Colorado Legislative Council Staff F iscal Note

FINAL FISCAL NOTE

Drafting Number: LLS 13-0775 **Date:** July 24, 2013 **Prime Sponsor(s):** Sen. Schwartz; Crowder **Bill Status:** Signed into Law

Rep. Coram; Fischer Fiscal Analyst: Clare Pramuk (303-866-2677)

TITLE: CONCERNING THE CREATION OF A PROGRAM IN THE DEPARTMENT OF

AGRICULTURE TO REGULATE INDUSTRIAL HEMP PRODUCTION, AND, IN

CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue General Fund Cash Funds Industrial Hemp Registration Program Cash Fund	<\$500	<\$500 See State Revenue.
State Expenditures General Fund Cash Funds Industrial Hemp Registration Program Cash Fund	\$21,205	See State Expenditures.
FTE Position Change		

Effective Date: The bill was signed into law by the Governor and took effect on May 28, 2013.

Appropriation Summary for FY 2013-2014: See State Appropriations section.

Local Government Impact: 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 9 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. A person registered under the Industrial Hemp Remediation Pilot Program prior to the effective date of this bill can continue to grow hemp as long as the person applies for registration under this bill within 60 days of applications being made available.

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.

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

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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 Law Public Health and Environment

Public Safety Revenue