

TO THE HONORABLE SENATE

The Committee on Natural Resources and Energy to which was referred Senate Bill No. S. 276, entitled "An act relating to rural economic development"

respectfully reports that it has considered the same and recommends that the bill be amended by striking out all after the enacting clause and inserting in lieu thereof the following:

* * * Rural Economic Development Initiative * * *

Sec. 1. 10 V.S.A. § 325m is amended to read:

§ 325m. RURAL ECONOMIC DEVELOPMENT INITIATIVE

(a) Definitions. As used in this subchapter:

(1) ~~"Industrial park" means an area of land permitted as an industrial park under chapter 151 of this title or under 24 V.S.A. chapter 117, or under both.~~

(2) "Rural area" means a county of the State designated as "rural" or "mostly rural" by the U.S. Census Bureau in its most recent decennial census.

(3)(2) "Small town" means a town in the State with a population of less than 5,000 at the date of the most recent U.S. Census Bureau decennial census.

(b) Establishment. There is created ~~within the Vermont Housing and Conservation Board~~ a the Rural Economic Development Initiative to promote and facilitate to be administered by the Vermont Housing and Conservation Board for the purpose of promoting and facilitating community economic development in the small towns and rural areas of the State. The Rural Economic Development Initiative shall collaborate with municipalities, businesses, ~~industrial parks~~, regional development corporations, and other appropriate entities to access funding and other assistance available to small towns and businesses in rural areas of the State when existing State resources or staffing assistance is not available.

(c) Services; access to funding.

(1) The Rural Economic Development Initiative shall provide the following services to small towns and businesses in rural areas:

(A)(1) ~~identification of grant or other funding opportunities available to small towns, businesses in rural areas, and industrial parks in small towns and rural areas that facilitate business development, siting of businesses, workforce development, broadband deployment, infrastructure development, or other economic development opportunities;~~

(B)(2) ~~technical assistance to small towns, businesses in rural areas,~~

~~and industrial parks in small towns and rural areas in writing grants, accessing and completing the application process for identified grants or other funding opportunities, including writing applications for grants or other funding, coordination with providers of grants or other funding, strategic planning for the implementation or timing of activities funded by grants or other funding, and compliance with the requirements of grant awards or awards of other funding.~~

~~(2)(d)~~ In providing services under this subsection, the Rural Economic Development Initiative shall give first priority to projects that have received necessary State or municipal approval and that are ready for construction or implementation.

~~(d)(e)~~ ~~Services; business development~~ Priority projects. The Rural Economic Development Initiative shall ~~provide small towns and rural areas with services to facilitate business development in these areas. These services shall include:~~

~~(1)~~ ~~Identifying businesses or business types suitable for a small town, rural areas, industrial parks in a small town or rural area, or coworker spaces or generator spaces in rural areas. In identifying businesses or business types, the Rural Economic Development Initiative shall seek to~~ assist the following priority types of projects:

~~(A)~~ ~~identify businesses or business types in the following priority areas:~~

~~(i)(1)~~ milk plants, milk handlers, or dairy products, as those terms are defined in 6 V.S.A. § 2672;

~~(ii)(2)~~ the outdoor recreation and equipment or recreation industry enterprises;

~~(iii)(3)~~ the value-added food and forest products industry enterprises;

~~(iv)(4)~~ the value-added food industry farm operations, including phosphorus removal technology for farm operations;

~~(v)(5)~~ phosphorus removal technology coworking or business generator and accelerator spaces; and

~~(vi)(6)~~ commercial composting facilities; and

~~(7)~~ restoration and rehabilitation of historic buildings in community centers.

