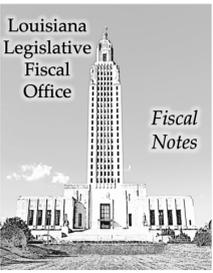


LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 707** HLS 24RS 738

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 6, 2024	2:10 PM	Author: JORDAN
Dept./Agy.: Health/Alcohol Tobacco Control/State Police		Analyst: Richie Anderson
Subject: Cannabis Regulation		

DRUGS EG INCREASE SG RV See Note
Provides relative to the regulation of cannabis

Proposed law authorizes the Department of Health (LDH) to create and issue cannabis production facility licenses valid for five years; requires applicants and subcontractors to undergo finger printing and a state and national criminal background check; provides for annual production facility license fee not to exceed \$100,000; excludes therapeutic marijuana. Proposed law requires LDH to develop a \$75 annual personal cultivation permit for individuals to cultivate and possess cannabis plants for personal use. Proposed law authorizes the Commissioner of the Office of Alcohol and Tobacco Control (ATC) to issue retailer permits valid for two years; requires an initial retailer permit fee up to \$1,000 per year; establishes penalties for violations; qualification of retail applicants; limits cannabis retailers to sell up to one ounce of cannabis to any individual per day.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	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					
Annual Total						
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	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 will increase expenditures in FY 25 including the following estimates: the LA Department of Health (LDH) at \$776,565 for the licensing and regulation of cannabis production facilities; the Department of Revenue, Office of Alcohol and Tobacco Control (ATC) at \$689,696 for issuance and regulation of retailer permits; and the Office of State Police at \$2.1 M. The proposed law may result in an indeterminable expenditure increase for District Attorneys, and local governmental entities. Should SGR revenue collections related to cannabis not fully fund the expenditures, SGF will be required.

LA Department of Health (LDH) - LDH estimates SGF expenditures will increase by \$776,545 in FY 25. The proposed law requires LDH to create and issue cannabis production facility licenses valid for five years. The LFO assumes facilities will be licensed and requires LDH to immediately need staff, equipment, and vehicles to inspect, regulate, and test the product at facilities. To the extent any number of production facilities are licensed, LDH anticipates needing 9 additional T.O. positions: one (1) Sanitarian 5 position, four (4) Sanitarian 4 positions, and (4) Administrator Coordinator 3 positions.

Continued on page 2

REVENUE EXPLANATION

There is potential for a significant increase in SGR revenues for LDH from the creation and licensing of cannabis production facilities. To the extent any number of facilities are licensed, LDH will receive up to \$100,000 in annual license fees for each production facility. Additionally, the personal cultivation permits could generate revenue as each one will cost \$75 per year; however, the potential number that will seek these licenses and permits is unknown.

The proposed law will result in a significant increase in SGR revenues for the Office of Alcohol and Tobacco Control (ATC) from the permitting of cannabis retailers. Similar to CBD permits, ATC estimates issuance of up to 1,000 retailer permits within the initial year, ATC would receive \$1 M (1,000 x \$1,000) in initial license fees that they anticipate could increase up to \$2 M (2,000 x \$1,000) over the next three fiscal years. However, the potential number of retailers that will seek permits is unknown.

Additionally, a fine of \$100 to \$500, or imprisonment of 30 days to 6 months, or both on a person convicted of selling cannabis without a retailer permit could generate revenue that would accrue to local government entities. The number of individuals who may be convicted of selling cannabis without a retailer permit 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}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Patrice Thomas
Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:

LA Department of Health (LDH) - The total FY 25 cost estimate includes nine months of salaries (\$399,392) and related benefits (\$199,697) for the nine positions, operating services (\$101,862) for travel and sample testing costs, one-time equipment costs (\$25,614), and one time professional services (\$50,000) for the development of an application for handling processes and payments associated with the new personal-use program in FY 25; costs for equipment and professional services are anticipated to decrease in future fiscal years as seen in the chart below. In subsequent fiscal years, this fiscal note assumes a 3% market rate adjustment in personal services for classified staff as seen in the chart below. The LFO anticipates that LDH will use the revenues from licensing cannabis production facilities to partially cover its anticipated costs. However, the department estimates revenues will not be sufficient to fully cover these expenditures and it will require an additional appropriation of SGF. The LFO cannot corroborate the needs outlined by LDH. To the extent the additional workload is less than what LDH anticipates, the additional workload may be absorbable, either wholly or partially, using existing staff and resources or may be achievable with fewer positions.

