

FISCAL NOTE
Requested by Legislative Council
01/09/2019

Revised
 Amendment to: HB 1349

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$(52,559)	\$0	\$(142,925)	\$0	\$(142,925)
Expenditures	\$159,000	\$120,000	\$112,000	\$84,000	\$80,000	\$60,000
Appropriations	\$159,000	\$120,000	\$112,000	\$84,000	\$80,000	\$60,000

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill relates to the regulation of industrial hemp and proposed changes to the license fee structure.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of this bill assigns each industrial hemp producer and processor a license fee not to exceed \$350. The current fees in law are \$150 per applicant and \$25 per acre.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The revenue for the 17-19 biennium is calculated by subtracting the fees that would be collected under the current law or \$180,000 from the fees already collected plus the estimated fees collected due to the effect emergency clause or \$127,441, for a total revenue reduction of \$52,559. The revenue reductions in the 19-21 and 21-23 biennia are projected by subtracting the estimate revenue projected based on the new fees from the fees that would have been collected if the law was not changed. The law change projects the revenue amounts by the following: 100 applicants per biennium X \$350 fee = \$35,000; 50 background checks X \$41.50 BCI fee = \$2,075; for a total biennium revenue estimate of \$37,075. All revenue will be deposited in the agriculture commissioner's operating fund.

17-19 Biennium: \$127,441 - \$180,000 = (\$52,559)
 19-21 Biennium: \$37,075 - \$180,000 = (\$142,925)
 21-23 Biennium: \$37,075 - \$180,000 = (\$142,925)

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The agriculture commissioner will have expenditures to regulate industrial hemp growers and processor licensing and other regulatory functions. All expenditures will come out of the agriculture commissioner's budget (SB 2009) in the salaries and operating line items. Expenditures will be primarily for staff salaries, sampling, laboratory testing, travel, and supplies. Expenditures are projected to decrease over the 19-21 and 21-23 biennia due to a decrease in workload.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The appropriation amount matches the expenditure amount. The general fund appropriation will account for a portion of the staff salaries designated for the program. The special fund appropriation will account for the operating expenditures referenced in 3B and additional temporary salaries to assist with field inspection and sampling work. The appropriation amounts decrease in line with the expenditure amounts for the 19-21 and 21-23 biennia.

Name: Junkert/Baumiller

Agency: Agriculture

Telephone: 328-2231

Date Prepared: 01/17/2019

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Name: Junkert/Baumiller

Agency: Agriculture

Telephone: 328-2231

Date Prepared: 01/17/2019

FISCAL NOTE
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Revised
 Bill/Resolution No.: HB 1349

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Name: Junkert/Baumiller

Agency: Agriculture

Telephone: 328-2231

Date Prepared: 01/15/2019

2019 HOUSE AGRICULTURE

HB 1349

2019 HOUSE STANDING COMMITTEE MINUTES

Agriculture Committee
Peace Garden Room, State Capitol

HB 1349
1/25/2019
Job #31508

- Subcommittee
 Conference Committee

Committee Clerk Signature ReMae Kuehn

Explanation or reason for introduction of bill/resolution:

Relating to the regulation of industrial hemp, relating to criminal history background checks, to provide a penalty, to provide a continuing appropriation, and to declare an emergency

Minutes:

Attachments #1 & 2

Representative David Monson, Sponsor: (Attachment #1)

(3:40)

Representative McWilliams: Does this match the wording of the bill in the Judiciary Committee?

Representative Monson: It should. We are doing away with the word "industrial" so it is just called hemp. We are dealing here with the ones with low THC.

Chairman Dennis Johnson: A national publication wrote about the progress North Dakota has made with industrial hemp. We're leading the nation. You started this journey in 1997. There is a lot of history of what you have done to get us to this point.

Representative Monson: It started with NDSU doing a study. They came back with a report in 1999. We showed that legislation all over the country. The North American Industrial Hemp Council was disbanded a few weeks ago because we felt we reached the goal.

(7:50)

Samantha Brunner, Plant Industries Division Director, North Dakota Department of Agriculture: (Attachment #2)

(10:00)

Chairman Dennis Johnson: On the fiscal note, rather than have a set amount per acre you are just going with one fee?

Samantha Brunner: It will still fluctuate. We asked for up to that amount. We will probably set a scale depending on the size of operation. Nobody would pay over \$350.

Representative Skroch: The fiscal note shows a revenue loss. It was stated there would be less need for regulation. Why would there be a loss?

Samantha Brunner: The previous fee structure was much higher. People were pay \$150 for a license fee and then a \$25 per acre fee. The total amount of revenue coming in was much higher than it will be with this new bill.

Representative Skroch: Then the savings to the state won't be balanced in terms of having less inspections?

Samantha Brunner: There will be no FTE reduction. We borrowed from other programs to fill our staffing needs over the last few years. With the federal legislation we need to do random sampling. There is not a set limit. It would depend on the risk we feel is present in the field.

Opposition:

(13:00)

Dustin Peyer: Concerns with the bill.

Page 2, line 6, criminal history—if hemp is removed as a controlled substance, then someone who is in possession of another controlled substance could be prohibited from growing hemp. Their history should not be judged.

Page 3, line 21, the agriculture commissioner could enter onto land without a warrant. That is a violation of the constitution.

I don't know what the fees are for growing wheat, corn, or barley. This has a fee.

Chairman Dennis Johnson: It goes back to the hoops we had to jump through to get to the point we are with being able to grow hemp. We are trying to parallel our laws with federal guidelines to allow us to grow hemp. We try to be careful to not disallow people from growing.

