

*Substituted by  
NF 2337  
4-8-94  
(P. 1111)*

FILED MAR 4 1994

SENATE FILE 2294  
BY COMMITTEE ON SMALL BUSINESS,  
ECONOMIC DEVELOPMENT AND  
TOURISM

(SUCCESSOR TO SSB 2155)

*4-11-94*

Passed Senate, Date WITHDRAWN Passed House, Date \_\_\_\_\_  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

A BILL FOR

1 An Act relating to value-added products, including renewable fuel  
2 and coproducts derived from renewable fuel processing  
3 facilities, providing for programs, the appropriation of  
4 moneys, the repeal of a section, and an effective date.

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

6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

WITHDRAWN

SF 2294

1 Section 1. Section 15.203, Code 1993, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 6. The agricultural products advisory  
4 council shall conduct the final evaluation and selection of  
5 applicants for assistance under the renewable fuel coproduct  
6 enhancement program, as provided in section 159A.8.

7 Sec. 2. Section 15.318, Code 1993, is amended by adding  
8 the following new subsections:

9 NEW SUBSECTION. 16. The capacity of the proposed project  
10 to create products by adding value to agricultural  
11 commodities.

12 NEW SUBSECTION. 17. The degree to which the proposed  
13 project relies upon agricultural or value-added research  
14 conducted at a college or university.

15 Sec. 3. Section 18.115, subsection 5, Code Supplement  
16 1993, is amended to read as follows:

17 5. Of all new passenger vehicles and light pickup trucks  
18 purchased by the state vehicle dispatcher, ~~institutions under~~  
19 ~~the control of the state board of regents, community colleges,~~  
20 ~~and any other state agency purchasing such new vehicles and~~  
21 ~~trucks, beginning July 1, 1992, a minimum of five percent, and~~  
22 ~~beginning July 1, 1994, a minimum of ten percent of all such~~  
23 vehicles and trucks purchased shall be equipped with engines  
24 which utilize alternative methods of propulsion including but  
25 not limited to those ~~propelled by flexible fuels, compressed~~  
26 any of the following:

27 a. A flexible fuel, which is any of the following:

28 (1) A fuel blended with not more than fifteen percent  
29 gasoline and at least eighty-five percent ethanol.

30 (2) A fuel which is a mixture of diesel fuel and processed  
31 soybean oil. At least twenty percent of the mixed fuel by  
32 volume must be processed soybean oil.

33 (3) A renewable fuel approved by the office of renewable  
34 fuel pursuant to section 159A.2.

35 b. Compressed natural gas, propane.

1 c. Propane gas solar.

2 d. Solar energy, or electricity.

3 e. Electricity. For the purpose of this subsection,  
4 "flexible-fuels" means fuels which are blended with eighty-  
5 five percent ethanol and fifteen percent gasoline.

6 PARAGRAPH DIVIDED. The provisions of this subsection do  
7 not apply to such vehicles and trucks purchased and directly  
8 used for the following purposes: law enforcement, or off-road  
9 maintenance work, or work vehicles used to pull loaded  
10 trailers. This subsection also does not apply to school  
11 corporations, with the exceptions of those designated above.

12 PARAGRAPH DIVIDED. It is the intent of the general  
13 assembly that the members of the midwest energy compact  
14 promote the development and purchase of motor vehicles  
15 equipped with engines which utilize alternative methods of  
16 propulsion.

17 Sec. 4. Section 159A.2, subsection 5, Code 1993, is  
18 amended to read as follows:

19 5. "Renewable fuel" means an energy source derived from an  
20 organic compound, including a photosynthate, which may be used  
21 to power an engine. A renewable fuel includes but is not  
22 limited to ethanol or soydiesel fuel.

23 Sec. 5. Section 159A.2, subsection 6, Code 1993, is  
24 amended by adding the following new paragraph:

25 NEW PARAGRAPH. c. The research or development of a  
26 process that directly or indirectly impacts the economic  
27 viability of agricultural grain processing facilities, which  
28 produce renewable fuel.

29 Sec. 6. Section 159A.2, Code 1993, is amended by adding  
30 the following new subsection:

31 NEW SUBSECTION. 7. "Soydiesel fuel" means a fuel which is  
32 a mixture of diesel fuel and processed soybean oil, if at  
33 least twenty percent of the mixed fuel by volume is processed  
34 soybean oil.

35 Sec. 7. Section 159A.3, subsection 1, paragraphs a through

1 f, Code 1993, are amended to read as follows:

2 a. The price competitiveness of the renewable fuel.

3 b. The degree to which obstacles that inhibit the  
4 production capacity-and, expansion, or supply of the renewable  
5 fuel may be overcome.

6 c. The ease and safety of transporting and storing the  
7 renewable fuel.

8 d. The degree to which the renewable fuel is currently  
9 developed for ready transfer to current engine technology.

10 e. The degree to which the renewable fuel is  
11 environmentally protective.

12 f. The degree to which the renewable fuel provides  
13 economic development opportunities.

14 Sec. 8. Section 159A.3, subsection 2, Code 1993, is  
15 amended by adding the following new paragraph:

16 NEW PARAGRAPH. k. Approval of a renewable fuel which may  
17 be used as a flexible fuel powering a motor vehicle required  
18 to be purchased by state agencies.

19 Sec. 9. Section 159A.3, subsections 3 and 5, Code 1993,  
20 are amended to read as follows:

21 3. A The chief purpose of the office is to further the  
22 production and consumption of ~~ethanol~~ renewable fuel in this  
23 state. The office shall be the primary state agency charged  
24 with the responsibility to promote public consumption of  
25 ~~ethanol~~ renewable fuel.

26 5. The office and state entities, including the  
27 department, the committee, the Iowa department of economic  
28 development, the state department of transportation, the  
29 department of natural resources, state board of regents'  
30 institutions, and the Wallace technology transfer foundation  
31 of Iowa, shall cooperate to implement this section.

32 Sec. 10. Section 159A.3, Code 1993, is amended by adding  
33 the following new subsections:

34 NEW SUBSECTION. 6. The department of natural resources  
35 shall cooperate with the office in order to ensure that a

1 proposed renewable fuel processing facility or an applicant  
2 participating in the renewable fuel coproduct enhancement  
3 program complies with all applicable environmental regulations  
4 in an expeditious manner. The department of natural resources  
5 shall assign a staff person who shall give the highest  
6 priority to providing the assistance.

7 NEW SUBSECTION. 7. Iowa state university, including the  
8 Iowa state university cooperative extension service, shall  
9 cooperate with the office in order to assist renewable fuel  
10 processing facilities and users of a renewable fuel coproduct,  
11 including livestock or poultry feed. The assistance shall  
12 include providing nutrition and livestock management advice.

13 Sec. 11. Section 159A.4, subsection 1, Code 1993, is  
14 amended by adding the following new paragraph after paragraph  
15 h and relettering the subsequent paragraphs:

16 NEW PARAGRAPH. i. A person representing the Iowa soybean  
17 association.

18 Sec. 12. Section 159A.4, subsection 1, unnumbered  
19 paragraph 2, Code 1993, is amended to read as follows:

20 The governor shall appoint persons who shall be confirmed  
21 by the senate, pursuant to section 2.32, to serve as voting  
22 members of the committee. However, the secretary of  
23 agriculture shall appoint the person representing the  
24 department of agriculture and land stewardship, the director  
25 of the Iowa department of economic development shall appoint  
26 the person representing that department, the director of the  
27 state department of transportation shall appoint the person  
28 representing that department, and the director of the  
29 department of natural resources shall appoint the person  
30 representing that department. The governor may make  
31 appointments of persons representing organizations listed  
32 under paragraphs "g" and "h" through "i" from a list of  
33 candidates which shall be provided by the organization upon  
34 request by the governor.

35 Sec. 13. Section 159A.5, subsection 5, paragraph e, Code

1 Supplement 1993, is amended to read as follows:

2 e. ~~Review the distribution of ethanol production incentive~~  
3 ~~payments to qualified persons and comment on applications for~~  
4 ~~assistance under the renewable fuel coproduct enhancement~~  
5 ~~program~~, pursuant to section 159A.8.

6 Sec. 14. Section 159A.7, Code Supplement 1993, is amended  
7 to read as follows:

8 159A.7 RENEWABLE FUEL FUND.

9 1. A renewable fuel fund is created in the state treasury  
10 under the control of the office of renewable fuel. The fund  
11 is composed of moneys accepted by the office. Moneys in the  
12 fund shall be deposited into the renewable fuel activities  
13 account or the ~~ethanol production incentive~~ renewable fuel  
14 coproduct enhancement account. The fund may include moneys  
15 appropriated by the general assembly, and other moneys  
16 available to and obtained or accepted by the office, including  
17 moneys from the United States, other states in the union,  
18 foreign nations, state agencies, political subdivisions, and  
19 private sources.

20 Moneys in the fund shall be used only to ~~administer~~ carry  
21 out the provisions of this chapter.

22 2. ~~Moneys in the renewable fuel activities account shall~~  
23 ~~be allocated at the beginning of each fiscal year as follows:~~

24 a. ~~Up to forty percent may be dedicated to support~~  
25 ~~promotion and advertising of ethanol fuel.~~

26 b. ~~Up to thirty percent may be dedicated to support~~  
27 ~~research at the university of Iowa.~~

28 c. ~~Up to thirty percent may be dedicated to support~~  
29 ~~research at Iowa state university of science and technology.~~

30 d. ~~The~~ Moneys in the fund shall be used to support the  
31 renewable fuel coproduct enhancement program as established in  
32 section 159A.8 and renewable fuel promotion and research  
33 programs as established pursuant to section 159A.9. Any  
34 remaining balance shall be used by the office to support other  
35 ~~projects or programs~~ renewable fuel activities developed by

1 the office.

