



**Fiscal Estimate Narratives**  
**DATCP 1/7/02**

LRB Number <b>01-2476/2</b>	Introduction Number <b>AB-679</b>	Estimate Type <b>Original</b>
<b>Subject</b> Authorize UW to conduct research on, and require UW to study, industrial hemp		

**Assumptions Used in Arriving at Fiscal Estimate**

The bill requires the Department of Agriculture, Trade and Consumer Protection to promulgate rules in consultation with the attorney general. The rules will address notification of local law enforcement agencies of the industrial hemp field locations, and the grower's name and address; inspection of industrial hemp fields, and laboratory testing to insure that the tetrahydrocannabinol (THC) concentration is below the regulation level; and methods for obtaining and monitoring the use and transfer of industrial hemp seeds. The amount of staff time to develop the rules would be .25 FTE.

If these rules are implemented, assuming the growers would register with the department, there would be a one time fee of \$10,000 to set up an e-notification system to notify 50-100 local law enforcement authorities. The Department of Justice would provide the list of authorities to the Department. This system would require .5 FTE to maintain.

An inspector, following the appropriate protocol, would collect samples and submit them to the laboratory for analysis of THC content. Canada has developed methods for field sampling and laboratory testing of THC. In Canada, each separate plot requires a separate sample. Inspection and delivery would take 1 FTE if we assume 250 growers and 2 fields per grower. At 250 growers with 2 fields, there would be one composite sample taken from a minimum of 30 plants in each field. This adds up to 500 samples for lab analysis. Presently, only one laboratory in the U.S. has the approval of the U.S. Drug Enforcement Agency to conduct analysis for the THC content of industrial hemp. Sample analysis costs about \$150 (2001) for one sample. [Health Canada, "Industrial Hemp Technical Manual: Standard Operating Procedures for Sampling, Testing and Processing Methodology," 28pp. [www.hempfood.com/techmanual.html](http://www.hempfood.com/techmanual.html).] This puts the total expense of lab analysis for one year at \$75,000.

The Department of Agriculture, Trade and Consumer Protection laboratory does not have the available space, ventilation, or electrical capacity to add this testing. Construction costs on a new laboratory facility to house a THC testing unit, plus current testing programs, would require a capital outlay of approximately fourteen million dollars.

If the testing were performed at the Department laboratory there would be additional resource costs. There would be a need for an initial outlay of approximately \$300,000 in testing equipment. This testing equipment would have a limited life and need to be replaced in seven years. It also is likely that only specially trained staff holding special Drug Enforcement Agency (DEA) licenses would be allowed to do this type of testing. The addition of 1.0 FTE Laboratory Technician and 1.0 FTE Chemists would require \$71,000 annually. Laboratory supply costs for the testing would be \$4,000 per year.

**Assumptions:**

50-100 local law enforcement authorities  
250 growers  
500 samples sent to a lab  
1.0 FTE for inspection and sampling - \$61,400 salary and fringe; \$14,800 support costs  
2.0 FTE laboratory staff - \$71,000 salary and fringe; \$4,000 laboratory supplies  
\$75,000 laboratory analysis (PRS)

## **Long-Range Fiscal Implications**

Replacement of laboratory testing equipment in 7 years would be \$300,000.

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Subject</b>			
Authorize UW to conduct research on, and require UW to study, industrial hemp			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
Set up an email notification system for local law enforcement - \$10,000 .25 FTE for rule writing; \$10,300 salary & fringe.			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$132,400	
(FTE Position Changes)		(2.5 FTE)	
State Operations - Other Costs		93,800	
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$226,200</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS (226,200)		226,200	
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS (151,200)		151,200	
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$151,200</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$226,200	\$
NET CHANGE IN REVENUE		\$151,200	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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