

May 6, 2016

The Honorable Daniel Hawkins, Chairperson
House Committee on Health and Human Services
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Hawkins:

SUBJECT: Fiscal Note for HB 2691 by House Committee on Health and Human Services

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2691 is respectfully submitted to your committee.

HB 2691 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 3.0 percent and the tax revenue would be distributed as follows: 1.0 percent each would go to the County, the State, and to the city.

Estimated State Fiscal Effect				
	FY 2016 SGF	FY 2016 All Funds	FY 2017 SGF	FY 2017 All Funds
Revenue	--	\$600,000	--	\$625,000
Expenditure	\$211,581	\$925,843	--	\$422,590
FTE Pos.	--	3.00	--	3.00

The passage of HB 2691 would increase expenditures for KDOR by \$211,581 to develop and test new tax collection systems. The bill could increase expenditures for counties because of the duties related to the issuance of ID cards, 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, a precise effect of the bill on the Judiciary is unknown.

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The Kansas Department of Health and Environment has been contacted regarding the fiscal effect of HB 2691. Although a response from KDHE has not been received, the Division of the Budget considers the fiscal effect submitted by KDHE for 2015 HB 2011 and 2014 HB 2398, very similar bills, to be a reasonable estimate that can be used as a fiscal estimate for HB 2691. In order to implement the provisions of the bill, 3.00 additional FTE positions would be required. Additional staff would include a Director for the program, a staff administrator, and an applications developer to maintain the system. Salary and benefit expenditures for the 3.00 FTE positions are estimated at \$174,110. Other operating expenditures for the program are estimated at \$26,740 per year. Obtaining background and identity checks would cost an estimated \$140,000 per year. Operating costs associated with the compassion board are estimated at \$17,412 in year one and \$11,740 for each subsequent year. These estimates include Board subsistence for 11 members averaging 300 miles round trip with seven overnight stays for each of six meetings in year one and then four meetings in the out years. Costs for technology are estimated at \$350,000 for the procurement of a system in year one and \$70,000 for maintenance of the system in each out year. There would be a one-time cost for computers for the staff of \$6,000. Therefore, additional expenditures would total \$714,262 in FY 2016 and \$422,590 in FY 2017 and beyond.

KDHE projected revenues using the statutory maximums set in the bill for compassion center applications and renewals and an average annual patient fee of \$60 per patient. It is assumed that 25 compassion care centers and 10,000 patients would make application in the first year. In FY 2016 revenue from compassion centers would total \$125,000 (25 X \$5,000), and patient registration revenue would total \$600,000 (10,000 X \$60). For FY 2017 and beyond, KDHE estimates total revenue of \$625,000. Any fiscal effect associated with HB 2691 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Aaron Dunkel, Health & Environment
Ashley Michaelis, Judiciary
Jack Smith, Department of Revenue
Justin Law, Agriculture
Cathy Brown, Board of Healing Arts
Melissa Wangemann, Association of Counties
Shelia Sawyer-Tyler, KBI