2 3. Moneys shall be deposited in the ethanol-production  
3 incentive-account fund as provided in section 423.24. One Not  
4 percent more than fifteen thousand dollars of the moneys  
5 deposited in the renewable fuel activities account during each  
6 quarter as provided in section 423.24 shall be allocated to  
7 the department for administration of the office. Remaining  
8 ~~moneys shall be allocated to provide financial incentives to~~  
9 ~~support the increased production of ethanol derived from an~~  
10 ~~organic compound, including a photosynthate, as provided in~~  
11 ~~section 159A.8.~~

12 4. Moneys in the fund are subject to an annual audit by  
13 the auditor of state. The fund is subject to warrants by the  
14 director of revenue and finance, drawn upon the written  
15 requisition of the coordinator.

16 5. In administering the fund, the office may do all of the  
17 following:

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

22 b. Authorize payment from the ~~accounts, from income~~  
23 ~~received by investment of moneys in the fund,~~ fund for  
24 ~~administrative costs,~~ commissions, attorney and accountant  
25 fees, and other reasonable expenses related to and necessary  
26 for administering the accounts fund.

27 6. Section 8.33 does not apply to moneys in the renewable  
28 ~~fuel activities account~~ fund. Income received by investment  
29 of moneys in the account fund shall remain in ~~that account~~ the  
30 fund. ~~Moneys appropriated for a state fiscal year to the~~  
31 ~~ethanol-production incentive account which remain unobligated~~  
32 ~~and unencumbered on July 31 of the following state fiscal year~~  
33 ~~shall be credited to the road use tax fund as provided in~~  
34 ~~section 423.24.~~

35 Sec. 15. Section 159A.8, Code 1993, is amended by striking

1 the section, and inserting in lieu thereof the following:

2 159A.8 RENEWABLE FUEL COPRODUCT ENHANCEMENT PROGRAM.

3 1. A renewable fuel coproduct enhancement program is  
4 established. The department shall adopt rules pursuant to  
5 chapter 17A to implement the program. The program shall be  
6 administered by the office.

7 2. The purpose of the program is to stimulate the growth  
8 in the state's renewable fuel industry by increasing the  
9 demand for renewable fuel coproducts, including livestock  
10 feeds. Financial assistance shall be in the form of a grant,  
11 loans, or loan guarantees, as determined by the office. The  
12 office shall not award an amount greater than thirty percent  
13 of total costs of a project. The financial assistance shall  
14 be awarded to assist any of the following:

15 a. The construction, expansion, or purchase of facilities  
16 used to further process or handle renewable fuel coproducts,  
17 including the drying and packaging of livestock feeds.

18 b. The development of a distribution system principally  
19 used for transporting a renewable fuel coproduct from a  
20 renewable fuel processing facility to a person who uses the  
21 coproduct, which may include a livestock feeding operation.

22 3. A person is eligible to apply for assistance under this  
23 section, if the person satisfies the following requirements:

24 a. The proposed project would result in a new enterprise  
25 which would operate in the state and within close proximity to  
26 a renewable fuel processing facility.

27 b. The application is made in a manner and according to  
28 procedures required by the office.

29 c. The person submits a business plan which demonstrates  
30 managerial and technical expertise.

31 4. An eligible proposal shall be based on the following  
32 criteria:

33 a. The feasibility of the proposal to be a viable  
34 enterprise.

35 b. The level of need in the area to be served by the

1 proposal. The level of need shall be supported by commitments  
2 made to participate in the project by a person who uses the  
3 coproduct, including a livestock feeding operation.

4 c. The proportion of moneys to be contributed to the  
5 project.

6 Special consideration shall be given to proposals that are  
7 managed by an organized group of livestock producers that may  
8 be organized as a cooperative association pursuant to chapter  
9 497, 498, or 499.

10 5. The office shall grant financial assistance following a  
11 competitive selection process. The process shall include  
12 review and comment by the committee. The final evaluation and  
13 selection shall be made by the agricultural products advisory  
14 council, established pursuant to section 15.203. The council  
15 shall not approve an application for assistance under this  
16 section to refinance an existing loan or to finance an  
17 existing enterprise.

18 6. The office shall prepare and submit by January 1 of  
19 each year an annual status report regarding the progress of  
20 activities under this section. The report shall be delivered  
21 to the secretary of the senate and the chief clerk of the  
22 house; the legislative service bureau; the chairpersons and  
23 ranking members of the senate standing committee on  
24 agriculture; the senate standing committee on small business,  
25 economic development and tourism; the house of representatives  
26 standing committee on agriculture; and the house of  
27 representatives standing committee on small business, economic  
28 development and trade.

29 Sec. 16. NEW SECTION. 159A.9 RENEWABLE FUEL PROMOTION  
30 AND RESEARCH PROGRAM.

31 1. The office shall establish renewable fuel programs to  
32 encourage the increased utilization of agricultural  
33 commodities produced in this state, by supporting the  
34 increased consumption of renewable fuel.

35 2. The office shall allocate moneys in the renewable fuel

1 activities account of the fund to support research and  
2 promotion. Moneys in the account shall be allocated during  
3 each fiscal year as follows:

4 a. At least forty percent shall be dedicated to support  
5 the promotion and advertising of renewable fuel.

6 b. Up to thirty percent shall be dedicated to support  
7 research at colleges and universities, including the  
8 university of Iowa, Iowa state university of science and  
9 technology, and the university of northern Iowa.

10 Sec. 17. Section 214A.16, Code 1993, is amended to read as  
11 follows:

12 214A.16 NOTICE OF BLENDED FUEL -- DECAL.

13 All motor vehicle fuel kept, offered, or exposed for sale,  
14 or sold at retail containing over one percent ethanol,  
15 methanol, or any combination of oxygenate octane enhancers  
16 shall be identified as "with" either "ethanol", "methanol",  
17 "ethanol/methanol", or similar wording on a decal. All diesel  
18 fuel kept, offered, or exposed for sale, or sold at retail  
19 containing over one percent soybean oil by volume shall be  
20 identified as "with soydiesel" or similar wording on a decal.

21 The design and location of the decals ~~may~~ shall be prescribed  
22 by rules adopted by the department. The department shall  
23 adopt the rules to be effective by January 1, 1995. A decal  
24 identifying a renewable fuel shall be consistent with  
25 standards adopted pursuant to section 159A.6. ~~if~~ Until the  
26 department ~~does-not-establish~~ establishes standards for a  
27 ~~decal-relating-to-a-specific-oxygenate-octane-enhancer~~ decals,  
28 the wording shall be on a white adhesive decal with black  
29 letters at least one-half inch high and at least one-quarter  
30 inch wide placed between thirty and forty inches above the  
31 driveway level on the front sides of any container or pump  
32 from which the motor fuel is sold. The department may approve  
33 an application to place a decal in a special location on a  
34 pump or container or use a decal with special lettering or  
35 colors, if the decal appears clear and conspicuous to the

1 consumer. The application shall be made in writing pursuant  
2 to procedures adopted by the department. Designs for a decal  
3 identifying a renewable fuel shall be consistent with  
4 standards adopted pursuant to section 159A.6.

5 Sec. 18. Section 216B.3, subsection 16, Code Supplement  
6 1993, is amended to read as follows:

7 16. a. A motor vehicle purchased by the commission shall  
8 not operate on gasoline other than gasoline blended with at  
9 least ten percent ethanol. A state issued credit card used to  
10 purchase gasoline shall not be valid to purchase gasoline  
11 other than gasoline blended with at least ten percent ethanol.  
12 The motor vehicle shall also be affixed with a brightly  
13 visible sticker which notifies the traveling public that the  
14 motor vehicle is being operated on gasoline blended with  
15 ethanol. However, the sticker is not required to be affixed  
16 to an unmarked vehicle used for purposes of providing law  
17 enforcement or security.

18 b. Of all new passenger vehicles and light pickup trucks  
19 purchased by the commission, a minimum of ten percent of all  
20 such vehicles and trucks purchased shall be equipped with  
21 engines which utilize alternative methods of propulsion,  
22 including but not limited to any of the following:

23 (1) A flexible fuel which is either of the following:

24 (a) A fuel blended with not more than fifteen percent  
25 gasoline and at least eighty-five percent ethanol.

26 (b) A fuel which is a mixture of diesel fuel and processed  
27 soybean oil. At least twenty percent of the mixed fuel by  
28 volume must be processed soybean oil.

29 (c) A renewable fuel approved by the office of renewable  
30 fuel pursuant to section 159A.3.

31 (2) Compressed natural gas.

32 (3) Propane gas.

33 (4) Solar energy.

34 (5) Electricity.

35 The provisions of this paragraph "b" do not apply to

1 vehicles and trucks purchased and directly used for law  
2 enforcement or off-road maintenance work.

3 Sec. 19. Section 260C.19A, Code Supplement 1993, is  
4 amended to read as follows:

5 260C.19A MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-  
6 BLENDED-GASOLINE ALTERNATIVE FUELS.

7 1. A motor vehicle purchased by or used under the  
8 direction of the board of directors to provide services to a  
9 merged area shall not, ~~on or after January 17, 1993,~~ operate on  
10 gasoline other than gasoline blended with at least ten percent  
11 ethanol. The motor vehicle shall also be affixed with a  
12 brightly visible sticker which notifies the traveling public  
13 that the motor vehicle is being operated on gasoline blended  
14 with ethanol. However, the sticker is not required to be  
15 affixed to an unmarked vehicle used for purposes of providing  
16 law enforcement or security.

