



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 699** HLS 21RS 1652
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **HB 524**

Date: May 4, 2021	2:10 PM	Author: NELSON
Dept./Agy.: Revenue		Analyst: Tanesha Morgan
Subject: Marijuana		

CONTROLLED SUBSTANCES EG GF EX See Note Page 1 of 2
 Provides for the decriminalization and regulation of marijuana for recreational purposes

Proposed law provides for the repeal of all of the following: 1) Present law classifying marijuana as a controlled dangerous substance. 2) Present law providing criminal penalties for possession and distribution of marijuana. 3) Present law providing for immunity from prosecution for possession of marijuana in certain circumstances which would become inapplicable if marijuana is legalized. Proposed law authorizes the office of alcohol and tobacco control (ATC) within the Department of Revenue to exercise regulatory authority over the cultivation, processing, and manufacturing of cannabis products in this state in accordance with the provisions of proposed law. Proposed law requires ATC to develop an annual, nontransferable cannabis business license to be issued. Proposed law provides for requirements, authorizations, restrictions, and prohibitions associated with each type of cannabis business license to be issued by the ATC. Proposed law requires the ATC to develop an annual personal cultivation license for cultivation and possession of cannabis plants by individuals for personal use. Proposed law requires the ATC to develop a cannabis retailer permit. Proposed law prohibits persons under 21 from purchasing or having public possession of any cannabis product.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will result in an indeterminable, but significant overall increase in state expenditures in the Department of Revenue related to regulating recreational marijuana. At the statewide level, this increase could be partially or wholly offset by a decrease in expenditures associated with fewer incarcerations resulting from the decriminalization of the possession and distribution marijuana. The net impact to the state fisc is indeterminable. Cost factors are explained below.

Department of Revenue (DOR)

Proposed law authorizes the DOR to exercise regulatory authority over the cultivation, processing, and manufacturing of cannabis products and to develop a cannabis retailer permit that must be obtained prior to selling, offering for sale, exposing for sale, or possessing for sale or distribution cannabis in any quantity. DOR reports that the activities defined in proposed law will be a new service provided by the department and estimates it will require 18 positions (10 ATC Agents, 1 Program Manager, and 6 Administrative Coordinators) in year 1 at a total annual cost of \$1.1 M (salaries and benefits). These employees will be tasked with application intake, permitting, product registration, and issuing business licenses related to the processing and manufacturing of cannabis products in the state. If the cannabis industry expands substantially, the department may require additional staff and resources in excess of the initial estimate. In addition to salaries and benefits, the department estimates cost associated with equipment (\$398 K) and operating services (\$4 K).

Department of Agriculture and Forestry (LDAF)

The Industrial Hemp Program within the LDAF currently regulates products that contain no more than .03% THC. Proposed law does not specify the minimum THC that a product must contain for it to be classified as cannabis. Given this, the LFO assumes that products containing any level of THC will be considered cannabis and, thus, will be regulated by LDH if this bill becomes law. To this extent, LDAF will no longer be responsible for regulating products that contain no more than .03% THC. Therefore, the LFO anticipates that LDAF expenditures will decrease by \$319,000 and 4 positions, which is the cost associated with the hemp program.

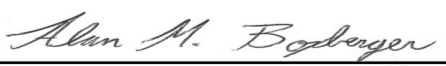
EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law will result in an indeterminable increase in self generated revenue for the DOR and DPSC - Public Safety Services related to the issuance of business licenses, personal cultivation permits, retailer permits and criminal background checks. This increase will be partially offset by a decrease in local revenue. Revenue factors are explained on page two.

