

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 978** HLS 24RS 3193

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.: **HB 54** **REVISED**

<b>Date:</b> May 9, 2024	10:28 AM	<b>Author:</b> NEWELL
<b>Dept./Agy.:</b> Dept. of Health, ATC, DPSC		<b>Analyst:</b> Richie Anderson
<b>Subject:</b> Regulation of Cannabis		

CONTROLLED SUBSTANCES

EG SEE FISC NOTE SG RV

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Provides relative to the regulation of cannabis

**Proposed law requires the LA Department of Health (LDH) and Office of Alcohol and Tobacco Control (ATC) to promulgate rules before 12/01/24 to establish a framework to regulate the recreational cannabis industry if it is legalized at the federal or state level.** Proposed law authorizes LDH to create and issue up to ten cannabis production facility licenses valid for up to five 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 employee 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 secretary. Proposed law authorizes the Commissioner of ATC to issue 40 cannabis retailer permits valid for two years; requires an application fee of up to \$2,500, an initial retailer permit fee up to \$100,000, and an annual renewal fee of \$50,000; 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 months to five years or both. **Provisions of the proposed law are only effective if the cultivation, sale, or use of recreational cannabis is legalized by the state or federal government.**

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.	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	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.	\$0	\$0	\$0	\$0	\$0	\$0
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	

**Annual Total**

**EXPENDITURE EXPLANATION**

**Proposed law may result in a significant increase in expenditures if cannabis is legalized at the federal or state level; however, the timing of expenditures for this purpose are speculative and may occur outside of the five-year window of this fiscal note.** Proposed law will increase expenditures in the first year of implementation including the following estimates: the LA Department of Health (LDH) at \$926,261 for the licensing and regulation of cannabis production facilities; the Department of Revenue, Office of Alcohol and Tobacco Control (ATC) at \$2.3 M for issuance and regulation of up to 40 cannabis retailer permits; the Department of Public Safety and Corrections, Office of State Police at \$2.8 M for equipment to conduct testing of cannabis. The proposed law may result in an indeterminable expenditure increase for the District Attorneys and local governmental entities.

**LA Department of Health (LDH)** - LDH estimates expenditures will increase by \$926,261 in year 1. The proposed law requires LDH to create and issue 10 cannabis production facility licenses valid for five years. The LFO assumes facilities will be licensed and requires LDH to immediately need staff, equipment, and vehicles to inspect, regulate, and test the product at facilities. To the extent all 10 production facilities are licensed, LDH anticipates needing nine (9) additional positions including: one (1) Sanitarian 5, four (4) Sanitarian 4, and (4) Administrator Coordinator 3.

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**REVENUE EXPLANATION**

Proposed law could result in a significant increase in SGR revenues for the LDH from the creation and licensing of up to ten cannabis production facilities. To the extent all ten facilities are licensed, LDH will receive \$1 M (10 x \$100,000) in annual license fees. Additionally, LDH could also have a SGR revenue increase from the application fee of \$2,500, the annual employee permit fee of \$50, and the annual transportation fee of \$250. However, the potential number of these additional fees is unknown.

Proposed law could result in a significant increase in SGR revenues for the ATC from the permitting of cannabis retailers. To the extent the maximum of 40 cannabis retailer permits are issued, ATC will receive \$4 M (40 x \$100,000) in initial license fees and renewal licensing fees of \$2 M (40 x \$50,000) in subsequent fiscal years. Additionally, there could be a SGR revenue increase from the retail permit application fee of \$2,500, however, the 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 Secretary of LDH. The LFO presumes the potential revenue may accrue to LDH due to the required ruling by the Secretary, 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 Secretary of LDH 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 who may be convicted of selling cannabis without a retailer permit is speculative and indeterminable.

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:**

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**LA Department of Health (LDH)** - The total estimate includes the full annual salaries (\$532,523) and related benefits (\$266,262) for the nine positions, operating services (\$101,862) for travel and sample testing costs, one-time equipment costs (\$25,614); costs for equipment are anticipated to decrease in future fiscal years as seen in the chart below. Depending on the timing of hiring positions during the initial fiscal year, personal services may be less than estimated below. In subsequent fiscal years, this fiscal note assumes a 3% market rate adjustment in personal services for classified staff as seen in the chart below. The LFO anticipates that LDH will use the revenues from licensing cannabis production facilities to partially cover its anticipated costs, however, should revenues not be sufficient to fully cover these expenditures additional SGF may be needed. The LFO cannot corroborate the needs outlined by LDH. To the extent the additional workload is less than what LDH anticipates, the additional workload may be absorbable, either wholly or partially, using existing staff and resources or may be achievable with fewer positions.

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Personal services*	\$798,785	\$822,749	\$847,431	\$872,854	\$899,040
Operating services	\$101,862	\$184,524	\$184,524	\$184,524	\$184,524
Equipment	\$25,614	\$4,500	\$4,500	19,908	\$14,454
<b>Total LDH</b>	<b>\$926,261</b>	<b>\$1,011,773</b>	<b>\$1,036,455</b>	<b>\$1,077,286</b>	<b>\$1,098,018</b>

**LA Department of Revenue, Office of Alcohol and Tobacco Control (ATC)** - ATC estimates SGR expenditures will increase by \$1.5 M in year 1. 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 twenty (20) Agents (\$1.6 M salary and related benefits), four (4) Administrative Coordinator positions (\$170,378 salary and related benefits), one (1) 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 M for the administration and enforcement of cannabis retailers. In FY 25, only six months of expenditures are anticipated for salaries and related benefits. In subsequent fiscal years, this fiscal note assumes a 3% market rate adjustment in salaries and related benefits for staff and 12 months. 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.

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Personal services*	\$707,706	\$1,406,454	\$1,448,648	\$1,492,107	\$1,536,870
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	\$398,258	\$398,258	\$0	\$0	\$0
<b>Total ATC</b>	<b>\$1,505,964</b>	<b>\$2,004,712</b>	<b>\$1,648,648</b>	<b>\$1,692,107</b>	<b>\$1,736,870</b>

**Department of Public Safety and Corrections, Office of State Police (OSP)** - 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 (\$424,337 salary and related benefits) as well as operating services (\$1.3 M), lab supplies (\$42,928), one-time acquisition of lab equipment (\$1 M), 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.

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Personal services*	\$424,337	\$433,120	\$444,593	\$456,410	\$468,582
Operating services	\$1,280,040	\$1,280,040	\$1,280,040	\$1,280,040	\$1,280,040
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
<b>Total DPSC</b>	<b>\$2,845,782</b>	<b>\$1,760,048</b>	<b>\$1,771,521</b>	<b>\$1,783,338</b>	<b>\$1,795,510</b>

**Louisiana District Attorneys Association (LDAA)** - The proposed law may result in an indeterminable expenditure increase for district attorneys. 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 for district attorneys, because it is unable to determine the number of these cases that would be charged under the proposed law.

**Local Governmental Entities** - The proposed law may result in an indeterminable increase in Local Funds expenditures by 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: LDH and ATC personal services costs are estimated to increase by 3% annually. DPSC estimates personal 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}  
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