First Regular Session Seventy-third General Assembly STATE OF COLORADO

PREAMENDED

This Unofficial Version Includes Committee Amendments Not Yet Adopted on Second Reading

LLS NO. 21-0814.01 Jennifer Berman x3286

HOUSE BILL 21-1301

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House Committees Agriculture, Livestock, & Water Finance

Appropriations

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A BILL FOR AN ACT

101	CONCERNING THE REMOVAL OF IMPEDIMENTS TO CANNABIS FARMING,
102	AND, IN CONNECTION THEREWITH, PERMITTING CONTINGENCY
103	PLANS TO REDUCE CROP LOSS BASED ON ADVERSE WEATHER AND
104	CONVENING A WORKING GROUP TO EXAMINE MEASURES TO
105	REDUCE CROSS-POLLINATION, AND MAKING AN APPROPRIATION.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <u>http://leg.colorado.gov</u>.)

Section 1 defines "cross-pollination", "farm", "licensed outdoor marijuana farm", "volunteer plant", and "registered outdoor hemp farm"

HOUSE 3rd Reading Unamended May 26, 2021

> Amended 2nd Reading May 25, 2021

HOUSE

in connection with the convening of a working group in section 2 to examine measures to minimize cross-pollination between cannabis plants.

Section 4 requires the state licensing authority to convene a working group on or before November 1, 2021, to examine existing rules and tax laws that apply to the wholesale marijuana cultivation market to explore how the rules and laws could be amended to better position Colorado businesses to be competitive in interstate commerce if marijuana is legalized federally. The working group is required to report its findings and recommendations to the executive director of the department of revenue and the general assembly on or before June 1, 2022.

Section 5 requires the state licensing authority to engage in rule-making on:

- The process, procedures, and requirements for contingency plans for outdoor marijuana cultivation facilities to ameliorate crop loss due to adverse weather;
- Procedures for outdoor marijuana cultivation facilities to follow to temporarily cover crops to protect them from extreme weather; and
- Procedures for the conditional issuance of an employee license identification card.

Sections 6 and 7 authorize medical marijuana cultivation and retail marijuana cultivation facility licensees with outdoor cultivation facilities, starting January 1, 2022, to file with the state licensing authority a contingency plan for when there is a threat to operations due to an adverse weather event and, if approved, to follow the plan if there is an adverse weather event.

Before January 1, 2022, sections 6 and 7 authorize a medical marijuana cultivation facility licensee or a retail marijuana cultivation facility licensee with outdoor cultivation facilities to take reasonable and necessary steps to ameliorate crop loss due to an adverse weather event. The action is not a violation of state law or rules or local law or regulations unless the state licensing authority or a local authority can show that the action was not reasonable and necessary to prevent or ameliorate crop loss due to an adverse weather event.

Section 3 defines "adverse weather event" to mean damaging weather, such as drought, freeze, hail, excessive moisture, excessive wind, or tornado or an adverse natural occurrence, such as an earthquake or a flood.

1 Be it enacted by the General Assembly of the State of Colorado:

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SECTION 1. In Colorado Revised Statutes, 35-61-101, amend

1 (3); and **add** (4.3), (6.5), (7.4), (7.6), (7.8), (8.4), (8.7), and (10) as 2 follows:

3 35-61-101. Definitions. As used in this article 61, unless the
4 context otherwise requires:

5 (3) "Commissioner" means the commissioner of agriculture OR
6 THE COMMISSIONER'S DESIGNEE.

7 (4.3) "CROSS-POLLINATION" MEANS THE TRANSFER OF POLLEN
8 FROM ONE PLANT TO THE FLOWER OF ANOTHER PLANT THAT HAS A
9 DIFFERENT GENETIC CONSTITUTION.

