

AGENCY RECEIPT
NOTICE OF EXEMPT RULEMAKING

SECRETARY OF STATE
2019 MAY 30 PM 3: 18
FILED

1. **Agency name:**
ARIZONA DEPARTMENT OF AGRICULTURE

2. **The Subchapters, if applicable; the Articles; the Parts, if applicable; and the Sections involved in the rulemaking, listed in alphabetical and numerical order:**

<u>Article, Part, or Section Affected (as applicable)</u>	<u>Rulemaking Action</u>
R3-4-1001	New Section
R3-4-1002	New Section
R3-4-1003	New Section
R3-4-1004	New Section
R3-4-1005	New Section
Table 1	New Section
R3-4-1006	New Section
R3-4-1007	New Section
R3-4-1008	New Section
R3-4-1011	New Section
R3-4-1012	New Section
R3-4-1013	New Section
R3-4-1014	New Section

NOTICE OF EXEMPT RULEMAKING

TITLE 3. AGRICULTURE

CHAPTER 4. DEPARTMENT OF AGRICULTURE - PLANT SERVICES DIVISION

PREAMBLE

<u>1. Article, Part, or Section Affected (as applicable)</u>	<u>Rulemaking Action</u>
R3-4-1001	New Section
R3-4-1002	New Section
R3-4-1003	New Section
R3-4-1004	New Section
R3-4-1005	New Section
Table 1	New Section
R3-4-1006	New Section
R3-4-1007	New Section
R3-4-1008	New Section
R3-4-1011	New Section
R3-4-1012	New Section
R3-4-1013	New Section
R3-4-1014	New Section

2. Citations to the agency’s statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific), and the statute or session law authorizing the exemption:

Authorizing statute: A.R.S. § 3-107(A)

Implementing statute: Laws 2018, Chapter 287, Section 1, 3-313

Statute or session law authorizing the exemption: Laws 2019 Chapter 5, Section 1, amending Laws 2018, Chapter 287, Section 7.

3. The effective date of the rule and the agency’s reason it selected the effective date:

May 31, 2019

Laws 2019, Chapter 5, Section 1 reads to amend Laws 2018, Chapter 287, Section 7(B) to read: The Arizona Department of Agriculture shall adopt the initial rules to carry out Title 3, Chapter 2, Article 4.1 Arizona

Revised Statutes, as added by Laws 2018, Chapter 287, by May 31, 2019.

4. A list of all notices published in the Register as specified in R1-1-409(A) that pertain to the record of the exempt rulemaking:

None

5. The agency's contact person who can answer questions about the rulemaking:

Name: Brian McGrew
Address: 1688 W. Adams St., Phoenix, AZ 85007
Telephone: Include area code, (602) 542-3228
Fax: (602) 543-1004
E-mail: bmcgrew@azda.gov
Web site: <https://agriculture.az.gov/>

6. An agency's justification and reason why a rule should be made, amended, repealed, or renumbered to include an explanation about the rulemaking:

The rulemaking is intended to comply with Laws 2018, Chapter 287; and Laws 2019, Chapter 5

7. A reference to any study relevant to the rule that the agency reviewed and either relied on or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

The Department did not review and does not intend to rely on a study in its evaluation of or justification for the rulemaking.

8. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

9. The summary of the economic, small business, and consumer impact, if applicable:

No economic, small business, and consumer impact study was conducted as industrial hemp is new to the State.

