

through this... 3/30

FILED FEB 18 1992

SENATE FILE 2159

BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO SSB 2172)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the production of ethanol, providing for the  
2 appropriation and allocation of moneys, and providing  
3 applicability dates.

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

5  
6

**SENATE FILE 2159**

**S-5358**

- 1 Amend Senate File 2159 as follows:
- 2 1. Page 3, line 20, by inserting after the word
- 3 "five" the following: "but not more than fifteen".
- 4 2. Page 3, by striking lines 21 through 24.
- 5 3. Page 3, line 25, by striking the words "An
- 6 expanded" and inserting the following: "A".
- 7 4. Page 3, line 32, by striking the words "a
- 8 new".
- 9 5. Page 3, by striking lines 33 and 34 and
- 10 inserting the following: "the production facility.
- 11 In".
- 12 6. By renumbering as necessary.

|                    |                |
|--------------------|----------------|
| By DERRYL MCLAREN  | JACK W. HESTER |
| LEONARD L. BOSWELL | JIM KERSTEN    |
| BERL E. PRIEBE     | EUGENE FRAISE  |

S-5358 FILED MARCH 24, 1992

20  
21  
22  
23

S.F. 2159

1 Section 1. Section 159A.5, subsection 2, Code Supplement  
2 1991, is amended to read as follows:

3 2. The committee shall monitor conditions, practices,  
4 policies, programs, and procedures affecting the production  
5 and consumption of renewable ~~fuels~~ fuel.

6 Sec. 2. Section 159A.5, subsection 5, Code Supplement  
7 1991, is amended by adding the following new paragraph:

8 NEW PARAGRAPH. e. Review the distribution of ethanol  
9 production incentive payments to qualified persons, pursuant  
10 to section 159A.8.

11 Sec. 3. Section 159A.6, unnumbered paragraph 2, Code  
12 Supplement 1991, is amended to read as follows:

13 The committee shall develop standards for decals required  
14 pursuant to section 214A.16, which shall be designed to  
15 promote the advantages of using renewable fuel. The standards  
16 may be incorporated within a model decal adopted by the ~~board~~  
17 committee and approved by the office coordinator or the  
18 coordinator's designee.

19 Sec. 4. Section 159A.7, Code Supplement 1991, is amended  
20 to read as follows:

21 159A.7 RENEWABLE FUEL FUND.

22 1. A renewable fuel fund is created in the state treasury  
23 under the control of the office of renewable fuel. The fund  
24 is composed of moneys accepted by the office. Moneys in the  
25 fund shall be deposited into the renewable fuel activities  
26 account or the ethanol production incentive account. The fund  
27 may include moneys appropriated by the general assembly, and  
28 other moneys available to and obtained or accepted by the  
29 office, including moneys from the United States, other states  
30 in the union, foreign nations, state agencies, political  
31 subdivisions, and private sources.

32 2. Moneys in the fund shall be used only to administer  
33 this chapter.

34 2. Moneys in the fund renewable fuel activities account  
35 shall be allocated at the beginning of each fiscal year as

1 follows:

2 a. Up to forty percent may be dedicated to support  
3 promotion and advertising of ethanol fuel.

4 b. Up to thirty percent may be dedicated to support  
5 research at the university of Iowa.

6 c. Up to thirty percent may be dedicated to support  
7 research at Iowa state university of science and technology.

8 d. The remaining balance shall be used by the office to  
9 support other projects or programs developed by the office.

10 3. Moneys shall be deposited in the ethanol production  
11 incentive account as provided in section 423.24. The moneys  
12 shall be allocated to provide financial incentives to support  
13 the increased production of ethanol derived from an organic  
14 compound, including a photosynthate, as provided in section  
15 159A.8.

16 3 4. Moneys in the fund shall-be are subject to an annual  
17 audit by the auditor of state. The fund shall-be is subject  
18 to warrants by the director of revenue and finance, drawn upon  
19 the written requisition of the coordinator.

20 4 5. In administering the fund, the office may do all of  
21 the following:

22 a. Contract, sue and be sued, and adopt procedures  
23 necessary to administer this section. However, the office  
24 shall not in any manner, directly or indirectly, pledge the  
25 credit of the state.

