

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 17** HLS 23RS 257

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 28, 2023	12:29 PM	Author: NEWELL
Dept./Agy.: Agriculture and Forestry, Office of Alcohol & Tobacco Control		Analyst: Kimberly Fruge
Subject: Regulation of Cannabis		

CONTROLLED SUBSTANCES

OR INCREASE SG EX See Note

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Provides relative to the regulation of cannabis

Proposed law authorizes the Dept. of Agriculture and Forestry (LDAF) to create and issue up to ten (10) cannabis production facility licenses valid for five (5) years; requires applicants and subcontractors to undergo finger printing and a state and national criminal background check; provides for an application fee up to \$2,500 and annual production facility license fee not to exceed \$100,000; \$50 annual permit fee; \$250 annual transportation carrier fee; provides for civil penalties up to \$50,000 per violation per day based upon the ruling of the commissioner; excludes therapeutic marijuana. Proposed law authorizes the Commissioner of the Office of Alcohol and Tobacco Control (ATC) to issue up to 40 cannabis retailer permits valid for two (2) years; requires an application fee of up to \$2,500 and initial retailer permit fee up to \$100,000 and annual renewal fee of \$50,000; application fee covers finger printing and criminal background checks; qualification of retail applicants; limits cannabis retailers to sell up to one ounce of cannabis to any individual per day; provides for civil penalties of \$2,500 to \$10,000 and imprisonment from six (6) months to five (5) years or both.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will increase SGR expenditures by an indeterminable amount, estimated by the LA Department of Agriculture and Forestry (LDAF) at \$3.4 M for the licensing and regulation of up to ten (10) cannabis production facilities, and by the Department of Revenue, Office of Alcohol Tobacco and Control (ATC) at \$2.3 M for issuance and regulation of up to 40 cannabis retailer permits. The proposed law may result in an indeterminable expenditure increase in the Department of Public Safety and Correction, LA State Police, and District Attorneys as well as local governmental entities.

LA Department of Agriculture and Forestry (LDAF) - LDAF estimates SGR expenditures will increase by \$3,431,342 (\$1,836,315 one-time and \$1,595,027 recurring) in FY 24. The proposed law requires LDAF to create and issue up to 10 cannabis production facility licenses valid for five years. The LFO assumes all 10 authorized facilities will be licensed and requires the LDAF to immediately need staff, equipment, and vehicles to inspect, regulate, and test the product at facilities. To the extent all 10 cannabis production facilities are licensed, LDAF anticipates this measure will require 23 additional positions (Director, Assist Director, two Compliance Managers, two Compliance Supervisors, six Compliance Inspectors, two Administrative Program Specialist, two Lab Scientist Directors, and seven Lab Scientist positions). The estimate for positions includes seven months of salaries and related benefits (\$1,160,528), travel (\$30,000), operating services (\$44,450), supplies (\$252,550), professional services (\$100,000), and telephones (\$7,500) as well as a one-time costs for computer and printer (\$195,000), office furniture (\$13,800), and lab equipment (\$1,627,515). In subsequent fiscal years, this fiscal note assumes a 2% market rate adjustment in salaries and related benefits for classified staff (total expenditures of \$3,302,105 in FY 25, \$3,364,189 in FY 26, \$3,428,136 in FY 27, and \$3,494,001 in FY 28). **Continues on Page 2**

REVENUE EXPLANATION

Proposed law will result in a significant increase in SGR revenues for the LA Department of Agriculture and Forestry (LDAF) from the creation and licensing of up to ten (10) cannabis production facilities. To the extent the maximum number of facilities are licensed, LDAF will receive \$1,000,000 (10 x \$100,000) in annual license fees. However, the potential number that will seek a license is unknown.

Proposed law will result in a significant increase in SGR revenues for the Department of Revenue (LDR), Office of Alcohol and Tobacco Control (ATC) from the permitting of cannabis retailers. To the extent the maximum of 40 cannabis retailer permits are issued, ATC will receive \$4,000,000 (40 x \$100,000) in initial license fees and renewal licensing fees of \$2,000,000 (40 x \$50,000) in subsequent fiscal years. However, the potential number of retailers that will seek permits is unknown.

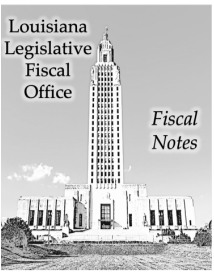
Proposed law provides for a civil fine of up to \$50,000 per act of violation for each day on a person determined to violate based on a ruling by the Commissioner of LDAF. The LFO presumes the potential revenue may accrue to LDAF due to the required ruling by the Commissioner, but this point is unclear as civil penalties generally accrue to local governing authorities. The number of individuals that may violate the proposed law and be assessed civil fines by the Commissioner of LDAF is speculative and indeterminable.

Proposed law provides for a fine of \$2,500 to \$10,000 or imprisonment of 6 months to 5 years or both on a person convicted of selling cannabis without a retailer permit and the potential revenue will accrue to the local government entities. The number of individuals that may be convicted of selling cannabis without a retailer permit is speculative and indeterminable.