10. A description of any changes between the proposed rulemaking, including any supplemental proposed rulemaking, and the final rulemaking package (if applicable):

Not applicable

11. An agency's summary of the public or stakeholder comments made about the rulemaking and the agency response to the comments, if applicable:

Not applicable

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules. When applicable, matters shall include, but not be limited to:

a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a

general permit is not used:

The rulemaking requires a permit, other than a general permit. The permitting process requires steps to investigate and determine the eligibility for the issuance of a permit not compatible with the general permitting process.

b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than the federal law and if so, citation to the statutory authority to exceed the requirements of federal law:

Not applicable

c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:

No analysis was submitted

13. A list of any incorporated by reference material and its location in the rule:

None

15. The full text of the rules follows:

TITLE 3. AGRICULTURE
CHAPTER 4. DEPARTMENT OF AGRICULTURE - PLANT SERVICES DIVISION
ARTICLE 10. INDUSTRIAL HEMP

Section

- R3-4-1001. Definitions
- R3-4-1002. Program Eligibility
- R3-4-1003. Licenses; Applications; Renewals; Withdrawal
- R3-4-1004. Industrial Hemp Research
- R3-4-1005. Fees
- Table 1. Fee Schedule
- R3-4-1006. Authorized Seed and Propagative Materials
- R3-4-1007. Location Requirements; Signage
- R3-4-1008. Compliance; Recordkeeping; Audits
- R3-4-1011. Notifications; Reports
- R3-4-1012. Unauthorized Activity; Violations
- R3-4-1013. Corrective Actions
- R3-4-1014. Penalties

ARTICLE 10. INDUSTRIAL HEMP

R3-4-1001. Definitions

In addition to the definitions provided in A.R.S. §§ 3-201, 3-311, and A.A.C. R3-4-101, the following terms apply to this article.

"0.300%" shall have the same meaning as three-tenths percent.

"Associate Director" means the Associate Director of the Plant Services Division.

"Certified laboratory" means the State Agriculture Laboratory or any laboratory certified by the State Agriculture Laboratory to perform compliance analysis of industrial hemp.

"Hemp" has the same meaning as industrial hemp.

"Intentionally" means the state of mind defined in A.R.S. § 13-105(10)(a) or any successor statute.

"Knowingly" means the state of mind defined in A.R.S. § 13-105(10)(a) or any successor statute.

"Licensing Agreement" means a contract between the Department and an applicant that indicates the terms and conditions required for a license issued pursuant to this article.

"Manmade causes" means the influence to an industrial hemp crop created by a person, including but not limited to, irrigation, fertilization, chemical application, or physical interference.

"Natural causes" means the influence to an industrial hemp crop created by elements of nature including, but not limited to, temperature, wind, rain, hail, or flood.

"Program" means the Industrial Hemp Program.

"Propagative material" means any industrial hemp seedlings, explants, transplants, propagules, or other rooted material that is grown in a soilless media.

"Responsible party" means an individual that has signing authority of a partnership, limited liability company, association, company or corporation.

"THC" means Tetrahydrocannabinol

"Total Delta-9 THC concentration" means the total calculable amount of the chemical compound, Delta-9 THC.

R3-4-1002. Program Eligibility

A. Eligibility requirements. Unless otherwise determined to be ineligible under this article and notwithstanding any other law, a person or responsible party that applies for a program license or registration shall:

1. Possess a valid fingerprint clearance card issued by the Arizona Department of Public Safety pursuant to A.R.S. § 41-1758.07.
2. Be a citizen of the United States or a legal resident alien, an individual who applies for a program license, is enrolled in an academic program at an accredited college or university, and does not meet the criteria in this Section may be sponsored by an academic member of that college or university who meets the eligibility criteria in this Section and provides proof of eligibility as required in subsection (B)(2).
3. Be eighteen (18) years of age or older at the time of application.

B. Proof of eligibility.

1. The Department shall accept a legible photo copy, paper or electronic, of the applicants fingerprint clearance card described in subsection (A)(1).
2. The Department shall accept the documents listed in A.R.S. § 41-1080(A) as evidence of age and United States Citizenship or legal residency.

