**Fiscal Note**

**Fiscal Services Division**

**HF 2380** – Hemp Acreage Cap (LSB5928HV)

Staff Contact: Aaron Gerds (515.281.6764) aaron.gerds@legis.iowa.gov

Fiscal Note Version – New

**Description**

*House File 2380* adjusts the maximum number of acres of hemp a person may grow annually from 40 acres to 160 acres, with the condition that not more than 40 acres can be used to produce hemp grown for the purpose of extracting cannabidiol. The Bill also increases the maximum acreage of a licensed hemp crop site from 40 acres to 160 acres, also with the condition that not more than 40 acres can be used to produce hemp grown for the purpose of extracting cannabidiol.

This Bill is effective upon enactment.

**Background**

Iowa Code chapter 204 requires the Iowa Department of Agriculture and Land Stewardship (IDALS) to regulate the production of hemp. The IDALS is required to issue and renew one-year hemp licenses to qualified producers. The IDALS inspects all hemp crop sites and collects samples as outlined in 21 IAC 96.7. As the number of acres increases, the number of samples required per acre decreases. Samples are tested to ensure tetrahydrocannabinol (THC) levels are below 0.3% as outlined in Iowa Code section 204.8. After samples are confirmed to have acceptable levels of THC, the IDALS has no further requirements to monitor the harvesting or utilization of the hemp. A licensed crop site cannot be larger than 40 acres, and the total number of acres licensed to one person cannot exceed 40 acres.

The IDALS has the authority to set hemp license and inspection fees by administrative rule. These fees are deposited into the Hemp Fund and used to cover costs the IDALS incurs in administering the enforcement provisions of Iowa Code chapter 204, including the cost of testing the THC levels of samples of hemp. Iowa Code section 204.5 sets maximums the IDALS may charge for hemp fees. Fees collected by the IDALS under Iowa Code section 204.5 are currently set at the maximum allowed by the Iowa Code. The fees specified in 21 IAC 96.5 are as follows:

- **License fees:**
  - $500 plus $5 per acre for crop sites smaller than five acres.
  - $750 plus $5 per acre for crop sites between 5 and 10 acres.
  - $1,000 plus $5 per acre for crop sites larger than 10 acres.

- **Inspection fees:**
  - Base fee of $1,000 plus a supplemental fee of $500 per sample.

In FY 2020, $138,000 of fees and other revenue was deposited into the Hemp Fund. In FY 2021, $128,000 of fees and other revenue was deposited into the Hemp Fund.

On July 1, 2022, the fee maximum outlined in Iowa Code section 204.5 will sunset. After these hemp fee maximums sunset, the IDALS may alter hemp fees by administrative rule, but the total amount of hemp fees collected by the IDALS may not exceed the costs incurred by the IDALS to enforce Iowa Code chapter 204.
Assumptions
The IDALS will require a minimum of 1.0 new Entomologist full-time equivalent (FTE) position to track hemp postharvest to certify the end use of the hemp. The minimum annual cost for 1.0 Entomologist FTE is $66,000.

Fiscal Impact
House File 2380 is estimated to increase costs incurred by the IDALS by a minimum of $66,000. This includes the cost of 1.0 additional Entomologist FTE position. Depending on the number of acres enrolled, the IDALS may require additional Entomologist FTE positions to monitor the end usage of hemp, but the number of new acres and new licensees cannot be estimated at this time.

Under current law, beginning July 1, 2022, the IDALS will set hemp fees to cover costs associated with administering the provisions of Iowa Code chapter 204. Hemp fees may need to be increased to cover the additional costs created by HF 2380. However, the specific amount cannot be estimated at this time as it will be dependent on the number of licensees and number of acres licensed, both of which could be increased by HF 2380. Similarly, the IDALS may generate more fee revenue and have additional testing costs from additional acres of hemp production, but this amount cannot be estimated at this time.

Source
Iowa Department of Agriculture and Land Stewardship

/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.

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