

State of Arizona  
Senate  
Fifty-third Legislature  
First Regular Session  
2017

# SENATE BILL 1337

AN ACT

AMENDING TITLE 3, CHAPTER 2, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 4.1; AMENDING SECTION 13-3405, ARIZONA REVISED STATUTES; APPROPRIATING MONIES; RELATING TO AGRICULTURAL LICENSING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 3, chapter 2, Arizona Revised Statutes, is amended  
3 by adding article 4.1, to read:

4 ARTICLE 4.1. INDUSTRIAL HEMP

5 3-311. Definitions

6 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

7 1. "CROP" MEANS ANY INDUSTRIAL HEMP GROWN UNDER A SINGLE INDUSTRIAL  
8 HEMP GROWER OR PROCESSOR LICENSE.

9 2. "GROWER" MEANS AN INDIVIDUAL, A PARTNERSHIP, A COMPANY OR A  
10 CORPORATION THAT PRODUCES INDUSTRIAL HEMP FOR COMMERCIAL PURPOSES.

11 3. "HEMP PRODUCTS" MEANS ALL PRODUCTS MADE FROM INDUSTRIAL HEMP,  
12 INCLUDING CLOTH, CORDAGE, FIBER, FUEL, PAINT, PAPER, CONSTRUCTION  
13 MATERIALS AND PLASTICS AND FOOD THAT CAN BE MADE ONLY FROM HEMP SEED OR  
14 HEMP SEED OIL.

15 4. "HEMP SEED" MEANS ANY CANNABIS SATIVA L. SEED THAT PRODUCES  
16 INDUSTRIAL HEMP PLANTS, THAT MEETS ANY LABELING, QUALITY AND OTHER  
17 STANDARDS SET FORTH IN ARTICLE 2 OF THIS CHAPTER AND THAT IS INTENDED FOR  
18 SALE OR IS SOLD TO, OR PURCHASED BY, A LICENSED GROWER FOR PLANTING.

19 5. "INDUSTRIAL HEMP" MEANS THE PLANT CANNABIS SATIVA L. AND ANY  
20 PART OF SUCH PLANT, WHETHER GROWING OR NOT, WITH A DELTA-9  
21 TETRAHYDROCANNABINOL CONCENTRATION OF NOT MORE THAN THREE-TENTHS PERCENT  
22 ON A DRY WEIGHT BASIS.

23 6. "PROCESSOR" MEANS AN INDIVIDUAL, A PARTNERSHIP, A COMPANY OR A  
24 CORPORATION THAT RECEIVES INDUSTRIAL HEMP FOR PROCESSING INTO COMMODITIES,  
25 HEMP PRODUCTS OR HEMP SEED.

26 3-312. Legislative findings; purpose; authorization

27 A. THE LEGISLATURE FINDS AND DETERMINES THAT THE DEVELOPMENT AND  
28 USE OF INDUSTRIAL HEMP CAN IMPROVE THE ECONOMY AND AGRICULTURAL VITALITY  
29 OF THIS STATE AND THAT THE PRODUCTION OF INDUSTRIAL HEMP CAN BE REGULATED  
30 SO AS NOT TO INTERFERE WITH STRICT REGULATION OF MARIJUANA IN THIS STATE.

31 B. THE PURPOSE OF THIS ARTICLE IS TO PROMOTE THE ECONOMY AND  
32 AGRICULTURE IN THIS STATE BY ALLOWING THE DEVELOPMENT AND REGULATION OF  
33 INDUSTRIAL HEMP, WHICH IS AUTHORIZED BY THE AGRICULTURAL ACT OF 2014 (P.L.  
34 113-79; 128 STAT. 649; 7 UNITED STATES CODE SECTION 5940), WHILE  
35 MAINTAINING STRICT CONTROL OF MARIJUANA.

36 C. INDUSTRIAL HEMP PRODUCTION, PROCESSING, MANUFACTURING,  
37 DISTRIBUTION AND COMMERCE ARE AUTHORIZED IN THIS STATE. INDUSTRIAL HEMP  
38 IS AN AGRICULTURAL PRODUCT THAT IS SUBJECT TO REGULATION BY THE  
39 DEPARTMENT.