26 b. Authorize payment from the fund accounts, from any  
27 income received by investment of moneys in the fund, for  
28 administrative costs, commissions, attorney and accountant  
29 fees, and other reasonable expenses related to and necessary  
30 for administering the ~~fund-and-administering-the-program~~  
31 accounts.

32 5 6. Section 8.33 shall does not apply to moneys in the  
33 fund renewable fuel activities account. Income received by  
34 investment of moneys in the account shall remain in that  
35 account. Moneys appropriated for a state fiscal year to the

1 ethanol production incentive account which remain unobligated  
2 and unencumbered on July 15 of the following state fiscal year  
3 shall be credited to the road use tax fund as provided in  
4 section 423.24.

5 Sec. 5. NEW SECTION. 159A.8 ETHANOL PRODUCTION INCENTIVE  
6 PROGRAM.

7 1. An ethanol production incentive program administered by  
8 the office is established. The office shall adopt rules  
9 pursuant to chapter 17A necessary to administer this section.  
10 The purpose of the program is to provide financial incentives  
11 to support the increased production of ethanol derived from an  
12 organic compound, including a photosynthate.

13 2. To qualify for the incentive, the producer must submit  
14 a claim to the office for approval in a manner and according  
15 to procedures established by the office. A person applying  
16 for assistance is not eligible to receive assistance under  
17 this section unless the following requirements are satisfied:

18 a. The production facility is located in this state.

19 b. The production facility has an annual production  
20 capacity of at least five million gallons of ethanol.

21 c. The production facility is constructed on or after July  
22 1, 1993, or the annual production capacity of the production  
23 facility increases by at least fifty percent, but not less  
24 than five million gallons, on or after July 1, 1993.

25 d. An expanded production facility must produce at a  
26 percentage of its capacity considered to be full capacity for  
27 a similar size and type of facility, as determined by the  
28 office.

29 3. The office shall provide a qualified ethanol producer  
30 with an incentive payment of twenty cents for each qualifying  
31 gallon of ethanol produced. The producer shall be paid  
32 according to the total number of gallons produced by a new  
33 facility or according to the number of gallons produced by an  
34 expanded facility which is attributable to the expansion. In  
35 order to qualify for the payment, all fermentation,

1 distillation, and dehydration of the ethanol must occur at the  
2 facility. The ethanol produced at the facility must be at  
3 least ninety-nine percent pure and must be denatured and  
4 subsequently blended with gasoline.

5 4. The office shall approve a claim for an incentive  
6 payment. The claim shall at least include the following:

7 a. The name of the producer.

8 b. The location of the facility producing ethanol.

9 c. The gallons of qualifying ethanol which were produced  
10 in the calculation period.

11 d. Whether the producer is organized as a cooperative  
12 association organized pursuant to chapter 497, 498, or 499.

13 The office shall verify the accuracy of the claims  
14 submitted by a producer. The office may require that a  
15 producer submit regular unqualified opinions based upon audits  
16 performed by a person certified pursuant to section 116.5.

17 The office shall approve a claim and make an incentive payment  
18 within thirty days following receipt of the claim, unless the  
19 office notifies the producer otherwise.

20 5. a. The payment shall be based on the number of gallons  
21 of ethanol produced in a computation period. The office shall  
22 establish a schedule of computation periods. The computation  
23 periods shall be equal divisions within a state fiscal year  
24 and measured on a monthly basis. One computation period shall  
25 not be more than three consecutive months in duration. Moneys  
26 available for payments during the state fiscal year shall be  
27 divided equally according to the computation periods. The  
28 office shall allocate moneys in the ethanol production  
29 incentive account as follows:

30 (1) An amount equal to fifty percent of the moneys  
31 available in the account shall be reserved for purposes of  
32 making incentive payments to claimants which are cooperative  
33 associations organized pursuant to chapter 497, 498, or 499.  
34 All stockholders, shareholders, or members of a cooperative  
35 association must hold a legal or equitable interest in land

1 located in this state.

