

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Martinez, R/Lara/ Small/Allison/Ferrary **ORIGINAL DATE** 2/25/19
LAST UPDATED 3/01/19 **HB** 566/aHAWC

SHORT TITLE Hemp Research **SB** _____

ANALYST Daly

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	See Fiscal Implications		Recurring	Hemp Research and Development Fund NMSU/NMDA

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications			Recurring	Hemp Research and Development Fund NMSU/NMDA

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB581

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Agriculture (NMDA)
 Department of Health (DOH)
 Department of Public Safety (DPS)
 New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of HAWC Amendments

The House Agricultural & Water Resources Committee amendments to House Bill 566 1) increase the maximum level of THC that may be present in research hemp (defined in the bill as low THC Cannabis sativa) from 1 percent to 2 percent; and 2) make that same change in the related exemption in the Controlled Substances Act.

Synopsis of Original Bill

House Bill 566 creates a new fee supported program authorizing NMDA to adopt rules related to the licensing and regulation of persons conducting hemp plant research to develop low THC Cannabis sativa plant varieties with increased productivity or that are adapted to the state's different ecosystems. As defined in this bill, low THC Cannabis sativa plants contain a THC concentration of more than .3percent but not more than 1 percent.

HB566 also amends the Controlled Substance Act to exempt from prosecution those conducting plant research consistent with the bill's provisions.

The effective date of this bill is July 1, 2019.

FISCAL IMPLICATIONS

NMDA is concerned that funding provided under a fee-based program will be insufficient to cover costs associated with licensing, applicant reviews, testing, and repeated inspections to ensure compliance. It provides no estimates of licensing fees to be collected, nor costs to perform its duties under this bill. However, as Section 1(E) allows NMSU on behalf of NMDA to establish the license fee not to exceed the cost of administration, it appears that the revenue and expenditures should balance out.

SIGNIFICANT ISSUES

DOH notes that the provisions of HB 566 are consistent the Statement of Principles on Industrial Hemp, a notice by the Federal Agriculture Department, the Drug Enforcement Agency and the Food and Drug Administration's (<https://www.federalregister.gov/documents/2016/08/12/2016-19146/statement-of-principles-on-industrial-hemp>) published in 2016.

DPS cautions that the similarities between the physical appearance of hemp and marijuana will prevent definitive identification of law enforcement without laboratory testing.

ADMINISTRATIVE IMPLICATIONS

NMDA reports that promulgation of rules as required under this bill will require additional administrative and technical staff.

RELATIONSHIP

Relates to HB581, which authorizes activities relating to unprocessed hemp that contain THC concentrations of not more than .3 percent, including hemp plant breeders and also regulates the storage and disposal of accumulated THC at levels that may be greater than .3 percent.

Relates to HB 63, which makes an appropriation to NMSU for NMDA to perform a study to determine how to develop the production and sale of industrial hemp in New Mexico

AMENDMENTS

NMDA suggests the definition of “hemp plant research” should be amended to narrow the scope of research to only hemp. It comments that as drafted, it could also include research involving other cannabis varieties, such as medical cannabis.

MD/sb