~~(B)~~ ~~explore with a small town or rural area whether underused or closed school buildings are appropriate sites for coworker or generator spaces.~~

~~(2)~~ ~~Recommending available grants, tax credits, or other incentives that~~

~~a small town or rural area can use to attract businesses.~~

~~(3)(f) In providing services under this subsection, the Rural Economic Development Initiative shall coordinate with the Secretary of Commerce and Community Development in order to avoid duplication by the Rural Economic Development Initiative of business recruitment and workforce development services provided by the Agency of Commerce and Community Development and regional development corporations.~~

~~(e)(g) Report. Beginning on January 15, 2018 31, 2019, and annually thereafter, the Rural Economic Development Initiative shall submit to the Senate Committees on Agriculture and on Economic Development, Housing and General Affairs and the House Committees on Agriculture and Forestry and on Commerce and Economic Development a report regarding the activities and progress of the Initiative as part of the report of the Vermont Farm and Forest Viability Program. The report shall include:~~

~~(1) a summary of the Initiative's activities in the preceding calendar year;~~

~~(2) an evaluation of the effectiveness of the services provided by the Initiative to small towns, rural areas, and industrial parks;~~

~~(3) a summary of the Initiative's progress in attracting priority businesses to small towns and rural areas;~~

~~(4) an accounting of the grants or other funding that the Initiative facilitated or provided assistance with;~~

~~(5) an accounting of the funds acquired by the Rural Economic Development Initiative for administration of grants or other funding mechanisms and whether these funds are sufficient to offset the cost of the Rural Economic Development Initiative; and~~

~~(6) recommended changes to the program, including proposed legislative amendments to further economic development in small towns and rural areas in the State summarize the Initiative's activities in the preceding year; evaluate the effectiveness of the services provided by the Initiative; and provide an accounting of the grants or other funding that the Initiative facilitated or helped secure.~~

* * * Outdoor Recreation-Friendly Community Program * * *

Sec. 2. OUTDOOR RECREATION-FRIENDLY COMMUNITY PROGRAM

(a) Establishment. The Outdoor Recreation-Friendly Community Program (Program) is created to provide incentives for communities to leverage outdoor recreation assets to foster economic growth within a town, village, city, or region of the State.

(b) Administration. The Program shall be administered by the Department of Forests, Parks and Recreation in association with the Agency of Commerce and Community Development.

(c) Selection. The Commissioner of Forests, Parks and Recreation in consultation with the Agency of Commerce and Community Development and the Vermont Outdoor Recreation Economic Collaborative steering committee shall select communities for the Program using, at minimum, the following factors.

(1) community economic need;

(2) identification of outdoor recreation as a priority in a town plan or other pertinent planning document;

(3) community commitment to an outdoor recreation vision; demonstrated support from community officials, the public, local business, and local and statewide outdoor recreation nonprofit organizations; and commitment to adhere to accepted standards and recreation ethos;

(4) a community with a good foundation of outdoor recreation assets already in place with strong potential for growth on both private and public lands;

(5) a community with good opportunities for connecting assets within the community with assets of other nearby communities;

(6) a community with an existing solid network of local supporting businesses; and

(7) community commitment to track and measure outcomes to demonstrate economic and social success.

(d) Incentives. Communities accepted into the Program shall be offered, at minimum, the following incentives.

(1) preferential consideration to become part of the Vermont Trail System;

(2) preferential consideration when applying for grant assistance through the Recreational Trails Program and the Land and Water Conservation Fund Program;

(3) access to other economic development assistance if available and appropriate; and

(4) recognition as part of a network of Outdoor Recreation-Friendly Communities connected through a common branding and adherence to high standards of quality and service.

(e) Pilot project and appropriation. The sum of \$100,000.00 shall be

allocated to the Agency of Commerce and Community Development to be administered in association with the Department of Forests, Parks and Recreation and used in support of pilot communities chosen by the Commissioner of Forests, Parks and Recreation to serve as a prototype for the Program. The funding may be used for the following purposes.

- (1) communitywide outdoor recreation planning, including assessment, mapping, and identifying possibilities and priorities;
- (2) services of consultants and other technical assistance providers;
- (3) public facing mapping and other informational materials;
- (4) securing access;
- (5) implementation of public access improvements;
- (6) stewardship;
- (7) marketing; and
- (8) program administration.

