

**Department of Legislative Services**  
 Maryland General Assembly  
 2000 Session

**FISCAL NOTE**  
**Revised**

House Bill 1250 (Delegate C. Davis. *et al.*)

Environmental Matters

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**Agriculture - Industrial Hemp - Pilot Program**

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This bill establishes a pilot program to be administered by the Secretary of the Maryland Department of Agriculture (MDA), in consultation with the United States Department of Justice Drug Enforcement Administration (DEA) and the Maryland Department of State Police. The pilot will study the growth and marketing of industrial hemp in the State.

The bill takes effect July 1, 2000 and sunsets December 31, 2004.

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**Fiscal Summary**

**State Effect:** General fund expenditure increase of \$34,300 in FY 2001 to conduct the pilot program. Future year estimates are annualized, adjusted for inflation, and reflect ongoing operating costs. No effect on revenues unless MDA institutes a license fee through regulations.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	34,300	44,000	45,000	45,900	23,400
Net Effect	(\$34,300)	(\$44,000)	(\$45,000)	(\$45,900)	\$23,400

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** Potential minimal. To the extent that a participant in the pilot program is a small business, the bill could have a minimal impact.

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## Analysis

**Bill Summary:** The Secretary of Agriculture, in consultation with the DEA and the Department of State Police, may adopt regulations to implement the pilot program. To participate in the program, an individual must register with the DEA and be licensed by MDA. The Secretary shall ensure the safe cultivation and use of industrial hemp by controlling the supply of seeds that will be used, inspecting and testing hemp crops, and certifying the transportation and final destination of raw industrial hemp. In order to determine an individual's eligibility for a license, MDA must: (1) conduct a background check of the individual; (2) apply to the State Criminal Justice Information System (CJIS) Central Repository in the Department of Public Safety and Correctional Services for a national and State criminal history records check; and (3) submit to the repository two complete sets of the individual's fingerprints, the mandatory federal processing fee, and the State criminal history records access fee that is authorized under current law. The central repository must forward to the individual and MDA the individual's criminal history record information. Only State agricultural land may be used for the pilot program. MDA shall register and certify sites for the growth of industrial hemp with the DEA and the Department of State Police. The Department of State Police is authorized to enter any premises, land, or building where industrial hemp is grown or manufactured.

On or before December 1, 2000, 2001, 2002, 2003, and 2004, respectively, the Secretary must report to the Governor and the General Assembly on the status of efforts to implement the program, the amount of acreage under cultivation, the feasibility of growing industrial hemp in the State, and the market or potential market for industrial hemp grown in the State or hemp products manufactured in the State.

**Current Law:** No such pilot program exists.

**Background:** The components of industrial hemp are used to produce textiles, ropes, cellulose plastics, resins, particle board, paper products, and oil. Both industrial hemp and marijuana are derived from the cannabis sativa plant, but marijuana contains levels of 3-15% tetrahydrocannabinol, the chemical responsible for its psychoactive properties, while cannabis plants grown for industrial hemp contain less than 1 percent of this chemical.

According to industry analysts, several recent developments, including faltering state agricultural economies, have led to increasing interest in growing industrial hemp. There are several agricultural advantages linked with the growth of industrial hemp including:

- the plant serves as a good rotation crop;

- the mature plant’s strength makes it impervious to storm damage;
- all parts of hemp are economically important; and
- hemp can be grown in many climates and under many conditions.

However, interpretation of federal law regarding marijuana has raised barriers to legislation allowing growth of industrial hemp. The DEA opposed industrial hemp production in Colorado because it argues that it is difficult to distinguish a field of legitimate hemp from a field of illicit cannabis. Vermont, however, adopted a law that authorizes research and includes analysis of market economics, soils and growing conditions in the state, and law enforcement aspects. It does not authorize cultivation. Hawaii’s legislature passed a resolution in 1996 to study the economic potential and problems with growing non-psychoactive industrial hemp. In 1999, Hawaii passed legislation authorizing the study, research, and potential production of the crop, and as of December 1999, test fields had been planted in that state. Eight other states passed legislation in 1999 providing for research, study, or potential production of the crop: Arkansas, California, Illinois, Minnesota, Montana, New Mexico, North Dakota, and Virginia.

According to a recent report by the U.S. Department of Agriculture, however, demand for hemp products is limited. Hemp suppliers argue that new uses and markets for the crop will develop once a supply is available.

The stated purpose of the pilot program is to allow the controlled growth and processing of industrial hemp in order to assess: (1) the feasibility of growing industrial hemp in the State; and (2) the availability and extent of the commercial and industrial market for industrial hemp grown in the State and hemp products manufactured in the State.

**State Fiscal Effect:** General fund expenditures could increase by an estimated \$34,300 in fiscal 2001, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring one contractual agronomist to develop regulations, acquire seeds, develop licensure requirements and process, determine applicant eligibility, conduct inspections and collect samples for testing of growing hemp crops, coordinate with other State and federal agencies, prepare annual status reports, and provide technical assistance to growers and manufacturers. It includes salary, fringe benefits, one-time start-up costs, and ongoing operating expenses including contractual services for hemp sample analysis.

Salaries and Fringe Benefits	\$25,900
Contractual Services	3,700

Other Operating Expenses	<u>4,700</u>
<b>Total FY 2001 State Expenditures</b>	<b>\$34,300</b>

The total maximum cost of criminal history record checks and fingerprinting is \$52, which includes State and national background checks. It is assumed that this cost would be borne by applicants. Given the limited number of applicants expected, State expenditures would not be affected.

Future year expenditures reflect (1) full salary with 2.4% annual increases; and (2) 1% annual increases in ongoing operating expenses.

It is assumed that there would not be a fee to obtain a license to participate in the pilot program. Should a license fee be instituted through regulations, general fund revenues would increase accordingly.

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### **Additional Information**

**Prior Introductions:** HB 374 of 1999 would have authorized the growth, maintenance, and manufacture of industrial hemp in the State. The Environmental Matters Committee reported the bill unfavorably.

**Cross File:** None.

**Information Source(s):** Maryland Department of Agriculture, Department of Public Safety and Correctional Services, Department of State Police, Department of Legislative Services

**Fiscal Note History:** First Reader - February 21, 2000  
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