

Revised based upon amendments adopted

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	50,000 to 65,000		See below	
CASH FUNDS	50,000 to 63,000	50,000 to 63,000	150,000	150,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	100,000 to 115,000	50,000	See below	150,000

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

LB 657 as amended would establish the Nebraska Hemp Farming Act. The Act would direct the Department of Agriculture to submit to the USDA no later than December 31, 2019, a state plan detailing the methods to be used by the state to regulate the cultivation, handling and processing of hemp. The Department of Agriculture would be given the authority to establish and administer a licensing program for hemp growers and processor-handlers, collect licensing and site fees, and monitor compliance with the act. As amended, LB 657 would levy fees upon the sale of industrial hemp produced in Nebraska, which would be used to fund the activities of the Nebraska Hemp Commission. The fiscal impact of LB 657 includes:

Registration and licensing fees -- Licensing and site registration fees would be charged by the Department of Agriculture to both growers and processor-handlers. As established in LB 657 as amended, a fee range would be established and the department would be allowed to adjust fee revenue higher or lower within the range, based up program funding needs. Fees would include:

- Cultivator, processor-handler and broker license fee: \$100 to \$150
- Cultivator site registration fee: \$400 per site to \$600 per site
- Processor-handler site registration fee: \$800 to \$1,200 per site
- Site modification fee: \$50 to \$75

LB 657 allows that prior to the approval of the state plan by USDA, cultivators and processor-handlers would be allowed to enter into a licensing agreement under the industrial hemp pilot program currently established under Section 2-5701. Individuals and entities applying for a licensing agreement would be subject to the fees listed above.

Fee revenue -- Because LB 657 includes the emergency clause, it is possible that licensing agreement applications and fees could be received for the cultivation and processing of industrial hemp in the 2019 growing season. Additionally, applications and fees for the 2020 growing season would be received by December 31, 2019. The Department of Agriculture estimate of \$37,000 in revenue assumes 50 cultivators and 15 processors would be charged the minimum licensing and site registration fees. There is no basis to disagree with this estimate, although revenue could vary based upon the actual number of registrations, or if cultivators or processor-handlers register more than one site. It is estimated total revenue could range from \$37,000 to \$50,000 in FY19-20.

The Department of Agriculture estimates that in FY20-21, 100 cultivators and 30 processor-growers would be licensed. The agency estimate of \$111,000 is based upon charging the maximum fee range in order to increase the amount of cash funds generated by the program. There is no basis to disagree with this estimate, although revenue could vary based upon actual registration levels and whether multiple sites are registered.

All fees would be deposited in the Nebraska Hemp Program Fund, and would be used for costs related to administering the act.

Department of Agriculture licensing and enforcement costs – The agency would be authorized to carry out licensing programs for hemp growers and processor-handlers, to collect licensing fees, and to conduct a minimum of one inspection of licensees. Licensees would be required to pay for testing at laboratories approved by the department and to provide the agency with all testing results.. The department would be permitted to conduct testing at its discretion. The agency would have the authority to issue orders regarding unintentional and intentional violations of the Act, to conduct hearings and suspend licensees as necessary.

The Department estimates hiring a .50 FTE attorney, 2 inspection specialists and 1 program specialist to administer the program, at a cost of \$320,000 in FY19-20, with \$283,000 paid from the General Fund and \$37,000 from Cash Funds. Total FY 20-21 costs are estimated at \$285,000, with \$174,000 paid from the General Fund and \$111,000 from Cash Funds.

It is estimated that the staffing levels shown above would not be required initially, based upon the department's estimate of 65 licensees in FY19-20 and 150 licensees in FY20-21. It is estimated that program costs of \$100,000 in FY 19-20 would allow for the hiring of 1 FTE program manager and associated operating and travel costs. While the number of licensees are projected to increase in FY 20-21, it is estimated that 1 FTE could review applications, carry out the mandatory yearly inspections and conduct additional inspections and special reviews as needed. It is noted in the agency FY19-21 budget document statistics that other regulatory program inspectors carry out 800-1,400 annual inspections per year, so it is estimated that the various program duties could be carried out by 1 FTE.

Based upon the estimated fee revenue, General Funds would be required in FY 19-20 for program start-up costs. It is estimated that \$50,000 to \$65,000 General Funds may be required for start-up costs in the first six months of the program, prior to the receipt of 2020 growing season licensing and registration revenue. If the agency estimate of revenue for FY20-21 is assumed, there may not be a need for General Funds in FY20-21.

Actual program registrations will greatly impact the program workload and revenue sources. Program growth in subsequent years could result in the need for additional staffing, although it is estimated that increased fee revenue would help offset additional costs.

Fee assessed upon the sale of hemp and the Nebraska Hemp Commission – A fee upon the sale of hemp produced in Nebraska would be assessed and deposited in the Nebraska Hemp Promotion Fund. The fee would be 1 cent per pound of seed and \$1 per ton of hemp fiber. The Nebraska Hemp Promotion Fund would be used by the Nebraska Hemp Commission.

