

Senate File 556 - Introduced

SENATE FILE 556

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1205)

A BILL FOR

1 An Act providing for financing of certain agricultural
2 commodity programs, by reducing and eliminating fees imposed
3 on licensed grain dealers and warehouse operators, replacing
4 those moneys with moneys collected from a percentage of
5 state assessments imposed on the sale of corn, increasing
6 moneys deposited into the grain depositors and sellers
7 indemnity fund, increasing indemnification amounts, and
8 making appropriations.

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

1 Section 1. Section 185C.1, subsection 9, Code 2023, is
2 amended to read as follows:

3 9. "Market development" means to ~~engage~~ improve the economic
4 conditions of corn production, storage, and marketing, by
5 engaging in research and educational programs directed toward
6 better and more efficient production, storage, and utilization
7 of corn; ~~to provide~~ providing methods and means, including but
8 not limited to, public relations and other promotion techniques
9 for the maintenance of present markets; ~~to provide~~ ensuring
10 the security of corn to be stored and marketed in commercial
11 channels; providing for the development of new or larger
12 domestic and foreign markets; and ~~to provide~~ providing for the
13 prevention, modification, or elimination of trade barriers
14 which obstruct the free flow of corn.

15 Sec. 2. Section 185C.11, subsection 1, Code 2023, is amended
16 by adding the following new paragraphs:

17 NEW PARAGRAPH. j. Administer the corn checkoff account as
18 provided in section 185C.26.

19 NEW PARAGRAPH. k. Accept gifts, rents, royalties, interest,
20 license fees, or federal or state grants. Any moneys accepted
21 by the board shall be deposited in an account of a qualified
22 financial institution.

23 Sec. 3. Section 185C.21, subsection 1, Code 2023, is amended
24 to read as follows:

25 1. The board shall determine and set the state assessment
26 rate. State assessments collected pursuant to the promotional
27 order shall be paid into the corn ~~promotion~~ marketing fund
28 established in [section 185C.26](#). Except as provided in
29 subsection 2, a state assessment shall not exceed one-quarter
30 of one cent per bushel upon corn marketed in this state.

31 Sec. 4. Section 185C.24, subsections 1 and 2, Code 2023, are
32 amended to read as follows:

33 1. The board shall be suspended and board operations and
34 terms of members shall cease upon ~~either~~ any of the following
35 events:

1 a. The state assessment is terminated pursuant to section
2 185C.25.

3 b. The state assessment is suspended pursuant to section
4 185C.25A.

5 2. However, notwithstanding subsection 1, the board
6 shall continue to operate until ~~proceeds remaining in moneys~~
7 transferred from the corn promotion marketing fund to the corn
8 checkoff account are disbursed. Disbursement shall be made
9 as provided for ~~payment~~ the transfer of moneys under section
10 185C.26.

11 Sec. 5. Section 185C.26, Code 2023, is amended to read as
12 follows:

13 **185C.26 Deposit of moneys — corn promotion marketing fund**
14 **— transfers.**

15 1. A Moneys from the state assessment collected by the Iowa
16 corn promotion board from a the sale of corn shall be deposited
17 ~~in the office of the treasurer of state in a special fund known~~
18 as the corn promotion marketing fund established in the office
19 of the treasurer of state. ~~The fund may include any gifts,~~
20 ~~rents, royalties, interest, license fees, or a federal or state~~
21 ~~grant received by the board.~~ Moneys collected, deposited
22 in the corn marketing fund, ~~and transferred to the board as~~
23 ~~provided in this chapter~~ shall be subject to audit by the
24 auditor of state. The auditor of state may seek reimbursement
25 for the cost of the audit from moneys deposited in the corn
26 marketing fund as provided in this chapter. ~~The department of~~
27 ~~administrative services shall transfer moneys from the fund~~

28 2. a. Except as provided in paragraph "b", the department
29 of administrative services shall transfer moneys deposited
30 in the corn marketing fund to the board for deposit into in
31 an account known as the corn checkoff account which shall be
32 established by the board in a qualified financial institution.
33 The department of administrative services shall transfer the
34 moneys to the corn checkoff account as provided in a resolution
35 adopted by the board. ~~However, the department is only required~~

1 ~~to transfer moneys once during each day and only during hours~~
2 ~~when the offices of the state are open.~~ From moneys collected,
3 transferred to the corn checkoff account, the board shall first
4 pay all the direct and indirect costs incurred by the secretary
5 and the costs of referendums, elections, and other expenses
6 incurred in the administration of this chapter, before the
7 transferred moneys may be expended to carry for other uses as
8 provided in section 185C.28, including for carrying out the
9 purposes of this chapter as provided in section 185C.11.