Chairman Dennis Johnson: Closed the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Agriculture Committee
Peace Garden Room, State Capitol

HB 1349—Committee Work
2/1/2019
Job #32019

- Subcommittee
 Conference Committee

Committee Clerk: ReMae Kuehn

Explanation or reason for introduction of bill/resolution:

Relating to the regulation of industrial hemp; to provide a penalty, appropriation and emergency.

Minutes:

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Representative Headland: Moved amendment #.01002.

Representative Fisher: Seconded the motion.

Voice Vote. Motion passed.

Representative Schreiber-Beck: Moved Do Pass as amended and rerefer to Appropriations

Representative Tveit: Seconded the motion

A Roll Call vote was taken: Yes 13, No 0, Absent 1.

Do Pass as amended carries.

Representative Tveit will carry the bill.

DE 2/1/19

February 1, 2019

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1349

Page 1, line 3, after "12-60-24" insert ", and subsection 22 of section 19-24.1-01"

Page 1, line 4, after "checks" insert "and the definition of marijuana"

Page 4, after line 7, insert:

"SECTION 3. AMENDMENT. Subsection 22 of section 19-24.1-01 of the North Dakota Century Code is amended and reenacted as follows:

22. "Marijuana" means all parts of the plant of the genus cannabis; the seeds of the plant; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, the seeds of the plant, or the resin extracted from any part of the plant. The term marijuana does not include hemp as defined in section 4.1-18.1."

Renumber accordingly

Date: 2/1/2019

Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1349**

House **Agriculture** Committee

Subcommittee

Amendment LC# or Description: 19.0930.01002

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Rep. Headland Seconded By Rep. Fisher

Representatives	Yes	No	Representatives	Yes	No
Chairman Dennis Johnson			Rep. Ruth Buffalo		
Vice Chairman Wayne Trottier			Rep. Gretchen Dobervich		
Rep. Jake Blum					
Rep. Jay Fisher					
Rep. Craig Headland					
Rep. Dwight Kiefert					
Rep. Aaron McWilliams					
Rep. David Richter					
Rep. Bernie Satrom					
Rep. Cynthia Schreiber Beck		<u>Voice Vote</u>			
Rep. Kathy Skroch					
Rep. Bill Tveit		<u>passed</u>			

Total **Yes** _____ **No** _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1349**

House **Agriculture** Committee

Subcommittee

Amendment LC# or Description: 19.0930.01002

Recommendation

- Adopt Amendment
 - Do Pass Do Not Pass Without Committee Recommendation
 - As Amended Rerefer to Appropriations
 - Place on Consent Calendar
- Other Actions:** Reconsider _____

Motion Made By Rep. Schreiber Beck Seconded By Rep. Tveit

Representatives	Yes	No	Representatives	Yes	No
Chairman Dennis Johnson	X		Rep. Ruth Buffalo	AB	
Vice Chairman Wayne Trottier	X		Rep. Gretchen Dobervich	X	
Rep. Jake Blum	X				
Rep. Jay Fisher	X				
Rep. Craig Headland	X				
Rep. Dwight Kiefert	X				
Rep. Aaron McWilliams	X				
Rep. David Richter	X				
Rep. Bernie Satrom	X				
Rep. Cynthia Schreiber Beck	X				
Rep. Kathy Skroch	X				
Rep. Bill Tveit	X				

Total **Yes** 13 **No** 0

Absent 1

Floor Assignment Rep. Tveit

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1349: Agriculture Committee (Rep. D. Johnson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1349 was placed on the Sixth order on the calendar.

Page 1, line 3, after "12-60-24" insert ", and subsection 22 of section 19-24.1-01"

Page 1, line 4, after "checks" insert "and the definition of marijuana"

Page 4, after line 7, insert:

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Renumber accordingly

2019 HOUSE APPROPRIATIONS

HB 1349

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB1349
2/13/2019
32635

- Subcommittee
 Conference Committee

Committee Clerk: Risa Bergquist

Explanation or reason for introduction of bill/resolution:

Relating to the regulation of industrial hemp; relating to criminal history background checks and the definition of marijuana; relating to the regulation of industrial hemp

Minutes:

Chairman Delzer: Called the meeting to order, roll call was taken.

2:10 Representative D. Johnson: Presents the bill and amendment for HB1349 for growing hemp. This legislation is put together to mirror federal legislation to exchange the fees you still have to do the 100-dollar back ground check. It's a onetime application fee of 350 dollars. Ag department is still going to have over sight to spot check the fields. They are going off the numbers from previous years but they really don't know what will happen with the new changes for revenues and expenditures. I would also ask if you guys can further amend and take the word "industrial" out of the bill, again that will mirror the federal wording.

4:40 Chairman Delzer: The fees changed considerably, they currently have 1 person working with this.

Representative D. Johnson: They have 1 person that is in charge of the department and then there a some that are out in the fields doing the inspecting.

Chairman Delzer: Are asking for extra appropriation authority?

Representative D. Johnson: They don't know what kind of participation they will get.

Chairman Delzer: You think we should pass the bill and not worry about the fiscal note?

Representative D. Johnson: I don't think we will really have a handle on this until the next session.

Representative Schobinger: Industrial hemp and hemp, by definition, looks like the same thing; why do we need to remove industrial?

Representative D. Johnson: All federal legislation refers to this product as hemp not industrial hemp so we are just trying to mirror federal legislation so there is no confusion further down the road.

Chairman Delzer: That puts this bill before us.

Representative Kempenich: Make a motion to amend and remove “industrial”

Representative Howe: Second

Chairman Delzer: Further discussion on the motion? **Voice vote All in favor, motion carries**

Representative Kempenich: I will make a motion for a **Do Pass as Amended**

Representative Vigesaa: Second

Chairman Delzer: Discussion?

A Roll Call vote was taken. Yea: 20 Nay: 1 Absent: 0

Motion Carries Representative D. Johnson will carry the bill

Chairman Delzer: With that we will close this meeting.

