

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 507 (Delegate C. Davis)

Environmental Matters

Agriculture - Commercial Use of Industrial Hemp Act

This bill establishes a regulatory scheme for the commercial use of “industrial hemp.” The bill requires the Maryland Department of Agriculture (MDA) to authorize the growth, maintenance, and manufacture of industrial hemp and the regeneration of seed for the growth of industrial hemp. A person must have a license issued by MDA before engaging in the commercial use of industrial hemp. The bill sets the license fee at \$50. MDA must develop specified criteria, in consultation with the U.S. Drug Enforcement Administration, for issuing such a license and ensure the safe commercial use of industrial hemp.

The department is authorized to enter any premises, land, or building where industrial hemp is grown or manufactured in order to monitor compliance with the provisions of the bill during reasonable business hours, with or without notice. The department may also take samples of industrial hemp for tetrahydrocannabinol analysis. The samples may not exceed 1% of the total industrial hemp on the premises. In addition, the department must enter into a cooperative agreement with specified State agencies to ensure proper notification to law enforcement officials of licensed industrial hemp activities within the law enforcement officials’ jurisdiction.

A person who grows or manufactures industrial hemp without a license is guilty of a misdemeanor and is subject to a fine of up to \$1,000 and imprisonment of up to one year or both. A person who grows or manufactures industrial hemp that exceeds the 1% tetrahydrocannabinol limit without a license is subject to penalties specified under Article 27, Sections 276 - 305 of the Annotated Code.

Fiscal Summary

State Effect: General fund expenditures could increase by approximately \$42,400 in FY 2000. Out-year expenditures reflect annualization and inflation. Potential minimal revenue increase associated with the bill’s licensing requirement. Potential minimal increase in general fund revenues and expenditures due to the bill’s penalty provisions.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	-	-	-	-	-
GF Expenditures	\$42,400	51,300	53,400	55,700	58,000
Net Effect	(\$42,400)	(\$51,300)	(\$53,400)	(\$55,700)	(\$58,000)

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

Local Effect: Potential minimal increase in revenues and expenditures due to the bill’s penalty provisions.

Small Business Effect: Potential meaningful.

Analysis

Current Law: It is illegal to grow or manufacture industrial hemp in the State. The definition of marijuana under current law does not exclude industrial hemp.

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% 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 United States Drug Enforcement Agency 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, and 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 supporters argue that new uses and markets for the crop will develop once supply is available.

State Fiscal Effect: General fund expenditures could increase by an estimated \$42,400 in fiscal 2000, which accounts for the bill's October 1, 2000, effective date. This estimate reflects the cost of hiring one agronomist to develop and administer the industrial hemp program. This includes developing regulations, acquiring the proper seeds, developing the licensure process and requirements, conducting inspections and collecting samples for the testing of hemp seeds and crops, coordinating with other State and federal agencies regarding the notification and review of records of growers and manufacturers, and providing 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. Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The Maryland Department of Agriculture reports that it currently has no information on which to base an estimate as to how many individuals or businesses would participate in an industrial hemp program. The bill requires any persons growing or manufacturing industrial hemp to pay a \$50 license fee. As a result, general fund revenue would increase by \$50 for each person engaging in the commercial use of industrial hemp.

The criminal penalty provisions of this bill are not expected to significantly affect State revenues or expenditures.

Local Fiscal Effect: The criminal penalty provisions of this bill are not expected to significantly affect local revenues or expenditures.

Small Business Effect: To the extent that this program opens new markets for using industrial hemp for commercial purposes, persons involved could be positively impacted. However, the magnitude of any impact cannot be quantified at this time.

Additional Information

Prior Introductions: The Environmental Matters Committee held a hearing on HB 374 of 1999, but reported the bill unfavorably.

Cross File: None.

Information Source(s): Maryland Department of Agriculture, Office of Administrative Hearings, Department of Legislative Services

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cm/jr

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