

TO THE HONORABLE SENATE

The Committee on Agriculture 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 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. A 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.

* * * Vermont Trail System; Act 250 * * *

Sec. 3. 10 V.S.A. § 6001(3) is amended to read:

(3)(A) "Development" means each of the following:

* * *

(v) The construction of improvements on a tract of land involving more than 10 acres that is to be used for municipal, county, or State purposes. In computing the amount of land involved, land shall be included that is incident to the use such as lawns, parking areas, roadways, leaching fields and accessory buildings. Trails designated as part of the Vermont Trails System under chapter 20 of this title shall be deemed to be for the use of a State purpose.

* * *

Sec. 4. 10 V.S.A. § 6001(3)(F) is added to read

(F) Trail projects.

(i) When jurisdiction over a trail has been established pursuant to 10 V.S.A. § 6001(3)(A), jurisdiction shall extend only to the trail corridor and to any area directly or indirectly impacted by the construction, operation, or maintenance of the trail corridor. The width of the corridor shall be 10 feet

unless the Commission determines that circumstances warrant a wider or narrower corridor width.

(ii) Except in the case of construction on State lands, which are subject to an independent review of environmental impacts by a State agency, or the case of construction of a trail that is recognized as a trail within the Vermont Trails System pursuant to chapter 20 of this title, when the construction of improvements for a trail is proposed for a project on both private and public land and for both a private and governmental purposes and the portion of the project on private land reaches the threshold for jurisdiction under subdivision 6001(3)(A)(i) or (ii) of this title, the portion of the project on public land shall also be subject to jurisdiction under this chapter, even if jurisdiction would not otherwise apply under the chapter.

* * * Forest Products Industry; Act 250 * * *

Sec. 5. 10 V.S.A. § 6084 is amended to read:

§ 6084. NOTICE OF APPLICATION; HEARINGS; COMMENCEMENT OF REVIEW

* * *

(g) Where an application concerns the construction of improvements for a sawmill that produces two million board feet or less annually, the application shall be processed as a minor application under subdivision (b)(2) of this section.

* * * Forest Products Industry; Wood Energy; Supply * * *

Sec. 6. 16 V.S.A. § 837 is added to read:

§ 837. PUBLIC SCHOOLS; WOOD HEAT; FUEL SUPPLIERS

Public schools and independent schools designated under section 827 of this title that use wood to produce heat or electricity, or both, shall give preference to Vermont suppliers when making fuel supply purchases.

Sec. 7. 30 V.S.A. § 8009(a)(2) is amended to read:

(2) "Baseload renewable power portfolio requirement" means an annual average of 175,000 MWh of baseload renewable power from an in-state woody biomass plant that was commissioned prior to September 30, 2009, has a nominal capacity of 20.5 MW, uses woody biomass from Vermont or from Vermont suppliers for the majority of its fuel supply, and was in service as of January 1, 2011, provided that the woody biomass plant during times of inadequate supply of woody biomass may use a majority of wood from non-Vermont suppliers. Under this subdivision, woody biomass may be supplied by an out-of-state supplier who harvests woody biomass in Vermont. A Vermont supplier under this subdivision includes a business located in the

State that harvests wood in other states for sale in Vermont.

Sec. 8. PUBLIC BUILDINGS; WOOD ENERGY; VERMONT SUPPLIERS; REPORT

(a) On or before December 15, 2018, the Commissioner of Buildings and General Services (Commissioner), in consultation with the Commissioner of Public Service, shall submit a written report and recommendation on the feasibility and impacts of requiring State or municipally-owned public buildings that use wood to produce heat or electricity, or both, to give preference to Vermont suppliers when making fuel supply purchases.

(b) As used in this section, "public building" has the same meaning as in 20 V.S.A. § 2730.

(c) The submission shall include the Commissioner's specific recommendations as to each of the following categories:

(1) public buildings owned or occupied by the State of Vermont, counties, municipalities, or other public entities; and

(2) public buildings in Vermont that receive incentives or financing, or both, from the State of Vermont and are not within the category described in subdivision (1) of this subsection.

(d) The Commissioner shall submit the report and recommendation to the Senate Committees on Agriculture and on Natural Resources and Energy and the House Committees on Agriculture and Forestry and on Energy and Technology.

* * *Self-administered Efficiency Charge * * *

Sec. 9. 30 V.S.A. § 209(d)(3)(B) is amended to read:

(B) The charge established by the Commission pursuant to this subdivision (3) shall be in an amount determined by the Commission by rule or order that is consistent with the principles of least-cost integrated planning as defined in section 218c of this title.

(i) As circumstances and programs evolve, the amount of the charge shall be reviewed for unrealized energy efficiency potential and shall be adjusted as necessary in order to realize all reasonably available, cost-effective energy efficiency savings.

