

1 AN ACT relating to the production of cannabis and making an appropriation
2 therefor.

3 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

4 ➔Section 1. The General Assembly hereby finds that:

- 5 (1) A majority of states have authorized the sale of cannabis in some form, and these
6 states are struggling to maintain a supply of cannabis adequate to meet the demand
7 for both medical and recreational cannabis;
- 8 (2) Kentucky's farmers continue to seek ways to replace income lost with the decline of
9 tobacco; and
- 10 (3) Kentucky has historically been an agricultural state with a rich history of growing
11 both hemp and cannabis.

12 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 260 IS CREATED TO
13 READ AS FOLLOWS:

14 **(1) The Office of Cannabis Control is established within the Kentucky Department of**
15 **Agriculture.**

16 **(2) The Office of Cannabis Control shall:**

17 **(a) Provide technical support and advice to farmers producing cannabis;**

18 **(b) Assist farmers in marketing Kentucky-grown hemp and other cannabis-**
19 **based products;**

20 **(c) Assist farmers in identifying markets in other states and countries with**
21 **strong demand for medical and recreational cannabis products; and**

22 **(d) Oversee licensed production, storage, and shipment of cannabis in**
23 **conformance with the requirements of Sections 2 to 7 of this Act.**

24 **(3) The Office of Cannabis Control shall be under the supervision of the**
25 **Commissioner, and shall consist of personnel determined and appointed by the**
26 **Commissioner.**

27 **(4) The Office of Cannabis Control shall be headed by an executive director**

1 appointed by the Commissioner.

2 (5) The Commissioner may promulgate administrative regulations to carry out the
3 provisions of any Sections 2 to 7 of this Act.

4 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 260 IS CREATED TO
5 READ AS FOLLOWS:

6 (1) A person shall not produce, store, sell, or transport cannabis unless he or she
7 holds a license issued under Sections 2 to 7 of this Act authorizing the activity.

8 (2) All fees paid into the State Treasury for licenses issued under Sections 2 to 7 of
9 this Act shall be credited to a revolving trust and agency account established in
10 Section 7 of this Act for the purposes established in that section.

11 (3) The Commissioner may suspend, revoke, or deny renewal of any license issued
12 under Section 6 of this Act for:

13 (a) A violation of any provision of Sections 2 to 7 of this Act;

14 (b) Conviction of a misdemeanor or felony in which the illegal sale of drugs
15 was a factor; or

16 (c) Material inaccurate or misleading statements made in the application
17 process prescribed in Section 4 of this Act.

18 ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 260 IS CREATED TO
19 READ AS FOLLOWS:

20 (1) An application for a cannabis producer's license shall include at a minimum the
21 following:

22 (a) The name, business address, and telephone number of the applicant;

23 (b) The location of the applicant's principal production location and all other
24 locations at which the applicant intends to produce cannabis, including
25 proposed security features to prevent theft of product;

26 (c) A description of the applicant's ownership structure and identification of
27 those who own, control, or are affiliates of the applicant; and

- 1 (d) Fingerprint cards containing the fingerprints of the applicant and any
2 person identified in paragraph (c) of this subsection, to be used by the
3 department, the Department of Kentucky State Police, and the Federal
4 Bureau of Investigation in obtaining a state and national criminal history
5 record check. Additionally:
- 6 1. Fingerprint cards shall be accompanied by signed authorization for
7 release of information by the Department of Kentucky State Police
8 and the Federal Bureau of Investigation; and
- 9 2. The costs associated with fingerprinting shall be paid by the applicant
10 or the persons required to be fingerprinted.
- 11 (2) An application for a cannabis storage license shall be submitted on forms
12 prescribed by the department and include at a minimum the following:
- 13 (a) The name, business address, and telephone number of the applicant;
- 14 (b) The location of the applicant's principal storage location and all other
15 locations at which the applicant intends to store cannabis, including
16 proposed security features to prevent theft of product;
- 17 (c) A description of the applicant's ownership structure and identification of
18 those who own, control, or are affiliates of the applicant; and
- 19 (d) Fingerprint cards containing the fingerprints of the applicant and any
20 person identified in paragraph (c) of this subsection, to be used by the
21 department, the Department of Kentucky State Police, and the Federal
22 Bureau of Investigation in obtaining a state and national criminal history
23 record check. Additionally:
- 24 1. Fingerprint cards shall be accompanied by signed authorization for
25 release of information by the Department of Kentucky State Police
26 and the Federal Bureau of Investigation; and
- 27 2. The costs associated with fingerprinting shall be paid by the applicant

