

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 11, 2017

TO: Honorable Tracy O. King, Chair, House Committee on Agriculture & Livestock

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3587 by Zedler (Relating to industrial hemp; requiring an occupational license; authorizing fees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3587, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2017
2018	(\$352,786)	\$352,786	3.0
2019	(\$276,998)	\$276,998	3.0
2020	(\$290,346)	\$290,346	3.0
2021	(\$290,346)	\$290,346	3.0
2022	(\$290,346)	\$290,346	3.0

Fiscal Analysis

The bill would amend Texas Agriculture Code by adding Chapter 112, Production of Industrial Hemp. The bill would define several terms related to hemp production, and would allow the Texas Department of Agriculture (TDA) or any institute of higher education (IHE) to research the cultivation of industrial hemp using certified or noncertified seed, cultivars, and clones. The bill would require TDA to adopt rules to regulate industrial hemp production and to prescribe reasonable license application and renewal fees, inspection fees, and plant sample testing fees, which may be appropriated only to TDA for the purpose of administering the program.

The bill would allow TDA or the State Seed and Plant Board to certify industrial hemp seed and plants, cultivars, and clones, and would require suspension of certification if the collective yield and average samplings from inspections exceed the THC compliance threshold at the license holder's expense.

The bill would exempt industrial hemp grown or cultivated by TDA, an IHE, or a license holder, or a hemp-derived product that meets the THC compliance threshold, from the definition of "marihuana," in Texas Health and Safety Code, Section 481.002, and would exempt various hemp-related activities from violating Health and Safety Code provisions.

The bill would establish legislative intent that license holders would be responsible for growing and cultivating TDA-approved and certified industrial hemp that would meet THC compliance and other compliance laws; that manufacturers of hemp-derived products both for human consumption and not for human consumption be responsible for meeting the THC compliance threshold and complying with other applicable laws; and that wholesalers, retailers, and consumers of hemp-derived products into be responsible for unknowingly buying or selling products that do not meet the THC compliance threshold.

The bill would require TDA to adopt rules necessary to implement the provisions of this bill no later than January 1, 2018. The bill would take effect September 1, 2017.

Methodology

TDA estimates that multiple inspections for each grower would be required to implement the provisions of the bill, and that the occupational program would be implemented in a similar way as the nursery floral and seed certification programs, but with greater oversight. Based on the analysis of TDA, the cost of the new program would require 3.0 FTEs each fiscal year with associated costs for salaries, retirement, and other benefits totaling \$171,997 each fiscal year. Travel and operating costs for these FTEs would total \$180,788 in fiscal year 2018, \$105,001 in fiscal year 2019, and \$118,349 each subsequent fiscal year. These costs include expenses associated with IT startup and recurring data center expenditures. TDA anticipates that fee revenue generated as a result of application submissions and renewal and inspections would cover the costs of the program's expenses.

Technology

TDA anticipates some expenses associated with IT startup and recurring data center expenditures.

Local Government Impact

According to the Texas Municipal League, the fiscal impact to municipalities is not anticipated to be significant.

According to the San Antonio Police Department, the bill would have no fiscal impact on the Department.

According to the Texas Association of Counties, the bill would have no fiscal impact on counties.

Source Agencies: 304 Comptroller of Public Accounts, 551 Department of Agriculture

LBB Staff: UP, SZ, MW, MSO, JGA