



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3559 Signed by Governor on May 10, 2017
Author: Pitts
Subject: Industrial Hemp Cultivation and Regulation
Requestor: House of Representatives
RFA Analyst(s): Stein, Gardner, and Walling
Impact Date: January 5, 2018

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	See below	\$0
Other and Federal	See below	\$0
Full-Time Equivalent Position(s)	0.75	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$10,000	\$20,000
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will have a total expenditure impact of \$56,183. The expenditure impact of this bill on the General Fund and Other Funds is dependent on the amount of anticipated revenue generated from permit fees, which will be used to offset any General Fund expenditures. Permit fees collected from growers of industrial hemp are anticipated to generate up to \$10,000 in Other Funds revenue in FY 2017-18 and up to \$20,000 in FY 2018-19 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

Signed by Governor on May 10, 2017

State Expenditure

This bill creates a three-year industrial hemp pilot program. The bill clarifies definitions to distinguish industrial hemp from marijuana. The bill allows any public or private institution of higher education offering four-year baccalaureate degree and accredited by the Southern Association of Colleges and Schools 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 charge growers application, registration, and renewal fees not to exceed \$1,000 annually per registrant. Monies from these fees must be

continuously appropriated to the department to carry out the duties of this program. 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 and the Department of Agriculture to enter cultivation areas, as well as any other information required by the department.

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 a marketing specialist (0.75 FTE) and \$15,800 for operating expenses.

Clemson—Public Service Activities. Since the bill is permissive, 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, for which the agency will have to determine how to absorb within the program.

SC State University—Public Service Activities. Since the bill is permissive, 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. Since this bill is permissive, 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 institutions, for which the institutions will have to determine how to absorb within the program.

State Revenue

The bill authorizes the Department of Agriculture, working with the institutions of higher education, to issue up to twenty grower permits the first year and up to forty permits each year thereafter to initiate a three-year pilot program pursuant to 7 U.S.C. § 5940. The Department of Agriculture and the institutions of higher education will determine the number of permits to be issued. Additionally, the permittees are allowed to grow industrial hemp on up to twenty acres of land the first year and increasing up to forty acres in the second year and third year. The bill authorizes the Department of Agriculture to charge growers application, registration, and renewal fees not to exceed \$1,000 annually per registrant. Monies from these fees must be

continuously appropriated to the department to carry out the duties of this three year pilot program.

Department of Agriculture. The department estimates they will impose a permit fee not to exceed \$500 per application. Additionally, the department anticipates issuing approximately 20 permits in FY 2017-18, resulting in a fee collection of \$10,000. In the remaining two years of the pilot program, the department anticipates issuing up to 40 permits each year for FY 2018-19 and FY 2019-20 resulting in fee collection of \$20,000 per year. The \$10,000 increase in Other Fund revenue in FY 2017-18 is estimated by multiplying the possible number of permits (20) by the \$500 application fee. Likewise, the \$20,000 in FY 2018-19 and FY 2019-20 is estimated by multiplying the possible number of permits per year (40) by the \$500 application fee.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director