10 b. (1) Except as otherwise provided in subparagraph (2),
11 twenty-five percent of moneys deposited in the corn marketing
12 fund shall be transferred to the grain depositors and sellers
13 indemnity fund created in section 203D.3 for use as provided
14 in section 185C.28.

15 (2) If the department of agriculture and land stewardship
16 delivers a state assessment transfer suspension notice to the
17 department of administrative services as provided in section
18 203D.3B, moneys that would otherwise be transferred to the
19 grain depositors and sellers indemnity fund as described in
20 subparagraph (1) shall instead be transferred to the corn
21 checkoff account for use by the board in the same manner
22 provided in paragraph "a".

23 (3) If the department of agriculture and land stewardship
24 delivers a state assessment transfer reinstatement notice
25 to the department of administrative services as provided in
26 section 203D.3B, moneys that would otherwise be transferred to
27 the corn checkoff account under subparagraph (2) shall again be
28 transferred to the grain depositors and sellers indemnity fund
29 in the same manner described in subparagraph (1).

30 c. The department of administrative services is only
31 required to transfer moneys under this subsection to the corn
32 checkoff account and the grain depositors and sellers indemnity
33 fund once during each day and only during hours when the
34 offices of the state are open.

35 Sec. 6. Section 185C.28, Code 2023, is amended to read as

1 follows:

2 **185C.28 Use of moneys — appropriation appropriations.**

3 1. Moneys deposited in the corn promotion fund and
4 transferred to Except as provided in subsection 2, moneys
5 transferred or accepted by the board, as provided in section
6 ~~185C.26,~~ including federal moneys to the extent permitted
7 by federal law, are appropriated and shall be used for
8 the administration of **this chapter** and for the payment of
9 claims based upon obligations incurred in the performance of
10 activities and functions provided in **this chapter**.

11 2. Moneys transferred from the corn marketing fund to the
12 grain depositors and sellers indemnity fund as provided in
13 section 185C.26 are appropriated for use by the department of
14 agriculture and land stewardship and the Iowa grain indemnity
15 fund board as provided in chapter 203D.

16 Sec. 7. Section 185C.29, subsection 1, Code 2023, is amended
17 to read as follows:

18 1. After the direct and indirect costs incurred by the
19 secretary and the costs of elections, referendums, necessary
20 board expenses, and administrative costs have been paid, at
21 least seventy-five percent of the remaining moneys from a state
22 assessment deposited in the corn ~~promotion~~ marketing fund and
23 transferred to the corn checkoff account established in section
24 185C.26 shall be used to carry out the purposes of the board as
25 provided in **section 185C.11**.

26 Sec. 8. Section 185C.30, Code 2023, is amended to read as
27 follows:

28 **185C.30 Bond.**

29 Every person occupying a position of trust with the board
30 and acting under any provisions a provision of **this chapter**
31 shall ~~give post~~ a bond in such amount as may be required by the
32 board, ~~the~~. The premium for ~~which the bond~~ shall be paid out of
33 moneys in the corn ~~promotion fund~~ checkoff account established
34 in section 185C.26.

35 Sec. 9. Section 185C.33, Code 2023, is amended to read as

1 follows:

2 **185C.33 Report.**

3 The board shall each year prepare and submit a report
4 summarizing the activities of the board under [this chapter](#) to
5 the auditor of state and the secretary of agriculture. The
6 report shall show all income, expenses, and other relevant
7 information concerning fees moneys collected by the board,
8 deposited by the board into the corn marketing fund established
9 in section 185C.26 or another account, transferred to the
10 board, and expended by the board under the provisions of this
11 chapter.

12 Sec. 10. Section 185C.34, Code 2023, is amended to read as
13 follows:

14 **185C.34 Not a state agency — public funds.**

15 1. The Except as provided in subsection 2, the Iowa corn
16 promotion board is not a state agency.

17 2. The board is deemed to be a public body for purposes of
18 chapter 12C.

