



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 655** HLS 23RS 2572
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.: HB 572

Date: May 31, 2023 7:06 AM	Author: GOUDEAU
Dept./Agy.: Alcohol and Tobacco Control, LA Dept. of Health	Analyst: Patrice Thomas
Subject: Kratom Consumer Protection Act	

CONSUMERS/PROTECTION RE1 +\$88,100 GF EX See Note Page 1 of 1
 Provides relative to kratom products

Proposed law creates the Kratom Consumer Protection Act and requires processors of kratom to adhere to product limitations that exclude dangerous non-kratom substances and requires kratom products to have certain levels of residual solvents as well as certain concentrations and compounds. Proposed law requires the package of a kratom product to contain certain information. Proposed law prohibits the distribution and sale of kratom products to minors, under 21 years old and provides for procedures to verify the age of the purchaser before completing a sale. Proposed law requires kratom products to be stored and displayed in an area not accessible to the public. On or before February 1, 2024, the proposed law requires the Secretary of the LA Department of Health (LDH) to submit a report to the legislature on the feasibility of regulating kratom products, processors, and retailers. Proposed law requires kratom processors to submit adverse events (AE) reports to the LDH and U.S. Food and Drug Administration. Proposed law provides that local governmental entities may enact stricter regulations on kratom products or prohibit the sale of kratom products.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$88,100	\$84,080	\$85,761	\$87,476	\$89,226	\$434,643
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$88,100	\$84,080	\$85,761	\$87,476	\$89,226	\$434,643
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.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law will increase SGR expenditures in the LA Department of Revenue, Office of Alcohol Tobacco and Control (ATC) by \$88,100 for enforcement efforts, inspections, and compliance checks of kratom product retail locations. The proposed law creates the Kratom Consumer Protection Act. The proposed law authorizes ATC to seize kratom products from retail locations that violate this measure as contraband. In addition, the proposed law requires kratom processors to report an adverse event related to registered kratom products to the LA Department of Health.

LA Department of Health (LDH) - There is no anticipated impact on expenditures within the LA Department of Health (LDH) as a result of this measure. The department indicates receiving adverse event reports from kratom processors required by this proposed law can be accomplished by utilizing existing staffing and resources. Also, the proposed law requires LDH to submit a report to the legislature by February 1, 2024 on the feasibility of regulating kratom products, processors, and retailers. The LFO presumes LDH can complete the feasibility report utilizing existing staff and resources.

LA Department of Revenue (LDR), Office of Alcohol and Tobacco Control (ATC) - The proposed law authorizes ATC to seize kratom products that violate the proposed law as contraband. Since the agency does not currently monitor kratom businesses or products, ATC reports it will require one additional ATC Agent for a total annual personal services cost of \$82,431 (\$54,954 salary and \$27,477 related benefits) to implement this proposed law. Also, ATC reports a one-time expenditure for equipment costs for the ATC agent of \$5,669 in FY 24. In subsequent fiscal years, this fiscal note assumes a 2% market rate adjustment in salaries and related benefits. In future fiscal years, if kratom retail businesses or products expand dramatically, ATC may require additional resources over the estimate provided.

EXPENDITURES

Position	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
ATC Agent	\$82,431	\$84,080	\$85,761	\$87,476	\$89,226
Equipment	\$5,669	\$0	\$0	\$0	\$0
Total Expenditures	\$88,100	\$84,080	\$85,761	\$87,476	\$89,226
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REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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

Evan Brasseaux
 Interim Deputy Fiscal Officer