



**Department of Planning and Budget  
2026 General Assembly Session  
State Fiscal Impact Statement**

<b>TOTAL</b>	<b>\$0</b>	<b>(\$5,595,041)</b>	<b>(\$12,519,088)</b>	<b>(\$13,848,093)</b>	<b>(\$13,848,093)</b>	<b>(\$13,848,093)</b>
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**General Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VSP	\$0	\$211,245	\$199,510	\$199,510	\$199,510	\$199,510
OAG	\$0	\$160,226	\$160,226	\$160,226	\$160,226	\$160,226
DOC	\$0	\$50,000	\$0	\$0	\$0	\$0
VDACS	\$0	\$865,365	\$865,365	\$865,365	\$865,365	\$865,365
<b>TOTAL</b>	<b>\$0</b>	<b>\$1,286,836</b>	<b>\$1,225,101</b>	<b>\$1,225,101</b>	<b>\$1,225,101</b>	<b>\$1,225,101</b>

**Nongeneral Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
CCA	\$1,197,609	\$15,547,330	\$13,670,846	\$0	\$0	\$0
ABC	\$0	\$5,595,041	\$12,519,088	\$13,848,093	\$13,848,093	\$13,848,093
<b>TOTAL</b>	<b>\$1,197,609</b>	<b>\$21,142,371</b>	<b>\$26,189,934</b>	<b>\$13,848,093</b>	<b>\$13,848,093</b>	<b>\$13,848,093</b>

**Position Impact:**

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VSP	0	2	2	2	2	2
OAG	1	1	1	1	1	1
CCA	36	80	80	0	0	0
ABC	0	35	89	89	89	89
VDACS	0	7	7	7	7	7
<b>TOTAL</b>	<b>37</b>	<b>125</b>	<b>179</b>	<b>99</b>	<b>99</b>	<b>99</b>

**Fiscal Analysis:**

**VSP:** Currently, the Civil and Applicant Records Exchange (CARE) is tasked with processing criminal history record background checks. Currently, one Fingerprint Technician and one Program Support Technician can process up to 10,000 inked fingerprint cards per year and up to 20,000 electronic fingerprint transmissions. It is unknown how many background checks will be required as a result of this bill. VSP reports that CARE is operating at capacity, and the cost for two additional two positions is \$211,246 the first year and \$199,511 in subsequent years, including salary and benefits.

**TAX:** TAX does not require additional funding at this time because the implementation costs of this bill can be absorbed within existing resources.

In November 2020, the Joint Legislative Audit and Review Commission (“JLARC”) published a report entitled “Key Considerations for Cannabis Legalization.” The table below uses the midrange point of JLARC’s estimates as a base. As noted in the footnotes of the table, actual sales data from Virginia’s medical cannabis sales were

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utilized to estimate the future recreational sales, as medical and recreational sales relate to each other based on other states' experience.

According to TAX, the detailed estimated revenue impact of the bill is as follows:

**Fiscal Year Revenue Collections and Uses from Retail Cannabis Market (Millions \$)**

	Fiscal year 2027	Fiscal year 2028	Fiscal year 2029	Fiscal year 2030	Fiscal year 2031	Fiscal year 2032
Cannabis Tax (12.875%)	\$10.1	\$24.1	\$49.2	\$75.7	\$98.9	\$119.1
Sales and Use Tax (1.115%) <sup>1</sup>	\$0.9	\$2.1	\$4.3	\$6.6	\$8.6	\$10.3
<i>Local Option (3.5%)</i>	\$2.3	\$5.6	\$11.5	\$17.6	\$23.1	\$27.8
<b>Cannabis Tax (12.875%)</b>	<b>\$10.1</b>	<b>\$24.1</b>	<b>\$49.2</b>	<b>\$75.7</b>	<b>\$98.9</b>	<b>\$119.1</b>
Early Childhood care and education (40%)	\$4.0	\$9.7	\$19.7	\$30.3	\$39.6	\$47.6
Cannabis Equity Reinvestment Fund (30%)	\$3.0	\$7.2	\$14.8	\$22.7	\$29.7	\$35.7
Substance Use Disorder (25%)	\$2.5	\$6.0	\$12.3	\$18.9	\$24.7	\$29.8
Public Health Program (5%)	\$0.5	\$1.2	\$2.5	\$3.8	\$4.9	\$6.0
<b>SUT Distributions (1.115%)</b>	<b>\$0.9</b>	<b>\$2.1</b>	<b>\$4.3</b>	<b>\$6.6</b>	<b>\$8.6</b>	<b>\$10.3</b>
GF - Restricted (1%)	\$0.8	\$1.9	\$3.8	\$5.9	\$7.7	\$9.2
GF - Transfer (0.115%)	\$0.1	\$0.2	\$0.5	\$0.7	\$0.9	\$1.1

<sup>1</sup> Includes 1% education funding based on school age population, 0.125% education transfer based on school age population, less the 0.01% dealer discount.