19 3. Moneys deposited in the corn marketing fund and
20 transferred to the corn checkoff account as established in
21 section 185C.26 or the grain depositors and sellers indemnity
22 fund as provided in that section shall be deemed to be public
23 funds under chapter 12C.

24 Sec. 11. Section 203.1, Code 2023, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 7A. “Fund” means the grain depositors and
27 sellers indemnity fund created in section 203D.3.

28 Sec. 12. Section 203.4, Code 2023, is amended to read as
29 follows:

30 **203.4 Participation in indemnity fund required.**

31 A grain dealer licensed or required to be licensed pursuant
32 to [section 203.3](#) shall participate in ~~and comply with~~ the grain
33 depositors and sellers indemnity fund as provided in chapter
34 203D.

35 Sec. 13. Section 203.5, Code 2023, is amended to read as

1 follows:

2 **203.5 License.**

3 1. *a.* Upon the filing of an application on a form
4 prescribed by the department and compliance with the terms and
5 conditions of [this chapter](#) including rules of the department,
6 the department shall issue the applicant a grain dealer's
7 license. The license expires at the end of the third calendar
8 month following the close of the grain dealer's fiscal year.
9 A grain dealer's license may be renewed annually by filing a
10 renewal application on a form prescribed by the department. An
11 application for renewal must be received by the department on
12 or before the end of the third calendar month following the
13 close of the grain dealer's fiscal year.

14 *b.* The department shall not ~~issue~~ approve an application for
15 the issuance or renewal of a grain dealer's license unless the
16 applicant ~~pays all of the following fees:~~ to the department an
17 issuance fee or renewal fee imposed under section 203.6.

18 ~~(1) For the issuance of a license, all of the following:~~

19 ~~(a) A license fee imposed under [section 203.6](#).~~

20 ~~(b) A participation fee imposed under [section 203D.3A](#),~~
21 ~~and any delinquent participation fee imposed under a previous~~
22 ~~license as provided in that section.~~

23 ~~(2) For the renewal of a license, all of the following:~~

24 ~~(a) A renewal fee imposed under [section 203.6](#).~~

25 ~~(b) A participation fee imposed under [section 203D.3A](#), and~~
26 ~~any delinquent participation fee as provided in that section.~~

27 ~~(c) A per-bushel fee as provided in [section 203D.3A](#), and~~
28 ~~any delinquent per-bushel fee and penalty as provided in that~~
29 ~~section.~~

30 2. ~~The department shall notify a licensed grain dealer~~
31 ~~of any delinquency in the payment of a participation fee or~~
32 ~~per-bushel fee as provided in [section 203D.3A](#). The department~~
33 ~~shall suspend the grain dealer's license thirty days after~~
34 ~~delivering the notice unless the licensed grain dealer pays the~~
35 ~~delinquent fee.~~

1 ~~3. The department may suspend or revoke the license of a~~
2 ~~grain dealer who discounts the purchase price paid for grain~~
3 ~~nominally for the participation fee or per-bushel fee as~~
4 ~~provided in [section 203D.3A](#) while that fee is not in effect.~~

5 ~~4. 2. A grain dealer license which that has expired may be~~
6 ~~reinstated by the department upon receipt of a proper renewal~~
7 ~~application, the a renewal fee, and a reinstatement fee as~~
8 ~~provided in imposed under [section 203.6](#), and any delinquent~~
9 ~~participation fee or per-bushel fee and penalty as provided~~
10 ~~in [section 203D.3A](#). The applicant must file the renewal~~
11 ~~application and pay the fees and penalty to the department~~
12 ~~renewal fee and reinstatement fee within thirty days from the~~
13 ~~date of expiration of the grain dealer license.~~

14 ~~5. 3. The department may cancel a license upon request~~
15 ~~of the licensee unless a complaint or information is filed~~
16 ~~against the licensee alleging a violation of a provision of~~
17 ~~this chapter.~~

18 ~~6. 4. a. The department shall refund a fee imposed~~
19 ~~under section 203.6 that has been paid by an applicant to the~~
20 ~~department under [this section](#) if the department does not issue~~
21 ~~or renew a grain dealer's license.~~

22 ~~b. The department shall prorate a fee imposed under section~~
23 ~~203.6 that has been paid by an applicant to the department~~
24 ~~under [this section](#) for the issuance or renewal of a license for~~
25 ~~less than a full year.~~