(ii) In setting the amount of the charge and its allocation, the Commission shall determine an appropriate balance among the following objectives; provided, however, that particular emphasis shall be accorded to the first four of these objectives: reducing the size of future power purchases; reducing the generation of greenhouse gases; limiting the need to upgrade the State's transmission and distribution infrastructure; minimizing the costs of

electricity; reducing Vermont's total energy demand, consumption, and expenditures; providing efficiency and conservation as a part of a comprehensive resource supply strategy; providing the opportunity for all Vermonters to participate in efficiency and conservation programs; and targeting efficiency and conservation efforts to locations, markets, or customers where they may provide the greatest value.

(iii) The Commission, by rule or order, shall establish a process by which a customer ~~who pays an average annual energy efficiency charge under this subdivision (3) of at least \$5,000.00~~ may apply to the Commission to self-administer energy efficiency through the use of an energy savings account which shall contain a percentage of the customer's energy efficiency charge payments as determined by the Commission. The remaining portion of the charge shall be used for systemwide energy benefits. The Commission in its rules or order shall establish criteria for approval of these applications. A customer shall be eligible for an energy savings account if one of the following applies:

(I) The customer pays an average annual energy efficiency charge under this subdivision (3) of at least \$5,000.00.

(II) The served premises of the customer are located in an industrial park in a rural area. As used in this subdivision (II):

(aa) "Industrial park" means an area of land permitted as an industrial park under 10 V.S.A. chapter 151 or under 24 V.S.A. chapter 117, or under both.

(bb) "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.

* * * Forestland; Use Value Appraisal * * *

Sec. 10. 32 V.S.A. § 3756 is amended to read:

§ 3756. QUALIFICATION FOR USE VALUE APPRAISAL

(a) The owner of eligible agricultural land, farm buildings, or managed forestland shall be entitled to have eligible property appraised at its use value, provided the owner shall have applied to the Director on or before September 1 of the previous tax year, on a form approved by the Board and provided by the Director. A farmer, whose application has been accepted on or before December 31 by the Director of the Division of Property Valuation and Review of the Department of Taxes for enrollment for the use value program for the current tax year, shall be entitled to have eligible property appraised at its use value, if he or she was prevented from applying on or before September 1 of the previous year due to the severe illness of the farmer.

* * *

~~(i)(1) After providing 30 days' notice to the owner, the Director shall remove from use value appraisal an entire parcel of managed forestland and notify the owner when the Commissioner of Forests, Parks and Recreation has not received a required management activity report or has received an adverse inspection report, unless the lack of conformance consists solely of the failure to make prescribed planned cutting. In that case, the Director may delay removal from use value appraisal for a period of one year at a time to allow time to bring the parcel into conformance with the plan.~~

(2)(A) The Director shall remove from use value appraisal an entire parcel or parcels of agricultural land and farm buildings identified by the Secretary of Agriculture, Food and Markets as being used by a person:

(i)(A) found, after administrative hearing, or contested judicial hearing or motion, to be in violation of water quality requirements established under 6 V.S.A. chapter 215, or any rules adopted or any permit or certification issued under 6 V.S.A. chapter 215; or

(ii)(B) who is not in compliance with the terms of an administrative or court order issued under 6 V.S.A. chapter 215, subchapter 10 to remedy a violation of the requirements of 6 V.S.A. chapter 215 or any rules adopted or any permit or certification issued under 6 V.S.A. chapter 215.

(B)(2) The Director shall notify the owner that agricultural land or a farm building has been removed from use value appraisal by mailing notification of removal to the owner or operator's last and usual place of abode. After removal of agricultural land or a farm building from use value appraisal under this section, the Director shall not consider a new application for use value appraisal for the agricultural land or farm building until the Secretary of Agriculture, Food and Markets submits to the Director a certification that the owner or operator of the agricultural land or farm building is complying with the water quality requirements of 6 V.S.A. chapter 215 or an order issued under 6 V.S.A. chapter 215. After submission of a certification by the Secretary of Agriculture, Food and Markets, an owner or operator shall be eligible to apply for enrollment of the agricultural land or farm building according to the requirements of this section.

* * *

(k)(1) As used in this subsection:

(A) "Contiguous" means touching, bordering, or adjoining along the boundary of a property. Properties that would be contiguous if except for separation by a roadway, railroad, or other public easement shall be considered contiguous.

(B) "Parcel" shall have the same meaning as in 32 V.S.A. § 4152.

(2) After providing 30 days' notice to the owner, the Director shall remove from use value appraisal an entire parcel of contiguous managed forestland and notify the owner when the Commissioner of Forests, Parks and Recreation has not received a required management activity report or has received an adverse inspection report on greater than one percent of enrolled forestland on a parcel, unless the lack of conformance consists solely of the failure to make prescribed planned cutting. In that case, the Director may delay removal from use value appraisal for a period of one year at a time to allow time to bring the parcel into conformance with the plan. When the Director receives an adverse inspection report documenting violations on less than or equal to one percent of forestland on a parcel, the forestland enrolled in the municipality in which the violation occurred shall be removed from use value appraisal, unless the lack of conformance consists solely of the failure to make a prescribed planned cutting under a forest management plan. If a violation consists solely of failure to make a prescribed planned cutting, the Director may delay removal of a parcel of forestland from use value appraisal for a period of one year at a time to allow the owner of the parcel opportunity to bring the parcel into conformance with its forest management plan.

