



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1200

PRINTER'S NO. 1641

PRIME SPONSOR: Krajewski

COST / (SAVINGS)

FUND	FY 2024/25	FY 2025/26
General Fund	\$0	See Fiscal Impact
Cannabis Revenue Fund	\$0	See Fiscal Impact
Cannabis Business Development Fund	\$0	See Fiscal Impact

SUMMARY: Provides for the legalization and regulation of adult-use cannabis in the Commonwealth of Pennsylvania. Certain components of this legislation would take effect immediately, while other components would take effect 90 days after the specific date noticed by the PA Liquor Control Board's notice of commencement of sales in cannabis stores is published in the PA Bulletin.

ANALYSIS: This legislation provides for the legalization and regulation of adult-use cannabis. The general provisions of the bill:

- Defines a number of terms including:
 - *Cannabis, Historically impacted community, Low-dose cannabis products, Personal amount of cannabis, and Social and economic applicant*
- Personal Use of Cannabis:
 - Allows adults 21 years of age and older to purchase, possess, consume, or transport a personal amount of cannabis
 - Sharing of a personal amount of cannabis for immediate use, as long as this does not include the sale or exchange for financial or material benefit
 - Transfer of personal amount of cannabis between consumers, as long as this transfer does not include financial gain
 - Allows for the cultivation, processing, and transport of cannabis by authorized individuals
- Discrimination protections:
 - Provides for employment and general protections of individuals under certain circumstances

- Allows for Home Cultivation:
 - An eligible individual may possess up to two mature plants and two immature plants with a home cultivation permit (\$100 fee)
 - Language articulates for specific violations and disciplinary actions, including:
 - \$500 for a first offense
 - up to \$1,000 for a second offense
 - up to \$5,000 for a third and subsequent offense and be subject to permit revocation
 - violations of the Controlled Substance Act (Act 64 of 1972)
- Unauthorized sale or use of cannabis:
 - Person under the age of 21 age, who attempts to purchase, purchases cannabis, possesses, or consumes cannabis commits a summary offense and would be subject to:
 - Written warning, a fine of \$25, or diversionary program referral for 1st offense
 - A fine of \$100 and diversionary program referral for 2nd offense
 - A fine of up to \$250 and diversionary program referral
 - An offense by a person under the age of 21:
 - Is not a criminal offense
 - Is not reportable as criminal act
 - Is not to be included in the criminal record of the individual
 - If the person is not a minor, it does not constitute a delinquent act
 - The court is required to keep diversionary participation record and may admit a person to an adjudication alternative program under 42 Pa.C.S. § 1520
 - Possession provisions:
 - Decriminalizes the possession of a personal amount of cannabis
 - Provides for a civil penalty of up to \$250 for the possession of an amount of up to 2 times the personal amount
 - Provides for a civil penalty of \$500 for the possession of an amount of up to 3 times the personal amount
 - If a person possesses more than 3 times the personal amount, but not more than 10 times, a person commits misdemeanor of the second degree
 - Prior to the commencement of cannabis sales, a possession of simple amount of cannabis is subject to summary offense with a fine of up to \$250
 - Once cannabis sales begin, this provision is repealed
 - Unlawful sale provisions related to possession with intent to sell or distribute:
 - cannabis seeds - a person commits misdemeanor of the third degree
 - personal amount – a person commits misdemeanor of the third degree
 - An amount exceeding a personal amount but less than the amounts punishable under Title 18 § 7508 – a person commits a misdemeanor of the second degree
 - Cultivation and Processing offenses – does not apply to an individual who possess home cultivation permit:
 - Related to cultivation, a person with:
 - Less than 5 plants, commits a misdemeanor of the third degree
 - More than 5 but less than 10 plants, commits a misdemeanor of the second degree

