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EDUNATIA -		Fiscal Note On	HB	843	HLS	20RS	1214
Legillative	Bill Text Version: ORIGINAL						
FiscalaDffice		Opp. Chamb. Action	:				
		Proposed Amd.					
145016171 0 4875		Sub. Bill For.					
Date: May 6, 2020	4:30 PM	Δ	uthor	SCHEY		=D	

Dept./Agy.: Agriculture, Alcohol & Tobacco Control, and Public Health Subject: Regulation of Industrial Hemp Products and CBD Products utnor: SCHEXNAYDER

Analyst: Patrice Thomas

AGRICULTURAL COMMODITIES

OR INCREASE GF EX See Note

Page 1 of 2 To provide for the regulation of industrial hemp, industrial hemp products, and industrial hemp-derived cannabidiol (CBD) products

Proposed law amends and enacts Industrial Hemp as follows: (1) expands the definition of an applicant to include legal entities or organizations; (2) defines "federally defined level of hemp" and changes the THC level to the federally defined level or lower; (3) defines key participant and requires each key participant to have a criminal background check; (4) authorizes Dept. of Agriculture to have access to applicants' criminal background checks; (5) adds an application fee to authorized fee but does not change \$500 fee cap; (6) increases the scope of random inspections; and (7) authorizes Dept. of Agriculture to issue stop orders. Proposed law amends and enacts Industrial Hemp-Derived Cannabidiol (CBD) products as follows: (1) defines "federally defined level of hemp", "remote seller", and "retail sale"; (2) allows the sale of hemp rolling papers; (3) provides for penalties up to \$300 for 1st offense, \$1,000 for 2nd offense, and up to \$5,000 for 3rd and subsequent offenses; (4) specifies criminal penalties apply only to knowing, willing, or intentional acts; (5) CBD labels must be approved by Dept of Health and cannot contain any active ingredient other than hemp; **CONTINUE ON PAGE 2**

EXPENDITURES State Gen. Fd.	2020-21 INCREASE	2021-22 INCREASE	<u>2022-23</u> INCREASE	2023-24 INCREASE	2024-25 INCREASE	<u>5 -YEAR TOTAL</u>
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	2020-21	2021-22	2022-23	2023-24	2024-25	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					
Annual Total						

EXPENDITURE EXPLANATION

Proposed law does not impact expenditures within the LA Department of Agriculture and Forestry (LDAF) but will increase SGF and SGR expenditures within the LA Department of Revenue, Office of Alcohol and Tobacco Control (ATC) by \$301,954 of SGR and the LA Department of Health, Office of Public Health (OPH) by \$367,729 (\$291,329 SGF and \$76,400 SGR) in FY 21.

LA Department of Agriculture and Forestry (LDAF) - Proposed law authorizes LDAF to establish an annual application fee for any grower, processor, contract carrier, or industrial hemp seed producer. The application fee is in addition to the existing licensing fee. Also, proposed law expands random inspections to include anyone with a grower license, contract carrier license, or processor license as well as authorizes the department to issue stop orders for noncompliance. LDAF reports that these duties can be accomplished by utilizing existing personnel and resources.

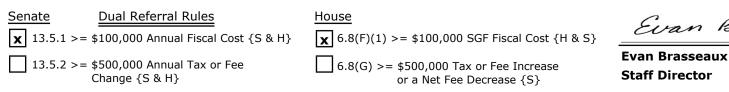
CONTINUE ON PAGE 2

REVENUE EXPLANATION

Proposed law will increase SGR revenues within ATC for annual retail and special event permits from retailers that sell industrial hemp-derived CBD products as well as an increase in SGR revenues within OPH for annual examination and investigation fees from industrial hemp-derived CBD product labels. Currently, ATC estimates revenue collections of \$325,000 from annual retail and special event permits, but future revenue collections are indeterminable due to the unknown number of new retail applications or special events permit applications in future fiscal years. OPH estimates the total revenue collections from permit and label fees of \$76,400 in FY 21, increasing` to \$202,800 in FY 25.

Although <u>proposed law</u> authorizes LDAF to establish an annual application fee in addition to the existing license fee, the combined total of the application fee and the license fee cannot exceed \$500, which is the amount of the existing license fee. Therefore, the proposed law does not impact revenues in LDAF.

Proposed law may result in an indeterminable increase in Local Funds revenue as a result of two sets of civil fines. Penalties for violations of proposed law: (1) 1st offense - up to \$300, (2) 2nd offense - up to \$1,000, (3) 3rd and subsequent offenses - up to \$5,000. Penalties for selling without a permit: (1) 1st offense - up to \$300, (2) 2nd offense - up to \$1,000, and (3) 3rd and subsequent offenses - \$500 up to \$3,000. The potential revenue will accrue to the local governing authority. The potential net effect on sentencing decisions cannot be determined and the potential revenue impact is therefore unknown.



