

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 395** HLS 20RS 597
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 8, 2020	9:13 AM	Author: ROMERO
Dept./Agy.: Higher Education		Analyst: Jodi Mauroner
Subject: Hemp Research		

RESEARCH & DEVELOPMENT OR INCREASE GF EX See Note Page 1 of 1
 Provides relative to industrial hemp research

Current law authorizes the Louisiana State University and the Southern University Agricultural Centers (Ag 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 McNeese State University.

Effective August 1, 2020

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

EXPENDITURE EXPLANATION

There will be an increase in the expenditures of McNeese to the extent the institution exerts its authority to research and develop industrial hemp. The total is indeterminable and will depend upon the availability and use of existing resources but will likely require additional state general fund support.

McNeese was unable to provide explicit cost estimates until such time the extent of the testing and space requirements have been determined. The university did indicate it has space available, but it is possible that the university will need to acquire specialized equipment as well as to hire additional staff with particular research capabilities.

The LFO obtained information from LSU Ag Center relative to expenses incurred for such R & D. It reported that it was able to utilize existing resources associated with the production of medical marijuana but that some specialized equipment and facility improvements were required. For the production of hemp the LSU Ag Center 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 greenhouse 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. Annual operating expenses of the lab are approximately \$750,000 annually. There are some 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.

REVENUE EXPLANATION

There may be increased self-generated revenues to the institutions as a result of the research and development. 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. Additionally, the university could experience revenue increases from potential 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.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
Evan Brasseaux
Staff Director