

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

DOC	\$0	\$50,000	\$0	\$0	\$0	\$0
VDACS	\$0	\$865,365	\$865,365	\$865,365	\$865,365	\$865,365
TOTAL	\$0	\$1,286,836	\$1,225,101	\$1,225,101	\$1,225,101	\$1,225,101

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	\$1,149,609	\$17,856,218	\$15,547,330	\$15,547,330	\$15,547,330	\$15,547,330
ABC	\$0	\$5,216,401	\$4,866,401	\$4,866,401	\$4,866,401	\$4,866,401
TOTAL	\$1,149,609	\$23,072,619	\$20,413,731	\$20,413,731	\$20,413,731	\$20,413,731

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	0	1	1	1	1	1
CCA	36	96	96	96	96	96
ABC	0	30	30	30	30	30
VDACS	0	7	7	7	7	7
TOTAL	36	136	136	136	136	136

Fiscal Analysis:

VSP: According to VSP, 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 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 Marijuana Legalization.” The analysis uses a midpoint between JLARC’s lower bound estimate and a revised high-end estimate. The revised high-end was based on recent Virginia medical cannabis sales data, which was annualized and adjusted using observed medical-to-recreational sales ratios from other states in combination with JLARC growth assumptions. It is estimated that this bill could generate total revenues as shown below:

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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
Marijuana Tax (6%)	\$4.7	\$11.3	\$22.9	\$35.3	\$46.1	\$55.5
Sales and Use Tax	\$4.5	\$10.8	\$22.1	\$34.0	\$44.4	\$53.5
Local Option (1%)	\$0.8	\$1.9	\$3.8	\$5.9	\$7.7	\$9.3
<i>Local Option (3.5%)</i>	\$2.7	\$6.6	\$13.4	\$20.6	\$26.9	\$32.4
Marijuana Tax (6%)	\$4.7	\$11.3	\$22.9	\$35.3	\$46.1	\$55.5
Early childhood care and education	\$1.9	\$4.5	\$9.2	\$14.1	\$18.4	\$22.2
Cannabis Equity Reinvestment Fund	\$1.4	\$3.4	\$6.9	\$10.6	\$13.8	\$16.7
Substance Use Disorder	\$1.2	\$2.8	\$5.7	\$8.8	\$11.5	\$13.9
Public Health Program	\$0.2	\$0.6	\$1.1	\$1.8	\$2.3	\$2.8
Sales and Use Tax						
State SUT (5.3%)	\$4.1	\$9.9	\$20.2	\$31.1	\$40.6	\$48.8
GF -- Unrestricted (2.265%)	\$1.8	\$4.2	\$8.7	\$13.3	\$17.4	\$21.0
GF -- Restricted (1.115%)	\$0.9	\$2.1	\$4.3	\$6.6	\$8.6	\$10.3
Transportation (0.9%)	\$0.7	\$1.7	\$3.4	\$5.3	\$6.9	\$8.3
Local Option (1%)	\$0.8	\$1.9	\$3.8	\$5.9	\$7.7	\$9.3
Other SUT (0.504%)	\$0.4	\$0.9	\$1.9	\$3.0	\$3.9	\$4.7
Hampton Roads (0.7%)	\$0.1	\$0.2	\$0.5	\$0.8	\$1.0	\$1.2
Norther Virginia (0.7%)	\$0.2	\$0.4	\$0.9	\$1.3	\$1.7	\$2.1
Historic Triangle (1%)	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1	\$0.2
Counties (with 1% add-on)	\$0.0	\$0.0	\$0.1	\$0.1	\$0.2	\$0.2
Central Virginia (0.7%)	\$0.1	\$0.2	\$0.4	\$0.6	\$0.8	\$1.0

* JLARC's 2020 report, "Key Considerations for Marijuana Legislation", provided the lower-bound sales estimate incorporated into this analysis.

** Estimates assume retail sales beginning January 1, 2027. All sales would be taxed at the 6% marijuana tax rate, in addition to 5.3% of sales and use tax. Localities would be directed to impose a tax of at least 1.0% and up to 3.5%.

*** Estimates for the 5.3% State SUT and 1.125% GF – Restricted SUT were calculated at rates of 5.28% and 1.115% respectively, to account for the standard dealer discount.