40 3-313. Rulemaking; fees

41 A. THE DIRECTOR SHALL ADOPT RULES PURSUANT TO TITLE 41, CHAPTER 6  
42 TO OVERSEE THE LICENSING, PRODUCTION AND MANAGEMENT OF INDUSTRIAL HEMP AND  
43 HEMP SEED IN THIS STATE PURSUANT TO THIS ARTICLE.

44 B. THE DIRECTOR SHALL ADOPT FEES BY RULE TO RECOVER THE COSTS OF  
45 THE DEPARTMENT'S ACTIVITIES IN LICENSING, TESTING AND SUPERVISING

1 INDUSTRIAL HEMP PRODUCTION.

2 C. THE DIRECTOR MAY NOT PROHIBIT OR ADOPT A RULE THAT PROHIBITS A  
3 PERSON FROM GROWING INDUSTRIAL HEMP BASED ON THE LEGAL STATUS OF  
4 INDUSTRIAL HEMP UNDER FEDERAL LAW.

5 3-314. Industrial hemp grower or processor license;  
6 application; fees; fingerprinting requirements;  
7 renewal; revocation

8 A. A GROWER OR PROCESSOR SHALL OBTAIN AN INDUSTRIAL HEMP GROWER OR  
9 PROCESSOR LICENSE FROM THE DEPARTMENT.

10 B. A GROWER OR PROCESSOR SHALL APPLY FOR A GROWER OR PROCESSOR  
11 LICENSE PURSUANT TO THE RULES ADOPTED BY THE DIRECTOR NOT LATER THAN ONE  
12 HUNDRED TWENTY DAYS AFTER THE EFFECTIVE DATE OF THIS SECTION.

13 C. AN APPLICATION FOR AN ORIGINAL AND RENEWAL INDUSTRIAL HEMP  
14 GROWER OR PROCESSOR LICENSE SHALL:

15 1. BE IN A FORM AND INCLUDE INFORMATION PRESCRIBED BY THE DIRECTOR.

16 2. BE ACCOMPANIED BY THE LICENSE FEE PRESCRIBED BY THE DIRECTOR.  
17 THE DIRECTOR SHALL DEPOSIT, PURSUANT TO SECTIONS 35-146 AND 35-147, FEES  
18 COLLECTED UNDER THIS PARAGRAPH IN THE INDUSTRIAL HEMP TRUST FUND  
19 ESTABLISHED BY SECTION 3-315.

20 D. AN APPLICANT FOR AN ORIGINAL GROWER OR PROCESSOR LICENSE SHALL  
21 SUBMIT A FULL SET OF FINGERPRINTS TO THE ARIZONA DEPARTMENT OF AGRICULTURE  
22 FOR THE PURPOSE OF OBTAINING A STATE AND FEDERAL CRIMINAL RECORDS CHECK  
23 PURSUANT TO SECTION 41-1750 AND PUBLIC LAW 92-544. THE DEPARTMENT OF  
24 PUBLIC SAFETY MAY EXCHANGE THIS FINGERPRINT DATA WITH THE FEDERAL BUREAU  
25 OF INVESTIGATION. CRIMINAL RECORDS INFORMATION PROVIDED TO THE ARIZONA  
26 DEPARTMENT OF AGRICULTURE UNDER THIS SECTION IS CONFIDENTIAL. THE  
27 DIRECTOR MAY USE THE RECORDS ONLY TO DETERMINE WHETHER AN APPLICANT IS  
28 ELIGIBLE TO RECEIVE A GROWER OR PROCESSOR LICENSE.

29 E. A GROWER OR PROCESSOR LICENSE ISSUED PURSUANT TO THIS SECTION IS  
30 VALID FOR TWO YEARS, UNLESS REVOKED, AND MAY BE RENEWED AS PROVIDED BY THE  
31 DEPARTMENT.

32 F. THE DEPARTMENT MAY REVOKE OR REFUSE TO ISSUE OR RENEW A LICENSE  
33 OR PROCESSOR LICENSE FOR A VIOLATION OF ANY RULE ADOPTED BY THE DIRECTOR  
34 THAT RELATES TO AGRICULTURAL OPERATIONS OR ACTIVITIES OTHER THAN  
35 INDUSTRIAL HEMP GROWING OR PROCESSING.

