

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 605** HLS 23RS 245

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 26, 2023	2:30 PM	Author: SCHEXNAYDER
Dept./Agy.: LDH		Analyst: Shawn Hotstream
Subject: regulation		

HEALTH EG INCREASE SG RV See Note
Provides relative to the regulation of consumable hemp products

Proposed law provides for requirements of the Louisiana Department of Health relative to the regulation of consumable hemp products, including 1) reviewing and registering consumable hemp products to ensure product compliance; 2) review and approve labels to ensure label compliance; 3) maintaining a list of registered consumable hemp products; and 4) issuing consumable hemp processing permits an regulating the permitted facilities and permittees. Proposed law requires that all consumable hemp products meet certain criteria, including being contained in tamper-evident packaging, not being labeled, marketed, or intended for inhalation, not marketed for children, not contain any type of cannabinoid that does not naturally occur in hemp, not contain any synthetically-derived cannabinoid, and requirements relative to servings. Proposed law authorizes LDH to require any applicant seeking registration of a consumable hemp product to submit photographs of products to accurately depict the product or may require submission of a specimen of the actual product to the department to ensure products comply with this law. Proposed law provides for responsibilities of the office of alcohol and tobacco control, including issuing wholesaler, retailer, and special event permits, regulating permitted facilities, and ensuring permittees are not selling any consumable hemp products that are not on LDH's list of registered products. Proposed law provides that the commissioner may establish and collect an annual retail permit fee (up to \$250) and an annual special event permit fee (up to \$175). The amount of each permit fee shall be based on the cost of the regulatory functions performed.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The proposed legislation will likely result in an increase in SGR expenditures in FY 24 and beyond. The Office of Alcohol and Tobacco Control anticipates the need for 4 additional enforcement agents (approximately \$55,000 per agent annually) related to a projected increase in inspections, compliance and enforcement efforts, and additional equipment costs to support the agents (approximately \$160,000 in FY 24). The extent of the workload increase will depend on the number of annual inspections performed by the ATC each year. It is anticipated that additional revenues generated under this measure may be used to support workload increases. The ATC reports approximately 2,800 consumable hemp permits have been issued since 2019. This measure requires the ATC ensure permittees are not selling any consumable hemp products that are not on LDH's list of registered products.

In addition, proposed law authorizes LDH to contract with a third party laboratory when conducting sampling, analyzing, and testing of consumable hemp products. To the extent LDH utilizes lab services, costs of the department will increase.

REVENUE EXPLANATION

Overall net state revenues will increase under this measure by approximately \$138,000 in FY 24.

ATC: Proposed legislation is projected to increase annual revenue collections by approximately \$205,950 to the Louisiana Office of Alcohol and Tobacco Control (ATC) as a result of increasing the permit fee from \$175 to \$250 (\$75 per permit x 2,746 permits).

LDH: Proposed legislation decreases revenues received by LDH by reducing the annual label registration fee by \$25 (from \$50 to \$25) per consumable hemp product. Information provided by LDH indicates this provision will result in reduced self generated revenue collections of the department by \$67,500 in FY 24, \$75,00 in FY 25, and \$87,500 in future fiscal years. The estimate is based on department expecting to register approximately 2,700 labels in FY 24, 3,000 labels in FY 25, and 3,500 labels for subsequent fiscal years. LDH indicates annual revenues generated from the labeling registration fee is used to partially fund a staffing services contract (6 contract staff) to perform labeling annual labeling reviews and renewals.

Note: LDH is authorized to impose penalties and collect fines up to \$250 per offense per day on a consumable hemp processors that violate provisions of this law. Additionally, ATC can fine any person who violates permit fee regulations. Fine amounts are based on the following: first offense (up to \$500 per violation per day), second offense (up to \$1,000 per each violation per day), and for third offense (up to \$3,000 per each violation per day).

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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Interim Deputy Fiscal Officer