


*Colorado Legislative Council Staff Fiscal Note*

# STATE FISCAL IMPACT

<b>Drafting Number:</b> LLS 13-0775	<b>Date:</b> April 5, 2013
<b>Prime Sponsor(s):</b> Sen. Schwartz; Crowder Rep. Coram; Fischer	<b>Bill Status:</b> Senate Agriculture <b>Fiscal Analyst:</b> Clare Pramuk (303-866-2677)

**TITLE:** CONCERNING THE CREATION OF A PROGRAM IN THE DEPARTMENT OF AGRICULTURE TO REGULATE INDUSTRIAL HEMP PRODUCTION.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
<b>State Revenue</b>		
General Fund	<\$500	<\$500
Cash Funds		
Industrial Hemp Registration Program Cash Fund		See State Revenue.
<b>State Expenditures</b>		
General Fund	\$21,205	
Cash Funds		
Industrial Hemp Registration Program Cash Fund		See State Expenditures.
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2013-2014:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None.		

## Summary of Legislation

This bill repeals House Bill 12-1099, the Industrial Hemp Remediation Pilot Program in the Department of Public Health and Environment, and establishes a registration program in the Department of Agriculture (department) for people cultivating industrial hemp either commercially or for research and development purposes. The bill renames the Industrial Hemp Pilot Program Committee as the Industrial Hemp Committee (committee) and specifies the qualifications for the 8 members who will be appointed by the committee chairs of the House and Senate agriculture committees. Members serve without compensation but are entitled to reimbursement for expenses. The Commissioner of Agriculture (commissioner) will adopt rules by March 1, 2014, to implement the registration program.

The department and committee will determine the qualifications and other criteria a person must satisfy for registration purposes. A person wanting to cultivate industrial hemp commercially, or on not more than 10 acres for research and development purposes, must register annually by May 1 of the year in which the applicant plans to grow industrial hemp. The department will charge a registration fee based on the size of land area on which the applicant will conduct operations

sufficient to cover the direct and indirect costs of regulation. The commissioner and committee will establish a system for registrants to test their products to verify compliance with the Delta-9 Tetrahydrocannabinol (THC) concentration limit of no more than 0.3 percent on a dry weight basis. Registrants growing for commercial purposes must enter into a purchase agreement with an in-state industrial hemp processor and provide that information to the department. The commissioner has the authority to deny, revoke, or suspend a registration and may impose a civil penalty not to exceed \$2,500 per violation of this bill or any rule adopted pursuant to the bill.

If the federal government authorizes the U.S. Department of Agriculture to regulate the cultivation and research and development of industrial hemp and the commissioner subsequently determines that state regulation is no longer necessary, state regulation will be repealed.

### **State Revenue**

State revenue from registration fees will increase beginning in FY 2014-15 but the amount of increase is not estimated. The amount of revenue required to implement the bill depends on the rules adopted by the commissioner who is required to set registration fees at a rate sufficient to cover the direct and indirect costs of the program.

This bill may result in an increase in fine revenue but given that this is a new program with no historical data, the fiscal note assumes that less than \$500 in revenue from penalties will be collected annually. Penalties are deposited into the General Fund.

### **State Expenditures**

***This bill is expected to increase General Fund expenditures by \$21,205 in FY 2013-14.*** The amount of expenditures for FY 2014-15 depends on the rules adopted by the commissioner and are not included in the fiscal note. Costs for FY 2013-14 are shown in Table 1 and detailed below.

<b>Table 1. Expenditures Under SB13-241</b>		
<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Personal Services	\$6,400	To be determined.
FTE		
Committee Meeting Expenses	900	
Legal Services	13,905	
<b>TOTAL</b>	<b>\$21,205</b>	

For FY 2013-14, the department will work with the committee to design the registration program, conduct industry outreach, and promulgate rules. The fiscal note assumes a contract staff person is required for 200 hours at a cost of \$32 per hour for a total of \$6,400. Expenses for committee meetings are estimated at \$900. The Department of Law is expected to provide 180 hours

of legal services at a rate of \$77.25 per hour to assist in rulemaking and implementation. The fiscal note assumes that the department will issue its first registrations by May 1, 2014, and that these will be for research and development purposes to determine the best varieties for Colorado.

### **State Appropriations**

For FY 2013-14, the Department of Agriculture requires a General Fund appropriation of \$21,205. Of this, \$13,905 is reappropriated to the Department of Law.

### **Departments Contacted**

Agriculture  
Public Safety

Law  
Revenue

Public Health and Environment