

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES**

Person
Preparing
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Return
Address: 5825 Florida Blvd., Suite 3004 Rule
Title: LAC 7:XIII, 1301-1341

Baton Rouge, LA 70806 Date Rule
Takes Effect: Upon Promulgation

SUMMARY
(Use complete sentences)

In accordance with Section 953 of Title 49 of the Louisiana Revised Statutes, there is hereby submitted a fiscal and economic impact statement on the rule proposed for adoption, repeal or amendment. THE FOLLOWING STATEMENTS SUMMARIZE ATTACHED WORKSHEETS, I THROUGH IV AND WILL BE PUBLISHED IN THE LOUISIANA REGISTER WITH THE PROPOSED AGENCY RULE.

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The Department of Agriculture and Forestry ("Department") intends to adopt the proposed rules regarding the regulation, licensure, and enforcement of the cultivation, processing, and transportation of industrial hemp as authorized by R.S. 3:1461 *et seq.* The proposed regulations are being promulgated pursuant to Act 164 of the 2019 Regular Session.

The Department estimates that oversight of the industrial hemp program will cost approximately \$298,805 annually. This cost includes salaries and related benefits of an Agricultural & Environmental Specialist (AES) Program Coordinator and three AES Inspectors (\$205,005), employee support costs (\$27,400), telephone services (\$1,200), job duty supplies (\$1,000), inspector vehicle leases (\$24,400), employee uniforms (\$800), and industrial hemp sampling and testing for THC concentration levels (\$25,000). In addition, there will be a one-time cost for computer and office equipment (\$14,000) required for administration of the program.

The proposed regulations will not have any impact on expenditures of local governmental units.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed regulations will increase statutorily dedicated revenue collected by the Department by an indeterminable amount. The funds for the industrial hemp program are authorized by R.S.3:1464 and proposed regulation LAC 7:XIII.1317, which provide for the department to charge a maximum of \$500 for an annual license fee for each seed producer, grower, processor, and contract carrier as well as \$250 per sample for THC concentration level testing. The revenue collections will depend on the degree of program participation which cannot be determined at this time.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON-GOVERNMENTAL GROUPS (Summary)

Under the proposed regulations, persons choosing to participate in the industrial hemp program must pay an annual \$500 license fee for each seed producer, grower, processor, and contract carrier as well as pay sample testing fees of \$250 per plot of industrial hemp. Licensees will incur operating expenses associated with the production, transportation and processing of the industrial hemp crop. In addition, to the extent in which they are licensed, persons will potentially realize profits over time from the production, transportation and processing of industrial hemp.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

It is not anticipated that the proposed regulations will have an effect on competition. The proposed regulations do not limit the amount of licenses issued, or the minimum/maximum acreage allowed for production. The issuing of industrial hemp licenses will, in some cases, open a new business enterprise that is not currently in Louisiana. This should offer an avenue for an indeterminable increase in employment opportunities, dependent upon the level of program participation.

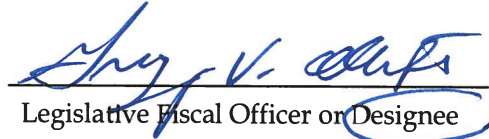


Signature of Agency Head or Designee
Dane Morgan, Assistant Commissioner
of Management and Finance, DAF

Typed Name & Title of Agency Head or Designee

10-8-19

Date of Signature



Legislative Fiscal Officer or Designee

10/8/2019

Date of Signature

FISCAL AND ECONOMIC IMPACT STATEMENT

FOR ADMINISTRATIVE RULES

The following information is required in order to assist the Legislative Fiscal Office in its review of the fiscal and economic impact statement and to assist the appropriate legislative oversight subcommittee in its deliberation on the proposed rule.

- A. Provide a brief summary of the content of the rule (if proposed for adoption, or repeal) or a brief summary of the change in the rule (if proposed for amendment). Attach a copy of the notice of intent and a copy of the rule proposed for initial adoption or repeal (or, in the case of a rule change, copies of both the current and proposed rules with amended portions indicated).

The proposed rules are adopted pursuant to R.S. 3:1461 *et seq.* to regulate, license, and enforce the cultivation, processing, and transportation of industrial hemp. The rules contain, but are not limited to, procedures for licensing, eligibility, background checks, THC sampling and testing, and penalties for violations of the law and/or regulations.

