

# SB 1413 - HB 1376

## FISCAL MEMORANDUM



**Fiscal Review Committee**  
Tennessee General Assembly

February 25, 2025

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**SUMMARY OF BILL AS AMENDED (003959):** Transfers the regulatory authority of the sale of hemp-derived cannabinoid products (HDCPs) and all revenue generated from fees and taxes relative to such products from the Department of Agriculture (DOA) to the Alcoholic Beverage Commission (ABC). Requires ABC and the Department of Revenue (DOR) to submit, and publish on their respective websites, an annual report detailing compliance and enforcement efforts to the General Assembly. Establishes concurrent jurisdiction of ABC and state and local law enforcement to enforce certain offenses.

Establishes a fee structure for persons or entities manufacturing, distributing, or selling HDCPs qualifying for a supplier, wholesaler, or retailer license. Requires applicants to: (1) submit certain information to ABC; (2) pay application and license fees; (3) consent to reasonable inspection and sampling by ABC or DOR; (4) submit to a criminal history background check; and (5) if a wholesaler, submit proof of a warehouse meeting certain criteria, certificate of occupancy, or equivalent, from the local jurisdiction for the applicant's intended use, business plan, and evidence of financial capacity. Requires revenue collected from all such fees to be deposited with the State Treasurer to be earmarked for and allocated to ABC. Requires persons or entities holding multiple licenses to maintain the business conducted under each license on a separately designated premises or in separate facilities in a manner determined by rule of ABC.

Prohibits direct shipping or delivery of HDCPs to a retail licensee or consumer in this state. Requires sales and transfers of HDCPs from retailer to consumer to occur in a face-to-face transaction. Prohibits a person or entity to ship an HDCP directly to a consumer or utilize a delivery service to deliver an HDCP to a consumer. Establishes civil penalties for shipping and delivery violations.

Permits the retail sale of HDCPs at establishments that: (1) limit entry to premises to individuals who are 21 years old or older; (2) holds a valid license issued by ABC for consumption on the premises and sells HDCPs in the same manner required for alcoholic beverages; (3) holds a valid retail license for the sale of alcoholic beverages not intended for consumption on the premises; or (4) is owned or leased by a licensee holding a valid supplier, wholesale, and retail license, or holds only a valid supplier and retail license, for the same location where HDCPs will be manufactured and sold, and that has contracted with a wholesale licensee for tax purposes and distribution of supplier's products.

Requires HDCPs to be maintained by a retailer behind a barrier as a condition to hold a valid retail package store license issued by ABC and sell HDCPs, excluding certain HDCP beverages. Establishes certain safety, packaging, serving size, labeling, and display requirements for beverage and non-beverage HDCPs. Exempts certain HDCP beverages from being behind such barrier.

Establishes a tax on the sale of HDCPs at wholesale of \$0.01 per milligram of hemp-derived cannabinoid in each HDCP sold at wholesale in the state. Requires wholesalers to pay the tax monthly for the number of milligrams sold during the preceding month to DOR. Allocates 50 percent of such revenue to local governments for local road infrastructure projects and the remaining 50 percent to ABC.

Clarifies that unused funds generated from the additional sales tax levied on HDCPs remaining in the account at the end of a fiscal year must be carried forward and remain available for its designated purposes. Allocates 50 percent of such revenue to DOR and the remaining 50 percent to ABC, rather than DOA.

Requires DOR to prescribe an HDCP brand registration form that must include each wholesaler authorized to distribute the HDCP in the state and each county in the state the product is sold at retail. Establishes an annual brand registration fee of \$300 per brand of HDCP registered with DOR to be collected from the supplier.

Prohibits the manufacture, cultivation, production, or sale of hemp or hemp plant parts containing THCa concentration exceeding 0.10 percent on a dry weight basis, any derivative of hemp or an HDCP that contains THCa, synthetic cannabinoid or any product containing a synthetic cannabinoid, or hemp or hemp plant parts, a hemp derivative, or any product containing a total THC concentration or total theoretical THC concentration in excess of 0.30 percent on a dry weight basis. Prohibits the manufacture, cultivation, production, or sale of a derivative of hemp or an HDCP that contains THCP.