(f) Reports. On or before January 15, 2019, the Commissioner of Forests, Parks and Recreation shall submit a report to the General Assembly detailing the progress made with the pilot project authorized under subsection (e) of this section. On or before January 15, 2020, the Commissioner of Forests, Parks and Recreation shall submit a report to the General Assembly detailing any measurable results of economic activity growth.

* * * Electric Utility Demand Charges; Rural Towns * * *

Sec. 3. DEMAND CHARGES; REPORT

(a) On or before January 31, 2019, the Commissioner of Public Service (Commissioner), in consultation with the Secretary of Commerce and Community Development, shall submit a written report on electric utility demand charges in Vermont and their effect on the ability of industrial enterprises to locate in rural towns of the State.

(b) The Commissioner shall submit the report to the House Committees on Agriculture and Forestry, on Commerce and Community Development, and on Energy and Technology and the Senate Committees on Agriculture, on Economic Development, Housing and General Affairs, and on Finance.

(c) The report under this section shall include:

- (1) a narrative summary of the terms, conditions, and rates for each demand charge tariff of each Vermont electric utility;
- (2) a table that shows the rates and applicability of each such tariff, with such other information as the Commissioner may consider relevant, organized by electric utility;

(3) an analysis of the alternatives to these tariffs that will improve the ability of industrial enterprises to locate in rural towns of the State, including the use of energy efficiency, self-generation, and other measures to reduce the demand of such enterprises on the interconnecting electric utility;

(4) the Commissioner's recommendations on changes to demand charge tariffs and other methods to reduce demand that would encourage locating industrial enterprises in rural towns of the State or that would reduce or remove disincentives posed by demand charge tariffs to such locations.

(d) In this section, "rural town" shall have the same meaning as in 24 V.S.A. § 4303.

* * * Purchase and Use Tax; Forestry Equipment * * *

Sec. 4. 32 V.S.A. § 8911 is amended to read:

§ 8911. EXCEPTIONS

The tax imposed by this chapter shall not apply to:

(1) Motor vehicles owned or registered, or motor vehicles rented, by any state or province or any political subdivision thereof.

* * *

(23) The following motor vehicles used for timber cutting, timber removal, and processing of timber or other solid wood forest products intended to be sold ultimately at retail: skidders with grapple and cable, feller bunchers, cut-to-length processors, forwarders, delimiters, loader slashers, log loaders, whole-tree chippers, stationary screening systems, portable sawmills, and firewood processors, elevators, and screens.

* * * Sales and Use Tax; Tax Credit; Advanced Wood Boilers * * *

Sec. 5. 32 V.S.A. § 9701 is amended to read:

§ 9701. DEFINITIONS

Unless the context in which they occur requires otherwise, the following terms when used in this chapter mean:

* * *

(54) "Noncollecting vendor" means a vendor that sells tangible personal property or services to purchasers who are not exempt from the sales tax under this chapter, but that does not collect the Vermont sales tax.

(55) "Advanced wood boiler" means a boiler or furnace:

(A) installed as a primary central heating system;

(B) rated as high-efficiency, meaning a higher heating value or gross calorific value of 85 percent or more;

(C) containing at least one week fuel-storage, automated startup and shutdown, and fuel feed; and

(D) meeting other efficiency and air emission standards established by the Department of Environmental Conservation.

Sec. 6. 32 V.S.A. § 9741 is amended to read:

§ 9741. SALES NOT COVERED

Retail sales and use of the following shall be exempt from the tax on retail sales imposed under section 9771 of this title and the use tax imposed under section 9773 of this title.

* * *

(52) Advanced wood boilers, as defined in section 9701 of this title, whether for residential or commercial use.

Sec. 7. 32 V.S.A. § 5930l is added to read:

§ 5930l. ADVANCED WOOD BOILER TAX CREDIT

(a) As used in this section, "advanced wood boiler" means a boiler or furnace:

(1) installed as a primary central heating system;

(2) rated as high-efficiency, meaning a higher heating value or gross calorific value of 85 percent or more;

(3) containing at least one week fuel-storage, automated startup and shutdown, and fuel feed; and

(4) meeting other efficiency and air emission standards established by the Department of Environmental Conservation.