10 (6.5) "FARM" MEANS:

11 (a) A REGISTERED OUTDOOR HEMP FARM;

12 (b) A LICENSED OUTDOOR MARIJUANA CULTIVATION;

13 (c) THE PREMISES FOR WHICH A PERSON APPLIES FOR
14 REGISTRATION TO ENGAGE IN OUTDOOR CULTIVATION OF HEMP OR FOR A
15 LICENSE TO ENGAGE IN OUTDOOR CULTIVATION OF MARIJUANA; OR

16 (d) THE PREMISES ON WHICH A PERSON PREVIOUSLY HAD A
17 REGISTERED OUTDOOR HEMP FARM OR A LICENSED OUTDOOR MARIJUANA
18 CULTIVATION.

19 (7.4) "LICENSED OUTDOOR MARIJUANA CULTIVATION" MEANS THE
20 LICENSED PREMISES, AS DEFINED IN SECTION 44-10-103 (24), USED FOR
21 OUTDOOR CULTIVATION OF MARIJUANA.

(7.6) "MARIJUANA" HAS THE SAME MEANING AS "REGULATED
MARIJUANA" AS DEFINED IN SECTION 44-10-103 (54).

24 (7.8) (a) "OUTDOOR CULTIVATION", WITH RESPECT TO MARIJUANA,

- 25 MEANS A LICENSED MARIJUANA GROW THAT OPERATES SEASONALLY
- 26 WITHIN A TEMPORARY GREENHOUSE OR ON AN OPEN PLOT OF LAND.
- 27 (b) "OUTDOOR CULTIVATION", WITH RESPECT TO MARIJUANA, DOES

NOT INCLUDE A LICENSED MARIJUANA GROW THAT OPERATES
 YEAR-ROUND WITHIN A CONSTRUCTED FACILITY OR PERMANENT
 GREENHOUSE.

4 (8.4) "REGISTERED OUTDOOR HEMP FARM" MEANS THE PREMISES
5 THAT ARE SUBJECT TO REGISTRATION UNDER SECTION 35-61-104 AND ARE
6 USED FOR OUTDOOR CULTIVATION OF HEMP.

7 (8.7) "STATE LICENSING AUTHORITY" MEANS THE STATE LICENSING
8 AUTHORITY CREATED IN SECTION 44-10-201 FOR THE PURPOSE OF
9 REGULATING AND CONTROLLING THE LICENSING OF THE CULTIVATION,
10 MANUFACTURE, DISTRIBUTION, SALE, AND TESTING OF MARIJUANA IN THIS
11 STATE.

12 (10) "VOLUNTEER PLANT" MEANS A CANNABIS PLANT GROWING13 SPONTANEOUSLY WITHOUT DIRECT HUMAN CONTROL OR SUPERVISION.

SECTION 2. In Colorado Revised Statutes, add 35-61-110.3 as
follows:

35-61-110.3. Cross-pollination - working group - reporting repeal. (1) ON OR BEFORE NOVEMBER 1, 2021, THE COMMISSIONER, IN
COLLABORATION WITH THE STATE LICENSING AUTHORITY, THE
GOVERNOR'S DEPUTY LEGAL COUNSEL, AND THE GOVERNOR'S SPECIAL
ADVISOR ON CANNABIS, SHALL CONVENE A WORKING GROUP TO STUDY
AND RECOMMEND OPTIONS FOR MINIMIZING CROSS-POLLINATION BETWEEN
CANNABIS PLANTS, INCLUDING:

(a) HOW TO MINIMIZE VOLUNTEER PLANTS GROWING ON AREAS OF
LAND THAT ARE NOT REGISTERED OUTDOOR HEMP FARMS OR LICENSED
OUTDOOR MARIJUANA CULTIVATIONS, REGARDLESS OF WHETHER THE
PROPERTY WAS PREVIOUSLY REGISTERED OR LICENSED;

