

Department of Planning and Budget

2017 Fiscal Impact Statement

1. Bill Number: HB2398

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

2. Patron: Pogge

3. Committee: Agriculture, Chesapeake and Natural Resources

4. Title: Industrial hemp; pilot program; license.

5. Summary: This bill amends the Virginia Industrial Hemp Law to require the Commissioner of Agriculture and Consumer Services to establish an agricultural pilot program and licensing procedure to study the growth, cultivation, and marketing of industrial hemp. The bill requires that the pilot program be open to all Virginia landowners, the license be valid for three years, and the application fee not exceed \$75. The bill requires that a license applicant provide GPS coordinates and proof of ownership of the land on which he intends to grow industrial hemp and requires that a licensee enter into a Memorandum of Understanding with the Commissioner. The bill requires the Commissioner to obtain required permits and legal agreements to import, store, and distribute certified industrial hemp seed and to aid licensees, upon request and in an expedient manner, in pursuing permits, waivers, or contracts required to import or purchase certified industrial hemp seed. The bill provides that licensees bear the financial burden of purchasing certified industrial hemp seed and that processed hemp from this pilot program may be sold within and outside of the Commonwealth. The bill eliminates the existing authority for the Board of Agriculture and Consumer Services to adopt regulations as necessary to license persons to grow hemp in the Commonwealth for any lawful purpose other than as a participant in the industrial hemp research program.

6. Budget Amendment Necessary: Yes, Item 93 of HB1500/SB900.

7. Fiscal Impact Estimates: Preliminary.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	\$208,140	3	GF
2019	\$208,140	3	GF
2020	\$208,140	3	GF
2021	\$208,140	3	GF
2022	\$208,140	3	GF
2023	\$208,140	3	GF

7b. Revenue Impact: Indeterminate. See item 8.

- 8. Fiscal Implications:** The Virginia Department of Agriculture and Consumer Services (VDACS) does not have staff solely dedicated to the current industrial hemp research program, which has 23 licensed growers. The Kentucky Department of Agriculture, which has had an agricultural pilot program in place for three years, has licensed 209 growers to cultivate up to 12,800 acres of hemp for the 2017 growing season. VDACS will need one position, at an estimated annual cost of \$65,412, to license participants in the proposed agricultural pilot program and liaise with law enforcement authorities responsible for marijuana eradication in order to prevent the eradication of hemp grown as part of the agricultural pilot program. Additional resources will also be needed for fiscal processing of application fees and seed purchases. VDACS will need another position, at an estimated annual cost of \$65,412, to meet the administrative responsibilities associated with the bill. As the 2014 Farm Bill requires that research be the purpose of an industrial hemp agricultural pilot program, the agency will need another position, at an estimated annual cost of \$77,316, who is responsible for collecting, analyzing, and synthesizing data on the hemp grown as part of the agricultural pilot program and general oversight of the program. The three positions total \$208,140, and a budget amendment is required beginning in FY 2018.

The bill requires the Commissioner to aid license holders in pursuing any permits, waivers, or contracts required to facilitate the importation or purchase of certified industrial hemp seed, and VDACS anticipates it will need to evaluate contracts presented by seed suppliers. As a result, the department will increase its use of the counsel at the Office of the Attorney General, at a cost of \$141.39 per hour.

In order to implement the proposed agricultural pilot program, VDACS will need to identify a seed storage location that is climate-controlled, meets the Drug Enforcement Agency's (DEA) security requirements, and is of sufficient capacity. It is unlikely that the agency will have access to state-owned space meeting these requirements; therefore, the agency anticipates needing to procure private space to store the hemp seed it is required to import for the proposed agricultural pilot program. The cost for appropriate space is indeterminate at this time.

VDACS currently maintains a spreadsheet to track the 23 licensed growers who participate in the industrial hemp research program. If the number of applicants for a license to participate in the proposed agricultural pilot program increases beyond approximately 50, the department anticipates it will need to develop a database to track the applicants and licensees for the proposed program. Based on the costs of similar licensing systems and programs, the system costs may be up to \$160,000 annually. The expenditure impact identified in item seven, above, does not include the costs of legal services, rent or additional system costs. Appropriation for these expenditures may be required in future biennia.

While the bill prescribes a licensure fee not to exceed \$75 for a three-year license, the bill does not specify that these funds may be used to administer the proposed program. The number of licenses that will be issued under the provisions of the bill cannot be determined.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Agriculture and Consumer Services; Office of the Attorney General.

10. Technical Amendment Necessary: No.

11. Other Comments: None.