- By processing cannabis into a cannabis product, a person commits misdemeanor of the second degree
- Cannabis cannot be smoked, vaped, or consumed:
 - In any public space
 - Anywhere smoking/vaping is prohibited by the Clean Indoor Air Act (Act 27 of 2008) or any other law
- Cannabis may be smoked, vaped, or consumed:
 - If permitted by a person running a lodging establishment, within up to 20 percent of the rooms
 - If included in a lease agreement
 - Anyone violating this section will be assessed a fine of up to \$100 for the first offense and up to \$200 for any subsequent offense
- Sale, distribution, manufacture or possession with intent to distribute an amount of cannabis flower or a cannabis product punishable under Title 18 § 7508 or other provision of law providing for a mandatory minimum term of imprisonment or subject to a sentence enhancement shall be a violation of the Controlled Substances Act
- Other Unauthorized activities:
 - A person not authorized by the PA Liquor Control Board (PLCB) and who:
 - Cultivates / processes / delivers / transports / sells / displays sale of cannabis / cannabis products cannabis paraphernalia would be subject to a civil penalty of up to \$10,000 per offense and for each day that such activity continues will be considered separate offense
 - Attorney General (AG), PLCB, state/local law enforcement agency, or local government may investigate such unauthorized activities
 - AG may also investigate and prosecute unregulated activities under the Unfair Trade Practices and Consumer Protection Law
 - Business or a consumer harmed by unregulated activities may file a lawsuit to prevent such activities from occurring and may seek to recover actual damages
- Payments for Civil Penalties or Fines
 - PA Liquor Control Board may waive or reduce penalties, costs, or fines based on the individual's financial resources
- Presumption (DUI - Driving Under the Influence)
 - The presence of cannabis or a metabolite of cannabis in an individual's blood without proof of impairment to the individual's ability to safely drive, operate or be in actual physical control of the movement of a vehicle shall not constitute a violation under Title 75 Chapter 38 (relating to driving after imbibing alcohol or utilizing drugs)
 - For someone holding a CDL license, cannabis metabolites in the blood may be considered driving under the influence
 - A00523 provides that the term *Cannabis* shall include *Medical marijuana* as it relates to this section
- Cannabis Convictions and Expungements:
 - Drug identification labs are required to create a report listing all tests utilized in detecting cannabis in evidence and send it to the Administrative Office of Pennsylvania Courts (AOPC)

- AOPC must be compare the report to criminal record systems to provide for the identification of cannabis offenses/convictions and create a list of which offenses or convictions are vacated by this act or required to be expunged
- AOPC will send a list of eligible records to the court of common pleas containing each eligible record within their judicial district
 - Within 30 days, courts must order the vacating of such convictions and sentences and the expungement of criminal history records. From there, the AOPC and Pennsylvania State Police will automatically expunge their records
- AOPC must maintain records of cannabis convictions vacated or expunged
 - Individuals whose records were vacated or expunged may request a copy of the order
- Courts are required to expunge all records related to cannabis offenses under the Controlled Substances Act when charges were not filed, were dismissed, withdrawn, or resulted in acquittal
 - This provision applies to offenses that occurred before the effective date of this legislation
- All cannabis convictions and sentences, where there was no required mandatory minimum, imposed before the effective date of this provision are vacated, regardless of contrary laws, regulations, or court orders
- Any imprisonment time already served for a vacated cannabis conviction can be credited towards another sentence under the same Offense Tracking Number (OTN) by the same court
- Fines previously paid to counties for now-vacated cannabis convictions will be reallocated toward any other outstanding fines the individual owes in the same county
 - Any remaining unpaid financial obligation connected to vacated cannabis convictions are nullified
- If an Offense Tracking Number (OTN) includes only cannabis convictions that have been vacated, all related records must be expunged and destroyed
 - Within six months of the provision's effective date
- Once expunged, records shall be treated as if the arrest or conviction never occurred and cannot be disclosed
 - Unauthorized disclosure is a summary offense and subject to imprisonment not to exceed 30 days or a fine not more than \$500
- Starting July 1, 2026, individuals may file a petition to update, correct, or expunge their record if they believe that their PA criminal history is inaccurate or contains incomplete information
 - AOPC will create a free, online petition form for this purpose
 - No fees will be charged