More specifically, Section 1301 sets forth the Department's authority to adopt regulations. Section 1303 sets forth the definitions used in the industrial hemp regulations. Section 1305 addresses the general requirements for industrial hemp licenses. Section 1307 outlines the requirements for an industrial hemp seed producer license. Section 1309 outlines the requirements for an industrial hemp grower license. Section 1311 outlines the requirements for an industrial hemp processor license. Section 1313 outlines the requirements for an industrial hemp contract carrier license. Section 1315 addresses the background check requirements and procedures for applicants. Section 1317 sets forth the license and testing fees. Section 1319 addresses the requirements for industrial hemp growers and seed producers. Section 1321 addresses the procedures for industrial hemp seed acquisition. Section 1323 establishes land restrictions for production and processing of industrial hemp. Section 1325 provides restrictions for certain industrial hemp sales and transfers. Section 1327 sets forth prohibited activities. Section 1329 outlines the requirements for submission of annual production reports to the Department. Section 1331 addresses maintenance and retention of records. Section 1333 outlines the authority of the commissioner or his authorized agent(s) to access a grower or processor facility for the purpose of inspection. Section 1335 requires that all industrial hemp be sampled for THC concentration levels and outlines testing procedures. Section 1337 outlines adjudicatory proceedings for violations of the law or regulations. Section 1339 outlines a plan for corrective action for negligent violations of the law or regulations. Section 1341 outlines the issuance of stop orders for alleged violations.

- B. Summarize the circumstances, which require this action. If the Action is required by federal regulation, attach a copy of the applicable regulation.

R.S. 3:1464 requires the Department to adopt regulations necessary to implement the industrial hemp program. The Department is the state agency charged with oversight of the production, transportation, and processing of industrial hemp.

- C. Compliance with Act 11 of the 1986 First Extraordinary Session

- (1) Will the proposed rule change result in any increase in the expenditure of funds? If so, specify amount and source of funding.

The proposed regulations will result in an increase in the expenditure of funds by the Department. The industrial hemp program will be funded by the fees set forth in Act 164 of the 2019 Regular Session of the Louisiana Legislature and proposed regulation LAC 7:XIII.1317.

- (2) If the answer to (1) above is yes, has the Legislature specifically appropriated the funds necessary for the associated expenditure increase?

- (a) _____ Yes. If yes, attach documentation.
- (b) X NO. If no, provide justification as to why this rule change should be published at this time

The industrial hemp program will be funded by annual licensing fees and sample testing fees. Although the program is not going to be funded with state general fund, for the initial start-up cost of the program, the Department may require an appropriation via a BA-7 or a supplemental appropriation from the Legislature, or a treasury seed from the Department of Treasury.

FISCAL AND ECONOMIC IMPACT STATEMENT

WORKSHEET

I. A. COSTS OR SAVINGS TO STATE AGENCIES RESULTING FROM THE ACTION PROPOSED

1. What is the anticipated increase (decrease) in costs to implement the proposed action?

The Department estimates that oversight of the industrial hemp program will cost approximately \$298,805 annually. This cost includes salaries and related benefits of an Agricultural & Environmental Specialist (AES) Program Coordinator and three AES Inspectors (\$205,005), inspector support costs (\$27,400), telephone services (\$1,200), job duty supplies (\$1,000), inspector vehicle leases (\$24,400), inspector uniforms (\$800), and industrial hemp testing for THC concentration levels (\$25,000). In addition, there will be a one-time cost for computer/data equipment (\$14,000) required for administration of the program.

COSTS	FY 20	FY 21	FY 22
Personal Services	\$232,405	\$232,405	\$232,405
Operating Expenses	\$52,400	\$52,400	\$52,400
Professional Services			
Other Charges			
Equipment	\$14,000		
Major Repairs & Constr.			
TOTAL	\$298,805	\$284,805	\$284,805
POSITIONS (#)	4	4	4

2. Provide a narrative explanation of the costs or savings shown in "A. 1.", including the increase or reduction in workload or additional paperwork (number of new forms, additional documentation, etc.) anticipated as a result of the implementation of the proposed action. Describe all data, assumptions, and methods used in calculating these costs.

The proposed regulations will result in a significant increase of expenditures out of the Seed Fund due to implementation and administering the new industrial hemp program; including the development of forms, testing procedures, standard operating procedures, field personnel training, data management and industry outreach. Furthermore, the program will require the addition of personnel; including a Program Coordinator and three additional AES Inspectors. The number of which is dependent upon future program participation, and therefore indeterminable at this time.

The Department anticipates industrial hemp regulatory expenditures such as laboratory testing, inspections, vehicle leases and supplies will eventually be funded through revenues realized through the issuance of licenses and sample testing. However, the Department will have to rely funding from an alternate source(s) to fund the initial start-up costs associated with regulating the industrial hemp program. Presently funds for these expenses are not included in LDAF appropriations for FY 20 and would need to be appropriated via a BA-7 request or in a supplemental appropriation, or funded via treasury seed from the Department of Treasury.

