



# FY 2018 / FY 2019 BUSINESS CASE

**Agency: Agriculture and Food**

**Request Title: Cannabis Program**

**Amount Requested: \$180,000 ongoing Dedicated Credits**

**Duration of Funding:**  FY 2018 one-time  FY 2019 one-time  FY 2019 ongoing

*(check all that apply)*

**Performance Improvement Specialist: Scott Ericson, Deputy Commissioner, [sericson@utah.gov](mailto:sericson@utah.gov), 801-538-7102**

**1. What system or program is the focus of this request?**

The Cannabis Program located within the Plant Industry and Conservation division

**2. Summarize the current budget for this system or program. If this is a new system or program, summarize the current budget for the line item and appropriation code(s) in which this new system or program will operate.**

The cannabis program will come out of the Plant Industry line item (SIAA). The Department would request a new Appropriation Unit for this program with the SIAA line item. This is a fairly new program that will combine the need for an Industrial Hemp program and potential Medical Marijuana program into a Cannabis program. Both products come from the Cannabis plant, and we will inspect the product with the same employees. We will need to create a new unit number for this program. Currently, Plant Industry receives a total of \$8,012,900 in funding. It is anticipated that the Cannabis program will be completely self-sufficient based upon fees.

Budget:

Expenses	
Personal Services	\$50,000
Funding	
Dedicated Credits	\$50,000

**3. What problem would be solved with additional funding? (Show historical data to support problem statement)**

The authorization of funding would go to creating the cannabis program from the fees that are collected through licenses, testing and product registration. The program would make sure that growers and processors were in compliance with both state and federal laws related to Industrial Hemp and Cannabis. It would be necessary to have a program manager to oversee the employees of the program, review and grant licenses, review the research reports that will be submitted, and to help with the importation of legal seed for cultivators. Inspectors will be needed to inspect the growing site, collect the testing samples, and make sure that all licensees continue to operate

within the terms and conditions of their licenses. It is anticipated that there will be changes made to the Industrial Hemp Act which will allow increased participation in the program. Currently, we have no sources of funding dedicated to the cannabis program. Unless we could ensure that growers and cultivators are operating within full compliance of the law, we could offer these growers no legal protection that would protect them from being subject to the Control Substance Act. Due to the complex legal nature of cannabis, it is imperative that we have the necessary personnel and equipment to run the program. Any problems with the running of this program could leave producers and processors exposed to both state and federal criminal prosecution.

**4. What has been done to solve this problem with existing resources? What were the results?**

This would be a new program. While the Industrial Hemp Act was originally passed in 2014, the act only allowed for universities or the department to grow hemp. The department has not issued any certificates at this date. However, the anticipated changes to the Industrial Hemp Act in addition to any legislation or initiatives dealing with medical cannabis necessitate that the department establish an efficient cannabis program. Currently, any costs and training associated with this program have been supplemented by other programs within the department. This was made possible because of the limited permissibility. When the program grows it will not be possible to cover those cost with money from other programs.

We anticipate seeing both Industrial Hemp and Medical Marijuana bills running through the legislature in the 2018 session, this building block authorizes the department to spend any dollars that are collected through these programs. We will be extremely conservative in our expenditures of the funds, just as we were in the revenue projections.

**5. How will new funding be utilized? What operational changes will be made to maximize new resources? Also, please summarize any legislation needed in conjunction with this incremental budget change request. Note: Agencies must coordinate all legislation through the Governor's general counsel.**

The new funding will be used to create the Cannabis Program. The program will oversee the growing, cultivation, and processing of industrial hemp. The program must be in place in order for industrial hemp to be grown, processed, or marketed legally in the state. The program will act as the importer for the grower in order to procure legal seed. The program will not be paying for the seed will act as the importer in order to satisfy the requirements of the Drug Enforcement Agency. The program will ensure that the amount of seeds that are being imported are being planted or the final disposition of the seed. The program will record where and how many acres or plants are being planted and make sure the necessary law enforcement agencies are aware of a legal grow. The department will ensure that all crops or products being produced are below the .3% THC as required by both state and federal law. This will be shown by testing done by the department's lab with samples taken by the program inspectors. Research reports will need to be

reviewed by program staff to ensure that the licenses are abiding by the terms and conditions of their licenses.

Additionally, the program will oversee any medical cannabis laws that are passed. It is important the program have the necessary funding to ensure that any form of cannabis is being grown in compliance with the laws and regulations.

**6. What are the anticipated results or outcomes of how the new funding will be utilized? What measure(s), including quality, throughput, and costs, will be used to track the change over time? Is data currently available to support these measures?**

The program will provide the licensing necessary for growing, processing, and marketing of industrial hemp. Additionally, the program will conduct the necessary inspections of the location where hemp is to be grown and processed to collect the samples as necessary to ensure that the product is under .3% THC as required. The program will help the grower import legal seed for cultivation. The program manager will review the research plans and reports for compliance with the law.

The program will test the product to verify that the product is labeled correctly making sure the consumer receives what they desire and make sure that the product is not adulterated or otherwise dangerous to the health and safety of humans or animals.

The Cannabis Program will not just oversee industrial hemp, but all cannabis production as is legal under state law. It will be necessary for the program to conduct inspections and testing of all cannabis products whether from industrial hemp or other forms of cannabis to ensure that the product is grown and processed securely and in a manner that is not adulterated or otherwise dangerous.

We will create a QT/OE based upon Compliance as the Q and Total Inspections as the T to track the progress and change over time. Because this is a new program, we will be creating a baseline with the initial year or two of the program.

**7. What are potential negative effects if the funding is not received?**

Due to complexities of its legal statutes, if we do not have the necessary funding for the Cannabis Program, industrial hemp will not be grown, processed or marketed within the state. Inspections and testing of the crop grown is required by both state and federal law to ensure that the crop is under .3% THC. All of this is required to be verified by the department in UCA 4-41.

Additionally, as the funding will not just go to the regulation of industrial hemp but all cannabis products, it will be impossible for the program to regulate any medical cannabis production effectively without proper funding.