

Senate Federal and State Affairs Committee

Senate Bill 560

In-person Neutral/Informational Testimony

Doug Jorgensen, State Fire Marshal

March 16, 2022

I want to thank the committee for the opportunity to present oral neutral/informational testimony on Senate Bill 560. Senate Bill 560 creates the medical marijuana regulation act and adds additional, unfunded responsibilities to our agency. Our agency currently oversees the building and fire and life safety regulations for the State of Kansas. We are currently at a limit of new facility plan reviews our staff can conduct in a timely manner not to mention doing the annual inspection of new facilities as they come on-line. This bill has the potential to result in a very sudden and rapid growth of marijuana industry facilities to include not only the indoor growing operations but also the increase in processing facilities, distribution centers, and sale locations. It would require additional full-time staff for our agency to handle the increase in workload and be able to move all of the plan reviews and inspections quickly and smoothly through the state process.

Our agency is completely fee funded and we receive no SGF funds. The fee funds we receive are reaching a level of not keeping up with our current expenses. There will have to be an increase in funding for our agency if this bill passes and becomes law. Our agency anticipates having to add up to 4 full-time positions to handle the increased workload this bill would bring. Our estimated costs would be \$256,634 for salaries and wages which would be an ongoing expense. \$88,310 for one-time purchases of IT equipment, cell phones, clothing, books, tools/equipment, and vehicles. Additional on-going contractual services of \$14,320 for specialized fire and life safety training, fuel, and IT services. The estimated total cost for the first year would be \$359,264 and approximately \$270,954 each year after that, not factoring in future increases in salaries and inflation costs. Our current revenue sources will not fund the implementation and annual costs of SB 560.

We would ask the committee to consider recommending the hiring of the 4 positions and an adjustment in our fee funding schedule. Our proposal for an increase in our funding is attached. It does not increase the amount of dollars that insurance companies or policy holders would have to pay and only redirects a small amount of the insurance funds going to the State General Fund to our agency.

Our agency would also ask that the committee to add additional language in Sec 20(b)(7).

(7) applicant's premises meet all applicable life and safety code requirements subject to rules and regulations adopted by the state fire marshal.

(i) The state fire marshal shall promulgate rules and regulations related to the construction and safety standards for cultivation, laboratory testing, processing, distribution, and sale of medical marijuana.

(ii) The state fire marshal may grant an exemption from the application of a specific requirement of rules and regulations promulgated under paragraph (i), unless the state fire marshal determines that the condition, structure or activity that is or would be in noncompliance with such requirement would constitute a distinct hazard to life or property. Any such exemption shall be granted only upon written request of a registrant or applicant for registration that clearly demonstrates that enforcement of a specific requirement of a rule and regulation will cause unnecessary hardship as determined by the state fire marshal.

I want to thank the committee for their time and will make myself available anytime to answer any questions or address any concerns the committee members might have.

Agency Funding

In finding a solution to increase funding for the many added work demands and inflation, the agency presents the below information and proposal. This information is presented as provided from the Kansas Insurance Department (KID) as of January 20, 2022.

Dept Svc Regulation Fee Fund

FY2021

KID collected the following premium taxes/privilege fees in FY2021:

Premium Taxes*	\$183,441,088
Fire Marshal Taxes	\$9,675,556
HMO Privilege Fees**	\$244,928,668

* \$181,841,106 was deposited into the SGF and \$1,599,982 was deposited into KID's fee fund for operating expenses.

** 100% was transferred to KDHE's medical assistance fund.

Fire Marshal Taxes noted in the graphic above, were distributed to SGF and three agencies:

SGF	\$100,000
KU Fire Rescue and Training	\$1,532,086
Board of Emergency Medical Services	\$1,915,107
State Fire Marshal	\$6,128,363
	\$9,675,556

FY2022

Thru January 20, 2022, KID collected the following premium taxes/privilege fees:

Premium Taxes*	\$71,785,027
Fire Marshal Taxes	\$4,715,717
HMO Privilege Fees**	\$120,221,141

* Of the total premium taxes all have been deposited into SGF. Once all premium taxes are collected, KID will calculate the 1% per K.S.A. 40-112 and transfer that back into KID's operating fee fund.

**100% was transferred to KDHE's medical assistance fund.

FY22 to date Fire Marshal Taxes/Fund Distribution

SGF	\$100,000
KU Fire Rescue and Training	\$738,515
Board of Emergency Medical Services	\$923,143
State Fire Marshal	\$2,954,059
	\$4,715,717

Agency suggestion: of the Premium Taxes collected going to the State General Fund, shift a small one-half percent (.5%) to the State Fire Marshal directly. It is believed that it will result in no insurance premium increases to the consumer or additional cost to insurance companies, and it would also adequately fund the Office of the State Fire Marshal (OSFM) for the added responsibilities relate to medical marijuana and other things we are being tasked with..