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REGULATIONS COMPILER

1 CABINET FOR HEALTH AND FAMILY SERVICES

2 Office of the Secretary

3 (New Administrative Regulation)

4 915 KAR 1:010. Initial and renewal applications for cannabis business licenses.

5 RELATES TO: KRS Chapter 218B, KRS 523.100, KRS Chapter 13B

6 STATUTORY AUTHORITY: KRS 218B.140

7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 218B.140 requires the Cabinet
8 for Health and Family Services to promulgate administrative regulations establishing initial
9 application and renewal procedures for cannabis business licenses. This administrative regulation
10 establishes those procedures.

11 Section 1. Types of applications for cannabis business licenses.

12 (1) The cabinet shall accept the following types of applications for cannabis business
13 licenses:

14 (a) Initial application; and

15 (b) Renewal application.

16 (2) By submitting an initial or renewal application to the cabinet, an applicant consents
17 to any investigation of the applicant's ability to meet the requirements of KRS Chapter 218B and
18 915 KAR Chapter 1.

19 (3) An application for an initial license or renewal license is not complete and shall be
20 rejected by the cabinet unless:

1 (a) The payment of the applicable fee provided in Section 2 or Section 4 is submitted
2 with the application; and

3 (b) All required information for each section of the application, including attachments
4 and any supplemental information requested by the cabinet, is submitted to the cabinet within the
5 allowable time period.

6 (4) An application submitted under this administrative regulation shall contain the
7 following statement acknowledged by the applicant: "A false statement made in this application
8 is punishable under the applicable provisions of KRS 523.100."

9 Section 2. Initial License Application Fees.

10 An applicant for an initial cannabis business license shall pay the applicable application
11 fee by credit card or automated clearing house (ACH) transfer at the time of application
12 submission to the cabinet. The initial application fee is nonrefundable except as indicated below
13 in Section 3(6) of this administrative regulation. The initial license application fees shall be:

- 14 (1) Tier I cultivator: \$3,000;
- 15 (2) Tier II cultivator: \$10,000;
- 16 (3) Tier III cultivator: \$20,000;
- 17 (4) Tier IV cultivator: \$30,000;
- 18 (5) Processor: \$5,000;
- 19 (6) Producer: \$5,000 plus the applicable cultivator tier application fee;
- 20 (7) Dispensary: \$5,000; and
- 21 (8) Safety Compliance Facility: \$3,000.

22 Section 3. Initial applications for cannabis business licenses.

1 (1) An initial license is valid for one (1) year from the date of issuance shown on the
2 license. The cabinet shall publish notice of initial license application availability on the website
3 for the Kentucky Medical Cannabis Program, <https://kymedcan.ky.gov>, including the time frame
4 during which initial license applications shall be accepted. This notice shall also state the
5 category and number of cannabis business licenses available for issuance at the close of the
6 application period.

7 (2) An applicant shall only use the initial license application form prescribed by the
8 cabinet and made available through the website for the Kentucky Medical Cannabis Program,
9 <https://kymedcan.ky.gov>.

10 (3) An applicant shall submit an initial license application to the cabinet in the manner
11 prescribed by the application instructions.

12 (4) An applicant shall apply for a separate license for each location where it intends to
13 operate a cannabis business. During an initial license application availability period, an applicant
14 shall only apply for a license in one (1) cannabis business license type (cultivator, processor,
15 producer, dispensary, or safety compliance facility) being offered at that time. An applicant may
16 submit multiple applications for a license within one (1) cannabis business license type so long
17 as the following criteria is met:

18 (a) Each application contains a separate and distinct physical address where the applicant
19 proposes to conduct cannabis business activities;

20 (b) Each application contains documentation of sufficient capital in accordance with
21 subsection (5)(q) of this section and the applicant shall not use the same capital for more than
22 one (1) application;

1 (c) For the four (4) cannabis cultivator tiers, an applicant shall only submit one (1)
2 application per cultivation tier; and

3 (d) For dispensaries, an applicant shall only submit one (1) application per medicinal
4 cannabis region as identified in 915 KAR 1:020, Section 3 and shown on the map published on
5 the website of the Kentucky Medical Cannabis Program, <https://kymedcan.ky.gov>.

