

## Department of Planning and Budget 2018 Fiscal Impact Statement

**1. Bill Number:** HB532

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Freitas

**3. Committee:** Agriculture, Chesapeake and Natural Resources

**4. Title:** Industrial hemp; removal of restrictions; registration of research program participants.

**5. Summary:** This bill eliminates the licensure requirement for growing industrial hemp and allows any person to sell industrial hemp. The bill directs the Commissioner of Agriculture and Consumer Services (the Commissioner) to establish a registration system for participants in an industrial hemp research program, with each registration valid for two years and costing no more than \$45. The bill provides that records and information submitted in support of a registration application shall be considered proprietary and confidential, requiring the Commissioner to provide information about an individual registrant to certain law-enforcement agencies in certain circumstances. Finally, the bill requires that one or more employees of the Department of Agriculture and Consumer Services be directed to process registration applications and that one or more such employees serve as year-round points of contact to answer questions about the program.

**6. Budget Amendment Necessary:** Yes to Items 90 and 407 of HB30/SB30. See item 8, below.

**7. Fiscal Impact Estimates:** Preliminary. See item 8.

**7a. Expenditure Impact:** Item 90 – Department of Agriculture and Consumer Services

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	n/a	n/a	n/a
2019	\$306,395	n/a	n/a
2020	\$156,395	n/a	n/a
2021	\$156,395	n/a	n/a
2022	\$156,395	n/a	n/a
2023	\$156,395	n/a	n/a
2024	\$156,395	n/a	n/a

**Expenditure Impact:** Item 407– Department of Forensic Science

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	n/a	n/a	n/a
2019	\$2,501,090	19	GF
2020	\$2,176,090	19	GF
2021	\$2,176,090	19	GF

2022	\$2,176,090	19	GF
2023	\$2,176,090	19	GF
2024	\$2,176,090	19	GF

**7b. Revenue Impact:** Indeterminate.

- 8. Fiscal Implications:** The Department of Agriculture and Consumer Services (VDACS) anticipates that it will require two additional positions and additional general fund support of \$306,395 in FY 2019 and \$156,395 in FY 2020 and each year thereafter. A budget amendment for \$150,000 from the general fund will be required in FY 2019. The introduced budget bill, HB30/SB30, contains \$156,395 in each year and two positions to support an expanded industrial hemp research program. VDACS will use one position for general oversight of the proposed research program and for collecting, analyzing, and synthesizing data on the industrial hemp grown. An additional position is needed to register participants in the current and proposed research programs and liaise with law enforcement authorities responsible for marijuana eradication in order to prevent the eradication of industrial hemp grown as part of the research program.

Additionally, the bill requires that the Commissioner establish an online electronic registration application form and treat any record, data, and information filed in support of such application as proprietary and confidential. The agency estimates that the development cost for such a secure online system would be \$150,000. A budget amendment is necessary for this expenditure in FY 2019.

It is anticipated that this bill will have an expenditure impact on the Department of Forensic Science (DFS). According to DFS, the agency may be requested by law enforcement agencies to conduct qualitative analysis of the plant material to establish that the concentration of tetrahydrocannabinol is above the concentration specified for industrial hemp, and therefore, meets the definition of marijuana. This quantitative analysis is not required under current law and is not currently performed by DFS.

According to DFS, this analysis is resource intensive and will require a budget amendment of \$2.5 million in FY 2019 and \$2.2 million in the out-years and 19 positions. Based on caseloads in previous years and the provisions of this bill, the department estimates that it will experience a 20 percent increase in caseload. To accommodate this additional caseload, DFS has calculated the need for 19 new controlled substance examiner positions. The total cost related to these positions is estimated at \$2.1 million based on the current average cost per examiner, including benefits. DFS also estimates the need for annual supplies, including reference samples, calibrations standards and glassware, for a total ongoing cost of \$86,090. In FY 2019, the agency will incur one-time costs of \$325,000 for equipment purchases of additional gas chromatography/mass spectrometry instruments required to complete the analysis. Ongoing equipment maintenance is estimated at \$20,000 annually.

The bill caps the two-year registration fee at \$45 and prescribes that any fees collected be deposited into the state treasury but does not specify that these funds may be used to

administer the provisions of this bill. The number of registrations that will be issued under the provisions of this bill cannot be determined.

It is anticipated that this bill will not have a fiscal impact on the Department of State Police.

**9. Specific Agency or Political Subdivisions Affected:** Department of Agriculture and Consumer Services; Department of Forensic Science; Department of State Police.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** SB247 and SB599 also address industrial hemp programs.