27 (b) How best to share farm data and the proximity

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1 BETWEEN THE LOCATIONS OF REGISTERED OUTDOOR HEMP FARMS, 2 LICENSED OUTDOOR MARIJUANA CULTIVATIONS, AND THE PROPERTIES OF 3 APPLICANTS FOR REGISTERED OUTDOOR HEMP FARMS OR LICENSED 4 OUTDOOR MARIJUANA CULTIVATIONS, INCLUDING INFORMATION FOR EACH 5 FARM REGARDING: 6 (I) THE POTENTIAL FOR CROSS-POLLINATION BETWEEN THE FARM 7 AND OTHER FARMS OR AREAS OF LAND WITH VOLUNTEER PLANTS; AND 8 (II) **PROPERTY SIZE**; 9 (c) THE BEST PRACTICES FOR PREVENTING CROSS-POLLINATION 10 INCLUDING: 11 AN EXAMINATION OF THE STANDARDS DEVELOPED BY (\mathbf{I}) 12 AGRICULTURAL ORGANIZATIONS WITH EXPERTISE IN INDUSTRY-WIDE 13 STANDARDS AND PRACTICES; 14 (II) RECOMMENDATIONS FROM SUBJECT-MATTER EXPERTS; AND 15 (III) IF AVAILABLE, A REVIEW OF PRACTICES DEVELOPED BY THE 16 HEMP CENTER OF EXCELLENCE; AND 17 (d) THE FEASIBILITY OF CONDUCTING AND FINANCING FIELD 18 STUDIES TO EXAMINE CROSS-POLLINATION BETWEEN FARMS AND BETWEEN 19 FARMS AND AREAS OF LAND WITH VOLUNTEER PLANTS. 20 (2) IN CONVENING THE WORKING GROUP, THE COMMISSIONER 21 SHOULD STRIVE TO INCLUDE REPRESENTATION OF A DIVERSE 22 CROSS-SECTION OF: 23 (a) AFFECTED BUSINESSES; 24 SCIENTISTS AND AGRONOMISTS WITH EXPERTISE IN (b) 25 CROSS-POLLINATION; 26 (c) SOFTWARE COMPANIES THAT SERVICE THE AGRICULTURAL 27 INDUSTRY;

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2 AND 3 (e) ORGANIZATIONS WITH EXPERIENCE IN CERTIFIED HEMP SEED 4 DEVELOPMENT. 5 (3)THE WORKING GROUP'S RECOMMENDATIONS MUST NOT 6 INCLUDE MANDATES ON THE TYPE, LOCATION, OR TIMING OF ANY CROP 7 PLANTING; HOWEVER, THIS WILL NOT LIMIT THE ABILITY OF PROPERTY 8 OWNERS TO ENTER INTO VOLUNTARY AGREEMENTS. 9 (4) ON OR BEFORE NOVEMBER 1, 2022, THE WORKING GROUP 10 SHALL SUBMIT A REPORT OF ITS FINDINGS AND RECOMMENDATIONS TO THE 11 HOUSE OF REPRESENTATIVES AGRICULTURE, LIVESTOCK, AND WATER 12 COMMITTEE AND THE SENATE AGRICULTURE AND NATURAL RESOURCES 13 COMMITTEE, OR THEIR SUCCESSOR COMMITTEES. THE DEPARTMENT AND 14 THE STATE LICENSING AUTHORITY SHALL POST THE REPORT ON THEIR 15 PUBLIC WEBSITES. 16 (5) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2023. 17 SECTION 3. In Colorado Revised Statutes, 44-10-103, add (6.5) 18 as follows: 19 44-10-103. Definitions. As used in this article 10, unless the 20 context otherwise requires: 21 (6.5) "ADVERSE WEATHER EVENT" MEANS: 22 (a) DAMAGING WEATHER, WHICH INVOLVES A DROUGHT, A FREEZE, 23 HAIL, EXCESSIVE MOISTURE, EXCESSIVE WIND, OR A TORNADO; 24 (b) AN ADVERSE NATURAL OCCURRENCE, WHICH INVOLVES AN 25 EARTHQUAKE, WILDFIRE, OR FLOOD; OR 26 (c) ANY ADDITIONAL ADVERSE WEATHER EVENT OR ADVERSE 27 NATURAL OCCURRENCE AS THE STATE LICENSING AUTHORITY MAY DEFINE

(d) COMPANIES WITH EXPERTISE IN AGRICULTURAL SURVEYING;

1 <u>BY RULE.</u>

2 SECTION 4. In Colorado Revised Statutes, 44-10-202, amend
3 (1)(f) and (1)(g); and add (1)(h) as follows:

4 44-10-202. Powers and duties of state licensing authority 5 rules - report - legislative declaration - repeal. (1) Powers and duties.
6 The state licensing authority shall:

(f) Prepare and transmit annually, in the form and manner
prescribed by the heads of the principal departments pursuant to section
24-1-136, a report accounting to the governor for the efficient discharge
of all responsibilities assigned by law or directive to the state licensing
authority; and

(g) Collect and maintain data related to licensing disqualifications
and all sanctions based on past criminal history pursuant to the
requirements in section 24-34-104 (6)(b)(IX); AND

15 (h) (I) ON OR BEFORE NOVEMBER 1, 2021, IN COLLABORATION 16 WITH THE GOVERNOR'S DEPUTY LEGAL COUNSEL AND THE GOVERNOR'S 17 SPECIAL ADVISOR ON CANNABIS, CONVENE A WORKING GROUP TO EXAMINE 18 THE EXISTING RULES AND TAX LAWS THAT APPLY TO THE STATE'S 19 WHOLESALE MARIJUANA CULTIVATION MARKET. THE WORKING GROUP 20 SHALL EXPLORE OPTIONS ON HOW THE EXISTING RULES AND TAX LAWS 21 COULD BE AMENDED TO BETTER POSITION BUSINESSES IN THE STATE TO BE 22 COMPETITIVE IF MARIJUANA IS LEGALIZED UNDER FEDERAL LAW. ON OR 23 BEFORE JUNE 1, 2022, THE WORKING GROUP SHALL SUBMIT A REPORT OF 24 ITS FINDINGS AND RECOMMENDATIONS TO THE EXECUTIVE DIRECTOR AND 25 THE GENERAL ASSEMBLY, WHICH REPORT MAY INCLUDE 26 **RECOMMENDATIONS FOR LEGISLATION.**

27 (II) This subsection (1)(h) is repealed, effective September

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1 1, 2022.

2	SECTION 5. In Colorado Revised Statutes, 44-10-203, amend
3	(1)(j); and add (1)(j.5) and (9) as follows:
4	44-10-203. State licensing authority - rules - definition.
5	(1) Permissive rule-making. Rules promulgated pursuant to section
6	44-10-202 (1)(c) may include but need not be limited to the following
7	subjects:
8	(j) A definition for "disproportionate impacted area" to the extent
9	relevant state of Colorado data exists, is available, and is used for the
10	purpose of determining eligibility for a social equity licensee; and
11	(j.5) The implementation of contingency plans pursuant to
12	SECTIONS $44-10-502(9)$ and $44-10-602(13)$, including the <u>definition</u>
13	OF OUTDOOR CULTIVATION, ADVERSE WEATHER EVENT, OR ADVERSE
14	<u>NATURAL OCCURRENCE AND THE</u> PROCESS, PROCEDURES, REQUIREMENTS,
15	AND RESTRICTIONS FOR CONTINGENCY PLANS; AND
16	(9) (a) The state licensing authority may, by rule,
17	ESTABLISH PROCEDURES FOR THE CONDITIONAL ISSUANCE OF AN
18	EMPLOYEE LICENSE IDENTIFICATION CARD AT THE TIME OF APPLICATION.
19	(b) (I) THE STATE LICENSING AUTHORITY SHALL BASE ITS
20	ISSUANCE OF AN EMPLOYEE LICENSE IDENTIFICATION CARD PURSUANT TO
21	THIS SUBSECTION (9) ON THE RESULTS OF AN INITIAL INVESTIGATION THAT
22	DEMONSTRATE THE APPLICANT IS QUALIFIED TO HOLD SUCH LICENSE. THE
23	EMPLOYEE LICENSE APPLICATION FOR WHICH AN EMPLOYEE LICENSE
24	IDENTIFICATION CARD WAS ISSUED PURSUANT TO THIS SUBSECTION (9)
25	REMAINS SUBJECT TO DENIAL PENDING THE COMPLETE RESULTS OF THE
26	APPLICANT'S INITIAL FINGERPRINT-BASED CRIMINAL HISTORY RECORD
27	CHECK.

