

MAR 15 2001  
WAYS AND MEANS

HOUSE FILE 619  
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HF 527)

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

**A BILL FOR**

1 An Act relating to the growing and processing of grapes, creating  
2 a state commission, establishing a fund for certain tax  
3 receipts, and providing an appropriation.

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

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HF 619

1 Section 1. Section 123.183, Code 2001, is amended to read  
2 as follows:

3 123.183 WINE GALLONAGE TAX AND RELATED FUNDS.

4 1. In addition to the annual permit fee to be paid by each  
5 class "A" wine permittee, ~~there~~ a wine gallonage tax shall be  
6 levied and collected from each class "A" wine permittee on all  
7 wine manufactured for sale and sold in this state at wholesale  
8 and on all wine imported into this state for sale at wholesale  
9 and sold in this state at wholesale ~~7-a.~~ The rate of wine  
10 gallonage tax of is one dollar and seventy-five cents for  
11 every each wine gallon ~~and-a-like.~~ The same rate shall apply  
12 for the fractional parts of a wine gallon. ~~A~~ The wine  
13 gallonage tax shall not be levied or collected on wine sold by  
14 one class "A" wine permittee to another class "A" wine  
15 permittee.

16 2. a. Revenue derived collected from the wine gallonage  
17 tax ~~collected~~ on wine manufactured for sale and sold in this  
18 state shall be deposited in the wine gallonage tax fund hereby  
19 as created in this section.

20 b. A wine gallonage tax fund is created in the office of  
21 the treasurer of state. Moneys deposited in the ~~gallonage-tax~~  
22 fund are appropriated to the department of economic  
23 development for use as provided in section 15E.117. Moneys in  
24 the fund shall-not-revert-to-the-general-fund-of-the-state  
25 without-a-specific-appropriation-by-the-general-assembly are  
26 not subject to section 8.33.

27 3. All-other Of the amount of revenue collected from the  
28 wine gallonage tax on wine imported into this state for sale  
29 at wholesale and sold in this state at wholesale, the first  
30 ten cents shall be deposited in the grape development fund as  
31 created in section 187.8. The remaining revenue derived  
32 collected from the wine gallonage tax on wine imported into  
33 this state for sale at wholesale and sold in this state at  
34 wholesale shall be deposited in the liquor control fund  
35 ~~established-by~~ created in section 123.53 and-shall-be

1 transferred-by-the-director-of-revenue-and-finance-to-the  
2 general-fund-of-the-state.

3 Sec. 2. NEW SECTION. 187.1 DEFINITIONS.

4 1. "Commission" means the Iowa grape development  
5 commission as established pursuant to section 187.2.

6 2. "Food" means the same as defined in section 137D.1.

7 3. "Fund" means the grape development fund created  
8 pursuant to section 187.8.

9 4. "Grape processing facility" or "facility" means a  
10 commercial operation located in this state actively engaged in  
11 processing grapes into food, including but not limited to  
12 table grapes, wines, juices, raisins, jams, jellies, or  
13 preserves.

14 5. "Grape processor" or "processor" means a person who  
15 owns a processing facility and is actively engaged in  
16 processing grapes in this state on a commercial basis.

17 6. "Grower" means a person who owns a vineyard and is  
18 actively engaged in growing grapes on a commercial basis in  
19 this state for use by a grape processor.

20 7. "Processing" means to turn a commodity into food by  
21 physical or chemical modification or by cutting and packaging  
22 or packing. As used in this subsection, a physical or  
23 chemical modification occurs by canning, freezing, drying,  
24 dehydrating, cooking, pressing, powdering, heating, mixing,  
25 grinding, churning, separating, extracting, fermenting,  
26 eviscerating, preserving, or jarring.

27 8. "Producer" means a grower or grape processor.

28 9. "Retailer" means a person actively engaged in a  
29 commercial retail enterprise located in this state that sells  
30 grape products processed by a grape processor.

31 10. "Vineyard" means an agricultural operation used for  
32 growing grapes for processing.

33 11. "Wine" means the same as defined in section 123.3.