(b) A taxpayer of this State shall be eligible for a credit against the tax imposed under this chapter in an amount equal to 50 percent of the purchase cost of an advanced wood boiler.

(c) Any unused credit available under subsection (b) of this section may be carried forward for up to 10 years.

Sec. 8. 32 V.S.A. § 5813(w) is added to read:

(w) The statutory purpose advanced wood boiler tax credit in section 5930l of this title is to promote the forest products industry in Vermont by encouraging the purchase of modern wood heating systems.

Sec. 9. 32 V.S.A. § 9706(l1) is added to read:

(l1) The statutory purpose of the exemption for advanced wood boilers in subdivision 9741(52) of this title is to promote the forest products industry in

Vermont by encouraging the purchase of modern wood heating systems.

* * * Hemp * * *

Sec. 10. PURPOSE

The purpose of Secs. 10-12 of this act is to amend the laws of Vermont regarding the cultivation of industrial hemp to conform with federal requirements for industrial hemp research set forth in section 7606 of the federal Agricultural Act of 2014, Pub. L. No. 113-79, codified at 7 U.S.C. § 5940.

Sec. 11. 6 V.S.A. chapter 34 is amended to read:

CHAPTER 34. HEMP

§ 561. FINDINGS; INTENT

(a) Findings.

(1) Hemp has been continuously cultivated for millennia, is accepted and available in the global marketplace, and has numerous beneficial, practical, and economic uses, including: high-strength fiber, textiles, clothing, ~~bio-fuel~~ biofuel, paper products, protein-rich food containing essential fatty acids and amino acids, biodegradable plastics, resins, nontoxic medicinal and cosmetic products, construction materials, rope, and value-added crafts.

(2) The many agricultural and environmental beneficial uses of hemp include: livestock feed and bedding, stream buffering, erosion control, water and soil purification, and weed control.

(3) The hemp plant, an annual herbaceous plant with a long slender stem ranging in height from four to 15 feet and a stem diameter of one-quarter to three-quarters of an inch is morphologically distinctive and readily identifiable as an agricultural crop grown for the cultivation and harvesting of its fiber and seed.

(4) Hemp cultivation will enable the State of Vermont to accelerate economic growth and job creation, promote environmental stewardship, and expand export market opportunities.

(5) The federal Agricultural Act of 2014, Pub. L. No. 113-79 authorized the growing, cultivation, and marketing of industrial hemp, notwithstanding restrictions under the federal Controlled Substances Act, if certain criteria are satisfied.

(b) Purpose. The intent of this chapter is to establish policy and procedures for growing hemp in Vermont that comply with federal law so that farmers and other businesses in the Vermont agricultural industry can take advantage of this market opportunity.

§ 562. DEFINITIONS

As used in this chapter:

(1) [Repealed.]

(2) "Hemp products" means all products made from hemp, including cloth, cordage, fiber, food, fuel, paint, paper, construction materials, plastics, seed, seed meal, seed oil, and certified seed for cultivation.

(3) "Hemp" or "industrial hemp" means the plant *Cannabis sativa* L. and any part of the plant, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.

(4) "Secretary" means the Secretary of Agriculture, Food and Markets.

§ 563. HEMP; AN AGRICULTURAL PRODUCT

~~Hemp~~ Industrial hemp is an agricultural product ~~which that~~ may be grown as a crop; produced, possessed, marketed, and commercially traded in Vermont pursuant to the provisions of this chapter. The cultivation of industrial hemp shall be subject to and comply with ~~the requirements of~~ the required agricultural practices adopted under section 4810 of this title.