70 2/18/19

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1349

Page 1, line 2, remove "industrial"

Page 1, line 10, replace "**Industrial hemp**" with "**Hemp**"

Page 1, line 11, replace "Industrial hemp" or "hemp" with "Hemp"

Page 1, line 15, replace "**Industrial hemp**" with "**Hemp**"

Page 1, line 16, remove "industrial"

Page 1, line 18, remove "industrial"

Page 1, line 22, remove "industrial"

Page 3, line 24, replace "**Industrial hemp**" with "**Hemp**"

Page 3, line 27, remove "industrial"

Page 3, line 28, remove "industrial"

Page 4, line 6, overstrike "industrial"

Page 4, line 14, replace "4.1-18.1" with "4.1-18.1-01"

Re-number accordingly

Date: 2/13/2019
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1349**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 19.0930.01002 further amend and remove "industrial"

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Representative Kempenich Seconded By Representative Howe

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich					
Representative Anderson			Representative Schobinger		
Representative Beadle			Representative Vigesaa		
Representative Bellew					
Representative Brandenburg					
Representative Howe			Representative Boe		
Representative Kreidt			Representative Holman		
Representative Martinson			Representative Mock		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

Voice Vote/Motion Carries

Date: 2/13/2019
 Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1349**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

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Motion Made By Representative Kempenich Seconded By Representative Vigesaa

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X				
Representative Anderson	X		Representative Schobinger	X	
Representative Beadle	X		Representative Vigesaa	X	
Representative Bellew		X			
Representative Brandenburg	X				
Representative Howe	X		Representative Boe	X	
Representative Kreidt	X		Representative Holman	X	
Representative Martinson	X		Representative Mock	X	
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	A				

Total (Yes) 20 No 1

Absent 0

Floor Assignment Representative D. Johnson

Motion Carries

REPORT OF STANDING COMMITTEE

HB 1349, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (20 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1349 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "industrial"

Page 1, line 10, replace "**Industrial hemp**" with "**Hemp**"

Page 1, line 11, replace "'Industrial hemp' or 'hemp'" with "'Hemp'"

Page 1, line 15, replace "**Industrial hemp**" with "**Hemp**"

Page 1, line 16, remove "industrial"

Page 1, line 18, remove "industrial"

Page 1, line 22, remove "industrial"

Page 3, line 24, replace "**Industrial hemp**" with "**Hemp**"

Page 3, line 27, remove "industrial"

Page 3, line 28, remove "industrial"

Page 4, line 6, overstrike "industrial"

Page 4, line 14, replace "4.1-18.1" with "4.1-18.1-01"

Re-number accordingly

2019 SENATE AGRICULTURE

HB 1349

2019 SENATE STANDING COMMITTEE MINUTES

Agriculture Committee
Roosevelt Park Room, State Capitol

HB 1349
3/7/2019
JOB # 33371

- Subcommittee
 Conference Committee

Committee Clerk: Florence Mayer

Explanation or reason for introduction of bill/resolution:

Relating to the regulation of hemp; relating to criminal history background checks and the definition of marijuana; to repeal chapters relating to the regulation of industrial hemp; to provide a penalty; to provide a continuing appropriation; and to declare an emergency.

Minutes:

Attachment # 1 - 2

Vice Chair Myrdal: Opened the hearing on HB 1349. Roll call was taken, all members were present except Senator Osland. Chairman Luick is introducing a bill in another committee right now.

Representative David Monson, District 10: Testified in support on HB 1349 and provided Attachment #1.

(3:36) Senator Hogan: In terms of that delay and transitional period, should we look at that effective date? It is an emergency right now.

Representative Monson: Samantha may want to answer that. You may want to hold onto this bill for a little bit, until we figure out what we need to do. They just found out about this last week. It isn't quite ready at the federal level.

Senator Klein: I've sat on this committee a long time and heard just how we're going to move forward with the hemp issue. On the fiscal note there seems to be a positive direction with the passage. Up in your country near Canada, it is predominant. We have a few people in it now, do you see us opening the doors a lot wider?

Representative Monson: I believe it will. I hope it doesn't open the flood gates. Farmers are good at producing too much of a good thing. We don't have many processing plants in the state. We have no processing plants for the fiber. We are concentrating on the seed. There is a big market out there, we need to work on the processing end of things. There will be a change in the fiscal note. It will cost the farmers \$350, where it was \$25 per acer before. It didn't take long to hit that \$350. This price will go down for the farmers, which means less revenue for the agency. They will still be licensing farmers because they need to know where

this is going to be grown, they have to be able to spot check and make sure it is hemp and not marijuana. There will still be some costs involved. They can control how many licenses they give and how many acres are farmed. It will balloon, I hope we can get some processing plants quickly in our state. You can't ship the fiber very far efficiently. It is like a big bale of hay, and it is expensive shipping. That means we will have local businesses that start doing fiber processing. I think Samantha can tell you more about the fiscal note. It will be more acres, less per acer/farmer paid in. The Agriculture Department said they can handle it with this fiscal note.

Senator Klein: You spoke about an oil processing facility. Where are we doing that at?

Representative Monson: The only one I'm aware of is in Carrington. We have a large need for more processing plants, especially the fiber. There is no end of possibilities for the fiber. We need to build the market and processing plants together. We don't want to do what Manitoba did and over produce with no market. It can be a good substitute for many products, even fiber class, car doors, dashes, carpet, etc.

Senator Klein: You were here back when there was a gentleman here in Bismarck who had shirts, purses, oil, a variety of products he was selling. Now car parts can be made from hemp. That stuck in my mind, just how many products can be made from the fiber and oil.

(10:45) Representative Monson: Yes, he had his 2 sons from California who were importing those different products. There is no limit, there are so many things we can make from it. Now we have the cannabis oils, that has no THC in it, but it's hard to harvest. I once knew a guy who worked at the University of Indiana, he was the wealth of knowledge on marijuana, industrial hemp and CBD oil. I learned more in 2-3 hours than I ever did. He even wrote some books. There is a huge market for that right now with the medical marijuana. You can harvest that even after the seeds are off. He suggested using a flannel sheet to run over the top. The oil would stick to it and then he had a process to extracting it.

Vice Chair Myrdal: Thank you for the years of work you have done.

Representative Monson: Thank you for listening. If it needs tweaking, Samantha can help with that.

(14:07) Samantha Brunner, Plant Industries Division Director, ND Agriculture Department, (Representing Commissioner Doug Goehring): Testified in support of HB 1349 and provided Attachment #2.

(16:40) Vice Chair Myrdal: Representative Monson eluded to the fact you would start working on this. What is the time frame for that?

Samantha Brunner: We knew this was coming, we have been gearing up for this. We have changed out application process and have told producers we will not be accepting those until this bill is signed by the Governor. We could play with some other stuff in the meantime. We don't want to charge growers that per acer fee. That is a huge price difference for them. With the new changes, we want to change all our forms. We will have to go through ITD to do that. We will update the proposal form separate from the application. As soon as that is ready we

will start accepting proposals and background checks even before this bill is signed. As soon as that bill is signed, we will start accepting applications.

Vice Chair Myrdal: Are there things that need to be amended or changed in this current bill?

Samantha Brunner: No. The 2014 farm bill was pretty big. It said was that State Departments of Agriculture and Universities have the authority to grown hemp. We have been granting our authority down to the producers. We sign a memorandum of understanding. They give us a research proposal with things like what they are planting and when, how they are harvesting. We call it a research project as a formality. We don't want this to prohibit anyone from growing. We are going to accept these proposals as a formality, review them to make sure the information we need is there, approve them and allow them to apply for the hemp license.

Senator Hogan: Do you think you could put together a timeline like you've just described? I am struggling with the repeal and emergency time line. I see your intent is to use the current rules, but if we repealed all of that, then what? Should we repeal everything now? I think this is a very interesting transition issue.

Samantha Brunner: We can put something together. There is nothing in the 2014 farm bill that says we have to do what we have been doing. This new bill has more oversight of hemp production in the state then some states pilot programs did. We still want the emergency clause and have the new bill go into effect as soon as possible. We haven't talked about a lot of rules. We wanted almost everything in the law. We have fee structure set up, that will eventually be in rule. The bill gives us the flexibility to set that fee structure.

Senator Hogan: Is any of the industrial hemp regulation in administrative rules or just policy?

Samantha Brunner: There is a bunch in rules, but we want to get rid of those.

Senator Hogan: Just trying to figure out how this fits together.

Samantha Brunner: We hope the current rules and law will be wiped clean. We may draft rules in the future, they won't be nearly as extensive as what we have now. We don't need all of that oversight with where hemp is moved and when.

Senator Larsen: You were asking for some research, that is all going through the NDSU Extension Office?

Samantha Brunner: No, it is not a typical university research. The producer driven research is more how feasible it is for an everyday farmer. We're collected info on when they planted, when they harvested, what the yield was, challenges they faced, pest pressures. It is nothing we can statistically analyze because it's so variable between producers. We are collecting it and summarizing it.

Senator Larsen: Do you think the research extension office would be resistant to being the driver of that research and turn it over to them? All the information should be automatically put in their lap, they are the experts. Would there be resistance to that?

Samantha Brunner: Are you talking about sharing the data we're collecting with the university or having them run the program?

Senator Larsen: They should be told, they are the research folks. I don't think that is the role of the Agriculture Commissioner.

Samantha Brunner: It is a little bit a weird situation. In the future There won't be anything we're calling research other than what the university is doing. We have been sharing the data with them. There is a lot more oversight to this program than they want to take on. We have been working with them through this whole thing. They get licenses through us. This is just the only way we can allow producers to grow hemp in the state, by calling it a research pilot program.

Senator Larsen: Is there going to be a continued research? Or will we rely on NDSU to play with it?

Samantha Brunner: I believe NDSU will continue doing their research. We will collect some data from the producers, but not to the level we are now. NDSU can continue doing their research with or without the language in the bill. Either version, NDSU can continue. Their research is much more robust and can be statistically analyzed. I hope they continue with that.

Senator Klein: Both the 2014 and 2018 farm bills were very specific that the Agriculture commissioner needed to oversee the research at the institutions or individuals. That is still part of what you have to do to comply with the federal law?

Samantha Brunner: It says only state Departments of Agriculture and universities can do this. The Departments of Agriculture are the ones monitoring this. It still is a licensing and registration program, even with the pilot program.

Senator Klein: You said you were very specific in writing the law so administrative rules would not be a burden to getting things rolling. That way the federal government can see what we're doing, not waiting for us to craft something up. Once it's signed it's in.

Vice Chair Myrdal: The Langdon Research Station has done extensive research on the hemp thing. It is very interesting to see what they're doing.

Senator Larsen: You're department goes all over the world looking for ideas for ND. Have you had the opportunities to go to that place in California with the production facilities?

Samantha Brunner: No I have not traveled to look at facilities out of our state.

Senator Larsen: The department, not you personally.

Samantha Brunner: Not in my recent history. I think there has been in the past, but I don't have that answer.

Senator Larsen: What is the big hiccup with changing a manufacturing facility?

Samantha Brunner: The biggest hiccup in the past is until the President signed the farm bill it was considered a controlled substance. People were leery without knowing the future of this product. We've had a lot of interest since the farm bill has been signed. I don't know what it would take to switch a facility over. The uncertainty was the biggest hold up. With the future more clear, we will see more processors in our state and elsewhere.

