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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Legislative Budget
Office

S.B. 56
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 56's Bill Analysis](#)

Version: As Reported by House Finance

Primary Sponsor: Sen. Huffman

Local Impact Statement Procedure Required: Yes

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Highlights

Host Community Cannabis Fund appropriations

- The bill appropriates \$47.5 million in FY 2026 and \$49.0 million in FY 2027 to make payments from the Host Community Cannabis Fund (Fund 7106) to municipal corporations and townships. Fund 7106 receives 36% of the net revenue from the 10% adult-use marijuana excise tax.

Intoxicating hemp and drinkable cannabinoid products

- The bill imposes two new taxes – a 10% tax on the intoxicating hemp product (IHP) receipts received by licensed dispensaries and a \$1.20 per gallon excise tax on manufacturers' sales of drinkable cannabinoid products (DCPs) – and requires all revenue from both taxes be credited to the state GRF. The estimated total tax revenue that would be generated from both taxes would be roughly between \$10.0 million and \$10.6 million per year.
- Currently, 98.25% of tax revenue is credited to the GRF while the remaining 1.75% is allocated to the Local Government Fund (LGF, Fund 7069). The GRF revenue gain would be roughly between \$9.8 million and \$10.4 million while the LGF would gain between \$175,000 and \$185,000 annually.

Department of Commerce

- The bill integrates regulation of adult-use marijuana, and IHPs into a new Division of Marijuana Control and DCPs into the Division of Liquor Control. The existing Division of Cannabis Control (DCC), which regulates medical and adult-use marijuana, consists of 55 employees. The Department of Commerce (COM) anticipates hiring 30 or more additional

positions to regulate IHPs and DCPs across both divisions, for industry licensing and oversight, with additional annual wage costs of between \$1.6 million to almost \$2.1 million annually, depending on staffing decisions.

- Current operating costs are covered by application, initial certificate of operation, and renewal fees collected from cultivators, processors, testing laboratories, and dispensaries deposited into the Medical Marijuana Control Fund (Fund 5SY0). This is also the fund that would collect fees for licensing the various cultivators, manufacturers, processors, and retailers in the IHP industry. DCP licensing fees would be deposited into the Undivided Liquor Permit Fund (Fund 7066). The bill requires these divisions to establish these fees by rule. Any regulatory costs associated with DCPs would be paid from the Liquor Regulatory Fund (Fund 5LP0), which subsequently receives a portion of revenue from Fund 7066.
- The bill limits the number of marijuana and intoxicating hemp dispensaries that may operate within the state at any one time to 400 and limits the number of dispensaries owned by a permit holder to eight.

Department of Public Safety

- The bill allows the Ohio Investigative Unit (OIU) within the Department of Public Safety to assist COM in enforcing the Marijuana Control Law and assist the Department of Agriculture to enforce laws regarding hemp and hemp products. OIU expects to incur additional costs, including the need to hire additional staff.

Department of Behavioral Health

- The bill requires the Ohio Department of Behavioral Health (DBH) to establish and administer a statewide program to prevent youth use of cannabis. There will be costs to create and maintain this program. The costs will depend on the program activities.

Detailed Analysis

Adult-use marijuana excise tax

Under current law, there is a 10% excise tax on adult-use marijuana in addition to the sales and use tax. The revenue from this excise tax is deposited into the Adult Use Tax Fund (Fund QG18). From there the Director of Budget and Management (OBM) is required to transfer the cash, after any necessary transfer to the Tax Refund Fund for refunds attributable to the excise tax, to the GRF (64%) to the Host Community Cannabis Fund (Fund 7106, 36%) for the benefit of municipal corporations or townships that have at least one licensed dispensary. The bill renames the Adult Use Tax Fund as the Marijuana Receipts Fund, but retains the 10% tax rate and the distribution in current law.

The bill appropriates \$47.5 million in FY 2026 and \$49.0 million in FY 2027 from the Host Community Cannabis Fund (Fund 7106) to make payments to municipal corporations and townships. The amount appropriated for FY 2026 is sufficient to make estimated payments on behalf of tax revenue already collected in FY 2025 as well as tax revenue collected in FY 2026. The bill also appropriates any additional amounts needed to fully distribute the cash deposited into the fund to the host communities.

Taxation of IHPs and DCPs

The bill imposes two new taxes: (1) a 10% tax on the intoxicating hemp product (IHP) receipts received by licensed dispensaries in the state, and (2) an excise tax on sales by a manufacturer to a distributor or retailer of drinkable cannabinoid products (DCPs) at the rate of \$1.20 per gallon of such products sold. The bill requires all revenue from both taxes be credited to the state GRF.

The estimated total tax revenue that would be generated from both new taxes would be roughly between \$10.0 million and \$10.6 million per year, comprised of about \$9.4 million per year from the IHP tax and \$0.6 million to \$1.2 million per year from the DCP tax. Tax revenue collections from those taxes would be collected on the effective date of the bill, potentially beginning sometime in FY 2026. Approximately 98.25% of such tax revenue would be credited to the GRF. Any tax revenue gain credited to the GRF will also increase allocations to the Local Government Fund (LGF), as the LGF receives 1.75% of GRF tax revenue under current law. Any revenue gain to the LGF will increase allocations to counties, municipalities, townships, and other local government entities. The GRF would retain between \$9.8 million and \$10.4 million while the LGF would gain between \$175,000 and \$185,500 annually.

The estimated tax revenue from a 10% tax on the IHP receipts received by licensed dispensaries is based upon the estimated tax base of hemp-derived cannabinoid products per adult population in Minnesota and information from the 2023 National Cannabinoid Report published by Whitney Economics. Based on both sources, the estimated tax base for all hemp products in Ohio would be up to \$240 million per year, of which \$53 million is assumed to be for DCPs and the remaining \$187 million is attributed to all other hemp products. However, the bill limits the sale of IHPs to a licensed hemp dispensary, which will significantly curtail taxable sales of IHPs. Assuming this restriction reduces the tax base for IHPs by about 50%,¹ a 10% tax on the IHP receipts received by licensed dispensaries would generate roughly \$9.4 million per year. Future sales of IHPs may increase or decrease depending on consumption patterns of hemp products and adult-use marijuana, as the two could be considered substitutes.

To estimate tax revenue from DCPs, information from a report on the U.S. cannabis beverages market, produced by Grandview Research and other assumptions were used. According to the report, the U.S. cannabis beverages market was valued at \$1.51 billion in 2023. In addition, according to a Market Watch article, [Cannabis Drinks Take Hold](#), the estimated price of a 12-ounce can of cannabis drinks range between \$5 and \$10. Based on information on the U.S. market value and the estimated prices, the estimated amount of the U.S. cannabis beverages market as measured in gallons in 2023 would range between 14.2 million gallons and 28.3 million gallons. Based on [2022-2023 National Surveys on Drug Use and Health \(NSDUH\)](#), the proportion of adults in Ohio compared to the nation that used marijuana in the past month was approximately 3.6%. Thus, the estimated gallonage of cannabis beverages that was consumed by

¹ Very rough statistics from other states indicate that restricting the sale of IHPs to select retailers would reduce sales by about 35%. However, it is unclear how authorized retailers in Ohio will respond. The bill limits the sale of IHPs to licensed adult-use cannabis dispensaries, but those retailers are not obligated to sell the product. Those private businesses make their own independent decisions about market demand, profitability, competition, and product quality.

adults in Ohio could range between 0.5 million gallons and 1 million gallons. Therefore, estimated tax revenue from DCPs would range between \$0.6 million and \$1.2 million per year.

Local option taxes

The bill prohibits municipalities from levying taxes on the IHP receipts and sales of DCPs.

State agency oversight

Department of Commerce

The bill combines oversight of medical and adult-use marijuana, and IHPs, under the Division of Cannabis Control (DCC), and DCPs under the Division of Liquor Control (DLC). The bill also limits the number of both licensed marijuana and hemp dispensaries to 400 each at any one time. The current Division of Cannabis Control (DCC), which regulates the medical and adult-use programs, currently consists of 55 employees. Its operating costs are paid through revenue deposited into the Medical Marijuana Control Fund (Fund 5SY0), which collects revenue from the following sources: (1) fees for registering patients and caregivers and issuing licenses to marijuana retail dispensaries, and (2) fees for licensing marijuana cultivators, processors, testing laboratories, and dispensaries. As of October 2025, DCC had approved the following certificates of operation, all but two of which were issued for dual use: 37 for Level 1 (up to 25,000 sq. ft. capacity under current law) and Level II (up to 3,000 sq. ft. capacity under current law) cultivators, 46 for processors, nine for testing labs, and 177 for dispensaries. The bill limits the number of dispensaries owned by a permit holder to eight. Table 1 below shows the current fee schedule that applies to operators in the medical and adult-use marijuana industry.

Table 1. Marijuana Licensing Fees			
License Type	Application	Initial (Certificate of Operation)	License Renewal
Cultivator Level I	\$20,000	\$180,000	\$200,000 annual
Cultivator Level II	\$2,000	\$18,000	\$20,000 annual
Processor	\$10,000	\$90,000	\$100,000 annual
Testing	\$2,000	\$18,000	\$20,000 annual
Dispensary	\$5,000	\$70,000	\$70,000 biennial

The bill requires the regulation of IHPs and licensure of hemp dispensaries much in the same manner as adult-use marijuana. Table 2 below shows the bill's fee schedule for hemp dispensary licensure. Licenses would be issued biennially. The bill establishes a graduated licensure cost for both new facilities and those grandfathered facilities under the bill. The bill further defines "grandfathered facilities" as those entities that sold IHPs on or before January 1, 2025, if both: (1) the entity's receipts from IHP sales exceeded 80% of total gross receipts for the year, and (2) the entity complies with all other requirements for licensure established under the bill. As noted above, the bill establishes a maximum number of 400 licensed facilities in operation

at any one time. The fee revenue noted below would be deposited into the Medical Marijuana Control Fund (Fund 5SY0).

Table 2. Biennial Hemp Dispensary Licensing Fees			
License Type	Application	Initial (Certificate of Operation)	License Renewal
Initial first-year license (grandfathered entity)	\$5,000	\$10,000	N/A
Initial second-year license (grandfathered entity)	\$5,000	\$15,000	\$35,000 biennial
Initial two-year license (nongrandfathered entity)	\$5,000	\$75,000	\$75,000 biennial

Regulatory costs for overseeing IHPs and DCPs

According to estimates that COM shared with LBO, the Division will need to create between 29 and 35 new staff positions to regulate operators in the IHP and DCP industries. The functions, the number of full-time equivalents (FTEs) needed for these positions, and total additional wage costs for the positions are shown in Table 3 below. Most of the new positions would be in the compliance area, with 14 to 16 new positions estimated. If all these positions among the four functional areas were filled, under the bill DCC and DLC combined could incur new wage costs of approximately \$1.6 million to nearly \$2.1 million annually, not including the additional fringe benefit costs associated with the new positions, the employer's share of medical coverage and retirement contributions being the largest. Beyond payroll expenses for additional staff, there will also be additional costs for equipment, supplies, and additional office space.

Table 3. Potential New Positions Needed to Regulate IHPs and DCPs			
Function	FTEs	Hourly Rate	Annual Wage Cost
Licensing	9-11	\$20.28-\$21.97	\$379,642-\$502,674
Compliance	14-16	\$28.58	\$832,250-\$951,142
Legal	3-4	\$41.23-\$45.45	\$257,275-\$378,144
Administration	3-4	\$24.66-\$25.76	\$153,878-\$214,323
Total	29-35		\$1,623,045-\$2,046,283

The bill divides DCPs into two regulatory categories: low-level DCPs (5 mgs or less of THC per serving) and high-level DCPs (between 5 and 10 mgs of THC per serving). The bill allows A-1-A and A-1-C liquor permit holders (micro-distilleries and small breweries) or class D liquor permit

holders (bars and restaurants) to deliver low-level DCPs to a personal consumer if: (1) the DCPs are sold by the individual drink in closed containers, (2) the permit holder also sells a meal with the DCPs, (3) the permit holder does not sell more than three DCPs per meal to any individual, and (4) prior to delivering the DCP, the permit holder or employee ensures the individual is at least 21 years old. Under the bill, high-level retailers consist of grocery stores and carry out stores (class C permit holders). COM's Division of Liquor Control would be responsible for overseeing compliance and enforcement of these provisions. Overall, it is possible that these restrictions lead to additional permit violations related to these permit holders. Any additional regulatory costs would be paid from the Liquor Regulatory Fund (Fund 5LP0).

Other potential costs related to oversight of the state's adult-use marijuana and hemp laws are less certain. For example, there could be increased inspection time for hemp when compared to regulated marijuana, which is grown under more tightly controlled conditions. Since hemp can be grown outside, it can be exposed to more contaminants, thereby requiring more extensive inspection.

Rulemaking and reporting requirements

To pay for the additional regulatory costs involved with oversight of IHPs and DCPs, the bill gives DCC and DLC the authority to establish fees applying to those involved in the cultivation, processing, distribution, and sales of IHPs. For DCPs, this includes persons involved with manufacturing, distributing, and marketing these products. Under the existing program related to medical and recreational use marijuana, operating costs are paid through licensing and certification fees deposited into the Medical Marijuana Control Fund (Fund 5SY0). The bill includes other various topics regarding the regulation of marijuana, IHPs, and DCP's that are required to be addressed through rulemaking authority within 180 days of the bill's effective date. The bill further requires DCC to track the data for adult-use marijuana and submit it to the Ohio Automated Rx Reporting System (OARRS) in a similar fashion to what is currently required for medical marijuana.

Administrative penalties

In addition to licensing fees to be established by rule, the bill authorizes COM to impose administrative penalties. These penalties may be levied against anyone selling an IHP or a DCP in a store that is not a licensed retailer or selling to an individual under the age of 21. The Division may also impose administrative penalties for selling an IHP or a DCP that has not been tested or that does not meet the standards for packaging, labeling, or advertising. Presumably, penalties issued for IHP and DCP violations would be deposited into the Medical Marijuana Control Fund (Fund 5SY0). However, it is slightly different for DCPs, in particular for violations at the point of sale at permitted retailers. In those cases, violations would presumably be handled by the Ohio Investigative Unit, the Division of Liquor Control, and adjudicated by the Liquor Control Commission.

Universal work permits

The bill requires DCC to establish a universal marijuana work permit program for people employed by any license holder and allows the Division to establish a fee to cover the cost. The permitting functions program would largely be handled by DCC staff, including the additional employees who COM would need to hire to regulate IHPs and DCPs and previously noted in Table 3 above.

Department of Public Safety

Under the bill, the Department of Public Safety (DPS) is required to assist DCC in enforcing the Marijuana Control Law. The DPS Ohio Investigative Unit (OIU) may inspect or investigate the premises of any person under these laws if requested by DCC for one of their licensees or in any case of alleged criminal activity. OIU may also be invited to assist local law enforcement having jurisdiction over the person(s) inspected or investigated. The bill also requires the Department of Agriculture to consult and cooperate with OIU to enforce the law governing hemp and hemp products. According to DPS, the bill's requirements are likely to result in additional costs, including necessitating the hiring of additional staff in order to carry out these new duties. OIU enforces Ohio's alcohol, tobacco, and food stamp fraud laws. The bill adds to this authority.

Criminal offenses

The bill includes several offenses related to the regulation and personal use of marijuana. Of note, the bill prohibits the smoking, combustion, and vaporization of marijuana in public places (minor misdemeanor), applies an enhanced penalty for passengers in a vehicle who smoke, combust, or vaporize marijuana (third degree misdemeanor), limits the quantities that one may possess, limits the number of plants an individual may grow at home, and prohibits a person under 21 years of age from purchasing, using, or possessing marijuana (minor misdemeanor).

The bill also creates prohibitions related to intoxicating hemp products, including having an open container of a DCP in a public place or in a motor vehicle, as well as adding driving under the influence of a hemp product to the OVI law.

For a full discussion of criminal penalties and offenses, see the [LSC bill analysis](#). For context, Table 4 below illustrates the general penalty structure for misdemeanors and felonies under current law.

Criminal justice system impacts

The legalization of adult-use marijuana and regulation of intoxicating hemp products, under both current law and the bill, has and is expected to continue to impact the number of criminal cases involving marijuana offenses to some degree, especially minor misdemeanor offenses. These changes will result in a complicated mix of potential outcomes, largely impacting the Department of Rehabilitation and Correction (DRC), local courts, jails, and probation departments. It is possible that some of these costs would be partially offset by the penalties and fines that are collected. However, the net impact is indeterminate and would vary from jurisdiction to jurisdiction.

Based on an average daily jail cost of \$93.70 per bed,² a misdemeanor offender sentenced to three days in a county jail costs \$281; an offender sentenced to ten days costs \$937; 30 days, \$2,811; six months, \$17,100; and one year, \$34,201. This cost is offset somewhat by the collection of mandatory fines of which some portion is likely to go uncollected due to an offender's indigence or inability to pay.

For those offenders sanctioned with a felony level charge, costs would be split between the local jurisdiction (charging, defense/prosecution, and adjudication) and the state (incarceration or

² Based on daily jail cost per bed as reported to DRC in 2024.

supervision). For FY 2025, DRC reported an average annual cost per inmate of \$39,993, or \$109.57 per day. However, when considering only the marginal cost increase, the cost to house an individual inmate was \$13.47 per day, or \$4,917 per year. Marginal costs are based on additional medical and mental health costs as well as food and clothing. It does not include additional security, facility, or administrative costs which have already been factored into the overall operating costs of DRC. The number of offenders that could be charged and ultimately sentenced under the bill's new prohibitions is indeterminate and would likely vary from jurisdiction to jurisdiction.

To the extent that additional cases are generated for local courts to adjudicate, the bill may also impact the amount of fine, fee, and court cost revenue, including the amount of court costs forwarded to the state, which may at least partially offset any expenses incurred. Any revenue received from fines or local court costs and fees (which vary by jurisdiction) as a result of the bill would be retained locally. Locally collected state court costs, which total \$29 for misdemeanors and \$60 for felonies, would be deposited in the state treasury to the credit of the Indigent Defense Support Fund (Fund 5DY0) and the Victims of Crime/Reparations Fund (Fund 4020).

Table 4. Felony and Misdemeanor Sentences and Fines for Offenses Generally		
Offense Level	Fine	Term of Incarceration
Felony 1 st degree*	Up to \$20,000	3, 4, 5, 6, 7, 8, 9, 10, or 11 years indefinite prison term
Felony 2 nd degree*	Up to \$15,000	2, 3, 4, 5, 6, 7, or 8 years indefinite prison term
Felony 3 rd degree	Up to \$10,000	9, 12, 18, 24, 30, or 36 months definite prison term
Felony 4 th Degree	Up to \$5,000	6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, or 18 months definite prison term
Felony 5 th degree	Up to \$2,500	6, 7, 8, 9, 10, 11, or 12 months definite prison term
Misdemeanor 1 st degree	Up to \$1,000	Jail, not more than 180 days
Misdemeanor 2 nd degree	Up to \$750	Jail, not more than 90 days
Misdemeanor 3 rd degree	Up to \$500	Jail, not more than 60 days
Misdemeanor 4 th degree	Up to \$250	Jail, not more than 30 days
Minor misdemeanor	Up to \$150	Citation issued; no jail

*The sentencing court shall impose a minimum sentence for first and second degree felony offenses committed after March 22, 2019 (definite sentences were previously imposed). The court shall specify a maximum sentence that is 50% greater than the minimum sentence. The court may, after a hearing, reduce the minimum sentence by 5%-15% upon recommendation of the Department of Rehabilitation and Correction.

