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FISCAL IMPACT REPORT

ORIGINAL DATE 2/27/09

SPONSOR McSorley LAST UPDATED _____ HB _____

SHORT TITLE Study Commercialization Of Industrial Hemp SM 30

ANALYST Haug

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HM 47
Relates to HB 403, SB377

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Indeterminate*			Non- recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

*See Fiscal Implications Below.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)
Department of Agriculture (NMDA)

SUMMARY

Synopsis of Bill

Senate Memorial 30 requests the New Mexico Department of Agriculture (NMDA) investigate the feasibility of state incentives for the commercialization of industrial hemp in New Mexico and report its finding to the appropriate interim committee of the legislature by December 1, 2009.

The memorial further requests that the Congress acknowledge the difference between marijuana and industrial hemp and to clearly legalize the commercial production of industrial hemp.

FISCAL IMPLICATIONS

The NMDA states that it would require additional resources to successfully study the feasibility of state incentives for commercialization of industrial hemp. NMDA does not have the expertise to conduct such study; it would be necessary to engage the services of a contractor. Mandated budget reductions for the current fiscal year would make this study infeasible. No funding is appropriated for this study. Engaging willing partners in this process may prove challenging.

SIGNIFICANT ISSUES

- Hemp is an ancient source of material for fiber and other commercial products.
- Hemp requires less water than conventional crops.
- Agriculture is a critical component of New Mexico's economy.
- The world market for products derived from industrial hemp is a potential opportunity for New Mexico agricultural producers to diversify and augment the state's agricultural economy.
- Economic conditions require innovation and experimentation with alternative crops and value-added technologies.
- Legal, technical and financial obstacles must be overcome if industrial hemp is to become a viable commercial crop in New Mexico.
- The federal drug enforcement agency has even recognized, in an interpretive rule published in the federal register, that "exempt from control [pursuant to the Controlled Substances Act] certain THC-containing industrial products, processed plant materials used to make such products, and animal feed mixtures; provided [that] such products, materials and feed mixtures are made from those portions of the cannabis plant that are excluded from the definition of marijuana and are not used or intended for use for human consumption".

DUPLICATION,

Senate Memorial 30 duplicates House Memorial 47.

Senate Memorial 30 is related to House Bill 403 and Senate Bill 377, duplicate bills, which would provide for licensing the growing, selling and processing of industrial hemp.

TECHNICAL ISSUES

The NMDA reports that *Cannabis sativa* is classified as a Schedule I controlled substance, regardless of its narcotic content under federal law 21 USC 802 (16). Regulatory authority for controlled substances is vested in the office of the United States attorney general and carried out by the United States drug enforcement agency. In the absence of substantive changes to federal law, results from the study, even favorable results regarding the viability of an industrial hemp industry in New Mexico, would not be sufficient to allow production to begin.