Clarifies that any license to manufacture or sell HDCPs issued by the DOA before the effective date of this act remains valid and in force until the expiration of the license; such license and licensee remain subject to the law as written prior to the effective date of this Act.

Authorizes ABC to issue subpoenas to compel the attendance of witnesses and production of relevant evidence for the purposes of carrying out its duties. Effective upon becoming law for purposes of promulgating rules and executing administrative duties necessary to effectuate this Act. Effective January 1, 2026 for all other purposes.

## **FISCAL IMPACT OF BILL AS AMENDED:**

| <b>STATE GOVERNMENT</b>               |              |            |
|---------------------------------------|--------------|------------|
| <b>REVENUE</b>                        | <b>ABC</b>   | <b>TBI</b> |
| <b>FY25-26</b>                        | \$10,477,200 | \$5,600    |
| <b>FY26-27</b>                        | \$14,877,100 | \$11,100   |
| <b>FY27-28 &amp; Subsequent Years</b> | \$15,447,100 | \$11,100   |

| <b>REVENUE</b>                        | <b>General Fund</b> | <b>DOA</b>    | <b>DOR</b>  |
|---------------------------------------|---------------------|---------------|-------------|
| <b>FY25-26</b>                        | (\$581,400)         | (\$3,916,800) | (\$228,500) |
| <b>FY26-27 &amp; Subsequent Years</b> | (\$1,162,900)       | (\$7,060,000) | (\$457,100) |

| <b>EXPENDITURES</b>                   | <b>ABC</b>       | <b>DOR</b> | <b>TBI</b> |
|---------------------------------------|------------------|------------|------------|
| <b>FY25-26</b>                        | \$4,789,000      | \$499,200  | \$3,800    |
| <b>FY26-27 &amp; Subsequent Years</b> | \$3,375,400      | \$340,500  | \$7,500    |
| Total Positions Required:             | 28               | 5          | -          |
| <b>LOCAL GOVERNMENT</b>               |                  |            |            |
| <b>REVENUE</b>                        | <b>Mandatory</b> |            |            |
| <b>FY25-26</b>                        | \$1,815,500      |            |            |
| <b>FY26-27 &amp; Subsequent Years</b> | \$3,631,000      |            |            |

|   |                  |
|---|------------------|
| <b>EXPENDITURES</b>   | <b>Mandatory</b> |
| <b>FY25-26 &amp; Subsequent Years</b>   | \$1,900          |
| Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost. |                  |

Assumptions for the bill as amended:

- The proposed legislation transfers all regulatory authority over the sale and distribution of HDCPs from DOA to ABC. The regulatory authority for hemp production will remain with DOA.

#### *Revenue*

##### *(i) Sales Tax and THCa Ban*

- Pursuant to Tenn. Code Ann. § 67-6-232, there is an additional 6.0 percent sales and use tax on the retail sale of products containing a hemp-derived cannabinoid. Half of the revenue from this tax is required to be allocated to DOR and the remainder to DOA for the regulation of products containing a hemp-derived cannabinoid in this state. The proposed legislation transfers DOA's share of collections to ABC.
- Total such collections were \$12,574,076 in FY23-24.
- Fiscal Review Committee (FRC) staff's current estimates for total sales tax collection growth rates are 4.81 percent in FY24-25 and 3.25 percent in FY25-26.
- FY25-26 collections from the six percent sales tax on hemp-derived cannabinoids are estimated to be \$13,607,203 (\$12,574,076 x 1.0481 x 1.0325). For the purpose of this analysis, this number is assumed to remain constant into perpetuity.
- Total taxable sales are estimated to be \$226,786,717 (\$13,607,203 / 6.0%). For the purpose of this analysis, this number is assumed to remain constant into perpetuity.
- Pursuant to Tenn. Code Ann. § 57-3-404(e)(4), retail licensees are permitted to sell at retail certain items related to or incidental to the use, consumption, dispensing or storage of alcoholic beverages.
- Currently, some retail licensees sell HDCPs; however, due to a lack of explicit authorization under current law, it is assumed that providing explicit authorization will result in additional licensees offering such products for sale.
- It can be reasonably assumed retail sales of hemp-derived products will increase by at least 5.0 percent as a result of the proposed legislation.
- The proposed legislation prohibits the manufacture, cultivation, production, or sale of hemp or hemp plant parts containing THCa concentration exceeding 0.10 percent on a dry