- 1 or the persons required to be fingerprinted.
- 2 (3) A cannabis transporter's license may be issued by the department to a person who
 3 applies on forms prescribed by the department and who:
- 4 (a) Has and maintains throughout his or her period of cannabis transporter's
 5 licensure a valid commercial driver's license; and
- 6 (b) Submits fingerprint cards containing the fingerprints of the applicant to be
 7 used by the department, the Department of Kentucky State Police, and the
 8 Federal Bureau of Investigation in obtaining a state and national criminal
 9 history record check. Additionally:
- 10 1. Fingerprint cards shall be accompanied by signed authorization for
 11 release of information by the Department of Kentucky State Police
 12 and the Federal Bureau of Investigation; and
- 13 2. The costs associated with fingerprinting shall be paid by the applicant
 14 or the persons required to be fingerprinted.

15 ➔SECTION 5. A NEW SECTION OF KRS CHAPTER 260 IS CREATED TO
 16 READ AS FOLLOWS:

- 17 (1) A cannabis producer's license shall allow a person to:
- 18 (a) Grow cannabis in a controlled environment in conditions to be prescribed
 19 by the Commissioner through the promulgation of administrative
 20 regulations;
- 21 (b) Harvest, dry, and otherwise process cannabis for sale; and
- 22 (c) Produce cannabis-based consumable goods that can be:
- 23 1. Smoked;
- 24 2. Eaten;
- 25 3. Rubbed on the skin as a salve or lotion; or
- 26 4. Otherwise consumed.
- 27 (2) A cannabis storage license shall allow a person to store cannabis and cannabis-

1 based consumable goods in a manner to be prescribed by the Commissioner
 2 through the promulgation of administrative regulations.

- 3 (3) A cannabis transporter's license shall allow a person to transport cannabis from:
 4 (a) A cannabis producer to a licensed cannabis storage facility;
 5 (b) A storage facility to another licensed storage facility in this state or a
 6 storage facility in another state where the sale of cannabis has been
 7 legalized;
 8 (c) A storage facility to a retail location in another state where the sale of
 9 cannabis has been legalized.

10 ➔SECTION 6. A NEW SECTION OF KRS CHAPTER 260 IS CREATED TO
 11 READ AS FOLLOWS:

- 12 (1) Licensing fees for a cannabis producer's license shall be:
 13 (a) Twenty-five thousand dollars (\$25,000) for an initial license; and
 14 (b) Ten thousand dollars (\$10,000) for annual license renewal.
 15 (2) Licensing fees for a cannabis storage license shall be:
 16 (a) Twenty thousand dollars (\$20,000) for an initial license; and
 17 (b) Five thousand dollars (\$5,000) for annual license renewal.
 18 (3) Licensing fees for a cannabis transporter's license shall be:
 19 (a) One thousand dollars (\$1,000) for an initial license; and
 20 (b) Five hundred dollars (\$500) for annual license renewal.
 21 (4) Any license not renewed on or before its expiration date may be renewed within
 22 thirty (30) days after the renewal date by paying the annual renewal fee plus a
 23 late fee of twenty-five percent (25%) of the annual renewal fee.
 24 (5) Any license not renewed within thirty (30) days of the renewal date will be
 25 considered to be lapsed and may only be renewed upon the payment of an amount
 26 equal to the initial license fee.

27 ➔SECTION 7. A NEW SECTION OF KRS CHAPTER 260 IS CREATED TO

1 READ AS FOLLOWS:

2 (1) There is hereby established in the State Treasury the cannabis distribution trust
3 fund. The fund shall consist of moneys received from the license fees imposed by
4 Section 6 of this Act and the tax imposed by Section 8 of this Act, and any other
5 proceeds from grants, contributions, appropriations, or other moneys made
6 available for the purposes of the fund.

7 (2) The fund shall be administered by the Department of Agriculture.

8 (3) Notwithstanding KRS 45.229, any moneys remaining in the fund at the close of
9 the fiscal year shall not lapse but shall be carried forward to the next fiscal year
10 to be used for the purposes set forth in this section.

11 (4) Any interest earnings of the trust fund shall become a part of the trust fund and
12 shall not lapse.

