



[SF 599](#) – Industrial Hemp (LSB1744SV)

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Fiscal Note Version – As amended and passed by the Senate Ways and Means Committee

Description

[Senate File 599](#) creates the Iowa Hemp Act, which authorizes the production and marketing of industrial hemp in Iowa in compliance with federal law and will be administered by the Department of Agriculture and Land Stewardship (DALs). Department responsibilities include submitting a State plan to the United States Department of Agriculture (USDA), establishing license requirements, establishing industrial hemp fees, and establishing rules to implement the Iowa Hemp Act.

[Senate File 599](#) also creates the Hemp Fund in the State Treasury, which will be managed by the DALs. Moneys deposited into the Hemp Fund will include fees collected by the DALs, appropriations from the General Assembly, and other revenue such as interest earned and federal funds.

Background

Industrial hemp and marijuana are different varieties of the *Cannabis sativa* L. plant. The differences between the two plants are their levels of tetrahydrocannabinol (THC) and their usage. Industrial hemp has THC levels of 0.1% to 0.4% of the total plant weight, while marijuana has THC levels of 4.0% to 7.0%. Industrial hemp is grown for commercial use, and the stalks and seeds are used for textiles, food, paper, building materials, and other products. Marijuana is grown for medicinal and recreational uses.

The federal [Agricultural Act of 2014](#) legalized the possession and use of industrial hemp when the crop was part of a pilot program that was regulated by a state department of agriculture or part of a research program conducted by an institution of higher education. The federal [Agriculture Improvement Act of 2018](#) removed industrial hemp from the list of controlled substances and allowed states to regulate industrial hemp production. The Bill specifies the DALs will develop and submit a State plan for industrial hemp production in Iowa and submit it to the USDA for approval.

Assumptions

- The DALs will collect a license fee and an inspection fee for industrial hemp production. The license fee will be collected from persons wanting to produce industrial hemp, and the fee will be based on the number of acres planted. The Bill specifies that a licensed grower can grow a maximum of 40 acres. The license fee range includes:
 - \$500 fee plus \$5 per acre for a person growing five acres or less.
 - \$750 fee plus \$5 per acre for a person growing more than five acres but less than 10 acres.
 - \$1,000 fee plus \$5 per acre for person growing more than 10 acres.An annual inspection fee of not more than \$1,000 will also be charged by the DALs.
- For estimating purposes, it is assumed that the DALs will submit a State plan for industrial hemp production and receive approval from the USDA by July 1, 2019.

- Personnel costs for FY 2020 are estimated at \$181,000 for 2.0 full-time equivalent (FTE) positions. This includes 1.0 FTE position for work in the laboratory and 1.0 FTE position that will work with industrial hemp growers in the field. The estimated costs are increased by 3.0% for FY 2021 to account for increased salary and other benefit expenditures.
- Contract worker costs assume a worker will make \$16 per hour and work 40 hours per week. This also assumes a contract worker will be needed for eight weeks.
- Required lab samples are estimated at 300 samples with a cost of \$50 each.
- Mileage costs are estimated at 5,000 miles at \$0.39 per mile.
- The Bill also specifies the DALs can assess a civil penalty for disposing of a licensee's crop. The civil penalty will be between \$500 and \$2,500. Any funds collected from civil penalties will be deposited into the General Fund.

Fiscal Impact

The fiscal impact of [Senate File 599](#) increases expenditures for the DALs by an estimated \$304,000 in FY 2020 and \$209,000 in FY 2021. The fee income that will be deposited into the Hemp Fund cannot be estimated, as it is unknown how many persons will participate in the manufacturing of industrial hemp. The other unknown factor is how much it will cost to destroy crops that exceed the maximum allowable THC levels. **Table 1** shows the estimated expenditures from the Hemp Fund for the implementation of [SF 599](#).

Table 1 — SF 599 Industrial Hemp Expenditures

Description	FY 2020	FY 2021
Personnel* (2.00 FTE positions)	\$ 181,000	\$187,000
Contract Workers	5,000	5,000
Hemp Testing Lab Equipment	71,000	0
Consumable Lab Sample Testing	15,000	15,000
Vehicle	30,000	0
Mileage	2,000	2,000
Total Estimated Costs	\$ 304,000	\$209,000

*Includes one lab worker and one field worker

Sources

Department of Agriculture and Land Stewardship
LSA calculations

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
