

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 125** HLS 22RS 251

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 27, 2022	6:27 PM	Author: NEWELL
Dept./Agy.: Agriculture and Forestry, Office of Alcohol & Tobacco Control		Analyst: Patrice Thomas
Subject: Regulation of Cannabis		

CONTROLLED SUBSTANCES

OR INCREASE SG EX See Note

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Provides relative to the regulation of cannabis

Proposed law authorizes the Dept. of Agriculture and Forestry (LDAF) to create and issue up to ten (10) cannabis production facility licenses valid for five (5) 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 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 commissioner; excludes therapeutic marijuana. Proposed law authorizes the Commissioner of the Office of Alcohol and Tobacco Control (ATC) to issue up to 40 cannabis retailer permits valid for two (2) years; requires an application fee of up to \$2,500 and initial retailer permit fee up to \$100,000 and annual renewal fee of \$50,000; 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 \$2,500 to \$10,000 and imprisonment from six (6) months to five (5) years or both.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	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	2022-23	2023-24	2024-25	2025-26	2026-27	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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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 ten (10) cannabis production facilities, and by the Department of Revenue, Office of Alcohol Tobacco and Control (ATC) at \$298,306 for issuance and regulation of up to 40 cannabis retailer permits. The proposed law may result in an indeterminable expenditure increase in the Department of Public Safety, LA State Police, and District Attorneys as well as local governmental entities.

LA Department of Agriculture and Forestry (LDAF) - LDAF estimates SGR expenditures will increase by \$3,431,342 (\$1,836,315 one-time and \$1,595,028 recurring) in FY 23. The proposed law requires LDAF to create and issue up to 10 cannabis production facility licenses valid for five years. The LFO assumes all 10 authorized facilities will be licensed and requires the LDAF to immediately need staff, equipment, and vehicles to inspect, regulate, and test the product at facilities. To the extent all 10 cannabis production facilities are licensed, LDAF anticipates this measure will require 23 additional positions (Director, Assist Director, two Compliance Managers, two Compliance Supervisors, six Compliance Inspectors, two Administrative Program Specialist, two Lab Scientist Directors, and seven Lab Scientist positions). The estimate for positions includes seven months of salaries and related benefits (\$1,160,528), 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 computer and printer (\$195,000), office furniture (\$13,800), and lab equipment (\$1,627,515). In subsequent fiscal years, this fiscal note assumes a 2% market rate adjustment in salaries and related benefits for classified staff and 12 months (total expenditures of \$3,302,105 in FY 24, \$3,364,189 in FY 25, \$3,428,136 in FY 26, and \$3,494,001 in FY 27). **Continues 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 ten (10) cannabis production facilities. To the extent the maximum number of facilities are licensed, LDAF will receive \$1,000,000 (10 x \$100,000) in annual license fees. However, the potential number that will seek a license is unknown.

Proposed law will result in a significant increase in SGR revenues for the Department of Revenue (LDR), Office of Alcohol and Tobacco Control (ATC) from the permitting of cannabis retailers. To the extent the maximum of 40 cannabis retailer permits are issued, ATC will receive \$4,000,000 (40 x \$100,000) in initial license fees and renewal licensing fees of \$2,000,000 (40 x \$50,000) in subsequent fiscal years. However, the potential number of retailers that will seek permits is unknown.

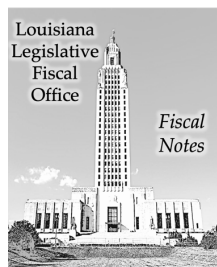
Proposed law provides for a civil fine of up to \$50,000 per act of violation for each day on a person determined to violate based on a ruling by the Commissioner of LDAF. The LFO presumes the potential revenue may accrue to LDAF due to the required ruling by the Commissioner, but this point is unclear 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 \$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 that may be convicted of selling cannabis without a retailer permit is speculative and indeterminable.

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

Evan Brasseaux
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Interim Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION Continued from Page 1

The LFO anticipates LDAF will use the revenues from licensing cannabis production facilities to partially cover its anticipated costs in FY 23. However, LDAF estimates revenues will not be sufficient to fully cover these significant expenditures in the short term and that it will require an additional appropriation of SGF.