6 (5) The applicant shall submit the following in the initial license application:

7 (a) The legal name, business type, any trade or doing business as (DBA) name, mailing
8 address, federal tax identification number, website (if any), email address, and phone number of
9 the proposed cannabis business and confirmation that the entity is registered with the Kentucky
10 Secretary of State in good standing and authorized to do business in Kentucky;

11 (b) The type of cannabis business license requested;

12 (c) Business entity formation documents such as articles of incorporation, articles of
13 organization, or bylaws;

14 (d) Proposed location of cannabis business activities, including the physical address of
15 the proposed cannabis business and the global positioning system (GPS) coordinates for any
16 proposed cannabis business activities as well as:

17 1. Documentation such as a contingent agreement for property sale or lease or an
18 existing deed or lease that shows the applicant has the authority to use the proposed location as a
19 cannabis business for, at a minimum, the term of the license; and

20 2. A site plan for the proposed cannabis business.

21 (e) The name, address, date of birth, and curricula vitae or resume of each principal
22 officer and board member of the proposed cannabis business as well as any additional
23 information required by the cabinet;

1 (f) Disclosure of any individual or business entity with an ownership interest of at least
2 10% equity or similar interest in the proposed cannabis business and each identified individual or
3 entity's ownership percentage as well as any additional information required by the cabinet;

4 (g) Disclosure of any parent company or parent individual that has an ownership interest
5 in the proposed cannabis business and each identified individual or entity's ownership
6 percentage as well as any additional information required by the cabinet;

7 (h) A document showing the ownership organizational structure of the proposed cannabis
8 business;

9 (i) The name and address of any individual or entity providing financial support to the
10 proposed cannabis business that are not involved in the day-to-day operations beyond providing
11 financial resources as well as any additional information required by the cabinet;

12 (j) The name and address of any physician or advanced practice registered nurse that has
13 an ownership or investment interest in or compensation agreement with the proposed cannabis
14 business as well as any additional information required by the cabinet;

15 (k) Disclosure of whether any principal officer or board member of the applicant has been
16 convicted of a felony criminal offense, and if so, a description of each felony offense;

17 (l) Disclosure of any instances in which a business or not-for-profit entity that any of the
18 applicant's board members managed or served on the board of was convicted, fined, censured, or
19 had a registration or license suspended or revoked in any administrative or judicial proceeding;

20 (m) If applicable, documentation that the applicant is capable of successfully establishing
21 and operating a cannabis business in the commonwealth, including:

1 1. Demonstrated experience establishing and operating a for-profit or nonprofit
2 organization or other business within Kentucky or any other jurisdiction, and the nature of the
3 business conducted by the organization;

4 2. Any history relating to receipt of a similar license or other authorization in other
5 jurisdictions, including provisional licenses, suspensions, revocations, or disciplinary actions to
6 include civil monetary fines or warnings; and

7 3. Any history of response to suspensions, revocations, disciplinary actions, civil
8 monetary fines, or warnings imposed relating to any similar license or other authorization in
9 another jurisdiction, and the plans of correction or other responses made to those actions.

10 (n) A description of the duties, responsibilities, and roles of each principal officer, board
11 member, employee, and any other individual or entity with a financial interest in the proposed
12 cannabis business who are not involved in the day-to-day operations of the business;

13 (o) A timeline showing the steps and estimated amount of time the applicant shall take to
14 begin cannabis business activities in the commonwealth;

15 (p) Financial plan for the proposed cannabis business, including budget and cash flow
16 planning and debt management;

17 (q) Documentation of sufficient capital available to the applicant, either on deposit or
18 through extension of credit from one (1) or more financial institutions, in the following amounts
19 as applicable:

- 20 1. Tier I cultivator: \$50,000;
- 21 2. Tier II cultivator: \$200,000;
- 22 3. Tier III cultivator: \$500,000;
- 23 4. Tier IV cultivator: \$1,000,000;

- 1 5. Processor: \$150,000;
- 2 6. Producer: \$150,000 plus the applicable cultivator tier amount;
- 3 7. Dispensary: \$150,000; or
- 4 8. Safety Compliance Facility: \$150,000

5 (r) A summary of the intended plan of operation that describes, at a minimum, how the
6 applicant's proposed cannabis business operations shall address:

- 7 1. Security;
- 8 2. Employee qualifications, supervision, and training;
- 9 3. Transportation of medicinal cannabis;
- 10 4. Storage and labeling of medicinal cannabis;
- 11 5. Inventory management;
- 12 6. Recordkeeping;
- 13 7. Preventing unlawful diversion of medicinal cannabis; and
- 14 8. Workforce development and job creation.

15 (s) The name, mailing address, business title, phone number, and email address of the
16 primary contact for the application as well as the name, address, and email address of any entity
17 or individual who assisted the applicant with preparing the application;

18 (t) Documentation of any management service agreement in place for the proposed
19 cannabis business;

20 (u) A notarized signature page signed by the applicant; and

21 (v) An attestation that:

- 22 1. The site of the proposed cannabis business is not within one thousand (1,000) feet of
23 an existing elementary or secondary school or a daycare center. For the purpose of this

1 regulation, one thousand (1,000) feet shall be measured in a straight line from the nearest
2 property line of an existing elementary school, secondary school, or daycare center to the nearest
3 property line of the applicant's proposed place of business;

4 2. The applicant can continuously maintain sufficient capital for operations of its
5 proposed cannabis business for, at a minimum, the term of the initial license;

6 3. The applicant can continuously maintain effective security, surveillance, and
7 accounting control measures to prevent diversion, abuse, and other illegal conduct regarding
8 medicinal cannabis;

9 4. The applicant shall comply with KRS Chapter 218B and 915 KAR Chapter 1;

10 5. The applicant consents to the cabinet verifying information provided in the application
11 with any relevant governmental agency or third party;

12 6. If issued a license, the applicant shall pay the applicable license fee within fifteen (15)
13 calendar days of notification in a manner prescribed by the cabinet.

14 7. If issued a license, the applicant shall conduct a criminal background check into the
15 criminal history of each person seeking to be a principal officer, board member, agent, volunteer,
16 or employee of the cannabis business before that person begins work and shall not employ, take
17 on as a volunteer, or have as a board member, principal officer, or agent any person who was
18 convicted of a disqualifying felony offense or is younger than twenty-one (21) years of age;

19 8. The applicant consents to reasonable inspections, examinations, searches, and seizures
20 as contemplated by KRS Chapter 218B and 915 KAR Chapter 1;

21 9. The applicant shall obtain and maintain workers' compensation insurance for all
22 employees in the commonwealth and shall pay all required employer contributions to the
23 Kentucky Office of Unemployment Insurance;

1 10. The applicant shall obtain and maintain commercial general liability insurance for
2 \$1,000,000 per occurrence and \$2,000,000 per aggregate and commercial automobile insurance
3 for any vehicle used to transport medicinal cannabis or medicinal cannabis products;

4 11. The applicant shall complete all trainings required by the cabinet for the proposed
5 cannabis business's principals, agents, employees, and volunteers;

6 12. The applicant shall establish any standard operating procedures required by KRS
7 Chapter 218B and 915 KAR Chapter 1 prior to the first date of cannabis business activities in the
8 commonwealth, including those specific to its cannabis business category. The standard
9 operating procedures that apply to cannabis businesses include:

- 10 a. Security;
- 11 b. Recordkeeping;
- 12 c. Employee qualifications, supervision, and training;
- 13 d. Quality Assurance;
- 14 e. Adverse Event Reporting and Recall;
- 15 f. Waste Disposal and Sanitation;
- 16 g. Transportation of medicinal cannabis;
- 17 h. Inventory management, including storage and labeling of medicinal cannabis;
- 18 i. Cash management and anti-fraud procedures; and
- 19 j. Preventing unlawful diversion of medicinal cannabis.

