

## Audit Proposal

### Kansas Department of Agriculture: Evaluating the Economic Impact of Legalizing Industrial Hemp Production in Kansas

#### SOURCE

This audit proposal was requested by Representative Willie Dove.

#### BACKGROUND

Currently, state law (K.S.A. 21-5705) prohibits the cultivation or distribution of industrial hemp. Kansas and a number of other states have made industrial hemp illegal because it comes from the same plant, *Cannabis Sativa L*, as marijuana.

However, industrial hemp is substantively different than marijuana in a variety of ways. Most importantly, industrial hemp has far lower levels of tetrahydrocannabinoids (THC)—the ingredient that provides a “high”—than marijuana. Whereas hemp has THC levels of 0.3% to 1.5%, marijuana contains THC levels between 5% to 10%. In addition, because of its strength, hemp fiber can be used in the production of a wide variety of manufactured goods including rope, blankets, paper, textiles, health food, biodegradable plastics, and fuel. The North American Industrial Hemp Council reports that the widespread use of industrial hemp could also result in several environmental benefits such as less reliance on fossil fuels, landfill use reduction, and increased energy efficiency.

The 2014 Federal Farm Bill allowed for institutions of higher education and state departments of agriculture to grow or cultivate industrial hemp. However, this bill only applies to those states where industrial hemp farming is already legal under state law. The National Conference of State Legislatures (NCSL) reports that nineteen states have laws that allow hemp pilot studies and production as outlined in the federal bill. Of those nineteen states, eight have sponsored hemp resolutions and enacted laws to promote the growth and marketing of industrial hemp. In 2018, the Federal Farm Bill removed industrial hemp from the Controlled Substances Act.

Legislators have expressed interest in knowing how the legalization of industrial hemp production could affect the Kansas economy.

#### AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

*The audit objectives listed below represent the questions that we would answer through our audit work. The proposed steps for each objective are intended to convey the type of work we would do, but are subject to change as we learn more about the audit issues and are able to refine our methodology.*

#### **Objective 1: What would be the economic impact of legalizing industrial hemp production in Kansas?**

Our tentative methodology would include the following:

- Work with Kansas Department of Agriculture officials to determine what type of land and environmental conditions are conducive to growing industrial hemp and how much farm land in Kansas might meet those conditions.
- Review academic literature and interview officials from other states where industrial hemp is legal to better understand how industrial hemp is grown, harvested, and sold in other states. This would include uses as fiber, oil and food.
- Model and compare the economic value achieved through industrial hemp production to that of other crops that can be grown under similar conditions (this would likely require the assistance of an agricultural economist). To the extent possible, this analysis would take into consideration factors such as crop yields, market prices, and market demand.
- Contact a number of other states that have legalized industrial hemp production to identify any particular challenges they have experienced related to industrial hemp production.

#### **ESTIMATED RESOURCES**

We estimate this audit would require a team of **three (3) auditors** (plus a consultant) for a total of **three (3) months** (from the time the audit starts to our best estimated of when it would be ready for the committee).