Senator Larsen: We have an injection molding facility in Minot that uses plastic pellets to make different products. If we could get a facility that could turn the hemp into the pellet, that would be good.

Senator Klein: Are we still making strawboard in ND? In Wahpeton that was a big deal for many years. Producers realized they'd rather have their straw returned to the soil. They were more reluctant to sell their straw. There is a facility already up and running that was taking a fiber and creating the straw, then the wood then cabinets. Now that we are over that federal hurdle of if it's legal or not. I think we will see a lot of change in the future.

Vice Chair Myrdal: Called for further testimony. Closed the hearing on HB 1349. The Chairman is still testifying on his road train bill, so we will recess until a further time.

2019 SENATE STANDING COMMITTEE MINUTES

Agriculture Committee
Roosevelt Park Room, State Capitol

HB 1349
3/14/2019
JOB # 33697

- Subcommittee
 Conference Committee

Committee Clerk: Florence Mayer

Explanation or reason for introduction of bill/resolution:

Relating to the regulation of hemp; relating to criminal history background checks and the definition of marijuana; to repeal chapters relating to the regulation of industrial hemp; to provide a penalty; to provide a continuing appropriation; and to declare an emergency.

Minutes:

None.

Chairman Luick: Called the committee to order. Roll call was taken; all members were present, except for Senator Osland.

We will start with 1349, the hemp bill, and see what we can do.

I was absent for this, what did you feel?

Senator Klein: The presentation was simple. Representative Monson has worked for years and years on this, so if the federal government ever lets us legally grow hemp we would be on the cutting edge of that. Then the 2018 farm bill came along. We are rewriting and putting codes in line with the farm bill. There is talk about the 2014 versus the 2018 farm bill. It is my understanding that the Department of Agriculture won't be quite ready for this in 2019, they are still working on rules. The Agriculture commissioner's office is confident that with this and complying it with the minimum requirements of the 2014-farm bill, we will be able to move on. We aren't here next year, they need to craft rules for the 2020 growing season. There was no opposition and the committee is supportive.

Vice Chair Myrdal: The federal government came back and said they were still going to go by the 2014 farm bill. The Agriculture commissioner said we are ready. There are rules we can form with the 2014 farm bill, and yet go ahead with rules that wouldn't go against that. This legislation would not be in violation of the feds.

Senator Klein: The other issue was reducing the licensing fees. It used to be \$25 an acre now the straight fee of \$350.

Senator Larsen: SD did pass it, but the governor vetoed it. It will put us in a nice spot to be ahead of their competition. If we don't get manufacturing up here, it will stall out. I don't see

the rapid growth in this. I don't see this being a whole new canola, unless there is new industry that moves up here to set up shop.

Vice Chair Myrdal: I agree. This sets the table for this to happen. In my district, they studied this. Not just the oil, but also the fiber has an almost greater potential. Representative Monson has done quite a bit of interesting work on this.

Senator Larsen: If they did research and got the seeds, where are they getting the seed stock to increase? It can't come across the state line. Will they get it from the extension office, or other producers?

Vice Chair Myrdal: I know the extension office has it.

Chairman Luick: I don't know.

Senator Hogan: I thought it was interesting noting the differences in the hearing 2 years ago to now. We had all the producers here 2 years ago. This year they agree with it, so they didn't need to be here.

Chairman Luick: Line 15 page 2, is where the fee is found.

Senator Hogan: We also talked about why the emergency cause. Samantha said because they want to do something this year yet.

Senator Klein: Will the fiscal note on this, it will have to be rereferred to Appropriations? (That was confirmed.)

Senator Klein: Moved a Do Pass and re-refer to Appropriations on re-engrossed HB 1349.

Senator Myrdal: Seconded.

A roll call Vote Was Taken: 5 yeas, 0 nays, 1 absent.

Motion Carried.

Senator Myrdal will carry the bill.

Chairman Luick: Committee will be finished with this bill and move on to the next.

2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1349

Senate Agriculture Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Klein Seconded By Myrdal

Senators	Yes	No	Senators	Yes	No
Chairman Luick	✓		Senator Hogan	✓	
Vice Chair Myrdal	✓				
Senator Klein	✓				
Senator Larsen	✓				
Senator Osland					

Total (Yes) 5 No 0

Absent 1

Floor Assignment Myrdal

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1349, as reengrossed: Agriculture Committee (Sen. Luick, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Reengrossed HB 1349 was rereferred to the **Appropriations Committee**.

2019 SENATE APPROPRIATIONS

HB 1349

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1349
3/22/2019
Job # 34154

- Subcommittee
 Conference Committee

Committee Clerk: Rose Laning/ Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to the regulation of hemp; relating to the criminal history background checks and the definition of marijuana; relating to the regulation of industrial hemp.

Minutes:

Testimony # 1 – 2.

Legislative Council: Sheila Sandness
OMB: Stephanie Gullickson

Chairman Holmberg: called the committee to order on HB 1349.

Representative Dennis Johnson, District 15: This bill is addressing the ability to raise hemp in North Dakota, which something we've seen in the last twenty years. With the last farm bill, it has made it so that we can raise hemp in the US, what we have to do in North Dakota is mirror our legislation to mirror the farm bill how its allowed us to raise hemp. In the past you've seen different ways of doing it, where you get the background check, you pay the fees for so much an acre and the department monitors the production or growing of your hemp. Now what we can do is you still register the acres but instead of paying a fee per acre, it's a onetime fee of \$350 to raise hemp. You still have to get the background check, you still have to register your acres, you pay the \$350 as a grower I can raise however many acres I want. The department still has to mirror federal legislation of inspecting the field and make sure the THC levels don't exceed the levels they are supposed to be at, and if it is there is a process for destroying that field. The amendment before you is for industrial hemp. When we had it in the House that is what we referred to it as. Federal legislation refers to this as hemp, so we had amendments put together to remove industrial throughout the bill. When it came to the Senate it was removed except for in the title. All this amendment does is take industrial out of the title. See attachment #1 for proposed amendments to the bill.