§ 564. REGISTRATION; ADMINISTRATION; PILOT PROJECT

(a) The Secretary shall establish a pilot program to research the growth, cultivation, and marketing of industrial hemp. Under the pilot program, the Secretary shall register persons who will participate in the pilot program through growing or cultivating industrial hemp. The Secretary shall certify the site where industrial hemp will be cultivated by each person registered under this chapter. A person who intends to participate in the pilot program and grow industrial hemp shall register with the Secretary and submit on a form provided by the Secretary the following:

(1) the name and address of the person;

(2) a statement that the seeds obtained for planting are of a type and variety that do not exceed the maximum concentration of tetrahydrocannabinol set forth in subdivision 562(3) of this title; and

(3) the location and acreage of all parcels sown and other field reference information as may be required by the Secretary.

(b) The form provided by the Secretary pursuant to subsection (a) of this section shall include a notice statement that, ~~until current federal law is amended to provide otherwise:~~

(1) cultivation and possession of industrial hemp in Vermont is a violation of the federal Controlled Substances Act unless the industrial hemp is

grown, cultivated, or marketed under a pilot program authorized by section 7606 of the federal Agricultural Act of 2014, Pub. L. No. 113-79; and

(2) federal prosecution for growing hemp in violation of federal law may include criminal penalties, forfeiture of property, and loss of access to federal agricultural benefits, including agricultural loans, conservation programs, and insurance programs.

(c) A person registered with the Secretary pursuant to this section shall allow industrial hemp crops, throughout sowing, growing season, harvest, storage, and processing, to be inspected and tested by and at the discretion of the Secretary or his or her designee. The Secretary shall retain tests and inspection information collected under this section for the purposes of research of the growth and cultivation of industrial hemp.

(d) The Secretary may assess an annual registration fee of \$25.00 for the performance of his or her duties under this chapter.

§ 566. RULEMAKING AUTHORITY

(a) The Secretary may adopt rules to provide for the implementation of this chapter and the pilot project authorized under this chapter, which may include rules to require hemp to be tested during growth for tetrahydrocannabinol levels and to require inspection and supervision of hemp during sowing, growing season, harvest, storage, and processing. The Secretary shall not adopt under this or any other section a rule that would prohibit a person to grow hemp based on the legal status of hemp under federal law.

(b) The Secretary shall adopt rules establishing how the Agency of Agriculture, Food and Markets will conduct research within the pilot program for industrial hemp.

Sec. 12. TRANSITION; IMPLEMENTATION

All persons registered prior to July 1, 2018 with the Secretary of Agriculture, Food and Markets under 6 V.S.A. chapter 34 to grow or cultivate hemp shall be deemed to be registered with the Secretary of Agriculture, Food and Markets as participants in the industrial hemp pilot project established by this act under 6 V.S.A. § 564, and those previously registered persons shall not be required to reregister with the Secretary of Agriculture, Food and Markets.

Sec. 13. 6 V.S.A. § 567 is added to read:

§ 567. TEST RESULTS; ENFORCEMENT

(a) If the Secretary or a dispensary registered under 18 V.S.A. chapter 86 tests a hemp crop and the hemp has a delta-9 tetrahydrocannabinol concentration of more than 0.3 percent on a dry weight basis, the person registered with the Secretary as growing the hemp crop shall:

(1) enter into an agreement with a dispensary registered under 18 V.S.A. chapter 86 for the separation of the delta-9 tetrahydrocannabinol from the hemp crop, return of the hemp crop to the person registered with the Secretary, and retention of the separated delta-9 tetrahydrocannabinol by the dispensary.

(2) sell the hemp crop to a dispensary registered under 18 V.S.A. chapter 86; or

(3) arrange for the Secretary to destroy or order the destruction of the hemp crop.

(b) A person registered with the Secretary as growing the hemp crop shall not be subject to civil, criminal, or administrative liability or penalty under 18 V.S.A. chapter 84 if the tested industrial hemp has a delta-9 tetrahydrocannabinol concentration of one percent or less on a dry weight basis.

