



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 640** HLS 21RS 280
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|--|---------|--------------------------------|
| Date: April 28, 2021 | 3:23 PM | Author: SCHEXNAYDER |
| Dept./Agy.: Agriculture and Forestry, Health, and ATC | | Analyst: Patrice Thomas |
| Subject: Revisions to Industrial Hemp, Consumable Hemp Products | | |

AGRICULTURAL COMMODITIES OR INCREASE SG RV See Note Page 1 of 2
 Provides relative to industrial hemp

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 cannabidiol" 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); increases label fee from \$27 to \$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 the Dept. of Revenue to levy a consumable hemp product tax on retail sales paid by consumers.

| EXPENDITURES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | | | | | | |

| REVENUES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 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 | | | | | | |

EXPENDITURE EXPLANATION

Proposed law does not impact expenditures within the LA Department of Agriculture and Forestry (LDAF) but will increase SGF and SGR expenditures by an indeterminable amount, estimated within the LA Department of Revenue, Office of Alcohol and Tobacco Control (ATC) at \$184,344 SGR; the LA Department of Health, Office of Public Health (OPH) at \$77,884 (\$37,884 SGF and \$40,000 SGR); and the LSU Agricultural Center at \$80,000 SGF in FY 22. Also, the proposed law creates an indeterminable expenditure increase for the Department of Public Safety and Corrections - Corrections Services and the District Attorneys.

Office of Alcohol and Tobacco Control (ATC) - ATC estimates SGR expenditures will increase by \$184,344 in FY 22. The proposed law creates the wholesaler of consumable hemp products permit with an annual fee of up to \$500. The proposed law requires the wholesaler permit fee to fund the cost of regulatory functions performed by ATC. To regulate and permit wholesalers, ATC reports needing two positions at an anticipated cost of \$134,098 - an ATC Agent position (\$85,493 salary and related benefits) and an Administrative Coordinator position (\$48,605 salary and related benefits). 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 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.

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 T.O. positions. Alternatively, if the consumable hemp activity expands dramatically, OPH may require additional resources over the estimate provided. Other costs LDH estimates include \$350 for supplies and one-time FY 22 and FY 26 expenditures for equipment needed to conduct plans and label reviews (LDH estimates an additional expenditure of \$5,616 in FY 25 for replacement equipment). The LFO anticipates OPH will use the revenues from licensing consumable hemp processors and the sale of product labels to partially cover its anticipated 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.

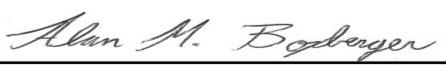
EXPENDITURE EXPLANATION Continues on Page 2

REVENUE EXPLANATION

Proposed law will increase SGR revenues within ATC for annual wholesaler of consumable hemp products permits to consumable hemp products as well as an increase SGR 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 SGR revenue by \$16,000 in LDAF. The proposed law will result in an indeterminable SGR increase in Correction Services.

REVENUE EXPLANATION Continues on Page 2

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| <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} | |


Alan M. Boxberger
 Staff Director



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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION Continued from Page 1

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.

Senate Dual Referral Rules

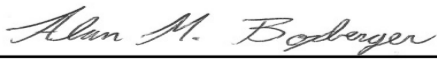
13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House

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

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