

SENATE FILE 191
BY ZIEMAN

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing for the production and marketing of industrial
2 hemp, and providing for penalties.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 191
AGRICULTURE

1 Section 1. FINDINGS. The general assembly finds that a
2 trend exists among states to consider the economic importance
3 of industrial hemp, which is a major crop in other nations.
4 Industrial hemp historically has contributed to the economic
5 welfare of this country, and is a renewable natural resource
6 manufactured for textiles, pulp, paper, oil, building
7 materials, and other products. The purpose of this Act is to
8 promote the economy of this state by providing for research
9 necessary to develop industrial hemp as a viable crop.

10 Sec. 2. NEW SECTION. 159.41 INDUSTRIAL HEMP LICENSING
11 AND REGULATION.

12 1. As used in this section, "industrial hemp" means
13 cannabis sativa L. which has a percentage of
14 tetrahydrocannabinol of not more than one percent, as provided
15 by rules which shall be adopted by the department.

16 2. The department of agriculture and land stewardship, in
17 cooperation with the department of public safety, shall
18 administer this section. The department of agriculture and
19 land stewardship shall cooperate with other law enforcement
20 agencies. The department shall also collaborate with agencies
21 of the United States government, including but not limited to
22 the drug enforcement administration of the United States
23 department of justice, in order to provide for the production
24 and possession of industrial hemp according to the terms and
25 conditions required by the United States government. The
26 department may execute any memorandum of understanding with a
27 United States government agency in order to administer this
28 section.

29 3. To the extent permitted by the United States
30 government, the department shall issue licenses to persons for
31 the production and possession of industrial hemp,
32 notwithstanding any section of this chapter to the contrary.
33 A person must possess a license pursuant to this section to
34 produce or possess industrial hemp. The department of
35 agriculture and land stewardship shall limit the number of

1 licenses that it grants each year in order to ensure that the
2 department of agriculture and land stewardship, in cooperation
3 with the department of public safety, may strictly enforce
4 compliance with the requirements of this section and section
5 266.39G. A license shall expire not later than one year
6 following the date of issuance.

7 a. A person applying for a license shall file an
8 application on a form prescribed by the department of
9 agriculture and land stewardship according to procedures
10 required by the department. The department may charge an
11 application fee which shall not exceed five hundred dollars.
12 An applicant and each employee of the applicant must satisfy
13 eligibility requirements of the department, which shall
14 include but shall not be limited to all of the following:

- 15 (1) Be eighteen years of age or older.
- 16 (2) Never have been convicted of a felony, an aggravated
17 misdemeanor, or of any other offense related to the possession
18 of a controlled substance.
- 19 (3) Not be addicted to the use of alcohol or a controlled
20 substance.
- 21 (4) Be of good moral character and not have been judged
22 guilty of a crime involving moral turpitude.

23 b. The department shall give priority to approving an
24 application, if the person has entered into an agreement with
25 Iowa state university in conducting research as provided in
26 section 266.39G.

27 c. The licensee shall maintain accurate records, as
28 required by the department, which shall contain information
29 relating to the licensee's operation, including but not
30 limited to the production site, the time and manner of
31 harvest, and persons involved in the production, harvesting,
32 and distribution of the industrial hemp.

33 4. Notwithstanding chapter 124, the licensee may produce,
34 harvest, and distribute industrial hemp. However, the
35 licensee must act in strict conformance with this section.

1 The licensee shall raise industrial hemp upon demonstration
2 plots as approved by the department. The demonstration plots
3 must be used to develop optimal agricultural practices for
4 raising industrial hemp. All plant materials from industrial
5 hemp grown on demonstration plots, except plant materials
6 retained for breeding and propagation, must be used for
7 commercial uses approved by the department.

8 5. The department of agriculture and land stewardship or
9 the department of public safety may inspect a production or
10 distribution site of a licensee at any time, and may inspect
11 records required to be maintained as provided in this section.
12 The department of agriculture and land stewardship shall
13 assess and the licensee shall pay the actual costs of the
14 inspection. If the owner or occupant of any property used by
15 the licensee for the production or distribution refuses
16 admittance onto the property, or if prior to such refusal the
17 department of agriculture and land stewardship or department
18 of public safety demonstrates the necessity for a warrant, the
19 department of agriculture and land stewardship may make
20 application under oath or affirmation to the district court of
21 the county in which the property is located for the issuance
22 of a search warrant. If the court is satisfied from
23 examination of the applicant, of other witnesses, if any, and
24 of the allegations of the application of the existence of the
25 grounds of the application, or that probable cause exists to
26 believe such grounds exist, the court may issue a search
27 warrant.