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1 (II) RESULTS OF A FINGERPRINT-BASED CRIMINAL HISTORY RECORD 2 CHECK THAT DEMONSTRATE THAT AN APPLICANT POSSESSING AN 3 EMPLOYEE LICENSE IDENTIFICATION CARD PURSUANT TO THIS SUBSECTION 4 (9) IS NOT QUALIFIED TO HOLD A LICENSE ISSUED UNDER THIS ARTICLE 10 5 ARE GROUNDS FOR DENIAL OF THE EMPLOYEE LICENSE APPLICATION. IF 6 THE EMPLOYEE LICENSE APPLICATION IS DENIED, THE APPLICANT SHALL 7 RETURN THE EMPLOYEE LICENSE IDENTIFICATION CARD TO THE STATE 8 LICENSING AUTHORITY WITHIN A TIME PERIOD THAT THE STATE LICENSING 9 AUTHORITY ESTABLISHES BY RULE.

SECTION 6. In Colorado Revised Statutes, 44-10-502, add (9)
as follows:

44-10-502. Medical marijuana cultivation facility 12 13 license - rules - definitions. (9) (a) BEGINNING JANUARY 1, 2022, A 14 MEDICAL MARIJUANA CULTIVATION FACILITY LICENSEE THAT CULTIVATES 15 MEDICAL MARIJUANA OUTDOORS MAY FILE A CONTINGENCY PLAN FOR ITS 16 OUTDOOR CULTIVATION OPERATION TO ADDRESS HOW THE LICENSEE WILL 17 RESPOND WHEN THERE IS AN ADVERSE WEATHER EVENT. IF THE LICENSEE 18 FILES A CONTINGENCY PLAN, THE LICENSEE SHALL ALSO SUBMIT A COPY OF 19 THE PLAN TO THE LOCAL LICENSING AUTHORITY IN THE LOCAL 20 JURISDICTION WHERE THE LICENSEE OPERATES. IF THE CONTINGENCY PLAN 21 IS APPROVED BY THE STATE LICENSING AUTHORITY, THE MEDICAL 22 MARIJUANA CULTIVATION FACILITY LICENSEE MAY FOLLOW THE 23 CONTINGENCY PLAN IN THE CASE OF AN ADVERSE WEATHER EVENT.

<u>(b)</u> AFTER THE STATE LICENSING AUTHORITY APPROVES A
 CONTINGENCY PLAN, IT SHALL NOTIFY THE LOCAL LICENSING AUTHORITY
 OF THE APPROVAL. THE LOCAL LICENSING AUTHORITY MAY ENFORCE
 LOCAL LAND USE AND ZONING LAWS AND REGULATIONS REGARDING THE

CONTINGENCY PLAN AND MAY DEVELOP INTERNAL REGULATORY
 PROCESSES TO EVALUATE CONTINGENCY PLANS.

3 (c) ON AND AFTER JANUARY 1, 2023, A LOCAL LICENSING 4 AUTHORITY MAY REQUIRE THAT AN APPLICANT FOR A MEDICAL 5 MARIJUANA CULTIVATION FACILITY LICENSE INCLUDE A CONTINGENCY 6 PLAN WITH THE APPLICATION FOR THE LOCAL LICENSING AUTHORITY'S 7 REVIEW AND APPROVAL.

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9 SECTION 7. In Colorado Revised Statutes, 44-10-602, add (13)
10 as follows:

11 44-10-602. Retail marijuana cultivation facility license - rules 12 - definitions. (13) (a) BEGINNING JANUARY 1, 2022, A RETAIL 13 MARIJUANA CULTIVATION FACILITY LICENSEE THAT CULTIVATES RETAIL 14 MARIJUANA OUTDOORS MAY FILE A CONTINGENCY PLAN FOR ITS OUTDOOR 15 CULTIVATION OPERATION TO ADDRESS HOW THE LICENSEE WILL RESPOND 16 WHEN THERE IS AN ADVERSE WEATHER EVENT. IF THE LICENSEE FILES A 17 CONTINGENCY PLAN, THE LICENSEE SHALL ALSO SUBMIT A COPY OF THE 18 PLAN TO THE LOCAL LICENSING AUTHORITY IN THE LOCAL JURISDICTION 19 WHERE THE LICENSEE OPERATES. IF THE CONTINGENCY PLAN IS APPROVED 20 BY THE STATE LICENSING AUTHORITY, THE RETAIL MARIJUANA 21 CULTIVATION FACILITY LICENSEE MAY FOLLOW THE CONTINGENCY PLAN 22 IN THE CASE OF AN ADVERSE WEATHER EVENT.

