

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington St., Suite 301
Indianapolis, IN 46204
(317) 233-0696
iga.in.gov

FISCAL IMPACT STATEMENT

LS 7271

BILL NUMBER: HB 1233

NOTE PREPARED: Jan 3, 2021

BILL AMENDED:

SUBJECT: Regulation of Hemp Production.

FIRST AUTHOR: Rep. Judy

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill defines "approved laboratory" for purposes of testing hemp. It establishes sampling requirements for testing hemp samples not more than 28 days before harvest for the purpose of ensuring that the harvest lot does not exceed the allowable delta-9-tetrahydrocannabinol (THC) concentration. It establishes testing requirements for each hemp harvest lot. It prohibits a THC test that involves the application of heat or decarboxylation or that requires tetrahydrocannabinolic acid (THCA) to be converted into THC.

The bill provides that a grower who produces hemp with an average THC concentration exceeding 0.3% and not more than 1% on a dry weight basis is not guilty of negligently violating the requirements of the THC concentration requirements.

Effective Date: July 1, 2021.

Explanation of State Expenditures: Current law requires the State Seed Commissioner to perform random testing on hemp crops. The bill requires a hemp grower to arrange and pay for sample testing from each harvest lot. The sampling and testing must be done by either the commissioner or an approved laboratory. The approved laboratory must report the results of a test electronically to the commissioner. The bill's requirements will result in increased costs and workload for the State Seed Commissioner for testing hemp crops, and will depend on the number of licenses issued.

Additional Information: There was a limit in CY 2020 of 300 hemp research licenses. There will be no limit on license applications for CY 2021, the first year for commercial production.

Explanation of State Revenues: The provisions in the bill would eliminate the ability of the State Seed Commissioner to collect a \$2,500 civil penalty (plus a late fee) from licensees whose hemp crop tests above 0.3% but less than 1% THC concentration, since the bill provides that those testing results do not constitute a negligent violation. However, there have not been any civil penalties collected for hemp violations since the pilot program was enacted in 2014, although civil penalties are expected to start in CY 2021. Current law allows the State Seed Commissioner to give a reasonable time to correct the negligent violation without imposing a penalty, so the bill should not impact revenue.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Seed Commissioner.

Local Agencies Affected:

Information Sources: Katie Nelson, Indiana State Department of Agriculture;
https://www.oisc.purdue.edu/hemp/pdf/hemp_fa_100820.pdf

Fiscal Analyst: Heather Puletz, 317-234-9484.