

OFFICE OF FISCAL ANALYSIS

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sSB-893

AN ACT CONCERNING A PILOT PROGRAM FOR HEMP PRODUCTION.

As Amended by Senate "A" (LCO 7541)

Senate Calendar No.: 120

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Department of Agriculture; Consumer Protection, Dept.	GF - Revenue Gain	Up to 500,000	Up to 500,000
Department of Agriculture	GF - Cost	188,108	200,868
State Comptroller - Fringe Benefits ¹	GF - Cost	96,040	102,409
Ag. Experiment Station	GF - Cost	45,055	47,758

Note: GF=General Fund

Municipal Impact: None

Explanation

Section 1 of the bill requires the Department of Agriculture (DoAg) to establish and operate an agricultural pilot program for industrial hemp research. The purpose of the research is to enable DoAg and its licensees to study methods of cultivating, processing, and marketing hemp. It requires anyone growing hemp to pay for all testing and resampling costs to ensure its levels of delta-9-tetrahydrocannabinol (THC) is compliant with the bill. These provisions are expected to result in costs to the State of approximately \$233,163 in FY 20 and \$248,626 in FY 21 (plus fringe benefits of \$96,040 in FY 20 and \$102,409

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.19% of payroll in FY 20 and FY 21.

in FY 21) to hire three staff for DoAg to conduct the pilot program. Additional DoAg staff would include two Agricultural Marketing and Inspection Representative and one Fiscal/Administrative Assistant.

Additionally, **Section 1** of the bill also establishes: (1) a graduated fee schedule for the licensure, growing, processing, and resampling of hemp; and (2) a \$250 fine for violations.

Section 2 requires manufactures of industrial hemp to have a license issued by the Department of Consumer Protection (DCP) and establishes a graduated fee schedule for this purpose. This provision, in conjunction with fees established in **Section 1**, is anticipated to generate up to \$500,000 annually. This section also requires DCP to inspect manufacturers. This is not anticipated to have a fiscal impact, as DCP currently has staff for this purpose.

Senate "A" replaces the underlying bill and results in the impact described above.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of people that apply for licenses and the number of violations. There may also be costs to DCP in the outyears associated with the need to hire additional staff for managing the new licensure program. This would depend on the extent to which the new program grows.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.