R3-4-1003. Licenses; Applications; Renewals; Withdrawal

A. Any person that grows, harvests, transports, or processes industrial hemp in any of the following categories shall obtain the appropriate license from the Department and shall abide by the terms and conditions set forth in the licensing agreement with the Department. Types of licenses include:

1. Grower - An authorized Grower license shall allow the licensee to obtain seed or propagative materials pursuant to this article for planting, possess authorized seed and/or propagative materials for planting, cultivate the crop, harvest plant parts, possess and store harvested plant parts, and transport plant parts for processing.
2. Nursery - An authorized Nursery license shall allow the licensee to propagate eligible seed and propagative materials for planting for a licensed grower. A licensed Nursery shall not grow industrial hemp for harvesting purposes, unless also licensed with the Department as a Grower.
3. Harvester - An authorized Harvester license shall allow the licensee to engage in the activity of harvesting an eligible industrial hemp crop for a licensed grower.
4. Transporter - An authorized Transporter license shall allow the licensee to engage in the transport of a harvested industrial hemp crop for a licensed grower.
5. Processor - An authorized Processor license shall allow the licensee to engage in the processing, handling, and storage of industrial hemp or hemp seed at one or more authorized locations in the state. The licensee may sell, distribute, transfer, or gift any products processed from harvested hemp that is not restricted in section R3-4-1012

B. At a minimum, applications for a license shall contain the information required in subsections R3-4-1003(B)(1) through (6), plus any additional information that may be required by the Department. Location information shall be retained by the Department for not less than three years. Licensing fees are due at the time of application (R3-4-1005).

1. All licenses.
 - a. Full name, mailing address, telephone number and email address.
 - b. Fingerprint clearance card identification number of the person or responsible party applying;
 - c. If the applicant represents a business entity, the full name of the business, the principal Arizona business location address, the full name, title, and email address of the of the responsible party;
 - d. Tax ID or Social Security Number; and
 - e. Disclosure and explanation of any instance in which the applicant has been denied, debarred, suspended, revoked, or otherwise prohibited from participating in any public procurement or licensing activity.
2. Grower's license.
 - a. Registered planting site(s): street address or major crossroads, legal description, and GPS coordinates for each field, greenhouse, building or site where industrial hemp will be grown, updated annually, or within thirty days following a change;
 - b. Estimated acreage for each outdoor location and/or square footage for indoor or each greenhouse locations intended for planting.

- c. Maps or aerial photos depicting each site where industrial hemp will be grown, handled, and/or stored, with appropriate designations for entrances, field boundaries, and specific locations corresponding to the GPS coordinates;
 - d. Storage location(s) (expressed in GPS coordinates) for seed or propagative materials, and harvested plants and plant parts.
 - e. Maps or aerial photos depicting each site where industrial hemp seed and/or propagative materials will be stored and labeled with the corresponding GPS coordinates;
3. Nursery License.
- a. Storage location(s) (expressed in GPS coordinates) for seed or propagative materials;
 - b. Locations (expressed in GPS coordinates) of all propagation areas; and
 - c. labeled maps or aerial photos depicting storage and propagation areas.
4. Harvester License. Maps and the street address, legal description, and GPS coordinates for each location the harvesting equipment will be primarily based.
5. Transporter License. Maps and the street address, legal description, and GPS coordinates for each location the transporting vehicles and equipment will be primarily based.
6. Processor License.
- a. Identification of the part of a harvested hemp crop or plant to be received for processing, in the following categories:
 - i. Floral and leaf material;
 - ii. Seed for oil or grain;
 - iii. Stalks for fiber or hurds;
 - iv. Seed or propagative materials for planting;
 - b. Registered processing site(s): Street address or major crossroads, legal description, and GPS coordinates for each building or site where hemp will be processed or stored; or where mobile processing equipment will be primarily based; and
 - c. Labeled maps or aerial photos depicting the information in subsection (b).
- C.** Application submission dates. Applications may be submitted at any time during the year, but the expiration date of the license shall be on December 31st annually, or biennially for a two-year renewal as authorized in subsection (D). Renewal applications will be due no later than December 15th.
- D.** Application for one or two-year renewals. At a licensee's discretion, a person that has been licensed by the Department under the industrial hemp program may apply for a one or two year renewal provided:

1. The person was licensed in the industrial hemp program within the previous calendar year;
2. The license of the person was in good standing at the time of renewal;
3. There is no change in the person or responsible party licensed;
4. There is no change in the physical location of the industrial hemp site;
5. The licensee does not owe any civil penalties, fees, or late charges to the Department; and
6. The person submits the associated fee for a one or two-year renewal.

E. Licensing agreements. All approved applicants for a license shall complete a licensing agreement issued by the Department prior to receiving a license. The licensing agreement may include additional terms and conditions as needed to ensure compliance with this article, applicable state and federal laws, and rules and orders of the Director, but, at a minimum the applicant will agree to:

1. Provide access, for authorized Department inspectors, at any time, to all hemp and hemp seed, planted or stored, and all records to determine compliance with this article and any state or federal law, rule or order regulating Cannabis as an agricultural crop;
2. Maintain all records, as stated in section R3-4-1008 of this article;
3. Pay all fees required indicated in Table 1;
4. Comply with all pesticide use restrictions;
5. Comply with all seed laws of the state;
6. Defend, indemnify, and hold harmless the Department from liability for the destruction of any crop or harvested plant in violation of this article;
7. Be solely responsible for all financial or other losses;
8. Be solely responsible for all land use restrictions, applicable city and county zoning, building, and fire codes and ordinances; and
9. Follow all regulatory, notification and reporting requirements.

F. Program withdrawal. A licensee that intends to voluntarily withdraw from the program shall submit to the Department a withdrawal notice as prescribed by the Department and comply with the following conditions.

1. Unless otherwise authorized by the Associate Director, the licensee shall complete a withdrawal notice at least two weeks prior to withdrawal of the Program;
2. Any industrial hemp or hemp seed, planted, harvested, or stored must be inspected by the Department prior to transport off of the property, destruction or transfer to a new or existing licensee;
3. Any licensing and inspection fees paid or invoiced prior to any notice of withdrawal are not eligible for refund; and

4. Withdrawal after submittal of an application but prior to issuance of a license will be prohibited unless the Department determines, in its sole discretion, that such withdrawal is appropriate.

G. Site modification. Anytime a licensed grower, processor or nursery modifies the registered site during the licensing period by changing the location of an existing site or by adding additional sites under the license, the licensee shall submit a site modification application and associated site modification fee listed in Table 1 of this article.

H. License transfer. The transfer of an Industrial hemp license is authorized only if the licensee and eligible program applicant completes a Department issued transfer application and submits any applicable transfer fees listed in Table 1 of this article. The receiver of a transferred license shall complete a licensing application, and execute a licensing agreement as required by this Article, and all duties and responsibilities of the licensee shall be transferred to and acknowledged by the receiver in a written agreement between the licensee and receiver. Any license or other fees paid by the licensee shall be credited to the benefit of the receiver.

R3-4-1004. Industrial Hemp Research

A. A person, company, college or university that conducts research into the growth, harvesting techniques, transportation methods, or processing of industrial hemp is required to obtain a license pursuant to this article.

B. A person, company, college or university conducting not-for-profit research may be exempted from the licensing fee(s) provided:

1. The applicant submits to the Department a request for an exemption of the licensing fee;
2. The applicant provides a summary of the research to be conducted;
3. The applicant provides a summary of the benefit to the agricultural community that will be gained;
4. The applicant signs into an agreement with the Department that as a result of the research conducted the applicant will not gain any monetary profit;
5. The research will be conducted in compliance with this article or any other law, rule, or order governing the production of industrial hemp; and
6. The results or summary of the research will be published or made publicly available.

C. Intellectual property. The Department holds no rights to any intellectual property of the licensee.

D. Restrictions. A licensee shall not change not-for-profit research to for-profit research without notifying the Department and paying the required licensing fee.

R3-4-1005. Fees

A. All licensing and/or registration fees are due at the time of application.

B. A Grower applicant or licensee is not required to pay separate harvester and/or transporter licensing fees, unless providing harvesting and/or transport services for other licensed growers.

- C. Inspection and assessment fees are invoiced by the Department and are due within 30 days of the invoice date.
- D. Site modification fees. The appropriate fee shall be submitted at the time an applicant submits a site modification application as provided in R3-4-1003(G)
- E. Processor Assessment fees are based on tonnage reports, shipping manifests or scale receipts of unprocessed hemp plants or plant parts received.
- F. All outstanding Inspection and Assessment fees invoiced prior to November 15th, shall be paid in full prior to the Department's processing of a licensee's renewal application.
- G. THC sample analysis fees. A licensee will be invoiced for any analytical fees beyond the samples selected to determine regulatory compliance. These include:
 1. Any pre-harvest re-samples for crops that indicated a result above the threshold for compliance;
 2. Post-harvest samples that have been determined to be a regulatory concern by the Department; or
 3. By request from the grower that requires official analysis for commerce.

Table 1. Fee Schedule

<u>License</u>	<u>Licensing Fee</u>	<u>Inspection/Assessment Fee</u>
<u>Grower</u>	<u>\$1,500 per license</u>	<u>\$25 per outdoor acre up to 100 acres</u> <u>\$5 acre for each additional acre</u> <u>\$75 per indoor facility up to 3 acres;</u> <u>\$25 per acre for facilities over 3 acres</u> <u>\$150 per THC sample analysis (G)</u> <u>\$150 per THC sample analysis (G)</u>
<u>Nursery</u>	<u>\$1,000 per license</u>	<u>NA</u>
<u>Harvester</u>	<u>\$150 per license</u>	<u>N/A</u>
<u>Transporter</u>	<u>\$150 per license</u>	<u>N/A</u>
<u>Processor</u>	<u>\$3,000 per license</u>	<u>\$0.5 ton Fiber</u> <u>\$5 ton Oil Seed/Grain</u> <u>\$100 ton floral material</u> <u>\$150 per THC sample analysis (G)</u>
<u>All</u>	<u>Site modification fee: \$300</u>	<u>N/A</u>

R3-4-1006. Authorized Seed and Propagative Material

- A.** Authorized seeds and propagative material. Seeds and propagative materials authorized for use by a licensee is not a guarantee a crop will produce a Total Delta-9 THC concentration of not greater than 0.300%. Seeds and propagative material that are used to produce an industrial hemp crop or plant shall:
1. Be produced from an industrial hemp crop or plant; and
 2. Originate from either:
 - a. A person, business, college or university licensed or certified in a state or federal program authorized to produce industrial hemp; or
 - b. A foreign source that is authorized by the country of origin to export industrial hemp seed or propagative material to produce an industrial hemp crop.
- B.** Each licensed grower or nursery is responsible for the acquisition of seed or propagative materials used for the growth of industrial hemp. The licensee shall provide the Department the following information prior to planting:
1. A copy of the seed or propagative material producer's certificate, license or equivalent documentation authorizing the production of industrial hemp;
 2. An official analysis of the crop or plant that produced the seed or propagative material that indicates the crop or plant contained a Total Delta-9 THC concentration of not greater than 0.300% on a dry weight basis;
 3. Phytosanitary certificates or nursery certificates issued by a plant regulatory official for any propagative materials to ensure compliance with A.R.S. § 3-211 and 3 A.A.C. 2; and
 4. A pre-planting report, on a form provided by the Department, which includes:
 - a. The variety/strain name of the material;
 - b. The amount or quantity of the material;
 - c. The lot number(s) of the material; and
 - d. The name, address, phone number and email address of the seed or propagative material provider.
- C.** Labeling requirements. All Industrial Hemp seed or propagative material sold within or into Arizona must be labeled as to variety/strain or hybrid name, and origin. Labelers of seed or propagative material must provide to the Department, breeder descriptions and variety release information including any subsequent updates/amendments to these descriptions.
1. For purposes of labeling, the number or other designations of hybrid industrial hemp shall be used as a variety name.
 2. All Industrial Hemp seed for planting purposes sold within or into Arizona is subject to the Arizona seed laws under A.R.S. §§ 3-231 et seq. and 3 A.A.C. 4.
- D.** Restrictions.

1. A person that receives seed or propagative materials that does not comply with this article or any other phytosanitary, seed or labeling law of the state shall immediately notify the Department and hold the seed or propagative material until a disposition is provided by the Department.
2. The Department may direct a licensee to place a shipment of seed or propagative material on hold to ensure compliance with this Article and any other law or regulation that may apply to the shipment of agricultural seed and plants for planting purposes.

R3-4-1007. Location Requirements; Signage

A. Location requirements.

1. A Licensed Grower or Processor shall not grow, process, or store industrial hemp in any residential dwelling.
2. A Licensee is responsible for maintaining compliance with all applicable city and county land use restrictions, zoning laws, building, and fire codes and ordinances.
3. A registered location shall be made available for inspection at the request of an inspector during normal business hours.
4. A licensed grower or processor shall not grow, process, or store any forms of Cannabis that are not classified as industrial hemp within a single structure at the registered location.

B. Signage. A licensed grower or processor shall conspicuously post signage at the perimeter of the registered location that includes the following information:

1. The statement, "Arizona Department of Agriculture Industrial Hemp Program - No Trespassing Allowed";
2. Licensee's name and license number; and
3. The Arizona Department of Agriculture, Industrial Hemp Program phone number.

R3-4-1008. Compliance; Recordkeeping; Audits

A. General compliance requirements.

1. All licensees are subject to audits to ensure compliance with the recordkeeping requirements in subsection (B);
2. An authorized Department inspector shall be allowed access to all growing, storage, and processing locations of a licensee's industrial hemp crop, hemp seed, propagative material, harvested material, handling and processing equipment to conduct a visual inspection and determine if a violation of this article may exist.

B. Recordkeeping. All licensees may be audited to ensure compliance with all recordkeeping requirements. A licensee shall comply with the recordkeeping requirements in this subsection at a minimum. Additional recordkeeping requirements may be established as set in policy and updated annually.

1. All records documenting the growth, propagation, harvesting, storage, agronomic data, shipping, receiving, transportation, distribution, processing, sale, purchase, third party analysis or research of all plants, seeds and materials shall be kept within the state of Arizona and made available for inspection on request.
 2. An in-state agent must be maintained for receipt and storage of records.
 3. All records shall be maintained for not less than five years.
- C.** Sampling and testing. All licensees are subject to the collection of a representative sample of any *Cannabis* plant, hemp crop or harvested hemp in possession of the licensee or licensee's agent to determine the total concentration of Delta-9 THC as reported by a certified laboratory to ensure compliance with this article and any state or federal law, rule or order regulating *Cannabis* as an agricultural commodity.
1. Sampling method. The Department shall publish a policy on the methods in which a *Cannabis* plant or crop may be sampled, which may be updated annually as needed.
 2. Only an authorized Department inspector may collect an official sample to determine compliance with this article.
 3. When collecting an official sample, an authorized Department inspector shall:
 - a. Collect a representative sample of the crop, plants or harvested crop;
 - b. Split the official sample as follows:
 - i. One-third for retention by the Department or to provide to a certified laboratory for compliance with this article;
 - ii. One-third for confirmation of analytical results if required; and
 - iii. One-third that is provided to the licensee for retention or to utilize for additional analysis by a third party laboratory. Any results provided to the licensee by a third party laboratory do not supersede official results.
 - c. Label all official samples with an official sample number, sample date, collector name, location ID, and grower license ID number;
 - d. Apply official custody seals to all official samples; and
 - e. Complete an official chain of custody form that is signed and dated by the inspector and licensee or the licensee's representative.
 4. Sample transport and submission. The Department shall not be liable for samples that are detained by any federal, state or local law enforcement agency.
 - a. If a certified laboratory receives a sample with a broken custody seal or incomplete or missing chain of custody, that sample shall be null and void;
 - b. All official samples retained by the Department are the property of the Department; and
 - c. The Department is not liable to reimburse the licensee for official samples collected.

