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Kansas House Committee on Federal and State Affairs
c/o Chair, Rep. John Barker

Regarding House Bill 2184, Proponent

Your Honor and fellow Committee Members,

I am a Kansas resident and member of Kansas' business community submitting this testimony for your consideration in qualified support of HB 2184.

A Majority of Kansans Support Legalizing Cannabis

Fort Hays State University publishes an annual survey titled *Kansas Speaks* wherein they assess Kansans' attitudes and opinions regarding various issues of interest to our citizens. Regarding cannabis, the survey found that 66.9% of Kansans either somewhat or strongly supported recreational cannabis legalization in 2020, growing from 63.1% in 2019. Conversely, the survey found that 22.2% of Kansans either somewhat or strongly opposed recreational cannabis legalization in 2020, dropping from 25.8% in 2019. It should be noted that the survey sample covered a broad range of ages and political leanings, with 53.8% of respondents being over the age of 45, and 69.8% of respondents reporting their political affiliation as independent, independent leaning Republican, moderate Republican, or strong Republican. The results of the *Kansas Speaks* survey show that a growing majority of Kansans of all ages and political affiliations support the legalization of cannabis in Kansas.

An Opportunity for Kansas Amidst an Uncertain Economic Future

2020 has been a tough year for Kansans and Kansas businesses. The COVID pandemic has created unprecedented budget shortfalls throughout the State, high rates of unemployment, slowing economic development, and has caused local businesses to either struggle for survival or shut down entirely. Relating back to *Kansas Speaks*, the 2020 responses indicated that Kansans had a grim perception of Kansas' economic future amidst the pandemic, stating that "12.9% of respondents felt that the Kansas economy was getting better in the last 12 months, 38% felt that it stayed the same, and 49.1% felt it was getting worse. This compares to only 20% last year who felt it was getting worse," further stating that "17.6% of respondents were very concerned about the future economy threatening their own or their family's welfare, and 26.7% were moderately concerned for a combined percentage of concerned at 44%. This is substantially higher than the 27.8% in last year's *Kansas Speaks* survey." How Kansas emerges from the current economic crisis is yet to be seen, but legalizing medical cannabis should be seen as an economic development opportunity uniquely suited for Kansas. Our State prides itself as being the heart of American agriculture and it seems appropriate that cannabis, one of America's oldest cash crops and one

grown by George Washington, John Adams and Thomas Jefferson, is presented to the Kansas legislature for legalization.

The Window of Opportunity for Kansans is Closing Quickly

Kansas is one of fourteen states in the United States that have not passed either medical or recreational cannabis legislation. That list is set to grow shorter as legislators in Alabama, Kentucky, Iowa, Nebraska, and Wyoming look to pass medical cannabis legislation this year. With strong bi-partisan support in Congress, federal legalization of cannabis in the next four years seems imminent. The impact of federal legalization of cannabis on those states that have not passed some form of cannabis program cannot be precisely known, but such states can be certain that their role in this new growth market will be greatly diminished if they fail to enact cannabis legislation before the federal government legalizes cannabis nationwide.

Tax Considerations for the State of Kansas

Any consideration of cannabis legalization will inevitably require a discussion regarding the state license and tax revenue flowing from the intra-state cannabis market. While we would like to declare that legalizing cannabis will provide the State with tens of millions in revenue, the more judicious answer is that we simply cannot provide accurate revenue figures until the statutes and regulations have been resolved. However, we can provide an illustration of license and tax revenues in states taking either a market-restrictive or free-market approach. Take Ohio as example of a market-restrictive approach. Ohio has limited patient access to cannabis to those patients who have only the most serious medical illnesses, and has also restricted inhalation of cannabis by combustion. Ohio's total sales tax revenue was approximately \$4,008,125 during its first year (\$58,300,000 total revenue, 6.875% avg. tax rate, January 2019 – December 2020¹) with 103,642 patients as of August 2020, making 0.9% of Ohio residents the entire customer base for its cannabis market (11,690,000 total Ohio residents). In contrast, Oklahoma has taken a free-market approach that allows its citizens suffering from most maladies with symptoms treatable with cannabis to obtain a doctor's prescription for cannabis, and Oklahoma does not restrict cannabis product types or manner of ingestion. Oklahoma's total sales and excise tax revenue in 2020 was \$71,600,000, with an additional \$41,391,718.15 in license fee revenue. Oklahoma's total cannabis sale revenue in 2020 was \$831,000,000 flowing from 365,000 patients, 9.2% of Oklahoma's 3,980,783 residents, a state 1/3 the size of Ohio. While we do advocate for a statutory and regulatory program that will allow Kansas cannabis businesses to flourish, we present these numbers solely to demonstrate the difference in prospective revenue between a restrictive market and a free-market, and we do not specifically advocate for adoption of either state's particular program.

Members of the Kansas Business Community Support Cannabis Legalization

Today, there is an existing and growing bi-partisan group of Kansas businesspeople, of which I count myself a member, ready to invest their capital and expertise to enter the medical cannabis market in Kansas upon legalization. Entrepreneurs in agriculture, real estate,

¹ *Note that the state of Ohio does not actively track cannabis tax or license revenue and these figures were compiled based on information contained on the Ohio cannabis regulatory body's site.

construction, transportation, distribution, retail, and a wide gamut of professional services are prepared to invest millions of dollars and significantly boost employment in the State of Kansas. This could be an economic opportunity for our State to participate in the first significant growth industry in the United States since the dot-com boom, but the window of opportunity is closing quickly. If Kansas misses the opportunity to legalize cannabis before federal legalization passes, then Kansas cannabis businesses will be so competitively disadvantaged that they will be effectively excluded from participating in this billion-dollar industry in any significant way. Kansas businesspeople want to see legislation passed that will create a thriving marketplace.

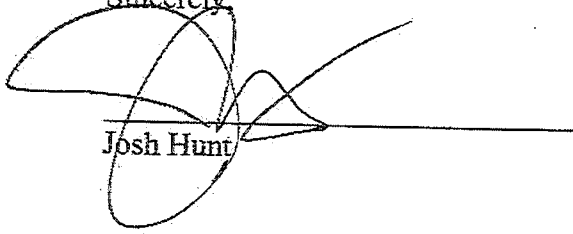
Qualified Support for HB 2184

My support of this bill is qualified with the intent that it be amended through the legislative process with the purpose of allowing cannabis businesses to flourish in the State of Kansas. We respectfully ask that you consider the following changes to the bill:

- Allow cannabis access to all Kansans with diagnosable maladies whose symptoms would be improved by cannabis prescription by expanding the list of qualifying medical conditions;
- Allow for cultivators to sell directly to dispensaries;
- Remove restrictions on smoking and vaping of cannabis products to allow patients to treat symptoms immediately rather than waiting for 30-60 minutes for ingestible cannabis products to kick in;
- Implement residency requirements to ensure that profits flowing from cannabis enterprise circulate through the Kansas economy rather than flow out of the State;
- Lower renewal fees for all cannabis licenses, and implement more gradual scaling costs for cultivation licenses based on a square foot basis;
- Ensure that cannabis is taxed only at the point of sale in dispensaries rather than taxed at each transaction in the supply chain.

With the foregoing in mind, I respectfully ask that you vote YEA on HB 2184 and allow Kansans to participate in the opportunities this new growth market presents.

Sincerely,


Josh Hunt