34 Sec. 3. NEW SECTION. 187.2 IOWA GRAPE DEVELOPMENT  
35 COMMISSION -- ESTABLISHMENT AND PURPOSE.

1 An Iowa grape development commission is established. The  
2 purpose of the commission is to promote the development of  
3 grape growing and processing operations in this state,  
4 including by assisting regions of this state in establishing  
5 vineyards and grape processing facilities, and providing for  
6 the improvement or expansion of vineyards and grape processing  
7 facilities located in those regions.

8 Sec. 4. NEW SECTION. 187.3 COMMISSION MEMBERSHIP AND  
9 PROCEDURES.

10 1. The Iowa grape development commission shall be composed  
11 of the following persons:

12 a. The following persons, or their designees, who shall  
13 serve as nonvoting, ex officio members:

14 (1) The secretary of agriculture.

15 (2) The dean of the college of agriculture of Iowa state  
16 university.

17 (3) The director of the department of economic  
18 development.

19 (4) The director of the department of natural resources.

20 b. A person who shall be elected by the nonvoting, ex  
21 officio members designated in paragraph "a" to represent a  
22 nonprofit corporation organized under chapter 504A which is  
23 exempt from taxation pursuant to section 501(c) of the  
24 Internal Revenue Code and which has a principal mission of  
25 furthering resource conservation and development within a  
26 region of the state. The person shall serve as a nonvoting  
27 member. The person shall serve a term of three years  
28 beginning and ending as provided in section 69.19. A person  
29 shall not be elected from the same region of the state for  
30 more than one term.

31 c. A person representing retailers who shall serve as a  
32 voting member. The person shall be appointed by the governor  
33 from a list of nominations submitted to the governor from an  
34 organization representing retailers recognized by the  
35 governor. The person shall serve a term of three years as

1 provided by the commission. A person shall not be appointed  
2 from the same region of the state for more than one term.

3 d. The following elected persons, who shall serve as  
4 voting members:

5 (1) Three growers.

6 (2) Three processors.

7 2. a. The commission shall establish requirements for  
8 eligibility as an elected voting commission member, which  
9 shall be consistent with the following requirements:

10 (1) A member must be a natural person who is a resident of  
11 this state. A member representing producers must be actively  
12 engaged as a producer or be an officer, equity owner, or  
13 employee of a person actively engaged as a producer.

14 (2) A producer cannot be represented more than once on the  
15 commission.

16 b. The commission may provide that producers meet  
17 different eligibility requirements in order to ensure that  
18 members represent different regions of the state or different  
19 sizes of vineyards and processing facilities.

20 3. The commission's elected voting members shall serve for  
21 staggered three-year terms beginning and ending as provided in  
22 section 69.19.

23 4. The commission shall provide for its procedures  
24 consistent with all of the following:

25 a. The commission shall elect a chairperson from among its  
26 voting members each year on a rotating basis between growers  
27 and processors as provided by the commission.

28 b. The commission shall meet on a regular basis and at the  
29 call of the chairperson or upon the written request to the  
30 chairperson of three or more voting members.

31 c. Four voting members constitute a quorum and the  
32 affirmative vote of a majority of the voting members present  
33 is necessary for any substantive action to be taken by the  
34 commission. However, at least one grower and one grape  
35 processor must be present for any substantive action to be

1 taken. The majority shall not include any member who has a  
2 conflict of interest and a statement by a member that the  
3 member has a conflict of interest is conclusive for this  
4 purpose. A vacancy in the membership does not impair the  
5 duties of the commission.

6 5. The voting members are entitled to receive  
7 reimbursement for necessary and actual expenses as provided in  
8 section 7E.6.

9 Sec. 5. NEW SECTION. 187.4 COMMISSION ELECTION  
10 REQUIREMENTS.

11 1. a. The commission shall appoint one or more committees  
12 to nominate candidates to stand for election to the  
13 commission. The members of a nominating committee  
14 representing growers shall nominate candidates representing  
15 growers, and members of the nominating committee representing  
16 grape processors shall nominate candidates representing grape  
17 processors.

18 b. The commission shall provide a notice of an election  
19 for membership to the commission by any means deemed  
20 reasonable by the commission. The notice shall include the  
21 period of time for voting, voting places, and any other  
22 information determined necessary by the commission.

23 2. The commission shall establish requirements for voting  
24 in an election to the commission, consistent with all of the  
25 following:

26 a. A voter must be a grower or grape processor. The  
27 commission may establish eligibility requirements based on the  
28 size of a grower's vineyard or grape processor's processing  
29 facility.

