

Department of Planning and Budget

2023 Fiscal Impact Statement

1. Bill Number: SB1366

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: McClellan

3. Committee: Senate Finance and Appropriations

4. Title: Virginia Cannabis Incubator Project

5. Summary: The proposed bill amends § 4.1-604 (Powers and duties of the Board) to add the management of the Virginia Cannabis Equity Business Loan Program and the management of the Virginia Cannabis Incubator Project under the responsibility of the Cannabis Business Equity and Diversity Support Team.

The bill adds § 4.1-1601 (Virginia Cannabis Incubator Project) to encourage social equity applicants and economic equity applicants from disproportionately impacted areas to apply and, if granted, a cannabis license, the Incubator Project would provide direct support in the form of counseling services, education, small business coaching, and financial planning.

The Cannabis Control Authority Board, in consultation with the Cannabis Equity Reinvestment Board, must promulgate regulations to operate the Incubator Project, including the following:

1. Issue licenses to micro-growers who meet the criteria of § 4.1-1601 subsection A;
2. Require all micro-growers to operate in a co-location facility;
3. Require that all co-location facilities contain at least seven micro-growers;
4. Authorize the licensure of an unlimited number of micro-growers, notwithstanding any other provision of law;
5. Permit a micro-grower to cultivate up to 4,000 pounds of cannabis per year;
6. Prohibit a micro-grower from holding more than one marijuana cultivation license at any given time;
7. Require that any cannabis grown under this section be processed and sold on-site by a cooperative of micro-growers, an independent processor, or an independent retailer. Such independent retailers shall be subject to all retail regulations promulgated by the Board; and
8. Permit a micro-grower to relocate to another co-location facility. After participating for five years in the Incubator Project, a micro-grower may apply for a license for his own facility, subject to regulations promulgated by the Board.

The bill requires the Cannabis Control Authority Board and the Department of Agriculture and Consumer Services to promulgate regulations to ensure that all products are kept separate to avoid cross-contamination.

The bill requires the Board of Directors of the Virginia Cannabis Control Authority (the Board) to promulgate regulations to implement the provisions of this legislation by January 1, 2024. Further, the provisions of this legislation become effective when the Board provides notice to the Division of Legislative Services that the Board is authorized to implement regulations permitting the manufacture, sale, and distribution of cannabis in the Commonwealth.

6. Budget Amendment Necessary: Yes, Item 397

7. Fiscal Impact Estimates: Preliminary (see Item 8 below)

8. Fiscal Implications: The proposed bill requires the Cannabis Control Authority (“CCA”) to promulgate regulations to implement the bill by January 1, 2024. Other bill provisions don’t become effective until the Board is authorized to implement regulations permitting the manufacture, sale, and distribution of cannabis in the Commonwealth.

According to the CCA, the agency will need additional personnel to meet the requirements of the legislation. The fiscal impact is shown in the following table:

Expense	FY 2024	FY 2025	FY 2026
Personnel Services (FY24: 1 position for ½ year) (FY25 and FY26: 3 positions)	\$48,532	\$309,966	\$309,966
IT Equipment/Furniture	5,860	11,720	
IT Services, Software, Travel, Training, and Incidentals	6,219	37,314	37,314
Total	\$60,611	\$359,000	\$347,280

The CCA has a FY 2024 general fund base appropriation of \$11.2 million, which includes \$3.0 million for a low-interest and zero-interest loan program to assist applicants and licensees. However, it is not clear if a portion of these funds can be used for implementing the provisions of this legislation.

9. Specific Agency or Political Subdivisions Affected: Virginia Cannabis Control Authority

10. Technical Amendment Necessary: No

11. Other Comments: None