



**EXECUTIVE AGENCY
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: March 31, 2015

Agency Submitting: Nevada Department of Agriculture

Items of Revenue or Expense, or Both	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Effect on Future Biennia
Payroll (Expense)		\$40,510	\$55,359	\$55,359
Operating (Expense)		\$38,000	\$38,000	\$38,000
Total	0	\$78,510	\$93,359	\$93,359

Explanation

(Use Additional Sheets of Attachments, if required)

There are several reasons it is very difficult to tell how much of a fiscal impact this bill would have on the Department of Agriculture. First, it is difficult to determine at this point in time how many seed breeders and registered growers that state would have because we don't know if industrial hemp production would even be economically viable for cultivators in this state. Studies have shown that the ideal growing conditions for hemp are warm climates that experience high humidity in the late Summer and Fall when retting takes place. Hemp grows best in areas that have high-yields of corn, such as the US Corn Belt. Next, the equipment that is used for retting is rare in North America and as result the hemp fiber is rarely used in high-quality textile applications, applications that typically generate larger profit margins. Next, it is very difficult for hemp producers to make a profit without a lot of subsidies due to the high cost of requirements for licensing, security, THC analysis and record-keeping. Currently, there are not very many subsidies offered to industrial hemp production. Next, an issue that other states face is seed availability. It is illegal to bring seed into a state and certify it without a DEA schedule 1 permit. The state currently does not have this permit and this takes time to get. Lastly, we believe the setting up of independent labs in this bill contradicts Section 7606 of the Farm Bill which "ensures that only institutions of higher education and the State departments of agriculture are used to grow or cultivate hemp". Attached is a copy of the Colorado Department of Agriculture's estimated budget for Hemp and Marijuana regulation and testing activities as well as Section 7606 of the Farm Bill.

We presented a budget based on the Colorado Department Agriculture program budget. It is very difficult to assess how many participants we will have because this state is not well suited for industrial hemp production.

Name J. Dale Hansen

Title Fiscal Administrator

DEPARTMENT OF ADMINISTRATION'S COMMENTS

Date Tuesday, March 31, 2015

The agency's response appears reasonable.

Name James R. Wells, CPA

Title Interim Director



Anticipated and Potential Costs of CDA's Cannabis Activities

Statutory and Executive Order Required Activities		
Program	Current Activities	Activities Not Yet Started Estimated Cost
Hemp Registration Program	\$129,000	
Certified Seed Program		\$100,000
Hemp Research Grant Program		\$75,000*
Marijuana prohibited substances list	\$38,000	
Marijuana good cultivation practices		\$20,500
Total	\$167,000	\$195,500

* In addition to the funding provided to be given out as grants.

Needed Educational and Enforcement Activities as a Result of Cannabis Cultivation	
Program	Estimated Annual Costs
Marijuana IPM education specialist	\$90,250
Pesticide use in marijuana inspection/enforcement	\$69,000
Total	\$159,250

Total of Current and Potential Annual Expenses: \$521,750
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CDA would request 3 FTE. They would perform the following tasks:

- 1) Cannabis program specialist to work with CSU on the seed certification program, facilitate development of the prohibited substances list and good cultivation practices and manage the hemp research program if funded.
- 2) Marijuana IPM education specialist to work with the industry on pesticide use in marijuana issues.
- 3) Pesticide use in marijuana inspector/enforcement specialist to conduct use inspections a grow facilities.

Hemp

Current registration program

* Program management	\$ 79,200
* Admin support	\$ 12,000
Operating (mailing, printing, etc., sampling supplies)	\$ 3,000
Legal costs (20 hours per month x 12 months)	\$ 20,000
** Seed purchased under DEA permit for research by institutions of higher ed)	\$ 5,000
<u>Laboratory maintenance (purchasing standards, updating equipment)</u>	<u>\$ 10,000</u>
Total per year	\$129,200

* This is existing staff and does not require new FTE

** We could require the institution for reimbursement of some portion of the cost

- Inspector time for sampling is covered by charging the registrant \$35 per hour plus per diem and mileage.
- Actual lab costs for analysis are charged to registrant
- This does not include time spent by the PIO and the Deputy Commissioner which has been considerable and will continue to be in the future.

Hemp Costs for future activities

Certified Seed Program

The Colorado Industrial Hemp Act was amended in 2014 to require the CDA to establish a certified seed program and to administer a hemp research program (after July 2015 if funded by the General Assembly).

CDA's vision is that the industrial hemp seed certification program would be performed by CSU. They are the state agency that currently does all seed certification work. However funding would need to be provided to purchase seed from other countries and conduct the research work to develop certified seed varieties in Colorado.

