

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below	(See below)	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 617 would establish the Industrial Hemp Act and create the Industrial Hemp Commission, to be located in the Department of Agriculture for administrative purposes. The Commission would be directed to promote the cultivation of industrial hemp for research and development purposes, and for industrial purposes. Duties of the Commission would also include pursuing permits and waivers from the USDA, to oversee and analyze the growth of industrial hemp in Nebraska and to conduct seed research. The Commission would issue licenses for both research and commercial programs and collect application fees, to be deposited in the Industrial Hemp Program Fund. The Commission would also monitor the production of licensed industrial hemp and conduct testing for tetrahydrocannabinol.

It is estimated that initial costs to establish the agency would come from the General Fund transfers to the Industrial Hemp Program Fund. The amount of funding to be transferred would depend upon legislative funding decisions, and could be phased in during the initial years of the program as rules, regulations and procedures are established by the members of the Commission. Transfers in the initial one to two years of the program could range from \$300,000 to \$500,000.

When the Commission initiates full operations, including licensing, research and monitoring activities, costs would be more significant in nature. Expenses would include staffing expenses to accept and review license applications, to monitor production, and laboratory costs to conduct testing. Based upon the budgets of existing Department of Agriculture functions, it is estimated that licensing, monitoring and regulatory costs could range from \$350,000 to \$700,000 per year and laboratory costs could range from \$250,000 to \$500,000 per year. Based upon budgets of agricultural commodity boards, costs for research and administration could range from \$300,000 to \$500,000 per year.

While costs would be offset by licensing fees established for producers, it is not possible to estimate the amount of the fee that would be established by the Commission, or the number of licensees that would pay the fee. It is probable that General Fund transfers would be necessary to offset program costs until a sufficient amount of fee revenue was received into the fund.

The Nebraska State Patrol estimates that there will be costs for the agency to conduct reviews of license applications, twice-a-year physical inspections of growing operations and overall law enforcement regulation. It is estimated that there would be minimal costs to the State Patrol until the Commission begins to accept license applications and industrial hemp is grown in the state. Increased costs would be based upon the timing of Commission decisions regarding the acceptance of license applications, how many license applications would be forwarded to the State Patrol for review, and the number of licensed growing operations in the state. The agency states that 10 staff could be hired for this function at a cost of approximately \$1,000,000 per year. These costs would reflect a fully operational program, with a number of licensed industrial hemp operations located throughout the state. Because LB 617 provides no fee offset for State Patrol expenses, all costs would come from the General Fund.

NOTE: As of 9:45 am, February 17, no response had been received from the Department of Agriculture. This fiscal note will be revised when an agency estimate is received and reviewed by the Legislative Fiscal Office.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 617	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Claire Oglesby	DATE: 1/27/17	PHONE: (402) 471-4174
COMMENTS: I concur with the University of Nebraska that there is no fiscal impact.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 617	AM:	AGENCY/POLT. SUB: Nebraska State Patrol
REVIEWED BY: Claire Oglesby	DATE: 2/16/17	PHONE: (402) 471-4174
COMMENTS: In LB617 the operative date is 01/01/2018 so the additional ten personnel to carry out enforcement activities would not be for the entire year for FY2017-18. State Patrol estimated FTEs for the entire year for FY2017-18.		

Please complete ALL (5) blanks in the first three lines.

2017

LB⁽¹⁾ 617 REVISED

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State Patrol

Prepared by: ⁽³⁾ Carol Aversman Date Prepared: ⁽⁴⁾ 2-7-2017 Phone: ⁽⁵⁾ (402)471-4545

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$855,825		\$945,423	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$855,825		\$945,423	

Explanation of Estimate:

LB 617 allows for the adoption of the Industrial Hemp Act in the state of Nebraska. The bill has an effective date of 1/1/2018, therefore only 6 months of salaries, benefits, and certain operating expenses are reflected in the estimated costs. The bill allows the State Patrol to enter the premises on which industrial hemp is grown to conduct physical inspections of industrial hemp planted and grown by the applicant, and to ensure compliance with the requirements of the Industrial Hemp Act. The industrial hemp program will be overseen by the Industrial Hemp Commission. However, they do not have authority to perform law enforcement functions. It is the Agency's interpretation that enforcement of the rules and regulations established for the program will be the responsibility of the State Patrol. The State Patrol is also charged with enforcing the Uniform Controlled Substances Act. And while LB 617 excludes industrial hemp from being a controlled substance, ensuring that manufacturers are abiding by the regulations which result in its exclusion from being classified as marijuana will be an enforcement duty of the State Patrol. Other requirements of the Agency include the requirement to perform a state or national criminal history record information check for all persons applying for a license. The State Patrol is also charged with determining if all requirements relating to prior criminal convictions have been met and, on that basis, approving the applications for industrial hemp growers. The bill also provides that any industrial hemp that is found in the state at any location off the premises of an industrial hemp grower licensee shall be deemed to be contraband and shall be subject to seizure by the commission, the Nebraska State Patrol, or any law enforcement officer, if the person in possession of the industrial hemp does not have in his or her possession (1) proper licensing documents, (2) a bill of lading, or other proper documentation, demonstrating that industrial hemp was legally imported or is otherwise legally present in the state under applicable state and federal laws relating to industrial hemp. In order to enforce the provisions of the Act, the State Patrol estimates that it will need ten additional personnel to carry out enforcement activities. An Investigative Officer will be needed in each of the six troop areas. Research of national publications indicates that 500 people were employed in industrial hemp production in the state of Kentucky in 2015, and approximately 2,000 acres of hemp were planted in the state of Colorado in 2015. This was an increase of 1000% from only 200 acres in 2014, and is expected to continue to increase.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2017-18	2018-19
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
State Patrol Investigative Sergeant	1	1	\$41,025	\$82,050
State Patrol Investigative Officer	6	6	\$211,248	\$422,496
Staff Assistant I	1	1	\$15,117	\$30,233
State Patrol Crime Analyst	2	2	\$39,339	\$78,678
Benefits.....			\$107,355	\$214,710
Operating.....			\$82,378	\$107,256
Travel.....			\$10,000	\$10,000
Capital outlay.....			\$324,363	
Aid.....				
Capital improvements.....			\$25,000	
TOTAL.....			\$855,825	\$945,423

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2017

LB⁽¹⁾ 617

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ University of Nebraska

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 23, 2017 Phone: ⁽⁵⁾ 402-472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

The bill leaves the University to define its collaboration with the proposed Industrial Hemp Commission. The bill does not direct the University to perform any specific research or tasks. The Industrial Hemp bill would therefore have no fiscal impact on the University.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____