26 ~~7. 5. The department may deny a license to an applicant~~
27 ~~if the applicant has had a license issued under [this chapter](#)~~
28 ~~or [chapter 203C](#) revoked within the past three years, the~~
29 ~~applicant has been convicted of a felony involving a violation~~
30 ~~of [this chapter](#) or [chapter 203C](#), or the applicant is owned or~~
31 ~~controlled by a person who has had a license so revoked or who~~
32 ~~has been so convicted.~~

33 ~~8. 6. The department may deny a license to an applicant if~~
34 ~~any of the following apply:~~

35 ~~a. The applicant has caused liability to the Iowa grain~~

1 depositors and sellers indemnity fund in regard to a license
2 issued under [this chapter](#) or [chapter 203C](#), and the liability
3 has not been discharged, settled, or satisfied.

4 *b.* The applicant is owned or controlled by a person who has
5 caused liability to the fund through operations under a license
6 issued under [this chapter](#) or [chapter 203C](#) and the liability has
7 not been discharged, settled, or satisfied.

8 Sec. 14. Section 203.6, unnumbered paragraph 1, Code 2023,
9 is amended to read as follows:

10 The department shall ~~charge~~ impose the following license
11 fees for deposit in the general fund:

12 Sec. 15. Section 203C.1, Code 2023, is amended by adding the
13 following new subsection:

14 NEW SUBSECTION. 9A. “*Fund*” means the grain depositors and
15 sellers indemnity fund created in section 203D.3.

16 Sec. 16. Section 203C.12, Code 2023, is amended to read as
17 follows:

18 **203C.12 Participation in fund required.**

19 A person licensed to operate a warehouse under [this chapter](#)
20 shall participate in ~~and comply with~~ the grain depositors and
21 sellers indemnity fund as provided in [chapter 203D](#).

22 Sec. 17. Section 203C.33, subsection 1, unnumbered
23 paragraph 1, Code 2023, is amended to read as follows:

24 The department shall ~~charge~~ impose the following license
25 fees for deposit in the general fund:

26 Sec. 18. Section 203C.37, subsections 1, 2, and 3, Code
27 2023, are amended to read as follows:

28 1. *a.* Upon the filing of an application pursuant to section
29 203C.7 and compliance with the terms and conditions of this
30 chapter including rules of the department, the department
31 shall issue the applicant a warehouse operator’s license.
32 The license expires at the end of the third calendar month
33 following the close of the warehouse operator’s fiscal year.
34 A warehouse operator’s license may be renewed annually by the
35 filing of a renewal application on a form prescribed by the

1 department pursuant to section 203C.7. ~~An application for A~~
2 renewal application must be received by the department on or
3 before the end of the third calendar month following the close
4 of the warehouse operator's fiscal year.

5 *b.* The department shall not approve an application for the
6 issuance or renewal of a warehouse operator's license unless
7 the applicant pays ~~all of the following fees:~~ to the department
8 an issuance fee or renewal fee imposed under section 203C.33.

9 ~~(1) For the issuance of a license, all of the following:~~

10 ~~(a) A license fee imposed under section 203C.33.~~

11 ~~(b) A participation fee imposed under section 203D.3A,~~
12 ~~and any delinquent participation fee imposed under a previous~~
13 ~~license as provided in that section.~~

14 ~~(2) For the renewal of a license, all of the following:~~

15 ~~(a) A renewal fee imposed under section 203C.33.~~

16 ~~(b) A participation fee imposed under section 203D.3A, and~~
17 ~~any delinquent participation fee as provided in that section.~~

18 2. The failure of a warehouse operator to file a renewal
19 application and to pay a renewal fee ~~as provided for in~~ imposed
20 under section 203C.33 ~~and any delinquent participation fee as~~
21 ~~provided in section 203D.3A,~~ on or before the end of the third
22 calendar month following the close of the licensee's fiscal
23 year shall cause a license to expire.

24 3. A warehouse license that has expired may be reinstated by
25 the department upon receipt of a proper renewal application,
26 the renewal fee, ~~and the reinstatement fee as provided for in~~
27 imposed under section 203C.33, ~~and any delinquent participation~~
28 ~~fee as provided in section 203D.3A.~~ The applicant must file
29 the renewal application and pay the fees renewal fee and
30 reinstatement fee to the department within thirty days from the
31 date that the warehouse license expires.