**** Tax revenues for SUT and Marijuana Tax categories are generated by applying respective rates and distributions to the adult-use recreational marijuana 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 CCA. The bill would impose a six percent tax, in addition to the Retail Sales and Use Tax, that would apply to cannabis and cannabis products sold in Virginia. The bill would also direct localities, by ordinance, to impose an additional tax on transactions subject to the state marijuana tax at a rate not less than one percent but not greater than three and one-half percent. The taxes imposed would be collected by the seller and remitted to the CCA. Any local tax revenue would be returned to the locality in which it was collected.

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The six percent state tax and any local option tax due would be collected by the seller and remitted to the 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 percent to early childhood care and early childhood education; 30 percent to the Cannabis Equity Reinvestment Fund; 25 percent to substance use disorder prevention and treatment programs; and 5 percent to public health programs. The local tax of not less than one percent and not greater than three and one-half 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.

This bill becomes effective July 1, 2026. Several provisions of the bill related to the recreational marijuana market become effective January 1, 2027. The provision of this bill authorizing income tax deductions would be effective for taxable years beginning on and after January 1, 2026.

OAG: The OAG would require one attorney devoted to the Cannabis Control Authority. Chapter 7, Item 49.C, of the 2026 Acts of the Assembly allows the OAG to invoice for legal services provided to an agency. If invoicing the CCA is not allowable, the general fund cost for one attorney to provide services to the CCA would be \$160,226 annually, beginning in fiscal year 2027.

VDACS: Currently, the Code of Virginia requires the Office of Weights and Measures (OWM) at the 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, the 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, the 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 the OWM.

Along with devices, the 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 the OWM. The VDACS anticipates that the number of complaints and violations that require follow-up inspection would also increase. The VDACS anticipates needing four additional employees in the OWM. The estimated general fund cost for these positions is \$549,728 annually, including salary and benefits.

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There are currently an estimated 29 edible cannabis processing facilities in the Commonwealth. The 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 general fund cost for these positions is \$315,637 annually, including salary and benefits.

CCA: According to the CCA, it will require 96 positions and incur additional operational expenses to fulfill the statutory responsibilities of the retail marijuana program and the transition of the industrial hemp program from VDACS to the CCA.

To establish and administer the retail marijuana market, the CCA will need a total of 80 additional staff, with 36 staff 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 and fiscal year 2028, including salary and benefits.

The 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 and fiscal year 2028. 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, and 39,268 in fiscal year 2028. Software will cost \$350,000 in fiscal year 2026, and \$500,000 in fiscal year 2027 and fiscal year 2028. Attorney services will cost \$50,000 in fiscal year 2027 and fiscal year 2028. Public health and engagement will cost \$261,735 in fiscal year 2027, and \$181,735 in fiscal year 2028. Media and public relations will cost \$1,500,000 in fiscal year 2027 and fiscal year 2028. Rent for satellite locations will cost \$71,760 in fiscal year 2027 and fiscal year 2028. 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, and \$387,362 in fiscal year 2028.

The CCA will also require 16 additional staff (from VDACS) to transition the industrial hemp program from VDACS to the CCA, totaling \$1,910,810 annually in salary and benefits. The CCA will also need resources for IT services and equipment, computer software development and maintenance, educational materials and campaigns, motor vehicles, office space, and travel within the Commonwealth of Virginia, totaling \$432,079 in fiscal year 2027, and \$155,499 in subsequent years. It is anticipated that VDACS will transfer to the CCA at least \$3,800,000 in cash balances from fees and penalties related to regulated hemp products.

The CCA will require consulting costs to develop a comparison of estimated sales in the illicit marijuana market to sales in the retail marijuana market to include in the CCA annual report, totaling \$12,000 in fiscal year 2027. The CCA will also need consulting costs to jointly submit a plan with the ABC to describe the respective organizational structures and enforcement roles of both agencies, overlapping areas, fiscal and operational implications of any overlap, opportunities for coordination, staffing, and recommendations for organizational changes for efficiency, totaling \$18,000 in fiscal year 2027. The total cost for consultants is \$30,000.

