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**SF 2398** – Industrial Hemp (LSB2172SV)  
Analyst: Debra Kozel (515.281.6767) [deb.kozel@legis.iowa.gov](mailto:deb.kozel@legis.iowa.gov)  
Fiscal Note Version – New

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**Description**

[Senate File 2398](#) creates the Iowa Industrial Hemp Act that authorizes the production and marketing of industrial hemp in Iowa in compliance with federal law. The Bill creates two commodity programs: the Industrial Hemp Commodity Program, administered by the Department of Agriculture and Land Stewardship (DALs), and the Industrial Hemp Production Program, administered by a Board of Regents institution.

The Bill creates an industrial hemp council comprised of public members and representatives of government entities, and four nonvoting legislative members. The DALs is required to submit an annual report to the Governor and General Assembly evaluating the success of the two programs.

Violators of provisions of the Bill are subject to civil and/or criminal penalties.

**Background**

[Section 7606](#) of H.R. 2642 (2014 Farm Bill) allows universities and state departments of agriculture to begin cultivating industrial hemp for limited purposes of research conducted in an agricultural pilot program. The Farm Bill also specifies that participating states must enact laws that allow for the growing or cultivating of industrial hemp.

The U.S. Department of Agriculture, in consultation with the federal Drug Enforcement Agency (DEA) and the U.S. Food and Drug Administration, released a [Statement of Principles on Industrial Hemp](#) in the Federal Register on August 12, 2016.

The [National Conference of State Legislatures](#) (NCSL) reports that 34 states have passed legislation related to the production of industrial hemp and that 27 states have passed laws creating or allowing for the establishment of industrial hemp research plots or pilot programs to study the cultivation, processing, and economics of industrial hemp.

**Fiscal Impact**

The estimated fiscal impact of [SF 2398](#) is approximately \$161,000 in FY 2019 and \$91,000 in FY 2020 and each year thereafter.

**Department of Agriculture and Land Stewardship**

The Department would incur an annual cost of \$91,000 and 1.00 FTE position to implement the Industrial Hemp Commodity Program. This includes salary, benefits, and support expenditures. As the Program is phased in to mainstream operations, the costs for the 1.00 FTE position could decrease.

The Department would incur estimates one-time costs of \$70,000 for equipment. Examples of the specific equipment needed for industrial hemp production include:

- Geno/Grinder (takes samples of plant tissue).
- Sieves (removes impurities from test samples).
- Knifetec Sample Mill (grinds samples without moisture loss).
- Desiccators (sealed containers that absorb moisture).

### **Department of Public Safety**

The Department of Public Safety has identified costs of \$30 to \$50 for obtaining fingerprints and a background check for an industrial hemp grower applicant. These costs would be paid for by the applicant.

### **Correctional Impact**

The correctional impact of [SF 2398](#) is expected to be minimal. A person who knowingly or intentionally produces the hemp plant and is not DALs, a registrant, or a licensee participating in one of the two authorized programs is subject to the criminal penalties in Iowa Code chapters [124](#) and [453B](#).

### **Sources**

Department of Agriculture and Land Stewardship  
Department of Public Safety

/s/ Holly M. Lyons

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April 3, 2018

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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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