20 13. For an applicant seeking a safety compliance facility license, one (1) or more of its
21 prospective principal officers or board members shall not be a principal officer or board member
22 of a cultivator, processor, producer, or dispensary applying to operate in the commonwealth;

1 14. For an applicant seeking a cultivator, processor, producer, or dispensary license, one
2 (1) or more of its prospective principal officers or board members shall not be a principal officer
3 or board member of a safety compliance facility applying to operate in the commonwealth;

4 15. The applicant consents to sharing medicinal cannabis sales data with law
5 enforcement;

6 16. The applicant shall use the commonwealth's designated electronic monitoring system
7 and seed to sale tracking system required by KRS 218B.140 in the manner prescribed by the
8 cabinet;

9 17. The applicant has disclosed all individuals and entities with an ownership interest of
10 at least 10% equity or similar interest in the proposed cannabis business as well as any parent
11 companies and parent company individuals with an ownership interest in its proposed cannabis
12 business; and

13 18. The applicant swears and affirms that all information and documentation provided
14 with the initial license application is true and correct.

15 (6) An initial license application received after the submission time frame stated in the
16 published notice of initial license application availability shall be rejected by the cabinet without
17 further consideration along with the return of the initial application fee.

18 (7) The cabinet shall acknowledge receipt of an initial application for a cannabis business
19 license within fifteen (15) calendar days of submission by the applicant. The cabinet shall
20 review each application to determine whether the application is complete. The cabinet shall
21 provide written notice to an applicant when it has determined the application is complete. If the
22 cabinet determines an application is not complete, the cabinet shall provide written notice to the
23 applicant of the identified deficiencies in the application. The applicant shall have ten (10)

1 calendar days from the date of the deficiency notification to cure the identified deficiencies and
2 provide any missing information or documentation to the cabinet in the manner prescribed by the
3 cabinet. If the applicant fails to cure any deficiency within ten (10) calendar days from the date
4 of the deficiency notification, the cabinet shall reject the application as incomplete.

5 (8) The cabinet shall provide notification to applicants as to whether an application for a
6 license has been approved or denied within forty-five (45) calendar days of receiving an
7 application and determining its complete. Any application denials shall be done in accordance
8 with KRS 218B.090(2) and (4), including providing written notice to the applicant that he or she
9 may file a written request for an administrative hearing on the application within thirty (30)
10 calendar days after the mailing date of the notice. Any hearing resulting from the applicant's
11 written request shall be conducted in accordance with KRS Chapter 13B.

12 Section 4. License renewal fees.

13 An applicant for renewal of a cannabis business license shall pay the applicable annual
14 renewal fee by credit card or ACH transfer at the time of application submission to the cabinet.
15 The annual renewal fee is refundable if the renewal application is denied. The annual renewal
16 fees are:

- 17 (1) Tier I cultivator: \$12,000;
- 18 (2) Tier II cultivator: \$25,000;
- 19 (3) Tier III cultivator: \$50,000;
- 20 (4) Tier IV cultivator: \$100,000;
- 21 (5) Processor: \$15,000;
- 22 (6) Producer: \$15,000 plus the applicable cultivator tier annual renewal fee;
- 23 (7) Dispensary: \$15,000; and

1 (8) Safety Compliance Facility: \$12,000.

2 Section 5. Renewal applications for cannabis business licenses.

3 (1) A renewal license is valid for one (1) year from the date of issuance shown on the
4 license. The requirements that a licensed cannabis business shall meet to receive an initial
5 license are continuing requirements to maintain the license. A cannabis business shall
6 continuously comply with the licensing requirements of KRS Chapter 218B and 915 KAR
7 Chapter 1 during the initial licensure period and any subsequent renewal period.

8 (2) The cabinet shall notify each licensee at least ninety (90) calendar days prior to the
9 date the license expires to allow the licensee to begin the renewal process if the licensee so
10 chooses.

