

Fiscal Estimate Narratives

DATCP 2/23/2010

LRB Number	09-4164/1	Introduction Number	AB-0740	Estimate Type	Original
Description Growing and processing industrial hemp, granting rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill requires the Department of Agriculture, Trade and Consumer protection to issue licenses authorizing the growing and processing of industrial hemp. As part of the license process, the bill requires the department to conduct a criminal history search on each license applicant.

In addition, the bill requires the department to promulgate rules that address:

1. Industrial hemp seed certification;
2. Testing of plant THC levels; and
3. Supervision of the growing, harvesting, and processing of industrial hemp.

The bill does not affect federal law. Any industrial hemp production in Wisconsin would first have to obtain a permit from the U.S. Drug Enforcement Administration (DEA). Based on the DEA's current policies, it is unlikely that any such permits would be issued.

As a resource-saving measure and to avoid conflict with federal law, the department would likely require any applicant for an industrial hemp license to first obtain a DEA permit. If no such permits were issued, the department's workload under this bill would be unchanged.

However, if DEA permits were issued, the department's workload under the bill would increase.

It is impossible to forecast the number of license applications or number of acres of industrial hemp that would be sought in Wisconsin. However, Canada may serve for rough comparison.

Canada has allowed industrial hemp production since the late 1990s. On average over that period, Canada has had 15,500 acres in industrial hemp. That is 0.01% of Canada's roughly 167 million acres of farmland. Average field size is roughly 50 acres. If Wisconsin hemp production occupied the same relative amount of land, Wisconsin would see approximately 1,500 acres in industrial hemp. (Figures from Agriculture and Agri-Food Canada, Alberta Agriculture and Rural Development, and Wisconsin Agricultural Statistics Service.) For this estimate, we assume that Wisconsin would have roughly 30 applicants for industrial hemp licenses, each growing hemp on 50 acres.

One-time costs would include modification of the department's licensing database, including ensuring privacy controls required by the bill and the licensee sales database required under the bill. This would require between 515 and 590 hours and cost roughly \$35,000 to \$40,000, assuming \$68/hour for programming costs.

For each grower, the department would be required to test seeds and test plants during growth for THC content. Based on procedures developed in Canada, this estimate assumes up to ten composite samples per grower or up to 300 samples per year. (The number of samples needed depends on the homogeneity of each field and could be much larger if fields are uneven or divided.) The department would likely not be authorized by the DEA to conduct THC testing. External testing costs are difficult to estimate given the few labs that perform such tests. The department expects costs to range from \$300 to \$350 per sample, or up to \$105,000 per year.

In addition to testing, the department would be required to supervise growing, harvesting, and processing. We assume that a 1.0 FTE Environmental Analysis and Review Specialist - Senior would be required, given the likely dispersion of fields and expected rigorous federal requirements for sample handling, training, etc. Salary, fringe, and supplies costs for the position would be approximately \$80,000 per year. The department would also require an 0.5 FTE license program associate to manage the licensing and database aspects of the program. This position would cost approximately \$48,000 per year.

Criminal background checks from the Wisconsin Department of Justice would cost \$7 per applicant or \$350 total. (FBI checks currently cost about \$35 each.)

Covering the ongoing costs would require annual license fees of \$7,800 per applicant.

This estimate does not include costs to state or local law enforcement.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Growing and processing industrial hemp, 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): \$35,000 to \$40,000 for modification of the department's licensing database, including ensuring privacy controls required by the bill and the licensee sales database required under the bill.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$112,000		\$
(FTE Position Changes)	(1.0 FTE)		
State Operations - Other Costs	121,000		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$233,000		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS (20.115 (7) (gc))	233,000		
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, ets.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS (20.115)	233,000		
SEG/SEG-S			
TOTAL State Revenues	\$233,000		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$233,000		\$
NET CHANGE IN REVENUE	\$233,000		\$
Agency/Prepared By		Authorized Signature	Date
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