\* Estimates based upon JLARC's estimates in its 2020 report, "Key Considerations for Cannabis Legislation".

\*\* Estimates assume retail sales beginning January 1, 2027. All sales would be taxed at the 12.875% cannabis tax rate, in addition to the local sales tax. Localities would have the option to impose a 3% excise tax in addition to local sales tax and local food and beverage tax.

\*\*\*Tax revenues for SUT and Cannabis Tax categories are generated by applying respective rates and distributions to the adult-use recreational cannabis sales estimates created by JLARC, combined with VA Tax calculations referenced above.

This bill would establish a framework for a retail cannabis market in Virginia to be administered by the Authority. The bill would impose a 12.875 percent tax, in addition to a 1.125 percent sales tax, that would apply to cannabis and cannabis products sold in Virginia. The bill would further provide that any locality may, by ordinance, impose an additional tax on these products at a rate of three percent. The taxes imposed would be collected by the seller and remitted to the Authority. Any local tax revenue would be returned to the locality in which it was collected.

The 12.875 percent state tax and any local option tax due would be collected by the seller and remitted to CCA. After returning the local tax to the locality in which it was collected, the CCA would allocate the revenue from the tax as follows: 40% to early childhood care and early childhood education; 30% to the Cannabis Equity Reinvestment Fund; 25% to substance use disorder prevention and treatment programs; and 5% to

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public health programs. The local tax of three percent would not apply to any sale: from a cannabis establishment to another cannabis establishment; of a cannabis product for treatment under the Medical Cannabis Program; of industrial hemp by a grower, processor, or dealer; or of a hemp product.

The bill would also allow taxpayers to claim income tax deductions on their Virginia returns for ordinary and necessary expenditures made in connection with carrying on a trade or business licensed under the Cannabis Control Act beginning January 1, 2026.

**OAG:** The Office would require one attorney devoted to the Cannabis Control Authority. Within Chapter 725-2025 Session Virginia Acts of Assembly, Item 49.C, the Office can invoice for legal services to wholly or partially non-generally funded. If allowable, OAG could bill CCA for the cost, otherwise the Office would need one attorney to provide services to CCA, costing \$160,226 annually, beginning in fiscal year 2027.

**VDACS:** Currently, the Code of Virginia requires the Office of Weights and Measures (OWM) at VDACS to test and certify accuracy of all weights and measures devices in the Commonwealth.

The estimated number of weighing and measuring devices used commercially in Virginia and subject to inspection is 147,803. At full capacity, OWM has 25 inspectors and three supervisors. The inspectors are currently responsible for inspecting retail fuel dispensers, commercial scales, commodities sold in package form, motor fuel quality, and retail price verifications on point of sale (POS) systems.

During fiscal year 2025, OWM staff inspected 89,316 weighing and measuring devices. Of the 89,316 weighing and measuring devices inspected, 21,549 were rejected for inaccuracies. Staff also collected 4,948 motor fuel samples. Staff spent approximately 1,645 hours investigating 364 consumer complaints submitted to OWM.

Along with devices, OWM staff verify the weight of commodities sold in package form and conduct audits of the POS systems. Staff sampled 25,930 packaged commodities to check for accurate weight and conducted 69,905 price verifications on the POS systems.

The scales used in retail cannabis stores will require more precision and smaller standards than those that are currently used by OWM. VDACS anticipates that the number of complaints and violations that require follow-up inspection would also increase. VDACS anticipates needing four additional employees in OWM. The estimated cost for these positions is \$549,728 annually, including salary and benefits.

There are currently an estimated 29 edible cannabis processing facilities in the Commonwealth. VDACS also anticipates needing three additional employees in Program 554, Food Safety and Security, to inspect these facilities. This includes two employees for inspectors and one employee for a technical specialist who would be responsible for reviewing the applications of new edible cannabis processing facilities, providing technical support, and conducting needed research. The cost for these positions is \$315,637 annually, including salary and benefits.

**CCA:** Under this bill, there will eventually be at least 700 adult use licenses in Virginia. CCA will assess and collect licensing fees for each of these licenses to fund the program. CCA will require additional staff and resources to prepare and implement the framework for the retail adult use market. The reliance on

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nongeneral fund revenue is dependent on CCA's ability to retain a portion of the medical processor conversion fee and/or the additional licensing fees. In fiscal year 2027, 75 percent of the license fees collected will be directed to the equity business loan fund, thus, depending on tax revenue, the CCA may not have enough nongeneral fund revenue to fully fund the program in fiscal year 2027.

The CCA will need a total of 80 additional employees, with 36 employees to be hired in fiscal year 2026, and 44 in fiscal year 2027. The necessary staff categories include Education, Legal and Policy, Investigation, Licensing, Compliance, Data, Information Technology, Human Resources, and Finance. Employees will cost \$516,168 in fiscal year 2026, and \$10,287,293 in fiscal year 2027, including salary and benefits.

