cannabis Regulation Fund.
- Delivery permits would add up to \$1,000 annually
- The Cannabis Regulation Fund would see up to an additional \$6,000 in annual fee revenue in total.

Sec. 29: Appropriations

- In fiscal year 2027, the bill would transfer \$1 million from the General Fund to the Cannabis Business Development Fund and appropriate \$5.6 million to the Land Access and Opportunity Board (LAOB) for grants, loans and financial assistance.

Table 1: Proposed Cannabis Excise Tax Changes in S.278

	FY27 - Total Revenue Estimate (\$ millions)	FY27 - General Fund Revenue Estimate (\$ millions)	FY27 - Substance Misuse Prevention Special Fund Revenue Estimate (\$ millions)
Current Law Excise Tax Revenue	\$23.6	\$16.5	\$7.1
Decrease in Excise Tax from 14 to 10 Percent	\$18.2	\$12.8	\$5.5
Difference	(\$5.3)	(\$3.7)	(\$1.6)