

Fiscal Estimate Narratives
DATCP 5/29/2019

LRB Number	19-2681/1	Introduction Number	AB-0206	Estimate Type	Original
Description					
regulating hemp, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill makes numerous changes to current law relating to industrial hemp to make Wisconsin law consistent with the 2018 federal farm bill. The bill changes the definition of hemp, removes hemp from the controlled substances list, requires licensure by the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) to produce hemp in Wisconsin, sets minimum testing and sampling requirements, and establishes some compliance and enforcement requirements based on negligent violations and greater than negligent violations. The bill also amends the licensee confidentiality provision to allow for hemp producers to opt in to having their personal information fully or partially shared and creates Truth In Labeling provisions and private cause of action for growers contracts. The bill sunsets the current pilot program one year after the U.S. Department of Agriculture establishes its hemp plan under federal law. The bill creates a new appropriation for \$216,500 annually and authorizes three GPR FTE, and provides a one-time allocation of \$300,000 for machinery (lab equipment) and other hemp program assets.

The current industrial hemp research pilot program became state law on December 2, 2017. The pilot program, authorized federally under the 2014 Farm Bill, allows Wisconsinites to become growers and processors of hemp for research purposes if licensed by DATCP. In year 1 of the pilot program, DATCP licensed 245 growers and 100 processors, with 135 growers actually planting 1850 acres of hemp. DATCP staff collected and analyzed 295 hemp samples, or approximately two samples for each licensee that actually grew hemp. There were 21 failed samples over the 0.3% THC limit. The number and timing of hemp samples maximized the staff availability in the Bureau of Plant Industry and staffing and equipment capacity of the Bureau of Laboratory Services (BLS). With the addition of hemp sample analysis, BLS has no backup equipment or capacity for other pre-existing priority regulatory work including high-priority pesticide samples.

For 2019--the second year of the pilot program--there has been an over 500% increase in hemp growing and processing applications received. While all licenses have not yet been issued, there were over 2200 total license applications received with 1296 grower and 615 processor licenses issued as of May 20; 209 applications are pending for various reasons. If a similar pattern holds true to last year, this will result in between 1200 to 2500 samples for BLS, requiring an additional chemist, consumables and equipment. It has also resulted in the need for additional licensing and compliance capacity in the Bureau of Plant Industry to manage the license applications, renewals, reports and to responding to law enforcement requests and to ensure growers and processors are following regulations. Interest in the program has not waned since the application deadline and continued growth in the program is expected in future years as additional growers, processors and consumers gain experience with hemp and the state moves into a permanent program with this bill. The GPR funding included in the bill is for three FTE positions, lab equipment and IT support and is essential to support the required functions of a growing regulatory program, including licensing, compliance and laboratory analysis.

DATCP temporarily reassigned staff to manage the start-up of the pilot program and used more than 10,000 staff hours for this purpose between December 1, 2017 and April 30, 2019. In March and April 2019, one FTE hemp program manager and one FTE hemp regulatory specialist were hired into two reallocated vacant positions at DATCP to administer the program. Licensing, registration, and sampling/testing fees totaling \$114,666 in FY 18 offset the \$111,000 FY18 costs of the program.

The bill includes \$216,500 in GPR for three hemp positions. The GPR funding does not entirely support the costs of the three positions.

Chemist- Senior 23.38/Hr, \$48,630 salary, \$21,358 Fringe, \$163,000 S&S, \$86,289 TOTAL

PPDS - Advanced 23.38/Hr, \$48,630 salary, \$21,358 Fringe, \$20,600 S&S, \$90,589 TOTAL
LPPA 16.05/Hr, \$33,384 salary, \$14,662 Fringe, \$16,300 S&S, \$64,346 TOTAL
GRAND TOTAL FOR 3 FTE = \$241,224

This bill specifically calls for rulemaking, both emergency and permanent. Due to the complexity of the program, multiple emergency rules may be required. DATCP can absorb the costs of rulemaking with existing staff who are assigned these responsibilities.

Long-Range Fiscal Implications

As hemp growing and processing become a more established industry, the number of licensees, acreage and production and processing locations will continue to grow. The bill gives DATCP flexibility in determining how to administer and manage some aspects of the program, including sampling and analysis and authority to set program fees to cover costs. Hemp licensees also impact other areas of the department, including food safety, agricultural development, consumer protection and weights and measures. Additional positions and funding may be required for some or all of these areas depending upon the number and activities of the licensees and compliance history with the program, and other state laws and regulations.

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description regulating hemp, providing an exemption from emergency rule procedures, granting rule-making authority, and making an appropriation			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Machinery and other assets for the hemp program -- \$300,000			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$241,224	\$
(FTE Position Changes)		(3.0 FTE)	
State Operations - Other Costs			
Local Assistance		0	
Aids to Individuals or Organizations		0	
TOTAL State Costs by Category		\$241,224	\$
B. State Costs by Source of Funds			
GPR		241,224	
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$241,224	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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