17 2. Of all new passenger vehicles and light pickup trucks  
18 purchased by or under the direction of the board of directors  
19 to provide services to a merged area, a minimum of ten percent  
20 of all such vehicles and trucks purchased shall be equipped  
21 with engines which utilize alternative methods of propulsion,  
22 including but not limited to any of the following:

23 a. A flexible fuel which is either of the following:

24 (1) A fuel blended with not more than fifteen percent  
25 gasoline and at least eighty-five percent ethanol.

26 (2) A fuel which is a mixture of diesel fuel and processed  
27 soybean oil. At least twenty percent of the mixed fuel by  
28 volume must be processed soybean oil.

29 (3) A renewable fuel approved by the office of renewable  
30 fuel pursuant to section 159A.3.

31 b. Compressed natural gas.

32 c. Propane gas.

33 d. Solar energy.

34 e. Electricity.

35 The provisions of this subsection do not apply to vehicles

1 and trucks purchased and directly used for law enforcement or  
2 off-road maintenance work.

3 Sec. 20. Section 262.25A, Code Supplement 1993, is amended  
4 by adding the following new subsection:

5 NEW SUBSECTION. 3. Of all new passenger vehicles and  
6 light pickup trucks purchased by or under the direction of the  
7 state board of regents to provide services to a merged area, a  
8 minimum of ten percent of all such vehicles and trucks  
9 purchased shall be equipped with engines which utilize  
10 alternative methods of propulsion, including but not limited  
11 to any of the following:

12 a. A flexible fuel which is either of the following:

13 (1) A fuel blended with not more than fifteen percent  
14 gasoline and at least eighty-five percent ethanol.

15 (2) A fuel which is a mixture of processed soybean oil and  
16 diesel fuel. At least twenty percent of the fuel by volume  
17 must be processed soybean oil.

18 (3) A renewable fuel approved by the office of renewable  
19 fuel pursuant to section 159A.3.

20 b. Compressed natural gas.

21 c. Propane gas.

22 d. Solar energy.

23 e. Electricity.

24 The provisions of this subsection do not apply to vehicles  
25 and trucks purchased and directly used for law enforcement or  
26 off-road maintenance work.

27 Sec. 21. Section 307.21, Code Supplement 1993, is amended  
28 by adding the following new subsection:

29 NEW SUBSECTION. 4A. Of all new passenger vehicles and  
30 light pickup trucks purchased by the administrator, a minimum  
31 of ten percent of all such vehicles and trucks purchased shall  
32 be equipped with engines which utilize alternative methods of  
33 propulsion, including but not limited to any of the following:

34 a. A flexible fuel which is either of the following:

35 (1) A fuel blended with not more than fifteen percent

1 gasoline and at least eighty-five percent ethanol.

2 (2) A fuel which is a mixture of processed soybean oil and  
3 diesel fuel. At least twenty percent of the fuel by volume  
4 must be processed soybean oil.

5 (3) A renewable fuel approved by the office of renewable  
6 fuel pursuant to section 159A.3.

7 b. Compressed natural gas.

8 c. Propane gas.

9 d. Solar energy.

10 e. Electricity.

11 The provisions of this subsection do not apply to vehicles  
12 and trucks purchased and directly used for law enforcement or  
13 off-road maintenance work.

14 Sec. 22. Section 423.24, subsection 1, paragraph b, Code  
15 Supplement 1993, is amended to read as follows:

16 b. Beginning on July 1, 1993, ~~three-and-one-half-percent~~  
17 ~~of-the-revenue, not-to-exceed-one-million-dollars-per-quarter,~~  
18 of the revenue derived from the use tax on motor vehicles,  
19 trailers, and motor vehicle accessories and equipment as  
20 collected pursuant to section 423.77:

21 (1) Three and one-half percent of the revenue, not to  
22 exceed nine hundred twenty-five thousand dollars per quarter,  
23 shall be deposited in the ethanol-production-incentive  
24 renewable fuel coproduct enhancement account of the renewable  
25 fuel fund created in section 159A.7.

26 (2) One-half of one percent of the revenue, not to exceed  
27 seventy-five thousand dollars per quarter, shall be deposited  
28 in the renewable fuel activities account of the renewable fuel  
29 fund created in section 159A.7.

30 PARAGRAPH DIVIDED. Moneys deposited according to this  
31 paragraph are a continuing appropriation for expenditure under  
32 ~~section-159A:8~~ section 159A.7. Moneys-deposited-during-a  
33 ~~state-fiscal-year-to-the-ethanol-production-incentive-account~~  
34 ~~which-remain-unobligated-and-unencumbered-on-July-31-of-the~~  
35 ~~following-state-fiscal-year-shall-be-credited-to-the-road-use~~

1 ~~tax-fund-as-provided-in-this-section:~~

2 Sec. 23. NEW SECTION. 904.312A MOTOR VEHICLES.

3 1. A motor vehicle purchased by the department shall not  
4 operate on gasoline other than gasoline blended with at least  
5 ten percent ethanol. A state-issued credit card used to  
6 purchase gasoline shall not be valid to purchase gasoline  
7 other than gasoline blended with at least ten percent ethanol.  
8 The motor vehicle shall also be affixed with a brightly  
9 visible sticker which notifies the traveling public that the  
10 motor vehicle is being operated on gasoline blended with  
11 ethanol. However, the sticker is not required to be affixed  
12 to an unmarked vehicle used for purposes of providing law  
13 enforcement or security.

14 2. Of all new passenger vehicles and light pickup trucks  
15 purchased by the department, a minimum of ten percent of all  
16 such vehicles and trucks purchased shall be equipped with  
17 engines which utilize alternative methods of propulsion,  
18 including but not limited to any of the following:

19 a. A flexible fuel which is either of the following:

20 (1) A fuel blended with not more than fifteen percent  
21 gasoline and at least eighty-five percent ethanol.

22 (2) A fuel which is a mixture of diesel fuel and processed  
23 soybean oil. At least twenty percent of the mixed fuel by  
24 volume must be processed soybean oil.

25 (3) A renewable fuel approved by the office of renewable  
26 fuel pursuant to section 159A.3.

27 b. Compressed natural gas.

28 c. Propane gas.

29 d. Solar energy.

30 e. Electricity.

31 The provisions of this subsection do not apply to vehicles  
32 and trucks purchased and directly used for law enforcement or  
33 off-road maintenance work.

34 Sec. 24. SOYDIESEL DEMONSTRATION PROJECTS.

35 1. The state department of transportation shall conduct a

1 demonstration project using diesel trucks owned by the  
2 department. The department of general services shall conduct  
3 a demonstration project using not less than four diesel trucks  
4 owned by the department. Each truck shall operate using  
5 soydiesel fuel for at least twenty thousand miles. The  
6 projects shall be under the oversight of the renewable fuel  
7 advisory committee.

8 2. There is appropriated from the renewable fuel  
9 activities account of the renewable fuel fund as created in  
10 section 159A.7 for the fiscal year beginning July 1, 1993, and  
11 ending June 30, 1994, the following amount, or so much thereof  
12 as is necessary, to be used for the purposes designated:

13 For purposes of conducting soydiesel demonstration projects  
14 administered by the state department of transportation under  
15 the oversight of the renewable fuel advisory committee:

16 ..... \$ 100,000

17 a. The office of renewable fuel shall allocate the moneys  
18 to the state department of transportation. The department  
19 shall apply the moneys to match moneys used to support one or  
20 more special projects operations assistance grants which  
21 demonstrate the use of soydiesel fuel in one or more public  
22 transit systems.

23 b. Moneys described pursuant to this subsection are  
24 allocated contingent upon a dollar-for-dollar matching  
25 contribution made by either a private or public source to  
26 support soydiesel fuel demonstration projects in Iowa  
27 commencing during the fiscal year beginning July 1, 1993, and  
28 ending June 30, 1994.

29 c. Moneys available under this subsection which remain  
30 unexpended or unobligated on June 30, 1994, shall remain  
31 available to support the demonstration project and shall not  
32 revert pursuant to section 8.33. Moneys remaining unexpended  
33 or unobligated on June 30, 1995, shall be credited to the  
34 renewable fuel activities account of the renewable fuel fund  
35 created in section 159A.7.



1 research conducted at a college or university.

2 The bill amends a number of provisions authorizing state  
3 agencies to purchase vehicles. In 1991, the general assembly  
4 amended a number of these provisions by requiring that state  
5 and local agencies operate their gasoline-powered motor  
6 vehicles with a blend of gasoline and ethanol. In the same  
7 year, the general assembly amended section 18.115 to provide  
8 that after July 1994, state agencies must purchase a minimum  
9 of 10 percent of all motor vehicles and light trucks using  
10 alternative fuel sources, including a "flexible fuel" which is  
11 defined to mean gasoline blended with at least 85 percent  
12 ethanol. This bill provides that a flexible fuel may include  
13 a mixture of diesel fuel and soybean oil which contains at  
14 least 20 percent soybean oil by volume, or a renewable fuel  
15 approved by the department of agriculture and land  
16 stewardship. The bill makes amendments in the same sections  
17 containing the ethanol requirements. In 1991, there was no  
18 amendment to sections authorizing the department of  
19 corrections to operate its motor vehicles using ethanol. This  
20 bill requires that the department of corrections operate its  
21 vehicles using ethanol-blended gasoline to the same extent  
22 required by other state and local governmental entities.

23 The bill amends a provision detailing the composition of  
24 the renewable fuel advisory committee, by adding a person  
25 representing the Iowa soybean association.

26 Currently, the office of renewable fuel within the  
27 department of agriculture and land stewardship administers the  
28 renewable fuel fund which is divided into two accounts. The  
29 first account is dedicated to supporting research and  
30 promotion. The second account is dedicated to supporting an  
31 incentive program which subsidizes the production of ethanol  
32 according to the number of gallons produced. The incentive  
33 account is supported by moneys derived from the use tax on  
34 motor vehicles, trailers, and motor vehicle accessories and  
35 equipment collected pursuant to section 423.7. This bill

1 eliminates the incentive program and provides that the moneys  
2 must be used to encourage the demand for coproducts derived  
3 from renewable fuel production.