13 (5) Amounts deposited in the fund shall be used and are hereby appropriated for the
14 following purposes:

15 (a) First, real and necessary operating expenses of the Office of Cannabis
16 Control, in an amount not to exceed two million dollars (\$2,000,000) per
17 year;

18 (b) Then, for ten (10) years after the effective date of this Act, amounts in
19 excess of the operating expenses of the Office of Cannabis Control shall be
20 appropriated for and shall be expended solely for the purpose of
21 supplementing employer contributions to:

22 1. The Kentucky Employees Retirement System nonhazardous pension
23 fund;

24 2. The Kentucky Employees Retirement System hazardous pension fund;
25 and

26 3. The Kentucky Teachers' Retirement system;

27 In amounts the General Assembly determines best meet the needs of the

1 respective funds; and

2 (c) After ten (10) years from the effective date of this Act, the use of moneys
3 deposited in the fund shall be reevaluated by the General Assembly in light of the
4 pension system funding levels at that time, and the appropriation of those funds
5 shall be determined by the General Assembly at that time.

6 ➔SECTION 8. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO
7 READ AS FOLLOWS:

8 (1) Effective July 1, 2019, an excise tax shall be imposed upon the transfer of
9 cannabis from a cannabis producer licensed under Section 4 of this Act to a retail
10 cannabis store in another state, or to a cannabis storage facility licensed under
11 Section 4 of this Act or a cannabis transporter licensed under Section 4 of this
12 Act, at a rate of fifty dollars (\$50) per ounce, or proportionate part thereof.

13 (2) The tax revenues established by this section shall be appropriated to the cannabis
14 distribution trust fund created in Section 7 of this Act.

15 (3) The cannabis excise tax imposed by this section is due and payable to the
16 department monthly and shall be remitted on or before the twentieth day of the
17 next succeeding month.

18 (4) Payment shall be accompanied by a return, prescribed by the department. The
19 return shall report at a minimum:

20 (a) The name and address of the cannabis producer, including any
21 identification required by the department for compliance purposes;

22 (b) Total amount of cannabis sold by weight;

23 (c) Amount of cannabis sold to each buyer;

24 (d) Name and address of persons to whom cannabis was sold; and

25 (e) The date of each transaction.

26 (5) The department shall enforce the provisions of and collect the taxes and penalties
27 imposed by this section, and in doing so it shall have the general powers and

1 duties granted it in KRS Chapters 131 and 135, including the power to enforce,
 2 by an action of the Franklin Circuit Court, the collection of taxes, penalties, and
 3 other payments imposed or required by this section.

4 (6) Any person who violates any provision of this section shall be subject to the
 5 uniform civil penalties imposed pursuant to KRS 131.180 and interest at the tax
 6 interest rate as defined in KRS 131.010.

7 (7) The Commissioner of the Department of Agriculture may suspend, revoke, or
 8 decline to renew a license upon notice by the department of the licensee's failure
 9 to timely submit payments of tax due under this section or the administrative
 10 regulations promulgated by the department with respect thereto.

11 ➔Section 9. KRS 246.030 is amended to read as follows:

12 The department shall consist of:

- 13 (1) The Office of the Commissioner;
- 14 (2) The Office of Agricultural Marketing, which shall include the following:
- 15 (a) The Promotion and Development Division;
- 16 (b) The Shows and Fairs Division;
- 17 (c) The Livestock Division;
- 18 (d) The Plant Division;
- 19 (e) The Education and Outreach Division; and
- 20 (f) The Direct Farm Marketing Division;
- 21 (3) The Office for Consumer and Environmental Protection, which shall include the
- 22 following:
- 23 (a) The Division of Regulation and Inspection;
- 24 (b) The Division of Food Distribution; and
- 25 (c) The Division of Environmental Services;
- 26 (4) The Office of State Veterinarian, which shall include the following:
- 27 (a) The Division of Animal Health; and

- 1 (b) The Division of Producer Services;
- 2 (5) The Office of Administrative Services, which shall include the following:
- 3 (a) The Division of Human Resources;
- 4 (b) The Division of Administrative Services; and
- 5 (c) The Division of Information Technology;
- 6 (6) The Office of Communications;
- 7 (7) The Office of Legal Services;~~and~~
- 8 (8) **The Office of Cannabis Control; and**
- 9 **(9)** The State Board of Agriculture.
- 10 ➔Section 10. This Act shall be known and may be cited as "The Free Market
- 11 Access for Cannabis Entrepreneurs Act of 2019."