36 3-315. Industrial hemp trust fund

37 A. THE INDUSTRIAL HEMP TRUST FUND IS ESTABLISHED FOR THE EXCLUSIVE  
38 PURPOSE OF IMPLEMENTING, CONTINUING AND SUPPORTING INDUSTRIAL HEMP  
39 LICENSING. THE TRUST FUND CONSISTS OF MONIES RECEIVED FROM LEGISLATIVE  
40 APPROPRIATIONS, LICENSING FEES AND ALL OTHER SOURCES UNDER THIS ARTICLE.  
41 THE MONIES COLLECTED CONSTITUTE A SEPARATE AND PERMANENT FUND FOR USE BY  
42 THE DIRECTOR IN ADMINISTERING AND ENFORCING THIS ARTICLE.

43 B. THE DIRECTOR SHALL ADMINISTER THE TRUST FUND AS TRUSTEE. THE  
44 STATE TREASURER SHALL ACCEPT, SEPARATELY ACCOUNT FOR AND HOLD IN TRUST ANY  
45 MONIES DEPOSITED IN THE STATE TREASURY, WHICH ARE CONSIDERED TO BE TRUST

1 MONIES AS DEFINED IN SECTION 35-310 AND MAY NOT BE COMMINGLED WITH ANY  
2 OTHER MONIES IN THE STATE TREASURY EXCEPT FOR INVESTMENT PURPOSES. ON  
3 NOTICE FROM THE DIRECTOR, THE STATE TREASURER SHALL INVEST AND DIVEST ANY  
4 TRUST FUND MONIES DEPOSITED IN THE STATE TREASURY AS PROVIDED BY SECTIONS  
5 35-313 AND 35-314.03, AND MONIES EARNED FROM INVESTMENT SHALL BE CREDITED  
6 TO THE TRUST FUND.

7 C. THE DIRECTOR MAY ACCEPT AND SPEND FEDERAL MONIES AND PRIVATE  
8 GRANTS, GIFTS, CONTRIBUTIONS AND DEVICES TO ASSIST IN CARRYING OUT THE  
9 PURPOSES OF THIS ARTICLE.

10 D. THE BENEFICIARY OF THE TRUST IS THE INDUSTRIAL HEMP PROGRAM  
11 ESTABLISHED BY THIS ARTICLE.

12 E. ANY MONIES REMAINING UNEXPENDED IN THE FUND ON JUNE 30 OF EACH  
13 YEAR SHALL BE CARRIED FORWARD TO THE FOLLOWING YEAR AND DO NOT REVERT TO  
14 THE GENERAL FUND.

15 3-316. Recordkeeping, inspection, transportation and  
16 distribution requirements

17 A. EVERY GROWER OR PROCESSOR THAT IS LICENSED PURSUANT TO THIS  
18 ARTICLE SHALL KEEP AND MAINTAIN RECORDS AS REQUIRED BY RULE. THE DIRECTOR  
19 OR THE DIRECTOR'S DESIGNEE MAY INSPECT OR AUDIT THE RECORDS DURING NORMAL  
20 BUSINESS HOURS TO ENSURE COMPLIANCE WITH THIS ARTICLE OR ANY DEPARTMENT  
21 RULE. THE DIRECTOR OR THE DIRECTOR'S DESIGNEE SHALL PROVIDE AT LEAST  
22 THREE DAYS' NOTICE TO THE GROWER OR PROCESSOR BEFORE INSPECTING OR  
23 AUDITING THE RECORDS.

24 B. THE DIRECTOR OR THE DIRECTOR'S DESIGNEE MAY PHYSICALLY INSPECT  
25 AN INDUSTRIAL HEMP SITE TO ENSURE COMPLIANCE WITH THIS ARTICLE OR ANY  
26 DEPARTMENT RULE. DURING ANY PHYSICAL INSPECTION OF AN INDUSTRIAL HEMP  
27 SITE, THE DIRECTOR OR THE DIRECTOR'S DESIGNEE MAY TAKE A REPRESENTATIVE  
28 SAMPLE FOR ANALYSIS BY THE STATE AGRICULTURAL LABORATORY. IF A CROP  
29 CONTAINS AN AVERAGE DELTA-9 TETRAHYDROCANNABINOL CONCENTRATION THAT  
30 EXCEEDS THREE-TENTHS PERCENT ON A DRY WEIGHT BASIS, THE DEPARTMENT MAY  
31 ORDER THE CROP TO BE DESTROYED AND ISSUE A CEASE AND DESIST ORDER PURSUANT  
32 TO SECTION 3-317.

