

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 495** SLS 24RS 834

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 2, 2024	12:37 PM	Author: TALBOT
Dept./Agy.: Agriculture and Forestry, ATC, Health		Analyst: Richie Anderson
Subject: Consumable Hemp		

AGRICULTURAL COMMODITIES OR INCREASE SG EX See Note
Provides relative to industrial and consumable hemp products. (8/1/24)

Proposed law will introduce regulations regarding licensing, fees, and sales practices for the hemp industry. Proposed law provides that the Louisiana Department of Agriculture and Forestry (LDAF) charge and collect an annual license fee due each year on 12/31, equal to \$500 for a seed producer, \$250 for a grower, and \$500 for a processor. Proposed law states that any wholesaler or retailer must have a "Good Manufacturing Practices" certificate as of 12/31/23, have been inspected by the Department of Health (LDH) as of 12/31/21, and carry a food manufacturing license with a specialization in industrial hemp products. Additionally, proposed law states that no person can sell or offer any single serving beverage with THC or CBD, any hemp product without a license, or any hemp product if the retail business sells any type of petroleum product such as gasoline or diesel. Proposed law also requires that all products sold by consumable hemp processors be registered with LDH's registry located on their web site. Additionally, proposed law provides for a system of fines for certain violations.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	2024-25	2025-26	2026-27	2027-28	2028-29	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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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 governmental expenditures for ATC and LDR for regulation costs and collecting revenue associated with the consumable hemp industry. The LDAF and State Police will not realize any shift in expenditures resulting from the changes in proposed law. Proposed law may result in an indeterminable increase in SGF expenditures in the Dept. of Public Safety and Corrections – Corrections Services if a person is convicted of intentionally falsifies accountability reports.

Department of Revenue (LDR): LDR anticipates initial costs of \$25,200 SGR in FY 25 for computer system development and modification to electronically receive file transfers into the Delta system from ATC. The department anticipates costs associated with the proposed law to be absorbed into the department's existing budget allocation, but maintains that further SGF may be required if new activity requires significant expenditures.

Office of Alcohol and Tobacco Control (ATC): Initial implementation costs for FY 25 are estimated at \$726,358 SGR. ATC expects initial costs to be creating and developing an electronic reporting registry for any entity that may or may not be registered with ATC. Proposed law changes the definition of THC to only include Delta 9 and not Delta 8, 10, and 11, resulting in a need for continued monitoring to ensure illegal products are not for sale. ATC currently permits 2,000 entities, and has a current objective of performing a compliance check and inspection annually. Proposed law will likely increase these inspections due to the type of product being regulated and the changing landscape of the hemp industry.

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REVENUE EXPLANATION

Office of Alcohol and Tobacco Control (ATC): ATC estimates that collections generated by the sale of consumable hemp retail permits from this proposed law will impact revenues due to the prohibition of anyone selling hemp to not also be selling gasoline, and because of the increased fines and penalties collected. The proposed law would impact hemp retail permits by requiring businesses to have a physical location within the state and prohibiting the sale of hemp where gasoline is sold. ATC anticipates a decrease in permit revenues as hemp retail permitting would decrease, but an increase fines of \$1,000 for unlawful hemp sales may offset losses. Businesses must submit reports on the prior month's hemp sales to ATC by the 20th of the following month, or face a \$1,000 fine for noncompliance and a minimum fine of \$10,000 fine for falsification. ATC anticipates increased revenue from fines, potentially covering lost permit fees and legal expenses.

Department of Revenue (LDR): Proposed law has the potential to increase the taxable hemp product basis but also prohibits certain hemp products that contain THC, because of these changes it is difficult to ascertain the revenue changes collected by the department. The revenue collections from hemp products include the 3% excise tax which is deposited into the Early Childhood Education Fund. Additionally, sales tax collections on these products from both the state (4.45%) and local (5.1% average) could be impacted. In FY 23, collections for consumable hemp products generated approximately \$992,000 in excise tax collections, \$1.5 M in state sales tax collections, and \$1.7 M in local sales tax collections.

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Senate

Dual Referral Rules

House

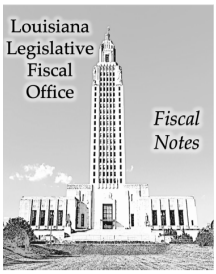
13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Patrice Thomas
Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION CONTINUED:

Office of Alcohol and Tobacco Control (ATC): ATC anticipates needing new agents and associated equipment, administrative personnel, and a new electronic reporting registry. ATC estimates needing at least five (5) additional agents dedicated to the enforcement of hemp laws through inspections, compliance checks, and education along with administrative staff to assist with compliance for entities that are located outside of Louisiana. These include one (1) Program Manager to oversee the electronic registry system as well as two (2) Administrative Coordinators to assist in processing and monitoring the monthly reports sent to ATC. Personnel costs for these 8 positions would be \$477,229 including salaries and related benefits. This fiscal note assumes a 3% market rate adjustment in salaries and related benefits as seen below. To the extent SGR collections are not sufficient to fully fund the anticipated expenditures, SGF may be required to make up the difference.

Expenditures	FY 25	FY 26	FY 27	FY 28	FY 29
Salaries	\$402,037	\$414,068	\$427,887	\$439,920	\$452,499
Related Benefits	\$75,192	\$77,448	\$79,771	\$82,164	\$84,629
Registry	\$50,000	\$20,000	\$5,000	\$5,000	\$5,000
Equipment	\$199,129	\$0	\$0	\$0	\$0
Total:	\$726,358	\$511,516	\$512,658	\$527,084	\$542,128

Department of Public Safety and Corrections – Corrections Services (DPS&C – CS): Proposed law may result in an indeterminable increase in SGF expenditures in DPS&C – CS if a wholesaler or retailer is convicted of intentionally falsifies an accountability report to ATC. Proposed law requires the wholesaler or retailer shall be fined no less than \$10,000 and serve not more than 5 years at hard labor. For those convicted, sentenced, and then subsequently housed in a state facility, DPS&C-CS will sustain expenditures of \$107.60 per offender per day, or \$26.39 per offender per day for those housed in local facilities.

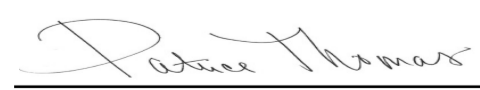
REVENUE EXPLANATION CONTINUED:

Louisiana Department of Agriculture and Forestry (LDAF): Proposed law replaces the hemp handler license currently under LDAF’s authority with the *Consumable Hemp Manufacturer* and *Consumable Food Manufacturing Distributor* licenses and moves these licenses under the authority of the Department of Health (LDH). In FY 24, LDAF sold 7 Hemp Handler licenses for \$500 each generating \$3,500 in revenue. Proposed law would also decrease the grower license fee from \$500 to \$250, based on the number of current grower licenses issued (67), this would decrease revenue to the statutorily dedicated Seed Fund by \$16,750 (\$250 x 67), bringing the total decrease in the Seed Fund’s revenue to \$20,250 (\$3,500 + \$16,750).

Department of Health (LDH): Proposed law will replace the handler license with the *Consumable Hemp Processor* license and the *Consumable Food Manufacturing Distributor* license, which will be under the authority of LDH. The Consumable Hemp Processor license is in present law and will continue to be collected by LDH. The Consumable Food Manufacturing Distributor License is a new license in the proposed law that will cost \$500 annually. LDH is unable to estimate the amount of these licenses that will be purchased and the associated revenue as this is a new type of business in Louisiana.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
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House
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