REVENUE EXPLANATION CONTINUED ON PAGE TWO

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input 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 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}


Alan M. Boxberger
 Staff Director



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 699 HLS 21RS 1652
Bill Text Version: ENGROSSED
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.: HB 524

Date: May 4, 2021 2:10 PM Author: NELSON
Dept./Agy.: Revenue Analyst: Tanesha Morgan
Subject: Marijuana

CONTINUED EXPLANATION from page one:

CONTINUED EXPENDITURE EXPLANATION FROM PAGE ONE

Department of Public Safety & Corrections (DPSC) Corrections Services

There may be an indeterminable decrease in SGF expenditures to Corrections Services related to decriminalizing the possession and distribution of marijuana. Proposed law decriminalizes the possession and distribution of marijuana contingent upon a majority of the electors who vote on the proposition to legalize marijuana in the 11/8/22, election approving the proposition. The exact fiscal impact of this legislation is indeterminable; however, decriminalizing the possession and distribution of marijuana will result in fewer convictions and fewer offenders housed with Corrections. A reduction in convictions could save Corrections \$26.39 per day per offender and \$9,632 annually (\$26.39 per day per offender x 365 days) for those in local housing. A reduction in convictions could save Corrections \$67.36 per day per offender and \$24,586 annually (\$67.36 per day per offender x 365 days) for those in a state facility. For illustrative purposes, Corrections reports there are currently 1,362 offenders incarcerated for marijuana offenses. Note: Some of those offenders are incarcerated on other charge(s) in addition to the marijuana charge(s).

DPSC Public Safety

Based on the experience of other states with legalized recreational marijuana, Public Safety anticipates that legalizing recreational marijuana will have a significant indirect impact on lab expenses associated with testing impaired drivers for THC and testing the components of products found at illegal marijuana retailers and manufacturers. Public Safety estimates that it will require 2 Crime Lab Analysts positions and lab equipment (\$1.7 M in FY 2021 and annualized in future fiscal years) associated for increased lab testing. The LFO cannot corroborate that the provisions in the bill will result in an indirect expenditure exposure of this magnitude.

Office of Juvenile Justice

There may be an indeterminable decrease in SGF expenditures to the Office of Juvenile Justice (OJJ) as a result of the proposed legislation. OJJ would serve fewer juvenile offenders with the decriminalization of marijuana, likely those under supervision rather than custody due to the non violent nature of the offense.

Louisiana Board of the Public Defender

There may be an indeterminable decrease to SGF and/or statutory dedication expenditures for the Louisiana Board of the Public Defender (LBPD) with the decriminalization of marijuana. LBPD reports it handles an average of 5,300 cases annually where marijuana possession is the dominant charge. With the decriminalization of marijuana, LBPD anticipates a reduction in the need for their services.

Local District Attorney Offices

There may be an indeterminable decrease to local expenditures of District Attorney's offices. There will be fewer number of cases to be prosecuted, but the District Attorney's Association is unable to predict the number of prosecutions in the future.

CONTINUED REVENUE EXPLANATION FROM PAGE ONE

Department of Revenue

Proposed law provides that DOR shall charge an annual fee for:

- Each business license issued to commercial cannabis growers and processors
-Personal cultivation permits
-Each cannabis retailer permit.

The bill does not specify the amount of the fees. The LFO assumes that the fees will be established by administrative rule promulgation by the department or under a separate legislative instrument. The LFO cannot anticipate the amount of fees that DOR may collect for the issuance of licenses or permits, as these are speculative and dependent on the number of businesses and individuals that are permitted and the permit fee.

Local Revenue

Proposed law may result in a net decrease to local revenue. Decriminalizing marijuana will result in fewer convictions and fewer fines and fees assessed by local courts. The reduction in fines and fees will result in reduced revenues to District Attorney's offices, LBPD, and other local governmental entities. This reduction in local revenue may be partially offset by newly established fines in proposed law. Proposed law establishes the following fines:

- \$500-\$1,000 for unlawful sale of cannabis to persons under the age of 21
- Up to \$100 for person under the age of 21 for purchasing or having public possession of cannabis
- Up to \$500 for certain persons that purchase cannabis on behalf of persons under the age of 21

The LFO cannot anticipate the amount of fines that may be imposed and collected as a result of this measure.

DPSC - Public Safety Services

Proposed law requires applicants for licensure to undergo a state and federal fingerprint-based criminal history record check through the Louisiana Bureau of Criminal Identification and Information. DPSC charges a fee of \$26 for a state background check and \$2 for a federal background check. The LFO cannot anticipate the amount of fees that DPSC may collect for performing background checks, as these are speculative and dependent on the number of applicants.

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}

Alan M. Boxberger
Staff Director