11 (3) A licensee shall only use the license renewal application form prescribed by the
12 cabinet and made available through the website of the Kentucky Medical Cannabis Program,
13 <https://kymedcan.ky.gov>.

14 (4) A license renewal application shall be submitted to the cabinet at least sixty (60)
15 calendar days prior to the expiration of the license. The cabinet shall reject a license renewal
16 application if it is not submitted at least sixty (60) calendar days prior to the expiration of the
17 license and shall return the annual renewal fee to the licensee along with written notice of the
18 rejection.

19 (5) A licensee shall submit a license renewal application to the cabinet in the manner
20 prescribed by the application instructions.

21 (6) A licensee shall include the following information with a license renewal application:

22 (a) Information regarding any charge, or any initiated, pending, or concluded
23 investigation or proceeding, during the period of the initial license or prior renewal period, by

1 any governmental or administrative agency, including an investigation or proceeding involving
2 theft, loss, or possible diversion of medicinal cannabis by the licensee or from the licensee's
3 facility;

4 (b) Information regarding the licensee's ability to continue with licensed activities,
5 including any staffing issues, delays, medicinal cannabis shortages, medicinal cannabis product
6 recalls, location issues, and financial issues that occurred since the license was issued;

7 (c) The licensee's history of compliance with KRS Chapter 218B and 915 KAR Chapter
8 1, including a summary of any noncompliance and corrective action taken during the current and
9 any previous licensing period or a statement indicating that the licensee has not violated KRS
10 Chapter 218B or 915 KAR Chapter 1 as of the date the renewal application is submitted; and

11 (d) Any additional information required by the cabinet.

12 (7) The cabinet shall acknowledge receipt of a renewal license application within fifteen
13 (15) calendar days of submission by the applicant. The cabinet shall review each application to
14 determine whether the application is complete. If the cabinet determines an application is not
15 complete, the cabinet shall provide written notice to the applicant of the identified deficiencies in
16 the application. The applicant shall have ten (10) calendar days from the date of the deficiency
17 notification to cure the identified deficiencies and provide any missing information or
18 documentation to the cabinet in the manner prescribed by the cabinet. If the applicant fails to
19 cure any deficiency within ten (10) calendar days from the date of the deficiency notification, the
20 cabinet shall reject the application as incomplete.

21 (8) If the cabinet determines that a license renewal application is lacking sufficient
22 information upon which to make a renewal determination, the cabinet shall notify the licensee in
23 writing of the factors that require additional information and documentation. The licensee shall

1 have ten (10) calendar days from the date of the notice to provide the requested information and
2 documentation to the cabinet. A licensee's failure to provide the requested information to the
3 cabinet by the deadline shall be grounds for denial of the license renewal application.

4 (9) The cabinet may conduct an onsite inspection of the licensee's facilities and records
5 to assist with determining continuing compliance with KRS Chapter 218B and 915 KAR Chapter
6 1.

7 (10) An existing cannabis business license is immediately invalid upon expiration if the
8 licensee has not filed a license renewal application and paid the required renewal fee in
9 accordance with Section 4. If a licensee properly submits a timely renewal application with
10 applicable renewal fee, the cabinet may extend its existing license from the date the existing
11 license expires until the cabinet can complete its renewal application review and issue a
12 determination.

13 Section 6. Minimum performance standards for license renewal.

14 (1) Pursuant to KRS 218B.080(5)(b), the renewal of a cannabis business license shall be
15 contingent upon successful achievement of minimal performance standards established by the
16 cabinet. The minimum performance standards for licensees participating in the Kentucky
17 Medical Cannabis Program are:

18 (a) The licensee has, and is likely to continue to maintain, effective controls against
19 diversion of medicinal cannabis at its facility;

20 (b) The licensee has not made false or misleading statements in:

- 21 1. A renewal application or any other application submitted to the cabinet;
- 22 2. Any document or written communication submitted to the cabinet; or
- 23 3. Any verbal communication to the cabinet.

