

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 697** HLS 22RS 883
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 27, 2022	6:20 PM	Author: MAGEE
Dept./Agy.: Agriculture & Forestry and Health		Analyst: Patrice Thomas
Subject: Reforms Medical Marijuana Regulations, Dispensing, Testing		

MEDICAL MARIJUANA EG INCREASE SG EX See Note Page 1 of 2

Reforms the state systems for regulating the production of marijuana for therapeutic use and for the dispensing of such product

Proposed law reforms present law on medical marijuana as follows: (1) transfers licensing and regulation of medical marijuana production facilities from the LA Department of Agriculture and Forestry (LDAF) to the LA Department of Health (LDH); (2) transfers licensing of laboratories testing of medical marijuana from LDAF to LDH; (3) provides that the Board of Pharmacy shall award one medical marijuana pharmacy license per human services districts/authorities by October 1, 2022; (4) revises the process of issuing additional licenses by Pharmacy Board; (5) provides for standards of marijuana production contractors; (6) provides for requirements of therapeutic marijuana laboratory to qualify for licensing; (7) approves LDAF agricultural chemistry laboratory as a licensed therapeutic marijuana laboratory and requires LDAF to continue conducting laboratory testing until the Pharmacy Board has two additional laboratories approved for at least 6 months; (8) requires LSU Ag Center and SU Ag Center timely exercised and assert their intent to be licensed to produce recommended marijuana for therapeutic use; (9) if LSU Ag Center and SU Ag Center does not; provides for selection and licensing of therapeutic marijuana producer; and (10) authorizes the University of LA at Monroe (ULM) to conduct research on medical marijuana.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$72,400	\$60,800	\$62,900	\$65,300	\$67,700	\$329,100
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	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law will increase expenditures within the LA Board of Pharmacy by \$66,200 SGR and within the LA Department of Health, Office of Public Health (OPH) by \$6,200 SGR in FY 23. To the extent the proposed law increases the amount of product testing, expenditures within the LA Department of Agriculture and Forestry (LDAF) may increase to purchase new laboratory equipment and additional staff. Proposed law does not impact expenditures at LSU Ag Center or SU Ag Center.

LA Board of Pharmacy - \$12,500 one-time and \$53,700 recurring SGR - Proposed law transfers the testing of medical marijuana to the LA Board of Pharmacy (Board). The Board reports a need to hire an additional position (Pharmacy Technician) to manage the review and approval of the packaging and labeling of marijuana products. The personal services include \$53,700 (salaries and related benefits), travel reimbursement and per diem for Board members (\$3,700), and acquisition of office equipment (\$10,000). Salary and related benefits increase by 4% annually in future fiscal years.

EXPENDITURES	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Salary and Related Benefits	\$53,700	\$54,600	\$56,700	\$59,100	\$61,500
Operating Services	\$2,500	\$0	\$0	\$0	\$0
Acquisition- Office Equipment	<u>\$10,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL	\$66,200	\$54,600	\$56,700	\$59,100	\$61,500
T.O.	1	1	1	1	1

LA Department of Health (LDH), Office of Public Health (OPH) - \$6,200 SGR - Since the Bureau of Sanitarian Services within OPH has the existing authority of registering and labeling medical marijuana products, the proposed law is estimated to increase SGR expenditures by \$6,200. Estimated costs included travel (\$2,000), supplies (\$1,000), and equipment (\$3,200). Also, the proposed law transferred testing of medical marijuana from LDAF to LDH, which will be regulated through the LA Administrative Procedure Act (rulemaking process)

See EXPENDITURE EXPLANATION on Page 2

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. Under present law, the LA Department of Agriculture and Forestry (LDAF) assesses a \$100,000 license fee on medical marijuana production facilities that generates \$200,000 annual revenue. The proposed law provides for the transfers of medical marijuana regulation of medical marijuana production and lab testing from LDAF to the LA Department of Health (LDH) and Board of Pharmacy, respectfully. If enacted, HB 698 of the 2022 Regular Session establishes new fees on medical marijuana production.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input 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}

Evan Brasseaux
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 Interim Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

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EXPENDITURE EXPLANATION Continued from Page 1

LA Department of Agriculture and Forestry (LDAF) - Proposed law transfers regulation and licensure of medical marijuana production facilities from LDAF to the LA Department of Health, Office of Public Health (OPH). Also, the proposed law transfers duties of testing medical marijuana from LDAF to the LA Board of Pharmacy (Board). Currently, there are only two medical marijuana production facilities - LSU Ag Center and SU Ag Center. As such, LDAF does not report any impact on expenditures with the transfer of medical marijuana production to OPH and the Board.

In addition, the proposed law requires LDAF to continue to conduct laboratory testing of marijuana produced by production facilities. Under the proposed law, LDAF cannot cease testing marijuana until the Board has approved two additional laboratories and both laboratories have been operating for a minimum of six months. LDAF reports needing a new laboratory and 9 new positions to continue testing marijuana products with an estimated cost of \$3 M in FY 23 and \$1.5 M in subsequent fiscal years. The Legislative Fiscal Office (LFO) cannot corroborate the need for a new laboratory reported by LDAF. The proposed law requires LDAF to continue testing medical marijuana products, which the department is already doing. Currently, LDAF has only one regulatory lab, the LSU Ag Chemistry, that tests agriculture commodities and medical marijuana products. The LSU Ag Chemistry lab is designed to test agriculture commodities, not medical marijuana products. LDAF has indicated testing delays would be reduced with a new laboratory dedicated to testing only medical marijuana products.

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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