(b) AFTER THE STATE LICENSING AUTHORITY APPROVES A
 CONTINGENCY PLAN, IT SHALL NOTIFY THE LOCAL LICENSING AUTHORITY
 OF THE APPROVAL. THE LOCAL LICENSING AUTHORITY MAY ENFORCE
 LOCAL LAND USE AND ZONING LAWS AND REGULATIONS REGARDING THE
 CONTINGENCY PLAN AND MAY DEVELOP INTERNAL REGULATORY

1 PROCESSES TO EVALUATE CONTINGENCY PLANS.

(c) ON AND AFTER JANUARY 1, 2023, A LOCAL LICENSING
AUTHORITY MAY REQUIRE THAT AN APPLICANT FOR A RETAIL MARIJUANA
CULTIVATION FACILITY LICENSE INCLUDE A CONTINGENCY PLAN WITH THE
APPLICATION FOR THE LOCAL LICENSING AUTHORITY'S REVIEW AND
APPROVAL.

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8 **SECTION 8. Appropriation.** (1) For the 2021-22 state fiscal 9 year, \$104,780 is appropriated to the department of agriculture for use by 10 agricultural services. This appropriation consists of \$52,390 from the 11 industrial hemp registration program cash fund created in section 12 35-61-106 (1), C.R.S., and \$52,390 from the marijuana tax cash fund 13 created in section 39-28.8-501 (1), C.R.S. To implement this act, the 14 department may use this appropriation as follows:

(a) \$83,512, which consists of \$52,390 from the industrial hemp
registration program cash fund and \$31,122 from the marijuana tax cash
fund, for use by agricultural services for the plant industry division, which
amount is based on an assumption that the department will require an
additional 0.7 FTE; and

20 (b) \$21,268 from the marijuana tax cash fund for the purchase of 21 legal services.

(2) For the 2021-22 state fiscal year, \$21,268 is appropriated to
the department of law. This appropriation is from reappropriated funds
received from the department of agriculture under subsection (1)(b) of
this section and is based on an assumption that the department of law will
require an additional 0.1 FTE. To implement this act, the department of
law may use this appropriation to provide legal services for the

1 department of agriculture.

(3) For the 2021-22 state fiscal year, \$279,194 is appropriated to
the department of revenue. This appropriation is from the marijuana cash
fund created in section 44-10-801 (1)(a), C.R.S. To implement this act,
the department may use this appropriation as follows:

6 (a) \$247,292 for use by the specialized business group for
7 marijuana enforcement, which amount is based on an assumption that the
8 group will require an additional 1.9 FTE; and

9

(b) \$31,902 for the purchase of legal services.

10 (4) For the 2021-22 state fiscal year, \$31,902 is appropriated to 11 the department of law. This appropriation is from reappropriated funds 12 received from the department of revenue under subsection (3)(b) of this 13 section and is based on an assumption that the department of law will 14 require an additional 0.2 FTE. To implement this act, the department of 15 law may use this appropriation to provide legal services for the 16 department of revenue.

17 **SECTION 9.** Act subject to petition - effective date. This act 18 takes effect at 12:01 a.m. on the day following the expiration of the 19 ninety-day period after final adjournment of the general assembly; except that, if a referendum petition is filed pursuant to section 1 (3) of article V 20 21 of the state constitution against this act or an item, section, or part of this 22 act within such period, then the act, item, section, or part will not take 23 effect unless approved by the people at the general election to be held in 24 November 2022 and, in such case, will take effect on the date of the 25 official declaration of the vote thereon by the governor.