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S.B. 56
136th General Assembly

Fiscal Note & Local Impact Statement

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

Version: As Recommended by Conference Committee

Primary Sponsor: Sen. Huffman

Local Impact Statement Procedure Required: Yes

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Revised

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.

Department of Commerce

- The Department of Commerce's (COM) operating costs for the regulation of both medical and adult-use marijuana 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).
- Regulatory costs associated with the temporary drinkable cannabinoid product (DCP) program outlined in the bill and overseen by the Division of Liquor Control (DLC) would be paid from the Liquor Regulatory Fund (Fund 5LP0).

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

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.

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%), and 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 retains the 10% tax rate and the revenue distribution in current law. However, the bill requires the Tax Commissioner instead of the OBM Director to distribute money in Fund 7106 to applicable municipal corporations and townships.

State agency oversight

Department of Commerce

The bill divides oversight of medical and adult-use marijuana under the Division of Cannabis Control (DCC), and oversight of drinkable cannabinoid products (DCPs) sold by retailers and distributors holding the appropriate liquor permits under the Division of Liquor Control (DLC) and manufacturers. 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. DLC operations are funded by a share of liquor permit fees deposited into the Liquor Regulatory Fund (Fund 5LP0).

DCC operations – adult-use marijuana

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. Table 1 below shows the current fee schedule that applies to operators in the medical and adult-use marijuana industry. The bill caps the number of active dispensaries at 400.

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

Federally compliant hemp products

The bill adopts a new federally compliant hemp definition that narrows the scope of what is considered hemp by specifying, in part, that hemp does not include any final hemp-derived cannabinoid product that:

1. Exceeds 0.4 mg of total tetrahydrocannabinol (THC) per container;
2. Includes cannabinoids that are not capable of being naturally produced by a *Cannabis sativa* L. plant; and
3. Includes cannabinoids that are capable of being naturally produced by a *Cannabis sativa* L. plant and were synthesized or manufactured outside the plant.

Thus, certain products that are currently legal for sale as a hemp product will no longer be permitted to be sold, except in a marijuana dispensary. The bill also requires the Superintendent of Cannabis Control, in consultation with the Director of Agriculture, to establish lists of cannabinoids that are utilized for purposes of the definition of hemp and that are based upon federal law. It does not appear that these responsibilities would add significant new regulatory costs, and it is therefore likely that any additional work involved in creating these lists could be handled with existing DCC staff.

Temporary DCP program

The bill establishes a temporary DCP program that will remain in effect until December 31, 2026. It requires DLC to develop policies for administering the program, including product labeling and enforcing administrative penalties during this period. The bill, however, gives DCC responsibility for testing DCPs and tracking THCs approved for use in DCPs. The bill allows establishments with an A-1-A and A-1c (manufacturers of beer) and D permit holders (retailers/restaurants/bars) to sell DCPs for both on and off-premises consumption and C permit holders (carry outs) for off-premises consumption. As of the end of FY 2025, there were approximately 1,000 active manufacturer permits, 24,000 retailer permits, and 19,500 carry out permits. DLC will continue to regulate these entities. Any additional regulatory costs DLC incurs for overseeing the temporary DCP program would be paid from the Liquor Regulatory Fund (Fund 5LP0), which receives a portion of liquor permit revenue from the Undivided Liquor Permit Fund (Fund 7066).

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; applies an enhanced penalty for passengers in a vehicle who smoke, combust, or vaporize marijuana; limits the quantities that one may possess; and prohibits a person under 21 years of age from purchasing, using, or possessing marijuana.

For a full discussion of criminal penalties and offenses, see the [LSC bill analysis](#). For context, Table 2 below illustrates the general penalty structure for misdemeanors and felonies under current law.

Criminal justice system impacts

The bill's criminal offense provisions 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. 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.

Based on an average daily jail cost of \$93.70 per bed,¹ 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 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.

¹ Based on daily jail cost per bed as reported to DRC in 2024.

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 2. 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 DCPs to the definition of “drug of abuse” and authorizes law enforcement to arrest an individual who operates a vehicle under the influence of 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 DCPs easier.² 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

² Effective January 1, 2027, after the temporary DCP program has expired, DCPs will be treated in the same manner as other existing marijuana products. Such products would still be considered a drug of abuse under the OVI statute.

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 certain violations 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.

In terms of process, 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.

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

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).

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.