2 (2) An amount equal to fifty percent of the moneys  
3 available in the account shall be reserved for the purpose of  
4 making incentive payments to persons who are claimants other  
5 than cooperative associations organized pursuant to chapter  
6 497, 498, or 499.

7 b. If moneys remain from the amount reserved to satisfy  
8 all claims made by cooperative associations at the end of a  
9 computation period, the office shall use the remaining moneys  
10 to increase payments made to persons other than cooperative  
11 associations submitting claims for that computation period, to  
12 the extent that the claims of those persons were not  
13 completely satisfied. If moneys remain from the amount  
14 reserved to satisfy all claims made by persons other than  
15 cooperative associations at the end of a computation period,  
16 the office shall use the remaining moneys to increase payments  
17 made to cooperative associations submitting claims for that  
18 computation period, to the extent that the claims of those  
19 cooperative associations were not completely satisfied. These  
20 remaining moneys shall be paid on a prorated basis according  
21 to the proportionate amount of ethanol produced during the  
22 computation period. If moneys remain from the amount reserved  
23 to satisfy the claims made by all cooperative associations and  
24 other persons, the moneys shall be allocated to ensure equal  
25 payments to cooperative associations and persons who are not  
26 cooperative associations during the remainder of the  
27 subsequent computation periods in the state fiscal year.

28 c. If sufficient moneys are not available to satisfy the  
29 claims of all cooperative associations from moneys available  
30 for that computation period, the office shall prorate the  
31 payments to each cooperative association according to the  
32 proportionate amount of ethanol produced by each cooperative  
33 association for that computation period. If sufficient moneys  
34 are not available to satisfy the claims of all persons other  
35 than cooperative associations from moneys available for that

1 computation period, the office shall prorate the payments to  
2 each of the persons according to the proportionate amount of  
3 ethanol produced by each person for that computation period.  
4 Except as provided in paragraph "b", a claimant who has  
5 received a prorated payment does not have a claim for the part  
6 of the payment which was not received.

7 d. The office shall begin making payments on and after  
8 January 1, 1994. For the fiscal year beginning on July 1,  
9 1993, and ending on June 30, 1994, the fund shall not pay more  
10 than three million dollars for incentive payments. For each  
11 fiscal year following June 30, 1994, the fund shall not pay  
12 more than four million dollars for incentive payments. A  
13 producer is not eligible to receive more than three million  
14 dollars in incentive payments during one state fiscal year. A  
15 producer is not eligible to receive payments in a state fiscal  
16 year after receiving payments based on claims for the  
17 production of more than fifteen million gallons of ethanol  
18 during the fiscal year.

19 Sec. 6. Section 423.24, subsection 1, Code Supplement  
20 1991, is amended by adding the following new paragraph after  
21 paragraph a, and relettering subsequent paragraphs:

22 NEW PARAGRAPH. b. Beginning on July 1, 1993, three and  
23 one-half percent of the remaining revenue, not to exceed one  
24 million dollars per quarter, derived from the use tax on motor  
25 vehicles, trailers, and motor vehicle accessories and  
26 equipment as collected pursuant to section 423.7, shall be  
27 deposited in the ethanol production incentive account of the  
28 renewable fuel fund created in section 159A.7. Moneys  
29 deposited according to this paragraph are a continuing  
30 appropriation for expenditure under section 159A.8. Moneys  
31 deposited during a state fiscal year to the ethanol production  
32 incentive account which remain unobligated and unencumbered on  
33 July 15 of the following state fiscal year shall be credited  
34 to the road use tax fund as provided in this section.

35 Sec. 7. Section 497.1, Code 1991, is amended to read as

1 follows:

2 497.1 PLAN AUTHORIZED.

3 Any number of persons, not less than five, may associate  
4 themselves as a co-operative association, society, company or  
5 exchange, for the purpose of conducting any agricultural,  
6 dairy, ethanol production, mercantile, mining, manufacturing,  
7 or mechanical business on the co-operative plan. For the  
8 purposes of this chapter, the words "association", "company",  
9 "corporation", "exchange", "society", or "union", shall be  
10 construed to mean the same.