▪ **PA Liquor Control Board**

▪ Duties

- In addition to the duties under Act 21 of 191 Section 207 (Liquor Code) the duties/functions/powers of PLCB shall include:
 - Buy, possess, sell cannabis seeds, cannabis flower, cannabis products, and cannabis paraphernalia. The board may buy cannabis seeds/cannabis flower/cannabis products at the lowest price and in the greatest variety or may offer shelf space in cannabis stores to cannabis cultivators/processors. If the board offers shelf space, the board may charge:
 - Shelving fee
 - Dispensing fee
 - Fix the wholesale and retail prices of cannabis seeds, cannabis flower, cannabis products and cannabis paraphernalia to be sold in cannabis stores:
 - The board may fix retail prices based on market supply and demand or, if providing shelf space, based upon prices recommended by the cannabis cultivators/processors for their cannabis seeds/flower/cannabis products
 - The board may discount the price of discontinued items
 - The board shall establish procedures to promote cannabis seeds/flower/products originating from cannabis micro-businesses and certified social and economic equity licensees
 - Quarterly, the board shall publish a listing of the wholesale and cannabis store retail prices on the board's publicly accessible Internet website
 - Determine the municipalities within which cannabis stores shall be established and the locations of the cannabis stores within each municipality
 - Lease, furnish and equip buildings, warehouses, rooms and other accommodations as required for the operation of cannabis stores (Department of General Services as the agent)
 - Regulate the cultivating/processing/transporting/storing/testing/delivering /handling/ disposal and sale of cannabis seeds/plants/flower/products and paraphernalia
 - Fix, in consultation with the Department of Agriculture, the standards of cultivating and processing of cannabis, cannabis flower and cannabis products to be sold or offered for sale
 - Grant, suspend, deny , condition or revoke any license, permit, registration or certificate for the cultivating, processing, transporting, storing, testing, delivering, handling and selling of cannabis/cannabis seeds/ cannabis flower, cannabis products and paraphernalia
 - Employ individuals as necessary to carry out the powers and duties of the board
 - Promulgate, amend or rescind regulations as necessary and appropriate to carry out the intent and provisions of this act
 - Restrict access to confidential/proprietary data
 - Appoint advisory groups/committees to assist the board in its duties
 - Exercise powers and duties not explicitly specified under this legislation
 - Take emergency actions related to health, safety, and welfare
 - Order administrative seizure of cannabis/cannabis flower/cannabis products/cannabis paraphernalia
 - Adopt and promulgate regulations
 - Temporary regulations, not subject to the full regulatory review process, must be promulgated within 6 months of the bill becoming law, and expire four years after their publication

- Enter into contracts
 - Hold hearings/inquiries, subpoena witnesses, compel witness attendance, administer oaths and examine an individual under oath
 - Enter into memorandum of understanding (MOU)
 - Establish, levy, and collect fees
 - Establish cannabis diversion controls, packaging and labeling requirements and advertising restrictions
 - Establish requirements for equipment//management/operation of cannabis stores/warehouses
 - Levy fines or other sanctions for violations of this legislation
 - Provide compliance education to cannabis entities/their employees/contractors
 - Determine the classes, varieties, brands of cannabis seeds/cannabis flower/cannabis products made available to the public
 - Acquire or contract with third party vendor to establish/develop inventory verification system
 - Acquire or contract with third party vendor to establish/develop point-of-sale system for use by cannabis stores
 - Adopt/enforce rules and regulations to ensure equitable sale/distribution of cannabis seeds/cannabis flower/cannabis products
 - Review/approve/deny management service agreements
 - Allow for the leasing of shelf-space in cannabis stores
 - Conduct or commission an initial comprehensive market analysis within 180 days, to be completed w/in one year
 - Conduct market analysis every three years
 - Certify applicants that meet the criteria as a social and economic applicants
 - Certify cannabis entities as certified social and economic equity licensees
 - Issue indicative findings related to bona fide labor organizations
- **Board membership Expansion**
- In addition to the three board member positions created under Act 21 of 1951 Section 201 (Liquor Code) two additional members shall be appointed by the Governor and by and with the advice and consent of two-thirds of all the members of the Senate
 - Not more than three appointees to the board may be from the same political party as the Governor
 - A majority of three members appointed to the board shall constitute a quorum
- **Office of Social Equity**
- Established within PLCB
 - Duties include:
 - Endeavor to include social and economic equity applicants in cannabis businesses
 - Within 6 months, present to the board guidelines on determining if a person is a member of a “historically impacted community”
 - Recommend policies that promote inclusion in the industry
 - Advertise and sponsor webinars and information programs about the program to social and economic equity applicants
 - Administer the Social and Economic Equity Loan and Grant program.
 - Support recruitment and retention in the cannabis industry from historically impacted communities
 - The office will review any policies and procedures related to social and economic equity and may consult with experts to support the

work

- To administer the Communities Reimagined and Reinvestment Restricted Account
- Social and Economic Advisory Committee is established within the Office of Social Equity, which would assist in establishing communities eligible for grants

