

# **INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE**

## **Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement**

### **Minutes of the 1st Meeting of the 2018 Interim**

**June 28, 2018**

#### **Call to Order and Roll Call**

The first meeting of the Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 28, 2018, at 10:00 AM, in Room 149 of the Capitol Annex. Senator Danny Carroll, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Suzanne Miles, Co-Chair; Senators Julie Raque Adams, Dennis Parrett, and Johnny Ray Turner; Representatives Richard Heath, Kenny Imes, Kim King, Adam Koenig, Michael Meredith, and Phil Moffett.

Guests: Brent Burchett, Director, Plant Division, Office of Agriculture Marketing, Kentucky Department of Agriculture (KDA); Joe Bilby, General Counsel, KDA; Doris Hamilton, Manager, Industrial Hemp Research Pilot Program, KDA; Chad Rosen, Hemp Processor, Victory Foods, Campbellsburg, Kentucky; and, Ben Furnish, Farmer, Cynthiana, Kentucky.

LRC Staff: Tammy Branham, Liz Columbia, Zachary Ireland, Nick Peak, Justin Perry, David Talley, and Spring Emerson.

Representative King welcomed her constituent from Mercer County, Doris Hamilton, who is the manager of the Industrial Hemp Research Pilot Program for the KDA.

#### **Update on Industrial Hemp in Kentucky**

Mr. Burchett, Mr. Bilby, and Ms. Hamilton provided an update on the Industrial Hemp Research Pilot Program within the KDA. Mr. Rosen provided an overview of hemp processing, and Mr. Furnish provided an overview of hemp farming.

In response to questions from Senator Parrett, Ms. Hamilton said even though multiple hemp processors are considering fiber processing, currently there is only one fiber processor in the state. Ms. Hamilton said the law does not require growers to report to the USDA Farm Service Agency (FSA). Hemp crops are not insurable. Mr. Burchett said the universities are conducting research on spraying hemp crops for weed control due to the variable nature of herbicide resistance.

In response to questions from Representative Meredith, Mr. Bilby said the 2018 Federal Farm Bill will have far-reaching implications that plague the entire agricultural sector. Some elements of the Bill are more permanent in nature, and industrial hemp provisions are more stable or permanent. More information will be provided to the subcommittee at a later date. Mr. Burchett said Congress set the legal limit of tetrahydrocannabinol (THC) based on years of precedence set in other countries. Mr. Burchett said some growers are retrofitting existing equipment. Ms. Hamilton added that 100 percent of all the fiber and grain crops can use current equipment for mechanical harvesting, but only 60 percent of floral material harvesting can be done mechanically due to the necessity of a labor force. Mr. Furnish said there is plenty of room in the floral market for smaller operations; however, it is labor intensive, like tobacco. Ms. Hamilton added that there are more license holders for ten acres or less than there are for larger crops.

In response to a question from Chair Carroll, Mr. Furnish said growing hemp is less expensive than tobacco due to the fact that the plants, fertilizer, and other necessary items are supplied to the farmer.

In response to a question from Representative King, Mr. Burchett said the recently FDA-approved epilepsy medication, Epidiolex, has gone through clinical trials and is based on cannabidiol (CBD). CBD oil is found in both industrial hemp and marijuana but has no psychoactive components.

In response to a question from Representative Moffett, Ms. Hamilton explained that even though some processors are licensed as labs and test products, the official testing for THC legality is performed by the University of Kentucky, Division of Regulatory Services.

In response to a question from Senator Turner, Ms. Hamilton said 90 percent of applications received last year were approved. There is a list of criteria and regulations on the KDA/Hemp website that must be met in order to get a license. An applicant can appeal a denial.

In response to questions from Chair Carroll, Mr. Burchett said 0.3 percent THC is allowable in industrial hemp, and whether that would show up on a drug test would depend on the type of test that was used. Mr. Burchett said that loosening federal restrictions would impact a viable part of the agriculture economy and would fit in different ways.

In response to questions from Representative Imes, Ms. Hamilton said the universities actively involved in the 2018 program are the University of Kentucky, University of Louisville, Kentucky State University, Morehead State University, Sullivan University, Murray State University, and Western Kentucky University. In past years, Eastern Kentucky University, Berea College, and Pikeville University were also involved. The potential is great for hemp fiber being used for plastic injection molding and other uses, which is currently taking place. Last year, Kentucky produced about 100 acres of hemp fiber; this year, the state has already produced about 1,000 acres. Mr. Burchett said the fees collected for the growth and processing of hemp are not enough to cover the full program costs, but they are enough to cover two of four personnel and other program costs.

Chair Carroll thanked the presenters for their excellent testimony on a very interesting topic, and expressed interest in hearing more on the subject in the future.

There being no further business before the subcommittee, the meeting was adjourned at 11:47 AM.