11 Sec. 8. Section 498.2, Code 1991, is amended to read as  
12 follows:

13 498.2 ORGANIZATION.

14 Any number of persons, not less than five, may associate  
15 themselves as a co-operative association, without capital  
16 stock, for the purpose of conducting any agricultural,  
17 livestock, horticultural, dairy, ethanol production,  
18 mercantile, mining, manufacturing, or mechanical business, or  
19 the constructing and operating of telephone and high tension  
20 electric transmission lines on the co-operative plan and of  
21 acting as a co-operative selling agency. Co-operative  
22 livestock shipping associations organized under this chapter  
23 shall do business with members only.

24 Sec. 9. Section 499.2, unnumbered paragraph 4, Code 1991,  
25 is amended to read as follows:

26 "Agricultural associations" are those formed to produce,  
27 grade, blend, preserve, process, store, warehouse, market,  
28 sell, or handle an agricultural product, or a by-product of an  
29 agricultural product; to produce ethanol; to purchase,  
30 produce, sell, or supply machinery, petroleum products,  
31 equipment, fertilizer, supplies, business services, or  
32 educational service to or for those engaged as bona fide  
33 producers of agricultural products; to finance any such  
34 activities; or to engage in any co-operative activity  
35 connected with or for any number of these purposes.



1 from revenue raised by the use tax on motor vehicles,  
2 trailers, and motor vehicle accessories and equipment as  
3 collected pursuant to section 423.7. In order to qualify for  
4 a payment an ethanol production facility must be located in  
5 this state, the facility must have an annual production  
6 capacity of at least 5,000,000 gallons of ethanol, and the  
7 facility must either be constructed on or after July 1, 1993,  
8 or the annual production capacity of the facility must  
9 increase by at least 50 percent and at least 5,000,000 gallons  
10 on or after July 1, 1993. An expanded facility must produce  
11 at its full capacity. The payments are based on the number of  
12 gallons of ethanol produced in a computation period  
13 established by the office. Payments shall be made according  
14 to the total number of gallons produced by a new facility or  
15 the percentage produced by an expanded facility which is  
16 attributable to the expansion. The office shall allocate  
17 moneys equally between cooperative associations organized  
18 under Iowa law and persons other than cooperative  
19 associations. The bill provides for the allocation of moneys  
20 when too few or too many claims exist. The bill provides that  
21 a single producer shall not receive more than \$3 million in  
22 incentive payments during one fiscal year. A producer is also  
23 prohibited from receiving a payment after submitting claims  
24 for payments for the production of more than 15,000,000  
25 gallons of ethanol during a fiscal year. Claims are to be  
26 paid on or after January 1, 1994. For the fiscal year  
27 beginning on July 1, 1993, the account cannot pay more than \$3  
28 million in incentive payments. For each following fiscal  
29 year, the account cannot pay more than \$4 million in incentive  
30 payments.

31 The bill amends provisions relating to the allowable  
32 purposes of cooperative associations to include ethanol  
33 production.

34 The provisions creating the program and account are  
35 repealed on July 1, 1998.

SENATE FILE 2159  
FISCAL NOTE

---

A fiscal note for Senate File 2159 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

---

Senate File 2159 establishes a program administered by the Office of Renewable Fuel in the Department of Agriculture and Land Stewardship (DALS) to provide financial incentives supporting the increased production of ethanol. An Ethanol Production Incentive Account is created to support the Ethanol Production Incentive Program.

Revenues for the Incentive Account are to come from 3.5% (not to exceed \$1.0 million per quarter) of the use tax on motor vehicles, trailers, and motor vehicle accessories and equipment.

The Incentive Program would provide a qualified ethanol producer with twenty cents from the Incentive Account for each qualifying gallon of ethanol produced. For FY 1994, the Incentive Account cannot pay more than \$3 million in incentive payments. For FY 1995, this amount cannot be more than \$4 million. The program and account are repealed on July 1, 1998.

Fiscal Impact:

The Department estimates that they would need \$50,000 for a Program Planner II or III position and support to administer the program.

