

Date of State Budget Office Approval:

Date Requested: Monday, February 24, 2020

Date Due: Thursday, March 5, 2020

Impact on Expenditures

FY 2020 N/A

FY 2021 \$0

FY 2022 \$0

Impact on Revenues

FY 2020 N/A

FY 2021 (\$9,450)

FY 2022 (\$9,450)

**Explanation by State
Budget Office:**

This bill would repeal the initial licensure fee of \$2500 for a hemp grower or handler license and reduce the license application fee from \$250 to \$100.

**Comments on
Sources of Funds:**

Revenue from hemp licenses and renewals are considered general revenues.

**Summary of Facts
and Assumptions:**

The effective date is assumed to be late in FY 2020 and thus no impact is assumed in FY 2020.

As written, H7535 would eliminate the initial \$2,500 hemp grower/handler license fee, but not the biennial \$2,500 license renewal fee.

The Department of Business Regulation (DBR) notes the following technical issue. While the language of act does not make any direct changes to the language of 2-26-5(g) (setting forth the CBD distributor and CBD retailer license fees: initial \$500 and \$500 annual renewal), this bill could have an unintended effect. Under 2-26-5(f), a hemp grower/handler can get a CBD distributor and CBD retailer license at no additional cost (no initial fee and no renewal). As such, a CBD distributor/CBD retailer applicant may find a loophole to avoid paying any CBD initial license fee by applying first for the grower/handler license (with no initial license fee per this bill) then applying for the CBD retailer/distributor (with no initial fee per subsection (f)), rather than applying directly for the CBD retailer/distributor license only. The Department does not expect all CBD license applicants to do this, since the CBD retailer/distributor fee is relatively small.

The Department estimates 6 retailers/distributors may use this loophole, which would equate to \$3,000 of lost revenue (split over 2021 and 2022 that at \$1,500 per year).

DBR does not foresee any new expenditures as a result of this legislation. For revenue, as the bill is written, DBR estimates a loss of \$7,500 + \$450 (total \$7,950) for each of 2021 and 2022 (a loss of initial new license fees and reduced application fees for 3 hemp grower/handler licenses in each of those years). Also, due to the technical issue cited above, an additional loss of revenue of \$1,500 in each of 2021 and 2022 is also estimated. There are currently 14 hemp grower/handler licenses issued by DBR.

**Summary of Fiscal
Impact:**

The estimated fiscal impact is a loss of \$9,450 in both FY 2021 and FY 2022.

Prepared by:

No Analyst Assigned / /

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Budget Office Signature:



Fiscal Advisor Signature:

