

February 7, 2017

The Honorable Les Mason, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Mason:

SUBJECT: Fiscal Note for HB 2182 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2182 is respectfully submitted to your committee.

HB 2182 would create the Kansas Agricultural Industry Growth Act, which would authorize and encourage research activities, business development and support activities, public-private cooperation, and educational activities to promote the growth of an industrial hemp cultivating, processing and distributing industry in Kansas. The Secretary of the Kansas Department of Agriculture (KDA) would be authorized to adopt rules and regulations necessary for the efficient administration, oversight, and enforcement of the Act. The Secretary would also be authorized to adopt rules and regulations concerning licensure of persons who process or distribute industrial hemp, including who would or would not be eligible for a license. Revenue from license fees and interest earned on that revenue would be deposited into the Agricultural Industry Growth Program Fund and used exclusively for the administration and regulation of industrial hemp. Any state university that offers a degree program in the agricultural sciences would be allowed to participate in industrial hemp research. The provisions of HB 2182 would apply only to industrial hemp as defined by the bill. Any person convicted of violating any provisions of the Act would be guilty of a class C misdemeanor.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	\$816,153	\$816,153	\$628,168	\$628,168
FTE Pos.	--	7.50	--	7.50

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According to the Kansas Bureau of Investigation (KBI), HB 2182 would result in additional State General Fund expenditures of \$816,153 in FY 2018 and \$628,168 in FY 2019. Currently, possession of any product containing tetrahydrocannabinol (THC) is illegal under Kansas law. According to the agency, the bill would legalize the presence of THC at 0.3 percent or lower in certain products. The bill would provide no restriction on who may apply for or be granted a license under the Act and creates the potential for possession of an industrial hemp product to be asserted as a defense to possession of illegal marijuana. The only way to determine if the product was legal in form and THC content would be through submission of the sample to a forensic laboratory for analysis and quantitation. The agency estimates that HB 2182 could require the KBI forensic science laboratory to perform additional examinations on approximately 5,000 items per year. Each examination is estimated to take three hours to perform. Based on these assumptions, the agency would require an additional 7.50 Forensic Scientist I FTE positions to perform examinations. In FY 2018, the salaries, benefits, purchase of basic computer equipment, software, and necessary personnel supplies would cost approximately \$69,487 per FTE position, resulting in a total cost for all positions of \$521,153. In FY 2019, the FTE positions would advance to Forensic Scientist II status. The salaries and benefits, as well as necessary personnel supplies are expected to cost approximately \$77,089 per FTE position, resulting in a total cost for all positions of \$578,168.

The agency does not currently have validated methods for THC quantitation or plant DNA testing. Therefore, new methods would need to be developed and special startup equipment and supplies purchased. Analytical instrumentation is estimated to cost at least \$245,000 in FY 2018, and related supplies are estimated at \$50,000 per year in FY 2018 and each year thereafter.

According to the KDA, HB 2182 would increase its fee fund revenues because of the \$500 fee for each research and grower license and \$100 fee for each processor license. Because the agency cannot determine how many licenses it might issue, it is unable to estimate what the fiscal effect might be. The Kansas Board of Regents indicates that passage of the bill would have a fiscal effect on Kansas postsecondary educational institutions involved with industrial hemp research; however because the bill creates a revenue generating fund to cover the costs of the program, it does not expect to require additional amounts from the State General Fund. Any fiscal effect associated with HB 2182 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Justin Law, Agriculture
Kelly Oliver, Board of Regents
Shelia Sawyer-Tyler, KBI