weight basis, any derivative of hemp or an HDCP that contains THCa, synthetic cannabinoid or any product containing a synthetic cannabinoid, or hemp or hemp plant parts, a hemp derivative, or any product containing a total THC concentration or total theoretical THC concentration in excess of 0.30 percent on a dry weight basis.

- The proposed legislation further prohibits the manufacture, cultivation, production, or sale of a derivative or an HDCP containing THCp.
- Based on FRC research, THCp is most commonly found in products containing other forms of THC. Further, up to 5.0 percent of HDCPs contain THCp while approximately 7.0 percent of HDCPs contain TCHa. Therefore, such prohibition will result in a decrease in state and local sales tax revenue.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- As HDCPs are currently sold in this state, the first year of impact will be in FY25-26.
- The total net impact to tax revenue is as follows:

|                                      | FY25-26       | FY26-27 and<br>Subsequent Years |
|--------------------------------------|---------------|---------------------------------|
| Net Increase State Revenue           |               |                                 |
| <i>Alcoholic Beverage Commission</i> | \$3,143,264   | \$6,286,528                     |
| Net Decrease State Revenue           |               |                                 |
| <i>General Fund</i>                  | (\$581,434)   | (\$1,162,868)                   |
| <i>Department of Revenue</i>         | (\$258,537)   | (\$517,074)                     |
| <i>Department of Agriculture</i>     | (\$3,143,264) | (\$6,286,528)                   |
| Net Decrease Local Revenue Mandatory | (\$237,267)   | (\$474,534)                     |

(ii) *Wholesale Tax*

- The proposed legislation levies a \$0.01 tax per milligram on the wholesale price of HDCPs sold in the state, to be paid monthly by the wholesaler for sales occurring in the preceding month, beginning January 1, 2026.
- Based on FRC research, the United States market for HDCPs is estimated to be valued at \$3,854,926,744 in 2024. Based on information published by the United States Census Bureau, Tennessee makes up approximately 2.13 percent of the total United States population.
- Therefore, the estimated value of Tennessee's market share of HDCPs is estimated to be \$82,109,940 (\$3,854,926,744 x 2.13%) in 2024.
- It is estimated the average unit of HDCP sold at wholesale contains 100 milligrams per unit, and sells for \$10 per unit. Therefore, the estimated number of milligrams sold in 2024 is 821,099,400 milligrams [(\$82,190,940 / \$10-unit price) x 100 mg]. For the purpose of this analysis, this number is assumed to remain constant into perpetuity.
- The proposed legislation requires 50 percent of the revenue generated from the wholesale tax to be allocated to local governments and 50 percent to be allocated to ABC for enforcement of this Act.
- The recurring increase in state revenue to ABC is estimated to be:

- \$2,052,749  $\{[(821,099,400 \text{ milligrams} \times \$0.01 \text{ tax}) \times 50\%] \times 50\%\}$  in FY25-26; and
- \$4,105,497  $[(821,099,400 \text{ milligrams} \times \$0.01 \text{ tax}) \times 50\%]$  in FY26-27 and subsequent years.
- The recurring mandatory increase in local revenue is estimated to be \$2,052,749 in FY25-26 and \$4,105,497 in FY26-27 and subsequent years.