Chairman Holmberg: This is a council amendment? I'm looking at the bill and it doesn't say industrial hemp in the bill?

Representative Johnson: Page 1 line 5 we took the industrials out throughout the bill, taking the one missed industrial out.

Senator Wanzek: I know you said you're taking it out to mirror what the federal gov says. But is there any significant reason why you don't say industrial?

Representative Johnson: The dept. caught it so they will have a better answer. We're just trying to mirror federal legislation so it isn't confusing. There are still issues out there. We've heard what hemp is – this is ag country. There are some places that will not finance production of hemp.

Senator Wanzek: I think when we remove the word industrial – are we saying there are other uses for hemp besides industrial?

Representative Johnson: THC is just about nil in hemp. If there something in the weeds you might find it.

Senator Wanzek: We just want to synchronize with feds.

Chairman Holmberg: Langdon did research, didn't they do it behind the tree rows?

Representative Johnson: I'm not sure where their plot was but the previous farm bill allowed for research, thus why the department was able to get involved. So we had a select few growers that went through the process and back ground checks and Research Langdon was one of the places that was able to grow hemp to see how it would grow in North Dakota, to see how to handle it and how it would grow here. It's a different task than what we're used to with our small grains.

Senator Dever: It's in the title so it doesn't go into the Century Code, but it applies to repeal chapter 4.1-18 of the code relating to the regulation of industrial hemp. Is the word industrial included in the section that is being repealed?

Representative Johnson: That would be a question for counsel.

Senator Dever: If it is, to me it seems it would be appropriate to leave it in there.

Sheila Sandness: We'll look into it and if its required we'll make change and if not the committee could vote to approve that.

Senator Dever: I would hate to extend the session over conference committees.

Senator Oehlke: Is there any control over being a hemp buyer?

Representative Johnson: We could probably come up with an amendment.

Samantha Brunner, Plant Industries Division Director, North Dakota Dept. of Agriculture: Testimony attached # 2.

Sheila Sandness: I looked at the section title and it is in there as industrial hemp, so you could be right that is why it's in there because currently the section is titled industrial hemp. So when you say removed section related to, it currently is related to industrial hemp.

Senator Dever: The term is used throughout.

Sheila Sandness: Right, I think the reason it's in there is it's referenced to the section as it stands.

Senator Mathern: I believe it's the code reviser's job to change that. When we adopt the amendment to take industrial out, it's their job to make sure that the title is proper.

Sheila Sandness: I agree I think the bill draft, the previous amendment would have been reviewed by the code reviser and it think it was left in there just because it is currently in the name of the section.

Senator Wanzek: The fact that we've discussed it and that's our intent, I would offer up the amendment and I don't know if we need to add to the amendment that wherever there is a reference to industrial when want it removed.

Sheila Sandness: It may be fine the way it is.

Chairman Holmberg: This is all new language. And what the entire bill does is replace the section of the law that we are haggling over and that section will be gone.

Sheila Sandness: That is correct. The reference in the title is to the section that is being repealed.

Chairman Holmberg: We're worried about amending a section of the law that is going to be repealed.

Senator Wanzek: So do we need to adopt the amendment? Well they are part of the title...

Chairman Holmberg: yes.

Sheila Sandness: These amendments were put on in the House, so I believe the bill as you have it does not need to be amended because the references to industrial are not in it as it currently stands. So if you look at the bill, the 3000 version of the bill that the senate has, the references to industrial are not in there except for the one reference on line five that basically describes the section of the code that is going to be repealed.

Senator Wanzek: It appears that the House would accept this amendment, they brought it. So maybe we don't need it but I'm prepared to make a motion to move the amendment. I don't see any harm in making a motion.

Chairman Holmberg: It might be harmless; it might be useless.

Senator Krebsbach: 2001 now is that amending the house bill and now we have re-engrossed bill?

Senator G. Lee: This just takes it out of the title.

Sheila Sandness: I think the bill the way it stands does what they want to do. The reference to industrial in the title is there, is necessary because it's describing the section that's being repealed so I don't think it needs to be amended.

Senator Wanzek: Moved a Do Pass.
Senator Erbele: Seconded the motion.

Senator Dever: In the fiscal note it appears to me that the dollars associated with this bill will be absorbed by the ag commissioner's budget?

Sheila Sandness: I'm not familiar with ag budget, I don't believe any money was put in there but I'm not certain.

Senator Dever: Well on the top of page 2 on the fiscal note it says all expenditures will come out of the ag department's budget the salaries and operating line items.

Sheila Sandness: I guess down at the bottom it says the specials fund appropriation will account for the operating expenses. I'm not 100% certain what's in the ag commissioner's budget.

Senator G. Lee: They were here supporting the bill.

A Roll Call Vote Was Taken: 14 yeas, 0 nays, 0 absent.
Motion carried.

Chairman Holmberg: It goes back to agriculture committee. Could the expenditure be covered by...? We got a message that it's appropriate to have it up in the front because it's removing that particular item that's called industrial hemp and then we throw away all of the old language anyway so we don't have to worry about the rest of it.

Date: 3-22-19

Roll Call Vote #: 7

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1349

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Wanzek Seconded By Erbele

Senators	Yes	No	Senators	Yes	No
Senator Holmberg	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator Grabinger	✓	
Senator Wanzek	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Poolman	✓				
Senator Bekkedahl	✓				
Senator G. Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Ag committee Nyrdal

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1349, as reengrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Reengrossed HB 1349 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

HB 1349

#1
1/25/19

TESTIMONY of Rep. David Monson on HB1349
January 25, 2019

Chairman Johnson and members of the House Agriculture Committee, for the record I am Rep. David Monson of District 10 in far NE ND.

