

March 12, 2013

The Honorable Mary Pilcher-Cook, Chairperson
Senate Committee on Public Health and Welfare
Statehouse, Room 441-E
Topeka, Kansas 66612

Dear Senator Pilcher-Cook:

SUBJECT: Fiscal Note for SB 9 by Senator Haley

In accordance with KSA 75-3715a, the following fiscal note concerning SB 9 is respectfully submitted to your committee.

SB 9 would create the Cannabis Compassion and Care Act. The bill would legalize the use of cannabis for certain debilitating medical conditions. The bill would provide for the registration, regulation, and functions of a compassion center; the issuance of registry identification cards to qualifying patients; and the establishment of a compassion board within the Kansas Department of Health and Environment (KDHE). KDHE would be responsible for adopting rules and regulations to implement the Act, registering and regulating Compassion Care Centers, issuing registry identification cards and establishing a web-based verification system where law enforcement personnel and Compassion Care Center staffers can verify the identification cards.

SB 9 would require those persons who are lawfully in possession of cannabis under the Act to pay the applicable drug tax. The bill would allow a defendant to assert the medical purpose for using cannabis as a defense to any prosecution of an offense involving cannabis intended for the patient's medical use. If the defendant proves such defense, the court must dismiss the charges.

SB 9 would also specifically criminalize the following violations of the Act: a second or subsequent violation of working or volunteering as a compassion center staffer after being convicted of a felony offense and breaching the confidentiality of information obtained under the Act. The bill would assess a \$500 fine when a person makes a fraudulent representation to a law enforcement officer of a fact or circumstance relating to the medical use of cannabis to avoid arrest or prosecution. Further, if KDHE failed to adopt rules and regulations to implement the Act within 90 days of its effective date, SB 9 would allow a qualifying patient, prospective Compassion Center Board member, or prospective Compassion Center principal officer to bring an action in district court to force implementation of the Act.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	--	\$725,000
Expenditure	--	--	--	\$714,262
FTE Pos.	--	--	--	3.00

SB 9 has the potential for increasing litigation in the courts because of the new violations and penalties created by the bill. If it does, the Office of Judicial Administration indicates that there would be a fiscal effect on the operations of the court system. However, it is not possible to predict the number of additional court cases that would arise or how complex and time-consuming they would be. Therefore, a precise fiscal effect cannot be determined. In any case, the fiscal effect would most likely be accommodated within the existing schedule of court cases and would not require additional resources.

The Kansas Department of Revenue states that passage of SB 9 would result in an increase in drug tax revenue. However, an estimate of the magnitude of the increase cannot be made at this time.

The Kansas State Board of Healing Arts notes that nothing in the Act prevents a professional licensing board from sanctioning a practitioner for failing to properly evaluate a patient's medical condition or otherwise violating the standard of care for evaluating medical conditions. Passage of SB 9 could result in additional reports and complaints regarding practitioners alleged to have violated the Act. Additional reports, complaints and investigations could increase the Board's operating expenditures by an unknown amount.

The Kansas Department of Health and Environment states that passage of SB 9 would require 3.00 additional FTE positions to implement the provisions of the bill. Additional staff would include a Director for the program, a staff administrator, and an applications developer to maintain the system. Salary and benefit expenditures for the 3.00 FTE positions are estimated at \$174,110. Other operating expenditures for the program are estimated at \$26,740 per year. Obtaining background and identity checks would cost an estimated \$140,000 per year. Operating costs associated with the compassion board are estimated at \$17,412 in year one and \$11,740 for each subsequent year. These estimates include Board subsistence for 11 members averaging 300 miles round trip with seven overnight stays for each of six meetings in year one and then four meetings in the out years. Costs for technology are estimated at \$350,000 for the procurement of a system in year one and \$70,000 for maintenance of the system in each out year. There would be a one-time cost for computers for the staff of \$6,000. Therefore, additional expenditures would total \$714,262 in FY 2014 and \$422,590 in FY 2015 and beyond.

KDHE projected revenues using the statutory maximums set in the bill for compassion center applications and renewals and an average annual patient fee of \$60 per patient. It is assumed that 25 compassion care centers and 10,000 patients would make application in the first

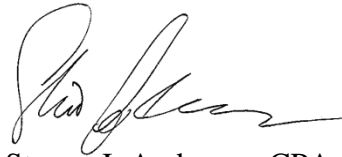
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year. In FY 2014 revenue from compassion centers would total \$125,000 (25 X \$5,000), and patient registration revenue would total \$600,000 (10,000 X \$60). For FY 2015 and beyond, KDHE estimates total revenue of \$625,000. Any fiscal effect associated with SB 9 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Aaron Dunkel, KDHE
Steve Neske, Revenue