○ **Cannabis Licenses¹:**

- PLCB is authorized to issue the following types of cannabis licenses:
 - Category 1 (scoring system)
 - Cultivator
 - Processor
 - Category 2 (lottery system)
 - Microcultivator
 - Microprocessor
 - 50% of licenses to be awarded to certified social and economic equity applicants
 - Transporter
 - On-Site Consumption
 - Home cultivation
- Establish 5 regions where licenses would be awarded which would consider Regional population / access to public transportation / other appropriate factors
- Establish Adult Use Cannabis Entity application and eligibility requirements
- Provide a notice of commencement of sales in cannabis stores to be published in the Pennsylvania Bulletin 90 days prior to commencing of cannabis sales
- Publish information related to this legislation on its publicly facing website within 90 days of the legislation's effective date

○ **Annual report:**

- Retail operations, merchandising, and retail sales
- Board finances
- Cannabis store operations
- Distribution and logistics
- Communications and marketing
- Issuance/revocation of licenses
- Compliance of licensees
- Information related to the method/rationale for pricing of cannabis:
 - seeds
 - flower
 - products

○ **Cannabis Stores:**

- Establish, operate, and maintain cannabis stores throughout the Commonwealth
 - A cannabis store cannot be located within a minimum of 1,000 feet from:
 - Elementary school
 - Secondary school
 - Day care
- Employees will be considered civil servants

¹Anyone violating not filing/paying taxes, filing fraudulent taxes, not following recordkeeping, not being properly licensed, or violating any other rules would not be able to renew or obtain a license

- PLCB will recruit employees from historically impacted communities
- Must have managers who are recruited by PLCB
- Limits on sales
 - Can only sell personal amount of cannabis flower or products within a 24-hour period
 - Can only sell concentrates that equal less than 400 mg of total THC in 24-hour period
- A cannabis store can be co-located with a Pennsylvania Liquor Store
 - The board shall consider public health effects prior to approving location
 - Upon determination of the location of a cannabis store in a municipality
 - The board shall give notice of the location by public advertisement
 - If within five days after the public notice 100 or more taxpayers residing within a quarter mile of proposes cannabis store, or the City Solicitor in the city of the first class, file a petition with the court of common pleas of the county averring that the proposed location is objectionable because of its proximity to
 - Church/school/private residences
 - Recruit/select store employees/store managers and provide training
- **Bonding:**
 - PLCB may issue up to \$100m in bonds (Section 1301):
 - To provide funding to open cannabis stores, hire employees and any other purpose to commence sales
 - To provide initial funding for the Cannabis Business Development Fund
 - Bonds shall not be a debt or liability of the board or the Commonwealth
 - Bond obligations shall be payable solely from revenues or available funds in the Cannabis Bond Account
- **Packaging, Labeling, Advertising, and Testing**
 - Packaging/Labeling:
 - PLCB must create regulations for advertising, branding, marketing, and labeling of cannabis flower, cannabis products, and cannabis paraphernalia, and must address accuracy and advertising to minors
 - Legislation further provides for packaging specific requirements:
 - Must meet Federal Poison Prevention Packaging Act requirements
 - Package must be in child-resistant package and may not display images attractive to minors
 - Packaging must be uniform in color
 - Advertising:
 - Regulations issued by PLCB must block advertising that:
 - Lies or misleads
 - Features images of cannabis consumption
 - Shows images of minors' consumption
 - Is located within close proximity to schools, playgrounds, parks, libraries, arcades, rec centers, etc.
 - Advertises the intoxicating effects of cannabis.
 - Carries a cannabis symbol, if it's a promotional gift
 - Promotes a product with a high THC concentration
 - Regulations must prohibit marketing strategies that appeal to minors
 - Lab Testing:
 - PLCB is authorized to license laboratories to test cannabis
 - Licensed labs cannot be affiliated with cannabis or medical marijuana companies