28 6. The department may suspend or revoke a license if the
29 licensee or an employee of the licensee is determined to have
30 committed any of the following:

- 31 a. Fraud in applying for or obtaining a license.
32 b. A violation of this section or rules adopted by the
33 department pursuant to this section, including failing to
34 comply with a requirement of this section.
35 c. An offense involving moral turpitude, a felony, an

1 aggravated misdemeanor, or any other offense related to the
2 possession of a controlled substance.

3 7. a. Except as provided in paragraph "b", an applicant
4 for a license or a licensee who knowingly violates a
5 requirement of this section or a rule adopted by the
6 department pursuant to this section is subject to a civil
7 penalty of not more than fifty thousand dollars.

8 b. A person who makes a false statement on the application
9 for a license regarding the conviction of a felony, aggravated
10 misdemeanor, or any other offense related to the possession of
11 a controlled substance is guilty of an aggravated misdemeanor.

12 Sec. 3. NEW SECTION. 266.39G INDUSTRIAL HEMP -- RESEARCH
13 BY IOWA STATE UNIVERSITY.

14 1. As used in this section, "industrial hemp" means
15 cannabis sativa L. which has a percentage of
16 tetrahydrocannabinol of not more than one percent.

17 2. In administering this section, Iowa state university
18 shall do all of the following:

19 a. Collaborate with agencies of the United States
20 government, including the drug enforcement administration of
21 the United States department of justice, in order to produce
22 and possess industrial hemp according to the terms and
23 conditions required by the United States government. Iowa
24 state university may execute any memorandum of understanding
25 with a United States government agency in order to administer
26 this section, and may obtain any federal permit or other
27 authorization required to administer this section.

28 b. Cooperate with the department of agriculture and land
29 stewardship in carrying out this section and section 159.41.
30 The university shall cooperate with persons licensed by the
31 department to produce industrial hemp as provided in that
32 section. The university shall also cooperate with law
33 enforcement agencies, including the department of public
34 safety.

35 3. Notwithstanding chapter 124, Iowa state university

1 shall, to the extent permitted by the United States
2 government, conduct research regarding the production and
3 marketing of industrial hemp. The research shall include an
4 analysis of all of the following:

- 5 a. The production of high-quality seed varieties having
6 proven adaptation and performance.
- 7 b. The feasibility of producing industrial hemp in this
8 state as a profitable cash crop, including the adaptability of
9 plant varieties to soils and growing conditions in this state.
- 10 c. The production of industrial hemp having the lowest
11 possible percentage of tetrahydrocannabinol.
- 12 d. The development of production practices, including best
13 management practices for applying nutrients and pesticides;
14 strategies to best conserve, maintain, and improve soil
15 productivity; and methods to control disease.
- 16 e. The need for and availability of equipment and
17 machinery required to efficiently and cost-effectively produce
18 and harvest industrial hemp.
- 19 f. Market conditions affecting the economic viability of
20 industrial hemp production, including the identification of
21 markets, the utilization of products, processing methods, and
22 other economic factors affecting the profitable marketing of
23 industrial hemp.

24 4. The research shall be conducted as provided by Iowa
25 state university, and may be carried out in part by the Iowa
26 agricultural and home economics experiment station, including
27 the Leopold center for sustainable agriculture. Research
28 shall, to every extent possible, be determined by experimental
29 trials when appropriate. The university shall cooperate with
30 other states engaged in conducting similar research. The
31 university shall seek financial support from public and
32 private sources in order to administer this section, including
33 associations representing agricultural producers. The
34 university shall report the findings and recommendations of
35 the study to the general assembly not later than January 15,

1 2006.

2 Sec. 4. Section 317.1A, Code 2003, is amended by adding
3 the following new unnumbered paragraph:

4 NEW UNNUMBERED PARAGRAPH. "Industrial hemp" which is
5 produced as provided in section 159.41 or 266.39G is not a
6 noxious weed.

7 EXPLANATION

8 This bill provides for the production of industrial hemp
9 which has a percentage of tetrahydrocannabinol of not more
10 than 1 percent.