Sec. 14. 18 V.S.A. § 4474e is amended to read:

§ 4474e. DISPENSARIES; CONDITIONS OF OPERATION

(a) A dispensary registered under this section may:

(1) Acquire, possess, cultivate, manufacture, process, transfer, transport, supply, sell, and dispense marijuana, marijuana-infused products, and marijuana-related supplies and educational materials for or to a registered patient who has designated it as his or her dispensary and to his or her registered caregiver for the registered patient's use for symptom relief.

* * *

(5) Acquire, possess, manufacture, process, transfer, transport, and test hemp provided by persons registered with the Secretary of Agriculture, Food and Markets under 6 V.S.A. chapter 34 to grow or cultivate hemp.

* * *

Sec. 15. 18 V.S.A. § 4474n is added to read:

§ 4474n. TESTING BY THE AGENCY OF AGRICULTURE, FOOD AND MARKETS

The Agency of Agriculture, Food and Markets shall establish a cannabis quality control program for the following purposes:

(1) to develop potency and contaminant testing protocols for hemp, hemp-infused products, marijuana, and marijuana-infused products;

(2) to verify cannabinoid label guarantees of hemp, hemp-infused products, marijuana, and marijuana-infused products;

(3) to test for pesticides, solvents, heavy metals, mycotoxins, and

bacterial and fungal contaminants in hemp, hemp-infused products, marijuana, and marijuana-infused products; and

(4) to certify testing laboratories that can offer the services in subdivisions (2) and (3) of this section.

* * * Fire Prevention and Building Code Fees * * *

Sec. 16. 20 V.S.A. § 2731(c) is amended to read:

(c) The following fire prevention and building code fees are established:

(1) The permit application fee for a construction plan approval shall be based on \$8.00 per each \$1,000.00 of the total valuation of the construction work proposed to be done for all buildings, but in no event shall the permit application fee exceed ~~\$185,000.00~~ \$130,000.00 nor be less than \$50.00.

(2) When an inspection is required due to the change in use or ownership of a public building, the fee shall be \$125.00.

(3) The proof of inspection fee for fire suppression, alarm, detection, and any other fire protection systems shall be \$30.00.

(4) Three-year initial certificate of fitness and renewal fees for individuals performing activities related to fire or life safety established under subsection (a) of this section shall be:

* * *

(5) The Commissioner may waive all or part of a fee under this subsection if the Commissioner determines that prior review or ongoing review of the construction plan or building was suitable or completed in a manner that justifies reduction of the fee.

* * * Industrial Park Designation * * *

Sec. 17. AGENCY OF COMMERCE AND COMMUNITY DEVELOPMENT; INDUSTRIAL PARK DESIGNATION

(a) On or before December 15, 2018, the Secretary of Commerce and Community Development, after consultation with the Secretary of Natural Resources, the Chair of the Natural Resources Board, Regional Development Corporations, Regional Planning Commissions, the Vermont Natural Resources Council, and the Commission on Act 250, shall submit to the Senate Committees on Agriculture and on Economic Development, Housing and General Affairs and to the House Committee on Commerce and Economic Development recommendations for establishing an economic development program under which defined parcels in rural areas of the State are designated as industrial parks for the purposes of providing regulatory and permitting incentives to businesses sited within the industrial park. The report shall include:

(1) recommended criteria for establishing an industrial park in a rural area;

(2) eligibility criteria, if any, for a business to site within a designated industrial park in a rural area;

(3) recommended incentives for businesses sited within a designated industrial park in a rural area, including permitting incentives, permit fee reductions, reduced electric rates, net metering incentives, and other regulatory incentives;

(4) recommended technical or financial assistance that a business would be eligible to receive for locating within a designated industrial park in a rural area; and

(5) draft legislation necessary to implement any recommendation.

(b) As used in this section, "rural area" means a county of the State designated as "rural" or "mostly rural" by the U.S. Census Bureau in its most recent decennial census.

* * * Effective Date * * *

Sec. 18. EFFECTIVE DATE

This act shall take effect on July 1, 2018.

(Committee vote: 5-0-0)



Senator Bray
FOR THE COMMITTEE