



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

Fiscal Note On: **HB 524** HLS 21RS 474  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 26, 2021	5:26 PM	<b>Author:</b> NELSON
<b>Dept./Agy.:</b> LDH/Revenue		
<b>Subject:</b> Marijuana		<b>Analyst:</b> Tanesha Morgan

DRUGS OR SEE FISC NOTE GF EX Page 1 of 2  
 Provides for decriminalization of marijuana and regulation of marijuana for recreational use

Proposed law provides that at the statewide election occurring on Nov. 8, 2022, a proposition shall appear on the ballot in every parish to determine whether the possession, distribution, or dispensing of marijuana, tetrahydrocannabinols, or chemical derivatives thereof shall be legal for persons 21 years of age or older. Proposed law provides for the repeal of all of the following: 1) Present law classifying marijuana as a controlled dangerous substance. 2) Present law providing criminal penalties for possession and distribution of marijuana. 3) Present law providing for immunity from prosecution for possession of marijuana in certain circumstances which would become inapplicable if marijuana is legalized. Proposed law authorizes the LDH to exercise regulatory authority over the cultivation, processing, and manufacturing of cannabis products in this state in accordance with the provisions of proposed law. Proposed law requires LDH to develop an annual, nontransferable cannabis business license to be issued. Proposed law provides for requirements, authorizations, restrictions, and prohibitions associated with each type of cannabis business license to be issued by LDH. Proposed law requires the Department of Revenue to develop a cannabis retailer permit. Proposed law prohibits persons under 21 from purchasing or having public possession of any cannabis product.

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
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	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						
REVENUES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law will result in an indeterminable, but significant overall increase in state expenditures in LDH and the Department of Revenue related to regulating recreational marijuana. This increase could be partially or wholly offset by a decrease in expenditures associated with fewer incarcerations resulting from the decriminalization of the possession and distribution marijuana. The net impact to the state fisc is indeterminable. Cost factors are explained below.

**Louisiana Department of Health (LDH)**

Proposed law authorizes the LDH to exercise regulatory authority over the cultivation, processing, and manufacturing of cannabis products in Louisiana. LDH reports that the activities defined in proposed law will be a new service provided by the department and estimates it will require 15 positions (10 Sanitarians, 2 Program Managers, 1 Program Monitors, and 2 Administrative Coordinators) in years 1 and 2 at a total annual cost of \$1.6 M (salaries and benefits). These employees will be tasked with inspecting facilities, registering labels, and issuing business licenses related to the processing and manufacturing of cannabis products in the state. If the cannabis industry expands substantially, the department may require additional staff in excess of the initial estimate. In addition to salaries and benefits, the department estimates cost associated with travel (\$30,000), training (\$15,000), supplies and postage (\$11,000), computers for new employees (\$18,000), and car rentals (\$81,000). **Note:** The \$1.6 M cost reflected above does not include the cost associated with LDH regulating cannabis cultivation and seed tracking. The LFO anticipates that LDH will incur significant cost to regulate cannabis cultivation and seed tracking cost and is awaiting additional information from the department.

**Department of Agriculture and Forestry (LDAF)**

The Industrial Hemp Program within the LDAF currently regulates products that contain no more than .03% THC. Proposed law does not specify the minimum THC that a product must contain for it to be classified as cannabis. Given this, the LFO assumes that products containing any level of THC will be considered cannabis and, thus, will be regulated by LDH if this bill becomes law. To this extent, LDAF will no longer be responsible for regulating products that contain no more than .03% THC. Therefore, the LFO anticipates that LDAF expenditures will decrease by \$319,000 and 4 positions, which is the cost associated with the hemp program.

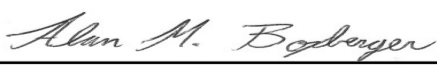
**EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO**

**REVENUE EXPLANATION**

Proposed law will result in an indeterminable increase in self generated revenue for LDH and the Department of Revenue related to product labeling and registration fees and the issuance of business licenses, personal cultivation permits, and retailer permits. This increase will be partially offset by a decrease in local revenue. Revenue factors are explained on page two.

**REVENUE EXPLANATION CONTINUED ON PAGE TWO**

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}	<input 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}	

  
**Alan M. Boxberger**  
 Staff Director



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**CONTINUED EXPLANATION from page one:**

**CONTINUED EXPENDITURE EXPLANATION FROM PAGE ONE**

**Department of Revenue**

Proposed law requires the commissioner of alcohol and tobacco control in the Department of Revenue to develop a cannabis retailer permit that must be obtained prior to selling, offering for sale, exposing for sale, or possessing for sale or distribution cannabis in any quantity. The department estimates it will require 5 positions (3 ATC agents and 2 Administrative Coordinators) at a total annual cost of \$352,000 (salaries and benefits). These employees will be tasked with administering and enforcing cannabis retailer permits. If the cannabis industry expands substantially, the department may require additional staff in excess of the initial estimate. In addition to salaries and benefits, the department estimates cost associated with providing equipment for each new ATC agent (\$40,000).