30 b. An eligible producer is entitled to cast one vote in  
31 the election. A producer shall be entitled to cast a vote for  
32 nominated candidates. The commission may provide that all  
33 eligible producers be entitled to cast votes for candidates  
34 nominated to represent growers and grape processors or that  
35 only eligible growers be entitled to cast votes for candidates

1 nominated to represent growers and that only eligible grape  
2 processors be entitled to cast votes for candidates nominated  
3 to represent grape processors.

4 3. At the close of the election, the department of  
5 agriculture and land stewardship shall count and tabulate the  
6 ballots cast, certify the result, and report the findings to  
7 the commission and the secretary of state who shall keep a  
8 record of the ballots cast.

9 4. The commission shall appoint a producer to fill a  
10 member's position occurring because of a vacancy of the  
11 producer. The governor shall appoint a retailer to fill a  
12 member's position occurring because of a vacancy of the  
13 retailer member in the same manner as the original appointment  
14 was made. The person appointed to fill the vacancy must meet  
15 the same requirements as a person causing the vacancy. The  
16 person shall serve for the remainder of the unexpired term.

17 Sec. 6. NEW SECTION. 187.5 COMMISSION DUTIES.

18 1. In administering this chapter, the commission shall do  
19 all of the following:

20 a. Administer grape development programs as provided in  
21 section 187.7 and account for and expend moneys from the grape  
22 development fund created in section 187.8. The commission may  
23 contract, be a party in a legal action, and authorize payment  
24 from the fund for reasonable expenses.

25 b. Monitor the status of grape growing and processing in  
26 this state, including but not limited to practices, policies,  
27 and programs affecting the grape development.

28 c. Establish mutually beneficial relationships with local,  
29 state, and federal governmental agencies and local, regional,  
30 and national associations, including but not limited to the  
31 department of agriculture and land stewardship, the department  
32 of economic development, the department of natural resources,  
33 Iowa state university, associations representing producers and  
34 retailers, or organizations concerned with resource  
35 conservation and rural development.

1 2. The commission shall adopt rules pursuant to chapter  
2 17A as required in order to administer this chapter.

3 3. The commission shall not in any manner directly or  
4 indirectly pledge the credit of the state.

5 Sec. 7. NEW SECTION. 187.6 CONTRACTING -- AGENCY  
6 COOPERATION.

7 1. a. The commission may enter into a contract authorized  
8 under chapter 28E with a person including a private agency or  
9 public agency as defined in section 28E.2 in order to  
10 administer this chapter.

11 b. The commission may contract with a person, including  
12 the treasurer of state, the department of agriculture and land  
13 stewardship, the department of economic development, the  
14 department of natural resources, or Iowa state university for  
15 assistance necessary to administer this chapter, including  
16 administrative assistance in managing grape development  
17 programs as provided in section 187.7, legal assistance in  
18 preparing contracts and cost-share agreements as required  
19 under this chapter and in adopting rules, or to account for  
20 moneys deposited in and expended from the fund.

21 2. The department of agriculture and land stewardship, the  
22 department of economic development, the department of natural  
23 resources, and Iowa state university shall cooperate with the  
24 commission, and allow the commission to meet at its facilities  
25 and provide the commission with incidental services related to  
26 the meeting.

27 Sec. 8. NEW SECTION. 187.7 GRAPE DEVELOPMENT PROGRAMS.

28 The commission shall establish grape development programs.  
29 The purpose of the programs is to assist regions of this state  
30 in establishing, improving, or expanding commercially viable  
31 vineyards or grape processing facilities. The commission  
32 shall award moneys to an eligible applicant in order to  
33 support viticulture or enology by providing technical  
34 assistance to the region as provided in this section.

35 1. The technical assistance shall include any of the



1 following:

2 a. Viticultural assistance in order to increase the size  
3 of vineyards, improve grape yield, and enhance the character,  
4 composition, and condition of grapes. The assistance may  
5 include all of the following:

6 (1) The selection and management of vines suitable for  
7 regions of this state.

8 (2) The cultivation and harvest of grapes.

9 (3) The implementation of practices designed to improve  
10 grape growing based on soil types, nutrients and minerals,  
11 space, climate, and drainage.