<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 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}

Evan Brasseaux
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Interim Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION Continued from Page 1

The LFO anticipates LDAF will use the revenues from licensing cannabis production facilities to partially cover its anticipated costs in FY 24. However, LDAF estimates revenues will not be sufficient to fully cover these significant expenditures and that it will require an additional appropriation of SGF.

	FY 24	FY 25	FY 26	FY 27	FY 28
Personal Services*	\$1,160,528	\$2,321,055	\$2,383,139	\$2,447,086	\$2,512,951
Operating Services	\$327,000	\$766,050	\$766,050	\$766,050	\$766,050
Professional Services	\$100,000	\$200,000	\$200,000	\$200,000	\$200,000
Equipment	\$1,836,315	\$0	\$0	\$0	\$0
IAT to OTS	\$7,500	\$15,000	\$15,000	\$15,000	\$15,000
Total LDAF	\$3,431,343	\$3,302,105	\$3,364,189	\$3,428,136	\$3,494,001

LA Department of Revenue (LDR), Office of Alcohol and Tobacco Control (ATC) - ATC estimates SGR expenditures will increase by \$2,309,224 in FY 24. The proposed law requires ATC to issue 40 cannabis retailer permits. The LFO assumes all 40 retailers will be permitted and requires the ATC to immediately need staff, equipment, and vehicles to issue permits immediately. To the extent all 40 retailers are permitted, ATC anticipates needing 20 ATC Agents (\$1,615,388 salary and related benefits), four (4) Administrative Coordinator positions (\$170,378 salary and related benefits), one Attorney (\$69,055 salary and related benefits), and two (2) directors (194,571 salary and related benefits) for a total annual personal services cost of \$2,049,392 for the administration and enforcement of cannabis retailers. In FY 24, only six months of expenditures are anticipated for salaries and related benefits. In subsequent fiscal years, this fiscal note assumes a 2% market rate adjustment in salaries and related benefits for staff and 12 months (total expenditures of \$2,090,380 in FY 25, \$2,132,188 in FY 26, \$2,174,832 in FY 27, and \$2,218,328 in FY 28). ATC also estimates various costs for operating expenses, including travel and supplies, professional services, and equipment costs, presented in the table below. The LFO cannot corroborate the needs outlined by ATC. To the extent the additional workload is less than what ATC anticipates, the additional workload may be absorbable, either wholly or partially, using existing staff and resources or may be achievable with fewer positions. To the extent these costs are not fully funded by permit revenues, additional budgetary resources may be needed.

	FY 24	FY 25	FY 26	FY 27	FY 28
Personal Services*	\$1,059,224	\$2,090,380	\$2,132,188	\$2,174,832	\$2,218,328
Operating Services	\$200,000	\$100,000	\$100,000	\$100,000	\$100,000
Professional Services	\$200,000	\$100,000	\$100,000	\$100,000	\$100,000
Equipment	\$850,000	\$850,000	\$400,000	\$400,000	\$200,000
Total ATC	\$2,309,224	\$3,140,380	\$2,732,188	\$2,774,832	\$2,618,328

Department of Public Safety and Corrections (DPSC) - Based on the experience of other states with legalized recreational marijuana, Public Safety anticipates that legalizing the sale of cannabis at retail locations 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 anticipates needing four (4) Crime Lab Analysts positions (\$366,126 salary and related benefits) as well as operating services (\$1,237,112), lab supplies (\$42,928), one-time acquisition of lab equipment (\$1,094,517), telephone and data services (\$3,960). The LFO cannot corroborate that the provisions in the proposed law will result in an indirect expenditure exposure of this magnitude.

	FY 24	FY 25	FY 26	FY 27	FY 28
Personal Services*	\$366,126	\$375,590	\$385,337	\$395,376	\$405,716
Operating Services	\$1,237,112	\$1,237,112	\$1,237,112	\$1,237,112	\$1,237,112
Supplies	\$42,928	\$42,928	\$42,928	\$42,928	\$42,928
Equipment	\$1,094,517	\$0	\$0	\$0	\$0
IAT to OTS	\$3,960	\$3,960	\$3,960	\$3,960	\$3,960
Total DPS	\$2,744,643	\$1,659,590	\$1,669,337	\$1,679,376	\$1,693,716

Louisiana District Attorneys Association (LDAA) - The proposed law may result in an indeterminable expenditure increase for LDAA. The proposed law creates penalties ranging from misdemeanor to felony for a violation of the retailer permit requirements. LDAA reports that it cannot estimate the fiscal impact because it is unable to determine the number of these cases that would be charged under this measure.

Local Governmental Entities - The proposed law may result in an indeterminable increase in Local Funds expenditure to local governing authorities if a person is convicted of selling cannabis without a retailer permit and housed in local jails. The imprisonment term is at least 6 months to a maximum of 5 years for this misdemeanor offense.

*NOTE: LDAF, ATC, and DPSC estimate personnel services costs to increase by 2% annually.

Senate
 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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