

**FINAL
FISCAL NOTE**

Drafting Number: LLS 14-0941	Date: July 11, 2014
Prime Sponsor(s): Sen. Schwartz Rep. Coram	Bill Status: Signed into Law
	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>\$4,125</u>	<u>\$4,750</u>
Cash Funds	4,125	4,750
State Expenditures		Increase. See State Expenditures section.
Cash Funds		
FTE Position Change		
Appropriation Required: None.		

* 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. The bill modifies certain provisions of the existing industrial hemp registration program and creates a seed certification program and 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 Committee is required to work with the Department of Agriculture to develop a seed certification program.

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 industrial applications. 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. Beginning July 1, 2015, the program is authorized by the bill to receive up to \$10 million in appropriations from the Marijuana Cash Fund and the Marijuana Tax Cash Fund created under Senate Bill 14-215.

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 183 growers registered for the upcoming season, 95 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 and medical marijuana licensees. The Marijuana Tax Cash Fund is composed of state sales tax revenues from medical marijuana and retail marijuana sales, a 10 percent special sales tax on retail marijuana, and excise tax revenue on wholesale marijuana in excess of \$40 million per year.

State Revenue

This bill will increase revenue by **\$4,125 in FY 2014-15 and \$4,750 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 200 registrants in FY 2014-15 and 225 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.

Table 1. Fee Impact on Individuals, Families or Business			
Type of Fee	Fee	Number Affected	Total Fee Impact
Industrial hemp research grant fee (FY 2014-15)	\$20	200	\$4,000
Industrial hemp research grant fee (FY 2015-16)	20	225	4,500
Additional acreage (FY 2014-15)	5	25	125
Additional acreage (FY 2015-16)	5	50	250
TOTAL			\$8,875

State Expenditures

This bill is expected to increase workload for the Department of Agriculture and the Department of Higher Education, but will not require new appropriations.

Department of Agriculture. The department will work with the Industrial Hemp Committee to establish a seed certification program and develop the grant program. The costs for each program will depend on specifications adopted by the department. The fiscal note assumes that the department will request funding for the programs through the annual budget process.

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 for industrial use and medical efficacy beginning in FY 2015-16. Individual grant award amounts will depend on the specifications of the grant program, type and complexity of research projects, federal approvals, and the funding appropriated.

Effective Date

The bill was signed into law by the Governor and took effect on May 31, 2014.

State and Local Government Contacts

Agriculture Revenue Law Higher Education