I plan to keep this testimony quite short today even though I could write a novel length book on my adventures to get to where we are today with this bill. This day and this bill mark a whole new chapter in the book. It is both a happy day and a somewhat sad day. Happy in that we have finally reached the goal we set out to accomplish over 20 years ago. And sad because this bill will erase over 20 years worth of legislation on our ND books; legislation that served us well for many years but never got us over the real goal line. This bill deletes all our present hemp laws and replaces it with everything we need to bring us up to speed with the new Federal Farm Bill.

I need to tell you that, although my name is listed as the prime sponsor of this bill, the real experts and authors of the bill are Commissioner Goehring and his fantastic staff. They worked countless hours studying the language in the new farm bill and putting this piece of legislation together. They will be able to explain it far better than I, and will offer up a friendly amendment for your consideration which I hope you will incorporate into the bill.

With that, I will stand for any questions you may have.

COMMISSIONER
DOUG GOEHRING



#2
1/25/19
ndda@nd.gov
www.nd.gov/ndda
HB 1349

**Testimony of Samantha Brunner
Plant Industries Division Director
North Dakota Department of Agriculture
House Bill 1349
House Agriculture Committee
Peace Garden Room
January 25, 2019**

Chairman Johnson and members of the House Agriculture Committee, I am Samantha Brunner, the Plant Industries Division Director for the North Dakota Department of Agriculture (NDDA), and I am representing Agriculture Commissioner Doug Goehring. I am here today in support of House Bill 1349 as amended, which would update our Industrial Hemp law to match federal law.

On December 20, 2018 President Donald Trump signed the 2018 Farm Bill. As most of you have heard within that document was the legalization of industrial hemp. The farm bill not only legalized hemp but it created guidelines for states to follow if they choose to regulate hemp in their state. This includes the creation of a State Plan that will be submitted to the Secretary of Agriculture and must contain plans for maintaining information on land where hemp is grown, testing for delta-9 tetrahydrocannabinol (THC), disposal of plants and products in violation of the federal law, conducting annual inspections of at least a random sample of producers, complying with the established enforcement procedures, submitting information to the Secretary of Agriculture and certifying that we have the resources and personnel available to oversee this program. If a state department of agriculture chooses not to oversee an industrial hemp program in their state, the Secretary of Agriculture will oversee and regulate production in that state.

Most changes implemented in this bill are to loosen the restrictions on growing hemp and to meet the federal regulations. Prior to the passing of the farm bill we needed to keep close

#2
1/25/19
HB 1349

track of hemp from seed to processing, so we needed to test every field, check processed products, monitor the sale and movement of all hemp, monitor storage facilities and do an extensive background check on all applicants and their employees. Because of the reduced oversight required from our department we feel confident we can reduce the licensing fees for all producers and processors. Due to the amount of changes needed in 4.1-18, we thought it would be easier to just repeal and replace it with a new chapter.

Chairman Johnson and committee members, thank you for your consideration of HB 1349 as amended. I would be happy to answer any questions you may have, or I can go through each section of the bill and explain the changes.

#2
1/25/19

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1349

Page 1, line 10, replace "cannabis" with "Cannabis"

Page 1, line 10, replace "l." with "L."

Page 1, line 11, replace "cannabis" with "Cannabis"

Page 1, line 11, replace "l." with "L."

Page 4, after line 9 insert:

"Section 5. AMENDMENT. Section 19-24.1-01 of the North Dakota Century Code is amended and reenacted as follows:

19-24.1-01 Definitions

22. "Marijuana" means all parts of the plant of the genus cannabis; the seeds of the plant; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, the seeds of the plant, or the resin extracted from any part of the plant. The term marijuana does not include hemp as defined in section 4.1-18.1."

Renumber accordingly

HB 1349
3-7-19
1 pg. 1/1

TESTIMONY of Rep. David Monson on HB1349
January 25, 2019

Chairman Luick and members of the Senate Agriculture Committee, for the record I am Rep. David Monson of District 10 in far NE ND.

I plan to keep this testimony quite short today even though I could write a novel length book on my adventures to get to where we are today with this bill. This bill marks a whole new chapter in the book. It is both a happy time and a somewhat sad time; happy in that we have finally reached the goal we set out to accomplish over 20 years ago and sad because this bill will erase over 20 years worth of legislation on our ND books; legislation that served us well for many years but never got us over the real goal line. This bill deletes all our present hemp laws and replaces it with everything we need to bring us up to speed with the new Federal Farm Bill. This bill is meant to mirror what is in the 2018 Farm bill.

I need to tell you that, although my name is listed as the prime sponsor of this bill, the real experts and authors of the bill are Commissioner Goehring and his fantastic staff. They worked countless hours studying the language in the new farm bill and putting this piece of legislation together. They will be able to explain the details of the bill far better than I. Yesterday we heard from the Ag Commissioner during his budget hearing that they may need a small tweak, but they will let you know if it is needed.

With that, I will stand for any questions you may have.

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DOUG GOEHRING



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**Testimony of Samantha Brunner
Plant Industries Division Director
North Dakota Department of Agriculture
House Bill 1349
Senate Agriculture Committee
Roosevelt Park Room
March 7, 2019**

Chairman Luick and members of the Senate Agriculture Committee, I am Samantha Brunner, the Plant Industries Division Director for the North Dakota Department of Agriculture (NDDA), and I am representing Agriculture Commissioner Doug Goehring. I am here today in support of House Bill 1349, which would update our Hemp law to match federal law.