32 Sec. 19. Section 203D.1, Code 2023, is amended by adding the
33 following new subsection:

34 NEW SUBSECTION. 15A. "*State assessment*" means the state
35 assessment on corn imposed, suspended, or reinstated as

1 provided in sections 185C.26 and 203D.3B.

2 Sec. 20. Section 203D.2, Code 2023, is amended to read as
3 follows:

4 **203D.2 Persons participating in fund — compliance.**

5 1. All licensed grain dealers, including persons applying
6 to be issued or renewed grain dealer licenses as provided
7 in chapter 203, and licensed warehouse operators, including
8 persons applying to be issued or renewed warehouse operator
9 licenses as provided in chapter 203C, shall participate in the
10 fund.

11 2. a. Participation in the fund by a licensed grain dealer
12 includes complying with this chapter and chapter 203.

13 b. Participation in the fund by a licensed warehouse
14 operator includes complying with this chapter and chapter 203C.

15 3. This section does not require participation in the fund
16 to include payment of a fee for deposit into the fund.

17 Sec. 21. Section 203D.3, subsection 2, Code 2023, is amended
18 to read as follows:

19 2. The fund consists of all of the following:

20 ~~a. Participation fees paid to the department by licensed~~
21 ~~grain dealers and persons applying to be issued a grain~~
22 ~~dealer's license as provided in [section 203D.3A](#). The state~~
23 ~~assessment collected pursuant to chapter 185C and transferred~~
24 ~~to the fund pursuant to section 185C.26 and this chapter,~~
25 ~~including section 203D.3B.~~

26 ~~b. Participation fees paid to the department by licensed~~
27 ~~warehouse operators and persons applying to be issued a~~
28 ~~warehouse operator's license as provided in [section 203D.3A](#).~~

29 ~~c. Per-bushel fees paid to the department by licensed grain~~
30 ~~dealers as provided in [section 203D.3A](#).~~

31 ~~d. Delinquency penalties.~~

32 ~~e. b.~~ Amounts collected by the state pursuant to legal
33 action on behalf of the fund.

34 ~~f. c.~~ Interest, earnings on investments, property, or
35 securities acquired through the use of moneys in the fund.

1 Sec. 22. NEW SECTION. 203D.3B Grain depositors and sellers
2 indemnity fund — administration of state assessment on corn.

3 1. The board shall annually review the debits of and credits
4 to the grain depositors and sellers indemnity fund.

5 2. The state assessment shall be imposed effective July 1,
6 2023.

7 3. Beginning May 1, 2024, and not later than May 1 of
8 each year thereafter, the board shall determine whether to
9 suspend or reinstate the state assessment. The suspension or
10 reinstatement of the state assessment is effective beginning
11 on the following July 1.

12 4. *a.* Notwithstanding subsection 3, if on the last day of
13 the fund's fiscal year as provided in section 203D.3, moneys
14 in the fund exceed twenty million dollars, less any encumbered
15 balances or pending or unsettled claims, the state assessment
16 shall be suspended effective on the first day of the following
17 fiscal year.

18 *b.* Notwithstanding subsection 3, if at any time moneys in
19 the fund do not exceed ten million dollars, less any encumbered
20 balances or pending or unsettled claims, the state assessment
21 shall be reinstated effective on the first day of the following
22 fiscal year.

23 5. *a.* If the state assessment is suspended as provided
24 in this section, the department of agriculture and land
25 stewardship shall immediately deliver a state assessment
26 transfer suspension notice to the department of administrative
27 services as provided in section 185C.26.

28 *b.* If the state assessment is reinstated as provided in this
29 section, the department of agriculture and land stewardship
30 shall immediately deliver a state assessment transfer
31 reinstatement notice to the department of administrative
32 services as provided in section 185C.26.

33 Sec. 23. Section 203D.4, subsections 2 and 3, Code 2023, are
34 amended to read as follows:

35 2. *a.* The duties of the board include the review and

1 determination of claims, and the review and approval of
2 administrative costs of the fund. To carry out these
3 duties, the board has the power to adopt rules regarding its
4 organization and procedures for determining claims. ~~Further,~~
5 ~~the board shall approve rules proposed by the department~~
6 ~~for the administration of the per-bushel fee prior to their~~
7 ~~adoption by the department.~~

8 b. The board may provide comment and advice to the
9 department in regard to the department's administration of
10 chapters 203 and 203C where the department's policies and rules
11 may affect the exposure of the fund to liability. However, the
12 board shall not become actively involved in a determination by
13 the department as to whether disciplinary action is to be taken
14 against a particular licensee. The board is not a forum for
15 review or appeal in regard to any particular action taken by
16 the department against a licensee.