Source: The Department of Agriculture and Land Stewardship

(LSB 5723sv, AAW)

FILED MARCH 12, 1992

BY DENNIS PROUTY, FISCAL DIRECTOR

HUSAK, CH  
PRIEBE  
BOSWELL  
MCLAREN  
SOORNOLTZ

SSB 2172  
AGRICULTURE Now -

SENATE FILE 2159  
BY (PROPOSED COMMITTEE ON  
AGRICULTURE BY CHAIRPERSON  
PRIEBE)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the production of ethanol, providing for the  
2 appropriation and allocation of moneys, and providing  
3 applicability dates.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

1 Section 1. Section 159A.5, subsection 2, Code Supplement  
2 1991, is amended to read as follows:

3 2. The committee shall monitor conditions, practices,  
4 policies, programs, and procedures affecting the production  
5 and consumption of renewable ~~fuels~~ fuel.

6 Sec. 2. Section 159A.5, subsection 5, Code Supplement  
7 1991, is amended by adding the following new paragraph:

8 NEW PARAGRAPH. e. Review the distribution of ethanol  
9 production incentive payments to qualified persons, pursuant  
10 to section 159A.8.

11 Sec. 3. Section 159A.6, unnumbered paragraph 2, Code  
12 Supplement 1991, is amended to read as follows:

13 The committee shall develop standards for decals required  
14 pursuant to section 214A.16, which shall be designed to  
15 promote the advantages of using renewable fuel. The standards  
16 may be incorporated within a model decal adopted by the ~~board~~  
17 committee and approved by the office.

18 Sec. 4. Section 159A.7, Code Supplement 1991, is amended  
19 to read as follows:

20 159A.7 RENEWABLE FUEL FUND.

21 1. A renewable fuel fund is created in the state treasury  
22 under the control of the office of renewable fuel. The fund  
23 is composed of moneys accepted by the office. Moneys in the  
24 fund shall be deposited into the renewable fuel activities  
25 account or the ethanol production incentive account. The fund  
26 may include moneys appropriated by the general assembly, and  
27 other moneys available to and obtained or accepted by the  
28 office, including moneys from the United States, other states  
29 in the union, foreign nations, state agencies, political  
30 subdivisions, and private sources.

31 2. Moneys in the fund shall be used only to administer  
32 this chapter.

33 2. Moneys in the fund renewable fuel activities account  
34 shall be allocated at the beginning of each fiscal year as  
35 follows:

1 a. Up to forty percent may be dedicated to support  
2 promotion and advertising of ethanol fuel.

3 b. Up to thirty percent may be dedicated to support  
4 research at the university of Iowa.

5 c. Up to thirty percent may be dedicated to support  
6 research at Iowa state university of science and technology.

7 d. The remaining balance shall be used by the office to  
8 support other projects or programs developed by the office.

9 3. Moneys shall be deposited in the ethanol production  
10 incentive account as provided in section 423.24. The moneys  
11 shall be allocated to provide financial incentives to support  
12 the increased production of ethanol derived from an organic  
13 compound, including a photosyntate, as provided in section  
14 159A.8.

15 3 4. Moneys in the fund shall-be are subject to an annual  
16 audit by the auditor of state. The fund shall-be is subject  
17 to warrants by the director of revenue and finance, drawn upon  
18 the written requisition of the coordinator.

19 4 5. In administering the fund, the office may do all of  
20 the following:

21 a. Contract, sue and be sued, and adopt procedures  
22 necessary to administer this section. However, the office  
23 shall not in any manner, directly or indirectly, pledge the  
24 credit of the state.

25 b. Authorize payment from the fund accounts, from any  
26 income received by investment of moneys in the fund, for  
27 administrative costs, commissions, attorney and accountant  
28 fees, and other reasonable expenses related to and necessary  
29 for administering the ~~fund-and-administering-the-program~~  
30 accounts.

31 5 6. Section 8.33 shall does not apply to moneys in the  
32 fund renewable fuel activities account. Income received by  
33 investment of moneys in the account shall remain in that  
34 account. Unobligated and unencumbered moneys remaining in the  
35 ethanol production incentive account on June 30 of each year

1 shall be credited to the road use tax fund as provided in  
2 section 423.24.