- PLCB can issue fines and suspend/revoke permits for non-compliance
- **Recordkeeping provisions**
 - Cannabis licensees and labs must have surveillance systems, security, inventory control, and keep records of all cannabis products including cultivation, processing, transporting, testing and sales
 - Records must be kept on site
 - Must be available for four years and be available for review by PLCB
- **Administrative Penalties**
 - PLCB may assess fines as follows:
 - \$50,000 for each violation by a Category 1 licensee
 - \$10,000 for each violation by a Category 2 licensee
 - \$15,000 for each violation by a cannabis transporter licensee;
 - \$15,000 for each violation by a cannabis on-site consumption licensee;
 - \$10,000 for each violation by a cannabis testing laboratory;
 - \$10,000 for each violation by any other person authorized by the board to engage in a regulated activity.
- **Taxes**
 - **Department of Revenue Collections**
 - Cannabis, cannabis flower, and cannabis products by a cannabis store shall be subject to a 12% excise tax
 - Sales and Use Tax (SUT) of 6%
 - A municipality/local government may impose 3% sales tax for sales at on-site locations
 - Funds may be collected and kept by the municipality/local government
 - Unpaid or delinquent state taxes would be subject to the existing Tax Code of 1971
- **Fund and Revenue provisions**
 - Establishes the Cannabis Revenue Fund
 - Deposits into the fund:
 - Cannabis sales, licensing fees, taxes, and any appropriated funds
 - Distributions:
 - Off-the-Top:
 - Actual/necessary costs
 - PLCB
 - Department of Revenue
 - Department of Agriculture
 - Department of Community and Economic Development (DCED)
 - Pennsylvania State Police,
 - Attorney General,
 - Administrative Office of Pennsylvania Courts (AOPC)
 - Distribution of Remaining Funds
 - **50%** to Communities Reimagined & Reinvestment Account [NEW]
 - Created within the Cannabis Revenue Fund
 - To be administered by the Office of Social Equity in consultation with DCED
 - Would provide funding to invest in historically disadvantaged

communities

- 10% for Substance Use Disorder Prevention, Treatment and Education Account
 - To be administered by the Department of Drug and Alcohol Programs
- 5% to Cannabis Business Development Fund [NEW]
 - For the administration of the Social and Economic Equity Grant/Loan Program
- 2.5% to Pennsylvania Minority Business Development Authority:
 - To provide non-cannabis related business loans for individuals who meet the qualifications of social and economic equity applicant
- 2% to AOPC for Grants to Counties:
 - Based on the number of cases to be vacated or expunged within a county
- 30.5% to the General Fund

FISCAL IMPACT: In order to determine the fiscal impact from the enactment of this legislation, we need to lay out the assumptions that were utilized in developing the methodology for making revenue and cost related projections. Furthermore, we need to consider the articulated allocation of funds, within the bill.

The following estimate uses data available from Colorado’s Department of Revenue (DOR), specifically Marijuana Tax and Fee Revenue Reports² from 2014 through 2024. Additionally, the projections utilize population related data from the American Community Survey’s (ACS) Demographic and Housing Estimates³ for 2014 – 2024. Other assumptions include:

- Revenue/cost projections assume a starting date of January 1, 2026, and use:
 - 6 months for FY 2025/26 and FY 2026/27
- Colorado DOR data used to determine the tax base for each component:
 - Colorado utilizes three tax tiers⁴ for the sale of marijuana or marijuana products -
 - State Tax on Retail Marijuana (currently 2.9%)
 - Retail Marijuana Sales Tax (currently 15%)
 - Retail Marijuana Excise Tax (currently 15%)
- Colorado’s DOR data used to determine a per capita amount, using ACS data for population over the age of 21 for 2014 through 2024
- Colorado’s per capital amount is adjusted based on Pennsylvania’s over the age of 21 population for 2014 through 2024, using ACS data
- Excise Tax of 12%:
 - Pennsylvania’s calculation is based on utilizing the Commonwealth’s adjusted per capita data
- Pennsylvania Sales and Use Tax of 6%:
 - Both, the Cannabis Excise Tax and the Sales and Use Tax are applied at retail level for Pennsylvania projections