*(iii) Licensing and Fees*

- Pursuant to Tenn. Code Ann. § 43-27-202(5) and (7):
  - A retailer is a person or entity that sells products containing an HDCP for consumption and not for resale;
  - A supplier is a person or entity that manufactures hemp-derived cannabinoids or HDCPs to retailers.
- The proposed legislation defines a retailer as a person or entity that sells, markets, or advertises as a seller, provides samples, or otherwise distributes to the public HDCPs for consumption and not for resale. A supplier is a person or entity that manufactures, or contracts for the manufacture of, hemp-derived cannabinoids or HDCPs and sells finished, packaged HDCPs to licensed wholesalers for resale and not consumption.
- The proposed legislation further establishes the following licenses and fees:
  - Retailer license: \$500 application fee and an annual fee of \$1,000 per location;
  - Supplier license: \$500 application fee and an annual fee of \$2,500 per location; and
  - Wholesaler license: \$500 application fee and an annual fee of \$5,000 per warehouse location.
- Public Chapter 423 of 2023 established DOA's regulatory authority over HDCPs in this state.
- Based on information provided by DOA, there are 2,634 currently licensed retailers and 230 licensed suppliers/wholesalers of HDCPs. For the purpose of this analysis, it is assumed each licensee will have a license for one location.
- The proposed legislation permits the retail sale of HDCPs at establishments that:
  - Limit entry to premises to individuals who are 21 years old or older;
  - Holds a valid license issued by ABC for consumption on the premises and sells HDCPs in the same manner required for alcoholic beverages;
  - Holds a valid retail license for the sale of alcoholic beverages not intended for consumption on the premises; or
  - Is owned or leased by a licensee holding a valid supplier, wholesale, and retail license, or holds only a valid supplier and retail license, for the same location where HDCPs will be manufactured and sold, and that has contracted with a wholesale licensee for tax purposes and distribution of supplier's products.
- As provided by the proposed legislation, any person or entity holding a supplier or retailer license with DOA will remain valid until expiration of such license, at which time, the entity will pay the applicable fees for a license issued by ABC.
- The current fees for licenses with DOA are \$500 for a supplier license and \$250 for a retailer license. Therefore, assuming all current licensees will opt for a license with ABC, ABC will realize an increase in licensing revenue and DOA will realize a decrease in licensing revenue in FY25-26.

- To the extent consumption on the premises licensees currently offer for sale HDCPs due to the lack of prohibition under current law or that also hold a hemp license issued by DOA, is unknown and cannot be quantified with reasonable certainty.
- It is assumed that because of the limitations on the presentation for sale of, and access to, HDCPs, retail package store and retail food store licensees will sell or continue to sell HDCPs as a result of the proposed legislation.
- Because the legislation is transferring regulatory authority of HDCPs from DOA to ABC, regular growth is assumed. It is assumed as some businesses close and others fail to renew their license, such businesses will be replaced and not significantly impact fee revenue to ABC.
- The proposed legislation requires each supplier to register with DOR the brands of HDCP they are distributing in the state. DOR is required to maintain a list of each HDCP brand sold at retail in each county of the state.
- The annual brand registration fee is \$300 per brand of HDCP. It is assumed there are 200 brands sold in the state of Tennessee.
- The number of existing licensees by license, the estimated number of new licensees each year, brand registration, and subsequent impact is as follows:

| <b>Licensing</b>            |         |             |             |                              |
|-----------------------------|---------|-------------|-------------|------------------------------|
| Existing Licenses           | FY24-25 | FY25-26     | FY26-27     | FY27-28 and subsequent years |
| <i>Retailers</i>            | 2,634   | 2,634       | 2,684       | 2,784                        |
| <i>Retail Package Store</i> | -       | -           | 38          | 113                          |
| <i>Retail Food Store</i>    | -       | -           | 13          | 38                           |
| <i>Supplier</i>             | 115     | 115         | 140         | 190                          |
| <i>Wholesaler</i>           | 115     | 115         | 140         | 190                          |
| <b>New Licenses</b>         |         |             |             |                              |
| <i>Retailers</i>            | -       | 50          | 100         | 100                          |
| <i>Retail Package Store</i> | -       | 38          | 75          | 75                           |
| <i>Retail Food Store</i>    | -       | 13          | 25          | 25                           |
| <i>Supplier</i>             | -       | 25          | 50          | 50                           |
| <i>Wholesaler</i>           | -       | 25          | 50          | 50                           |
| Increase State Revenue ABC  | -       | \$5,281,150 | \$4,485,050 | \$5,055,050                  |
| Decrease State Revenue DOA  | -       | (\$773,500) | (\$773,500) | (\$773,500)                  |

