



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

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## Fiscal Note

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### **H.321 – An act relating to miscellaneous cannabis amendments**

As recommended by the Senate Committee on Economic Development, Housing, and General Affairs, Draft 6.2<sup>1,2</sup>

#### **Bill Summary**

**T**his bill, as recommended by the Senate Committee on Economic Development, Housing, and General Affairs, would make amendments to various cannabis regulations, including:

- Clarifying regulation of hemp and hemp-infused products;
- Dedicating 70% of cannabis excise tax revenue to the Cannabis Regulation Fund, rather than the General Fund, beginning in fiscal year 2027;
- Adding one member appointed by Migrant Justice to the Land Access and Opportunity Board;
- Increasing and decreasing various cannabis cultivator license fees;
- Creating a new \$500 trim and harvest services license for businesses that provide specified maintenance services to cannabis cultivators;
- Allowing for longer employee licenses (extended up to two years instead of the current annual renewal) and product licenses (at the discretion of the Cannabis Control Board) for cannabis establishments;
- Allowing for a Cannabis Showcase Event Permit pilot;
- Repealing the intent to apply fee for cannabis establishment licenses;
- Expanding the definition of other tobacco products and new smokeless tobacco to include products made from either natural or synthetic nicotine; and
- Creating a new Enforcement Attorney within the Cannabis Control Board in fiscal year 2026.

#### **Fiscal Impact**

The following provisions of the bill have a fiscal impact:

- Redirecting 70% of the cannabis excise tax from the General Fund to the Cannabis Regulation Fund beginning in fiscal year 2027, and related provisions, are expected to generally be budget-neutral.
- Adding a member to the Land Access and Opportunity Board is expected to represent a nominal additional cost for per diem compensation and expense reimbursement.

<sup>1</sup> The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.

<sup>2</sup> The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.

- Changes to cultivator license fees are expected to result in a revenue reduction of approximately \$68,000 to the Cannabis Regulation Fund, beginning in fiscal year 2026.
- The new trim and harvest services license will have a minimal impact on fee revenue for the Cannabis Regulation Fund. Fewer than 10 establishments are expected to apply for the proposed \$500 license.
- Allowing for two-year employee licenses and product licenses would change the timing of revenues received by the Cannabis Regulation Fund from those fees, but long-term total revenue is not expected to change since the existing \$50 annual fees would be prorated.
- The cannabis showcase event permits would have a minimal fiscal impact to the Cannabis Regulation Fund and host municipalities due to the limited scope and duration of the pilot.
- One full-time, permanent exempt Enforcement Attorney for the Board is estimated to cost \$150,000 per year, which is not accounted for in the bill. However, the Board has indicated that it can fund this position through its fiscal year 2026 budget.

## Fiscal Impacts

### Section 2a: Cannabis Excise Tax Revenue

Section 2a would direct 70% of the cannabis excise tax revenue from the General Fund to the Cannabis Regulation Fund, effective fiscal year 2027.<sup>3</sup> The January consensus revenue forecast estimates that 70% of the excise tax will be approximately \$16.4 million in fiscal year 2027.

The expenses of the Board are funded from the Cannabis Regulation Fund, which receives revenue from cannabis-related fees and penalties (approximately \$2.5 million annually). H.493, the fiscal year 2026 budget act (“Big Bill”), appropriates approximately \$6.5 million from the Regulation Fund to operate the Board in fiscal year 2026. Section 2a would transfer the balance of the Fund, net of fee revenue, to the General Fund at the end of each fiscal year – similar to how the Department of Financial Regulation and the Department of Liquor and Lottery transfer net revenues from their enterprise funds to the General Fund each year.

The Joint Fiscal Office (JFO) expects this construct to be generally budget-neutral (see Table 1). Under current law, the Board would presumably be funded in part through the General Fund beginning in fiscal year 2027 because revenue to the Cannabis Regulation Fund is not sufficient to fully cover its expenses. Under this proposed change, the Board’s expenses and the excise tax revenues would both remain in the Fund. However, the revenue available to the General Fund at the end of each fiscal year will depend on the rate of growth in the Board’s operating budget relative to growth in excise tax and fee revenue.