17 3. a. The department ~~through the grain warehouse bureau~~
18 shall perform the administrative functions necessary for the
19 operation of the board and the fund. Administrative costs
20 approved by the board shall be paid from the fund. The rules
21 of the department shall contain the rules of the board adopted
22 for its organization and its procedures. ~~The department shall~~
23 ~~adopt rules for the administration of the per-bushel fee upon~~
24 ~~the board's approval of the rules proposed by the department.~~

25 b. The secretary of agriculture, as president of the board
26 as well as head of the department of agriculture and land
27 stewardship, shall administer the department so as to minimize
28 the risk of loss to the fund while protecting interests of
29 depositors and sellers of grain. Policies and rules for the
30 administration of chapters 203 and 203C which, as determined
31 by the secretary of agriculture, may affect the exposure of
32 the fund, shall be presented to the board for comment prior to
33 their adoption by the department.

34 c. The department shall make reports to the board in regard
35 to licensee investigations which may result in disciplinary

1 action against a licensee and exposure of the fund. The
2 reports may be discussed by the board in closed session
3 pursuant to [section 21.5](#), and are confidential. In making
4 the report, the department shall make available to the board
5 records of licensees which are otherwise confidential under
6 section 22.7, [203.16](#), or [203C.24](#). However, a determination
7 to take disciplinary action against a particular licensee
8 shall be made exclusively by the department. A report to the
9 board is not a prerequisite to disciplinary action against a
10 licensee. Review of any action against a licensee, whether or
11 not relating to the fund, shall be made exclusively through the
12 department.

13 Sec. 24. Section 203D.6, subsection 8, Code 2023, is amended
14 to read as follows:

15 8. *Payment of claims.*

16 *a.* Upon a determination that the claim is eligible for
17 payment, the board shall provide for payment of ninety percent
18 of the loss, as determined under [subsection 5](#), but not more
19 than ~~three~~ six hundred thousand dollars per claimant.

20 *b.* If at any time the board determines that there are
21 insufficient ~~funds~~ moneys in the fund to make payment of
22 all claims, the board may order that payment be deferred
23 on specified claims. The department, upon the board's
24 instruction, shall hold those claims for payment until the
25 board determines that ~~the fund again contains~~ there are
26 sufficient ~~assets~~ moneys in the fund to pay deferred claims.

27 Sec. 25. REPEAL. Sections 203D.3A and 203D.5, Code 2023,
28 are repealed.

29

EXPLANATION

30 The inclusion of this explanation does not constitute agreement with
31 the explanation's substance by the members of the general assembly.

32 BACKGROUND — GRAIN DEPOSITORS AND SELLERS INDEMNITY FUND.

33 This bill amends provisions regulating grain dealers purchasing
34 grain (Code chapter 203), and grain warehouse operators storing
35 grain under bailment (Code chapter 203C). A grain dealer

1 or warehouse operator must do business in this state under
2 a license issued by the department of agriculture and land
3 stewardship (DALS). The licensed grain dealer and licensed
4 warehouse operator (licensees) pay license fees for deposit in
5 the general fund (Code sections 203.6 and 203C.33). A person
6 selling grain to a licensed grain dealer (seller) or depositing
7 grain with a licensed warehouse operator (depositor) may be
8 reimbursed for a loss incurred by the failure of the licensee
9 to honor a contractual obligation regarding the transaction
10 (Code section 203D.6). Upon a determination that the claim
11 is eligible for payment, the Iowa grain indemnity fund board
12 (indemnity board) provides for payment of 90 percent of the
13 loss, but not more than \$300,000. The indemnity board may
14 defer a claim if there are insufficient assets in the fund to
15 fully cover a loss. The indemnity fund is paid from several
16 sources, including a participation fee paid by those grain
17 dealers and warehouse operators (persons applying for or
18 renewing a license) and a per-bushel fee paid only by those
19 grain dealers (Code sections 203D.3A and 203D.5). For grain
20 dealers, the amount of the participation fee is based on
21 purchased grain during the grain dealer's last fiscal year, and
22 for warehouse operators, the amount of the participation fee
23 is based on warehouse storage capacity. The maximum amount of
24 the participation fee is .014 of 1 cent per bushel of either
25 purchased or stored grain with a minimum required amount of
26 \$50. The per-bushel fee is also based on purchased grain with
27 a maximum of \$0.25 per bushel. The moneys available in the
28 indemnity fund are calculated by subtracting from the balance
29 any unencumbered obligations or pending claims (Code section
30 203D.6). The indemnity fund is managed on a state fiscal year
31 basis (July 1 to June 30). By May 1 of each year, the indemnity
32 board may impose, reinstate, adjust, or waive the fees.
33 However, if on the last date of the fund's fiscal year, the
34 moneys in the indemnity fund exceed a ceiling of \$8 million,
35 the two fees are waived. If at any time moneys in the indemnity

