



[SF 2380](#) – Cannabidiol and Cannabidiol Products, Sales (LSB6299SV)
Staff Contact: Christin Mechler (515.250.0458) christin.mechler@legis.iowa.gov
Fiscal Note Version – New

Description and Background

[Senate File 2380](#) amends several provisions of [Senate File 599](#) (Iowa Hemp Act), as enacted in 2019, including associated provisions of new Iowa Code chapter [204](#). The federal [Agriculture Improvement Act of 2018](#), commonly known as the 2018 Farm Bill, included provisions authorizing the production of hemp, allowing states and tribes to assume primary regulatory authority over the production of hemp by submitting a plan of approval by the United States Department of Agriculture (USDA). The USDA approved Iowa's hemp plan on March 19, 2020. The Iowa Hemp Act was implemented on April 8, 2020, which was the publication date of the [Iowa Administrative Bulletin](#) that includes an approval statement of Iowa's state plan from the USDA.

[Senate File 2380](#) amends several sections of Iowa Code chapter [204](#) as they relate to the regulation of hemp as a commodity and allows for the manufacture, sale, and consumption of consumable hemp products by humans and animals, if all of the following provisions apply:

- The consumable hemp product was manufactured in Iowa in compliance with Iowa Code chapter [204](#).
- The hemp contained in the consumable hemp product was produced exclusively in Iowa in compliance with Iowa Code chapter [204](#).
- The consumable hemp product complies with certain packaging and labeling requirements.

The Bill defines “consumable hemp product” as a hemp product that includes a substance that is metabolized or is otherwise subject to a biotransformative process when introduced into the human or animal body. The product may exist in a solid or liquid state and may be introduced by ingestion or absorption by any device, including but not limited to an electronic device. A product is classified as a “consumable hemp product” when any of the following characteristics apply:

- The product is designed by the processor, including the manufacturer, to be introduced in the human or animal body.
- The product is advertised as an item to be introduced into a human or animal body.
- The product is distributed, exported, or imported for sale or distribution to be introduced into a human or animal body.

Additionally, the Bill states that a “consumable hemp product” also includes noncombustible forms of hemp that may be digested, internally absorbed, or absorbed through the skin, and hemp that is processed as or otherwise manufactured as a human or animal food, food additive, dietary supplement, or drug. A “consumable hemp product” is not considered to be a controlled substance as defined under Iowa Code chapter [124](#) or [453B](#).

[Senate File 2380](#) allows the retail sale of a hemp product if the hemp was produced in this State or another state or jurisdiction in compliance with the federal hemp law or other applicable federal law.

The Bill also provides regulation regarding the registration and licensing of manufacturers and sellers of consumable hemp to be completed by the Iowa Department of Agriculture and Land Stewardship (IDALS) and the Department of Inspections and Appeals (DIA). A person manufacturing consumable hemp must register with the IDALS via a form established by the Department through the rulemaking process. The Department may charge the applicant a fee that does not exceed the cost of processing the registration, and is required to establish procedures for the revocation of a manufacturer's registration.

A person selling consumable hemp must register with the DIA via a form established by the Department through the rulemaking process. The Department may charge the applicant a fee that does not exceed the cost of processing the registration, and is required to establish procedures for the revocation of a seller's registration.

The Bill explicitly prohibits political subdivisions of the State from adopting any ordinance, rule, or regulation regarding the manufacture, sale, or consumption of a consumable hemp product.

Assumptions

- In order to effectively register manufacturers and sellers of consumable hemp, the DIA estimates that it will need to establish new labeling, inspection, and compliance regulations. The DIA also assumes that it would need to enhance its current electronic registration system.
- Should the current electronic registration be incompatible with the requirements of the Bill, the DIA assumes it would need to invest in a new system. The DIA assumes such a system could range in cost from approximately \$229,000 to \$349,000 for implementation, and \$56,000 to \$87,000 for annual maintenance and upkeep. The fiscal estimate in **Table 1** uses a midpoint for this range in order to provide a general cost estimate of [SF 2380](#).
- Additionally, the DIA assumes it would need to hire additional personnel to accommodate the increased amount of registration and licensing requirements included in the Bill.
- The IDALS assumes it will be required to consider hemp products for inclusion in livestock feed or pet food, impacting the ability of the Department to conduct inspections as required by the federal Food and Drug Administration (FDA).
- The IDALS assumes it would be unable to complete inspections correctly and safely and would not be able to comply with the provisions of [SF 2380](#). Acting out of compliance with federal standards may lead to the loss of federal funding, specifically to the Commercial Feed and Fertilizer Bureau. The IDALS assumes it could lose up to \$800,000 in federal funding, which equates to approximately 53.0% of the Commercial Feed and Fertilizer Bureau's total budget.

Fiscal Impact

The Bill also allows both the IDALS and the DIA to establish registration, licensing, and inspection fees pursuant to each department's rulemaking authority. At this time, it is unknown how each department will charge for registration, licensing, and inspection fees, and it is not possible to estimate any amount of collected fee revenue.

The identifiable fiscal impact of [SF 2380](#) is estimated to range from \$1.4 million to \$1.7 million annually. The table below provides estimated costs per affected State agency.

Table 1 — Estimated Costs, [SF 2380](#)

Agency	Year 1 Cost		Year 2 Cost	
	Minimum	Maximum	Minimum	Maximum
Department of Inspections and Appeals				
Electronic Registration System Implementation Cost	\$ 0	\$ 289,000	\$ 0	\$ 0
Annual System Support and Maintenance	0	71,500	0	71,500
Inspection System Enhancements	50,000	0	50,000	0
0.5 Clerk FTE Position	30,000	30,000	30,000	30,000
1.0 Senior Environmental Specialist FTE Position	72,000	72,000	72,000	72,000
5.0 Environmental Specialist FTE Positions (\$64,200/position)	321,000	321,000	321,000	321,000
One-Time Staffing Expenses (vehicle, technology, phone)	80,000	80,000	0	0
Subtotal	\$ 553,000	\$ 863,500	\$ 473,000	\$ 494,500
Department of Agriculture and Land Stewardship				
Potential Loss of Federal & Grant Funding	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
	Minimum	Maximum	Minimum	Maximum
Total Estimated Cost	\$ 1,353,000	\$ 1,663,500	\$ 1,684,000	\$ 1,705,500

FTE= Full-time Equivalent

Sources

Legislative Services Agency
 Iowa Department of Agriculture and Land Stewardship
 Department of Inspections and Appeals
 Office of Drug Control Policy
 Criminal and Juvenile Justice Planning Division, Department of Human Rights
 Department of Corrections

/s/ Holly M. Lyons

June 4, 2020

Doc ID 1132975

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.