3 Sec. 5. NEW SECTION. 159A.8 ETHANOL PRODUCTION INCENTIVE  
4 PROGRAM.

5 1. An ethanol production incentive program administered by  
6 the office is established. The office shall adopt rules  
7 pursuant to chapter 17A necessary to administer this section.  
8 The purpose of the program is to provide financial incentives  
9 to support the increased production of ethanol derived from an  
10 organic compound, including a photosynthate.

11 2. To qualify for the incentive, the producer must submit  
12 a claim to the office for approval in a manner and according  
13 to procedures established by the office. A person applying  
14 for assistance is not eligible to receive assistance under  
15 this section unless the following requirements are satisfied:

- 16 a. The production facility is located in this state.
- 17 b. The production facility has an annual production  
18 capacity of at least five million gallons of ethanol.
- 19 c. The production facility is constructed on or after July  
20 1, 1993, or the annual production capacity of the production  
21 facility increases by at least fifty percent, but not less  
22 than five million gallons, on or after July 1, 1993.
- 23 d. An expanded production facility must produce at its  
24 full capacity.

25 3. The office shall provide a qualified ethanol producer  
26 with an incentive payment of twenty cents for each qualifying  
27 gallon of ethanol produced. The producer shall be paid  
28 according to the total number of gallons produced by a new  
29 facility or according to the number of gallons produced by an  
30 expanded facility which is attributable to the expansion. In  
31 order to qualify for the payment, all fermentation,  
32 distillation, and dehydration of the ethanol must occur at the  
33 facility. The ethanol produced at the facility must be at  
34 least ninety-nine percent pure and must be denatured and  
35 subsequently blended with gasoline.

1 4. The office shall approve a claim for an incentive  
2 payment. The claim shall at least include the following:

3 a. The name of the producer.

4 b. The location of the facility producing ethanol.

5 c. The gallons of qualifying ethanol which were produced  
6 in the calculation period.

7 d. Whether the producer is organized as a cooperative  
8 association organized pursuant to chapter 497, 498, or 499.

9 The office shall verify the accuracy of the claims  
10 submitted by a producer. The office may require that a  
11 producer submit regular unqualified opinions based upon audits  
12 performed by a person certified pursuant to section 116.5.  
13 The office shall approve a claim and make an incentive payment  
14 within thirty days following receipt of the claim, unless the  
15 office notifies the producer otherwise.

16 5. a. The payment shall be based on the number of gallons  
17 of ethanol produced in a computation period. The office shall  
18 establish a schedule of computation periods. The computation  
19 periods shall be equal divisions within a state fiscal year  
20 and measured on a monthly basis. One computation period shall  
21 not be more than three consecutive months in duration. Moneys  
22 available for payments during the state fiscal year shall be  
23 divided equally according to the computation periods. The  
24 office shall allocate moneys in the ethanol production  
25 incentive account as follows:

26 (1) An amount equal to fifty percent of the moneys  
27 available in the account shall be reserved for purposes of  
28 making incentive payments to claimants which are cooperative  
29 associations organized pursuant to chapter 497, 498, or 499.  
30 All stockholders, shareholders, or members of a cooperative  
31 association must hold a legal or equitable interest in land  
32 located in this state.

33 (2) An amount equal to fifty percent of the moneys  
34 available in the account shall be reserved for the purpose of  
35 making incentive payments to persons who are claimants other

1 than cooperative associations organized pursuant to chapter  
2 497, 498, or 499.

3     b. If moneys remain from the amount reserved to satisfy  
4 all claims made by cooperative associations at the end of a  
5 computation period, the office shall use the remaining moneys  
6 to increase payments made to persons other than cooperative  
7 associations submitting claims for that computation period, to  
8 the extent that the claims of those persons were not  
9 completely satisfied. If moneys remain from the amount  
10 reserved to satisfy all claims made by persons other than  
11 cooperative associations at the end of a computation period,  
12 the office shall use the remaining moneys to increase payments  
13 made to cooperative associations submitting claims for that  
14 computation period, to the extent that the claims of those  
15 cooperative associations were not completely satisfied. These  
16 remaining moneys shall be paid on a prorated basis according  
17 to the proportionate amount of ethanol produced during the  
18 computation period. If moneys remain from the amount reserved  
19 to satisfy the claims made by all cooperative associations and  
20 other persons, the moneys shall be allocated to ensure equal  
21 payments to cooperative associations and persons who are not  
22 cooperative associations during the remainder of the  
23 subsequent computation periods in the state fiscal year.