1 fund are at a floor of \$3 million or less, the indemnity fees
2 are reinstated (Code section 203D.5).

3 BACKGROUND — CORN CHECKOFFS. An excise tax or "assessment"
4 is imposed on the first purchaser of a number of commodities
5 as a pass-through (commonly referred to as a "checkoff").
6 The purpose of the assessment is to finance activities which
7 involve improving market development which includes aspects
8 related to the commodity's production and market share, such
9 as research and education. Depending upon the commodity, the
10 assessment is implemented and administered under either a state
11 or federal statute or both. An assessment takes effect, is
12 continued, or is terminated on the basis of a majority vote
13 of producers voting in a referendum conducted by the United
14 States department of agriculture in the case of a federal
15 assessment or DALs in the case of a state assessment. The
16 checkoff moneys imposed due to the state or federal assessment
17 are collected and expended pursuant to a promotional order
18 under the direction of a governing body of elected producers
19 (referred to as a board, committee, or council). For corn,
20 the state has implemented and administers a state assessment
21 (Code chapter 185C) under the direction of the Iowa corn
22 promotion board (Code sections 185C.8, 185C.11, and 185C.13).
23 The maximum amount of the state assessment for corn is 3 cents
24 per bushel (Code section 185C.21) subject to a right of refund
25 (Code section 185C.27). For each commodity subject to a state
26 assessment, including corn, the collected checkoff moneys are
27 deposited into a separate state-controlled fund established
28 in the state treasury (state fund) and transferred by the
29 department of administrative services (DAS) to an account in a
30 qualified financial institution eligible to hold public funds
31 (Code chapter 12C) and established by the governing body of the
32 commodity organization; in this case the Iowa corn promotion
33 board.

34 BILL'S PROVISIONS. The bill eliminates the indemnity fees
35 paid to DALs by licensees used to support the indemnity fund

1 (Code sections 203D.3A and 203D.5). The bill replaces that
2 funding source with checkoff moneys collected from state
3 assessments imposed on corn. The bill provides that market
4 development for corn expressly includes the production,
5 storage, and marketing of corn in commercial channels (amended
6 Code section 185C.1). The name of the state-controlled fund
7 is changed from the corn promotion fund to the corn marketing
8 fund (amended Code section 185C.26). The account under the
9 control of the Iowa corn promotion board is named "the corn
10 checkoff account". Under the bill, 25 percent of moneys in the
11 fund are transferred to the indemnity fund and appropriated
12 for use by DALs and the indemnity board to support claims for
13 losses by depositors and sellers (amended Code sections 185C.26
14 and 185C.28). Moneys deposited into the corn marketing fund
15 and transferred to the corn checkoff account or the indemnity
16 fund are public funds (amended Code section 185C.34). The
17 bill increases the limits of the indemnity fund to a ceiling
18 of \$20 million, and a floor of \$10 million. On May 1, the
19 indemnity board must determine to suspend or reinstate the
20 state assessment. However, if on the last day of the indemnity
21 fund's fiscal year, moneys in the fund reach the \$20 million
22 ceiling, the state assessment is suspended, and if at any time
23 those moneys reach the \$10 million floor, the state assessment
24 is reinstated (new Code section 203D.3B). In either case, DALs
25 must notify DAS of the suspension or reinstatement. Finally,
26 the indemnity fund's payout limit for a claim is increased to
27 \$600,000 (Code section 203D.6).