

## Nebraska Hemp Program Legislative Report

**Legislative Bill 657A signed into law on May 30, 2019 states the Department of Agriculture (NDA) shall provide a report to the Appropriations Committee no later than January 15, 2020 detailing the following information:**

1) Expenses incurred to date related to Legislative Bill 657, including cost paid from the Noxious Weed Cash Fund and the Nebraska Commercial Fertilizer and Soil Conditioner Cash Fund:

- a) The Noxious Weed Cash Fund incurred expenses of \$21,406.10 through December 31, 2019.
- b) The Nebraska Commercial Fertilizer and Soil Conditioner Cash Fund incurred expenses of \$27,122.09 through December 31, 2019.
- c) The Hemp Program Cash Fund incurred expenses of \$442.27 through December 31, 2019.
- d) Other NDA expenses of \$14,711.10 were captured through December 31, 2019 that have not been allocated to one of the above cash funds.
- e) Total NDA expenses incurred as of December 31, 2019 is \$63,681.56.

2) License applications received from cultivators, processor-handlers and brokers:

- a) 176 applications were received for the calendar year 2019 growing season. These were consolidated into 132 applications to eliminate duplicates for the random drawing.

3) Number of approved license applications for growers, processor-handlers and brokers.

- a) All 132 applications went through a random selection process. Following the random order, the first 10 qualified applications were offered licensing agreements to conduct research in accordance with the Agricultural Act of 2014.
- b) A summary of the pilot program are included in Appendix A.

4) Projected fee revenue resulting from the approved applications.

- a) Application fee revenue as of December 31, 2019 was \$1,000.00.
- b) Processor license fee revenue as of December 31, 2019 was \$3,200.00.
- c) Cultivator license fee revenue as of December 31, 2019 was \$2,800.00.
- d) Site modification revenue as of December 31, 2019 was \$50.00.
- e) Interest Income as of December 31, 2019 was \$60.75.
- f) For the 2020 and 2021 calendar year growing seasons, projected application and license fee revenues is approximately \$250,000 for FY 2019-2020 and \$310,000 for FY 2020-2021, plus investment interest income.

5) The geographic location of the approved licensees:

- Buffalo County (Two Locations)
- Cass County
- Dodge and Saunders Counties
- Otoe County

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- Thurston County
- Platte County
- Richardson County
- Scotts Bluff County (Two Locations)

### 6) Estimated program funding needs for the remainder of FY 2019-20 and for 2020-21:

- a) The period of January-June 2020 estimated funding needs are \$183,986.00. This includes \$109,225.00 for personnel services and benefits and \$74,761 for operations and travel. Included in the operating cost is software development for a licensing application in which the cost will be split between FY 2019-20 and FY 2020-21.
- b) Annualizing FY 2019-20 projected expenses for FY 2020-21 is approximately \$310,000.
- c) NDA submitted a mid-biennium budget request for a \$200,000 cash fund appropriation for FY 2019-20 and for FY 2020-21. This increase of appropriation would support 1.0 FTE Program Manager beginning September 16, 2019, .5 FTE Staff Assistant beginning January, 2020, 1.0 inspector/deputized state sheriff as of January, 2020 and seasonal temporary help as determined. It is also the department's desire to cross utilize other NDA staff as needed to meet the statutory duties assigned in LB 657. These projections are based on approximately 270 grower/cultivators and 30 processors. It is anticipated that several of the cultivators will submit multiple site registrations.
- d) It is NDA's intent to operate the Hemp Program as laid out in LB 657 with fee revenue generated by the program. With many uncertainties surrounding the startup of this program, future staffing and funding needs will be based on fee revenue generated by the program.
- e) LB 657 authorizes the Department of Administrative Services to transfer funds from the Nebraska Hemp Program Fund to the Noxious Weed and Fertilizer and Soil Conditioners Administrative Cash Funds no later than October 1, 2022. The mid-biennium cash fund appropriation request does not include this transfer. Provided funds are available in the Hemp Program Cash Fund, the repayment would be accounted for as a revenue transfer.

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## Appendix A

### 2019 Nebraska Department of Agriculture- Hemp Pilot Program

Ten applicants were randomly selected to participate in the first NDA Hemp Pilot Program. The applicants only needed to meet the minimum requirements for issuance of a license under the Nebraska Hemp Farming Act. NDA learned much about this industry through the pilot program. Here is a brief list of issues experienced in 2019:

- NDA struggled to find a laboratory that met all of the requirements for an approved testing facility (ISO accreditation, drying samples prior to testing, etc.). This resulted in only one facility being approved for 2019.
- Applicants frequently missed deadlines set in their licensing agreements.
- Applicants did not read or were not aware of the requirements in the Nebraska Hemp Farming Act, which was part of their licensing agreement.
- One grower reported theft of approximately half of his crop.
- The approved testing facility reported intimidation and harassment by a grower and refused to communicate with him further.
- One crop tested above the legal threshold and the crop was ordered to be destroyed.
- Law enforcement in Pennsylvania seized one regulatory hemp sample that was lawfully shipped to the laboratory.