

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6959

BILL NUMBER: SB 197

NOTE PREPARED: Jan 2, 2022

BILL AMENDED:

SUBJECT: Cannabis Regulation.

FIRST AUTHOR: Sen. Pol

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill establishes the Cannabis Compliance Commission (CCC) to regulate all forms of legal cannabis in Indiana, including hemp and low THC hemp extract. The bill also establishes the Cannabis Compliance Advisory Committee to review and evaluate certain rules, laws, and programs. It makes conforming amendments.

Effective Date: July 1, 2022.

Explanation of State Expenditures: *Summary* - The bill establishes the CCC, which will regulate, enforce, and carry out the state laws concerning industrial hemp and sales and distribution of low THC products. Hemp regulation expenditures for the Office of the Indiana Seed Commissioner were \$370,600 in FY 2021, without commission expenses. Other state commissions with regulatory responsibilities had average annual administrative expenses between \$350,000 and \$600,000, including commission expenses. Costs will ultimately depend on the hiring decisions and the level of enforcement undertaken by the CCC.

The bill also establishes an advisory committee. The cost will depend on the budget established by the Legislative Council. Recently, budgets for committees of similar size have been \$13,500 per interim.

Marijuana is federally classified as a Schedule I controlled drug with no medically indicated uses. Although 11 states have CBD or low THC programs (including Indiana), future federal responses to state initiatives are unknown.

Additional Information - *Cannabis Compliance Commission (CCC):* The CCC is comprised of four commissioners appointed by the Governor. Each commissioner is entitled to salary per diem and

reimbursement of traveling and other expenses. The commissioners must execute surety bonds of \$10,000 and an oath of office. The commissioners will appoint an executive director and may employ all necessary employees, determine their duties, and fix their salaries with the approval of the State Budget Agency.

The CCC will regulate, enforce, and carry out the provisions of IC 15-15-13, which are currently assigned to the Seed Commissioner, and IC 24-4-21 and IC 24-4-22 which are unassigned. The CCC will also advise the General Assembly and permit and encourage research concerning cannabis.

The USDA approved the Indiana state hemp plan in October 2020, leading to commercial licenses being offered by the Seed Commissioner for the 2021 growing season. The Seed Commissioner licensed 132 growers and handlers in 2021 with salary, supplies, and instrument services costs to regulate the offices. The Seed Commissioner is integrated in the Purdue University budgets, including the regulatory costs of the new state hemp program.

Hemp Program Expenditures: The high estimate for agency costs is based on the Alcohol and Tobacco Commission (ATC), which has four commissioners, an executive secretary, and average annual expenditures for administration and internal services of about \$608,000 between FY 2015 and FY 2020. The low estimate is based on the Indiana Gaming Commission (IGC), which has seven commissioners and an executive director, with administrative and operations expenses and internal services costs of about \$356,000 between FY 2015 and FY 2020. [Internal services include databases, software, human resources services, and telephone expenses. Commissioner and executive personnel salaries are not included in these expenses.]

Total ATC and IGC expenses are determined by their overall enforcement activities, the number of regulated entities, the complexity of items to be regulated, and the number of facilities to be inspected. Ultimately, the number of regulated entities under this bill may increase over time leading to increased expenditures by the CCC in future years.

Advisory Committee: This bill establishes an advisory committee with nine members—four legislative members and five nonvoting members. Members of the committee are to receive the same salary per diem and traveling and other expense reimbursement paid to legislative or lay members of interim study committees. The committee is to review rules and legislative proposals of the CCC, evaluate the operation of the industrial hemp program, and evaluate the processing, packaging, distribution, and sale of low THC hemp extract.

Explanation of State Revenues: *Cannabis Compliance Commission (CCC):* The CCC will have the authority to assess civil penalties and bring appropriate actions in court. Penalties are deposited in the state General Fund and criminal fines are deposited in the Common School Fund.

The CCC would also establish fees for licenses, permits, and applications, and charge reasonable fees for research permits. These fees would offset some of the costs of the CCC. The Seed Commissioner received revenue of \$119,000 from both 2020 and 2021 licenses. No civil penalties have been applied to date, although the Seed Commissioner estimates that up to 40% of growers have reporting requirement violations.

Explanation of Local Expenditures: Violations of license requirements or rules are punishable with a Class A misdemeanor, including up to one year in a local jail.

Explanation of Local Revenues: Criminal penalties or civil penalties could result in additional court fees for local units.

State Agencies Affected: Governor's Office; General Assembly; Department of State Revenue; State Department of Agriculture; State Department of Health.

Local Agencies Affected: Courts.

Information Sources: State Budget Agency; Auditor's Data; OISC; State program websites and contacts available from LSA upon request.

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