



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3449 Signed by Governor on March 28, 2019
Author: Hiott
Subject: Agriculture Dept
Requestor: House of Representatives
RFA Analyst(s): Gallagher and Gardner
Impact Date: June 11, 2019

Fiscal Impact Summary

This bill will increase the Department of Agriculture's (department) recurring Other Funds expenses by \$114,364 for the hire of two FTEs. Additionally, this bill will cause the department's nonrecurring Other Funds expenses to increase by between \$60,000 and \$100,000 in FY 2019-20 to establish a seed laboratory. This bill will increase the department's recurring Other Funds revenue by an undetermined amount, dependent on the number of applicants. The department will charge application and licensing fees, as dictated by this bill, to offset the increase in Other Funds expenses resulting from the bills enactment.

This bill will have no expenditure impact on the State Law Enforcement Division (SLED), as the agency already collects and processes fingerprint background checks and can manage the duties required under this bill within the normal course of agency business.

Explanation of Fiscal Impact

Signed by Governor on March 28, 2019

State Expenditure

This bill requires an individual to be licensed by the department to cultivate, handle, or process hemp. The department is permitted to charge application, license, and renewal fees to pay the cost of administering these licenses. The fees for cultivators and handlers cannot exceed \$1,000 annually per registrant. Fees charged to processors cannot be greater than the department's cost to process their applications and maintain their licensing program.

The department's commissioner (commissioner) is required to make information regarding the licensee and the positioning coordinates of their crops available in real time to federal, state, and local law enforcement. The department is permitted to conduct physical inspections to determine a registrant's compliance with the legal restrictions enumerated in this bill regarding cultivating, handling, and processing hemp.

Within 60 days of this bills effective date, the commissioner is required to submit a state plan to the Secretary of the United States Department of Agriculture. This plan must include:

- the department's plan to maintain necessary information on licensees and the land they will use to cultivate, handle, or process hemp;
- procedures for testing delta-9 THC concentration levels in hemp;

- procedures for the disposal of hemp products that are produced in violation of this bill; and
- a plan for the department to comply with the legal enforcement procedures enumerated in this bill.

This bill allows licensees to cultivate hemp for commercial purposes and for licensees to expand their operations beyond forty-acres. Any applicant previously denied a license due to the department reaching its legally permitted number of licenses for the year may apply for a license. Further, all individuals granted a license to cultivate hemp for commercial purposes prior to this bill may expand their operations beyond forty-acres upon department approval.

State Law Enforcement Division. Any individual seeking a license must undergo a state criminal records check by SLED and a national criminal record check by the FBI. SLED and local law enforcement agencies must be permitted access onto all premises where hemp is cultivated, handled, processed, or stored. If a licensed individual attempts to disguise marijuana within their hemp product in any way, they will be guilty of a misdemeanor. Following conviction, they will be imprisoned for a maximum of three years and fined a maximum of \$3,000. This bill will have no expenditure impact on SLED as the agency already collects and processes fingerprint background checks and can manage the duties required under this bill within the normal course of agency business.

Department of Agriculture. In order to fulfill the duties enumerated in this bill, the department anticipates they will need to hire two FTE's: one Administrative Specialist and one Field Specialist. The salary, benefits, and operating costs for these two new employees will increase recurring Other Funds expenses by \$114,364. These expenses include costs to outfit the new employees with technology, equipment, and supplies. The agency further anticipates that nonrecurring Other Funds expenses will increase by between \$60,000 and \$100,000 in FY 2019-20 to establish a seed laboratory with equipment to validate third-party samples and to test samples for THC levels in seed, fiber, and oil.

State Revenue

This bill permits the Department of Agriculture to charge application, license, and renewal fees to cover the cost of administering licenses to cultivators, handlers, and processors. The Department of Agriculture's current application and license fee structure is as follows:

Application and License Fees		
	Application Fee	License Fee
Cultivator	\$50 one-time fee	\$500 annually*
Handler	\$50-\$500 annually based on gross sales	\$50 annually
	Public Weighmaster: \$0	Public Weighmaster: \$28.10 one-time fee for official seal and \$5 annually
Processor	\$100 one-time fee	\$3,000 one-time fee

*The department indicates that the cultivator license fee will likely change to a system based on acreage since this bill eliminates the previous 40-acre limit on hemp cultivation.

Previous legislation capped the number of hemp licenses at forty per year. The department indicates all forty of these licenses were granted in 2019, with more qualified applicants than the cap allowed for. As this legislation removes the cap on hemp licenses, Other Funds revenue is expected to increase by an undetermined amount, dependent on the number of applicants seeking licenses. These funds will be used by the department to cover costs associated with processing applications and administering licenses.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director