

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-0941 **Date:** April 15, 2014
Prime Sponsor(s): Sen. Schwartz **Bill Status:** Senate Local Government
 Rep. Coram **Fiscal Analyst:** Clare Pramuk (303-866-2677)

SHORT TITLE: OVERSIGHT OF THE INDUSTRIAL HEMP PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	<u>\$1,125</u>	<u>\$1,450</u>
Cash Funds	1,125	\$1,450
State Expenditures	<u>up to \$10 million</u>	<u>up to \$10 million</u>
Cash Funds	up to \$10 million	up to \$10 million
FTE Position Change		
Appropriation Required: up to \$10 million - Department of Agriculture (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

Industrial Hemp means a plant of the genus Cannabis and any part of the plant, whether growing or not, containing a delta-9 tetrahydrocannabinol (THC) concentration of no more than 0.3% on a dry weight basis. This bill modifies certain provisions of the existing industrial hemp registration program and creates an industrial hemp research grant program.

Under current law, an industrial hemp grower must apply for registration prior to May 1 of the year in which the applicant plans to grow industrial hemp. This requirement is changed to anytime prior to planting the industrial hemp. The existing 10 acre limitation for growing industrial hemp for research and development purposes is eliminated.

The industrial hemp research grant program is established to fund research at state institutions of higher education to develop or recreate strains of industrial hemp best suited for seed production. The institutions may work with private hemp developers and other stakeholders to develop a Colorado heritage seed. The Commissioner of Agriculture may collect from registrants an additional fee, established by the Industrial Hemp Committee, to fund industrial hemp research and certification programs. The grant program may solicit money from foundations, private individuals, or any other funding sources that can be used to expand the scope or time frame of hemp research. The program is also authorized by the bill to receive up to \$10 million in appropriations from the Marijuana Cash Fund.

Institutions, or research and development registrants are not subject to penalties for crops that test higher than the allowable limits of THC as long as the crop is destroyed or utilized in a manner approved and verified by the commissioner.

Finally, the bill allows a person to process, sell, and distribute hemp cultivated by a registered person, or to sell products produced from the hemp.

Background

The Department of Agriculture began administering a registration program for industrial hemp growers in 2014. The annual registration fee for commercial production of industrial hemp is \$200 plus \$1.00 per acre. The annual registration fee for production of industrial hemp for research and development is \$100 plus \$5 per acre. There are currently 33 growers registered for the upcoming season, 19 of which are registered for research and development. All registrants are subject to sampling of their industrial hemp crop to verify that their hemp does not exceed the permissible THC limits.

The Marijuana Cash Fund is composed of fees from retail marijuana licensees, state sales tax revenues from medical marijuana and retail marijuana sales, and a 10 percent special sales tax on retail marijuana.

State Revenue

This bill will increase revenue by **\$1,125 in FY 2014-15 and \$1,450 in FY 2015-16** to the Industrial Hemp Registration Program Cash Fund in the Department of Agriculture from fees. The increase is due to eliminating the 10 acre limit on research and development and adding a fee for the grant program.

Gifts, grants, and donations. The grant program can accept funds from other sources but no such gifts, grants, or donations have been identified.

Assumptions.

- the Industrial Hemp Committee will set a fee of \$20 per registrant for the grant program;
- the Industrial Hemp program will have 50 registrants in FY 2014-15 and 60 participants in FY 2015-16; and
- research and development acreage will increase by 25 acres per year.

Fee impact on industrial hemp registrants. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The actual fee amount will be established by the Industrial Hemp Committee. Table 1 below identifies the fee impact of this bill.

Type of Fee	Fee	Number Affected	Total Fee Impact
Industrial hemp research grant fee (FY 2014-15)	\$20	50	\$1,000
Industrial hemp research grant fee (FY 2015-16)	20	60	1,200
Additional acreage (FY 2014-15)	5	25	125
Additional acreage (FY 2015-16)	5	50	250
TOTAL			\$2,575

State Expenditures

This bill is expected to increase expenditures for the Department of Agriculture by **up to \$10 million in FY 2014-15 and FY 2015-16** from the Marijuana Cash Fund.

Grant Awards. The fiscal note assumes that a viable grant program to research industrial hemp seed development will require at least \$1.0 million per grant. The bill provides up to \$10 million for grants but the total amount expended will depend on the number and size of grants awarded.

Department of Agriculture. The Department of Agriculture will administer the grant program at a cost of up to \$200,000 per year. The fiscal note assumes that the Industrial Hemp Committee will develop the grant criteria and assist in the awarding of grants. Detailed staffing information for administration of the grant program will be included in a revised fiscal note.

Department of Higher Education. The Department of Higher Education will work with institutions of higher education to ensure that federal requirements are met and federal funding is not jeopardized by participation in the grant program. The fiscal note assumes that this will not require new appropriations.

Impact to State Institutions of Higher Education

This bill is expected to increase grant funding available for research on industrial hemp seed development by up to \$10 million. The funds are directed toward institutions of higher education. Those that are awarded grants will have an increase in revenue.

Technical or Mechanical Defects

As introduced, fees collected for the grant program from registrants are placed in the Industrial Hemp Registration Program Cash Fund rather than the Industrial Hemp Research Grant Fund created under the bill.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2014-15, the Department of Agriculture requires an appropriation of up to \$10 million from the Marijuana Cash Fund.

State and Local Government Contacts

Agriculture

Revenue

Law

Higher Education