

MEMORANDUM

To: Konnie Leffler, Division of the Budget
From: Scott M. Schultz, Executive Director
Date: January 31, 2022
Re: Prison Bed Impact Assessment, **HB 2231 - Amending the definition of the crime of conducting a pyramid promotional scheme, providing for an exemption and defining key terms. - UPDATE**

IMPACT ASSESSMENT

- **Impact on Prison Admissions:** This bill **may** have an impact on prison admissions but cannot be determined at this time.
- **Impact on Prison Beds:** This bill **may** have an impact on prison bed space but cannot be determined at this time
- **Impact on the Workload of the Commission:** This bill **may** have an impact on the workload of the Commission but cannot be determined at this time

SUMMARY OF THE BILL

This bill addresses pyramid schemes under K.S.A. 2020 Supp. 21-5838 and adds that the provisions of this section shall not be construed to prohibit a plan or operation, or to define a plan or operation as a pyramid promotional scheme, if the participants in the plan or operation give consideration in return for the right to receive compensation based upon purchases of goods, services or intangible property for personal use, consumption or resale if the plan or operation does not cause inventory loading.

This bill also defines the following terms:

- "Compensation" means a payment of any money, a thing of value or financial benefit conferred in return for inducing another person to participate in a pyramid promotional scheme.
- "Consideration" means the payment of cash or the purchase of goods, services or intangible property. "Consideration" does not include the purchase of goods or services furnished at cost to be used in making sales and not for resale, or time and effort spent in pursuit of sales or recruiting activities. "Consideration" does

not include payment for sales demonstration, equipment and materials furnished at cost for use in making sales and not for resale.

- "Inventory" means both goods and services, including, but not limited to, company-produced promotional materials, sales aids and sales kits that an entity requires independent salespersons to purchase.
- "Inventory loading" means the requirement or encouragement by a plan or operation to have the independent salesperson of the plan or operation purchase inventory in an amount that exceeds the amount that the salesperson can expect to resell for ultimate consumption or to use or consume in a reasonable time period, or both.
- "Person" means an individual, corporation, trust, estate, partnership, unincorporated association or any other legal or commercial entity.
- "Promote" means to contrive, prepare, establish, plan, operate, advertise or otherwise induce or attempt to induce another person to participate in a pyramid promotional scheme.

FINDINGS

- In FY 2021, 0 offenders were convicted under K.S.A. 21-5838.
- In FY 2021, 0 offenders were arrested for violation of K.S.A. 21-5838.

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