CSU seed certification research associate	\$50,000
CSU technician for field work	\$20,000
Operating (plant breeding supplies, use of greenhouse space, field trials)	\$20,000
Seed (certified varieties purchased from other countries for development as Colorado varieties)	<u>\$10,000</u>
Total	\$100,000

Hemp Research Grant Program

C.R. S. 35-61-104.5 states that the CDA shall administer an industrial hemp grant research program so that institutions of higher ed may conduct research to develop or recreate strains of industrial hemp best suited for industrial applications. The Department may use registration fees for this purpose, accept moneys from other sources or C.R.S. 35-61-106 (3)(d) states that on or after July 1, 2015, the General Assembly may appropriate up to ten million dollars from the marijuana tax cash fun for CDA to establish and administer an industrial hemp research grant program to conduct hemp research. To carry out this work the department would need staff to establish this grant program and operate it.

CDA hemp grant specialist (new FTE)	\$70,000
<u>Operating</u>	<u>\$ 5,000</u>
Total	\$75,000

Currently there are no funds available for a grant program so this would be effective if and when the General Assembly appropriates money for this purpose.

Marijuana

Executive Order D 2013 -007 required the CDA to develop a list of substances not allowed to be used in marijuana production.

* 300 hours of staff time to review pesticide labels, review legal criteria, answer questions	\$ 18,000
* 100 hours of management time to manage the process of developing the list	\$ 6,500
* 120 hours of an administrative assistant to retrieve/copy labels, input data, etc.	\$ 12,000
Operating (mailing, printing)	\$ 1,000
<u>Legal costs (20 hours)</u>	<u>\$ 1,500</u>
Total per year	\$ 38,000

* this is time spent to date on this activity

Executive Order D 2013 -007 also required the CDA to work with a private advisory group in developing "good cultivation practices".

* 300 hours of management time to facilitate this process	\$ 20,000
<u>Operating (mailing, printing)</u>	<u>\$ 500</u>
Total per year	\$ 20,500

* Existing staff could not do this effectively. We need additional resources to support and facilitate this.

Not Statutorily Mandated

Marijuana IPM education specialist

The industry advocates integrated pest management (IPM) training for marijuana growers. This is a function that is usually performed by CSU. However CSU by policy will not work on marijuana. To work with marijuana growers on IPM would take either one FTE for CDA or we would need to contract this work out to a private entity. This activity is the first step and a very critical one in supporting effective and safe pesticide use in marijuana.

GP IV at a minimum (New FTE)	\$ 66,000
500 hours to develop IPM materials for marijuana	
1,200 hours of setting up meetings, training the industry in groups, visiting individual growers for one-on-one training.	
15% of an administrative assistant AA III	\$ 4,000
Operating (phone, computer, mailing, printing, etc.)	\$ 10,000
Travel (35 days at \$150)	\$ 5,250
<u>Lease Vehicle</u>	<u>\$ 5,000</u>
Total per year	\$ 90,250

Pesticide use in marijuana use inspection/enforcement

If the pesticide use in marijuana issue can be worked out and we begin treating the marijuana producers like all other greenhouse pesticide users we will need to significantly ramp up inspections. Since medical marijuana began being produced in 2000 we have not inspected marijuana producers like we would other producers. We have conducted investigations when we received a complaint. The reason for this was a policy decision was made to not do random inspections due to all of the issues we have encountered in the past six months with misuse, inability to take marijuana samples, etc. It would take one FTE just to visit the majority of the facilities over the course of the year. Below is the cost for a GP III level inspector. There is potential overlap with the IPM coordinator above.

GP III inspector (new FTE)	\$ 55,000
Operating (sampling supplies, phone, computer)	\$ 3,000
Travel (40 days at \$150)	\$ 6,000
<u>Lease Vehicle</u>	<u>\$ 5,000</u>
Total per year	\$ 69,000

BDR 49-656 Budget

Personnel		FY 16	FY 17
New Program Officer I	\$	40,510.00	\$ 55,359.00
Operating			
Operating Supplies	\$	3,000.00	\$ 3,000.00
Seed Purchased under DEA permit	\$	5,000.00	\$ 5,000.00
Plant breeding supplies, field trials	\$	20,000.00	\$ 20,000.00
Lab Maintenance	\$	10,000.00	\$ 10,000.00
Operating Sub-Total:	\$	38,000.00	\$ 38,000.00
Totals:	\$	78,510.00	\$ 93,359.00