33 C. ONLY A LICENSED GROWER OR PROCESSOR, OR A LICENSED GROWER'S OR  
34 PROCESSOR'S DESIGNEE OR AGENT, MAY TRANSPORT INDUSTRIAL HEMP OFF THE  
35 INDUSTRIAL HEMP PRODUCTION SITE. WHEN TRANSPORTING INDUSTRIAL HEMP OFF  
36 THE PRODUCTION SITE, THE LICENSED GROWER OR PROCESSOR, OR THE LICENSED  
37 GROWER'S OR PROCESSOR'S DESIGNEE OR AGENT, SHALL CARRY THE LICENSING  
38 DOCUMENTS AS EVIDENCE THAT THE INDUSTRIAL HEMP WAS GROWN AND PROCESSED BY  
39 A LICENSED GROWER OR PROCESSOR. THIS SUBSECTION DOES NOT APPLY TO THE  
40 TRANSPORTATION OF HEMP PRODUCTS.

41 D. A LICENSED GROWER OR PROCESSOR SHALL NOTIFY THE DIRECTOR OF THE  
42 SALE OR DISTRIBUTION OF ANY INDUSTRIAL HEMP GROWN UNDER THE LICENSE  
43 INCLUDING THE NAME AND ADDRESS OF THE PERSON OR ENTITY RECEIVING THE  
44 INDUSTRIAL HEMP AND THE AMOUNT OF THE INDUSTRIAL HEMP SOLD.



- 1           1. Possess or use marijuana.
- 2           2. Possess marijuana for sale.
- 3           3. Produce marijuana.
- 4           4. Transport for sale, import into this state or offer to transport
- 5 for sale or import into this state, sell, transfer or offer to sell or
- 6 transfer marijuana.
- 7           B. A person who violates:
- 8           1. Subsection A, paragraph 1 of this section involving an amount of
- 9 marijuana not possessed for sale having a weight of less than two pounds
- 10 is guilty of a class 6 felony.
- 11           2. Subsection A, paragraph 1 of this section involving an amount of
- 12 marijuana not possessed for sale having a weight of at least two pounds
- 13 but less than four pounds is guilty of a class 5 felony.
- 14           3. Subsection A, paragraph 1 of this section involving an amount of
- 15 marijuana not possessed for sale having a weight of four pounds or more is
- 16 guilty of a class 4 felony.
- 17           4. Subsection A, paragraph 2 of this section involving an amount of
- 18 marijuana having a weight of less than two pounds is guilty of a class 4
- 19 felony.
- 20           5. Subsection A, paragraph 2 of this section involving an amount of
- 21 marijuana having a weight of at least two pounds but not more than four
- 22 pounds is guilty of a class 3 felony.
- 23           6. Subsection A, paragraph 2 of this section involving an amount of
- 24 marijuana having a weight of more than four pounds is guilty of a class 2
- 25 felony.
- 26           7. Subsection A, paragraph 3 of this section involving an amount of
- 27 marijuana having a weight of less than two pounds is guilty of a class 5
- 28 felony.
- 29           8. Subsection A, paragraph 3 of this section involving an amount of
- 30 marijuana having a weight of at least two pounds but not more than four
- 31 pounds is guilty of a class 4 felony.
- 32           9. Subsection A, paragraph 3 of this section involving an amount of
- 33 marijuana having a weight of more than four pounds is guilty of a class 3
- 34 felony.
- 35           10. Subsection A, paragraph 4 of this section involving an amount
- 36 of marijuana having a weight of less than two pounds is guilty of a class
- 37 3 felony.
- 38           11. Subsection A, paragraph 4 of this section involving an amount
- 39 of marijuana having a weight of two pounds or more is guilty of a class 2
- 40 felony.
- 41           C. If the aggregate amount of marijuana involved in one offense or
- 42 all of the offenses that are consolidated for trial equals or exceeds the
- 43 statutory threshold amount, a person who is sentenced pursuant to
- 44 subsection B, paragraph 5, 6, 8, 9 or 11 of this section is not eligible
- 45 for suspension of sentence, probation, pardon or release from confinement

1 on any basis until the person has served the sentence imposed by the  
2 court, the person is eligible for release pursuant to section 41-1604.07  
3 or the sentence is commuted.

