

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 235** HLS 25RS 278

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

REVISED

Date: April 21, 2025	4:28 PM	Author: ECHOLS
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Increase the tax on consumable hemp		

TAX/EXCISE OR +\$5,100,000 SD RV See Note Page 1 of 2
Increases the excise tax levied on consumable hemp products and dedicates revenues collected from the tax

Current law imposes an excise tax on consumable hemp of 3% of the retail sales price. The tax is levied in addition to state and local sales tax. Proceeds are dedicated 100% to the Early Childhood Education Fund.

Proposed law increases the excise tax on consumable hemp from 3% to 20% of the retail sales price. Proposed law redirects a portion of the tax proceeds by dedicating 15% to the Early Childhood Education Fund, 30% to each of the Criminal Justice and First Responder Fund and the Drug Abuse Education and Treatment Dedicated Fund and 25% to the Consumable Hemp Testing and Regulation Fund (CHTR Fund) created by the bill. Proposed law stipulates that the CHTR Fund will fund an LDH-certified testing lab for hemp regulations at a university or, in the absence of a lab, will fund unspecified consumable hemp regulatory activities administered by the Department of Health. Effective July 1, 2025

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	SEE BELOW					
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$5,100,000	\$5,100,000	\$5,100,000	\$5,100,000	\$5,100,000	\$25,500,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$5,100,000	\$5,100,000	\$5,100,000	\$5,100,000	\$5,100,000	\$25,500,000

EXPENDITURE EXPLANATION

With no university labs currently permitted, LDH through the Office of Public Health will use these funds to offset current expenses of approximately \$534,000 annually that are related to consumable hemp regulation. The table indicates a means of finance swap from current funding source of a blend of SGF and SGR to the Consumable Hemp Testing and Regulation (CHTR) Fund created by the bill and filled with 25% of the proceeds of the consumable hemp excise tax. The CHTR Fund is estimated to receive \$1.5 M annually in the revenue explanation below with uses limited to consumable hemp activities. It is not clear if OPH plans to increase activities beyond those accomplished in the base \$534,000 cost that may require an additional appropriation in the future.

In addition to dedicating 25% of proceeds to the CHTR Fund, proposed law also dedicates a portion of proceeds to specific statutory dedications, 15% to the Early Childhood Education Fund, 30% to the Criminal Justice and First Responder Fund, and 30% to the Drug Abuse Education and Treatment Dedicated Fund.

From FY 22 through FY 24, the Early Childhood Education Fund realized deposits averaging \$12.5 M annually from a combination of excise taxes, fantasy sports wagering, sports betting, New Orleans Pelicans prestige plates and interest

EXPENDITURE EXPLANATION CONTINUED ON PAGE 2

REVENUE EXPLANATION

Assuming consumable hemp consumption and pre-tax retail prices remain similar to FY24 and YTD FY 25, a simple estimate could lead to a potential increase in statutory dedications of about \$5.7M annually, to be deposited to various statutory dedications listed in the bill and listed below. The bill increases the excise tax on consumable hemp by 567% from 3% to 20%, which is applied to current collections of about \$1M annually to reach the \$5.7M estimate. However, without substantive guidance on consumer response to a price increase of this magnitude, this estimate is uncertain until more observances are available. For this reason, the estimate in the table has been reduced by 10% to \$5.1M.

The Early Childhood Excellence Fund currently receives 100% of the tax proceeds or about \$1 M annually. Under the bill, the proceeds of the entire tax are redirected from 100% deposited to the Early Childhood Excellence Fund to the following with estimates of annual deposits:

15% to Early Childhood Education Fund	\$0.92M
30% to Criminal Justice and First Responder Fund	\$1.83M
30% to Drug Abuse Education and Treatment Dedicated Fund	\$1.83M
25% to Consumable Hemp Testing and Regulation Fund (created in bill)	\$1.5M

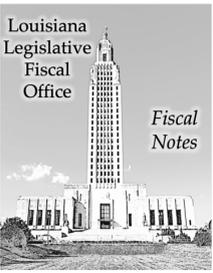
LDR currently has 2,418 retailers registered to pay the consumable hemp products tax.

<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 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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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

earnings. Monies in the fund shall be awarded to local entities for the purpose of funding early childhood care and education slots through the Child Assistance Program in Type III early learning centers. Proposed law is expected to generate an additional \$0.92 M annually.

The Criminal Justice and First Responder Fund was created by Act 723 of the 2024 RS to be used solely for initiatives associated with criminal justice, first responders and law enforcement. The fund does not have a recurring, dedicated source of revenues. Proposed law is expected to generate \$1.83 M annually.

From FY 22 through FY 24, the Drug Abuse Education and Treatment Dedicated Fund realized deposits averaging approximately \$220,150 annually from a combination of probation fees and interest earnings. Monies in the fund are to be used for grants to local public and private nonprofit agencies involved in drug abuse treatment programs as well as to pay administrative costs. Proposed law is expected to generate an additional \$1.83 M annually.

Treasury requires certain resources to create and administer a statutory dedication, as in this bill. Should aggregate session action result in the creation of funds beyond that which can be absorbed within existing resources, additional funding may be required, which is assumed to be SGR in this fiscal note.

Senate Dual Referral Rules

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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