Sec. 11. 32 V.S.A. § 3755(d) is amended to read:

(d) After managed forestland has been removed from use value appraisal due to an adverse inspection report under ~~subdivision 3756(i)(1)~~ subsection 3756(k) of this title, a new application for use value appraisal shall not be considered for a period of five years, and then shall be approved by the Department of Forests, Parks and Recreation only if a compliance report has been filed with the new application, certifying that appropriate measures have been taken to bring the parcel into compliance with minimum acceptable standards for forest or conservation management.

* * * Energy Efficiency; Households with Low Income * * *

Sec. 12. 30 V.S.A. § 209 is amended to read:

§ 209. JURISDICTION; GENERAL SCOPE

* * *

(e) Thermal energy and process fuel efficiency funding.

* * *

(2) If a program combines regulated fuel efficiency services with unregulated fuel efficiency services supported by funds under this section, the Commission shall allocate the costs of the program among the funding sources for the regulated and unregulated fuel sectors in proportion to the benefits provided to each sector.

* * *

(f) Goals and criteria; all energy efficiency programs. With respect to all energy efficiency programs approved under this section, the Commission shall:

(1) Ensure that all retail consumers, regardless of retail electricity, gas, or heating or process fuel provider or of household income, will have an opportunity to participate in and benefit from a comprehensive set of cost-effective energy efficiency programs and initiatives designed to overcome barriers to participation. To further this goal, the Commission shall require that a percentage of energy efficiency funds be used to deliver energy efficiency programs to customers with household incomes below 80 percent of the statewide median income, as defined by the U.S. Department of Housing and Urban Development, and the requirements of subdivision (e)(2) of this section shall not apply to such delivery.

* * *

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

Sec. 13. 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;

(4) the Commissioner's recommendations on changes to demand charge tariffs 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.

*** Environmental Permitting Fees ***

Sec. 14. 3 V.S.A. § 2822(j) is amended to read:

(j) In accordance with subsection (i) of this section, the following fees are established for permits, licenses, certifications, approvals, registrations, orders, and other actions taken by the Agency of Natural Resources.

(26) For individual conditional use determinations, for individual wetland permits, for general conditional use determinations issued under 10 V.S.A. § 1272, or for wetland authorizations issued under a general permit, an administrative processing fee assessed under subdivision (2) of this subsection (j) and an application fee of:

(A) \$0.75 per square foot of proposed impact to Class I or II wetlands.

(B) \$0.25 per square foot of proposed impact to Class I or II wetland buffers.

(C) Maximum fee, for the conversion of Class II wetlands or wetland buffers to cropland use or for installation of a pipeline in a wetland for the transport of manure for the purposes of farming, as that term is defined in 10 V.S.A. § 6001(22), \$200.00 per application. As used in this subdivision, "cropland" means land that is used for the production of agricultural crops, including row crops, fibrous plants, pasture, fruit-bearing bushes, trees, or vines, and the production of Christmas trees.

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

Sec. 15. 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. 16. 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 80 percent or more;

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

(D) meeting other efficiency and total particulate matter standards established by the Department of Public Service.

Sec. 17. 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. 18. 32 V.S.A. § 5930I is added to read:

§ 5930I. 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 80 percent or more;

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

(4) meeting other efficiency and total particulate matter standards

established by the Department of Public Service.

(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. 19. 32 V.S.A. § 5813(p) is amended to read:

(p) The statutory purpose advanced wood boiler tax credit in section 59301 of this title is to promote the forest products industry in Vermont by encouraging the purchase of modern wood heating systems.

Sec. 20. 32 V.S.A. § 9706 is amended to read:

(ll) 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. 21. PURPOSE

The purpose of Sections 21-23 of this act are 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, Public Law No. 113-79, codified at 7 U.S.C. § 5940.

Sec. 22. 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

15

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, Public Law 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, Public Law 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. 23. 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. 24. 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. 25. 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. 26. 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. 27. 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. 28. 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, and Regional Planning Commissions, shall submit to the 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.

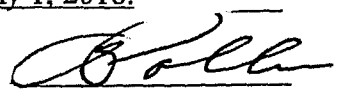
* * * Effective Dates * * *

Sec. 29. EFFECTIVE DATES

(a) This section and Secs. 3 and 4 (Act 250 trails designation) and 5 (Act 250 minor application; small sawmills) and 14 (wetland permit fees) shall take effect on passage.

(b) All other sections shall take effect on July 1, 2018.

(Committee vote: 4-1-0)



Senator Pollina
FOR THE COMMITTEE