4 D. In addition to any other penalty prescribed by this title, the  
5 court shall order a person who is convicted of a violation of any  
6 provision of this section to pay a fine of not less than seven hundred  
7 fifty dollars or three times the value as determined by the court of the  
8 marijuana involved in or giving rise to the charge, whichever is greater,  
9 and not more than the maximum authorized by chapter 8 of this title. A  
10 judge shall not suspend any part or all of the imposition of any fine  
11 required by this subsection.

12 E. A person who is convicted of a felony violation of any provision  
13 of this section for which probation or release before the expiration of  
14 the sentence imposed by the court is authorized is prohibited from using  
15 any marijuana, dangerous drug or narcotic drug except as lawfully  
16 administered by a practitioner and as a condition of any probation or  
17 release shall be required to submit to drug testing administered under the  
18 supervision of the probation department of the county or the state  
19 department of corrections as appropriate during the duration of the term  
20 of probation or before the expiration of the sentence imposed.

21 F. If the aggregate amount of marijuana involved in one offense or  
22 all of the offenses that are consolidated for trial is less than the  
23 statutory threshold amount, a person who is sentenced pursuant to  
24 subsection B, paragraph 4, 7 or 10 and who is granted probation by the  
25 court shall be ordered by the court that as a condition of probation the  
26 person perform not less than two hundred forty hours of community  
27 restitution with an agency or organization providing counseling,  
28 rehabilitation or treatment for alcohol or drug abuse, an agency or  
29 organization that provides medical treatment to persons who abuse  
30 controlled substances, an agency or organization that serves persons who  
31 are victims of crime or any other appropriate agency or organization.

32 G. If a person who is sentenced pursuant to subsection B, paragraph  
33 1, 2 or 3 of this section is granted probation for a felony violation of  
34 this section, the court shall order that as a condition of probation the  
35 person perform not less than twenty-four hours of community restitution  
36 with an agency or organization providing counseling, rehabilitation or  
37 treatment for alcohol or drug abuse, an agency or organization that  
38 provides medical treatment to persons who abuse controlled substances, an  
39 agency or organization that serves persons who are victims of crime or any  
40 other appropriate agency or organization.

41 H. If a person is granted probation for a misdemeanor violation of  
42 this section, the court shall order as a condition of probation that the  
43 person attend eight hours of instruction on the nature and harmful effects  
44 of narcotic drugs, marijuana and other dangerous drugs on the human

1 system, and on the laws related to the control of these substances, or  
2 perform twenty-four hours of community restitution.

3 I. THIS SECTION DOES NOT APPLY TO A PERSON WHO IS LICENSED PURSUANT  
4 TO TITLE 3, CHAPTER 2, ARTICLE 4.1 AND WHO POSSESSES, USES, SELLS,  
5 PRODUCES, MANUFACTURES OR TRANSPORTS INDUSTRIAL HEMP AS DEFINED IN SECTION  
6 3-311.

7 Sec. 3. Exemption from rulemaking

8 For the purposes of this act, the Arizona department of agriculture  
9 is exempt from the rulemaking requirements of title 41, chapter 6, Arizona  
10 Revised Statutes, for one year after the effective date of this act.

11 Sec. 4. Appropriations; Arizona department of agriculture

12 A. The sum of \$250,000 and 3 FTE positions are appropriated from  
13 the state general fund in fiscal year 2017-2018 to the Arizona department  
14 of agriculture plant services division for the purposes provided in this  
15 act.

16 B. The sum of \$422,000 is appropriated from the state general fund  
17 in fiscal year 2017-2018 to the Arizona department of agriculture for the  
18 state agricultural laboratory for the purposes provided in this act.