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. The cost for the Commission would include travel expenses for the board members, and may total \$2,000 to \$5,000 per year. There is no basis to disagree with estimates developed by the Department of Agriculture that revenue to the fund may total \$13,000 in FY19-20 and \$39,000 in FY20-21. For the purposes of this fiscal note, it is assumed that the Commission would be administratively housed in the Department of Agriculture.

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.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 657	AM: 988	AGENCY/POLT. SUB: Nebraska Department of Agriculture
REVIEWED BY: Claire Oglesby	DATE: 4/17/19	PHONE: (402) 471-4174
COMMENTS: No basis to disagree with the Nebraska Department of Agriculture.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 657	AM: 988	AGENCY/POLT. SUB: Hemp Commission
REVIEWED BY: Claire Oglesby	DATE: 4/17/19	PHONE: (402) 471-4174
COMMENTS: The estimated cash fund expenditures/revenues seems reasonable given the assumptions used.		
The bill establishes the Hemp Commission and the first meeting shall meet on or before September 1, 2019. As provided in sections 81-1174 to 81-1177, members of the Commission shall receive expenses incurred while on official business, however revenue from the check-off fee will not be received until the second half of the fiscal year.		

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2019

LB⁽¹⁾ 657 – AM 988

FISCAL NOTE

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

Prepared by: ⁽³⁾ Robert Storant Date Prepared: ⁽⁴⁾ 4/16/19 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>\$283,000</u>	<u></u>	<u>\$174,000</u>	<u></u>
CASH FUNDS	<u>\$37,000</u>	<u>\$37,000</u>	<u>\$111,000</u>	<u>\$111,000</u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u>\$320,000</u>	<u>\$37,000</u>	<u>\$285,000</u>	<u>\$111,000</u>

Explanation of Estimate:

The Department estimates one Ag Program Specialist for administrative processes, subject matter expertise and education. The Department estimates a need for two Ag Inspection Specialists for field work including: verification, inspections, surveillance, and investigating complaints. An Attorney estimated at .50 FTE for reviewing and interpreting the state plan, disseminating administrative hearings, time devoted to legal issues regarding the destruction and seizures of cannabis, and assisting and coordinating with the Attorney General's Office. Additional expenses would include an estimate of \$10,000 for travel for the first year and \$15,000 for the second year. 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 cash fund that would be administered by the Department for the costs of administering the Act. The estimated \$37,000 revenue is based on 50 growers and 15 processor-handlers for the first year and \$111,000 is based on 100 growers and 30 processor-handlers. For cash flow purposes fee's in the second year will be at the maximum so as to minimize general fund impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Attorney	<u>0.5</u>	<u>0.5</u>	<u>\$42,400</u>	<u>\$42,400</u>
Ag Inspection Specialist II	<u>2.0</u>	<u>2.0</u>	<u>\$75,700</u>	<u>\$75,700</u>
Ag Program Specialist	<u>1.0</u>	<u>1.0</u>	<u>\$44,100</u>	<u>\$44,100</u>
Benefits.....			<u>\$97,800</u>	<u>\$97,800</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>\$320,000</u>	<u>\$285,000</u>

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2019

LB⁽¹⁾ 657 – AM 988

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Hemp Commission

Prepared by: ⁽³⁾ Robert Storant Date Prepared: ⁽⁴⁾ 4/16/19 Phone: ⁽⁵⁾ 402-471-6821

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$13,000	\$13,000	\$39,000	\$39,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$13,000	\$13,000	\$39,000	\$39,000

Explanation of Estimate:

The bill establishes the Hemp Commission separate from the Department of Agriculture and a separate cash fund for hemp promotional purposes. In the first fiscal year, revenue will not be received until the second half of the fiscal year. Revenue is based on 1,000 acres grown the first year and 3,000 acres grown the second year with average yields being 5 tons of fiber per acre and 800 pounds of seed per acre. The fiscal estimate does not request general funds and the commission would have to operate on fee revenue generated.

Revenue:

	19-20	20-21
Fiber Yield Per Acre (tons)	5	5
Seed Yield Per Acre (pounds)	800	800
Acres Grown	1,000	3,000
Seed Production (pounds)	800,000	2,400,000
Seed Check Off (¢1/lb)	8,000	24,000
Fiber Production (tons)	5,000	15,000
Fiber Check Off (\$1/ton)	5,000	15,000
Total Check Off	13,000	39,000

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2019-20 EXPENDITURES	2020-21 EXPENDITURES
	19-20	20-21		
Executive Staff	0.0	0.25		\$15,000
Benefits.....				\$7,400
Operating.....			\$10,000	\$12,600
Travel.....			\$3,000	\$4,000
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$13,000	\$39,000