



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0407.01: Create the kratom consumer protection act

Primary Sponsor: Nelly Nicol Status: As Introduced

Included in the Executive Budget Needs to be included in HB 2 Significant Local Gov Impact

Significant Long-Term Impacts Technical Concerns Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$1,551,083	\$1,063,840	\$1,077,298	\$1,091,011
Revenues				
General Fund (01)	\$1,076,083	\$1,063,840	\$1,077,298	\$1,091,011
Net Impact	<u>(\$475,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance				

Description of fiscal impact

HB 407 creates the Kratom Consumer Protection Act, creates licensing and product registration requirements to be administered by the Department of Revenue. The department will need to add a new unit of 9.00 FTE and create license and registration fees that can be adjusted to cover the administrative costs. There will be a one-time IT contracting cost of \$475,000 in FY 2026 that is assumed to not be covered by license fees and would be funded by the general fund.

FISCAL ANALYSIS

Assumptions

1. HB 407 creates the Kratom Consumer Protection Act and creates licensing and product registration requirements to be administered by the Department of Revenue.
2. There is no sales tax created in the bill, but there are license fees created with the intent of covering the administrative costs associated with licensing for the department.
3. In order to establish the licensing and product registration requirements laid out in this bill, the department will need to create a new unit consisting of a manager, a business analyst, a license examiner, a compliance resolution officer, a lab specialist, and three inspectors. The department will also need an additional lawyer to handle any legal issues related to the act. These additional 9.00 FTE create additional costs to the department of \$1,076,083 in FY 2026, \$1,063,840 in FY 2027, \$1,077,298 in FY 2028, and \$1,091,011 in FY 2029.
4. The department will incur a one-time cost of \$475,000 for contracted services to build out a new account type for the licensing, registrations, and payments in the integrated revenue information system.
5. Based on the license fee requirement, it is assumed that license fee revenue will be equal to the ongoing FTE costs but not the initial one-time IT costs to develop the licensing software. It is assumed all revenue would be deposited in the general fund and the costs would be funded by the general fund.

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
FTE	9.00	9.00	9.00	9.00
TOTAL Fiscal Impact	9.00	9.00	9.00	9.00
<u>Expenditures</u>				
Personal Services	\$846,539	\$846,539	\$857,530	\$868,686
Operating Expenses	\$704,544	\$206,314	\$208,625	\$211,018
TOTAL Expenditures	\$1,551,083	\$1,052,853	\$1,066,155	\$1,079,704
<u>Funding of Expenditures</u>				
General Fund (01)	\$1,551,083	\$1,063,840	\$1,077,298	\$1,091,011
TOTAL Funding of Expenditures	\$1,551,083	\$1,063,840	\$1,077,298	\$1,091,011
<u>Revenues</u>				
General Fund (01)	\$1,076,083	\$1,063,840	\$1,077,298	\$1,091,011
TOTAL Revenues	\$1,076,083	\$1,063,840	\$1,077,298	\$1,091,011
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$475,000)	\$0	\$0	\$0

Technical Concerns

1. There is no effective or applicability date specified in the bill so it is assumed all sections would be effective October 1, 2025. This would not provide any grace period for Kratom distributors to get their products registered prior to the Department of Revenue being responsible for seizing and destroying unregistered products.

~~Sponsor's Initials~~ **NOT SIGNED BY SPONSOR**

2/14/25



Budget Director's Initials

2/14/2025

Date