



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 579** HLS 19RS 705

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 27, 2019	8:55 AM	Author: CONNICK
Dept./Agy.: Louisiana Department of Agriculture and Forestry (LDAF)		Analyst: Willis Brewer
Subject: Provides for the regulation of hemp		

AGRICULTURAL COMMODITIES

OR INCREASE SG EX See Note

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Provides for the regulation of hemp

Proposed law establishes hemp as an agricultural crop if grown by an individual licensed by the Louisiana Department of Agriculture and Forestry (LDAF); provides for definitions; authorizes licensed individuals to plant, grow, harvest, possess, process, sell, or buy hemp and requires applicants for a hemp license to apply with the LDAF Commissioner and complete a state and national criminal history check; authorizes the commissioner to issue licenses to qualified persons and institutions of higher learning (to grow hemp for research and educational purposes only); requires licensees to provide certain documentation, a copy of any contract to grow hemp, and notification of the sale or distribution of any hemp grown by the licensee; requires the commissioner to adopt rules to provide for the testing hemp during growth to determine THC levels, supervision of the hemp during its growth and harvest, assessment of a fee that is commensurate with the costs of the commissioner's activities in licensing, testing, and supervising hemp production, and rules relating to the production and sale of hemp consistent with the 2018 Farm Bill and any future rules promulgated by the U.S. Dept. of Agriculture; and provides that penalties for cultivating, possessing, processing, and marketing hemp not in violation of proposed law and the 2018 Farm Bill are the same as penalties for cultivation, possession, processing, and marketing marijuana.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will significantly increase SGR expenditures for LDAF to supervise production and harvest of hemp, to test hemp, and to regulate the manufacturing of hemp (see NOTE below). Proposed law provides for LDAF to assess a fee commensurate with LDAF's activities; therefore, proposed law anticipates an adequate revenue source to support recurring expenditures. However, initial startup personnel and equipment costs may require an expenditure of SGF or may require LDAF to use other revenue sources to absorb the costs until revenues are sufficient. The number of growers that would choose to grow hemp for manufacturing purposes cannot be determined.

NOTE: LDAF estimates first year costs at 50% of annual expenditure, assuming the program begins six months into FY 20, and increases personal services costs 2% annually thereafter. **These assumptions yield SGR expenditures of \$130,603 in FY 20, \$257,405 in FY 21, \$262,005 in FY 22, \$266,687 in FY 23 and \$271,453 in FY 24.** To the degree activity is greater than or less than the illustrative example below, the LFO assumes these costs would grow or shrink in proportion to the actual number of growers.

The number of growers will directly impact the recurring personnel cost. As an illustrative example, if 250 growers were authorized to grow, harvest, possess, process, and sell hemp, LDAF anticipates it will need four Agricultural Environmental Specialist (AES) Inspectors at a total recurring cost of \$257,405 including \$205,005 in personal services (\$146,432 salaries, \$58,573 related benefits), \$27,400 in support costs (\$1,200 telephone, \$1,000 Supplies, Vehicle lease (\$24,400), and Uniforms (\$800), and \$25,000 for hemp (THC) lab testing assuming two samples are tested per year per grower at a per sample cost of \$50 (250 growers x 2 tests per year x \$50). In addition, there will be one-time costs of \$14,000 for computer and data equipment (\$3,500 x 4) that these inspectors will be using.

REVENUE EXPLANATION

Proposed law will significantly increase SGR revenues for LDAF from license fees paid by qualified hemp growers (see NOTE below). Proposed law provides for LDAF to assess fees on hemp growers commensurate with the LDAF's costs to administer the program. The number of growers that would choose to grow hemp for manufacturing purposes cannot be determined.

NOTE: LDAF assumes that the application and licensing process will begin in FY 20, but growing and processing of crops will not begin until FY 21. LDAF assumes that the number of growers will increase 2% annually beginning in FY 22 (approximately 5 growers given the assumptions in the illustrative example). **These assumptions yield SGR revenues of \$132,500 in FY 20, \$257,500 in FY 21, \$262,500 in FY 22, \$267,500 in FY 23 and \$272,500 in FY 24.** To the degree activity is greater than or less than the illustrative example below, the LFO assumes these revenues would grow or shrink in proportion to the actual number of growers and LDAF's projected costs.

The number of growers will directly impact potential revenues. As an illustrative example, if 250 growers were authorized to grow, harvest, possess, process, and sell hemp, LDAF anticipates it will assess a \$500 licensure fee to each seed producer, grower, and processor; a \$250 licensure fee to each contract carrier; and \$250 fee per lab sample test. Under this example, LDAF assumes five seed producers will generate \$2,500 (\$500 x 5), five processors will generate \$2,500 (\$500 x 5), 250 growers will generate \$125,000 (\$500 x 250), 10 contract carriers will generate \$2,500 (\$250 x 10), and the lab sample testing will generate \$125,000 (\$250 x 2 annual tests x 250 growers). LDAF assumes the application and licensing process will begin in the first year; but the growing, processing, inspections, and testing will not begin until the second year of this process.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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