| <b>Brand Certification</b>        |   |          |          |          |
|-----------------------------------|---|----------|----------|----------|
| <b>Increase State Revenue DOR</b> |   |          |          |          |
| <i>Assumed # Brands</i>           |   | 100      | 200      | 200      |
| <i>Brand Registration</i>         | - | \$30,000 | \$60,000 | \$60,000 |

*Expenditures**(i)*

- ABC will require 28 additional positions to regulate HDCPs in this state, beginning in FY25-26.
- The total recurring increase in state expenditures in relation to staff is as follows:

| <b>Title</b>               | <b>Salary</b> | <b>Benefits</b> | <b>Operations</b> | <b># Positions</b> | <b>Total</b>       |
|----------------------------|---------------|-----------------|-------------------|--------------------|--------------------|
| ABC Special Agent 1        | \$67,656      | \$19,252        | \$18,566          | 20                 | \$2,109,480        |
| L&P Associate              | \$42,936      | \$15,151        | \$18,566          | 4                  | \$306,612          |
| ABC L&P Supervisor         | \$60,336      | \$18,038        | \$18,566          | 1                  | \$96,940           |
| Associate Counsel          | \$132,912     | \$30,078        | \$18,566          | 1                  | \$181,556          |
| Laboratory Quality Manager | \$115,212     | \$27,142        | \$18,566          | 1                  | \$160,920          |
| Legal Assistant 1          | \$60,336      | \$18,038        | \$18,566          | 1                  | \$96,940           |
|                            |               |                 |                   | <b>Total:</b>      | <b>\$2,855,508</b> |

- There will be a one-time increase in state expenditures in FY25-26 of \$1,413,623 and a recurring increase in state expenditures in FY25-26 and subsequent years of \$519,860 for equipment and regulatory, testing, and other costs associated with the new regulatory authority.
- The total increase in state expenditures is estimated to be \$4,788,991 (\$2,855,508 + \$519,860 + \$1,413,623) in FY25-26 and \$3,375,368 (\$2,855,508 + \$519,860) in FY26-27 and subsequent years.

*(ii) DOR*

- DOR will require five additional positions to comply with the proposed legislation, beginning in FY25-26.
- The total recurring increase in state expenditures is as follows:

| <b>Title</b>       | <b>Salary</b> | <b>Benefits</b> | <b># Positions</b> | <b>Total</b>     |
|--------------------|---------------|-----------------|--------------------|------------------|
| Regulatory Officer | \$53,856      | \$16,963        | 3                  | \$212,457        |
| Taxpayer Services  | \$48,012      | \$15,993        | 2                  | \$128,010        |
|                    |               |                 | <b>Total:</b>      | <b>\$340,467</b> |

- There will be a one-time increase in state expenditures in FY25-26 of \$158,750 for equipment and other costs associated with the increase in regulatory authority.
- The total increase in state expenditures is estimated to be \$499,217 (\$340,467 + \$158,750) in FY25-26 and \$340,457 in FY26-27 and subsequent years.

*Incarceration**(i) Licensure Offenses*

- Pursuant to Tenn. Code Ann. § 43-27-203, it is a Class A misdemeanor offense for:

- A person or entity to engage in the business of manufacturing, producing, or selling products containing a hemp-derived cannabinoid in this state without a valid license;
- A person to knowingly sell or distribute a product containing a hemp-derived cannabinoid without having first obtained proof of age from the purchaser or recipient;
- A person to knowingly sell or distribute a product containing a hemp-derived cannabinoid to a person who is under 21 years of age or to purchase a product containing a hemp-derived cannabinoid on behalf of a person who is under 21 years of age;
- A person to knowingly assist a person who is under 21 years of age to purchase, acquire, receive, or attempt to purchase a product containing a hemp-derived cannabinoid;
- A person who is under 21 years of age to knowingly purchase, possess, or accept receipt of a product containing a hemp-derived cannabinoid or to knowingly present purported proof of age that is false, fraudulent, or not actually that persons for the purpose of purchasing or receiving a product containing a hemp-derived cannabinoid; or
- A person to knowingly distribute samples of products containing a hemp-derived cannabinoid in or on a public street, sidewalk, or park.
- The proposed legislation creates Class A misdemeanor offenses for licensure requirements:
  - For manufacturing, producing, or selling HDCPs containing THCP or THCa; and hemp-derived cannabinoid products.
  - For a supplier, wholesaler, or retailer to knowingly employ a person under 18 years of age for the physical manufacture, storage, sale, or distribution of HDCPs, or to knowingly permit any such underage person on the premises of its place of business to engage in the manufacture, storage, sale, or distribution of HDCPs.
- The number of Class A misdemeanor convictions that may result from violations of the legislation's requirements is unknown. Given the widespread nature of such products on the market and the number of businesses that sell it, it is assumed that the increase in such convictions could be significant.
- It is assumed that a majority of businesses will either stop selling such products or will take steps necessary to meet the requirements of this legislation. However, it is assumed that the proposed legislation will result in one Class A misdemeanor conviction each year.
- It is assumed that an individual convicted of a Class A misdemeanor offense will spend an average of 15 days in a local jail.
- Based on cost estimates provided by local government entities throughout the state and reported bed capacity within such facilities, the weighted average cost per day to house an inmate in a local jail facility is \$61.99.
- The recurring mandatory increase in expenditures to local governments is estimated to be \$930 (1 conviction x \$61.99 x 15 days).

*(ii) Retail Establishment Offenses*

- Pursuant to Tenn. Code Ann. § 43-27-204, a product containing a hemp-derived cannabinoid must be maintained behind the counter of a retail establishment in an area inaccessible to a customer. A violation is a Class A misdemeanor offense.



- The proposed legislation expands requirements for retail establishments that sell HDCP, including licensure and signage requirements.
- It is assumed that a defendant convicted of a Class A misdemeanor offense under the proposed legislation would be charged under Tenn. Code Ann. § 43-27-204.
- Based on information provided by the Administrative Office of the Courts and the Department of Correction Jail Summary Reports, there have been zero convictions under Tenn. Code Ann. § 43-27-203 in each of the last five years.
- There will not be a sufficient change in the number of prosecutions for state or local government to experience any significant change in revenue or expenditures.

*(iii) HDCP Offenses*

- Pursuant to Tenn. Code Ann. § 43-27-103, it is a prohibited act to possess cannabis with THC concentrations greater than 0.3% percent on a dry weight basis.
- The proposed legislation creates a Class A misdemeanor offense to manufacture, cultivate, produce, or sell in this state:
  - Hemp or hemp plant parts which contain a THCa concentration in excess of 0.1% percent on a dry weight basis;
  - Any derivative of hemp or an HDCP that contains THCa;
  - Hemp, hemp plant parts, a derivative of hemp, HDCPs, or another product that contains a total THC concentration, or a total theoretical THC concentration, in excess of 0.3% percent on a dry weight basis; or
  - A synthetic cannabinoid, or an HDCP or any other product, which contains a synthetic cannabinoid; or
  - A derivative of hemp or an HDCP that contains THCP.
- It is assumed that a defendant convicted of a Class A misdemeanor offense under the proposed legislation would be charged under Tenn. Code Ann. § 43-27-203.
- The number of Class A misdemeanor convictions that may result from violations of the legislation's requirements is unknown. Given the widespread nature of such products on the market and the number of businesses that sell it, it is assumed that the increase in such convictions could be significant.
- It is assumed that a majority of businesses will either stop selling such products or will take steps necessary to meet the requirements of this legislation. However, it is assumed that the proposed legislation will result in one Class A misdemeanor conviction each year.
- It is assumed that an individual convicted of a Class A misdemeanor offense will spend an average of 15 days in a local jail.
- Based on cost estimates provided by local government entities throughout the state and reported bed capacity within such facilities, the weighted average cost per day to house an inmate in a local jail facility is \$61.99.
- The recurring mandatory increase in expenditures to local governments is estimated to be \$930 (1 conviction x \$61.99 x 15 days).
- The total recurring mandatory increase in expenditures to local governments is estimated to be \$1,860 (\$930 + \$930) in FY25-26 and subsequent years.
- Based on the Fiscal Review Committee's 2008 study and the Administrative Office of the Courts' 2012 study on collection of court costs, fees, and fines, collection in criminal cases is insignificant. The proposed legislation will not significantly change state or local revenue.