11 The bill requires the department of agriculture and land
12 stewardship, in cooperation with the department of public
13 safety, to administer a program to license persons involved in
14 industrial hemp production. The bill requires the department
15 to collaborate with agencies of the United States government,
16 including but not limited to the drug enforcement
17 administration in order to provide for the production and
18 possession of industrial hemp according to the terms and
19 conditions required by the United States government. The bill
20 provides that to the extent permitted by the United States
21 government, the department shall issue licenses to persons for
22 the production and possession of industrial hemp,
23 notwithstanding any other provision of Code chapter 124
24 regulating controlled substances. The bill provides
25 requirements for applicants and persons involved in the
26 production or possession of industrial hemp. The bill
27 provides for the inspection of the premises and records of
28 licensees. The bill provides for the suspension or revocation
29 of a license.

30 The bill provides for research by Iowa state university
31 regarding the production and marketing of industrial hemp
32 which has a percentage of tetrahydrocannabinol of not more
33 than 1 percent. The bill provides an exception to the
34 restriction of Iowa's controlled substance Act and authorizes
35 the university to collaborate with agencies of the United

1 States government in order to produce and possess industrial
2 hemp according to the terms and conditions required by the
3 United States government. The bill requires the university to
4 cooperate with law enforcement agencies and the department of
5 agriculture and land stewardship in carrying out the bill's
6 provisions. The bill authorizes the university to conduct
7 research regarding the production of high-quality seed
8 varieties, the feasibility of producing industrial hemp in
9 this state as a profitable cash crop, the production of
10 industrial hemp having the lowest possible percentage of
11 tetrahydrocannabinol, the development of production practices,
12 the need for and availability of suitable equipment and
13 machinery, and market conditions affecting the economic
14 viability of industrial hemp production. The bill requires
15 the university to cooperate with other states engaged in
16 conducting similar research, and to seek financial support
17 from public and private sources. The bill requires the
18 university to report its findings and recommendations to the
19 general assembly not later than January 15, 2006.

20 The bill provides that licensees who violate the provisions
21 of the bill are subject to a civil penalty of up to \$50,000.
22 The bill provides that a person who makes a false statement on
23 the application for a license regarding a conviction of a
24 felony, aggravated misdemeanor, or any other offense related
25 to the possession of a controlled substance is guilty of an
26 aggravated misdemeanor.

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SF 191 - Hemp Bill (LSB 2564 XS)

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Fiscal Note Version — New

Description

Senate File 191 allows for the production of industrial hemp and requires the Department of Agriculture and Land Stewardship to administer the licensing program and work with agencies of the United States government to provide for the production and possession of industrial hemp. The Bill specifies the Department of Agriculture and Land Stewardship and the Department of Public Safety have the authority to inspect an industrial hemp production site, distribution site, or records of a licensee. The Bill specifies that Iowa State University will conduct production and marketing research. The United States Drug Enforcement Administration refuses to grant licenses for the production of industrial hemp.

Assumptions

1. It is unknown how many applicants there would be to grow industrial hemp.
2. Iowa State University would realize increased costs for production and marketing research of approximately \$810,000 for FY 2004 and approximately \$840,000 for FY 2005. This includes salary and support for 11.00 FTE positions and purchase of equipment for security and lab testing.
3. The Department of Agriculture and Land Stewardship would incur costs for an Agricultural Products Inspector at \$70,000 and 1.00 FTE position for FY 2004 and \$48,000 and 1.00 FTE position for FY 2005 and subsequent years.
4. The Department of Public Safety would be required to analyze plant samples at a cost of \$373,000 and 3.00 FTE positions for FY 2004 and \$233,000 and 4.00 FTE positions for FY 2005 and subsequent years. This includes the purchase of laboratory equipment for sample testing in FY 2004.
5. There are between zero and eight licensing offenses per year.

Correctional Impact

Senate File 191 is expected to have a minimal correctional impact.

Fiscal Impact

Senate File 191 is expected to result in increased General Fund expenditures as follows:

| | <u>FY 2004</u> | <u>FY 2005</u> |
|--|---------------------|---------------------|
| <u>Revenue</u> | | |
| Fees | unknown | unknown |
| <u>Expenditures</u> | | |
| Iowa State University | \$ 810,000 | \$ 840,000 |
| Dept. of Agriculture and Land Stewardship | 70,000 | 48,000 |
| Dept. of Public Safety | 373,000 | 233,000 |
| Total | <u>\$ 1,253,000</u> | <u>\$ 1,121,000</u> |

Sources

Department of Agriculture and Land Stewardship
Department of Public Safety
Department of Human Rights, Criminal and Juvenile Justice Planning Division
Iowa State University

/s/ Dennis C Prouty

March 13, 2003

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 or Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement from the Legislative Fiscal Bureau to members of the Legislature upon request.
