

March 9, 2017

The Honorable Jacob LaTurner, Chairperson  
Senate Committee on Federal and State Affairs  
Statehouse, Room 136-E  
Topeka, Kansas 66612

Dear Senator LaTurner:

**SUBJECT:** Fiscal Note for SB 178 by Senator Haley

In accordance with KSA 75-3715a, the following fiscal note concerning SB 178 is respectfully submitted to your committee.

SB 178 would legalize the limited use of marijuana for recreational and medicinal purposes and authorize the Kansas Department of Revenue to adopt rules and regulations governing the licensing of cultivation, manufacture, distribution, and sale of marijuana and medicinal marijuana in the state. The bill would exempt from criminal liability any person, 21 years of age or older, possessing 30 grams or less of marijuana, or who has cultivated six or fewer marijuana plants, for the unlawful possession of a controlled substance, or the unlawful possession of a controlled substance with intent to distribute. The bill would also protect physicians who prescribe the use of, and pharmacists who dispense medical marijuana from criminal liability or any form of professional discipline. The Department of Revenue would be responsible for the licensing for marijuana and medical marijuana retail, cultivation, testing, and manufacturing facilities and centers. The bill would also amend the current definition of “prescription order” and the definition regarding the dispensing of medicinal marijuana.

The enactment of SB 178 would increase fee fund expenditures by \$26,420 for the State Board of Healing Arts to research and draft new rules and regulations which would require contracting with outside legal counsel for approximately 130 hours at a rate of \$200 per hour for a cost of \$26,000. The Board would also have to post notices and hold public hearings regarding the new regulations at a cost of \$420. The increased expenditures would be for FY 2018 only.

The State Board of Pharmacy indicates that the bill creates conflicting federal and state language with regard to dispensing of non-FDA approved products or drugs. The Kansas Pharmacy Practice Act requires that pharmacists comply with all state and federal laws. The inconsistency could create significant confusion in pharmacies that would increase the number of practice and compliance inquiries for the Board staff and an increased number of complaints and

The Honorable Jacob LaTurner, Chairperson

March 9, 2017

Page 2—SB 178

investigations that the Board is required to review. The Board is unable to estimate a precise fiscal effect, although it is assumed that additional staff and financial resources would be required to accommodate the increased workload.

The Kansas Department of Revenue (KDOR) indicates that the bill would not establish any taxes on marijuana and would set no license fees, so the fiscal effect would include the development, testing and implementation of a licensing system that would include rules and regulations; the creation of a database for tracking purposes; new reporting forms, schedules, handbooks, and accounting procedures; and 7.00 new FTE positions. KDOR is unable to estimate the cost of the database and licensing systems; however, the cost for salaries and wages is estimated as follows:

Licensing Representatives (4)	\$196,000
Licensing Supervisor (1)	60,000
Administrative Specialists (2)	<u>102,000</u>
Total	\$358,000

The Department is not sure whether the implementation of the bill's provisions could be accomplished within such a short period of time since the bill would become effective upon publication in the statute book. Any fiscal effect associated with SB 178 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,  
Director of the Budget

cc: Cathy Brown, Board of Healing Arts  
Lynn Robinson, Department of Revenue  
Alexandra Blasi, Board of Pharmacy  
Ashley Michaelis, Judiciary