EXPENDITURE EXPLANATION

AGRICULTURAL COMMODITIES

Proposed law makes revisions to the regulation of Industrial Hemp as follows: amends and enacts definitions; deletes obsolete language; extends timeframe to harvest from 15 to 30 days; requires submission of an annual industrial hemp research plan to the LA Dept. of Agriculture and Forestry; and development of a centralized website by LSU Ag Center. Proposed law makes revisions to the regulation of Consumable Hemp Products as follows: renames "industrial hemp-derived cannabinoid" to "consumable hemp products"; amends and enacts definitions; requires a license to sell consumable hemp products and establishes an annual consumable hemp processor license under the LA Dept. of Health (LDH); label fee of $50; provides for regulations regarding floral hemp; penalties of imprisonment for 1-20 years with hard labor and up to $50,000 fine; establishes a wholesaler of consumable hemp products permit up to $500 per year under the Office of Alcohol and Tobacco Control (ATC); changes time frame of penalties; and provides for permits to be suspended or revoked.

Proposed law authorizes ATC to investigate any reported violations and report any criminal violations to law enforcement. Proposed law authorizes the Dept. of Revenue to levy a consumable hemp product tax on retail sales paid by consumers. Proposed law authorizes the University of LA at Monroe Agribusiness Program to conduct industrial hemp research.

EXPENDITURE EXPLANATION

REVENUE EXPLANATION

LA Department of Health (LDH), Office of Public Health (OPH) - The Bureau of Sanitarian Services within OPH estimates expenditures will increase by $77,884 ($37,884 SGF and $40,000 SGR) in FY 22. To regulate and license consumable hemp processors and review product labels, OPH anticipates needing two Administrative Coordinator 3 positions ($102,596 salary and related benefits). To the extent the additional workload is less than what OPH anticipates, the additional workload may be absorbable, either wholly or partially, using existing staff and resources or may be achievable with fewer than two 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.

EXPENDITURE EXPLANATION Continues on Page 2

REVENUE EXPLANATION

Proposed law will increase SGF revenues within ATC for annual wholesaler of consumable hemp products permits to consumable hemp products as well as an increase SGF revenues within OPH for annual consumable hemp processor licenses and fees for registered product labels. The proposed law authorizes the Department of Revenue to levy a consumable hemp product tax, which will increase SGF by an indeterminable amount. The proposed law will decrease SGF revenue by $16,000 in LDAF. The proposed law will result in an indeterminable SGF increase in Correction Services.

REVENUE EXPLANATION Continues on Page 2
CONTINUED EXPLANATION from page one:

LSU Agricultural Center - The LSU Agricultural Center estimates SGF expenditures of approximately $80,000. The proposed law requires the LSU Agricultural Center to develop a centralized industrial hemp website that provides information, resources, and educational opportunities to the public. The proposed law requires the Agriculture Center to develop the website in collaboration with SU Agricultural Center, LDAF, LDH, ATC, LA Department of Economic Development (LED), and industry associations. Since the proposed law does not provide for any revenue to develop the website, the LFO presumes the LSU Ag Center will utilize SGF.

Department of Public Safety and Corrections - Corrections Services - The proposed law may result in an indeterminable increase in SGF expenditures in Corrections Services if a person is convicted of processing consumable hemp products without a license from LDH. The penalty is an imprisonment term of one (1) year to 20 years with hard labor and fines up to $50,000. The number of individuals that may be convicted of the crime of processing consumable hemp products without a license is indeterminable.

SGF expenditures will increase by $67.36 per offender per day if an offender is housed in a state facility or $26.39 for a state offender housed in a local facility. An offender sentenced to the custody of the Department of Correction for one year would increase SGF expenditures by $24,586 ($67.36 per day x 365 days) if housed in a state facility and $9,632 ($26.39 per day x 365 days) if housed in a local facility. Approximately 50% of state offenders are housed in state facilities and approximately 50% are housed in local facilities.

Louisiana District Attorneys Association (LDAA) - The proposed law may result in an indeterminable increase in LDAA. The proposed law creates a felony penalty for a person who processes consumable hemp products without a license from LDH. 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.

REVENUE EXPLANATION Continued from Page 1

The proposed law authorizes ATC to impose an annual fee of up to $500 to obtain a wholesaler of consumable hemp products permit. The LFO cannot determine the number of wholesaler permits that will be granted or anticipate the amount of revenue collected by ATC.

The proposed law authorizes OPH to collect a product label registration fee of $50 and license fee on consumable hemp processors for each separate processing facility based on annual sales from a minimum of $175 up to a maximum of $1,375. The LFO cannot determine the number of consumable hemp processor licenses that will be granted, product labels registered, or anticipate the amount of revenue collected by OPH.

The proposed law removes the authority of LDAF to license processors of consumable hemp products. Based on licenses issued in FY 20, SGF revenues in LDAF would decrease by $16,000 annually.

The proposed law authorizes the Department of Revenue to levy a consumable hemp product excise tax of 3% at retail sales paid by consumers who purchase consumable hemp products. The department reports the current base of what products can be taxed will expand under this measure. However, the amount of increased revenue collection is indeterminable. In the calendar year 2020, the current 3% excise tax on industrial hemp-derived CDB was $115,000.

The proposed law provides for a fine of up to $50,000 on a person convicted of processing hemp products without a license from LDH and the potential revenue will accrue to the local government entities. The number of individuals that may be convicted of this offense is speculative and indeterminable.