12 (4) The use of recommended varieties of native or hybrid  
13 cultivars.

14 (5) The use of practices to control disease, weed, and  
15 pests, including the safe and effective application of  
16 pesticides or herbicides or the use of organic measures as  
17 provided in chapter 190C.

18 b. Vinificational assistance in order to produce,  
19 preserve, and transport commercially viable wines, including  
20 high-quality wines, wines adapted to particular regions of the  
21 state, and wines with distinctive tastes produced from native  
22 or hybrid cultivars. The assistance shall be based on  
23 enological study suited to regional winemaking. The  
24 assistance may include improving practices or constructing  
25 facilities designed to expand or improve processing and  
26 preservation, including but not limited to cellarage.

27 2. The commission may award technical assistance moneys to  
28 an applicant who satisfies requirements established by rules  
29 adopted by the commission. The applicant may be one or more  
30 of the following:

31 a. A county or several counties applying jointly.

32 b. A county agricultural extension district as provided in  
33 chapter 176A.

34 c. A merged area as provided in chapter 260C.

35 d. A nonprofit corporation organized under chapter 504A

1 which is exempt from taxation pursuant to section 501(c) of  
2 the Internal Revenue Code and which has a principal mission of  
3 furthering resource conservation and development within a  
4 region of the state.

5 3. a. The commission shall adopt rules required for the  
6 submission and approval of applications. The commission shall  
7 execute agreements with selected applicants necessary to  
8 ensure that applicants comply with requirements of this  
9 section and rules adopted by the department.

10 b. Moneys shall be awarded on a cost-share basis, in which  
11 the commission agrees to make a contribution of money in order  
12 to pay for not more than half of the costs related to support  
13 technical assistance to a region as provided in this section.  
14 However, the commission is not required to award moneys on a  
15 cost-share basis to support a viticulturist.

16 Sec. 9. NEW SECTION. 187.8 GRAPE DEVELOPMENT FUND.

17 1. A grape development fund is created in the state  
18 treasury under the control of the commission. The fund is  
19 composed of moneys appropriated by the general assembly and  
20 moneys available to and obtained or accepted by the commission  
21 from the United States or private sources for placement in the  
22 fund. The fund shall include moneys deposited in the fund  
23 derived from the wine gallonage tax as provided in section  
24 123.183.

25 2. Moneys in the fund are appropriated to the commission  
26 exclusively to administer grape development programs as  
27 provided in section 187.7 and to pay for costs incurred by the  
28 commission in administering this chapter. However, not more  
29 than five percent of the moneys in the fund is available to  
30 defray administrative expenses incurred by the commission.

31 3. Section 8.33 shall not apply to moneys in the fund.  
32 Notwithstanding section 12C.7, moneys earned as income or  
33 interest from the fund shall remain in the fund until expended  
34 as provided in this section.

35 Sec. 10. Section 190C.1, subsection 2, Code 2001, is

1 amended to read as follows:

2 2. "Agricultural commodity" includes but is not limited to  
3 livestock, crops, fiber, or food, such as vegetables, nuts,  
4 seeds, grapes, honey, eggs, or milk existing in an unprocessed  
5 state, which is produced on a farm and marketed for human or  
6 livestock consumption.

7 Sec. 11. INITIAL GRAPE DEVELOPMENT COMMISSION. An initial  
8 grape development commission is established. The initial  
9 commission shall be composed of the secretary of agriculture,  
10 the dean of the college of agriculture of Iowa state  
11 university, the director of the department of economic  
12 development, and the director of the department of natural  
13 resources. Notwithstanding section 187.3, as enacted in this  
14 Act, these ex officio commission members shall elect the  
15 remaining members who shall be qualified as provided in  
16 section 187.3. The ex officio members electing the remaining  
17 voting members shall elect persons representing producers and  
18 a retail dealer based on nominations submitted by one or more  
19 organizations representing producers and one organization  
20 representing retailers. The commission shall organize itself  
21 and conduct an election for permanent producer members as  
22 otherwise provided in this Act. The commission shall adopt  
23 rules necessary to provide for staggered terms.

24

#### EXPLANATION

25 This bill creates a new Code chapter 187 that provides for  
26 developing grape growing and processing operations in this  
27 state, including by providing financial assistance.

