

March 10, 2016

The Honorable Mary Pilcher-Cook, Chairperson
Senate Committee on Public Health and Welfare
Statehouse, Room 441-E
Topeka, Kansas 66612

Dear Senator Pilcher-Cook:

SUBJECT: Fiscal Note for SB 489 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 489 is respectfully submitted to your committee.

SB 489 would authorize the creation of medical hemp establishments including registered hemp preparation centers and registered hemp testing laboratories for the purpose of acquiring, cultivating, transporting, manufacturing, and dispensing hemp preparations to registered cardholders who have qualifying medical conditions diagnosed by a medical doctor or an osteopathic physician licensed by the State Board of Healing Arts (KSBHA). The act would be administered by the Kansas Department of Health and Environment (KDHE). The bill would allow for staff members of KDHE to notify the KSBHA if they have reasonable suspicion that a physician violated the standard of care in SB 489.

Estimated State Fiscal Effect				
	FY 2016 SGF	FY 2016 All Funds	FY 2017 SGF	FY 2017 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$445,000	\$445,000
FTE Pos.	--	--	--	2.00

The Board of Healing Arts indicates that the passage of SB 489 could result in additional complaints regarding practitioners alleged to have violated provisions of the bill. An increase in the number of complaints or corresponding investigations that would need to be performed by Board staff could result if medical diagnoses do not meet the standard of care, are delayed, or are missed. Agency staff is currently at full workload capacity, so that any increase in complaints and investigations would require an increase in FTE positions as well as additional expenses for office supplies and equipment. Because the bill establishes a new program, it would be difficult to estimate how many practitioners would participate in the provision of services related to medical hemp, so a precise fiscal effect is unknown.

The Department of Revenue indicates that passage of the bill would have no fiscal or administrative effect on operations because the possession of marijuana and substances manufactured from marijuana under the provisions of SB 489 would be exempt from the Kansas tax on marijuana and controlled substances.

KDHE estimates that passage of the bill would require 2.00 additional FTE positions, and an increase of \$445,000 in State General Fund expenditures in FY 2017; however, the Department is unable to estimate any new revenue related to the passage of the bill. The expenditure increase would include salaries and wages for an Inspector FTE Position; a Public Service Administrator Position; operating expenditures for the two FTE positions; a HIPPA compliant reporting and registration system that would include identification management software; and funding for background checks for laboratory, production, and distribution employees. The table below details the expenditure estimate:

Inspector FTE Position	\$ 65,000
PSA II FTE Position	60,000
Operating expenditures for new positions	10,000
Reporting and registration system	300,000
Background checks for employees	<u>10,000</u>
Total	\$445,000

The ongoing costs in FY 2018 and subsequent years would include \$75,000 for system maintenance, salaries and wages of \$125,000 for the two positions, and \$10,000 for background checks for a total of \$210,000. Any fiscal effect associated with SB 489 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Aaron Dunkel, Health & Environment
Cathy Brown, Board of Healing Arts