

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 509** HLS 19RS 236

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 29, 2019	9:30 AM	<b>Author:</b> BAGNERIS
<b>Dept./Agy.:</b> Agriculture/Forestry, Board of Pharmacy, Health, Revenue		<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Marijuana Legalization and Regulation		

DRUGS OR INCREASE GF EX See Note Page 1 of 1  
Provides relative to marijuana

Proposed law allows adults 21 years and older to privately consume and possess up to one ounce of marijuana, and allows licensed entities to possess, distribute, and dispense marijuana. Proposed law requires the Dept of Agriculture and Forestry (LDAF) to develop and issue licenses for facilities that cultivate, manufacture, and/or test marijuana. Proposed law requires the Board of Pharmacy to develop and issue licenses for the operation of marijuana retail stores. Proposed law implements a 15% state excise tax on the sale price of marijuana to be levied on the first dealer who handles the marijuana in the state, and requires the Department of Revenue (LDR) to promulgate rules for collection and remittance of the tax. Proposed law creates the Marijuana Fund and dedicates the avails of the tax to the Fund, and disburses from the Fund to certain funds. Proposed law implements a 6% local tax on retail sales, and allocates 50% of the avails to the parish and 50% to the municipalities within the parish. Proposed law allows a person to file for expungement for certain marijuana-related convictions, and creates a Marijuana Advisory Board to study the effects of legalization. Governor's signature.

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
<b>Annual Total</b>						

  

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
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Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law would require additional administration-related expenditures from multiple agencies. The Board of Pharmacy reports that it anticipates \$200,000 in additional expenditures and two additional positions in support of the requirement to license and regulate retail stores. These expenditures would presumably be funded in part by fee revenue. To the extent that self-generated funds do not fully offset these expenditures, additional general fund expenditures may be required. General fund expenditures in FY20, due to implementation costs prior to licensing fees being in effect, are likely.

LDR would incur additional expenditures associated with implementing a new tax. Initial cost estimates for implementation of similar taxes have typically been approximately \$600,000 in the first year, and require a permanent additional position.

LDAF additionally reports an increase of unknown magnitude in expenditures due to the requirement in proposed law to license and regulate the facilities that would cultivate, test, and/or manufacture marijuana.

LDH reports that creation of the Marijuana Advisory Board can be absorbed within the agency's existing staff and resources.

**REVENUE EXPLANATION**

Proposed law levies a 15% state excise tax and a 6% local tax on marijuana sales. Proposed law dedicates the avails of the state tax to the Marijuana Fund, and allocates 25% to the Minimum Foundation Program, 25% to the TOPS fund, 25% to the Transportation Trust Fund, 12.5% to the Marijuana Enforcement Fund, and the remaining 12.5% to the General Fund. Proposed law provides that half of the avails of the local tax are allocated to the parish, and half are allocated to the municipalities within the parish.

Proposed law authorizes a license fee of up to \$5,000, administered by LDAF, for the operation of marijuana manufacturing or cultivation facilities. A fee of up to \$5,000, administered by the Board of Pharmacy, is also authorized for retail facilities. Proposed law additionally provides for a \$500 fine for entities allowing open use.

Data that can provide a reliable estimate of the retail price or sales volume of these products is unavailable. Additionally, the number of facilities that would cultivate, manufacture, or sell marijuana products at retail is unknown, and the licensing fees authorized for the Board of Pharmacy and LDAF are left to the respective agency's discretion, up to \$5,000.

Thus, the excise tax and license fees in proposed law would result in increases to the general fund, self-generated revenues, and local funds of speculative magnitude.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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