28 The bill establishes an Iowa grape development commission.  
29 The purpose of the commission is to promote the growing and  
30 processing of grapes in this state, including by assisting  
31 regions of this state in establishing vineyards and processing  
32 facilities, and providing for the improvement or expansion of  
33 vineyards and processing facilities located in those regions.

34 The commission is composed of nonvoting, ex officio  
35 members, including the secretary of agriculture, the director

1 of the department of economic development, the director of the  
2 department of natural resources, the dean of the college of  
3 agriculture of Iowa state university, or their designees, and  
4 a person representing a regional organization concerned with  
5 resource conservation and development. The commission  
6 includes voting members, including three growers and three  
7 processors and one retail dealer of grape products. The  
8 initial commission is composed of persons appointed by the ex  
9 officio members. The initial commission is responsible for  
10 organizing the commission and conducting elections for the  
11 permanent commission. The bill provides requirements for  
12 regular elections to the commission of members representing  
13 growers and processors, and for its rules of proceedings.

14 The bill provides for a number of commission duties. For  
15 example, the commission is responsible for monitoring the  
16 status of grape growing and processing in this state, and  
17 establishing mutually beneficial relationships with local,  
18 state, and federal governmental agencies and local, regional,  
19 and national associations. The bill authorizes the commission  
20 to enter into a contract authorized under Code chapter 28E  
21 with a government or private entity in order to carry out the  
22 provisions of this chapter, including in administering  
23 programs and accounting for moneys appropriated for use by the  
24 commission. The department of agriculture and land  
25 stewardship, the department of economic development, the  
26 department of natural resources, and Iowa state university are  
27 required to cooperate with the commission, and allow the  
28 commission to meet at their facilities at no charge.

29 The bill requires the commission to establish grape  
30 development programs in order to assist regions of this state  
31 in establishing, improving, or expanding commercially viable  
32 vineyards or grape processing facilities. The commission is  
33 required to award moneys to an eligible applicant in order to  
34 support technical assistance to regions of the state. The  
35 commission may award the moneys to a county or several

1 counties applying jointly, a council of governments, a merged  
2 area, or a nonprofit corporation that has a mission to promote  
3 conservation and development within the region. Generally,  
4 moneys must be awarded on a cost-share basis, except for  
5 moneys used to support a viticulturist.

6 The bill establishes a grape development fund which  
7 includes moneys derived from the wine gallonage tax as  
8 provided in Code section 123.183. The bill captures for the  
9 grape development fund the first \$.10 from the wine gallonage  
10 tax of \$1.75 collected from the sale of wine imported into  
11 this state for sale at wholesale. Moneys in the fund are  
12 appropriated to the commission exclusively to carry out grape  
13 development programs and to pay for costs incurred by the  
14 commission in carrying out new Code chapter 187. Moneys in  
15 the fund do not revert and interest or income on moneys in the  
16 fund remain in the fund.

17 The bill amends Code chapter 190C providing for organically  
18 produced agricultural commodities by adding grapes to the list  
19 of items that may be grown organically under the chapter.

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**HOUSE FILE 619**  
**FISCAL NOTE**

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A fiscal note for **House File 619** 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.

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House File 619 establishes the Iowa Grape Development Commission that works in cooperation with the Department of Agriculture and Land Stewardship to develop programs that reestablishes and expands vineyards in Iowa. The Bill creates a Grape Development Fund to finance the programs. The Fund will receive \$0.10 from each \$1.75 collected for the wine gallonage tax.

**ASSUMPTIONS**

1. For FY 2000, a total of \$4.2 million was collected in wine gallonage tax and approximately 2.4 million gallons of wine was sold. Under House File 619 the Grape Development Fund would receive approximately \$240,000 per year.
2. The Commission will consist of six non-voting members and five voting members. The voting members will be reimbursed for expenses. The estimated average cost for reimbursement is \$10,000 for FY 2002 and for subsequent years.
3. Remaining funds will be used to provide financial assistance for grape growers. The estimated amount of funds available is \$230,000 for FY 2002 and subsequent years.

**FISCAL IMPACT**

House File 619 would result in approximately \$240,000 being deposited to the Grape Development Fund annually.

**SOURCE**

Department of Agriculture and Land Stewardship

(LSB 1766hv, DFK)

FILED MARCH 20, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR