



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3559 Amended by House Agriculture, Natural Resources, and Environmental Affairs on March 23, 2017

Author: Pitts

Subject: Industrial Hemp Cultivation and Regulation

Requestor: House Agriculture, Natural Resources, and Environmental Affairs

RFA Analyst(s): Stein, Gardner, and Walling

Impact Date: March 28, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$52,433	\$0
Other and Federal	\$3,750	\$0
Full-Time Equivalent Position(s)	1.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$3,750	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill would have an expenditure impact of \$52,433 on the General Fund and \$3,750 on Other Funds in FY 2017-18 and each fiscal year thereafter. Permit fees collected from growers of industrial hemp are anticipated to generate \$3,750 in Other Funds revenue, beginning in FY 2017-18 and continuing each fiscal year thereafter. The revenue must be appropriated to the Department of Agriculture to pay costs of administering the South Carolina Industrial Hemp Program.

Explanation of Fiscal Impact

Amended by the House Agriculture, Natural Resources, and Environmental Affairs on March 23, 2017

State Expenditure

This bill creates the industrial hemp program. The bill clarifies definitions to distinguish industrial hemp from marijuana. The bill allows land grant universities or research universities in the state to conduct research, contingent upon funding. Universities may conduct pilot programs to cultivate hemp as an agricultural commodity, and work with growers in South Carolina. Once engaged in research, universities must work in conjunction with the Department of Agriculture to identify applications, applicants, and new market opportunities for industrial hemp growers.

The bill authorizes the Department of Agriculture to issue up to fifteen grower permits annually to initiate a three-year pilot program pursuant to 7 USC 5940. Applicants must submit to state and national criminal record checks supported by fingerprints. Growers must be registered with

the department and must show proof of buyer contracts. Growers must provide global positioning coordinates, contact information, written consent allowing SLED to enter cultivation areas, as well as any other information required by the department. The department may charge growers application, registration, and renewal fees not to exceed \$250 annually per registrant. Monies from these fees must be continuously appropriated to the department to carry out the duties of this program.

The bill provides guidelines for growers and states that industrial hemp products intended for human consumption (i.e., ingested or topically applied) must be tested by an independent testing laboratory. Additional testing guidelines are provided.

Anyone who manufactures, distributes, or purchases marijuana in a manner intended to disguise it as hemp is guilty of a misdemeanor and upon conviction may be imprisoned for up to three years or fined up to three thousand dollars, or both. This provision is unchanged from existing law, and therefore, does not have an expenditure impact.

Department of Agriculture. This bill requires the department to regulate the registration of hemp growers and explore new market opportunities for industrial hemp products. The department reports that this bill would have an expenditure impact of \$56,183 on the General Fund. Expenditures include \$40,383 for salary and employer contributions for one marketing specialist and \$15,800 for operating expenses.

Clemson—Public Service Activities. Since the bill does not mandate that land grant universities engage in research or extension activities, this bill should have no expenditure impact on the General Fund, Federal Funds, or Other Funds. However, with the authorization of a pilot program, there could be expenditures incurred by the agency or assessed to program participants.

SC State University—Public Service Activities. Since the bill does not mandate that land grant universities engage in research or extension activities, this bill should have no expenditure impact on the General Fund, Federal Funds, or Other Funds. Any participation in the authorized pilot program would be contingent upon funding.

Public Institutions of Higher Education. The Commission on Higher Education surveyed the state's research institutions (Medical University of South Carolina, Clemson University, SC State University, and the University of South Carolina) for the impact the amended bill would have on expenditures. Clemson University and the University of South Carolina indicated any expenditures associated with authorized pilot programs would be covered by fees collected from program participants. Therefore, this bill is not expected to have any expenditure impact on the General Fund or Federal Funds. Other Funds may be impacted once cannabinoid research programs are established.

State Revenue

The bill authorizes the Department of Agriculture to permit up to fifteen growers per year and charge permit fees of up to \$250. Consequently, the Department of Agriculture will be able to collect a maximum of \$3,750 in application and registration fees annually to offset expenditures of \$56,183.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director