



**153rd GENERAL ASSEMBLY
FISCAL NOTE**

BILL:	HOUSE SUBSTITUTE NO. 1 FOR HOUSE BILL NO. 401
SPONSOR:	Representative Lynn
DESCRIPTION:	AN ACT TO AMEND TITLE 4 OF THE DELAWARE CODE RELATING TO THE REGULATION OF HEMP PRODUCTS.

Assumptions:

1. This Act becomes effective upon signature by the Governor and is to be implemented the earlier of: one year after enactment; or publication by the Office of the Marijuana Commissioner (OMC) in the Register of Regulations that final regulations have been promulgated.
2. This Act establishes "The Delaware Hemp Regulation Act" under Title 4 of the Delaware Code and creates a regulatory framework for the sale, distribution, taxation, testing, labeling, and enforcement of hemp-derived cannabinoid products (HDCPs) in the State. Additionally, this Act authorizes the OMC to issue retail licenses for off-premises consumption of HDCPs and imposes a 6% excise tax on retail sales.
3. This Act expands the responsibilities of the OMC related to the licensing, regulation, and oversight of HDCPs. The recurring Fiscal Year 2027 costs are estimated at \$120,170, and one-time costs are estimated at \$196,900 and are as follows:
 - a. The OMC anticipates a need for 1.0 FTE, Management Analyst II and 2.0 FTE, Administrative Specialist positions.
 - i. Recurring Costs:
 1. \$115,430 in Fiscal Year 2027 personnel costs, including OECs (at a rate of 33.41%).
 2. \$4,740 estimated annual costs associated with supplies and technology-related operating costs.
 3. \$10,000 annually, beginning in Fiscal Year 2028, for maintenance of the license tracking and violation system.
 - ii. One-Time Costs:
 1. \$21,900 for computers, office furniture, and other supply startup costs for the new positions.
 2. \$175,000 for upgrades to the current license tracking and violation system to accommodate HDCPs.
 3. Website upgrades may be needed in future years to accommodate additional tracking for certificates of analysis. The exact timeline of these upgrades, and associated costs, are unknown.
4. This Act expands upon the powers and duties of the Division of Alcohol and Tobacco Enforcement (DATE) related to the inspection, enforcement, and investigation of HDCPs and HDCP establishments. The recurring Fiscal Year 2027 costs are estimated at \$1,391,716, and one-time costs are estimated at \$418,094 and are as follows:
 - a. The DATE anticipates a need for 1.0 FTE, Management Analyst III; 1.0 FTE, Administrative Specialist; 1.0 FTE, Deputy Attorney General; 1.0 FTE, Alcohol & Tobacco Police

Lieutenant; 1.0 FTE, Alcohol & Tobacco Police Sergeant; and 10.0 FTE, Alcohol & Tobacco Police Officer III positions.

i. Recurring Costs:

1. \$1,017,728 in Fiscal Year 2027 personnel costs, including OECs (at a rate of 33.41%).
2. \$33,556 estimated annual costs associated with supplies, licenses, and technology-related operating costs.
3. \$240,432 estimated to support annual costs for Fleet Services, ammunition, body-worn camera subscription, and cellular data access needs related to the sworn positions.
4. \$100,000 estimated for six months of lease costs and utilities to house the expanded unit within DATE, with the annualization of the remaining six months incorporated into the subsequent year estimates. It is anticipated that construction of a new facility, or addition to the existing facility, may be needed in future years.

ii. One-Time Costs:

1. \$21,900 for computers, office furniture, and other supply startup costs for the new civilian positions.
2. \$346,194 for technology equipment, furniture costs, uniform, radio, weapon, and other equipment needs related to the startup of the sworn positions.
3. \$50,000 for Lightlab Field Testing kits.
4. The DATE anticipates the need for additional office space to accommodate additional staff. The path forward for additional space has not yet been identified and costs are therefore indeterminable at this time.

5. This Act expands upon the responsibilities of the Department of Finance (DOF), Division of Revenue (DOR), related to retail hemp tax. The recurring Fiscal Year 2027 costs are estimated at \$212,149, and one-time costs are estimated at \$179,200 and are as follows:

a. The DOR anticipates a need for 4.0 FTE, Tax Auditor III positions.

i. Recurring Costs:

1. \$205,829 in Fiscal Year 2027 personnel costs, including OECs (at a rate of 33.41%).
2. \$6,320 estimated annual costs associated with supplies and technology-related operating costs.

ii. One-Time Costs:

1. \$29,200 for computers, office furniture, and other startup costs for the new positions.
2. \$150,000 for programming a new tax type in the revenue collection system.

6. Fiscal Year 2027 personnel costs are estimated based on six months of funding, with annualization of the remaining six months incorporated into subsequent fiscal years. Additionally, projected salary and OEC growth assumes annual inflation of 2% for civilian personnel and 5% for sworn personnel.

7. This Act establishes a retail licensing structure for HDCPs and imposes taxes related to the sale of HDCPs. The revenue impacts associated with these provisions are discussed in the accompanying Fee Impact Statement. Because the number of licensed entities, timing of implementation, and volume of taxable retail sales are unknown, the amount of revenue generated under this Act is indeterminable at this time. As the Act does not designate a special fund or dedicated revenue source for implementation, the costs identified in this fiscal note are assumed to be supported through General Fund appropriations.

Cost:

	One-Time Cost	Ongoing Costs
Fiscal Year 2027:	\$794,194	\$1,724,035
Fiscal Year 2028:		\$3,277,765
Fiscal Year 2029:		\$3,387,164

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