| <i>Table 1: Proposed Cannabis Excise Tax Budget Construct</i><br>(\$ millions)                                      |                |
|---|----------------|
| <b>Current Law</b>  | <b>FY 2027</b> |
| 70% of excise tax to General Fund   | 16.4           |
| Presumed General Fund appropriation to CCB (\$6.5M budget net of \$2.5M of fee revenue to Cannabis Regulation Fund) | (4.0)          |
| <i>Total General Fund revenue under current law</i>   | <b>12.4</b>    |
| <b>Proposed Change</b>  |                |
| 70% of excise tax to Cannabis Regulation Fund   | 16.4           |
| Cannabis fees to Cannabis Regulation Fund   | 2.5            |
| CCB appropriation from Cannabis Regulation Fund   | (6.5)          |
| <i>Balance in Cannabis Regulation Fund at close of FY 2027 transferred to General Fund</i>                          | <b>12.4</b>    |

<sup>3</sup> The remaining 30% of cannabis excise tax revenue is dedicated to the Substance Misuse Prevention Special Fund per H.493 (2025).

## Section 2b: Land Access and Opportunity Board

Section 2b would add a member appointed by Migrant Justice to the Land Access and Opportunity Board. According to 10 V.S.A. § 325u(d), the additional member would be entitled to per diem compensation and expense reimbursement pursuant to 32 V.S.A. § 1010 for meetings. This will represent a nominal additional cost to the monies appropriated to the Vermont Housing and Conservation Board for the support and administration of the Land Access and Opportunity Board.

## Section 12: Proposed License 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 -\$68,000 annually to the Cannabis Regulation Fund. For context, cultivator licenses are expected to generate approximately \$1.1 million of annual revenue.

| <i>Table 2: Proposed Cultivator License Fee Adjustments</i> |          |          |                         |
|---|----------|----------|-------------------------|
| 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                     |
|   |          |          | <b>(\$127,975)</b>      |
| Cultivator - Indoor Tier 1                                  | \$1,500  | \$1,500  | \$0                     |
| Cultivator - Indoor Tier 2                                  | \$3,750  | \$3,750  | \$0                     |
| 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                     |
|   |          |          | <b>\$132,000</b>        |
| Mixed Cultivator - Tier 1                                   | \$2,250  | \$1,875  | (\$27,375)              |
| Mixed Cultivator - Tier 2                                   | \$5,625  | \$5,625  | \$0                     |
| 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)              |
|   |          |          | <b>(\$72,375)</b>       |
| <b>Total net revenue changes:</b>                           |          |          | <b>(\$68,350)</b>       |

Section 12 proposes several other fee changes, each of which would have minimal impact to the Cannabis Regulation Fund beginning in fiscal year 2026:

- New trim and harvest services licenses would be created and assessed an annual fee of \$500. This is expected to result in minimal revenue to the Cannabis Regulation Fund, as fewer than 10 establishments are expected to apply for the licenses.
- The Cannabis Control Board would be permitted to offer two-year employee licenses and product licenses. The existing annual \$50 fee for one-year licenses would be prorated for two-year licenses. Therefore, the timing of revenues to the Cannabis Regulation Fund from those fees might be impacted, but long-term total revenue received is not expected to change.
- Cannabis establishment license applicants would continue to be assessed an initial one-time fee of \$1,000. However, applicants would no longer have the option to choose to pay a \$500 “intent to apply fee” and then have that amount credited toward their \$1,000 application fee if they seek a license

within one year after paying the intent to apply fee. This is not expected to have a significant fiscal impact.

### **Section 15: Enforcement Attorney Position**

Section 15 would authorize one full-time, permanent, exempt position of Enforcement Attorney for the Board in fiscal year 2026. The estimated cost of this position is \$150,000. The bill does not appropriate additional funds to pay for this position, but the Board has indicated that it can accommodate this cost in its fiscal year 2026 operating budget.

### **Section 15a: Cannabis Showcase Event Permit Pilot**

Section 15a proposes to allow licensed retail cannabis establishments in good standing with the Board to apply for a cannabis showcase event permit. Multiple retailers may apply and be granted permission to participate in each event, but the Board would be able to allow no more than five events between July 1, 2025 and December 31, 2026. Permits would authorize recipients to coordinate, oversee, and be the responsible administrator of a single, defined commercial event, held at a defined access-control location, for a defined period not to exceed 24 hours, at which cannabis or cannabis products lawfully may be purchased and possessed by screened participants acting in conformity with terms set out by the Board in the issued permit.

Permit applicants would be assessed a \$250 application fee, which would be split 50/50 between the host municipality and the Cannabis Regulation Fund.

Due to its limited nature, this provision is not expected to have a significant fiscal impact.