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## FISCAL IMPACT REPORT

SPONSOR HAGC ORIGINAL DATE 03/09/11  
LAST UPDATED \_\_\_\_\_ HB 565/HAGCS  
SHORT TITLE Industrial Hemp License SB \_\_\_\_\_  
ANALYST Haug

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$500.0	\$500.0	\$1,000.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Agriculture (NMDA)

### SUMMARY

#### Synopsis of Bill

House Agriculture and Water Resources Committee substitute for House Bill 565 would provide for licensing the growing, selling and processing of industrial hemp (industrial Santhica) and would charge the NMDA with developing rules and licensing the production of industrial Santhica (THC free hemp). The Department of Public Safety would investigate growing fields and processing facilities on verifiable evidence that a designated Santhica field is unlicensed and is in violation of the Act.

### FISCAL IMPLICATIONS

House Agriculture and Water Resources Committee substitute for House Bill 565 contains no General Fund appropriation but appropriates the fees received to NMDA to carry out all provisions of the act.

NMDA reports that it cannot predict the level of revenue expected from these fees, but believes it will be insufficient to enact the provisions of the bill. NMDA would need at least 2,000 growers paying a one hundred fifty dollar licensing fee annually to support the staffing needs. NMDA suggests that fees collected not be subjected to a one hundred fifty dollar cap.

The NMDA has stated that it does not have sufficient staff to implement the provisions of the act. NMDA would require \$500,000 for four staff specially trained, skilled, and knowledgeable in the following areas: licensing and auditing, seed bank, marketing/education specialist, and law enforcement as related to illegal substances or an attorney, perhaps both. Staff and related costs would require \$500,000.

## SIGNIFICANT ISSUES

NMDA reports:

NMDA has investigated the origin of Santhica and it appears in literature that refers to France as a country that has developed this strain of industrial hemp; no other country seems to have this strain. HB 565 HAGC substitute states that NMDA shall help to ensure availability of seed. NMDA shall maintain an authorized list of certified seed sources for industrial Santhica, certify Santhica seed obtained from other sources (NMDA is not clear what this means), maintain a list of growers and processors from whom seed has been provided, and maintain a list of growers and processors. It is unclear how potential growers will acquire seed that appears to originate in France. Will Santhica be available and how will importation of Santhica be accomplished if the source is France or another country. Also, most research states that industrial hemp does not grow well below the forty-fifth parallel. New Mexico is geographically situated well below that mark.

## TECHNICAL ISSUES

NMDA asserts *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. Thus, even if the legislature passed HB 565, its implementation would be in violation of federal law.

NMDA suggests adding a new section 3 on page 3, line 20 and 21:

### NEW MEXICO STATE UNIVERSITY BOARD OF REGENTS – FEES

- A. The board of regents of New Mexico state university may authorize New Mexico department of agriculture to charge reasonable fees not to exceed the actual costs of performing services including inspections, monitoring, marketing, maintaining, and certifying Santhica seed.
- B. The New Mexico department of agriculture shall provide a fee schedule for all fees due to the department.

GH/bym:svb