



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

## Legislative Fiscal Note

**Short Title:** North Carolina Farm Act of 2019.  
**Bill Number:** Senate Bill 315 (Sixth Edition)  
**Sponsor(s):** Senators B. Jackson, Sanderson, and Johnson

### SUMMARY TABLE

#### FISCAL IMPACT OF S.B. 315, V.3 (\$ in millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
<b>State Impact</b>					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
<b>General Fund Impact</b>	<b>No Estimate Available - Refer to Fiscal Analysis section</b>				

<b>NET STATE IMPACT</b>	<b>No Estimate Available - Refer to Fiscal Analysis section</b>
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### FISCAL IMPACT SUMMARY

Sections 1, 8, 12, and 21 affect the Department of Agriculture and Consumer Services (DACs). Though these sections will have fiscal implications for DACs, no estimates are available. The Office of State Auditor estimates the cost of the audit required in Sec. 30 to be \$291,000; however, the cost could be less depending on the scope.

### FISCAL ANALYSIS

#### Sections 1 and 8

Section 1 of S.B. 315 fully implements a State hemp program which previously existed as a pilot program in DACs. The North Carolina Hemp Commission shall issue licenses to cultivate and handle hemp, and set a schedule of nonrefundable fees with which to administer the Hemp Program. Section 1 also establishes the North Carolina Hemp Program Fund to be used by the Commission and the Department for the costs of personnel, program administration, testing, and any other costs incurred in administering the Hemp Program. The Hemp Program Fund, which will be a special fund that operates outside of the State General Fund, will consist of any appropriations, gifts, grants, federal funds, application fees, and license fees that the program may collect.

Since S.B. 315 directs the Hemp Commission to establish fees to administer the Hemp Program, no estimate can be made until the fees are established and the extent of the program made clear by the number of license applications received. Regardless, Section 1 will have fiscal implications for DACs. It is expected that DACs will have to hire plant inspectors to test THC levels in hemp plants, as well as

individuals to manage the administration of license applications and background checks. However, all of the costs of the program will be covered by the license fees as directed in the bill.

Section 1 establishes the Hemp Program to be administered by the Hemp Commission until July 1, 2021, at which time the program will be transferred to DACS as stated in Section 8 of S.B. 315. The Hemp Program will operate in the same fashion once it is transferred to DACS. The language in Section 8 directs DACS to use the fees established by the Hemp Commission to administer the Hemp Program. Therefore, no estimate is available.

### **Section 12**

Section 12 directs DACS to adopt rules to regulate the manufacturing, packaging, labeling, or holding operations for cannabinoid-related compounds derived from hemp. DACS shall issue licenses and the Board of Agriculture shall determine the license fees. The license fees shall be used by DACS to cover all costs of administering the cannabinoid-related compound license. Since the Board will determine the license fees upon the passage of S.B. 315, no estimate can be made until the fees are established and the extent of the program made clear by the number of license applications received. Regardless, Section 12 will have fiscal implications for DACS as there will be administrative costs associated with issuing licenses. However, all of the costs of the program will be covered by the license fees as directed in the bill.

### **Section 21**

Section 21 directs DACS to regulate and promote North Carolina sweetpotatoes by collecting a royalty or license fee for the use of a trademark. The Commissioner of Agriculture shall determine the fee for use of the trademark and shall transfer all fees to the North Carolina SweetPotato Commission after removing any costs associated with monitoring the trademark. Monitoring the trademark will involve inspecting sweetpotatoes where they are produced, stored, sold, offered for sale, packaged for sale, transported, or delivered. The current Grading Services staff within the Marketing Division will be able to add the inspection of sweetpotatoes to their current workload. DACS estimates that these inspections will cost about \$30 an hour, plus travel costs. The trademark fees may be used for this purpose, however, since those fees will be set upon the passage of S.B. 315, no estimate is currently available.

Section 21 also establishes a North Carolina Sweetpotato Advisory Council to render advice to the Commissioner at his or her request. These members shall not be compensated for their service, so there is no fiscal impact as a result of the creation of this council.

### **Section 30**

Section 30 instructs an audit of the Resource Institute by the Office of the State Auditor (OSA). The estimated appropriation needed for the audit ranges from \$0 to \$291,000. The agency estimates that the bill, as currently written, may require a large performance audit of all State funds previously appropriated to the Resource Institute. The agency could complete that audit over a period of 9 months at a cost of \$291,200 (2800 hours at \$104/hour). For an audit of smaller scope, OSA could potentially complete the project without any new appropriation.

## **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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Department of Agriculture and Consumer Services; Office of the State Auditor.

## **LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

## **CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

## **ESTIMATE PREPARED BY**

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## **ESTIMATE APPROVED BY**

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July 10, 2019



**Signed copy located in the NCGA Principal Clerk's Offices**