Firan Brasseaux



LEGISLATIVE FISCAL OFFICE Fiscal Note

Fiscal Note On: **HB 843** HLS 20RS 1214 Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 6, 2020 4:30 PM

Dept./Agy.: Agriculture, Alcohol & Tobacco Control, and Public Health **Subject:** Regulation of Industrial Hemp Products and CBD Products

CONTINUED EXPLANATION from page one: LEGISLATION OVERVIEW CONTINUED FROM PAGE 1

(6) industrial hemp derived CBD products are regulated by Dept. of Health under the Safe Food law; (7) each registered domain is a place of business and person selling industrial hemp-derived CBD is not required to have a physical address in LA; (8) removes the authority of the Dept. of Revenue, Office of Alcohol and Tobacco Control (ATC) to permit or regulate industrial hemp-derived CBD products at the wholesale, distributor, and packing level; (9) authorizes ATC to collect annual retail permit fees and annual special event permit fees; (10) authorizes ATC to impose civil fines for selling without a permit of up to \$300 for 1st offense, up to \$1,000 for 2nd offense, and at least \$500 up to \$3,000 for 3rd and subsequent offense; (11) suspension of retailer permits for nonpayment of taxes; and (12) creates the Industrial Hemp Advisory Committee and provides for its membership.

EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1

Office of Alcohol and Tobacco Control (ATC) - <u>Proposed law</u> will increase SGR expenditures by \$301,954 in ATC. <u>Proposed law</u> restricts ATC's authority to regulate or issue permits to wholesale sellers, distributors, or packers of industrial hemp-derived CBD products. As a result, this measure eliminates ATC's authority to collect a \$175 permit fee paid by wholesalers. <u>Proposed law</u> replaces the wholesalers permit with a retailers permit. Under <u>proposed law</u>, ATC is authorized to establish and collect a \$175 annual retail permit fee and a \$175 annual special event permit fee. Currently, there are approximately 1,500 retailers licensed to sell hemp-derived CBD products. To regulate and permit retailers, ATC reports needing 6 T.O. positions at a cost of \$276,594 - four ATC Agent 2 positions (\$209,436 salary and related benefits) and two Administrative Coordinator 1 positions (\$67,158 salary and related benefits). <u>To the extent the additional workload is less</u> 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 than six T.O. positions. Alternatively, if CBD industry activity expands dramatically, ATC may require additional resources over the estimate provided. Also, ATC reports one-time FY 21 expenditures of \$25,360 for IT system design.

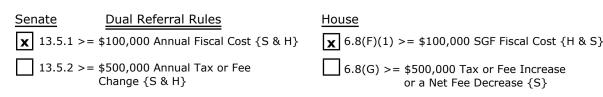
EXPENDITURES	<u>FY 20-21</u>	FY 21-22	<u>FY 22-23</u>	<u>FY 23-24</u>	FY 24-25
Personal Services*	\$276,594	\$282,126	\$287,770	\$293,524	\$299,394
Professional Services	\$ <u>25,360</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
TOTAL	\$301,954	\$282,126	\$287,770	\$293,524	\$299,394
T.O.	6	6	6	6	6

*Assumes an annual 2% Market Rate Adjustment

Office of Public Health (OPH) - The Bureau of Sanitarian Services within OPH reports <u>proposed law</u> will increase expenditures by \$367,729 (\$291,329 SGF and \$76,400 SGR). To regulate manufacturers and packers of industrial hempderived CBD products, OPH projects needing four Sanitarian T.O. positions (\$317,925 salary and related benefits). <u>To the</u> <u>extent the additional workload is less than what OPH anticipates, the additional workload may be absorbable, either wholly</u> <u>or partially, using existing staff and resources or may be achievable with fewer than four T.O. positions. Alternatively, if</u> <u>CBD industry activity expands dramatically, OPH may require additional resources over the estimate provided</u>. Other costs LDH estimates include \$41,248 for recurring operating services expenditures (travel, supplies, vehicle rental, telephone) and one-time FY 21 expenditures of \$7,756 for the acquisition of office equipment (LDH estimates an additional expenditure of \$5,616 in FY 25 for replacement equipment). The LFO anticipates OPH will use the revenues from inspecting these facilities and the sale of product labels to partially cover its estimated operating costs, however, OPH 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.

EXPENDITURES	<u>FY 20-21</u>	FY 21-22	<u>FY 22-23</u>	<u>FY 23-24</u>	FY 24-25
Personal Services*	\$317,925	\$432,378	\$441,026	\$449,846	\$458,843
Operating Services	\$ 41,248	\$ 41,248	\$ 41,248	\$ 41,248	\$ 41,248
Professional Services	\$ 800	\$ 0	\$ 0	\$ 0	\$ 0
Acquisitions	\$ <u>7,756</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>5,616</u>
TOTAL	\$367,729	\$473,62 6	\$482,27 4	\$491,09 4	\$505,707
Т.О.	4	4	4	4	4

*Assumes an annual 2% Market Rate Adjustment. Personal services in FY 21 reflects 9 months of expenditures associated with new positions.



Evan Brasseaux

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