5. Sample results. Any result provided to the Department by a certified laboratory is the property of the state and a copy shall be provided to the licensee.

D. Volunteer hemp plants. It shall be the responsibility of the licensee to monitor and destroy.

R3-4-1011. Notifications; Reports

A. All notifications and reports for licensees shall be made on forms provided by the Department unless otherwise indicated in this section or as directed by the Associate Director.

B. Grower Licensees shall notify the Department of the following activity:

1. Notice of intent to harvest no less than 14 days prior to harvest;
2. Intent to transport a harvested crop no less than 72 hours prior to shipment or transport;
3. Notify the Department of any significant damage or destruction of a crop or harvested crop caused by natural or manmade causes within 48 hours of discovery of the damage or destruction.
4. Notify the Department within 14 days if any change in business information including business name, address, contact information or responsible party.

C. Planting report. Within 7 days after planting, complete and submit a planting report that includes:

1. The Growers license number;
2. The location(s) where a crop was planted (the "site"), expressed in GPS Coordinates and displayed on a map or aerial photo;
3. The variety name(s) of each planting corresponding to the location indicated in subsection (C)(2); and
4. The actual area planted of each site.

D. Grower and nursery reports. By December 31st of each year, a grower or nursery shall provide the Department a report of the following:

1. The sale or distribution of any industrial hemp grown under the grower's license;
2. The name and address of the person or entity receiving the industrial hemp; and
3. The amount of the industrial hemp sold or distributed

E. Processor notifications. A licensed processor shall notify the department of all shipments of industrial hemp imported from outside of the state for processing within 72 hours of receipt of the shipment. The notification shall include:

1. A copy of the shipping manifest that indicates the name, physical address, and phone number of the shipper, and the total weight of the hemp commodity in the shipment;
2. A copy of the documentation issued by a regulatory official that attests the hemp commodity contains a Total Delta-9 THC Concentration not greater than 0.300%; and

3. A copy of the industrial hemp grower's certificate, license or equivalent documentation authorizing the production of industrial hemp in that state;
 4. A phytosanitary certificate or certificate of inspection issued by a plant regulatory official; and
 5. Documentation issued at origin that attests to the owner, origin, type and amount of hemp material in the shipment.
- F.** Other notifications. A licensee shall notify the Department within 72 hours from receipt of results of any third party analysis that determined a hemp crop or plant sample contained a Delta-9 THC concentration greater than 0.300%.

R3-4-1012. Unauthorized Activity; Violations

- A.** A licensee shall have committed a violation of this article by:
1. Failing to provide a legal description of land on which a licensee grows, processes, stores or researches industrial hemp or hemp seed;
 2. Failing to obtain the proper license with the Department;
 3. Producing or distributing Cannabis sativa, with a total Delta-9 THC concentration greater than 0.300% on a dry weight basis, unless otherwise permitted by state or federal law, rule or order;
 4. Violating a term or condition of the signed licensing agreement or corrective action plan; or
 5. Violating any law, rule, or order in the regulation of industrial hemp.
- B.** False Statement. Any person who materially falsifies any information contained in an application to participate in the program established under this article shall be ineligible to participate in the program.
- C.** No unauthorized person shall:
1. Grow, cultivate, handle, store, harvest, transport, import or process industrial hemp
 2. Trespass on a property registered as an industrial hemp site;
 3. Disturb, damage or destroy an industrial hemp plant or crop on a registered location; or
 4. Tamper, damage or destroy posted signage as required under R3-4-1008.
- D.** No authorized program licensee shall:
1. Offer for sale, trade, transfer possession of, gift, or otherwise relinquish possession of industrial hemp plants, plant parts, or hemp seed that is capable of germination to an unauthorized person;
 2. Destroy an industrial hemp crop, stored industrial hemp or hemp seed without prior notification to the Department.
 3. Transport industrial hemp plants, seed, propagative material or unprocessed harvested industrial hemp without notifying the Department; or
 4. Import or export industrial hemp plants or plant parts for processing; seed or propagative material for planting purposes without notifying the Department and complying with all import or export regulatory requirements as determined by a regulatory official.