1 (c) The licensee has a documented history of compliance with the licensee requirements
2 in KRS Chapter 218B and 915 KAR Chapter 1;

3 (d) The licensee has effectively addressed any identified compliance issues through
4 corrective action;

5 (e) The licensee has shown it has the ability to continue to comply with all state and local
6 laws and administrative regulations applicable to the activities in which it may engage under the
7 license, if renewed;

8 (f) The licensee has a documented history of successfully addressing and mitigating any
9 quality or safety issues with its medicinal cannabis or medicinal cannabis products;

10 (g) The licensee timely completes all reporting required by KRS Chapter 218B and 915
11 KAR Chapter 1; and

12 (h) The licensee participates in surveys distributed by the cabinet and provides full,
13 complete, and timely responses.

14 (2) The cabinet shall deny a renewal application for a cannabis business license if it
15 determines the licensee has failed to:

16 (a) Meet one (1) or more of the minimum performance standards established in this
17 section; or

18 (b) Any additional basis provided in KRS 218B.090.

19 (3) The cabinet shall provide written notification to a licensee as to whether its renewal
20 application has been approved or denied within forty-five (45) calendar days of receiving an
21 application and determining its complete. Any renewal application denials shall be done in
22 accordance with KRS 218B.090(4), including providing written notice to the applicant that he or
23 she may file a written request for an administrative hearing on the application within thirty (30)

1 calendar days after the mailing date of the notice. Any hearing resulting from the applicant's
2 written request shall be conducted in accordance with KRS Chapter 13B.

3 Section 7. Duty to report.

4 During the application process, an applicant for an initial cannabis business license or
5 renewal license shall, upon discovery of any change in facts or circumstances reflected in the
6 initial application or renewal application submitted to the cabinet, notify the cabinet in writing of
7 the change or any newly discovered fact or circumstance that would have been included in the
8 application if known at the time the application was submitted. The notification required under
9 this section shall be sent via electronic mail to kymedcanreporting@ky.gov within twenty-four
10 (24) hours of discovery. Failure to timely notify the cabinet of a change or newly discovered
11 facts or circumstances may result in denial of the application.

915 KAR 1:010

REVIEWED:

<p>DocuSigned by: <i>Sam Flynn</i> <small>7229208BAA56414</small></p> <hr/>	<p>4/8/2024</p> <hr/>
<p>Sam Flynn Executive Director Kentucky Medical Cannabis Program Cabinet for Health and Family Services</p>	<p>Date</p>

APPROVED:

<p>DocuSigned by: <i>Eric Friedlander</i> <small>0AE1D6C15D6431</small></p> <hr/>	<p>4/9/2024</p> <hr/>
<p>Eric C. Friedlander Secretary Cabinet for Health and Family Services</p>	<p>Date</p>

PUBLIC HEARING AND PUBLIC COMMENT PERIOD:

A public hearing on this administrative regulation shall, if requested, be held on July 22, 2024, at 9:00 a.m. using the CHFS Office of Legislative and Regulatory Affairs Zoom meeting room. The Zoom invitation will be emailed to each requestor the week prior to the scheduled hearing. Individuals interested in attending this virtual hearing shall notify this agency in writing by July 15, 2024, five (5) workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who attends virtually will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on this proposed administrative regulation until July 31, 2024. Send written notification of intent to attend the public hearing or written comments on the proposed administrative regulation to the contact person. Pursuant to KRS 13A.280(8), copies of the statement of consideration and, if applicable, the amended after comments version of the administrative regulation shall be made available upon request.

Contact Person: Krista Quarles, Policy Analyst, Office of Legislative and Regulatory Affairs, 275 East Main Street 5 W-A, Frankfort, KY 40621; Phone: 502-564-7476; Fax: 502-564-7091; CHFSregs@ky.gov.

