

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



Fiscal Note On: **HB 507** HLS 19RS 702

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 13, 2019	9:28 AM	<b>Author:</b> ABRAMSON
<b>Dept./Agy.:</b> LA Dept. of Agriculture & Forestry/LA Dept. of Health		<b>Analyst:</b> Zachary Rau
<b>Subject:</b> 7% Sales Tax on Therapeutic Marijuana, NOW Fund		

TAX RE INCREASE SD RV See Note Page 1 of 1  
Levies a 7% tax on the gross sales of therapeutic marijuana and dedicates the avails into the New Opportunities Waiver Fund

Present law provides for the regulation of therapeutic marijuana production (TM) in Louisiana by the LA Dept. of Agriculture & Forestry (LDAF), including a provision allowing LDAF to retain fees in an amount equal to 7% of gross sales of TM. Proposed law retains the 7% fee assessed on gross TM sales and dedicates the proceeds of the fee to the Community and Family Support System Fund, and further provides that no less than 50% of fee deposits to the fund be dedicated to the Early Steps intervention program. Proposed law further allows the LDAF to receive a portion of the revenues associated with the avails of the gross TM fee via legislative appropriation. Proposed law adds sales of TM to allowed sales tax exemptions and exclusions in present law.

Effective July 1, 2019.

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	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><u>\$0</u></b>
<b>Annual Total</b>						
<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

According to the LDAF, the proposed law will not affect current expenditures associated with regulation of TM, as it reports that it is currently funding TM regulatory activities utilizing all available other means of finance. LDAF further reports cost estimates associated with TM regulation in the following amounts by fiscal year: FY 20 - \$778,577; FY 21 - \$774,950; FY 22 - \$785,836; FY 23 - \$796,940; FY 24 - \$808,266. LDAF anticipated its regulatory costs to be defrayed by a 7% retainage on gross sales of TM pursuant to Act 567 of the 2016 R.S., that this proposed legislation diverts to the Community and Family Support System Fund, although it does allow for the department to receive a portion of the 7% TM fee, pursuant to legislative appropriation, to defray regulatory costs. To the extent LDAF is not able to sustain TM regulatory operations at anticipated levels within its available other means of finance or by receiving a portion of the revenues from the 7% TM fee via legislative appropriation, the department may require an additional SGF appropriation in subsequent fiscal years to maintain regulatory operations.

**REVENUE EXPLANATION**

Current law provides that a 7% of gross sales of therapeutic marijuana be retained by the LDAF to defray its costs to regulate production and sales of TM in Louisiana. These funds would considered self-generated revenue to LDAF.

Proposed law diverts the 7% retainage on gross sales of therapeutic marijuana from the LDAF to the Community and Family Support System Fund, a statutory dedication. The fund may only be used for the purpose of meeting the needs of persons with developmental disabilities. Furthermore, proposed law allows the LDAF to receive a portion of these revenues to defray its regulatory costs, subject to appropriation.

While sales of TM are legal pursuant to present law, no sales of TM are currently occurring in Louisiana, therefore no revenue is accruing to the LDAF to be shifted to the Community and Family Support System Fund. The extent of such revenue in the future is speculative, but the bill appears to intend to shift the disposition of those future revenues away from LDAF self-generated revenue and to the Community and Family Support System Fund statutory dedication, as displayed in the table above.

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}

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**Chief Economist**