- The estimated fiscal impact of the proposed legislation does not consider the availability of beds in state and local facilities, but is based solely on the current operating costs of state facilities and the reimbursement rates for local facilities as is required by Tenn. Code Ann. § 9-4-210.

#### *Background Checks*

- The proposed legislation requires each supplier and retailer of HDCPs to submit to a criminal history background check conducted by the TBI. However, license applicants with the DOA are required to do the same.
- It is assumed that the current licensees under DOA, as they have already submitted to a criminal history background check, will not be required to obtain another as a result of the transfer of regulatory authority and license issuance to ABC.
- However, additional licensees outside of the those currently issued under DOA will be required to submit to a criminal history background check.
- The TBI charges a fee of \$37.15 to collect one sample of fingerprints and perform one criminal background check.
- Of the \$37.15, \$12 is forwarded to the Federal Bureau of Investigation to run a check, \$13.15 is forwarded to the vendor that collects the fingerprints, and \$12 is retained by the TBI to run a check through their system.
- Such fees are subject to change; however, for the purposes of this analysis, it is assumed the current fee amounts will remain constant into perpetuity.
- The fiscal impact to TBI is estimated to be as follows:

|  | FY25-26 | FY26-27 and Subsequent Years |
|--|---------|------------------------------|
| <b>Tennessee Bureau of Investigation</b> |         |                              |
| <i>Increase State Revenue</i>            | \$5,610 | \$11,145                     |
| <i>Increase State Expenditures</i>       | \$3,798 | \$7,545                      |

#### *Total Impacts*

- The total net fiscal impact as a result of the proposed legislation is as follows:

|  | FY25-26       | FY26-27       | FY27-28 and Subsequent Years |
|--|---------------|---------------|------------------------------|
| <b>Increase State Revenue</b>            |               |               |                              |
| <i>Alcoholic Beverage Commission</i>     | \$10,477,163  | \$14,877,075  | \$15,447,075                 |
| <i>Tennessee Bureau of Investigation</i> | \$5,610       | \$11,145      | \$11,145                     |
| <b>Decrease State Revenue</b>            |               |               |                              |
| <i>General Fund</i>                      | (\$581,434)   | (\$1,162,868) | (\$1,162,868)                |
| <i>Department of Agriculture</i>         | (\$3,916,764) | (\$7,060,028) | (\$7,060,028)                |
| <i>Department of Revenue</i>             | (\$228,537)   | (\$457,074)   | (\$457,074)                  |

|  |             |             |             |
|--|-------------|-------------|-------------|
| Increase State Expenditures              |             |             |             |
| <i>Alcoholic Beverage Commission</i>     | \$4,788,991 | \$3,375,368 | \$3,375,368 |
| <i>Department of Revenue</i>             | \$499,217   | \$340,467   | \$340,467   |
| <i>Tennessee Bureau of Investigation</i> | \$3,798     | \$7,545     | \$7,545     |
| Increase Local Revenue Mandatory         | \$1,815,482 | \$3,630,963 | \$3,630,963 |
| Increase Local Expenditures Mandatory    | \$1,860     | \$1,860     | \$1,860     |

- All calculations used in the completion of this fiscal note are available upon request.

## CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Executive Director