

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

Revised based on amendments adopted.

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2014-15</b>		<b>FY 2015-16</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS	See below	See below	See below	See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below	See below	See below	See below

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB 1001 as amended would recognize industrial hemp as an oilseed and permit individuals in Nebraska to grow industrial hemp for commercial purposes. The Department of Agriculture would be allowed to adopt rules and regulations for industrial hemp testing and to allow for supervision of industrial hemp growing and harvesting. The agency would be directed to assess each licensee a fee of \$5 per acre, with a minimum fee of \$150. Fees would be remitted to the Industrial Hemp Licensure Fund. Licensees would be required to provide documentation to the Department of Agriculture that the industrial hemp seeds were a variety certified to have no more than 1% tetrahydrocannabinols and a copy of a contract to grow industrial hemp.

The fiscal impact of LB 1001 would include:

**Department of Agriculture expenses and revenues** – The Department of Agriculture will require staff time to establish rules and regulations, application forms and to monitor compliance with provisions of the act. It is estimated that initial costs to develop rules and regulations and program application forms could be carried out by existing agency staff. While there may be applications to receive licenses, the extent of industrial hemp cultivation by private individuals in the near term is not known. Under provisions approved in the 2014 Farm Bill, industrial hemp may be cultivated for research and pilot program purposes by higher education institutions and state agriculture departments in states where the cultivation of industrial hemp is legalized.

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>		
LB: 1001	AM: 2022	AGENCY/POLT. SUB: Nebraska Department of Agriculture
REVIEWED BY: Cindy Miserez	DATE: 03/5/2014	PHONE: 402-471-4174
COMMENTS: The fiscal impact analysis provided by the Nebraska Department of Agriculture for AM2022 to LB1001 appears reasonable.		

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**2014**

**LB<sup>(1)</sup> 1001**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Department of Agriculture

Prepared by: <sup>(3)</sup> Robert Storant

Date Prepared: <sup>(4)</sup> 03/05/2014

Phone: <sup>(5)</sup> 402-471-6821

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>12,375</u>	<u>                    </u>	<u>20,770</u>	<u>                    </u>
CASH FUNDS	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
FEDERAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OTHER FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL FUNDS</b>	<u><u>27,375</u></u>	<u><u>15,000</u></u>	<u><u>35,770</u></u>	<u><u>15,000</u></u>

**Explanation of Estimate:**

LB 1001 with AM 2022 would allow for the planting, growing and harvesting of industrial hemp and to exempt industrial hemp from the Uniform Controlled Substances Act. Persons growing industrial hemp would have to apply to the Department for a license certify seeds grown have no more than one percent tetrahydrocannabinol (THC) and provide any contract that they may have in place to grow industrial hemp. They would also be required to provide the names of the persons to whom the industrial hemp was sold or distributed to. AM 2002 removes criminal background checks that is the responsibility of the Nebraska State Patrol.

It is indeterminable how many producers would begin growing industrial hemp and it is assumed federal law, markets and price will determine how many producers and number of acres planted. For purpose of this fiscal note the revenue and cost is based on 100 producers and 2,500 acres planted. This would generate approximately \$15,000 in revenue to the Industrial Hemp Licensure Fund created in the bill. The fee revenue does not include the applicant payment for actual cost of the finger printing and criminal background check. It is assumed this would be billed directly by the State Patrol to the applicant. Since the bill does not have an emergency clause, the bill and rules and regulations will not have a full fiscal year impact on FY 2014-15

The department shall adopt Rules and Regulations to allow the industrial hemp to be tested during the growth stage for THC levels and to allow for supervision during its growth and harvest. Included in the operating cost is a projected onetime cost of \$3,000 that will cover additional staff time and expenses required to adopt the Rules and Regulations. It is anticipated the Rules and Regulations will be adopted in FY 14-15.

There will be an increase in inspector time to conduct routine and followup inspections. The fiscal estimate includes adding an additional .5 FTE to the current Noxious Weed Program inspection staff during the summer months and cross utilize existing 3.0 FTE's staff from the current Noxious Weed Program. Location and number of producers will determine the location and if a .5 FTE is sufficient to handle the work load. There will also be additional travel and operating cost. It is anticipated approximately 50 samples will be tested on an annual basis. The actual number tested will be determined based on the final Rules and Regulations adopted. Included in the fiscal note is cost for .1 FTE Chemist II position.

Administrative time of a .2 FTE is also included in the cost for a Staff Assistant to handle the application forms, license fees, documentation required to be filed related to type of seeds planted, notification of distribution of industrial hemp and names of persons the product was sold to.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>

<u>Agriculture Inspection Specialist II</u>	<u>.25</u>	<u>.5</u>	<u>7,515</u>	<u>15,030.00</u>
<u>Chemist II and Staff Assistant I</u>	<u>.3</u>	<u>.3</u>	<u>9,060</u>	<u>9,240</u>
<b>Benefits</b> .....			<u>5,800</u>	<u>8,500</u>
<b>Operating</b> .....			<u>4,000</u>	<u>1,000</u>
<b>Travel</b> .....			<u>1,000</u>	<u>2,000</u>
<b>Capital outlay</b> .....			<u></u>	<u></u>
<b>Aid</b> .....			<u></u>	<u></u>
<b>Capital improvements</b> .....			<u></u>	<u></u>
<b>TOTAL</b> .....			<u>27,375</u>	<u>35,770</u>