On December 20, 2018 President Donald Trump signed the 2018 Farm Bill. As most of you have heard, within that document was the legalization of hemp. The farm bill not only legalized hemp but it created guidelines for states to follow if they choose to regulate hemp in their state. This includes the creation of a State Plan that will be submitted to the Secretary of Agriculture and must contain plans for maintaining information on land where hemp is grown, testing for delta-9 tetrahydrocannabinol (THC), disposal of plants and products in violation of the federal law, conducting annual inspections of at least a random sample of producers, complying with the established enforcement procedures, submitting information to the Secretary of Agriculture and certifying that we have the resources and personnel available to oversee this program. If a state department of agriculture chooses not to oversee a hemp program in their state, the Secretary of Agriculture will oversee and regulate production in that state.

Most changes implemented in this bill are to loosen the restrictions on growing hemp and to meet the federal regulations. Prior to the passing of the farm bill we needed to keep close track

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of hemp from seed to processing, so we needed to test every field, check processed products, monitor the sale and movement of all hemp, monitor storage facilities and do an extensive background check on all applicants and their employees. Because of the reduced oversight required from our department we feel confident we can reduce the licensing fees for all producers and processors. Due to the amount of changes needed in 4.1-18, we thought it would be easier to just repeal and replace it with a new chapter.

Last week, unexpectedly, the USDA AMS announced that they would not have regulations ready for growing hemp under the 2018 farm bill until the 2020 growing season. Because they will not have regulations, they are requiring us to operate under the 2014 farm bill regulations for the 2019 growing season. The Commissioner is adamant that we will follow the intent of the 2018 farm bill to the greatest extent possible while also meeting the minimum requirements of the 2014 farm bill. This means that we will be following the language in this bill with the addition of requesting proposals for all hemp growers and processors.

Chairman Luick and committee members, thank you for your consideration of HB 1349. I would be happy to answer any questions you may have.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1349

Page 1, line 2, remove "industrial"

Page 1, line 10, replace "**Industrial hemp**" with "**Hemp**"

Page 1, line 11, replace ""Industrial hemp" or "hemp"" with ""Hemp""

Page 1, line 15, replace "**Industrial hemp**" with "**Hemp**"

Page 1, line 16, remove "industrial"

Page 1, line 18, remove "industrial"

Page 1, line 22, remove "industrial"

Page 3, line 24, replace "**Industrial hemp**" with "**Hemp**"

Page 3, line 27, remove "industrial"

Page 3, line 28, remove "industrial"

Page 4, line 6, overstrike "industrial"

Page 4, line 14, replace "4.1-18.1" with "4.1-18.1-01"

Renumber accordingly

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PROPOSED AMENDMENTS TO HOUSE BILL NO. 1349

Page 1, line 2, overstrike "industrial"

Page 1, line 5, overstrike "industrial"

Page 1, line 10, replace "Industrial hemp" with "Hemp"

Page 1, line 11, replace "Industrial hemp or " with "Hemp"

Page 1, line 15, replace "Industrial hemp" with "Hemp"

Page 1, line 16, remove "industrial"

Page 1, line 18, remove "industrial"

Page 1, line 22, remove "industrial"

Page 3, line 24, replace "Industrial hemp" with "Hemp"

Page 3, line 27, remove "industrial"

Page 3, line 28, remove "industrial"

Page 4, line 6, remove "industrial"

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**Testimony of Samantha Brunner
Plant Industries Division Director
North Dakota Department of Agriculture
House Bill 1349
Senate Appropriations Committee
Harvest Room
March 22, 2019**

Chairman Holmberg and members of the Senate Appropriations Committee, I am Samantha Brunner, the Plant Industries Division Director for the North Dakota Department of Agriculture (NDDA), and I am representing Agriculture Commissioner Doug Goehring. I am here today in support of House Bill 1349, which would update our Hemp law to match federal law.

On December 20, 2018 President Donald Trump signed the 2018 Farm Bill. As most of you have heard, within that document was the legalization of hemp. The farm bill not only legalized hemp but it created guidelines for states to follow if they choose to regulate hemp in their state. This includes the creation of a State Plan that will be submitted to the Secretary of Agriculture and must contain plans for maintaining information on land where hemp is grown, testing for delta-9 tetrahydrocannabinol (THC), disposal of plants and products in violation of the federal law, conducting annual inspections of at least a random sample of producers, complying with the established enforcement procedures, submitting information to the Secretary of Agriculture and certifying that we have the resources and personnel available to oversee this program. If a state department of agriculture chooses not to oversee a hemp program in their state, the Secretary of Agriculture will oversee and regulate production in that state.

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Most changes implemented in this bill are to loosen the restrictions on growing hemp and to meet the federal regulations. Prior to the passing of the farm bill we needed to keep close track of hemp from seed to processing, so we needed to test every field, check processed products, monitor the sale and movement of all hemp, monitor storage facilities and do an extensive background check on all applicants and their employees. Because of the reduced oversight required from our department we feel confident we can reduce the licensing fees for all producers and processors. Due to the amount of changes needed in 4.1-18, we thought it would be easier to just repeal and replace it with a new chapter.

Recently, unexpectedly, the USDA AMS announced that they would not have regulations ready for growing hemp under the 2018 farm bill until the 2020 growing season. Because they will not have regulations, they are requiring us to operate under the 2014 farm bill regulations for the 2019 growing season. The Commissioner is adamant that we will follow the intent of the 2018 farm bill to the greatest extent possible while also meeting the minimum requirements of the 2014 farm bill. This means that we will be following the language in this bill with the addition of requesting proposals for all hemp growers and processors.

Chairman Holmberg and committee members, thank you for your consideration of HB 1349. I would be happy to answer any questions you may have.