

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5531-01
Bill No.: HB 1973
Subject: Agriculture; Crimes and Punishment
Type: Original
Date: February 1, 2016

Bill Summary: This proposal allows those licensed by the Department of Agriculture to grow and handle industrial hemp.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$60,000)	(\$5,330)	(\$5,463)
Total Estimated Net Effect on General Revenue	(\$60,000)	(\$5,330)	(\$5,463)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Ag Protection Fund	(\$501)	\$9,155	\$8,428
Total Estimated Net Effect on <u>Other</u> State Funds	(\$501)	\$9,155	\$8,428

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Agriculture Protection Fund	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Agriculture (AGR)** assume the fee structure is based upon figures from the Oregon Department of Agriculture which recently implemented an industrial hemp program. Assumptions are for 15 licenses/permits.

Fees include:

195.608.3(5) allows for application fees for license and permits
license/permit fees $\$300 * 15 = \$4,500$

195.603.10 provides for inspection & testing

195.603.11 provides for reasonable fees

Estimated cost of 3 site inspections per year (8 hours per inspection X 3 inspections = 24 total hours per site * 15 sites @ \$174.50 per hour = \$62,820

Department of Labor and Industrial Relations tests $\$700 * 15 = \$10,500$

Total fees estimated: \$77,820

Program will require 1 field staff for inspections. Duties will include but not limited to: application review, verification of application information, travel to field locations, perform inspections of site for verification. Will be inspecting immediately after planting, during growing season and after harvest/destruction. Will be collecting samples for testing. Will be responsible for transporting samples to the laboratory. Will be responsible for appropriate documentation of the "hemp monitoring system". Will be responsible for providing location documentation to appropriate authorities.

Officials at the **Department of Public Safety's Missouri Highway Patrol (MHP)** state that based on information obtained from the state of Oregon, AGR has indicated that 15 applicants may apply for licensure under this authority. Due to the limited number of potential applicants that would undergo a state and federal fingerprint-based background check with passage of this legislation, there would be a minimal fiscal impact to the Criminal Justice Information Division (CJIS) of the MHP. The cost for each background check processed is \$43.05. Twenty dollars for the state fingerprint check, \$14.75 for the federal check, and an \$8.30 charge for the electronic fingerprint option used through a third-party vendor ($\$20 + 14.75 + 8.30 = \43.05). Of this amount, the state retains the \$20 fee and \$2 of the federal charge of \$14.75 for a pass-thru fee. The \$8.30 charge is paid directly to the vendor at the time of application. Therefore, the amount deposited into the Criminal Records fund would be \$330 (15 X \$22).

ASSUMPTION (continued)

Oversight will reflect a \$0 fiscal impact on the Criminal Records fund for MHP because the estimated number of applicants for the current year is 15 which is significantly less than a previous year's estimated number of 4,500 applicants as provided by AGR.

The MHP would develop an interface between the Patrol and the Department of Agriculture to receive this information and then development a database to store and retrieve the information. The work will be completed by the state's computerized criminal history vendor, Computer Projects of Illinois (CPI), because the systems affected are components of a commercial system bought by the Patrol. CPI estimated a total of 600 (80 + 120 + 70 + 100 + 90 + 80 + 60) hours of combined work @ \$100 per hour for a total price of \$60,000 (600 x \$100) based on the following projections:

- 80 hours - Discovery and design
- 120 hours - Database modifications
- 70 hours - Store procedure codes
- 100 hours - Forms creation and redesign
- 90 hours - Switch routing and transactions
- 80 hours - Testing
- 60 hours - Project management
- 600 hours - Total

In addition, the MHP estimated an annual maintenance cost of \$5,200.

Officials at the **Department of Corrections (DOC)** assumed this proposal creates similar offenses for growing unlicensed hemp as those for growing marijuana but removes industrial hemp from the list of controlled substances. It is assumed that the impact of the new statutes will be less illegal growing of marijuana. Only growing unlicensed hemp will be illegal.

This legislation is similar to FY16 FN 4164-01, SB 0584. The only differences in this legislation are the descriptions of the enactment and repeal of sections 195.010 and 195.017. Thus, the response to this legislation is identical. In FY15 there were a total of 17 new probation sentences and 1 new prison sentence for marijuana production. It is not known how many of these sentences are for offenses that would be classified as industrial hemp production under the proposed statutes. It is estimated that removing industrial hemp from the list of controlled substances would decrease new probations by approximately two per year. If each individual is estimated to serve approximately three years in the field, then the yearly impact to the Department of Corrections will two fewer probations per year. The total impact, a reduction of six clients in the field, will not be felt until three years after implementation.