4 The purpose of the program is to stimulate the growth in  
5 the state's renewable fuel industry by increasing the demand  
6 for coproducts derived from renewable fuel production,  
7 including livestock feeds. Financial assistance can be in the  
8 form of a grant, loan, or loan guarantee. Not more than 30  
9 percent of total project costs can be supported by an award.  
10 In awarding financial assistance, the department must commit  
11 moneys to assist in the construction, expansion, or purchase  
12 of facilities used to further process or handle livestock  
13 feed, including drying and packaging. Moneys may also be used  
14 to support the development of a distribution system  
15 principally used for transporting a renewable fuel coproduct  
16 from a renewable fuel processing facility to a person who uses  
17 the coproduct in a livestock feeding operation.

18 Current Code section 214A.16 provides that motor vehicle  
19 fuel sold at retail must be identified as containing ethanol.  
20 The bill amends the section to provide that all diesel fuel  
21 kept, offered, or exposed for sale, or sold at retail  
22 containing over 1 percent soybean oil by volume must be  
23 similarly identified. The design and location of the decals  
24 must be prescribed by rules adopted by the department. A  
25 decal identifying a renewable fuel shall be consistent with  
26 standards adopted pursuant to section 159A.6.

27 The bill also requires the department of transportation and  
28 the department of general services to conduct soydiesel  
29 demonstration projects in which vehicles owned by the  
30 departments are operated with fuel which contains a mixture of  
31 diesel fuel and soybean oil. The department of transportation  
32 is required to assist governmental bodies which seek to  
33 operate public transit vehicles using a mixture of diesel fuel  
34 and soybean oil. The assistance shall include the award of  
35 moneys as financial incentives. The bill requires the

1 departments to evaluate the performance of vehicles operating  
2 on soydiesel fuel, including the rate of repairs on the  
3 vehicles and comments of persons operating and maintaining the  
4 vehicles. The departments must cooperate to prepare and  
5 submit a report to the governor and the general assembly.

6 The bill repeals a provision which sunsets the  
7 appropriation of moneys from the use tax.

8 The bill takes effect upon enactment.

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

SENATE FILE 2294  
FISCAL NOTE

---

A fiscal note for Senate File 2294 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 2294 provides for programs relating to value-added products, including renewable fuel and coproducts derived from renewable fuel processing facilities.

FISCAL IMPACT:

The Bill modifies the focus of the program relating to renewable fuels that is administered by the Office of Renewable Fuel in the Department of Agriculture and Land Stewardship (DALs). The Bill does not change the current funding of \$4.0 million from the Road Use Tax Fund, although a new fund has been created to allocate these funds to be administered by the Office of Renewable Fuel.

The Bill requires both the Department of Transportation (DOT) and the Department of General Services (DGS) to conduct demonstration projects using soydiesel trucks. The DOT estimates a minimal demonstration project using 10 vehicles to cost \$42,800. The DGS estimates a demonstration project using 4 vehicles to cost \$116,300, including the initial cost of 4 new diesel trucks for \$80,000. The DGS indicates new vehicles will be necessary to comply with the Bill's minimum mileage test requirements.

The Bill appropriates \$100,000 from the Renewable Fuel Fund to the DOT to provide financial assistance to governmental bodies desiring to modify public transit vehicle operation to include soydiesel fuel.

## Source:

Department of Agriculture and Land Stewardship (DALs)  
Department of Corrections (DOC)  
Department of Economic Development (DED)  
Department of General Services (DGS)  
Department of Natural Resources (DNR)  
Department of Transportation (DOT)

(LSB 4100sv, DHK)

FILED MARCH 15, 1994

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 2294  
FISCAL NOTE

REQ. BY SENATOR JUDGE

---

A fiscal note for Amendment S-5231 to Senate File 2294 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.

---

Amendment S-5231 to Senate File 2294 provides for programs relating to value-added products, including renewable fuel and coproducts derived from renewable fuel processing facilities.

FISCAL IMPACT:

Amendment S-5231 to Senate File 2294 has no fiscal impact on the General Fund.

## Source:

Department of Agriculture and Land Stewardship (DALs)

Department of Corrections (DOC)

Department of Economic Development (DED)

Department of General Services (DGS)

Department of Natural Resources (DNR)

Department of Transportation (DOT)

(LSB 4100sv.2, DHK)

FILED MARCH 17, 1994

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 2294

S-5231

1 Amend Senate File 2294 as follows:

2 1. By striking page 14, line 34, through page 16,  
3 line 19, and inserting the following:

4 "Sec. \_\_\_\_ SOYDIESEL DEMONSTRATION PROJECTS.

5 1. There is appropriated from the renewable fuel  
6 coproduct enhancement account of the renewable fuel  
7 fund created in section 159A.7 for the fiscal year  
8 beginning July 1, 1993, and ending June 30, 1994, the  
9 following amount, or so much thereof as is necessary,  
10 to be used for the purpose designated:

11 For purposes of conducting soydiesel demonstration  
12 projects administered by state agencies under the  
13 oversight of the renewable fuel advisory committee:

14 ..... \$ 100,000

15 2. a. The office of renewable fuel shall allocate  
16 a portion of the moneys to the state department of  
17 transportation and the department of general services  
18 which shall conduct soydiesel demonstration projects  
19 using diesel vehicles. Each vehicle shall operate  
20 using soydiesel fuel for at least 20,000 miles. The  
21 projects shall be conducted under the oversight of the  
22 renewable fuel advisory committee.

23 b. The office shall allocate the remaining moneys  
24 to the state department of transportation to assist  
25 governmental bodies which seek to operate public  
26 transit vehicles using a mixture of diesel fuel and  
27 soybean oil. The department shall expend the moneys  
28 on a dollar-for-dollar matching basis with  
29 contributions from a nonstate source in order to  
30 support one or more special project operation  
31 assistance grants that demonstrate the use of  
32 soydiesel fuel in one or more public transit vehicles.  
33 All awards received by a governmental body shall be  
34 used directly to subsidize the operation of public  
35 transit vehicles using fuel which contains a mixture  
36 of diesel fuel and soybean oil.

37 3. The state department of transportation and the  
38 department of general services shall evaluate the  
39 performance of vehicles operating on soydiesel fuel,  
40 including the rate of repairs on the vehicles and  
41 comments of persons operating and maintaining the  
42 vehicles. The departments shall submit findings and  
43 recommendations to the renewable fuel advisory  
44 committee which shall submit a report to the general  
45 assembly, not later than March 1, 1995.

46 4. Moneys appropriated pursuant to this section  
47 which remain unexpended or unobligated on June 30,  
48 1994, shall continue to be available to support the  
49 demonstration project and shall not revert pursuant to  
50 section 8.33."

By PATTY JUDGE

*Patty Judge*

SENATE FILE 2294

S-5204

- 1 Amend Senate File 2294 as follows:
- 2 1. Page 15, by striking lines 3 and 4, and
- 3 inserting the following: "a demonstration project
- 4 using diesel vehicles. Each vehicle shall operate
- 5 using".

By PATTY JUDGE

S-5204 FILED MARCH 14, 1994

*out of order*  
*4-8-94*  
*(P. 111)*

## SENATE FILE 2294

S-5277

1 Amend Senate File 2294 as follows:  
2 1. Page 16, by inserting before line 20 the  
3 following:  
4 "Sec. \_\_\_\_ MICROBUSINESS RURAL ENTERPRISE  
5 DEMONSTRATION PROJECT.  
6 1. As used in this section:  
7 a. "Department" means the department of economic  
8 development.  
9 b. "Microbusiness" means a business producing  
10 goods or providing services with five or fewer full-  
11 time equivalent employee positions, and with asset  
12 requirements of up to twenty-five thousand dollars.  
13 c. "Microbusiness organization" means a nonprofit  
14 corporation organized under chapter 504A which is  
15 exempt from taxation pursuant to section 501(c) of the  
16 Internal Revenue Code, and which has a principal  
17 mission of actively engaging in microbusiness  
18 development, training, technical assistance, and  
19 access to capital for the start-up or expansion of  
20 microbusinesses.  
21 2. For the fiscal year beginning July 1, 1993, and  
22 ending June 30, 1994, there is allocated to the  
23 department two and one-half percent of the total  
24 moneys used to support the renewable fuel fund as  
25 provided in section 423.24 for the purpose of  
26 conducting a microbusiness rural enterprise  
27 demonstration project.  
28 3. The department shall contract with a  
29 microenterprise organization actively engaged in  
30 microbusiness enterprise in order to assist the  
31 establishment of this demonstration project. In order  
32 to qualify as the demonstration project, the  
33 microenterprise organization must:  
34 a. Demonstrate a past performance and a capacity  
35 to successfully engage in microbusiness development.  
36 b. Have a statewide commitment and focus to  
37 microbusiness development.  
38 c. Provide training and technical assistance.  
39 d. Demonstrate an ability to provide access to  
40 capital for start-up or expansion of a microbusiness.  
41 e. Have established linkages with financial  
42 institutions.  
43 f. Demonstrate an ability to provide follow-up  
44 technical assistance after a microbusiness start-up or  
45 expansion.  
46 4. Moneys allocated pursuant to this section which  
47 remain unexpended or unobligated on June 30, 1994,  
48 shall be available to support the demonstration  
49 project and shall not revert pursuant to section 8.33.  
50 Moneys remaining unexpended or unobligated on June 30,

S-5277

-1-

S-5277

Page 2

1 1995, shall be available to support the demonstration  
2 project and shall not revert pursuant to section 8.33,  
3 but shall be credited to the renewable fuel coproduct  
4 enhancement account of the renewable fuel fund as  
5 created in section 159A.7.

