



HF 781 – Industrial Hemp (LSB2748HW)
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Fiscal Note Version – As amended and passed by the House Appropriations Committee
(formerly HF 754)

Description

[House File 781](#) creates the Iowa Hemp Act that 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. The Department of Public Safety (DPS) will work in coordination with the DALs to provide the annual inspection of a licensed crop site and other related services.

[House File 781](#) creates the Hemp Fund in the State Treasury that will be administered by the DALs. Money 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. [House File 781](#) 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

Department of Agriculture and Land Stewardship:

- The DALs will collect a license fee and an inspection fee for industrial hemp production. A license fee will be collected from persons wanting to produce industrial hemp and the fee is based on the number of acres planted. The Bill specifies that a licensed grower can only 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 a site that grows more than 10 acres.

- An annual inspection fee of not more than \$1,000 will be charged by the DALs.
- If the DALs has to perform other tests at the request of the licensee, the Department can charge a fee similar to the inspection fee.
- 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 were increased by 3.0% for FY 2021 to account for anticipated 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 that exceeds required THC levels. The civil penalty will be between \$500 and \$2,500. Any funds collected from civil penalties will be deposited into the General Fund.

Department of Public Safety:

In 2018, the Division of Criminal Investigation Laboratory analyzed over 7,600 cannabis items. Quantifying the level of THC involves different, more involved methods and instrumentation than currently used to identify marijuana. The DPS estimates the analysis time will take three times longer than testing marijuana. The DPS estimates it will need 3.0 additional Criminalistics FTE positions and three additional gas chromatography/flame ionization detector (GC/FID) instruments.

- Personnel costs for FY 2020 are estimated at \$251,000 for and 3.0 FTE Criminalistics positions. The estimated costs were increased by 3.0% for FY 2021 to account for increased salary and other benefit expenditures.
- The Department will need to purchase three additional testing instruments at a cost of \$50,000 each.

Fiscal Impact

The estimated fiscal impact of [HF 781](#) is an increase in expenditures to the DALs and the DPS budgets for FY 2020 and FY 2021. **Table 1** shows the estimated expenditures related to the implementation of [HF 781](#).

**Table 1 — HF 781 Industrial Hemp Estimated Expenditures for
FY 2020 and FY 2021**

Description	FY 2020	FY 2021
DALS:		
Personnel (2 FTE)	\$ 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 for DALS	\$ 304,000	\$ 209,000
DPS:		
Personnel (3 FTE)	\$ 251,000	\$ 259,000
Testing Instruments	150,000	0
Total Estimated Costs for DPS	\$ 401,000	\$ 259,000
Total Estimated Costs	\$ 705,000	\$ 468,000

The revenue from the fees established in this Bill cannot be estimated, as it is unknown how many persons will participate in the manufacturing of industrial hemp. The other unknown factor is estimating how much it will cost to destroy crops that exceed the required THC levels.

Sources

Department of Agriculture and Land Stewardship
 Department of Public Safety
 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.