ASSUMPTION (continued)

The FY15 average cost of supervision is \$6.04 per offender per day or an annual cost of \$2,205 per offender. The DOC cost of incarceration is \$16.809 per day or an annual cost of \$6,135 per offender.

The DOC assumed this legislation will result in long term cost avoidance. Potential cost avoidance due to this legislation would not be fully realized until the 5th year (FY2020) and will vary according to the population.

The DOC cost of incarceration is \$16.725 per day or an annual amount of \$6,105 per offender. The average cost of supervision is \$6.72 per offender per day or an annual cost of \$2,453.

This legislation could result in a term cost avoidance of approximately \$3,675 in year one, \$8,996 in year two, \$13,764 in the year three, \$14,040, in year four, and \$14,321 in year 5 and \$14,607 in year six, and \$14,899 in year seven, and \$15,197 in year eight, and \$15,501 in year nine, and \$15,811 in year ten.

Oversight assumes these amounts are minimal and will not reflect the long term cost avoidances in the fiscal note.

Officials at the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Officials at the **Office of Attorney General, Department of Health and Senior Services, Department of Mental Health, State Public Defender’s Office, Office of State Courts Administrator, and Joint Committee on Administrative Rules** each assume this proposal will not have a fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Costs</u> - MHP - computer programming and annual maintenance	<u>(\$60,000)</u>	<u>(\$5,330)</u>	<u>(\$5,463)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$60,000)</u>	<u>(\$5,330)</u>	<u>(\$5,463)</u>
AG PROTECTION FUND			
<u>Income</u> - AGR - license and inspection fees	\$77,820	\$77,820	\$77,820
Costs - AGR			
Personal Service (1 FTE)	(\$31,860)	(\$38,614)	(\$39,000)
Fringe Benefits	(\$17,114)	(\$20,641)	(\$20,747)
Expense & Equipment	<u>(\$29,347)</u>	<u>(\$9,410)</u>	<u>(\$9,645)</u>
Total Costs - AGR	<u>(\$78,321)</u>	<u>(\$68,665)</u>	<u>(\$69,392)</u>
FTE Change - AGR	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT TO THE AG PROTECTION FUND	<u>(\$501)</u>	<u>\$9,155</u>	<u>\$8,428</u>
Estimated Net FTE Change for the AG Protection Fund	1 FTE	1 FTE	1 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act requires an election to be conducted every two years to certify the exclusive bargaining representation of a collective bargaining unit. Such election shall be conducted by the State Board of Mediation or any other entity that is designated by the Board. Each election shall be paid for by a filing fee assessed to employee associations seeking to be elected as the exclusive representative. Such fee is assessed based upon the overall membership of the bargaining unit.

Elections may be conducted in-person, by mail, by telephone, by internet-based system, or any other means determined by the Board to be fair and reliable. Elections shall last for a period of at least one week.

If an employee association fails to receive votes from a majority of the members of a bargaining unit, the Board shall decertify the representative. If a representative is decertified, the affected employees may not be included in a substantially similar collective bargaining unit for twelve months from the date of decertification.

The act also requires employee associations that represent employees in a meeting concerning a labor agreement and collect money from an employee to file initial and annual reports. Initial reports must contain, among other information, the constitution and bylaws of the association and must be filed within 90 days of the formation of the association, or in the case of current employee associations no later November 27, 2015. Annual reports are required to detail the financial conditions and operations of the association during the preceding fiscal year and shall be filed no later than 90 days following the end of the association's fiscal year.

Any employee association that fails to comply with the reporting requirements of this act shall refund all monies collected from employees during such period, be decertified as exclusive representative, and have all labor agreements between the association and a public body immediately rescinded and invalidated. The Board is given the authority to investigate into whether or not any person has violated any reporting requirements.

All reports filed with the Board shall be considered a public record and also available to each employee that is represented by the employee association. Employee associations are further required to retain all records pertaining to the aforementioned reports for a minimum of five years after the filing of the documents.

The act prohibits any labor agreement from lasting longer than two years.

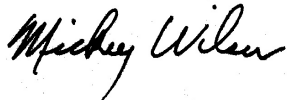
This act contains a severability clause.

FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Public Safety - Highway Patrol
Department of Agriculture
Department of Corrections
Office of Secretary of State
Office of Attorney General
Department of Health and Senior Services
Office of State Courts Administrator
State Public Defender's Office
Department of Mental Health
Joint Committee on Administrative Rules



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February 1, 2016

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