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Administrative Regulation: 915 KAR 1:010

Agency Contact: Oran S. McFarlan, III

Phone Number: (502) 564-5313

Email: oran.mcfarlan@ky.gov

Contact Person: Krista Quarles

Phone Number: (502) 564-7476

Email: CHFSregs@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes initial application and renewal procedures for cannabis business licenses.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to carry out the requirements of KRS Chapter 218B, specifically KRS 218B.140(1)(c)(3).

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 218B.140 requires the Cabinet for Health and Family Services to promulgate administrative regulations establishing initial application and renewal procedures for cannabis business licenses. This administrative regulation establishes those procedures.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation provides the procedures for initial and renewal applications for cannabis business licenses.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: Not applicable. This is a new administrative regulation.

(b) The necessity of the amendment to this administrative regulation: Not applicable. This is a new administrative regulation.

(c) How the amendment conforms to the content of the authorizing statutes: Not applicable. This is a new administrative regulation.

(d) How the amendment will assist in the effective administration of the statutes: Not applicable. This is a new administrative regulation.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This administrative regulation affects cannabis businesses that desire to apply for and subsequently renew licenses to conduct cannabis business activities in the commonwealth.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: Cannabis businesses that desire to operate in Kentucky must follow the initial and renewal application procedures and

requirements identified in this administrative regulation in order to be eligible to receive an initial license or renew an existing license.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): The initial license application fees vary by cannabis business category and range from \$3,000 to \$35,000 for each submitted initial application. The annual renewal license fees also vary by cannabis business category and range from \$12,000 to \$115,000 for each submitted renewal application.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The cannabis businesses that receive a license from the Cabinet for Health and Family Services are authorized to conduct cannabis business activities in the commonwealth for the term of the license (i.e., one (1) year from the date of license issuance).

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: The annual cost estimate to administer all aspects of the Kentucky Medical Cannabis Program is \$9,135,398. A significant portion of those funds will go toward licensing and enforcement of cannabis businesses operating in the commonwealth as well implementation and continued operation of the electronic monitoring system and seed to sale tracking system required by KRS 218B.140.

(b) On a continuing basis: The annual cost estimate to administer all aspects of the Kentucky Medical Cannabis Program is \$9,135,398. A significant portion of those funds will go toward licensing and enforcement of cannabis businesses operating in the commonwealth as well implementation and continued operation of the electronic monitoring system and seed to sale tracking system required by KRS 218B.140.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: State general funds provided by the commonwealth.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: It is anticipated that an increase in funding will be necessary to implement this regulation as additional staff and resources are necessary to administer the cannabis business license application process.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: Yes, this administrative regulation establishes initial license application fees and annual renewal license fees.

(9) TIERING: Is tiering applied? (Explain why or why not) Tiering is not applied. All cannabis businesses will be treated equally.

FISCAL IMPACT STATEMENT

915 KAR 1:010: Initial and renewal applications for cannabis business licenses.

Agency Contact: Oran S. McFarlan, III

Phone Number: (502) 564-5313

Email: oran.mcfarlan@ky.gov

Contact Person: Krista Quarles

Phone Number: (502) 564-7476

Email: CHFSregs@ky.gov

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 218B.015, 218B.080, 218B.085, 218B.090, 218B.095, 218B.100, 218B.140, 523.100, Chapter 13B.

(2) Identify the promulgating agency and any other affected state units, parts, or divisions: This administrative regulation is promulgated by the Kentucky Medical Cannabis Program within the Cabinet for Health and Family Services.

(a) Estimate the following for the first year:

Expenditures: The annual cost estimate to administer all aspects of the Kentucky Medical Cannabis Program is \$9,135,398.

Revenues: The commonwealth will receive initial license application fees paid by proposed cannabis businesses during the first year. The initial license application fees vary by cannabis business category and range from \$3,000 to \$35,000 for each submitted initial application. At this time, it is not known how many proposed cannabis businesses will apply for licenses and pay the attendant fees.