**Department of Public Safety & Corrections (DPSC) Corrections Services**

There may be an indeterminable decrease in SGF expenditures to Corrections Services related to decriminalizing the possession and distribution of marijuana. Proposed law decriminalizes the possession and distribution of marijuana contingent upon a majority of the electors who vote on the proposition to legalize marijuana in the 11/8/22, election approving the proposition. The exact fiscal impact of this legislation is indeterminable; however, decriminalizing the possession and distribution of marijuana will result in fewer convictions and fewer offenders housed with Corrections. A reduction in convictions could save Corrections \$26.39 per day per offender and \$9,632 annually (\$26.39 per day per offender x 365 days) for those in local housing. A reduction in convictions could save Corrections \$67.36 per day per offender and \$24,586 annually (\$67.36 per day per offender x 365 days) for those in a state facility. For illustrative purposes, Corrections reports there are currently 1,362 offenders incarcerated for marijuana offenses. **Note:** Some of those offenders are incarcerated on other charge(s) in addition to the marijuana charge(s).

**DPSC Public Safety**

Based on the experience of other states with legalized recreational marijuana, Public Safety anticipates that legalizing recreational marijuana 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 estimates that it will require 2 Crime Lab Analysts positions and lab equipment (\$1.7 M in FY 2021 and annualized in future fiscal years) associated for increased lab testing. The LFO cannot corroborate that the provisions in the bill will result in an indirect expenditure exposure of this magnitude.

**Office of Juvenile Justice**

There may be an indeterminable decrease in SGF expenditures to the Office of Juvenile Justice (OJJ) as a result of the proposed legislation. OJJ would serve fewer juvenile offenders with the decriminalization of marijuana, likely those under supervision rather than custody due to the non violent nature of the offense.

**Louisiana Board of the Public Defender**

There may be an indeterminable decrease to SGF and/or statutory dedication expenditures for the Louisiana Board of the Public Defender (LBPD) with the decriminalization of marijuana. LBPD reports it handles an average of 5,300 cases annually where marijuana possession is the dominant charge. With the decriminalization of marijuana, LBPD anticipates a reduction in the need for their services.

**Local District Attorney Offices**

There may be an indeterminable decrease to local expenditures of District Attorney's offices. There will be fewer number of cases to be prosecuted, but the District Attorney's Association is unable to predict the number of prosecutions in the future.

**CONTINUED REVENUE EXPLANATION FROM PAGE ONE**

**Department of Revenue**

Proposed law provides that the Department of Revenue (DOR) shall charge an annual fee for each cannabis retailer permit. The bill does not specify the amount of the fee. The LFO assumes that this fee will be established by administrative rule promulgation by the department or under a separate legislative instrument. The LFO cannot anticipate the amount of fees that DOR may collect for the issuance of retailer permits, as these are speculative and dependent on the number of retailers that are permitted and the permit fee.

**Louisiana Department of Health**

Proposed law provides that LDH shall charge an annual fee for:

- Each business license issued to commercial cannabis growers and processors - The bill does not specify the amount of the fee. The LFO assumes that this fee will be established by rule or under a separate legislative instrument.
- Personal cultivation permits - The LFO assumes that this fee will be established by rule or under a separate legislative instrument.

The LFO cannot anticipate the amount of fees that LDH will collect for the issuance of business licenses and personal cultivation permits, given that this is dependent on the number of licenses and permits issued and the actual fee.

Proposed law provides for the regulation of cannabis products that must be labeled and registered by LDH. The LFO assumes that fee to label and register cannabis products will fall into the same class as CBD and Hemp products. Currently, LDH charges an annual \$50 fee to label and register CBD and Hemp products. The LFO cannot anticipate the amount of fees that LDH will collect for cannabis product registration and labeling fees.

**Local Revenue**

Proposed law may result in a net decrease to local revenue. Decriminalizing marijuana will result in fewer convictions and fewer fines and fees assessed by local courts. The reduction in fines and fees will result in reduced revenues to District Attorney's offices, LBPD, and other local governmental entities. This reduction in local revenue may be partially offset by newly established fines in proposed law. Proposed law establishes the following fines:

- \$500-\$1,000 for unlawful sale of cannabis to persons under the age of 21
- Up to \$100 for person under the age of 21 for purchasing or having public possession of cannabis
- Up to \$500 for certain persons that purchase cannabis on behalf of persons under the age of 21

The LFO cannot anticipate the amount of fines that may be imposed and collected as a result of this measure.

Senate

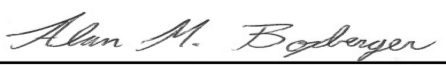
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