

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 564** HLS 19RS 285

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 7, 2019	8:36 PM	Author: JORDAN
Dept./Agy.: Louisiana Department of Agriculture and Forestry/Revenue		Analyst: Willis Brewer
Subject: Provides relative to the regulation of cannabis		

DRUGS OR INCREASE SG EX 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 15 cannabis production facility licenses; requires applicants and subcontractors to undergo a state and national criminal background check and prohibits licenses or approval of contracts if the certain involved parties have been convicted of or entered a guilty or nolo contendere plea for certain criminal offenses; requires each licensee to pay LDAF an annual license fee not to exceed \$100,000 and allows for the transportation of cannabis in limited situations between licensees; provides for civil penalties up to \$50,000 per violation per day based upon ruling of the commissioner; authorizes LDAF to issue annual personal cultivation permits to individuals to cultivate and possess cannabis plants for personal use and provides for a \$75 annual permit fee; prohibits selling cannabis plants grown under a personal cultivation permit, and places certain limits; requires the Commissioner of the Office of Alcohol and Tobacco Control to issue cannabis retailer permits and requires such a permit prior to selling cannabis or cannabis products and specifies that the retailer permit is valid for a two-year period, and the retailer permit fee shall not exceed one thousand dollars per year, subject to administrative rule.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will result in a significant increase in one-time and recurring expenditures in the Louisiana Department of Agriculture and Forestry (LDAF) from the creation and licensing of up to fifteen (15) cannabis production facilities and in the Department of Revenue, Office of Alcohol Tobacco and Control (ATC) to issue cannabis retailer permits (see NOTE below). While **proposed law** provides for annual license fees and permit fees to provide for operating expenses, the initial start-up costs may require additional SGF or equivalent resources, or LDAF and/or ATC will have to absorb these initial costs using existing resources.

Louisiana Department of Agriculture and Forestry (LDAF) Expenditures

LDAF anticipates recurring SGR expenditures of \$1.38 M in FY 20, \$1.4 M in FY 21, \$1.42 M in FY 22, \$1.44 M in FY 23 and \$1.46 M in FY 24. LDAF provided cost estimates assuming all fifteen authorized facilities being licensed and the immediate need for staff, equipment, and vehicles in order to inspect, regulate, and test the product at all fifteen facilities. To the extent all fifteen cannabis production facilities are licensed, LDAF reports that it will incur one-time expenditures totaling \$36,900 including purchase of computers (\$30,000) and furniture (\$6,900).

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law will result in a significant increase in SGR revenues for the Louisiana Department of Agriculture and Forestry (LDAF) from the creation and licensing of up to fifteen (15) cannabis production facilities. To the extent the maximum of fifteen cannabis production facilities are licensed, LDAF will receive \$1,500,000 (15 x \$100,000) in annual license fees. In addition, **proposed law** provides for LDAF to issue a \$75 annual permit fee to allow individuals to cultivate and possess cannabis for personal use. It cannot be estimated how many individuals will seek a permit, but for every 100 individuals, LDAF would receive \$7,500 in SGR revenues.

Proposed law will result in an indeterminate increase in SGR revenues for the Department of Revenue (LDR), Office of Alcohol and Tobacco Control (ATC) from the permitting of cannabis retailers. The number of retailers that would seek a two-year \$1,000 permit cannot be determined. There are currently only nine pharmaceutical outlets permitted to sell therapeutic cannabis, which would yield ATC \$9,000 biennially in permit revenue (\$1,000 x 9 outlets). However, **proposed law** is anticipated to significantly increase the number of retailers. As an illustrative example, there are approximately 7,506 tobacco retail permits issued annually by ATC. To the extent all of these retailers were to apply for and be permitted to sell cannabis, ATC would receive \$7.5 M in revenues from these permits. However, the potential number of retailers that will seek licensure cannot be estimated.

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}

Evan Brasseaux

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Staff Director

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE TWO

LDAF estimates recurring expenditures to include hiring 16 Full-Time Equivalent (FTE) Employees (\$1.1 M), travel (\$9,000), software maintenance (\$135,000), cloud-based hosting server fees (\$12,000), telephone and office supplies (\$16,360), automobile maintenance and fuel (\$16,360), and leasing 7 automobiles for field and audit employees (\$29,652). These 16 FTE employees include seven (7) AES Inspectors (\$527,155 salaries and benefits), one (1) Administrator Program Specialist (\$76,727 salaries and benefits), one (1) Administrative Coordinator (\$100,148 salaries and benefits), six (6) Public Health Lab Scientists (\$377,531 salaries and benefits), and one (1) Auditor (\$62,922 salaries and benefits) for a total annual personal services cost of \$1,144,483. To the degree activity is greater or less than anticipated, the LFO assumes these costs would grow or shrink in proportion to the actual number of cannabis production facilities.

	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>
Recurring					
Personal Services*	\$1,144,483	\$1,165,134	\$1,185,197	\$1,207,683	\$1,229,597
Travel	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Operating Services	\$222,832	\$222,832	\$222,832	\$222,832	\$222,832
Total Recurring	\$1,376,315	\$1,396,966	\$1,417,029	\$1,439,515	\$1,461,429
One-time					
Office supplies	\$30,000				
Furniture	\$6,900				
Total One-Time	\$36,900	\$0	\$0	\$0	\$0
Total LDAF	\$1,413,215	\$1,396,966	\$1,417,029	\$1,439,515	\$1,461,429

Department of Revenue (LDR) Office of Alcohol and Tobacco Control (ATC) Expenditures

ATC anticipates recurring SGR expenditures of \$765,262 in FY 20, \$780,567 in FY 21, \$796,179 in FY 22, \$812,102 in FY 23 and \$828,344 in FY 24. ATC estimates it will require eight (8) ATC Agents at an annual cost of \$685,576 (salaries and benefits) and two Administrative Coordinators at an annual cost of \$79,686 for a total annual personal services cost of \$765,262 for the administration and enforcement of cannabis retailers. To the degree activity is greater or less than anticipated, the LFO assumes these costs would grow or shrink in proportion to the actual number of retailers.

	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>
Recurring					
Personal Services*	\$765,262	\$780,567	\$796,179	\$812,102	\$828,344

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

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