

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 491** HLS 20RS 54

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 8, 2020	9:15 AM	<b>Author:</b> ROMERO
<b>Dept./Agy.:</b> Higher Education		<b>Analyst:</b> Jodi Mauroner
<b>Subject:</b> Hemp Research		

RESEARCH & DEVELOPMENT OR INCREASE GF EX See Note  
Provides relative to industrial hemp research

Current law authorizes the Louisiana State University and the Southern University Agricultural Centers to cultivate, handle, and process industrial hemp and industrial hemp seeds for research and development of new varieties. Proposed law extends this authority to the University of Louisiana at Monroe (ULM). Authorizes the Department of Agriculture and Forestry (DAF) to enter into contracts or other agreements with these entities to provide testing of THC levels in industrial hemp crop or industrial hemp product as deemed necessary by the commissioner. Authorizes DAF to enter into contracts or other agreements with LSU Ag, Southern Ag, and ULM or ULM in association with the Edward Via College of Osteopathic Medicine located on the ULM campus to provide testing of CBD products as deemed necessary by the commissioner. Finally, adds ULM in association with Edward Via College of Osteopathic Medicine to the entities authorized to conduct research on marijuana for therapeutic use.

Effective August 1, 2020

<b>EXPENDITURES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There is no anticipated impact to the Department of Agriculture and Forestry as it anticipates it will continue to conduct such testing in house. Future costs would be incurred to the extent the department chooses to contract for these services. **LSU** has indicated it is likely that such testing can be accomplished with existing resources. There will be an increase in the expenditures of **ULM** associated with start-up laboratory facilities, equipment, and research staff; and to seek certification of the lab as required by law. ULM indicated actual expenditures are indeterminable at this time and will depend upon the type and extent of testing to be conducted, as well as the existing resources which may be available. **Southern** estimates annual costs of \$968,000 including eight personnel (horticulturist, researchers/breeders, administrative support, and outreach) (\$637,000), equipment (\$15,000), supplies (\$60,000), professional services (\$60,000), and travel (\$80,000) for hemp related activities.

The LFO obtained information from the LSU Ag Center relative to expenses incurred for such research and development associated with their lab operations of therapeutic cannabis and hemp. The producer who contracted for production of cannabis expended approximately \$15.5 million for a secure facility for the production and laboratory for testing of cannabis products. This included approximately \$11 million invested in the secure production, extraction and formulation area, and \$4.5 million on a laboratory for the LSU AgCenter. **CONTINUED ON PAGE 2**

**REVENUE EXPLANATION**

There will be increased self-generated revenues to the institutions in the event the Department of Agriculture and Forestry chooses to enter into such agreements with any single institution. Payments under these contracts would be negotiated and cannot be estimated at this time. State law allows for each university to contract with licensed producers for development of seed for distribution which could result in payment to the university. Potential revenue could increase from the sale of the product although this generally is a long term benefit. The LFO is unable to determine the potential amount or timing of such revenues.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*  
**Evan Brasseaux**  
**Staff Director**

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**CONTINUED EXPLANATION from page one:**

**Expenditure Explanation Continued from Page 1**

Specialized lab equipment totaled approximately \$1.7 million. In addition to the purchase of required equipment, salaries/benefits, lab equipment expendables, and general operation of the lab is estimated to cost approximately \$750,000 annually.

For the production of hemp the LSU AgCenter is utilizing a secured automated greenhouse facility that is located off campus. This facility replaced an existing greenhouse facility on the LSU A&M campus that was relocated to allow for construction of a new student housing facility. This facility is used for agronomic research in addition to the controlled growth of hemp for research purposes. The cost for the replacement greenhouse facility and associated laboratories was approximately \$7 million. The AgCenter currently has approximately 12 researchers working on various aspects of hemp research including pest management, breeding and genetics, production practices and economics of production and processing. A specific value to their work and research is not currently available and time of commitment to this commodity likely does not exceed 25% of their total workload.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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