E. Intentional or Knowing Violations. Any violation that is determined to be committed intentionally or knowingly shall be reported to the State Attorney General and any relevant state and local law enforcement agencies.

R3-4-1013. Corrective Actions

A. In addition to being subject to possible license suspension, license revocation, and monetary civil penalty procedures set forth in A.A.C. R3-4-1014, a person who is found by the Department to have violated any law, rule or Director's Order governing that person's participation in the program shall be subject to a corrective action plan.

B. The Associate Director may impose a written and dated corrective action plan for a negligent violation of any law, rule or Director's Order governing a person's participation in the hemp program.

C. Corrective action plans issued by the Department shall include, at a minimum, the following information:

1. The requirements a person must fulfill to correct a violation of this article as indicated in subsection (D);
2. A reasonable date by which the person shall complete violation corrections; and
3. A requirement for periodic reports from the violator to the department about the violator's compliance with the corrective action plan, laws, rules or Director's Orders for a period of at least three (3) years from the date of the corrective action plan.

D. Corrective Action Plan. The Department may prescribe one or more of the following provisions to a person in violation of this article.

1. Hemp crops or harvested hemp shall not be removed from the licensee's registered hemp site if found in violation of Section R3-4-1012 (A)(3) by having a Total Delta-9 THC concentration of greater than 0.300% on a dry weight basis.
2. In addition to one or more of the components listed in A.R.S. § 3-317, a corrective action plan may contain one or more of the requirements:
 - a. Stripping stalks and destruction of floral material;
 - b. Sterilization of seed and destruction of floral material;
 - c. THC remediation of leaf and floral material as prescribed by the Associate Director;
 - d. Education and training; and/or
 - e. Other corrective measures prescribed by the Associate Director.
3. Failure to complete the prescribed corrective measure within the timeframe indicated in the corrective action plan or to complete any component of a corrective action plan shall constitute a second violation of this Article.
4. The cost of implementing a corrective action plan is the burden of the licensee.

E. Repeat violations. A person that violates this article, the laws governing the production of industrial hemp, or any order issued by the Associate Director three times in a five-year period shall be ineligible for license issued by the Department for a period of five years beginning on the date of the third violation.

R3-4-1014. Penalties

- A.** Civil penalties. A person that violates this article, a licensing requirement, a licensing term or condition, or any other rule or order of the Department within a five year period may be fined as follows:
1. First offense - \$1,000
 2. Second offense - \$2,500
 3. Third offense - \$5000
- B.** License suspension. A person that violates this article, a licensing requirement, a licensing term or condition, or any other rule or order of the Department may have their licensing privileges suspended until completion of any corrective actions prescribed in Section R3-4-1013.
- C.** License revocation. A person that intentionally violates this article, a licensing requirement, a licensing term or condition, or any other rule or order of the Department, or who commits a third offense within a five year period:
1. Shall have all licenses issued pursuant to this article revoked;
 2. All hemp crops, seed, and harvested industrial hemp of the licensee shall be seized and destroyed as prescribed by the Associate Director.
 3. The person found in violation shall be responsible for the cost of the destruction of all hemp crops, seed, and harvested material; and
 4. The person in violation shall not be eligible for a license under this article for a period not less than five years.
- D.** Intentional or knowing violations shall be punished according to A.R.S. §§ 3-319 and or 13-3405.