CCA will also need resources for operations. Travel, equipment, and training will cost \$30,953 in fiscal year 2026, and \$653,428 in fiscal year 2027. Lottery machine certifications will cost \$32,900 in fiscal year 2026. Compliance and enforcement will cost \$7,800 in fiscal year 2026, and \$390,268 in fiscal year 2027. Software will cost \$350,000 in fiscal year 2026, and \$500,000 in fiscal year 2027. Attorney services will cost \$50,000 in fiscal year 2026 and fiscal year 2027. Public health and engagement will cost \$261,735 in fiscal year 26, and \$181,735 in fiscal year 2027. Media and public relations will cost \$1,500,000 in fiscal year 2026 and fiscal year 2027. Consulting fees will cost \$48,000 in fiscal year 2026, and \$64,000 in fiscal year 2027. Rent for satellite locations will cost \$71,600 in fiscal year 2026 and fiscal year 2027. Impact licensee verification services will cost \$779,000 in fiscal year 2027. Information technology will cost \$211,788 in fiscal year 2026, and \$989,846 in fiscal year 2027.

It is unclear the exact costs that CCA and ABC will incur during fiscal year 2028, as the duties for each agency are not explicitly outlined in this bill. After the two agencies combine on January 1, 2028, the amount that costs are offset for ABC by the absorption of CCA is unknown. For CCA and ABC, the estimates of fiscal year 2028 are based on each agency's interpretation of their duties until CCA becomes a subdivision of ABC. The total costs for CCA will be \$13,670,846 in fiscal year 2028, and \$0 in subsequent years.

This FIS includes the cost for CCA's role to oversee a retail adult use market. Associated costs do not include enforcement related to the illegal sale and distribution of cannabis and cannabis products, under Chapter 11 (§ 4.1-1100 et seq.) of Title 4.1, which is the responsibility of ABC. The compliance and enforcement cost contained in this FIS is related to the regulatory enforcement of licensed cannabis establishments under the other provisions of the Cannabis Control Act (§ 4.1-600 et seq.) of the Code of Virginia, which is the responsibility of CCA.

**ABC:** In order to enforce the laws related to the illegal sale and distribution of cannabis and cannabis products in retail business establishments that jeopardize the legal sale of cannabis and cannabis products from when the bill goes into effect on July 1, 2026 through January 1, 2028, ABC would need 35 additional employees in fiscal year 2027 (30 enforcement employees, 4 legal support employees, and 1 human resources employee). The total cost for ABC in fiscal year 2027 will be \$5,595,041.

It is unclear the exact costs that CCA and ABC will incur during fiscal year 2028, as the duties for each agency are not explicitly outlined in this bill. After the two agencies combine on January 1, 2028, the amount that

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costs are offset for ABC by the absorption of CCA is unknown. For CCA and ABC, the estimates of fiscal year 2028 are based on each agency's interpretation of their duties until CCA becomes a subdivision of ABC. ABC already has the framework in place to regulate and enforce the regulation of the sale of alcohol. To also regulate and enforce the regulation of the sale of cannabis, ABC would need to build upon its existing framework. This expansion would require information technology expansion/improvement as well as additional personnel and equipment. ABC would also require additional sworn and non-sworn personnel who possess a strong knowledge base of licensing, regulatory compliance, and investigations. Legal personnel will also be needed to provide due process to applicants and licensees. ABC would need to hire 54 additional employees in fiscal year 2028. The total costs for ABC in fiscal year 2028 will be \$12,519,088. The total costs for ABC in subsequent years will be \$13,848,093.

**Criminal Impact:** This bill creates new misdemeanor and felony offenses. The number of individuals who may be convicted of the new misdemeanors and felonies defined in the proposal, and the sentences these individuals may receive, is not known. By creating a regulatory and licensing structure, the proposal may result in fewer convictions related to the unlawful distribution of cannabis. Whether or not, or the extent to which this will occur, is not known.

There is not enough information available to reliably estimate the increase in jail population as a result of this proposal. However, any increase in jail population will increase costs to the state. The Commonwealth currently pays localities \$5.00 a day for each misdemeanant or otherwise local-responsible prisoner held in a jail. It also funds a large portion of the jails' operating costs, e.g., correctional officers. The state's share of these costs on a per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board's most recent Jail Cost Report (November 2025), the estimated total state support for local jails averaged \$58.25 per inmate, per day in fiscal year 2024.

Due to the lack of data, VCSC has concluded, pursuant to § 30-19.1:4, the estimated amount of the necessary appropriation cannot be determined for periods of imprisonment in state adult correctional facilities; therefore, Chapter 725 of the Acts of Assembly of 2025, requires the Virginia Criminal Sentencing Commission to assign a minimum fiscal impact of \$50,000.

**Virginia Department of Education:** The material fiscal impact on agency operations is unknown at this time.

**Virginia Department of Motor Vehicles:** No expected material fiscal impact on agency operations.

**Virginia Lottery:** The impact to the Virginia Lottery is unknown at this time.

**Virginia Department of Health Professions:** No expected material fiscal impact on agency operations.

**Other:** HB642H2 is a companion to this bill.