24     c. If sufficient moneys are not available to satisfy the  
25 claims of all cooperative associations from moneys available  
26 for that computation period, the office shall prorate the  
27 payments to each cooperative association according to the  
28 proportionate amount of ethanol produced by each cooperative  
29 association for that computation period. If sufficient moneys  
30 are not available to satisfy the claims of all persons other  
31 than cooperative associations from moneys available for that  
32 computation period, the office shall prorate the payments to  
33 each of the persons according to the proportionate amount of  
34 ethanol produced by each person for that computation period.  
35 Except as provided in paragraph "b", a claimant who has

1 received a prorated payment does not have a claim for the part  
2 of the payment which was not received.

3 d. The office shall begin making payments on and after  
4 January 1, 1994. For the fiscal year beginning on July 1,  
5 1993, and ending on June 30, 1994, the fund shall not pay more  
6 than three million dollars for incentive payments. For each  
7 fiscal year following June 30, 1994, the fund shall not pay  
8 more than four million dollars for incentive payments. A  
9 producer is not eligible to receive more than three million  
10 dollars in incentive payments during one state fiscal year. A  
11 producer is not eligible to receive payments in a state fiscal  
12 year after receiving payments based on claims for the  
13 production of more than fifteen million gallons of ethanol  
14 during the fiscal year.

15 Sec. 6. Section 423.24, subsection 1, Code Supplement  
16 1991, is amended by adding the following new paragraph after  
17 paragraph a, and relettering subsequent paragraphs:

18 NEW PARAGRAPH. b. Beginning on July 1, 1993, three and  
19 one-half percent of the remaining revenue, not to exceed one  
20 million dollars per quarter, derived from the use tax on motor  
21 vehicles, trailers, and motor vehicle accessories and  
22 equipment as collected pursuant to section 423.7, shall be  
23 deposited in the ethanol production incentive account of the  
24 renewable fuel fund created in section 159A.7. Moneys  
25 deposited according to this paragraph are a continuing  
26 appropriation for expenditure under section 159A.8.  
27 Unobligated or unencumbered moneys remaining in the account on  
28 June 30 of each year shall be credited to the road use tax  
29 fund as provided in this section.

30 Sec. 7. Section 497.1, Code 1991, is amended to read as  
31 follows:

32 497.1 PLAN AUTHORIZED.

33 Any number of persons, not less than five, may associate  
34 themselves as a co-operative association, society, company or  
35 exchange, for the purpose of conducting any agricultural,

1 dairy, ethanol production, mercantile, mining, manufacturing,  
2 or mechanical business on the co-operative plan. For the  
3 purposes of this chapter, the words "association", "company",  
4 "corporation", "exchange", "society", or "union", shall be  
5 construed to mean the same.

6 Sec. 8. Section 498.2, Code 1991, is amended to read as  
7 follows:

8 498.2 ORGANIZATION.

9 Any number of persons, not less than five, may associate  
10 themselves as a co-operative association, without capital  
11 stock, for the purpose of conducting any agricultural,  
12 livestock, horticultural, dairy, ethanol production,  
13 mercantile, mining, manufacturing, or mechanical business, or  
14 the constructing and operating of telephone and high tension  
15 electric transmission lines on the co-operative plan and of  
16 acting as a co-operative selling agency. Co-operative  
17 livestock shipping associations organized under this chapter  
18 shall do business with members only.

