



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3521 Introduced on January 18, 2017
Author: McCoy
Subject: SC Compassionate Care Act
Requestor: House Medical, Military, Public, and Municipal Affairs
RFA Analyst(s): Kokolis and Stein
Impact Date: February 14, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19	FY 2019-20
State Expenditure			
General Fund	\$3,032,702	\$4,498,712	\$5,146,792
Other and Federal	\$0	\$0	\$0
Full-Time Equivalent Position(s)	15.75	9.00	8.00
State Revenue			
General Fund	\$0	\$0	\$0
Other and Federal	\$0	\$0	\$0
Local Expenditure	Undetermined	Undetermined	Undetermined
Local Revenue	Undetermined	Undetermined	Undetermined

Fiscal Impact Summary

This bill will have an expenditure impact on the General Fund for the Department of Health and Environmental Control of \$3,032,702 in FY 2017-18 for 15.75 FTEs and a data base system, a total of \$4,498,712 in FY 2018-19 for nine FTEs, equipment, and maintenance, and a total of \$5,146,792 in FY 2019-20 for eight FTEs and equipment. This program will take three years to become fully operational and staffed.

Recurring expenditures are \$124,423 in FY 2017-18, \$522,130 in FY 2018-19, and \$553,967 in FY 2019-20 and include expenditures for ID card system maintenance and supplies, database maintenance, office space, and fuel for enforcement vehicles. Non-recurring expenditures are \$1,775,101 in FY 2017-18, \$475,981 in FY 2018-19, and \$57,808 in FY 2019-20 and include expenditures for a database system, consultants, computers, and law enforcement equipment.

All expenditures to implement, administer, and enforce this act are intended to be funded through the anticipated fees designated in the act. There is no expenditure impact on Other Funds or Federal Funds. The local expenditure impact is undetermined, as local governments may enact ordinances and regulations. The local revenue impact is undetermined, as local governments may charge fees for licenses and permits.

Explanation of Fiscal Impact

Introduced on January 18, 2017

State Expenditure

This bill prohibits a qualifying patient or designated caregiver from being subject to arrest, prosecution, or penalty for possessing under two ounces of cannabis for individual medical use, or for caregivers, under two ounces of cannabis per patient for medical use. A qualifying patient or designated caregiver may purchase cannabis, cannabis products, and paraphernalia for medical use from a licensed dispensary, not to exceed their respective two ounce limits. A registered qualifying patient who uses cannabis for medical purposes must be afforded the same rights under law as the person would be if they were prescribed solely pharmaceutical medications. No employer may discharge, threaten, refuse to hire, or otherwise discriminate or retaliate against an employee on the basis of the employee's use of medical cannabis.

Law enforcement officers, correctional officers, probation officers, and firefighters are prohibited from using cannabis for medical use while on duty. All cultivation, harvesting, processing, and packaging of cannabis must take place in a secure facility. Medical cannabis establishments shall implement appropriate security measures designed to deter and prevent theft of cannabis and unauthorized entrance into areas containing cannabis.

The Department of Health and Environmental Control (DHEC) shall develop a review process for medical cannabis applications and establish reasonable fees to administer the program. DHEC shall govern medical cannabis establishments and approve medical cannabis licenses. DHEC shall require the use of a single real-time, seed-to-sale tracking system used by all medical cannabis establishments. No local government may prohibit medical cannabis establishments, but they may charge a reasonable fee for a local permit. A medical cannabis establishment is subject to inspection by DHEC.

A SC Medical Cannabis Program Fund to shall be established by DHEC to ensure the availability of funds necessary to carry out DHEC's responsibilities under this article. All monies collected pursuant to this article must be deposited into the fund and used for the implementation, administration, and enforcement of this article. An eight-member Medical Cannabis Advisory Board is created to review qualifying medical conditions. Members may not receive compensation but are entitled to mileage, subsistence, and per diem.

Department of Health and Environmental Control. The department indicates this bill will have an expenditure impact on the General Fund of \$3,032,702 in FY 2017-18 for 15.75 FTEs and a data base system, \$4,498,712 in FY 2018-19 for nine FTEs, equipment, and maintenance, and \$5,146,792 in FY 2019-20 for eight FTEs and equipment. There is no expenditure impact on Other Funds or Federal Funds. This program will take three years to become fully operational and staffed.

For FY 2017-18, recurring expenditures are \$124,423 for communication services, ID card supplies, office space, ammunition, and fuel for enforcement vehicles. Non-recurring expenditures are \$1,775,101 for database system startup, communications services and office supplies for new FTEs, and law enforcement weapons, vests, body cameras, radios, and vehicle modifications. This bill requires the database system to be confidential, have a secure phone or

web-based verification feature, and be in compliance with HIPPA regulations. Consultants will be used to assist in starting up the system, based on Washington's use of BioTrackTHC. For these reasons, the database startup costs are \$1,371,768, including \$782,000 to purchase the database system. DHEC indicates that the annual General Fund expenditures for Medical Cannabis Advisory Board members' mileage, subsistence, and per diem is approximately \$2,500.

For FY 2018-19, recurring expenditures are \$522,130 for database system maintenance, ID card system maintenance, communications services, office supplies, office space, ammunition, and fuel for enforcement vehicles. Non-recurring expenditures are \$475,981 for consultants, computers and office equipment for new FTEs, and law enforcement weapons, vests, body cameras, radios, vehicle modifications.

For FY 2019-20, recurring expenditures are \$553,967 for database system maintenance, ID card system maintenance, communications services, office supplies, office space, ammunition, and fuel for enforcement vehicles. Non-recurring expenditures are \$57,808 for computers, office equipment, and communication services for new FTEs. All expenditures to implement, administer, and enforce this act are intended to be funded through the anticipated fees designated in the act.

Administrative Law Court. This bill establishes new misdemeanor offenses for unlawful conduct related to medicinal cannabis ownership and use and establishes a new punishment for felony offenses related to cannabis. As such, there is no data available to determine how many new cases may be heard in South Carolina courts. The agency does expect there to be an impact on the General Fund, but with the lack of available data, it cannot determine the amount at this time.

State Revenue

Section 2. This section would amend Section 12-36-2120 to add a sales and use tax exemption for cannabis sold by a dispensary to a cardholder pursuant to Article 20, Chapter 53, Title 44. A dispensary would be a facility operated by an organization or business licensed by the Department of Health and Environmental Control (DHEC) from or at which cannabis and cannabis products for medical use are possessed and dispensed to a cardholder. A cardholder would be a qualifying patient or a designated caregiver who has been issued and possesses a valid registry identification card by the DHEC. Currently, any medicine or FDA-approved drug prescribed by a licensed physician and sold by prescription is exempt from state sales and use tax pursuant to Section 12-36-2120(28). The sale of cannabis by a physician authorized prescription through DHEC operated and regulated dispensaries would exempt the collection of sales and use tax revenue. Because sales taxes on cannabis are not currently being collected and are not included in the Board of Economic Advisors' General Fund sales tax revenue estimate, this section would not reduce or impact state General Fund sales and use tax revenue in FY2017-18.

Local Expenditure

This bill allows local governments to enact ordinances or regulations governing the time, place, manner, and number of medical cannabis establishments in the locality. Further, a local government may establish penalties for violation of an ordinance or regulation in regards to medical cannabis. Due to the permissive nature of this bill, the expenditure impact on local

governments is undetermined and will depend upon the number of local governments that enact ordinances or regulations.

Local Revenue

This bill allows local governments to require a local license, permit, or registration for medical cannabis establishments. Additionally, a local government may charge a reasonable fee for the local license, permit, or registration. Due to the permissive nature of this bill, the revenue impact on local governments is undetermined and will depend upon the number of local governments that charge a fee for the local license, permit, or registration.



Frank A. Rainwater, Executive Director