

**Neutral Testimony on House Bill 2168
To the Senate Committee on Agriculture and Natural Resources
By Deputy Secretary of Agriculture Kelsey Olson
Kansas Department of Agriculture
March 14, 2024**

Good morning, Chairman Peck and members of the committee. My name is Kelsey Olson and I serve as the Deputy Secretary at the Kansas Department of Agriculture (KDA). I appreciate the opportunity to provide neutral testimony on House Bill 2168.

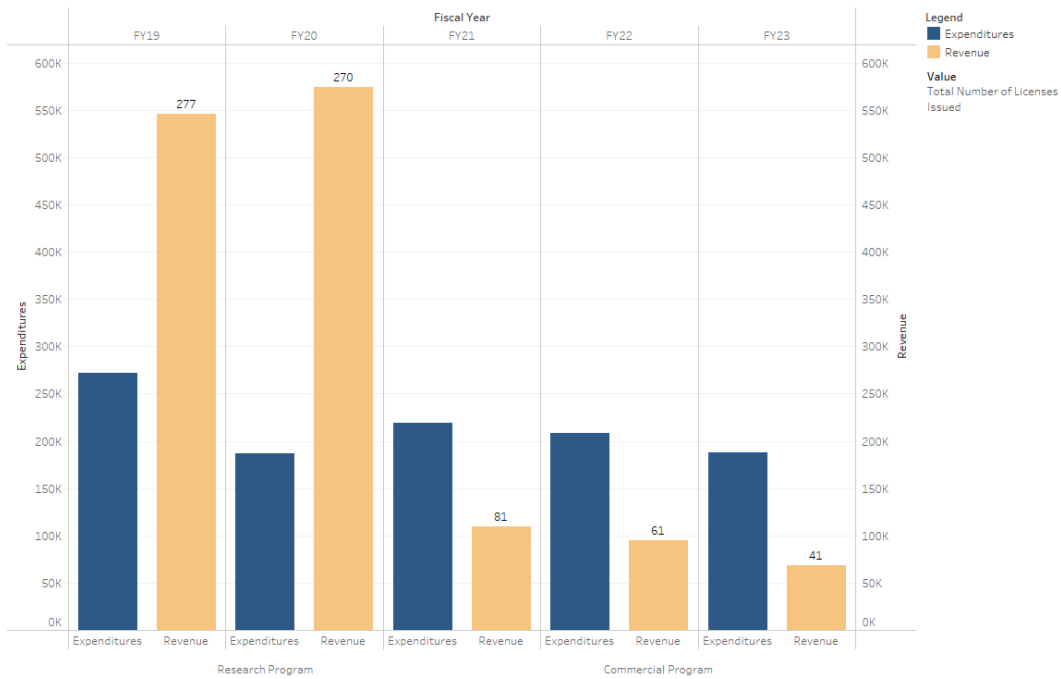
The Kansas Department of Agriculture's Plant Protection and Weed Control Program provides regulatory oversight of the production of industrial hemp in Kansas. Industrial hemp production was permitted in Kansas for research purposes beginning in 2019 and has been permitted for commercial purposes since 2021. Persons seeking to cultivate or produce industrial hemp must be licensed by KDA as a commercial industrial hemp producer. The application licensing period for the year is open from January 1 to March 15 each year. There is a \$100 application fee, and the license fee is \$1,200. Background checks are also required and cost \$47 through the Kansas Bureau of Investigation. HB 2168 would limit the license fee to \$500.

KDA hosted a discussion in June of 2023 with legislators, industry stakeholders and plant protection program staff to determine if there were areas in which the agency could make improvements to the industrial hemp program. Several ideas were brought forward, and the agency committed to exploring the suggestions including the possibility of lowering the license fee. Ultimately KDA leadership determined that it was not fiscally responsible to lower the current fee amount based on the number of licensees and minimum oversight required.

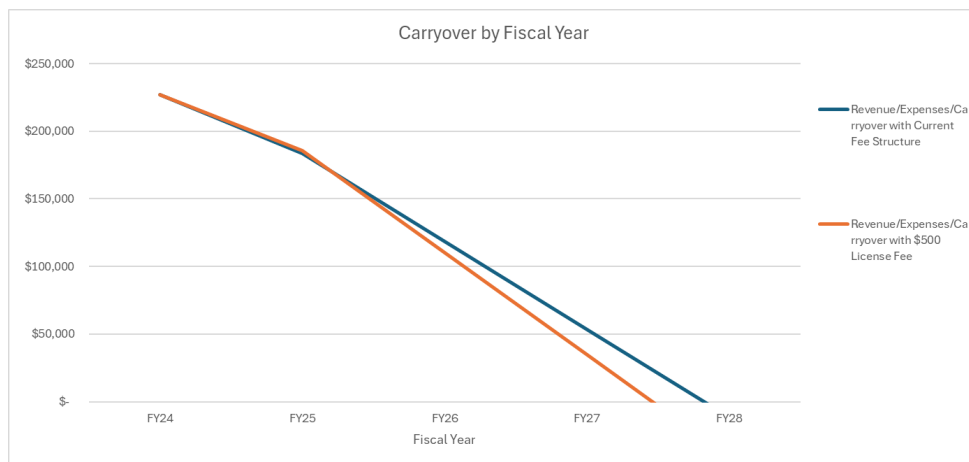
Like many of our programs, the Commercial Industrial Hemp Program is funded with license fees and does not utilize State General Funds to cover programmatic costs. During the Industrial Hemp Research Program, the number of licenses was high, and revenues exceeded expenditures in the first two years. However, licenses have substantially dropped, while the expenses have been somewhat level. The carryover revenue from the first two years has offset the decrease in licenses in the following years.

The graph below shows the expenses incurred and the revenues generated for each year since the inception of the Industrial Hemp Research Program in Fiscal Year 2019. Annual expenditures include inspection costs, sampling, and laboratory testing costs, as well as staff salaries and other administrative costs. Revenues consist of fees associated with the application, license, and background checks.

Kansas Department of Agriculture Industrial Hemp Program



At the beginning of FY24 the industrial hemp fee fund balance was \$227,041 and the average annual expenses were approximately \$159,853. KDA has sought to reduce expenditures by reducing the number of FTEs this fiscal year. The full savings of that reduction will be seen in FY25; however, expenses continue to outpace fee revenue. The chart below graphs the amount of carryover based on a 20% increase in licensees if the proposed reduction of the license fee is reduced and expenses are held flat. As of today, using current fees and licensee numbers, KDA anticipates we would be unable to cover the expenses of the Commercial Industrial Hemp Program by the end of calendar year 2027. During that fiscal year (FY 28), KDA’s administration of the program would require funding from other sources or increased fees.



Under existing fees, the program would maintain a neutral balance of fee revenue and operating expenses with 80 licensees. Subsequently the carryover balance would remain. If there is a significant increase in licensees beyond the 80 it may result in the need of a second FTE to balance the workload.

KDA appreciates the Legislature's interest in working HB 2168 and your partnership as we hope to provide effective oversight of this re-emerging industry. The agency is committed to carrying out the will of the Legislature and we hope that the industry continues to see demand-side growth, thus minimizing the impact of the fees required to oversee the program. I will stand for questions at the appropriate time.