6 5. The department shall submit a report to the  
7 secretary of the senate and the chief clerk of the  
8 house not later than November 1, 1994. The report  
9 shall detail the activities of the microenterprise  
10 organization, and describe the success of the  
11 project."

12 2. Title page, line 1, by inserting after the  
13 words "relating to" the following: "agricultural  
14 development and rural revitalization, by providing  
15 for".

16 3. By renumbering as necessary.

By PATTY JUDGE  
JIM RIORDAN

S-5277 FILED MARCH 22, 1994

*Out of order 4/8/94*

*(P. 111)*

## SENATE FILE 2294

S-5542

1 Amend Senate File 2294 as follows:

2 1. By striking everything after the enacting  
3 clause and inserting the following:

4 "Section 1. FINDINGS AND POLICY.

5 1. The general assembly finds and declares the  
6 following:

7 a. The production and processing of agricultural  
8 commodities and products represents the foundation of  
9 this state's economy, and the economic viability of  
10 this nation is contingent upon the production of  
11 wealth generated primarily from materials, including  
12 food and fiber, produced on farms.

13 b. The future economic prosperity of this state  
14 depends upon new innovations that improve processes  
15 and products utilizing agricultural commodities and  
16 livestock.

17 c. Iowa's traditional investment in livestock  
18 production is an essential part of this state's  
19 continuing efforts to revitalize its rural economy,  
20 and to ensure general prosperity for all of the  
21 state's population.

22 d. It is increasingly necessary to support  
23 industries in this state which rely upon agricultural  
24 commodities to manufacture value-added products.

25 e. Renewable fuel and oil industries promise to  
26 utilize agricultural products in order to reduce the  
27 state's dependency upon petroleum products, reduce  
28 atmospheric contamination of this state's environment  
29 from the combustion of fossil fuels, and produce  
30 coproducts, such as corn gluten feed, distillers  
31 grain, and solubles, which can be used to increase  
32 livestock production in this state.

33 2. This state adopts a policy of enhancing  
34 agricultural production, including livestock  
35 production, through support of the renewable fuel  
36 industry. State agencies including the department of  
37 agriculture and land stewardship, the department of  
38 economic development, and the department of natural  
39 resources shall cooperate in order to ensure that this  
40 policy is carried out.

41 Sec. 2. Section 15.313, subsection 2, paragraph b,  
42 Code 1993, is amended by striking the paragraph.

43 Sec. 3. Section 15.313, subsection 3, Code 1993,  
44 is amended to read as follows:

45 3. The director shall submit annually at a regular  
46 or special meeting preceding the beginning of the  
47 fiscal year, for approval by the economic development  
48 board, the proposed allocation of funds from the  
49 strategic investment fund to be made for that fiscal  
50 year to the community economic betterment program, the

S-5542

S-5542

Page 2

1 ~~value-added-agricultural-products-and-processes~~  
2 ~~financial-assistance-program~~, the business development  
3 finance corporation, the self-employment loan program,  
4 and the targeted small business financial assistance  
5 program and for comprehensive management assistance.  
6 If funds are available under a federal microloan  
7 demonstration program, the director may recommend an  
8 allocation for that purpose. The plans may provide  
9 for increased or decreased allocations if the demand  
10 in a program indicates that the need exceeds the  
11 allocation for that program. The director shall  
12 report on a monthly basis to the board on the status  
13 of the funds and may present proposed revisions for  
14 approval by the board in January and April of each  
15 year. Unobligated and unencumbered moneys remaining  
16 in the strategic investment fund or any of its  
17 accounts on June 30 of each year shall be considered  
18 part of the fund for purposes of the next year's  
19 allocation.

20 Sec. 4. Section 15.318, Code 1993, is amended by  
21 adding the following new subsections:

22 NEW SUBSECTION. 16. The capacity of the proposed  
23 project to create products by adding value to  
24 agricultural commodities.

25 NEW SUBSECTION. 17. The degree to which the  
26 proposed project relies upon agricultural or value-  
27 added research conducted at a college or university,  
28 including a regents institution, community college, or  
29 a private university or college.

30 Sec. 5. Section 15E.111, Code 1993, is amended to  
31 read as follows:

32 15E.111 VALUE-ADDED AGRICULTURAL PRODUCTS AND  
33 PROCESSES FINANCIAL ASSISTANCE PROGRAM.

34 ~~1. Contingent-on-the-availability-of-funding-for~~  
35 ~~this-program,~~ The department may shall establish a  
36 value-added agricultural products and processes  
37 financial assistance program. The purpose of the  
38 program is to ~~foster~~ encourage the increased  
39 utilization of agricultural commodities produced in  
40 this state. The program shall assist in efforts to  
41 revitalize rural regions of this state, by committing  
42 resources to provide financial or technical assistance  
43 to new or existing value-added production facilities.  
44 In awarding financial assistance, the department shall  
45 commit resources to assist the following:

46 a. Facilities which are involved in the  
47 development of new innovative products, practices, and  
48 processes related to agriculture through-specialized  
49 financial-or-technical-assistance-to-facilitate-the  
50 acquisition-of-capital.

S-5542

-2-

S-5542

Page 3

1 b. Renewable fuel production facilities. As used  
2 in this section, "renewable fuel" means an energy  
3 source which is derived from an organic compound  
4 capable of powering machinery, including an engine or  
5 power plant.

6 Financial assistance awarded under this section may  
7 be in the form of a loan, loan guarantee, grant,  
8 production incentive payment, or a combination of  
9 financial assistance. The department shall not award  
10 more than twenty-five percent of the amount allocated  
11 to the value-added agricultural products and processes  
12 financial assistance fund during any fiscal year to  
13 support a single person. The department shall not  
14 provide financial or technical assistance to support a  
15 value-added production facility, if the facility or a  
16 person owning a controlling interest in the facility,  
17 has demonstrated a continuous disregard for the health  
18 and safety of its employees, or the quality of the  
19 environment. Evidence of such continuous disregard  
20 shall include a history of violating state or federal  
21 law protecting occupational health and safety or the  
22 environment, including but not limited to violations  
23 of occupational safety and health standards enforced  
24 by the division of labor services of the department of  
25 employment services pursuant to chapter 84A, or rules  
26 enforced by the environmental protection division of  
27 the department of natural resources pursuant to  
28 chapter 455B.

29 2. A person is eligible to apply for assistance  
30 under this section, if the person satisfies the  
31 following requirements:

32 ~~a. The person is a resident of this state, or the~~  
33 ~~person's principal place of business is~~ The existing  
34 or proposed facility is located in this state.

35 b. The person applies to the department of  
36 economic development in a manner and according to  
37 procedures required by the department.

38 c. The person submits a business plan which  
39 demonstrates managerial and technical expertise.

40 ~~d. The person operates for profit or not for~~  
41 ~~profit and under a single management, and either~~  
42 ~~employs fewer than twenty employees or has an annual~~  
43 ~~gross income of less than three million dollars~~  
44 ~~computed as the average of the three preceding fiscal~~  
45 ~~years.~~

46 3. The department of economic development may  
47 shall grant financial or technical assistance to a  
48 person determined by the department to be eligible to  
49 receive assistance under this section, upon review and  
50 evaluation of the person's application by the

S-5542

-3-

S-5542

Page 4

1 agricultural products advisory council as established  
2 in section 15.203. The department shall consider the  
3 council's evaluation in granting or denying  
4 assistance. The department shall not approve an  
5 application for assistance under this section to  
6 refinance an existing loan or to finance traditional  
7 agricultural production or processing operations,  
8 except as provided in this section. A traditional  
9 production or processing operation means any activity  
10 relating to farming as defined in section 9H.1, or the  
11 processing of agricultural commodities produced from  
12 farming, including crops or livestock, into goods  
13 which are commonly processed from agricultural  
14 commodities. The size of a production or processing  
15 operation shall not be considered in determining  
16 whether an operation is traditional. An application  
17 is eligible for consideration if the application seeks  
18 assistance for any of the following purposes: The  
19 department shall not directly award financial  
20 assistance for the establishment or operation of a  
21 livestock production operation, regardless of whether  
22 the operation is related to a renewable fuel  
23 production facility.

24 4. The department shall select an applicant to  
25 receive financial or technical assistance based on the  
26 following criteria:

27 a. The feasibility of the existing or proposed  
28 facility to remain a viable enterprise and the degree  
29 to which the facility will increase the utilization of  
30 agricultural commodities produced in this state.

31 b. The extent to which the existing or proposed  
32 facility is located in a rural region of the state.

33 c. The proportion of local match to be contributed  
34 to the project.

35 d. The level of need of the region where the  
36 existing facility is or the proposed facility is to be  
37 located.

38 5. An application based on innovation shall be  
39 considered if any of the following apply:

40 a. The development of value-added agricultural  
41 processes production process is not commonly available  
42 in this state which are to be carried out by the  
43 person in this state.

44 b. The development of an innovative or diversified  
45 agricultural product is not commonly produced in this  
46 state which is to be carried out by the person in this  
47 state.

