

SESSION OF 2017

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2182**

As Amended by House Committee of the Whole

**Brief\***

HB 2182, as amended, would establish the Kansas Agricultural Industry Growth Act. Higher education institutions that offer a degree in agricultural science would be allowed to cultivate and conduct “research” on “industrial hemp,” as those terms would be defined by the bill. The Department of Agriculture (Department), in accordance with the Agricultural Act of 2014 and other federal law, would be authorized to license an individual or entity, including a higher education institution, to grow industrial hemp as part of a pilot research program. In addition, the Department could license a distributor or processor of industrial hemp. Licenses would be valid for one year and could be extended for three months for renewal purposes. Retailers of industrial hemp products would not be required to obtain a license. The Secretary of Agriculture (Secretary) would be permitted to charge fees for the administration of the program and its licensing. Fees and other revenue would be deposited into the Agricultural Industry Growth Program Fund, which would be an interest-bearing fund created in the state treasury and used to administer the bill. The Secretary would be permitted to enter into agreements with other state or federal agencies, institutions of higher education outside the state, and private associations to further the purposes of the bill. The Secretary would have discretionary authority to adopt rules and regulations.

Enforcement provisions would include license cancellation or rejection of license application if an applicant is found not to be in compliance with the bill or the rules and

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

regulations upon a hearing before the Secretary. The Secretary would be authorized to inspect growers, processors, and distributors. The Secretary would be able to seize industrial hemp possessed by a non-license holder. Administrative action would be subject to judicial review. Violation of the bill or the rules and regulations would constitute a class C misdemeanor.

The Secretary would provide copies of issued licenses to the Kansas Bureau of Investigation (Bureau) and local law enforcement agencies with jurisdiction over the licensee or the licensee's industrial hemp. The Secretary would also inform the applicable law enforcement agencies when a person's license has expired or been revoked.

Industrial hemp would not be considered a controlled substance or marijuana as defined by state law. The bill also would protect from prosecution licensees who inadvertently possess industrial hemp containing more "tetrahydrocannabinol," as that term would be defined by the bill, (THC) than would be allowed under law.

## **Background**

The federal Agricultural Act of 2014 permits states to authorize their institutions of higher education or the state department of agriculture to grow or cultivate industrial hemp for purposes of agricultural or academic research or for programs to study the growth, cultivation, or marketing of industrial hemp.

During the hearing before the House Committee on Commerce, Labor and Economic Development, Representative Dove, along with representatives from various agricultural associations, economic development corporations, and individual farmers, spoke in favor of the bill, stating industrial hemp, which historically has been grown in this country, would provide new crop opportunities and markets for the agriculture industry in Kansas.

Representatives from the Bureau and various law enforcement officer associations spoke in opposition to the bill, expressing concern the bill would provide a legal defense to the possession of marijuana by a person holding an industrial hemp license.

A representative from the Department provided neutral testimony, stating the agency is equipped to license Regents institutions for industrial hemp research. Licensing and the testing of industrial hemp could be done with minimal fiscal impact to the agency.

The House Committee of the Whole amended the bill to:

- Specify the federal law that authorizes states to research industrial hemp as a pilot program; and
- Require the Secretary to inform law enforcement agencies when licenses have been issued, revoked, or expired.

According to the fiscal note prepared by the Division of the Budget, in consultation with the Department, the Kansas Board of Regents (Board) and the Bureau, the bill, as introduced, would increase expenditures by \$816,153 from the State General Fund (SGF) for FY 2018 and \$628,168 (SGF) for FY 2019, with an additional 7.5 FTE positions. The Department and the Board estimate the bill would have an unquantifiable fiscal effect, which should be covered by the revenue generated from license fees. The Bureau estimates the forensic science laboratory would perform an additional 5,000 examinations annually for THC content. In FY 2018, the salaries, benefits, computer equipment, software, and personnel supplies would cost approximately \$69,487 per FTE position. Analytical instruments are estimated to cost at least \$245,000 in FY 2018 with an additional \$50,000 for related supplies. In FY 2019, testing would cost approximately \$77,089 per FTE position, for a total of \$578,168, plus \$50,000 for related supplies.