

Hemp Estimate for HB 1008 as Amended

	One-Time Costs		Ongoing Costs	
	FTE	Cost	FTE	Cost
Department of Agriculture				
Program Manager	0.3	\$20,974	1.0	\$69,914
Program Assistant	0.1	\$5,816	0.1	\$5,816
Inspection Fee to DPS		\$40,117		\$66,862
Testing Expenses		\$2,500		\$12,500
Operational Expenses		\$10,000		\$10,000
Department of Health		\$0		\$0
Department of Public Safety				
Inspector	0.3	\$0 ¹	0.5	\$0 ¹
Total	0.7	\$79,407	1.6	\$165,092

	First Year Revenue	Ongoing Revenue
Hemp Licenses (\$500)	\$5,000	\$25,000
Testing Fee (\$250)	\$6,250	\$31,250
Processor License (\$2,000)	\$4,000	\$4,000
Processor Testing Fee (\$500)	\$1,000	\$1,000
Application Fee (\$50)	\$600	\$2,600
Total	\$16,850	\$63,850

	First Year	Ongoing
Program Costs	\$79,407	\$165,092
Revenues from Licenses & Fees	\$16,850	\$63,850
General Funds Needed	\$62,557	\$101,242

1. Cost nets to \$0 as the Department of Agriculture pays the Department of Public Safety

HB 1008 as Amended Fiscal Estimate

Department of Agriculture

When reviewing the industrial hemp programs in North Dakota, Montana, and Nebraska, it is estimated the program will require one additional FTE to help manage the program. Currently, the South Dakota Department of Agriculture (SDDA) utilizes several program managers who administer one or multiple programs, including the pesticide, apiary, and seed programs. An additional program manager would be necessary to provide oversight of the program, write policies and procedures, maintain responsibility over the state plan, and provide final approval for licenses. It is estimated that the position would cost \$20,974 the first year and \$69,914 in ongoing salary and benefits.

SDDA reports that 3.0 FTE in administration are used to help process the majority of the agency's regulatory licenses, with the program manager providing the final determination on applications. This accounts for over 4,000 licenses annually. Due to the small number of estimated hemp licenses, it is estimated that 0.1 FTE will be needed to process hemp applications, which would cost \$5,816 the first year and on an ongoing basis.

The Department of Public Safety (DPS) is required to conduct the inspections for SDDA under HB 1008. Based on data from other states, it is estimated that 0.5 of existing FTE would be needed for inspecting industrial hemp. Using an hourly rate of \$64.29, the rate DPS charges for inspections, the cost to SDDA would be \$40,117 the first year and \$66,862 thereafter.

Using an average of 2.5 varieties of hemp per grower based on data from other states, the program will have an estimated \$2,500 in sample testing expenses for 25 tests, using a cost of \$100 per sample. For subsequent years, the testing cost is estimated to increase to \$12,500 for 125 tests. These costs would be covered by the testing fee assessed to users as a part of the hemp licenses.

Under HB 1008, if samples are found to violate the requirements for the program, the crops will be confiscated and destroyed at cost to the owner, so there are no estimated expenses to SDDA.

In addition to the FTE, there is an estimated \$10,000 in operating expenses, including industrial hemp promotional and informational materials, sampling materials, and licensing software. The total estimated cost to SDDA is \$79,407 in the program's first year and \$165,092 thereafter.

Department of Health

Both Nebraska and North Dakota contract with an outside laboratory to test industrial hemp samples at an average cost of \$90 per sample. The Department of Health (DOH) estimates that, even with the additional equipment and staff, the cost per sample would not be less than contracting out the service. As referenced above, it is estimated that there will be no cost to DOH if South Dakota uses an outside lab. Additionally, since the testing will be contracted, there will not be a need for increased storage or FTE.

Department of Public Safety

When reviewing the industrial hemp program in North Dakota, no FTE were added with the addition of industrial hemp. This estimate does not include any additional FTE or associated costs as a result. Under HB 1008, any person transporting hemp will be required to have a transportation permit. Law enforcement can collect and test samples of hemp. Due to the initial small estimated number of industrial hemp growers in the state, the cost is estimated to be minimal.

In order to conduct the inspections, it is estimated that 0.3 FTE the first year and 0.5 FTE in subsequent years will be needed. Costs for this FTE would come from fees paid by SDDA to DPS.

The Department of Public Safety has identified costs of \$43.25 for obtaining fingerprints and a background check for an industrial hemp license applicant. Under the bill, these costs would be paid for by the applicant.

Revenues

After reviewing the number of industrial hemp licenses in other states, it is estimated there will be 10 grower licenses issued in the program's first year. With the maximum fee allowed being \$500, there would be revenues of \$5,000 from license fees the first year and \$25,000 in subsequent years. In addition, testing fees are established at \$250. Using an average of 2.5 varieties of hemp per grower, this would bring in \$6,250 in testing fee revenue the first year and \$31,250 in subsequent years.

An additional fee for a processor license is specified at \$2,000. During the interim summer study, two different individuals indicated that they were prepared to process hemp when legislation was passed. Based on that information, additional annual revenues of \$4,000 are estimated. An additional \$500 fee for processor inspecting is included in the bill, which would equate to another \$1,000 in revenues.

Additionally, the bill creates a fee of \$25 per transportation permit to be assessed. The revenue collected for temporary special permits across the state in FY2019 was \$85,624. Based upon review of the types of permits available, the amount of revenue generated for hemp transportation permit fees is estimated to be negligible.

Finally, the legislation establishes a \$50 application fee for licenses, which would equate to an additional \$600 in revenue the first year and \$2,600 in subsequent years.

In total, the program would generate \$16,850 the first year in program fees. In subsequent years, it is estimated that 50 grower and 2 processor licenses will be issued, generating \$29,000 in license revenue and \$34,850 in testing and application fee revenue for a total of \$63,850.

Net Cost

The industrial hemp program is estimated to cost \$79,407 in the first year and generate \$16,850 in fees. As a result, the program would require \$62,557 in general funds as a supplement. In subsequent years, the program is estimated to cost \$165,092 and generate \$63,850 in fees, requiring \$101,242 in general funds.

Over the past five years, SDDA has reverted an average of \$93,006 in general funds; these funds could be used to cover the cost of the program.