48 c. The development of an innovative processing,  
49 packaging, marketing, or management practice not  
50 commonly available in this state which is to be

S-5542

-4-

S-5542

Page 5

1 carried-out-by-the-person-in-this-state.  
2 4.--Assistance-by-the-department-granted-to-an  
3 eligible-person-shall-be-subject-to-the-following  
4 restrictions:  
5 ---a.--The-person-shall-not-receive-financial  
6 assistance-totaling-more-than-eighty-thousand-dollars  
7 under-this-program.  
8 ---b.--Interest-on-a-loan-shall-not-exceed-the-current  
9 fair-market-interest-rate.--A-loan-shall-not-exceed  
10 fifty-thousand-dollars.  
11 ---c.--A-loan-guarantee-shall-not-exceed-eighty  
12 thousand-dollars.--A-loan-guarantee-shall-guarantee  
13 not-more-than-eighty-percent-of-a-conventionally  
14 obtained-loan.  
15 ---d.--A-grant-shall-not-exceed-twenty-five-thousand  
16 dollars.--A-grant-shall-be-made-only-to-provide  
17 leverage-for-a-conventionally-obtained-loan.--The  
18 conventionally-obtained-loan-must-be-for-an-amount  
19 significantly-larger-than-the-amount-of-the-grant.  
20 ---5.--Notwithstanding-restrictions-contained-in  
21 subsection-4, the-department-may-use-up-to-five  
22 thousand-dollars-to-contract-for-technical-assistance  
23 in-order-to-aid-a-person-having-a-pending-or-approved  
24 application-under-this-section.  
25 6. a. The department shall consider an  
26 application to assist a renewable fuel production  
27 facility. An application based on ethanol fuel  
28 production shall be considered by the department if  
29 all of the following apply:  
30 (1) All fermentation, distillation, and  
31 dehydration of the ethanol will occur at the proposed  
32 facility.  
33 (2) The ethanol produced at the proposed facility  
34 will be at least one hundred ninety-nine proof and  
35 must be denatured.  
36 b. The department shall give priority to  
37 supporting proposed renewable fuel production  
38 facilities which directly support livestock production  
39 operations as follows:  
40 (1) The highest priority shall be given to a  
41 project involving a facility which utilizes a  
42 coproduct of renewable fuel production to support at  
43 least one thousand head of cattle, or a number of  
44 other species of livestock based upon an equivalency  
45 formula established by the department.  
46 (2) If the department has several proposals having  
47 the highest priority, a preference shall be given to a  
48 proposal in which the livestock operation:  
49 (a) Is located in an agricultural area as provided  
50 in chapter 352.

S-5542

S-5542

Page 6

1 (b) Is located in close proximity to and is an  
2 integral part of the renewable fuel production  
3 facility. However, the owner of the facility is not  
4 required to hold an interest in the land on which the  
5 livestock are produced. The livestock may be produced  
6 under the terms of a contract, in which a person  
7 regularly engaged in livestock production provides for  
8 the care and feeding of the livestock on behalf of the  
9 facility's owner.

10 c. The department of natural resources shall  
11 cooperate with the department of economic development  
12 in order to assist an applicant in complying with all  
13 applicable environmental regulations. The department  
14 of natural resources shall acknowledge receipt of an  
15 application for a permit not later than two weeks  
16 following receipt of the application by the  
17 department. Within twelve weeks following receipt of  
18 the application, the department shall issue the permit  
19 or reply to the applicant describing reasons why the  
20 permit cannot be issued.

21 d. The department of economic development shall  
22 contract with a consultant who is knowledgeable  
23 regarding the establishment and operation of renewable  
24 fuel production facilities, and specifically  
25 facilities which support livestock production  
26 operations. The consultant shall be available to  
27 provide business planning assistance to persons who  
28 have received financial incentives pursuant to this  
29 section. The business planning assistance shall  
30 include evaluation of methods to most profitably  
31 manage operations and market livestock produced at the  
32 facility. The business planning assistance shall  
33 provide for adequate environmental protection of this  
34 state's natural resources from the operation of the  
35 facility.

36 7. The university of Iowa, Iowa state university,  
37 and the university of northern Iowa shall cooperate in  
38 assisting facilities receiving financial assistance  
39 under this section. Iowa state university, including  
40 the Iowa cooperative extension service in agriculture  
41 and home economics, shall cooperate in assisting each  
42 renewable fuel production facility supporting  
43 livestock operations, including advising producers  
44 regarding nutrition and management practices.  
45 Community colleges and private universities and  
46 colleges are not precluded from providing this  
47 assistance.

48 8. The department of economic development shall  
49 prepare a report each three months detailing the  
50 progress of the department and other agencies provided

S-5542

-6-

S-5542

Page 7

1 in this section. The office of renewable fuel and  
2 oil, the department of natural resources, and Iowa  
3 state university may contribute a summary of their  
4 activities. The report shall describe and evaluate  
5 the performance of the consultant. The report shall  
6 be delivered to the secretary of the senate and the  
7 chief clerk of the house; the legislative service  
8 bureau; the chairpersons and ranking members of the  
9 senate standing committee on agriculture; the senate  
10 standing committee on small business, economic  
11 development, and tourism; the house of representatives  
12 standing committee on agriculture; and the house of  
13 representatives standing committee on small business,  
14 economic development, and trade.

15 Sec. 6. Section 15E.112, Code 1993, is amended to  
16 read as follows:

17 15E.112 VALUE-ADDED AGRICULTURAL PRODUCTS AND  
18 PROCESSES FINANCIAL ASSISTANCE ACCOUNT FUND.

19 1. A value-added agricultural products and  
20 processes financial assistance account fund is  
21 ~~established within the strategic investment fund~~  
22 ~~created in section 15.313~~ created within the state  
23 treasury under the control of the department. The  
24 account fund shall consist of any money appropriated  
25 by the general assembly ~~for that purpose, moneys~~  
26 ~~allocated to the account from the strategic investment~~  
27 ~~fund, and any other moneys available to and obtained~~  
28 or accepted by the department from the federal  
29 government or private sources for placement in the  
30 account fund. Until July 1, 2000, moneys shall be  
31 deposited in the fund as provided in section 423.24.  
32 Not more than one percent of the total moneys  
33 available to support value-added agricultural products  
34 and processes pursuant to section 423.24 during each  
35 quarter shall be used by the department for  
36 administration of the value-added agricultural  
37 products and processes financial assistance program,  
38 as provided in section 15E.111. Except as otherwise  
39 provided in subsection 2, the The assets of the  
40 account fund shall be used by the department only for  
41 carrying out the purposes of section 15E.111.

42 2. The In administering the fund and the value-  
43 added agricultural products and processes financial  
44 assistance program, the department may ~~use moneys in~~  
45 ~~the account to~~ do any of the following:

46 a. Contract, sue and be sued, and adopt  
47 administrative rules necessary to carry out the  
48 provisions of this section and section 15E.111, ~~but.~~  
49 However, the department shall not in any manner  
50 directly or indirectly pledge the credit of the state.

S-5542

-7-

S-5542

Page 8

1 b. Authorize payment from the account fund for  
2 costs, commissions, attorney fees, and other  
3 reasonable expenses, including expenses related to and  
4 the following:

5 (1) Carrying out duties necessary for insuring or  
6 guaranteeing loans under section 15E.111, and for the  
7 recovery of loan moneys insured or guaranteed or the  
8 management of property acquired in connection with  
9 such loans.

10 (2) Supporting a contract with a consultant  
11 knowledgeable regarding the establishment and  
12 operation of renewable fuel production facilities as  
13 provided in section 15E.111. The department may  
14 require a person receiving financial incentives to  
15 contribute to the amount required to support the  
16 consultant. However, the person shall not be required  
17 to contribute more than the department.

18 3. Payments of interest, recaptures of awards, or  
19 repayments of moneys loaned under the value-added  
20 agricultural products and processes financial  
21 assistance program shall be deposited into the  
22 strategic-investment into the fund. Section 8.33 does  
23 not apply to any moneys in the fund. Unencumbered or  
24 unobligated moneys in the fund derived from moneys  
25 deposited pursuant to section 423.24, which are in  
26 excess of four million dollars of unencumbered or  
27 unobligated moneys in the fund deposited pursuant to  
28 that section, which are remaining on June 30 of each  
29 fiscal year, shall be credited on August 31 to the  
30 road use tax fund as created in section 312.1.

31 4. The fund is subject to an annual audit by the  
32 auditor of state. Moneys in the fund, which may be  
33 subject to warrants written by the director of revenue  
34 and finance, shall be drawn upon the written  
35 requisition of the director of the department of  
36 economic development or an authorized representative  
37 of the director.

38 Sec. 7. Section 18.115, subsection 5, Code  
39 Supplement 1993, is amended to read as follows:

40 5. Of all new passenger vehicles and light pickup  
41 trucks purchased by the state vehicle dispatcher,  
42 institutions-under-the-control-of-the-state-board-of  
43 regents, community colleges, and any other state  
44 agency-purchasing-such-new-vehicles-and-trucks,  
45 beginning-July-17-1992, a minimum-of-five-percent, and  
46 beginning-July-17-1994, a minimum of ten percent of  
47 all such vehicles and trucks purchased shall be  
48 equipped with engines which utilize alternative  
49 methods of propulsion including but not limited to  
50 those-propelled-by-flexible-fuels, compressed any of

S-5542

-8-

S-5542

Page 9

1 the following:

2 a. A flexible fuel, which is any of the following:

3 (1) A fuel blended with not more than fifteen  
4 percent gasoline and at least eighty-five percent  
5 ethanol.

6 (2) A fuel which is a mixture of diesel fuel and  
7 processed soybean oil. At least twenty percent of the  
8 mixed fuel by volume must be processed soybean oil.

9 (3) A renewable fuel approved by the office of  
10 renewable fuel and oil pursuant to section 159A.2.

11 b. Compressed or liquified natural gas, propane,

12 c. Propane gas solar,

13 d. Solar energy, or electricity.

14 e. Electricity. For the purpose of this  
15 subsection, "flexible fuels" means fuels which are  
16 blended with eighty-five percent ethanol and fifteen  
17 percent gasoline.