19 Sec. 9. Section 499.2, unnumbered paragraph 4, Code 1991,  
20 is amended to read as follows:

21 "Agricultural associations" are those formed to produce,  
22 grade, blend, preserve, process, store, warehouse, market,  
23 sell, or handle an agricultural product, or a by-product of an  
24 agricultural product; to produce ethanol; to purchase,  
25 produce, sell, or supply machinery, petroleum products,  
26 equipment, fertilizer, supplies, business services, or  
27 educational service to or for those engaged as bona fide  
28 producers of agricultural products; to finance any such  
29 activities; or to engage in any co-operative activity  
30 connected with or for any number of these purposes.

31 Sec. 10. DATE OF APPLICABILITY. Section 159A.7 as amended  
32 by this Act, section 159A.8, and sections 159A.5, subsection  
33 5, paragraph "e" and 423.24, subsection 1, paragraph "b", as  
34 created in this Act, shall be applicable on and after July 1,  
35 1993. However, the office of renewable fuel and the

1 department of revenue and finance shall adopt rules necessary  
2 to implement those sections prior to July 1, 1993.

3 Sec. 11. FUTURE REPEALS.

4 1. Section 159A.7, as amended by this Act, is repealed and  
5 the Code editor shall recodify the language in section 159A.7  
6 contained in the 1991 Code Supplement.

7 2. Section 159A.8, as created in this Act, is repealed.

8 3. Section 159A.5, subsection 5, paragraph "e", as enacted  
9 in this Act, is amended by striking the paragraph.

10 4. Section 423.24, subsection 1, paragraph "b", as enacted  
11 in this Act, is amended by striking the paragraph.

12 5. Unobligated or unencumbered moneys in the ethanol  
13 production incentive account of the renewable fuel fund shall  
14 be credited to the road use tax fund as provided in section  
15 423.24.

16 6. This section takes effect July 1, 1998.

17 EXPLANATION

18 This bill amends provisions relating to renewable fuel. In  
19 1991, the general assembly adopted a number of provisions,  
20 including chapter 159A, designed to support the production and  
21 consumption of renewable fuel.

22 This bill first amends provisions for purposes of  
23 conformity. The bill establishes a new program administered  
24 by the office of renewable fuel which provides financial  
25 incentives to support the increased production of ethanol  
26 derived from an organic compound, including a photosyntate.  
27 The bill provides procedures for the administration of the  
28 payment of claims by eligible producers. Moneys to make  
29 payment derive from an account established within the  
30 renewable fuel fund. Moneys are deposited into the account  
31 from revenue raised by the use tax on motor vehicles,  
32 trailers, and motor vehicle accessories and equipment as  
33 collected pursuant to section 423.7. In order to qualify for  
34 a payment an ethanol production facility must be located in  
35 this state, the facility must have an annual production

1 capacity of at least 5,000,000 gallons of ethanol, and the  
2 facility must either be constructed on or after July 1, 1993,  
3 or the annual production capacity of the facility must  
4 increase by at least 50 percent and at least 5,000,000 gallons  
5 on or after July 1, 1993. An expanded facility must produce  
6 at its full capacity. The payments are based on the number of  
7 gallons of ethanol produced in a computation period  
8 established by the office. Payments shall be made according  
9 to the total number of gallons produced by a new facility or  
10 the percentage produced by an expanded facility which is  
11 attributable to the expansion. The office shall allocate  
12 moneys equally between cooperative associations organized  
13 under Iowa law and persons other than cooperative  
14 associations. The bill provides for the allocation of moneys  
15 when too few or too many claims exist. The bill provides that  
16 a single producer shall not receive more than \$3 million in  
17 incentive payments during one fiscal year. A producer is also  
18 prohibited from receiving a payment after submitting claims  
19 for payments for the production of more than 15,000,000  
20 gallons of ethanol during a fiscal year. Claims are to be  
21 paid on or after January 1, 1994. For the fiscal year  
22 beginning on July 1, 1993, the account cannot pay more than \$3  
23 million in incentive payments. For each following fiscal  
24 year, the account cannot pay more than \$4 million in incentive  
25 payments.

26 The bill amends provisions relating to the allowable  
27 purposes of cooperative associations to include ethanol  
28 production.

29 The provisions creating the program and account are  
30 repealed on July 1, 1998.

31  
32  
33  
34  
35