

HB 2740 A STAFF MEASURE SUMMARY**House Committee On Agriculture and Land Use****Action Date:** 04/09/19**Action:** Do pass with amendments and be referred to Ways and Means. (Printed A-Eng.)**Vote:** 6-0-1-0**Yeas:** 6 - Clem, Helm, McLain, Post, Smith DB, Williams**Exc:** 1 - Boshart Davis**Fiscal:** Fiscal impact issued**Revenue:** Has minimal revenue impact**Prepared By:** Laura Kentnesse, LPRO Analyst**Meeting Dates:** 2/19, 4/9**WHAT THE MEASURE DOES:**

States a public interest in the Oregon hemp industry and the purposes of the 2019 Act. Directs the Oregon Department of Agriculture (ODA) to: monitor the implementation of the **Oregon Hemp Commission's** (OHC) goals and budget; promote cooperation among the OHC, commodity commissions, the Oregon Beef Council, and Oregon Wheat Commission; carry out assigned organizational procedures including the appointment and removal of OHC members; review OHC budgets submitted to the Director of Agriculture (Director); and adopt rules to carry out this 2019 Act. Requires that ODA review OHC plans and projects for promotion, advertising, research, and information dissemination. Directs the Director to appoint five temporary OHC members as specified for OHC rule adoption, appoint **OHC commissioners** as specified and in accordance with adopted rules, and to consider appointment recommendations by commodity commissions, producers, and producer associations. Allows OHC to amend rules adopted by temporary members. Specifies requirements related to commission member, officer, and employee payment, and meeting locations. Lists **OHC duties**. Authorizes OHC to contract with an independent contractor for the performance of any non-discretionary service, or to secure rent space, supplies, or equipment, and establishes additional **contract provisions**. Requires OHC to: adopt a **budget**, obtain budget approval, submit financial statements, and to receive, deposit, invest, expend, and budget moneys in the same manner as a commodity commission. Authorizes OHC to accept gifts, grants, donations, or contributions from any source. Authorizes the Department of Administrative Services (**DAS**) to assist, upon request by OHC, with the purchase, acquisition, or provision of services, equipment, and materials, and establishes a reimbursement process. Establishes that wages or salaries of OHC employees are not subject to personnel compensation plans for state employees established by DAS. Authorizes ODA to charge and collect an assessment or fee from OHC to reimburse ODA for mandatory supervisory or administrative functions. Allows OHC to develop hemp-related **intellectual property**, and establishes provisions for contracts, moneys, ownership, management, disposal, and use of that property. Authorizes OHC to establish certain **assessments, levies, and collections** by rule or as specified. Requires that certain handlers or processors report hemp transfers or sales on OHC forms. Requires that persons that pay or collect hemp assessments maintain accurate records, and authorizes OHC to inspect, audit, and subpoena records to determine the accuracy of assessments paid or due to OHC. Establishes **penalties** for delinquent payments or failed transmittal of assessment moneys. Authorizes OHC to commence a civil action or utilize any other legal or equitable remedy to collect an assessment or civil penalty, obtain injunctive relief, or obtain specific performance. Allows a producer to dispute certain assessments as specified. Establishes that violations of any OHC provisions is a Class C misdemeanor. Requires ODA and OHC to **adopt rules**. Requires that assessment and other moneys must be paid to an authorized agent of the OHC and deposited into an insured account secured by sufficient collateral, to be continuously appropriated to OHC to carry out the program. Authorizes OHC to invest moneys as specified, subject to approval by the Director. Requires OHC to adopt an