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Under this bill, there will eventually be at least 700 adult use licenses in Virginia. The CCA will assess and collect licensing fees for each of these licenses to fund the program. The CCA will require additional staff and resources to prepare and implement the framework for the retail adult use market. The reliance on nongeneral fund revenue is dependent on the 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. In subsequent years, the adult use program will be fully funded by licensing fee revenue.

This FIS includes the cost for the 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 the 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 the CCA.

It is unclear what the exact costs that the CCA and the ABC will incur, as the duties for each agency are not explicitly outlined in this bill. The estimates are based on each agency's interpretation of their duties as the bill is written.

ABC: According to the ABC, ABC law enforcement agents would be responsible for enforcing the unlicensed and/or illegal cultivation, processing, sale, or distribution of marijuana and marijuana products only with respect to reports received through a tip line administered by the ABC.

In order to enforce the laws related to unlicensed and/or illegal cultivation, processing, sale, or distribution of marijuana and marijuana products only with respect to reports received through a tip line administered by the ABC, ABC indicates it would need 30 additional employees at a cost of \$4,866,401 annually. No additional information on the methodology behind the request for additional employees and the associated cost was provided by the ABC to the DPB.

The ABC also indicates it will need \$350,000 in fiscal year 2027 for consulting fees regarding enactment clause 17 of this bill. No additional details about the consulting cost were provided by the ABC to the DPB. It is important to note that the CCA has estimated a total of \$30,000 for consulting fees, \$18,000 of which is for enactment clause 17, and the CCA provided supporting documentation for these costs.

As noted above, it is unclear what the exact costs that the CCA and the ABC will incur, as the duties for each agency are not explicitly outlined in this bill. The estimates are based on each agency's interpretation of their duties as the bill is written.

Criminal Impact: This bill creates new misdemeanor and felony offenses. The number of individuals who may be convicted of the new misdemeanors (jail time) and felonies (possible prison time) defined in the proposal, and the sentences these individuals may receive, is not known. By creating a regulatory and licensing

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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 misdemeanor 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, Virginia Criminal Sentencing Commission (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 7 of the 2026 Acts of Assembly, requires the VCSC to assign a minimum fiscal impact of \$50,000 general fund.

Virginia Department of Education: No expected material fiscal impact on agency operations.

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

Virginia Lottery: The material fiscal impact on agency operations is unknown at this time.

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

State Council of Higher Education for Virginia: The material fiscal impact on agency operations is unknown at this time.

Other: HB642 is a companion to this bill. Proposed funding for HB642 is as follows:

CCA: Item 491 #1h provided 80 positions and \$19,575,354 of nongeneral fund appropriation in fiscal years 2027 and 2028 to support the retail marijuana market, while removing \$4,028,024 in general fund appropriation each year. This amendment also authorized a treasury loan (with no limit listed) to fund the creation of the retail marijuana market.

Proposed funding for SB542 is as follows:

VSP: Item 415 #3s provided VSP \$211,245 the first year and \$199,510 the second year, as well as two positions for this bill.

OAG: Item 50 #2s provided OAG with 3 attorneys in fiscal year 2027 and 6 attorneys in fiscal year 2028. It is not clear if the amendment includes the one attorney OAG requested for this bill.

DOC: Item 390 #1s provided one-time funding of \$50,000 to DOC from the general fund for this bill.

VDACS: Item 92 #1s provided \$865,365 and 7 positions in fiscal years 2027 and 2028. Item 92 #1h provided \$315,637 and 2 positions in fiscal years 2027 and 2028.

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ABC: Item 489 #1s provided 20 positions and \$3.2 million to the ABC to hire 20 positions to support enforcement of laws related to the illegal sale and distribution of marijuana and marijuana products, in anticipation of the establishment of a new joint Alcoholic Beverage and Cannabis Control Agency by January 1, 2028. However, the latest version of the bill does not establish the joint agency anymore. Item 491 #1s directs the transfer of \$3,200,000 in net profit from marijuana sales to the ABC for enforcement of illegal sale of marijuana.

CCA: Item 491 #1s provided \$18,223,509 in nongeneral fund appropriation in fiscal year 2027 and \$22,221,363 in nongeneral fund appropriation in fiscal year 2028 to the CCA. This amendment also removed \$6,220,439 in general fund in fiscal year 2028 from the CCA. This amendment also authorized a treasury loan of up to \$5,000,000 for the CCA for the creation of a retail marijuana market.