

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 707** HLS 24RS 738

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 16, 2024	12:15 PM	Author: JORDAN
Dept./Agy.: Department of Agriculture and Forestry		Analyst: Richie Anderson
Subject: Cannabis Regulation		

DRUGS OR INCREASE SG RV See Note Page 1 of 2
Provides relative to the regulation of cannabis

Proposed law authorizes the Dept. of Agriculture and Forestry (LDAF) to create and issue up to fifteen cannabis production facility licenses valid for five years; requires applicants and subcontractors to undergo finger printing and a state and national criminal background check; provides for annual production facility license fee not to exceed \$100,000; \$75 annual permit 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 requires LDAF to develop a \$75 annual personal cultivation permit for individuals to cultivate and possess cannabis plants for personal use. Proposed law authorizes the Commissioner of the Office of Alcohol and Tobacco Control (ATC) to issue retailer permits valid for two years; requires an initial retailer permit fee up to \$1,000 per year; 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 \$100 to \$500 and imprisonment from thirty days to six months or both.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	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	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.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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 fifteen cannabis production facilities; by the Department of Revenue, Office of Alcohol and Tobacco Control (ATC) at \$689,696 for issuance and regulation of retailer permits; and by the Department of Public Safety and Corrections (DPSC) at \$2.5 M. The proposed law may result in an indeterminable expenditure increase for District Attorneys, and local governmental entities. Should SGR revenue related to cannabis not fully fund the expenditures, SGF will be required.

LA Department of Agriculture and Forestry (LDAF) - LDAF estimates SGR expenditures will increase by \$3.4 M (\$1.8 M one-time and \$1.6 M recurring) in FY 25. The proposed law requires LDAF to create and issue up to 15 cannabis production facility licenses valid for five years. The LFO assumes all 15 facilities will be licensed and requires LDAF to immediately need staff, equipment, and vehicles to inspect, regulate, and test the product at facilities. To the extent all 15 production facilities are licensed, LDAF anticipates needing 23 additional positions (Director, Assist. Director, two (2) Compliance Managers, two (2) Compliance Supervisors, six (6) Compliance Inspectors, two (2) Administrative Program Specialist, two (2) Lab Scientist Directors, and seven (7) Lab Scientist positions). The estimate for positions includes six months of salaries and related benefits (\$1.2 M), 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 computers and printers (\$195,000), office furniture (\$13,800), and lab equipment (\$1.6 M). In subsequent fiscal years, this fiscal note assumes a 3% market rate adjustment in personal services for classified staff (total expenditures of \$3.3 M in FY 26, \$3.4 M in FY 27, \$3.4 M in FY 28, and \$3.5 M in FY 29).

Continue 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 fifteen cannabis production facilities. To the extent the maximum number of facilities are licensed, LDAF will receive \$1.5 M (15 x \$100,000) in annual license fees. Additionally, LDAF anticipates the personal cultivation permits to generate revenue as each one will cost \$75 per year, however, the potential number that will seek these licenses and permits is unknown.

Proposed law will result in a significant increase in SGR revenues for the Office of Alcohol and Tobacco Control (ATC) from the permitting of cannabis retailers. Similar to CBD permits, ATC estimates issuance of up to 1,000 retailer permits within the initial year, ATC would receive \$1 M (1,000 x \$1,000) in initial license fees that they anticipate could increase up to \$2 M (2,000 x \$1,000) over the next three 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.

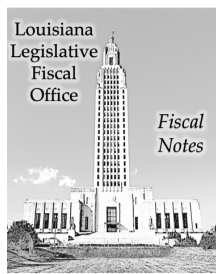
Proposed law provides for a fine of \$100 to \$500 or imprisonment of 30 days to 6 months or both on a person convicted of selling cannabis without a retailer permit and the potential revenue will accrue to the local government entities. The number of individuals who may be convicted of selling cannabis without a retailer permit is speculative and indeterminable.

Senate
Dual Referral Rules
 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}

Patrice Thomas
Deputy Fiscal Officer

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 707** HLS 24RS 738

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 16, 2024	12:15 PM	Author: JORDAN
Dept./Agy.: Department of Agriculture and Forestry		Analyst: Richie Anderson
Subject: Cannabis Regulation		

CONTINUED EXPLANATION from page one:

The LFO anticipates that LDAF will use the revenues from licensing cannabis production facilities to partially cover its anticipated costs. 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 25	FY 26	FY 27	FY 28	FY 29
Personal services*	\$1,160,527	\$2,321,055	\$2,383,139	\$2,447,086	\$2,512,952
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	\$3,431,342	\$3,302,105	\$3,364,189	\$3,428,136	\$3,494,002

LA Department of Revenue (LDR), Office of Alcohol and Tobacco Control (ATC) - ATC estimates SGR expenditures will increase by \$689,696 in FY 25. The proposed law requires ATC to issue cannabis retailer permits. The LFO assumes retailers will be permitted and requires the ATC to immediately need staff, equipment, and vehicles to issue permits. To the extent any number of retailers are permitted, ATC anticipates needing eight (8) ATC Agents (\$540,584 salary and related benefits), eight (8) Administrative Coordinator positions (\$263,936 salary and related benefits), two (2) Attorney (\$179,418 salary and related benefits), and one (1) Director (\$84,581 salary and related benefits) for a total annual personal services cost of \$1 M for the administration and enforcement of cannabis retailers. The required staff hired by ATC will be staggered throughout the next four fiscal years. 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 ATC staff (total expenditures of \$849,518 in FY 26, \$973,927 in FY 27, \$1 M in FY 28, and \$1 M in FY 29). 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 25	FY 26	FY 27	FY 28	FY 29
Personal services*	\$325,741	\$787,192	\$912,601	\$1,037,398	\$1,068,520
Operating services	\$0	\$0	\$0	\$0	\$0
Professional services	\$5,000	\$2,500	\$1,500	\$0	\$0
Equipment	\$358,955	\$59,826	\$59,826	\$59,826	\$0
Total ATC	\$689,696	\$849,518	\$973,927	\$1,097,224	\$1,068,520

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. In FY 25, only six months of expenditures are anticipated for personal services and operating services. Public Safety anticipates needing four (4) Crime Lab Analysts positions (\$424,337 salary and related benefits) as well as operating services (\$1 M), lab supplies (\$42,928), one-time acquisition of lab equipment (\$1.1 M), telephone and data services (\$3,960). In subsequent fiscal years, this fiscal note assumes a 2.6% market rate adjustment in salaries and related benefits for staff. Annual expenditures will total approximately \$1.5 M for future fiscal years as seen in the table below. The LFO cannot corroborate that the provisions in the proposed law will result in an indirect expenditure exposure of this magnitude.

	FY 25	FY 26	FY 27	FY 28	FY 29
Personal services*	\$424,337	\$435,546	\$447,092	\$458,984	\$471,233
Operating services	\$490,556	\$981,112	\$981,112	\$981,112	\$981,112
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 DPSC	\$2,056,298	\$1,463,546	\$1,475,092	\$1,486,984	\$1,499,233

Louisiana District Attorneys Association (LDAA) - The proposed law may result in an indeterminable expenditure increase for District Attorneys as it 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.

Local Governmental Entities - The proposed law may result in an indeterminable increase in Local Funds expenditure if a person is convicted of selling cannabis without a retailer permit and housed in local jails. The imprisonment term is at least 30 days to a maximum of 6 months for this misdemeanor offense.

*NOTE: LDAF and ATC estimate personnel services costs to increase by 3% annually.

*NOTE: DPSC estimates personnel services costs to increase by 2.6% annually.

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}

Patrice Thomas
Deputy Fiscal Officer