	FY 25	FY 26	FY 27	FY 28	FY 29
Personal services*	\$599,089	\$822,749	\$847,431	\$872,854	\$899,040
Operating services	\$101,862	\$184,524	\$184,524	\$184,524	\$184,524
Professional services	\$50,000	\$10,000	\$10,000	\$10,000	\$10,000
Equipment	\$25,614	\$4,500	\$4,500	\$19,908	\$14,454
Total LDH	\$776,565	\$1,021,773	\$1,046,455	\$1,087,286	\$1,108,018

LA Department of Revenue (LDR), Office of Alcohol and Tobacco Control (ATC) - ATC estimates SGR expenditures will increase by \$689,696 in FY 25. The proposed law requires ATC to issue cannabis retailer permits. The LFO assumes retailers will be permitted and requires the ATC to immediately need staff, equipment, and vehicles to issue permits. To the extent any number of retailers are permitted, ATC anticipates needing nineteen (19) positions for the administration and enforcement of cannabis retailers including: eight (8) ATC Agents (\$540,584), eight (8) Administrative Coordinator positions (\$263,936), two (2) Attorneys (\$179,418), and one (1) Director (\$84,581) for a total annual personal services cost of \$1 M once all positions have been filled in FY 28. ATC plans to stagger hiring over the next four fiscal years beginning with 11 positions in FY 25, 16 in FY 26, 17 in FY 27, and 19 in FY 28. In FY 25, only six months of expenditures are anticipated for salaries and related benefits. In subsequent fiscal years, this fiscal note assumes a 3% market rate adjustment in salaries and related benefits for ATC staff (total expenditures of \$849,518 in FY 26, \$973,927 in FY 27, \$1 M in FY 28 and FY 29). ATC also estimates various costs for operating expenses, including travel and supplies, professional services, and equipment costs, presented in the table below. The LFO cannot corroborate the needs outlined by ATC. 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 positions. To the extent these costs are not fully funded by permit revenues, additional resources may be needed.

	FY 25	FY 26	FY 27	FY 28	FY 29
Personal services*	\$325,741	\$787,192	\$912,601	\$1,037,398	\$1,068,520
Operating services	\$0	\$0	\$0	\$0	\$0
Professional services	\$5,000	\$2,500	\$1,500	\$0	\$0
Equipment	\$358,955	\$59,826	\$59,826	\$59,826	\$0
Total ATC	\$689,696	\$849,518	\$973,927	\$1,097,224	\$1,068,520

Department of Public Safety and Corrections, Office of State Police (OSP) - Based on the experience of other states with legalized recreational marijuana, OSP anticipates that legalizing the sale of cannabis at retail locations will have a significant indirect impact on lab expenses associated with testing impaired drivers for THC and testing the components of products found at illegal marijuana retailers and manufacturers. In FY 25, only six months of expenditures are anticipated for personal services and operating services. Public Safety anticipates needing four (4) Crime Lab Analysts positions (\$424,337 salary and related benefits) as well as operating services (\$1 M), lab supplies (\$42,928), one-time acquisition of lab equipment (\$1.1 M), and telephone and data services (\$3,960). In subsequent fiscal years, this fiscal note assumes a 2.6% market rate adjustment in salaries and related benefits for staff. Annual expenditures will total approximately \$1.5 M for future fiscal years as seen in the table below. The LFO cannot corroborate that the provisions in the proposed law will result in an indirect expenditure exposure of this magnitude.

	FY 25	FY 26	FY 27	FY 28	FY 29
Personal services*	\$424,337	\$435,546	\$447,092	\$458,984	\$471,233
Operating services	\$490,556	\$981,112	\$981,112	\$981,112	\$981,112
Supplies	\$42,928	\$42,928	\$42,928	\$42,928	\$42,928
Equipment	\$1,094,517	\$0	\$0	\$0	\$0
IAT to OTS	\$3,960	\$3,960	\$3,960	\$3,960	\$3,960
Total OSP	\$2,056,298	\$1,463,546	\$1,475,092	\$1,486,984	\$1,499,233

Louisiana District Attorneys Association (LDAA) - The proposed law may result in an indeterminable expenditure increase for District Attorneys as it creates penalties ranging from misdemeanor to felony for a violation of the retailer permit requirements. LDAA reports that it cannot estimate the fiscal impact because it is unable to determine the number of these cases that would be charged.

Local Governmental Entities - The proposed law may result in an indeterminable increase in Local Funds expenditure if a person is convicted of selling cannabis without a retailer permit and housed in local jails. The imprisonment term is at least 30 days to a maximum of 6 months for this misdemeanor offense.

*NOTE: LDH and ATC estimate personal services costs to increase by 3% annually. DPSC estimates personal services costs to increase by 2.6% annually.

Senate
 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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