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annual budget as specified, subject to public hearing and notice requirements, and requiring final certification and approval from the Director. Establishes provisions for excess or unforeseen expenditures. Establishes provisions for disbursement of final funds if the Legislative Assembly were to abolish the OHC. Changes the name of the Oregon Industrial Hemp Agricultural Pilot Program to the **Oregon Hemp Program** (Program) for the purpose of commercial production and sale of hemp. Requires ODA to develop a **state hemp plan** to regulate hemp as an agricultural commodity in compliance with the Agricultural Improvement Act of 2018 (P.L. 115-334) and subsequent federal law, and to adopt by rule enforcement, licensing, and registration requirements. Changes 'industrial hemp' to 'hemp.' **Defines 'hemp,'** and allows ODA to adopt by rule any higher average tetrahydrocannabinol (THC) concentration limit established in federal law. Authorizes ODA to use homogenization methods to ensure a representative sample. Establishes a disposal process for hemp crop with a higher average delta-9 THC concentration than is legally permissible. Authorizes certain growers, handlers, manufacturers, processors, wholesalers, and retailers to possess, process, receive, transfer, or sell hemp that contains more than 0.3 percent delta-9 THC concentrations to certain persons. Requires ODA to adopt rules establishing measures to ensure compliance with this process. Defines 'processor' with the same meaning as 'handler,' and defines 'producer' with the same meaning as 'grower.' Replaces registration with **licensure** under statutes that authorize a person to grow or handle hemp. Requires ODA to issue a license to a registered grower or handler that meets the requirements for registration renewal on the registration renewal date. Authorizes ODA to charge growers, handlers, and agricultural hemp seed producers licensure and licensure renewal fees. Amends the definition of **'consumption'** to mean ingestion or inhalation, and not topical application for the purpose of laboratory testing rules. Prohibits a person from selling or transferring hemp or hemp commodities or products if intended for human consumption by ingestion unless it is processed in a facility licensed to operate a food establishment. Prohibits a person from selling or transferring hemp or hemp commodities, products, concentrate, or extract to a consumer unless it is tested for potency pursuant to ODA rules. Removes the exemption for agricultural hemp seed, products derived from seeds, or other parts of industrial hemp identified by ODA from certain laboratory testing rules. Allows ODA to exempt parts of hemp or hemp commodities or products from certain laboratory testing rules. Authorizes ODA to impose a **civil penalty** not to exceed \$2,500 on a person for violating any requirements established by the U.S. Department of Agriculture in compliance with the Agricultural Improvement Act of 2018 (P.L. 115-334), or subsequent federal law. Provides for **conforming amendments**. Becomes operative January 1, 2020. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Status and growth of the hemp industry in Oregon
- 2018 federal hemp legalization
- Harmonization of Oregon program with the federal Agricultural Improvement Act of 2018
- Oregon Hemp Commodity Commission

EFFECT OF AMENDMENT:

Replaces the measure.

BACKGROUND:

Industrial hemp is an agricultural product that is subject to regulation by the Oregon Department of Agriculture (ODA) and refers to cannabis varieties that are grown for fiber, seed, oil, or as a cover crop. The legislature has passed a series of laws related to industrial hemp over the past decade. In 2009, the Legislative Assembly enacted Senate Bill 676, which authorized the production, possession, and commerce of industrial hemp commodities in Oregon. Oregon's first industrial hemp grower was licensed by ODA in early 2015. In 2016, House Bill 4060 updated and clarified provisions related to the regulation of industrial hemp and authorized ODA to adopt rules to govern quality, packaging, and labeling of industrial hemp seed. In 2017, House Bill 1015 provided for processing and sales of industrial hemp concentrates and extracts. In 2018, House Bill 4089 established the Oregon Industrial Hemp Agricultural Pilot Program, an agricultural hemp seed certificate program, the Industrial Hemp Fund, and

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further modified industrial hemp statutes related to testing, regulation, personal possession, and tetrahydrocannabinol concentration limits.

House Bill 2740 A would create a framework for the Oregon Hemp Commission, expand the existing pilot program to a full commercial Oregon Hemp Program, require a state hemp plan, redefine 'hemp,' clarify ODA's authority over the program including changing registration to licensure, and bring the program and testing into compliance with federal and state requirements.