² <https://cdor.colorado.gov/data-and-reports/marijuana-data/marijuana-tax-reports>

³ <https://data.census.gov/table?q=DP05>

⁴ See The Constitution of Pennsylvania, Article VIII, Taxation and Finance, Section 1

- Industry data was utilized to determine the profit margin for cannabis sales in Pennsylvania:
 - 2025/26 utilizes a profit margin of 14%
 - 2026/27 utilizes a profit margin of 34.3%
- Agency related costs were estimated for FY 2025/26 and FY 2026/27:
 - Using 6 months and initial ramp-up time for FY 2025/26 and full year costs for FY 2026/27
- Issuance of a Revenue Bond for \$100,000,000, included to offset revenue projections:
 - Debt service costs utilize a rate of 5.99% with a 20-year maturity and level principal payment
 - The first debt payment would be due in FY 2026/27
- Revenue projections do not include proceeds from any new penalty fees included in the legislation:
 - Specifically, any proceeds from penalties, contained within Section 203 (Home cultivation) Subsection (d) or penalty proceeds under Section 204 (Unauthorized acts) Subsection (b)
- Cannabis license cost per type and the number of licenses specified for each type utilized for revenue projections

<i>Lic Type</i>	<i># Lic</i>	<i>Application Fee</i>	<i>Licensing Fee / Licensing per Sq. Ft</i>	<i>Sq Footage</i>	<i>License Renewal Fee / Licensing Renewal per Sq. Ft</i>
<i>Cannabis Cultivator</i>	50	\$ 5,000	\$ 1.50	125,000	\$ 0.75
<i>Cannabis Processor</i>	50	\$ 5,000	\$ 50,000	n/a	\$ 25,000
<i>On-Site Consumption</i>	100	\$ 5,000	\$ 10,000	n/a	\$ 5,000
<i>Cannabis Transporter</i>	50	\$ 5,000	\$ 10,000	n/a	\$ 2,500
<i>Cannabis Microcultivator</i>	50	\$ 2,500	\$ 0.50	5,000	\$ 0.25
<i>Cannabis Microprocessor</i>	50	\$ 2,500	\$ 15,000	n/a	\$ 7,500

- Licenses issued under exigent circumstances determination by PA Liquor Control Board under Section 720
- Fund distributions to the General Fund, the Cannabis Revenue Fund, and the Cannabis Business Development Fund based on allocation specified within Section 1201
- Agency projected covered costs include:
 - **PA Liquor Control Board (PLCB)**⁵ - assumptions and projected costs:
 - Cannabis/alcohol products will not be co-located in the same retail store location
 - No adult-use cannabis store locations are opened in year 1. The PLCB anticipates the creation of 50 retail locations by the close of year 2
 - The PLCB will engage with a new third-party logistics provider for warehousing and logistics support. Warehousing and logistics costs will begin in year 2
 - The current business operations and regulatory affairs structure will be mirrored for adult-use cannabis but modified for the specific workload and responsibilities under the bill
 - The finance, legal, administration and information technology teams will be

⁵ Above listed assumptions and projected costs were received shortly prior the completion of this Note. Our office will continue to assess such projections and work with PLCB to review their assumptions and expectations related to this legislation

augmented to accommodate additional responsibilities. This will be a shared services model for back-office functions, between the beverage alcohol and cannabis business units

- Current interagency expenses for Commonwealth provided services to the PLCB are adjusted for increased auditing, accounting, real estate and human resource requirements
- The PLCB will establish adult-use cannabis enforcement capabilities and an administrative capacity to adjudicate citations
- The agency's existing enterprise resource planning platform will be augmented to support the infrastructure and requirements for adult-use cannabis sales
- Projected years 1 and 2 costs:
 - personnel costs of \$74.2 million and other costs \$186.3 million
- **Department of Community and Economic Development (DCED)** - \$500,000 per FY;
- **Department of Revenue** – tax collection provisions of the bill would be done with existing resources;
- **Department of Agriculture** – \$500,000 per FY;
- **Pennsylvania State Police (PSP)** - approximately \$750,000 to \$1 million for a bulk expungement process, however the final cost of the legislation is likely to be higher due to the expungement process outlined in the legislation;
 - **Administrative Offices of Pennsylvania Courts** - the expungement provisions would require developing new processes that include, but are not limited to, intake of reports from drug identification labs, development of partial expungements for cases that have both cannabis and non-cannabis offenses, modifying the case management systems to allow the counties to reallocate fines paid for prior cannabis convictions to other outstanding fines, and facilitating the acceptance of expungement petitions electronically. Although an exact estimate is not available at this time, for reference, Clean Slate legislation (Act 5 of 2016, Act 56 of 2018, and Act 36 of 2023) costs AOPC approximately \$6.3 million to implement
- Agency projected uncovered costs and other considerations:
 - **Pennsylvania State Police** - marijuana related enforcement could cost the department approximately \$1.75 to \$2 million annually. This includes the ongoing and enhanced training of Drug Recognition Experts (DREs) within state and local law enforcement agencies. A DRE class, which aids officers in identifying impairment due to marijuana while driving, is 14 days long with 30 troopers at a cost of approximately \$500,000. The proposed legislation may also result in additional laboratory and crash investigation costs
 - **Department of Corrections** - It is possible that cannabis offenses vacated by this act will generate cost savings to the Commonwealth, although any potential costs savings would be offset by new convictions under the proposed legislation. According to the Pennsylvania Commission on Sentencing, over the last three years, an average of 47 individuals were sentenced to a State Correctional Institution per year for a cannabis offense with a minimum average sentence of 13.5 months and a maximum average sentence of 34.7 months. Vacating these sentences would save the Commonwealth over \$750,000 annually. At this point, it is impossible to estimate how many new convictions would result from the proposed legislation. Therefore, the net savings from a possible reduction in the prison population is indeterminate
- Revenue projections are included in the Adult Use Cannabis table

Adult Use Cannabis Fiscal Impact Projections				
(\$ amounts in thousands)				
			2025/26	2026/27
License Fees				
	Conversion		\$ 1,000,000	\$ -
	Non-conversion		\$ 23,250	\$ 51,181
Excise Tax @ 12%		12.0%	\$ 83,080	\$ 241,993
SUT @ 6%		6.0%	\$ 41,540	\$ 120,996
Profits			\$ 96,581	\$ 691,696
Available for Distribution			\$ 244,451	\$ 1,105,866
Distribution				
General Fund			2025/26	2026/27
	100% of Conversion License Fees		\$ 1,000,000	
	SUT		\$ 41,540	\$ 120,996
	30.5% of everything else	30.5%	\$ 3,747	\$ 278,445
			\$ 1,045,287	\$ 399,442
Cannbis Revenue Fund			2025/26	2026/27
Off-the-Top Reductions				
	Actual/necessary costs incurred by PLCB for implementing/administration		\$ 186,300	\$ 74,200
	Actual/necessary costs incurred by DOR for tax collection		\$ -	\$ -
	Actual/necessary costs incurred by AGR and DCED		\$ 1,000	\$ 1,000
	Reasonable costs incurred by Office of Social and Economic Equity		\$ 1,000	\$ 2,000
	Actual/necessary costs incurred by PSP and Office of Attorney General for oversight		\$ 750	\$ 1,000
	Actual/necessary costs incurred by AOPC		\$ 1,575	\$ 4,725
Communities Reimagined and Reinvestment Restricted Account			2025/26	2026/27
	50% of everything else	50.0%	\$ 6,143	\$ 456,467
Substance Use Disorder Prevention, Treatment and Education Fund			2025/26	2026/27
	10% of everything else	10.0%	\$ 1,229	\$ 91,293
Cannabis Business Development Fund			2025/26	2026/27
	5% of everything else	5.0%	\$ 614	\$ 45,647
PA Minority Business Development Authority				
	2.5% of everything else	2.5%	\$ 307	\$ 22,823
AOPC for Grants to Counties			2025/26	2026/27
	2% of everything else	2.0%	\$ 246	\$ 18,259
Bond Issuance			2025/26	2026/27
	100,000 Revenue Bond @ 5.99%/20 years w/ Level Principal		\$ -	\$ (10,990)

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House Appropriations Committee (D)

DATE: May 7, 2025

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.