Impaired driving (OVI)

The bill adds IHPs and DCPs to the definition of “drug of abuse” and authorizes law enforcement to arrest an individual who operates a vehicle under the influence of an IHP or a DCP under the state’s operating a vehicle impaired (OVI) law. Such conduct is currently illegal however, explicitly including those substances as a “drug of abuse” may make prosecuting

alleged OVI violations involving IHPs and DCPs easier. As a result, there may be an increase in the number of OVI convictions annually. OVI violations are generally first degree misdemeanors subject to not more than 180 days in a local jail, a fine of \$375 to \$1,075, and a mandatory one to three-year driver's license suspension. OVI violations also require a three-day mandatory jail term or completion of a driver's intervention program in addition to any other jail term imposed. The offense level and penalties increase based on the circumstances present.

Under continuing law, an automatic administrative driver's license suspension is imposed from the time of the alleged OVI until the court hearing to determine the operator's guilt. If more administrative driver's license suspensions are imposed, the Bureau of Motor Vehicles may experience an increase in administrative costs and a corresponding increase in reinstatement fee revenue. The fee to reinstate an administrative license suspension is \$315,³ which is credited to various funds in the state treasury.⁴

Expungements

The bill allows a person who was convicted of or pleaded guilty to a violation of possession of marijuana or hashish to apply for expungement. The expungement would apply to both the conviction records and charging records related to cases that may have been dismissed. The courts and clerks of courts can expect to process a large number of expungement application filings, the cost of which could be offset by the collection of application fees as discussed below.

The bill's expungement provisions are similar to current law provisions for record expungements generally. When an application to expunge a record is filed, the court is required to set a hearing date and notify the prosecutor's office. The prosecutor may object to the application by filing a formal objection with the court prior to the hearing date. The court is required to direct the relevant probation department providing services to that particular county to investigate and submit reports concerning the applicant. Under the bill, a court is required to hold a hearing on all applications for expungement not less than 45 days and not more than 90 days after the date of the filing of the application, and to weigh the interests of the applicant in having a record of conviction expunged against the legitimate needs, if any, of the government to maintain those records.

Upon filing an application with a court, the applicant, unless deemed to be indigent, is required to pay a \$50 fee, of which \$30 is forwarded to the state treasury with half of that, or \$15, credited to the General Reimbursement Fund (Fund 1060) used by the Attorney General, and \$20 is paid to the county general fund as appropriate. Presuming that there will be a large number of applications made, revenue generated for the state and counties (especially larger counties) is expected to be sizable.

The combined annual cost for the clerks of courts, sentencing courts, prosecutors, and probation departments to perform the required additional work generated by this provision is indeterminate, although that cost could be significant. It is uncertain if the revenues generated from the \$20 portion of the application fees would completely offset these costs.

³ The change in the reinstatement fee amount from prior versions of the S.B. 56 fiscal note reflects changes enacted in H.B. 37 of the 135th General Assembly that took effect on April 9, 2025.

⁴ R.C. 4511.191(F)(2).

Under current law, the court is required to send notice of an order to seal or expunge a record of conviction to the state's Bureau of Criminal Investigation (BCI) and to any public office or agency that the court knows or has reason to believe may have any record of the case, whether or not it is an official record. The latter potentially includes state and local law enforcement, prosecuting attorneys, probation departments, and the Adult Parole Authority. Because of the bill, the number of applications received and subsequent sealing/expungement orders issued will increase, perhaps significantly so.

Unemployment benefits

Currently, if a person is discharged from employment for using marijuana, the person will be considered to have been discharged for just cause, if the use of marijuana violates the employer's marijuana regulating policies, zero-tolerance policy, or other formal program or policy regulating the use of marijuana. The bill states that such a person will not be eligible to serve a waiting period or to receive unemployment benefits.

The Ohio Department of Job and Family Services administers the state's Unemployment Compensation system. Ohio employers fund benefits by paying contributions to Ohio's Unemployment Compensation Fund (most private sector employers) or reimbursing that fund for benefits paid (public sector and certain nonprofit employers).

Department of Behavioral Health

The bill requires the Ohio Department of Behavioral Health (DBH) to establish and administer a statewide program to prevent youth use of cannabis and outlines requirements for the program.

DBH will experience administrative costs to establish and administer this program. The scope of these costs will depend on the program activities and the extent to which existing programs might already fulfill the duties of the program.