

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	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 657 would establish the Nebraska Hemp Act. The Act would give the Department of Agriculture the authority to establish and administer licensing programs, monitor compliance with the act, and to administratively house the Nebraska Hemp Commission. The University of Nebraska would operate testing facilities to determine whether hemp crops grown in the state met the standards established in the Act.

The fiscal impact of LB 657 includes:

Registration and licensing fees -- Registration and licensing fees would be charged by the Department of Agriculture to both growers and processor-handlers. Grower registration fees would be \$100, processor-handler license application fees would be \$1,350 and site modification fees would be \$50. Fees would be deposited in the Nebraska Hemp Program Fund. The Department of Agriculture estimate of revenue is based upon 100 growers and 30 processor-handlers, and would total \$50,500 annually. There is no basis to disagree with the estimate, although the amount of cash fund revenue may increase in the second and third year of the program if the number of registered growers increases beyond initial estimates.

Department of Agriculture licensing and enforcement – The agency would be authorized to carry out licensing programs for hemp growers and processor-handlers, to collect licensing fees, to conduct inspections of growing operations licensed under the Act, to approve site modification licenses, and to carry out enforcement of the Act. The Department estimates total costs of \$397,150 in FY19-20 and \$362,150 in FY20-21. Of the total costs, approximately \$50,500 would be paid from the Nebraska Hemp Program Fund, with the remaining costs paid from the General Fund. The agency estimates that a .50 FTE attorney, 1 FTE program manager, 2 FTE inspectors and 1 FTE staff assistant would be hired to develop program guidelines, process and evaluate license and registration applications and monitor registered growers and processor-haulers for compliance with the Act. The Department’s estimate of 100 growers and 30 processor-handlers, along with 2 FTE inspectors and 1 FTE program manager, would assume that there will be numerous field inspections over the course of a year.

It is estimated that program costs could be \$50,000 to \$75,000 lower in the initial year of the program due to program development and the timing of when the Department will begin to accept applications for licenses and registrations.

Nebraska Hemp Commission – A ten-member Nebraska Hemp Commission would be established and administratively housed in the Department of Agriculture. The Commission would be directed to periodically report to the Governor and Legislature on hemp growing policies and practices and to develop and coordinate programs to promote hemp. Costs for the Commission would be paid from the Nebraska Hemp Program Fund. The cost for the Commission would include travel expenses for the board members, and may total \$2,000 to \$5,000 per year. Any marketing programs developed by the Commission would be based upon available funding in the Nebraska Hemp Program Fund. Based upon the Department of Agriculture estimate of cash fund revenue and expenses, there may not be sufficient funding for such programs.

University of Nebraska – LB 657 defines a testing facility as one owned by the University of Nebraska. Producers are responsible for obtaining testing prior to growing, harvesting or destroying a hemp crop. Costs would be borne by the producer. The University of Nebraska estimates an initial \$606,000 cash fund outlay, including \$500,000 in costs to purchase testing equipment. Subsequent year expenses are estimated to total around \$150,000. It is further estimated that revenue would be received annually from testing fees. It is projected that \$117,500 would be received in FY19-20 and \$235,000 in FY20-21. There is no basis to disagree with the University of Nebraska estimate,

Attorney General – The Department of Agriculture may assess administrative fines against violators of the Nebraska Hemp Act. The agency would conduct a hearing in conformance with the Administrative Procedure Act. Violators who fail to pay the fine would be

subject to action in the Lancaster County district court. The Attorney General estimates that 1 FTE attorney position would be required as a result of this provision. Any need for an additional attorney position cannot be quantified until the program is operational.

Law enforcement expenses – LB 657 provides a law enforcement agency, at the direction of the Department of Agriculture, may inspect registrants and licensees under the Act. The impact to any one law enforcement agency cannot be determined at this time.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 657	AM:	AGENCY/POLT. SUB: Nebraska Department of Agriculture
REVIEWED BY: Claire Oglesby	DATE: 2/11/19	PHONE: (402) 471-4174
COMMENTS: Department of Agriculture's statement appears reasonable based on the assumptions provided.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 657	AM:	AGENCY/POLT. SUB: Attorney General
REVIEWED BY: Claire Oglesby	DATE: 2/08/2019	PHONE: (402) 471-4174
COMMENTS: No basis to disagree with the Attorney General's fiscal note.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 657	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Claire Oglesby	DATE: 2/08/19	PHONE: (402) 471-4174
COMMENTS: Based on the assumptions provided from the University of Nebraska no basis to disagree.		

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2019

LB⁽¹⁾ 657

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Agriculture

Prepared by: ⁽³⁾ Christina Barber Date Prepared: ⁽⁴⁾ 2/7/19 Phone: ⁽⁵⁾ 402-471-6821

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$346,650</u>	<u></u>	<u>\$311,650</u>	<u></u>
CASH FUNDS	<u>\$50,500</u>	<u>\$50,500</u>	<u>\$50,500</u>	<u>\$50,500</u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u>\$397,150</u>	<u>\$50,500</u>	<u>\$362,150</u>	<u>\$50,500</u>

Explanation of Estimate:

The Department estimates one Ag Program manager for administrative processes, decision making and education and two Ag Inspection Specialists to meet the workload for field work including verification, inspections, surveillance and education. An Attorney estimated at .50 FTE for reviewing the state plan, administrative hearings, the issuance of fines, legal issues regarding the destruction and seizures of cannabis, adopting regulations and assisting the Attorney General's Office. The program would require one Staff Assistant for administrative, clerical, data entry and fee collections. The Department is also referenced in section 23 of the bill as providing tax guidance, so the program staff would need to work with the Department of Revenue to provide this information. Additional expenses would include an estimate of \$10,000 for travel for the first year and \$15,000 for the second. The Department estimates another \$50,000 for operating in the first year for startup and \$10,000 for the second year.

The bill establishes a new Fund that would be administered by the Department and a Commission for the costs of the Department and the Commission in administering the Act, as approved by both entities, and for hemp promotional activities and administrative expenses of the Commission. The fiscal note does not provide an estimate of cost for the Commission.

The estimated \$50,500 revenue is based on 100 growers and 30 processor-handlers.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20 EXPENDITURES</u>	<u>2020-21 EXPENDITURES</u>
	<u>19-20</u>	<u>20-21</u>		
Attorney	<u>0.5</u>	<u>0.5</u>	<u>\$42,400</u>	<u>\$42,400</u>
Staff Assistant	<u>1.0</u>	<u>1.0</u>	<u>\$31,350</u>	<u>\$31,350</u>
Ag Inspection Specialist II	<u>2.0</u>	<u>2.0</u>	<u>\$75,700</u>	<u>\$75,700</u>
Program Manager	<u>1.0</u>	<u>1.0</u>	<u>\$62,000</u>	<u>\$62,000</u>
Benefits.....			<u>\$125,700</u>	<u>\$125,700</u>
Operating.....			<u>\$50,000</u>	<u>\$10,000</u>
Travel.....			<u>\$10,000</u>	<u>\$15,000</u>
Capital outlay.....			<u></u>	<u></u>
Aid.....			<u></u>	<u></u>
Capital improvements.....			<u></u>	<u></u>
TOTAL.....			<u>\$397,150</u>	<u>\$362,150</u>

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2019

LB⁽¹⁾ 657

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Attorney General

Prepared by: ⁽³⁾ Justin Lavene Date Prepared: ⁽⁴⁾ 1-29-19 Phone: ⁽⁵⁾ 402-471-2687

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	97,991.		99,557.	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	97,991.		99,557.	

Explanation of Estimate:

This Bill would add a new Act in law regulating the growth and manufacturing of hemp to be administered and enforced by the Department of Agriculture and create an additional Commission to be represented by the Attorney General's Office, thereby significantly increasing the number of administrative appeals handled by our agency, the review of additional rules and regulations, along with legal counsel in an area of developing state and federal law. This would require an additional attorney.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2019-20	2020-21
	19-20	20-21	EXPENDITURES	EXPENDITURES
	1.0	1.0	68,000.	69,360.
Benefits.....			29,991.	30,197.
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			97,991.	99,557.

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2019

LB⁽¹⁾ 657

FISCAL NOTE

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

Prepared by: ⁽³⁾ Mike Justus Date Prepared: ⁽⁴⁾ January 30, 2019 Phone: ⁽⁵⁾ 402-472-1426

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-2020		FY 2020-2021	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	<u>606,000</u>	<u>\$117,500</u>	<u>147,000</u>	<u>\$235,000</u>
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>606,000</u>	<u>\$117,500</u>	<u>147,000</u>	<u>\$235,000</u>

Explanation of Estimate

LB 657 establishes guidelines for Hemp research and testing. We have assumed 100 growers the first year and 200 growers the second year. Given the potential for multiple tests per grower we have assumed 500 tests the first year and 1,000 the second year. The initial estimated cost is \$235 per test to allow for the recapture of initial equipment costs incurred in year one. Projected payback period for initial start-up investment would be approximately 5 years, using 250 growers and 1250 tests in years 3 to 5.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-2021</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Lab Technician	<u>.5</u>	<u>1.0</u>	<u>22,500</u>	<u>45,000</u>
Business Manager	<u>1.0</u>	<u>1.0</u>	<u>50,000</u>	<u>50,000</u>
Benefits.....			<u>21,000</u>	<u>27,000</u>
Operating.....			<u>12,500</u>	<u>25,000</u>
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....			<u>500,000</u>	
TOTAL.....			<u>606,000</u>	<u>147,000</u>