

Revised based upon Select File amendments

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	See below		See below	
CASH FUNDS	50,000	50,000	110,000	110,000
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>50,000</b>	<b>50,000</b>	<b>110,000</b>	<b>110,000</b>

**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, but 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. The Department of Agriculture would be allowed to select at random the individuals or entities licensed under the pilot program provisions of LB 657.

**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. As amended on Select File, the Noxious Weed Cash Fund and the Soil and Fertilizer Administrative Fund could be used by the Department until January 1, 2020 for costs related to the program. The amount of spending to these funds will depend upon the number of pilot program licensees approved for the 2019 growing season. Additionally, LB 657A as amended includes legislative intent language requiring the Department of Agriculture to provide a report to the Appropriations Committee no later than January 15, 2020, detailing program activity and registrations to date, projected fee revenue, and program funding requirements.

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

As amended, sections creating the Commission and the production fees would become effective on July 1, 2021. There is no basis to disagree with estimates developed by the Department of Agriculture that revenue received from production may total \$13,000 to \$39,000. It is estimated that General Fund start-up costs for the Commission may be necessary until sufficient cash fund revenue is received.

**Attorney General and law enforcement costs** – 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.

As amended, LB 657 would establish requirements for the transportation of industrial hemp within the state. The Department of Agriculture, in consultation with the State Patrol, is allowed to develop rules and regulations regulating the carrying or transporting of hemp in the state to ensure that marijuana or any other controlled substance is not disguised as hemp. It is estimated that these provisions should not have a substantial fiscal impact on state agencies.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
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.			

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 657	AM: 988	AGENCY/POLT. SUB: Attorney General	
REVIEWED BY: Claire Oglesby	DATE: 4/16/19	PHONE: (402) 471-4174	
COMMENTS: No basis to disagree with the Attorney General's fiscal note.			

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**2019**

**LB<sup>(1)</sup> 657 – AM 988**

**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> 4/16/19 Phone: <sup>(5)</sup> 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>
<b>TOTAL FUNDS</b>	<u><b>\$320,000</b></u>	<u><b>\$37,000</b></u>	<u><b>\$285,000</b></u>	<u><b>\$111,000</b></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>
<b>TOTAL.....</b>			<u><b>\$320,000</b></u>	<u><b>\$285,000</b></u>

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2019

LB<sup>(1)</sup> 657

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Justin Lavene Date Prepared: <sup>(4)</sup> 1-29-19 Phone: <sup>(5)</sup> 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.