	FY 23	FY 24	FY 25	FY 26	FY 27
Recurring					
Personal Services*	\$1,160,528	\$2,321,055	\$2,383,139	\$2,447,086	\$2,512,951
Travel	\$30,000	\$60,000	\$60,000	\$60,000	\$60,000
Operating Services	\$44,450	\$207,200	\$207,200	\$207,200	\$207,200
Supplies	\$252,550	\$498,850	\$498,850	\$498,850	\$498,850
Professional Services	\$100,000	\$200,000	\$200,000	\$200,000	\$200,000
IAT to OTS	\$7,500	\$15,000	\$15,000	\$15,000	\$15,000
Total Recurring	\$1,595,028	\$3,302,105	\$3,364,189	\$3,428,136	\$3,494,001
One-time					
Lab Equipment	\$1,627,515				
Computer/Data	\$195,000				
Furniture	\$13,800				
Total One-Time	\$1,836,315	\$0	\$0	\$0	\$0
Total LDAF	\$3,431,343	\$3,302,105	\$3,364,189	\$3,428,136	\$3,494,001

LA Department of Revenue (LDR), Office of Alcohol and Tobacco Control (ATC) - ATC estimates SGR expenditures will increase by \$478,219 in FY 23. 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 eight (8) ATC Agents (\$645,637 salary and related benefits), four (4) Administrative Coordinator positions (\$170,242 salary and related benefits), and one Attorney (\$68,999 salary and related benefits) for a total annual personal services cost of \$636,242 for the administration and enforcement of cannabis retailers. Also, ATC anticipates equipment costs of \$39,826 for each ATC agent, totaling \$159,303 in FY 23 and FY 24. In FY 23, only six months of expenditures are anticipated. In subsequent fiscal years, this fiscal note assumes a 2% market rate adjustment in salaries and related benefits for staff and 12 months (total expenditures of \$1,061,879 in FY 24, \$920,627 in FY 25, \$939,040 in FY 26, and \$957,821 in FY 27). 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. Alternatively, if consumable hemp activity expands dramatically, ATC may require additional resources over the estimate provided. To the extent these costs are not fully funded by permit revenues, additional budgetary resources may be needed.

	FY 23	FY 24	FY 25	FY 26	FY 27
Recurring					
Personal Services*	\$476,939	\$902,576	\$920,627	\$939,040	\$957,821
One-time					
Equipment	\$159,303	\$159,303	\$0	\$0	\$0
Total ATC	\$636,242	\$1,061,879	\$920,627	\$939,040	\$957,821

*NOTE: LDAF and ATC estimate personnel services costs to increase by 2% annually.

Department of Public Safety - Public Safety Services - 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 two (2) Crime Lab Analysts positions (\$177,298 salary and related benefits) as well as operating services (\$576,300), lab supplies (\$44,600), professional services (\$35,792), one-time acquisition of lab equipment (\$380,200), telephone and data services (\$3,060). In FY 23, expenditures of \$1.2 M in FY 23 and annualized in future fiscal years associated with increased lab testing. The LFO cannot corroborate that the provisions in the proposed law will result in an indirect expenditure exposure of this magnitude.

	FY 23	FY 24	FY 25	FY 26	FY 27
Personal Services*	\$177,298	\$181,857	\$186,552	\$191,388	\$196,369
Operating Services	\$576,300	\$576,300	\$576,300	\$576,300	\$576,300
Supplies	\$44,600	\$44,600	\$44,600	\$44,600	\$44,600
Professional Services	\$35,792	\$35,792	\$35,792	\$35,792	\$35,792
IAT to OTS	\$3,060	\$3,060	\$3,060	\$3,060	\$3,060
Total Recurring	\$837,050	\$841,609	\$846,304	\$851,140	\$856,121
Lab Equipment	\$375,000				
Computer/Data	\$2,000				
Furniture	\$3,200				
Total One-Time	\$380,200	\$0	\$0	\$0	\$0
Total DPS	\$1,217,250	\$841,609	\$846,304	\$851,140	\$856,121

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

Local Governmental Entities - The proposed law may result in an indeterminable increase in Local Funds expenditure to 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.

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