

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



Fiscal Note On: **HB 568** HLS 19RS 676

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 6, 2019	3:04 PM	<b>Author:</b> MILLER, D.
<b>Dept./Agy.:</b> LA Dept. of Health/Dept. of Agriculture & Forestry		<b>Analyst:</b> Zachary Rau
<b>Subject:</b> Regulation of Therapeutic Cannabis		

DRUGS/CONTROLLED OR DECREASE GF EX See Note Page 1 of 1  
Provides that the regulation of therapeutic cannabis be placed under the authority of the Louisiana Department of Health

Present law provides for the legality of therapeutic cannabis (TC) and further provides for the LA Dept. of Agriculture & Forestry's (LDAF) regulation of TC. Proposed law transfers regulation of TC from LDAF to the LA Dept. of Health (LDH). Proposed law changes references in present law from "medical marijuana" to "therapeutic cannabis." Present law allows the LDAF to collect an amount up to 7% of gross sales of TC to defray its regulatory costs. Proposed law deletes the 7% gross sales provision.

<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.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<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>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law will result in an indeterminable net decrease of state expenditures in FY 20 and in subsequent fiscal years. According to cost estimates provided by LA Dept. of Agriculture & Forestry (LDAF) for HB 507 of the 2019 Regular Session, costs associated with regulation of therapeutic cannabis total the following by fiscal year: FY 20 - \$778,577; FY 21 - \$774,950; FY 22 - \$785,836; FY 23 - \$796,940; FY 24 - \$808,266. LDAF further reports that it is not receiving revenues totaling 7% of gross TC sales (see Revenue Explanation) and is currently funding TC activities utilizing available means of finance within its budget. LDAF will no longer incur these expenditures as they will no longer regulate TC under proposed law.

The expenditure decrease would be partially offset by increased expenditures associated with regulation activities for the LA Dept. of Health (LDH). LDH anticipates an increase in SGF and SGR expenditures totaling \$188,214 in FY 20 associated with regulating TC with a phase-up to \$260,255 by FY 24, which results in a net expenditure decrease from LDAF's reported expenditures. Regulation of TC represents a new service for LDH. A majority of the cost increase is associated with two positions, a Sanitarian 4 (\$70,647 salary, \$35,234 related benefits) and a Program Manager 1A (\$82,441 salary, \$41,221 related benefits). LDH anticipates these positions overseeing the application process, plan review for growers, inspection of growth facilities, and inspection integrity checks. LDH further anticipates additional expenditures for travel (\$3,000), operating services (\$4,418) and supplies/equipment (\$7,772) for regulation activities.

**REVENUE EXPLANATION**

There is no anticipated direct material effect on governmental revenues as a result of this measure. Present law provides that 7% of gross sales of therapeutic cannabis (TC) be retained by the LDAF to defray its costs to regulate production and sales of TC in Louisiana. These funds would be considered self-generated revenue to LDAF. Proposed law deletes the 7% gross sales provisions. While sales of TC are legal pursuant to present law, no sales of TC are currently occurring in Louisiana, therefore no revenue is accruing to the LDAF. Therefore, LDAF realizing a decrease in such revenue associated with proposed law is speculative.

Furthermore, proposed law retains all application, permit, and licensing fees for TC activities. LDAF reports collections for these aforementioned fees to total \$202,800 in FY 19. It is assumed that these revenues would accrue in the same amount to the LA Dept. of Health under the auspices of proposed law.

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}

*Evan Brasseaux*  
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**Staff Director**