

REPORTS OF STANDING COMMITTEES

MR. SPEAKER:

The Committee on **Federal and State Affairs** recommends **HB 2708** be amended on page 1, following line 5, by inserting:

"Section 1. As used in this act:

- (a) "Act" means section 1 et seq., and amendments thereto.
- (b) "Cannabinoid" means any of the diverse chemical compounds that can act on cannabinoid receptors in cells and alter neurotransmitter release in the brain, including phytocannabinoids that are produced naturally by marijuana and some other plants.
- (c) "Marijuana" means the same as defined in K.S.A. 65-4101, and amendments thereto.
- (d) "Medical marijuana" means marijuana that is cultivated, processed, tested, dispensed, possessed or used for a medical purpose.
- (e) "Medical marijuana product" means a product that contains cannabinoids that have been extracted from plant material or the resin therefrom by physical or chemical means and is intended for administration to a registered patient.
- (f) "Medical marijuana waste" means:
 - (1) Unused, surplus, returned or out-of-date marijuana;
 - (2) recalled marijuana;
 - (3) plant debris of the plant of the genus cannabis, including dead plants and all unused plant parts and roots; and

- (4) any wastewater generated during growing and processing.
- (g) "Person" means any natural person, corporation, partnership, trust or association.
- (h) "Tetrahydrocannabinol" means the primary psychoactive cannabinoid in marijuana formed by decarboxylation of naturally occurring tetrahydrocannabinolic acid that generally takes place by heating.
- (i) "Tetrahydrocannabinolic acid" means the dominant cannabinoid that occurs naturally in most varieties of marijuana.

Sec. 2. (a) The director of alcoholic beverage control shall provide for the licensure of laboratories under this act.

(b) (1) An application for a laboratory license shall be submitted to the director of alcoholic beverage control in such form and manner as prescribed by the director by any person or entity that seeks to conduct laboratory testing of medical marijuana.

(2) A separate license application shall be submitted for each location to be operated by the licensee.

(c) The director shall issue a license to an applicant if:

(1) The criminal history record check conducted pursuant to section 5, and amendments thereto, with respect to the applicant, demonstrates that the applicant is not disqualified from holding a license pursuant to section 3, and amendments thereto;

(2) the applicant demonstrates that it will not violate the provisions of section 4, and amendments thereto;

(3) the applicant has submitted a tax clearance certificate issued by the department of revenue;

(4) the applicant seeking licensure has submitted an attestation to the director under

penalty of perjury, in a form and manner prescribed by the director, that confirms or denies the existence of any foreign financial interests associated with the entity applying for such license and discloses the identity of such ownership, if applicable; and

(5) the applicant meets all other licensure eligibility conditions established in rules and regulations adopted by the secretary of revenue and has paid all required fees.

(d) (1) A license shall be valid for a period of one year from the date such license is issued to a laboratory.

(2) A license may be renewed by submitting a license renewal application and paying the required fee.

(e) The fees for a laboratory license shall be:

(1) \$2,000 for the nonrefundable laboratory license application;

(2) \$18,000 for a laboratory license; and

(3) \$20,000 for a renewal of a laboratory license.

Sec. 3. All licenses issued pursuant to this act shall:

(a) Not be issued to a person:

(1) Who is not a citizen of the United States;

(2) who has been convicted of a felony under the laws of this state, any other state or the United States;

(3) who has had a license revoked for cause under the provisions of this act or who has had any license issued under the medical marijuana laws of any state revoked for cause, except that a license may be issued to a person whose license was revoked for the conviction of a misdemeanor at any time after the lapse of 10 years following the date of the revocation;

(4) who has been convicted of being the keeper of or is keeping any property, whether

real or personal, where sexual relations are being sold or offered for sale by a person who is 18 years of age or older or has forfeited bond to appear in court to answer charges of being a keeper of any property, whether real or personal, where sexual relations are being sold or offered for sale by a person who is 18 years of age or older;

(5) who has been convicted of being a proprietor of a gambling house, pandering or any other crime opposed to decency and morality or has forfeited bond to appear in court to answer charges for any of those crimes;

(6) who is not at least 18 years of age;

(7) who, other than as a member of the governing body of a city or county, appoints or supervises any law enforcement officer, who is a law enforcement officer or who is an employee of the director of alcoholic beverage control;

(8) who intends to carry on the business authorized by the license as an agent of another;

(9) who, at the time of application for renewal of any license issued under this act, would not be eligible for the license upon a first application, except as provided by paragraph (12);

(10) who is the holder of a valid and existing license issued under this act unless the person agrees to and does surrender the license to the officer issuing such license;

(11) who does not own the premises for which a license is sought or does not, at the time of application, have a written lease thereon;

(12) whose spouse would be ineligible to receive a license under this act for any reason other than citizenship, residence requirements or age, except that this paragraph shall not apply in determining eligibility for a renewal license;

(13) whose spouse has been convicted of a felony or other crime that would disqualify a person from licensure under this section if such felony or other crime was committed during the time that the spouse held a license under this act;

(14) who has not been a resident of this state for at least four years immediately preceding the date of application. A license shall be forfeited if an individual licensee ceases to be a resident of this state at any time after the license is granted;

(15) who does not provide any data or information required by the director under this act; or

(16) who, after a hearing before the director, has been found to have held an undisclosed beneficial interest in any license issued pursuant to this act that was obtained by means of fraud or any false statement made on the application for such license;

(b) not be issued to a corporation, limited liability company, limited partnership or limited liability partnership if less than 75% of the total equity or similar ownership interest in such entity is owned by individuals who have been residents of this state for at least four years immediately preceding the date of the application. A license shall be forfeited if, for more than 90 consecutive days, less than 75% of the total equity or similar ownership interest in such entity is owned by individuals who are residents of this state at any time after the license is granted; and

(c) require that any:

(1) Transfer of a license shall be reported to and approved by the director. The director shall not approve any transfer of a license to any individual or entity that does not satisfy the requirements of this section at the time of the transfer;

(2) change in ownership of a corporation, limited liability company, limited partnership

or limited liability partnership shall be reported to the director within 30 days after such change occurs. If such change would result in less than 75% of the total equity or similar ownership interest in such entity being owned by individuals who have been residents of this state for at least four years, then such entity shall have 90 days to ensure that 75% or greater of such equity or ownership interest is held by individuals who are residents in Kansas or the license of such entity shall be forfeited to the director;

(3) compensation, fee, expense or similarly characterized nonequity payment that is contingent on or otherwise determined in a manner that factors in profits, sales, revenue or cash flow of any kind relating to a licensee's operation, including, but not limited to, profit-based consulting fees and percentage rent payments be prohibited. Any licensee that enters into an agreement for any prohibited compensation, fee, expense or payment shall forfeit such entity's license to the director. Such prohibited compensation, fee, expense or payment:

(A) Includes any distribution that is made by individuals or other entities to one or more out-of-state individuals holding an equity or similar ownership interest in the entity if such distribution is greater than 25% of the total distributed amount; and

(B) does not include payments of fixed amounts that are determined prior to the commencement of applicable services or payments of variable amounts based on verifiable quantities multiplied by a predetermined and reasonably fixed rate.

Sec. 4. (a) Except as provided in subsections (b) and (c), no licensed laboratory shall be located within 1,000 feet of the boundaries of a parcel of real estate having situated on it a school, religious organization, public library or public park. If the relocation of a licensed laboratory results in such licensee being located within 1,000 feet of the boundaries of a parcel of real estate having situated on it a school, religious organization, public library or public park, the

director shall revoke the license that such agency previously issued to such laboratory.

(b) The director may, in the director's discretion, not revoke the license of a laboratory if such licensee existed at a location prior to the establishment of a school, religious organization, public library or public park that is within 1,000 feet of such licensee.

(c) This section shall not apply to research related to marijuana conducted at a postsecondary educational institution, academic medical center or private research and development organization as part of a research protocol approved by an institutional review board or equivalent entity.

(d) As used in this section:

(1) "Public library" means any library established pursuant to article 12 of chapter 12 of the Kansas Statutes Annotated, and amendments thereto, and any other library that serves the general public and is funded in whole or in part from moneys derived from tax levies;

(2) "public park" means any park or other outdoor recreational area or facility, including, but not limited to, parks, open spaces, trails, swimming pools, playgrounds and playing courts and fields, established by the state or any political subdivision thereof;

(3) "religious organization" means any organization, church, body of communicants or group, gathered in common membership for mutual support and edification in piety, worship and religious observances, or a society of individuals united for religious purposes at a definite place and such religious organization maintains an established place of worship within this state and has a regular schedule of services or meetings at least on a weekly basis and has been determined to be organized and created as a bona fide religious organization; and

(4) "school" means any public or private educational institution, including, but not limited to, any college, university, community college, technical college, high school, middle

school, elementary school, trade school, vocational school or other professional school providing training or education.

Sec. 5. Each applicant for a laboratory license shall require any owner, director, officer and any employee or agent of such applicant to be fingerprinted and to submit to a state and national criminal history record check. The director of alcoholic beverage control is authorized to submit the fingerprints to the Kansas bureau of investigation and the federal bureau of investigation for a state and national criminal history record check. The director shall use the information obtained from fingerprinting and the state and national criminal history record check for purposes of verifying the identification of the applicant and for making a determination of the qualifications of the applicant for licensure. The Kansas bureau of investigation may charge a reasonable fee to the applicant for fingerprinting and conducting a criminal history record check.

Sec. 6. (a) Prior to January 1, 2023, the director of alcoholic beverage control shall contract with an operational private laboratory for the purpose of conducting compliance and quality assurance testing of medical marijuana laboratories licensed in this state in an effort to provide public safety and ensure that quality medical marijuana product is available to registered patients.

(b) Any laboratory under contract with the director for compliance and quality assurance testing shall:

(1) Be prohibited from conducting any other commercial medical marijuana testing in this state;

(2) have a minimum of one year of medical marijuana testing licensure in another state and have contracted for quality assurance testing with another state;

(3) not employ, or be owned by any individual:

- (A) That has a direct or indirect financial interest in any licensee in this state;
 - (B) whose spouse, parent, child, spouse of a child, sibling or spouse of a sibling has an active application for a license from the director; or
 - (C) that is a member of the board of directors of a licensee.
- (c) The laboratory under contract with the director for compliance and quality assurance shall be accessible and utilized for any medical marijuana testing needs by any regulatory agency within the state, including, but not limited to, the department of health and environment, the Kansas bureau of investigation and the state fire marshal.";

And by renumbering sections accordingly;

On page 1, in the title, in line 2, after the semicolon by inserting "licensure authority; fees; licensee requirements; quality assurance;"; and the bill be passed as amended.

_____Chairperson