

April 12, 2017

The Honorable Vicki Schmidt, Chairperson
Senate Committee on Public Health and Welfare
Statehouse, Room 441-E
Topeka, Kansas 66612

Dear Senator Schmidt:

SUBJECT: Fiscal Note for SB 187 by Senate Committee on Public Health and Welfare

In accordance with KSA 75-3715a, the following fiscal note concerning SB 187 is respectfully submitted to your committee.

SB 187 would enact the Kansas Safe Access Act that would provide for the legal use of cannabis for medical conditions. The bill would provide for the registration and function of compassion centers; authorize the issuance of identification cards; establish the Compassion Board; and provide for administration of the Act by the Kansas Department of Health and Environment (KDHE). The bill would also establish the Cannabis Tax Fund within the Department of Revenue (KDOR). Medical cannabis patients would be taxed at a flat rate of 6.0 percent and the tax revenue would be distributed as follows: 2.0 percent to counties, 2.0 percent to the State, and 2.0 percent to cities. The tax revenue would be distributed by KDOR. The bill would also set up guidelines and procedures for medical cannabis manufacturing and dispensing in Kansas, and would require the state Worker's Compensation Program to cover the cost of medical cannabis as it would all other medications for the treatment of injured workers.

The passage of SB 187 would increase expenditures for KDOR by \$544,353 to develop and test new tax collection systems and \$49,008 for 1.00 FTE customer representative position in FY 2018. The estimate for FY 2019 would be for the FTE position at \$49,008. The bill allows for a tax of 6.0 percent to be imposed on purchases of medical cannabis, and the tax revenue would be distributed by KDOR to the state, cities and counties. The amount of revenue generated by the tax is unknown. The bill could increase expenditures for counties because of the duties related to education and oversight for law enforcement personnel in complying with the new regulations, however, the Kansas Association of Counties is unable to estimate what the fiscal effect would be. The Office of Judicial Administration indicates that passage of the bill

could have an effect on docket fee and fine revenue, as well as expenditures for additional cases filed. Because it is unknown how many cases would be filed or fines imposed, an effect of the bill on the Judiciary is unknown. Passage of SB 187 could increase expenditures for the Board of Healing Arts related to an increase in the number of investigations or disciplinary cases which would require additional staff hours and operational expenses.

The passage of SB 187 would increase State General Fund expenditures and FTE positions for the Cannabis Compliance Agency, which the bill would establish as a new division of KDHE. The expenditures are listed on the following page. In order to implement the provisions of the bill, 7.00 additional FTE positions would be required in FY 2018 including a Division Director, a Chief of Compliance and Regulation, a Chief of Quality Assurance, an Administrative Specialist, an Attorney, a Webmaster, and an Inspector/Compliance Officer. In FY 2019, an additional Administrative Specialist, an IT Systems Analyst, and another Inspector/Compliance Officer would be required. Operating costs associated with the Compassion Board would include subsistence for 11 members averaging 300 miles round trip with seven overnight stays for each of six meetings in FY 2018 and subsequent years. Costs for technology are estimated for the cost of a web-based system in FY 2018 that would be isolated from other programs and be HIPPA compliant. Estimates include required maintenance of the system in subsequent years. The total estimate includes the cost of a physician and a laboratory consultant to write rules and regulations and develop testing requirements and procedures. Expenses for computers, supplies, communications, and travel for staff members would be required in both FY 2018 and FY 2019.

Total State General Fund expenditures for KDHE to implement the bill would be \$1,246,540 in FY 2018 and \$1,164,570 in FY 2019.

	<u>FY 2018</u>	<u>FY 2019</u>
Salaries and wages for 7.00 FTE positions	\$689,000	--
Salaries and wages for 10.00 FTE positions	--	931,970
Compassion Board operating costs	16,500	16,500
IT System Development	300,000	--
IT System Maintenance	--	50,000
Physician and Laboratory Consultants	192,400	127,400
Equipment, supplies, travel	<u>48,640</u>	<u>38,700</u>
Total	\$1,246,540	\$1,164,570

The bill would also increase fee fund expenditures for workers compensation claims by \$9,832 in FY 2018 and \$10,157 in FY 2019 to cover the cost of medical cannabis medications.

The bill authorizes fines and penalties to be assessed for non-compliance as well as licensing and renewal fees for compassionate care centers; medical cultivation facilities; medical cannabis manufacturing facilities; medical cannabis product manufacturing facilities; and

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medical cannabis testing facilities. The amount of revenue that would be generated from these facilities and manufacturers is unknown. Any fiscal effect associated with SB 187 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Dan Thimmesch, Health & Environment
Cathy Brown, Board of Healing Arts
Larry Baer, League of Municipalities
Ashley Michaelis, Judiciary
Glenda Haverkamp, Insurance
Melissa Wangemann, Association of Counties