18 PARAGRAPH DIVIDED. The provisions of this  
19 subsection do not apply to such vehicles and trucks  
20 purchased and directly used for the following  
21 purposes: law enforcement, or off-road maintenance  
22 work, or work vehicles used to pull loaded trailers.  
23 This subsection also does not apply to school  
24 corporations, with the exceptions of those designated  
25 above.

26 PARAGRAPH DIVIDED. It is the intent of the general  
27 assembly that the members of the midwest energy  
28 compact promote the development and purchase of motor  
29 vehicles equipped with engines which utilize  
30 alternative methods of propulsion.

31 Sec. 8. Section 19A.3, subsection 22, Code 1993,  
32 is amended to read as follows:

33 22. The appointee serving as the coordinator of  
34 the office of renewable fuel and oil, as provided in  
35 section 159A.3.

36 Sec. 9. Section 20.4, subsection 13, Code 1993, is  
37 amended to read as follows:

38 13. The appointee serving as the coordinator of  
39 the office of renewable fuel and oil, as provided in  
40 section 159A.3.

41 Sec. 10. Section 159.20, subsection 10, Code 1993,  
42 is amended to read as follows:

43 10. Assist the office of renewable fuel and oil  
44 and the renewable fuel and oil advisory committee in  
45 administering the provisions of chapter 159A.

46 Sec. 11. Section 159A.1, subsection 3, Code 1993,  
47 is amended to read as follows:

48 3. This state adopts a policy of enhancing  
49 agricultural production through support of the  
50 renewable fuel industry by encouraging the development

S-5542

-9-

S-5542

Page 10

1 and consumption of fuels and oils produced by  
2 agricultural commodities, as provided in this chapter,  
3 including rules adopted by the office of renewable  
4 fuel and oil and the renewable fuel and oil advisory  
5 committee.

6 Sec. 12. Section 159A.2, Code 1993, is amended to  
7 read as follows:

8 159A.2 DEFINITIONS.

9 As used in this chapter, unless the context  
10 otherwise requires:

11 1. "Committee" means the renewable fuel and oil  
12 advisory committee established pursuant to section  
13 159A.4.

14 2. "Coordinator" means the administrative head of  
15 the office of renewable fuel and oil appointed by the  
16 department as provided in section 159A.3.

17 3. "Fund" means the renewable fuel and oil fund  
18 established pursuant to section 159A.7.

19 4. "Office" means the office of renewable fuel and  
20 oil created pursuant to section 159A.3.

21 5. "Renewable fuel" means an energy source at  
22 least in part derived from an organic compound,  
23 ~~including a photosynthate, which may be used to power~~  
24 ~~capable of powering machinery, including an engine or~~  
25 ~~power plant. A renewable fuel includes but is not~~  
26 ~~limited to ethanol-blended or soydiesel fuel.~~

27 6. "Renewable fuel and oil activities" means  
28 either of the following:

29 a. The research, development, production,  
30 promotion, marketing, or consumption of a renewable  
31 fuel or oil.

32 b. The research, development, transfer, or use of  
33 technologies which directly or indirectly increase the  
34 supply or demand of a renewable fuel or oil.

35 7. "Renewable oil" means a fluid, other than a  
36 renewable fuel, and including a lubricant, at least in  
37 part containing a product derived from harvesting and  
38 processing crops or slaughtering and processing  
39 livestock, which may be used in the operation of a  
40 mechanism, including an engine or motor.

41 8. "Soydiesel fuel" means a fuel which is a  
42 mixture of diesel fuel and processed soybean oil, if  
43 at least twenty percent of the mixed fuel by volume is  
44 processed soybean oil.

45 Sec. 13. Section 159A.3, Code 1993, is amended to  
46 read as follows:

47 159A.3 OFFICE OF RENEWABLE FUEL AND OIL.

48 1. An office of renewable fuel and oil is created  
49 within the department and shall be staffed by a  
50 coordinator who shall be appointed by the secretary.

S-5542

-10-

S-5542

Page 11

1 It shall be the policy of the office to further  
2 renewable fuel and oil activities. The office shall  
3 first further renewable fuel and oil activities based  
4 on the following considerations:

5 a. The price competitiveness of the renewable fuel  
6 or oil.

7 b. The production capacity and supply of the  
8 renewable fuel or oil.

9 c. The ease and safety of transporting and storing  
10 the renewable fuel or oil.

11 d. The degree to which the renewable fuel or oil  
12 is currently developed for ready transfer to current  
13 engine technology.

14 e. The degree to which the renewable fuel or oil  
15 is environmentally protective.

16 f. The degree to which the renewable fuel or oil  
17 provides economic development opportunities.

18 2. The duties of the office include, but are not  
19 limited to, the following:

20 a. Serving as advisor to the department regarding  
21 regulations, including federal and state standards,  
22 relating to oxygenate octane enhancers, as defined in  
23 section 214A.1.

24 b. Serving as advisor to the department regarding  
25 renewable fuel and oil programs.

26 c. Serving as monitor of regulations administered  
27 in the state, in other states, or by the federal  
28 government. The office shall collect information and  
29 data prepared by state agencies related to these  
30 regulations, and provide referral and assistance to  
31 interested persons and agencies.

32 d. Cooperating with persons and agencies involved  
33 in renewable fuel or oil activities, including other  
34 states and the federal government, to standardize  
35 regulations and coordinate programs, in order to  
36 increase administrative effectiveness and reduce  
37 administrative duplication.

38 e. Implementing policies and procedures designed  
39 to facilitate communication between persons involved  
40 in renewable fuel or oil activities.

41 f. Assisting state or federal agencies, or  
42 assisting commercial enterprises or commodity  
43 organizations which are located in or desiring to  
44 locate in the state. The assistance may include  
45 support of public research relating to renewable fuel  
46 or oil activities.

47 g. Conducting studies relating to the viability of  
48 producing or using a renewable fuel or oil, and  
49 methods and schedules required to ensure a practicable  
50 transition to the use of a renewable fuel or oil.

S-5542

-11-

S-5542

Page 12

1 h. Preparing an annual report to the secretary  
2 regarding renewable fuel and oil activities. The  
3 report shall include a review of research and research  
4 results, areas of study with promising potential, a  
5 summary of initiatives in other states, and an  
6 analysis of state and federal regulations and  
7 programs.

8 i. Promoting the use of by-products resulting from  
9 the production of renewable fuel and oil.

10 j. Cooperating with the committee in carrying out  
11 the purposes of the committee as provided in section  
12 159A.5. The office shall regularly inform the  
13 committee regarding its operations and programs  
14 administered under this chapter, including financial  
15 reports concerning the fund.

16 k. Approve a renewable fuel which may be used as a  
17 flexible fuel powering a motor vehicle required to be  
18 purchased by state agencies.

19 3. a. A chief purpose of the office is to further  
20 the production and consumption of ethanol fuel in this  
21 state. The office shall be the primary state agency  
22 charged with the responsibility to promote public  
23 consumption of ethanol fuel.

24 b. The office shall promote the production and  
25 consumption of soydiesel fuel in this state.

26 4. The office shall cooperate with the Wallace  
27 technology transfer foundation of Iowa in formulating  
28 long-range strategic plans to guide state investment  
29 in applied research, development, and commercial  
30 transfer of selected scientific and technological  
31 innovation relating to renewable fuel or oil  
32 technology.

33 5. The office and state entities, including the  
34 department, the committee, the Iowa department of  
35 economic development, the state department of  
36 transportation, the department of natural resources,  
37 state board of regents' institutions, and the Wallace  
38 technology transfer foundation of Iowa, shall  
39 cooperate to implement this section.

40 Sec. 14. Section 159A.4, subsection 1, unnumbered  
41 paragraph 1, Code 1993, is amended to read as follows:

42 A renewable fuel and oil advisory committee is  
43 established within the department. The committee  
44 shall be composed of the following persons:

45 Sec. 15. Section 159A.4, subsection 1, Code 1993,  
46 is amended by adding the following new paragraph after  
47 paragraph h and relettering the subsequent paragraphs:

48 NEW PARAGRAPH. i. A person representing the Iowa  
49 soybean association.

50 Sec. 16. Section 159A.4, unnumbered paragraph 2,

S-5542

-12-

S-5542

Page 13

1 Code 1993, is amended to read as follows:

2 The governor shall appoint persons who shall be  
3 confirmed by the senate, pursuant to section 2.32, to  
4 serve as voting members of the committee. However,  
5 the secretary of agriculture shall appoint the person  
6 representing the department of agriculture and land  
7 stewardship, the director of the Iowa department of  
8 economic development shall appoint the person  
9 representing that department, the director of the  
10 state department of transportation shall appoint the  
11 person representing that department, and the director  
12 of the department of natural resources shall appoint  
13 the person representing that department. The governor  
14 may make appointments of persons representing  
15 organizations listed under paragraphs "g" and "h"  
16 through "i" from a list of candidates which shall be  
17 provided by the organization upon request by the  
18 governor.

19 Sec. 17. Section 159A.5, subsections 1, 2, 4, 5,  
20 Code Supplement 1993, are amended to read as follows:

21 1. The purpose of the committee is to provide  
22 general oversight of operations of the office and to  
23 advise the office about all aspects concerning the  
24 production and consumption of renewable fuels fuel and  
25 oil. However, the committee shall not control policy  
26 decisions or direct the administration of this  
27 chapter.

28 2. The committee shall monitor conditions,  
29 practices, policies, programs, and procedures  
30 affecting the production and consumption of renewable  
31 fuel and oil.

32 4. The committee shall review the annual report to  
33 the secretary regarding renewable fuel and oil.  
34 activities, as provided in section 159A.3. The  
35 committee may make written comments concerning the  
36 contents of the report. Upon request of the  
37 committee, the coordinator shall include the comments  
38 as part of the report.