Cost Savings: The cabinet does not anticipate any cost savings in the first year.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? The annual cost estimate to administer all aspects of the Kentucky Medical Cannabis Program is \$9,135,398. The commonwealth will receive annual renewal license fees from licensed cannabis businesses that desire to continue operating in the commonwealth following the expiration of their existing license. The commonwealth may also receive additional initial license application fees if the Cabinet for Health and Family Services determines additional licenses should be issued in a given year based on criteria provided in 915 KAR Chapter 1. The annual renewal license fees vary by cannabis business category and range from \$12,000 to \$115,000 for each submitted renewal application.

(3) Identify affected local entities (for example: cities, counties, fire departments, school districts): If its application is approved, a proposed cannabis will locate within a city or county in the commonwealth.

(a) Estimate the following for the first year:

Expenditures: Unknown at this time. This response will depend on the number of licensed cannabis businesses located in a respective city or county and any ordinances

established by local authorities regulating licensed cannabis businesses in their jurisdiction as allowed by KRS 218B.130

Revenues: Unknown at this time. This response will depend on the number of licensed cannabis businesses located in a respective city or county and any ordinances and fees established by local authorities regulating licensed cannabis businesses in their jurisdiction as allowed by KRS 218B.130.

Cost Savings: The cabinet does not anticipate any cost savings in the first year.

(b) How will expenditures, revenues, or cost savings differ in subsequent years?

Unknown at this time. This response will depend on the number of licensed cannabis businesses located in a respective city or county and any ordinances and fees established by local authorities regulating licensed cannabis businesses in their jurisdiction as allowed by KRS 218B.130.

(4) Identify additional regulated entities not listed in questions (2) or (3): Proposed cannabis businesses.

(a) Estimate the following for the first year:

Expenditures: A proposed cannabis business is required to pay the applicable initial license application fee at the time of initial application submission.

Revenues: Once operational, approved applicants will generate revenue through cannabis business activities. At this time, it is unknown how much revenue will be generated by those cannabis businesses.

Cost Savings: The cabinet does not anticipate any cost savings in the first year.

(b) How will expenditures, revenues, or cost savings differ in subsequent years?

Cannabis businesses are required to pay the applicable annual renewal license fee at the time of renewal application submission. This renewal license fee is refundable if the renewal application is denied.

(5) Provide a narrative to explain the:

(a) Fiscal impact of this administrative regulation: The annual cost estimate to administer all aspects of the Kentucky Medical Cannabis Program is \$9,135,398. A significant portion of those funds will go toward licensing and enforcement of cannabis businesses operating in the commonwealth as well implementation and continued operation of the electronic monitoring system and seed to sale tracking system required by KRS 218B.140. It is anticipated that an increase in funding will be necessary to administer all of the administrative regulations contained in 915 KAR Chapter 1 related to cannabis businesses.

(b) Methodology and resources used to determine the fiscal impact: As part of its Biennial Budget Request, the Cabinet for Health and Family Services analyzed the cost to administer all aspects of the Kentucky Medical Cannabis Program, including estimated costs for staffing and implementation and ongoing maintenance and operations costs for the electronic monitoring system and seed to sale tracking system required by KRS 218B.140.

(6) Explain:

(a) Whether this administrative regulation will have an overall negative or adverse major economic impact to the entities identified in questions (2) - (4). (\$500,000 or more, in aggregate). The annual cost estimate to administer all aspects of the Kentucky Medical Cannabis Program is \$9,135,398. A significant portion of those funds will go toward licensing and

enforcement of cannabis businesses operating in the commonwealth as well implementation and continued operation of the electronic monitoring system and seed to sale tracking system required by KRS 218B.140. The Kentucky Medical Cannabis Program will have a major economic impact on the Cabinet for Health and Family Services, and it is anticipated that an increase in funding will be necessary to administer all of the administrative regulations contained in 915 KAR Chapter 1 related to cannabis businesses.

(b) The methodology and resources used to reach this conclusion: As part of its Biennial Budget Request, the Cabinet for Health and Family Services analyzed the cost to administer all aspects of the Kentucky Medical Cannabis Program, including estimated costs for staffing and implementation and ongoing maintenance and operations costs for the electronic monitoring system required by KRS 218B.140.