

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 21

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: DECEMBER 22, 2020

SUMMARY

- Synopsis:** “New Jersey Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act”; legalizes personal use cannabis for certain adults, subject to State regulation; decriminalizes small amount marijuana and hashish possession; removes marijuana as Schedule I drug.
- Types of Impact:** Annual revenue and expenditure increases and decreases for the State, municipalities, and counties.
- Agencies Affected:** Department of the Treasury; Cannabis Regulatory Commission; Department of Health; Judiciary; Department of Law and Public Safety; Department of Corrections; State Parole Board; Office of the Public Defender; counties; municipalities.

Office of Legislative Services Estimate

Fiscal Impact	
Annual State Expenditure Impact	Indeterminate
Annual State Revenue Impact	Indeterminate
Annual Local Expenditure Impact	Indeterminate
Annual Local Revenue Impact	Indeterminate

- The Office of Legislative Services (OLS) anticipates that the bill will both raise and lower the annual revenues and expenditures of the State as well as municipal and county governments. However, the OLS lacks sufficient information to quantify the fiscal impacts or future trends in marijuana sales. The numerous fiscal impacts are itemized below.

BILL DESCRIPTION

This bill regulates activities associated with the lawful personal use of products that contain useable cannabis or cannabis resin by persons 21 years of age or older. This would be achieved through the expansion of the scope and duties of the Cannabis Regulatory Commission.

The bill also decriminalizes several offenses associated with manufacturing, distributing, dispensing, or possessing smaller amounts of unlawful marijuana or hashish. With respect to these offenses, the bill also requires the dismissal of pending charges, the vacating of current entries of guilt or placement in diversionary programs, the vacating of current convictions, as well as the expungement of past charges, arrests, and convictions from official records. In addition, the bill downgrades certain marijuana- and hashish-related offenses.

The bill establishes the “Cannabis Regulatory, Enforcement Assistance and Marketplace Modernization Fund” into which are deposited all license fees and penalties collected by the Cannabis Regulatory Commission, existing medical cannabis transaction tax revenues, tax revenues on retail sales of personal use cannabis items, as well as any proceeds from the optional Social Equity Excise Fee the commission may impose on personal use cannabis cultivation activities. Fund balances support commission operations, the reimbursement of municipal and county expenditures for police officers to participate in drug recognition training, and the granting of financial assistance to municipalities defined as an “impact zone” in the bill and their qualifying residents.

The Senate Judiciary Committee statement to this bill from December 14, 2020 includes a more detailed discussion of the provisions of the proposed legislation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS anticipates that the bill will both raise and lower the annual revenues and expenditures of the State as well as municipal and county governments by indeterminate amounts. The following analysis does not consider the fiscal effects of the constitutional amendment that voters approved in November 2020 that legalized personal use cannabis generally and addressed the taxation thereof.

State Government Revenue Effects: Annual State revenues will grow on account of: 1) application, license, certification and criminal background check fees to be paid by persons seeking to participate in the regulated personal use cannabis marketplace; and 2) penalties and fines to be paid for violations of the numerous regulatory and other provisions of the bill. If the Cannabis Regulatory Commission were to impose the optional Social Equity Excise Fee, the State would receive additional revenue each year.

The annual revenue gain will be somewhat counterbalanced by an annual State revenue loss arising from the decriminalization and downgrading of certain marijuana- and hashish-related offenses, as collections from court filing fees and penalties will decline.

State Government Expenditure Effects: Annual State expenditures will rise as a result of the regulation and oversight of the personal use cannabis marketplace, the enforcement of the regulations, the reimbursement of municipal and county expenditures for police officers to participate in drug recognition training, and the granting of financial assistance to municipalities defined as an “impact zone” in the bill and their qualifying residents.

The bill will also lower annual State expenditures as fewer marijuana- and hashish-related acts will enter the criminal justice system and other marijuana- and hashish-related delinquencies will be downgraded to lower terms of incarceration.

Further, a one-time State expenditure decrease will arise from the dismissal of certain pending marijuana- and hashish-related charges and the vacating of certain current convictions for such offenses.

Local Government Revenue Effects: Annual revenues of municipal and county governments will increase from: 1) municipal application and license fees to be paid by persons seeking to operate regulated personal use cannabis establishments within the jurisdiction of a municipality that elects to regulate and license the establishments; 2) fines to be paid for violations of municipal license requirements and regulations; and 3) State reimbursements paid to municipal and county governments for expenses they incur in providing drug recognition training to their police officers.

The revenue gain will be lessened by a loss of annual municipal fine and court filing fee revenue as fewer marijuana- and hashish-related disorderly persons and petty disorderly persons offenses will be tried in municipal courts and as the bill downgrades the underage possession and consumption of alcoholic beverages from a disorderly persons offense to a petty disorderly persons offense. Municipal courts try both offenses and the municipality in which a case is tried receives any penalty or fine that its municipal court imposes on a defendant.

Local Government Expenditure Effects: Annual municipal and county government expenditures will shrink as county and municipal prosecutor's offices will prosecute fewer marijuana- and hashish-related disorderly persons and petty disorderly persons offenses, municipal courts will try fewer such cases, and fewer defendants will be convicted to county jail terms.

Further, a one-time municipal and county expenditure decrease will accrue from the dismissal of certain pending marijuana- and hashish-related charges and the vacating of certain current convictions for such offenses.

Conversely, annual municipal and county government expenditures will grow related to the optional regulation and oversight of personal use cannabis businesses by municipalities, the enforcement of the municipal regulations and State law pertaining to personal use cannabis, and the provision of drug recognition training to police officers.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).