3. Sources of funding for implementing the proposed rule or rule change.

The funds required to implement the proposed regulations will eventually be self-generated from the annual license fees and sample fees charged.

SOURCE	FY 20	FY 21	FY 22
State General Fund	0	0	0
Agency Self-Generated	SEE BELOW	SEE BELOW	SEE BELOW
Dedicated	0	0	0
Federal Funds	0	0	0
Other (Specify)	0	0	0
TOTAL			

4. Does your agency currently have sufficient funds to implement the proposed action? If not, how and when do you anticipate obtaining such funds?

The funds for the industrial hemp program are authorized by R.S.3:1464 and proposed

regulation LAC 7:XIII.1317, which provides for the department to charge a maximum of \$500 for an annual license fee for each seed producer, grower, processor, and contract carrier as well as \$250 per sample for THC concentration level testing. The revenue collections will depend directly on the degree of program participation, which cannot be determined at this time.

B. COST OR SAVINGS TO LOCAL GOVERNMENTAL UNITS RESULTING FROM THE ACTION PROPOSED.

1. Provide an estimate of the anticipated impact of the proposed action on local governmental units, including adjustments in workload and paperwork requirements. Describe all data, assumptions and methods used in calculating this impact.

It is not anticipated that the proposed regulations will have any impact on local governmental units.

2. Indicate the sources of funding of the local governmental unit, which will be affected by these costs or savings.

Not Applicable

FISCAL AND ECONOMIC IMPACT STATEMENT

WORKSHEET

II. EFFECT ON REVENUE COLLECTIONS OF STATE AND LOCAL GOVERNMENTAL UNITS

A. What increase (decrease) in revenues can be anticipated from the proposed action?

The proposed regulations will increase self-generated revenue collections by the Department by an indeterminable amount. The funds for the industrial hemp program are authorized by R.S.3:1464 and proposed regulation LAC 7:XIII.1317, which provides for the Department to charge a maximum of \$500 for an annual license fee for each seed producer, grower, processor, and contract carrier as well as \$250 per sample for THC concentration level testing. The revenue collections will depend directly on the degree of program participation, which cannot be determined at this time.

REVENUE INCREASE/DECREASE	FY 20	FY 21	FY 22
State General Fund			
Agency Self-Generated	INCREASE	INCREASE	INCREASE
Dedicated Funds*			
Federal Funds			
Local Funds			
TOTAL			

*Specify the particular fund being impacted.

B. Provide a narrative explanation of each increase or decrease in revenues shown in "A." Describe all data, assumptions, and methods used in calculating these increases or decreases.

All licensees are required to pay \$500 for an annual license fee for each seed producer, grower, processor, and contract carrier as well as \$250 per sample for THC concentration level testing. The revenue collections will depend directly on the degree of program participation. At this time, there is no accurate way to estimate the amount of licenses issued or samples tested, although an increase in revenues is anticipated as a result of the program fees.

FISCAL AND ECONOMIC IMPACT STATEMENT

WORKSHEET

III. COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS

- A. What persons or non-governmental groups would be directly affected by the proposed action? For each, provide an estimate and a narrative description of any effect on costs, including workload adjustments and additional paperwork (number of new forms, additional documentation, etc.), they may have to incur as a result of the proposed action.

Under the proposed regulations, persons choosing to participate in the industrial hemp program must pay an annual \$500 license fee for each seed producer, grower, processor, and contract carrier as well as pay sample testing fees of \$250 per plot of industrial hemp. Licensees will also incur operating expenses associated with the production, transportation and processing of the industrial hemp crop.

- B. Also provide an estimate and a narrative description of any impact on receipts and/or income resulting from this rule or rule change to these groups.

To the extent in which they are licensed, persons will potentially realize profits over time from the production, transportation and processing of industrial hemp.

IV. EFFECTS ON COMPETITION AND EMPLOYMENT

Identify and provide estimates of the impact of the proposed action on competition and employment in the public and private sectors. Include a summary of any data, assumptions and methods used in making these estimates.

It is not anticipated that the proposed regulations will have an effect on competition. The proposed regulations do not limit the amount of licenses allowed to be issued, or the minimum/maximum acreage allowed for production. The issuance of industrial hemp licenses will, in some cases, open a new business enterprise that is not currently in Louisiana. This should offer an avenue for an indeterminable increase in employment opportunities, dependent upon the level of program participation.