

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: SB918

House of Origin	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Marsden

3. Committee: Passed the Senate.

4. Title: Industrial hemp extract; approval as food or ingredient; regulations; fund.

5. Summary: Provides that an industrial hemp extract, as defined in the bill, is a food and is subject to applicable laws and regulations. The bill establishes (i) requirements for the production of an industrial hemp extract or a food containing an extract and (ii) conditions under which a manufacturer of such extract or food shall be considered an approved source. The bill authorizes the Board of Agriculture and Consumer Services to adopt regulations establishing contaminant tolerances, labeling requirements, and batch testing requirements, and it provides that moneys collected under the chapter shall be deposited in the Virginia Industrial Hemp Fund, created by the bill. The bill directs the Secretary of Agriculture and Forestry to report by November 1, 2020, a plan for the long-term sustainability of funding for the industrial hemp program.

The bill includes another reporting requirement of the Board, also due by November 1, 2020, regarding recommended legislative or regulatory amendments necessary to (i) allow a registered industrial hemp grower to grow industrial hemp with a tetrahydrocannabinol concentration of no greater than one percent and (ii) authorize the Department to modify its existing industrial hemp program as quickly and efficiently as possible to respond to any final regulation adopted by the U.S. Department of Agriculture regarding the domestic production of hemp. The fourth enactment clause authorizes the adoption of a tiered approach to testing of tetrahydrocannabinol concentrations if not prohibited by any other law. Lastly, the bill contains an emergency clause and is contingent on funding in a general appropriation act.

6. Budget Amendment Necessary: No. See item 8.

7. Fiscal Impact Estimates: Preliminary.

8. Fiscal Implications: This bill will have a general fund expenditure impact, and an indeterminate general fund revenue impact. The bill increases responsibilities of the Department of Agriculture and Consumer Services (VDACS). HB/SB30, as introduced, includes additional general fund support of \$99,553 in FY 2021 and \$86,053 in FY 2022 and subsequent years for one FTE along with associated operating costs to address the need for safety inspections resulting from the establishment of manufacturing requirements for the production of an industrial hemp-derived extract intended for human consumption. This

position and the additional funding are intended to address the expected fiscal impact to VDACS.

The bill establishes the Virginia Industrial Hemp Fund to be utilized by VDACS to carry out the provisions of the chapter. The bill provides that moneys collected under the chapter shall be deposited to the Fund. Chapter 41.1 authorizes VDACS to charge a nonrefundable fee not to exceed \$50 for any application for registration or renewal of registration, and to charge a nonrefundable fee for the tetrahydrocannabinol testing. Currently, these fees collected by VDACS are deposited in the state general fund. In FY 2019, \$63,745 in hemp registration fees were collected and deposited to the general fund.

Enactment of the bill is contingent on funding in a general appropriation act passed during the 2020 Session.

9. Specific Agency or Political Subdivisions Affected: Department of Agriculture and Consumer Services.

10. Technical Amendment Necessary: No.

11. Other Comments: HB1430, as passed by the House, is the companion to this bill.