39 5. The committee, in cooperation with the  
40 coordinator, shall do all of the following:

41 a. Review the operations of the office and shall  
42 make recommendations regarding the effectiveness of  
43 programs provided under this chapter.

44 b. Establish performance goals for the office and  
45 adopt recommendations relating to improving the  
46 functions of the office and furthering the purposes of  
47 this chapter.

48 c. Encourage full support of programs designed to  
49 inform the public or targeted groups regarding  
50 renewable fuel and oil production and consumption.

S-5542

-13-

S-5542

Page 14

1 d. Support promotional programs or marketing  
2 strategies designed to encourage public consumption of  
3 renewable fuel and oil.

4 ~~e. Review the distribution of ethanol production  
5 incentive payments to qualified persons, pursuant to  
6 section 159A.8.~~

7 Sec. 18. Section 159A.6, Code 1993, is amended to  
8 read as follows:

9 159A.6 POINT-OF-SALE PUBLIC PROMOTION PROGRAM.

10 The office shall establish a program to promote the  
11 advantages related to the use of renewable fuel and  
12 oil as an alternative to nonrenewable fuel and oil.

13 Promotions shall be designed to inform the ultimate  
14 consumer of advantages associated with using renewable  
15 fuel and oil, and emphasize the benefits to the  
16 natural environment. The promotion shall inform  
17 consumers at the businesses of retail dealers of the  
18 motor vehicle fuel and oil.

19 Sec. 19. Section 159A.7, Code Supplement 1993, is  
20 amended to read as follows:

21 159A.7 RENEWABLE FUEL AND OIL FUND.

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

34 Moneys in the fund shall be used only to administer  
35 carry out the provisions of this chapter.

36 2. Moneys in the ~~renewable fuel activities account~~  
37 fund shall be allocated at the beginning of each  
38 fiscal year as follows:

39 a. ~~Up to~~ At least forty percent ~~may~~ shall be  
40 dedicated to support promotion and advertising of  
41 ethanol fuel.

42 b. Up to thirty percent may be dedicated to  
43 support research at the university of Iowa,

44 ~~c. Up to thirty percent may be dedicated to~~  
45 support research at Iowa state university of science  
46 and technology, and the university of northern Iowa.

47 d c. The Any remaining balance shall be used by  
48 the office to support other projects or programs  
49 developed by the office.

50 3. Moneys Until July 1, 2000, moneys shall be

S-5542

S-5542

Page 15

1 deposited in the ~~ethanol-production-incentive-account~~  
2 fund as provided in section 423.24. One Not more than  
3 one percent of the total moneys available to support  
4 value-added agricultural products and processes  
5 pursuant to section 423.24 deposited-in-the-account  
6 during-each-quarter shall be allocated to the  
7 department for administration of the office. Remaining  
8 ~~moneys-shall-be-allocated-to-provide-financial~~  
9 ~~incentives-to-support-the-increased-production-of~~  
10 ~~ethanol-derived-from-an-organic-compound,-including-a~~  
11 ~~photosynthate,-as-provided-in-section-159A-8.~~

12 4. Moneys in the fund are subject to an annual  
13 audit by the auditor of state. The fund is subject to  
14 warrants by the director of revenue and finance, drawn  
15 upon the written requisition of the coordinator.

16 5. In administering the fund, the office may do  
17 all of the following:

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

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

28 6. Section 8.33 does not apply to moneys in the  
29 ~~renewable-fuel-activities-account~~ fund. Income  
30 received by investment of moneys in the account fund  
31 shall remain in that ~~account~~ the fund. Moneys  
32 ~~appropriated-for-a-state-fiscal-year-to-the-ethanol~~  
33 ~~production-incentive-account-which-remain-unobligated~~  
34 ~~and-unencumbered-on-July-31-of-the-following-state~~  
35 ~~fiscal-year-shall-be-credited-to-the-road-use-tax-fund~~  
36 ~~as-provided-in-section-423-24.~~

37 Sec. 20. Section 214A.16, Code 1993, is amended to  
38 read as follows:

39 214A.16 NOTICE OF BLENDED FUEL -- DECAL.

40 All motor vehicle fuel kept, offered, or exposed,  
41 for sale, or sold at retail containing over one  
42 percent ethanol, methanol, or any combination of  
43 oxygenate octane enhancers shall be identified as  
44 "with" either "ethanol", "methanol",  
45 "ethanol/methanol", or similar wording on a decal.  
46 All diesel fuel kept, offered, or exposed for sale, or  
47 sold at retail containing over one percent soybean oil  
48 by volume shall be identified as "with soydiesel" or  
49 similar wording on a decal. The design and location  
50 of the decals may shall be prescribed by rules adopted

S-5542

S-5542

Page 16

1 by the department. The department shall adopt the  
 2 rules to be effective by January 1, 1995. A decal  
 3 identifying a renewable fuel shall be consistent with  
 4 standards adopted pursuant to section 159A.6. If  
 5 Until the department does-not-establish establishes  
 6 standards for a-decal-relating-to-a-specific-oxygenate  
 7 octane-enhancer decals, the wording shall be on a  
 8 white adhesive decal with black letters at least one-  
 9 half inch high and at least one-quarter inch wide  
 10 placed between thirty and forty inches above the  
 11 driveway level on the front sides of any container or  
 12 pump from which the motor fuel is sold. The  
 13 department may approve an application to place a decal  
 14 in a special location on a pump or container or use a  
 15 decal with special lettering or colors, if the decal  
 16 appears clear and conspicuous to the consumer. The  
 17 application shall be made in writing pursuant to  
 18 procedures adopted by the department. Designs for a  
 19 decal identifying a renewable fuel shall be consistent  
 20 with standards adopted pursuant to section 159A.6.

21 Sec. 21. Section 216B.3, subsection 16, Code  
 22 Supplement 1993, is amended to read as follows:

23 16. a. A motor vehicle purchased by the  
 24 commission shall not operate on gasoline other than  
 25 gasoline blended with at least ten percent ethanol. A  
 26 state issued credit card used to purchase gasoline  
 27 shall not be valid to purchase gasoline other than  
 28 gasoline blended with at least ten percent ethanol.  
 29 The motor vehicle shall also be affixed with a  
 30 brightly visible sticker which notifies the traveling  
 31 public that the motor vehicle is being operated on  
 32 gasoline blended with ethanol. However, the sticker  
 33 is not required to be affixed to an unmarked vehicle  
 34 used for purposes of providing law enforcement or  
 35 security.

36 b. Of all new passenger vehicles and light pickup  
 37 trucks purchased by the commission, a minimum of ten  
 38 percent of all such vehicles and trucks purchased  
 39 shall be equipped with engines which utilize  
 40 alternative methods of propulsion, including but not  
 41 limited to any of the following:

42 (1) A flexible fuel which is either of the  
 43 following:

44 (a) A fuel blended with not more than fifteen  
 45 percent gasoline and at least eighty-five percent  
 46 ethanol.

47 (b) A fuel which is a mixture of diesel fuel and  
 48 processed soybean oil. At least twenty percent of the  
 49 mixed fuel by volume must be processed soybean oil.

50 (c) A renewable fuel approved by the office of

S-5542

Page 17

1 renewable fuel and oil pursuant to section 159A.3.

2 (2) Compressed or liquified natural gas.

3 (3) Propane gas.

4 (4) Solar energy.

5 (5) Electricity.

6 The provisions of this paragraph "b" do not apply  
7 to vehicles and trucks purchased and directly used for  
8 law enforcement or off-road maintenance work.

9 Sec. 22. Section 260C.19A, Code Supplement 1993,  
10 is amended to read as follows:

11 260C.19A MOTOR VEHICLES REQUIRED TO OPERATE ON  
12 ETHANOL-BLENDED-GASOLINE ALTERNATIVE FUELS.

13 1. A motor vehicle purchased by or used under the  
14 direction of the board of directors to provide  
15 services to a merged area shall not, on or after  
16 January 17, 1993, operate on gasoline other than  
17 gasoline blended with at least ten percent ethanol.  
18 The motor vehicle shall also be affixed with a  
19 brightly visible sticker which notifies the traveling  
20 public that the motor vehicle is being operated on  
21 gasoline blended with ethanol. However, the sticker  
22 is not required to be affixed to an unmarked vehicle  
23 used for purposes of providing law enforcement or  
24 security.

25 2. Of all new passenger vehicles and light pickup  
26 trucks purchased by or under the direction of the  
27 board of directors to provide services to a merged  
28 area, a minimum of ten percent of all such vehicles  
29 and trucks purchased shall be equipped with engines  
30 which utilize alternative methods of propulsion,  
31 including but not limited to any of the following:

32 a. A flexible fuel which is either of the  
33 following:

34 (1) A fuel blended with not more than fifteen  
35 percent gasoline and at least eighty-five percent  
36 ethanol.

37 (2) A fuel which is a mixture of diesel fuel and  
38 processed soybean oil. At least twenty percent of the  
39 mixed fuel by volume must be processed soybean oil.

40 (3) A renewable fuel approved by the office of  
41 renewable fuel and oil pursuant to section 159A.3.

42 b. Compressed or liquified natural gas.

43 c. Propane gas.

44 d. Solar energy.

45 e. Electricity.

46 The provisions of this subsection do not apply to  
47 vehicles and trucks purchased and directly used for  
48 law enforcement or off-road maintenance work.

49 Sec. 23. Section 262.25A, Code Supplement 1993, is  
50 amended by adding the following new subsection:

S-5542

-17-

S-5542

Page 18

1 NEW SUBSECTION. 3. Of all new passenger vehicles  
2 and light pickup trucks purchased by or under the  
3 direction of the state board of regents to provide  
4 services to a merged area, a minimum of ten percent of  
5 all such vehicles and trucks purchased shall be  
6 equipped with engines which utilize alternative  
7 methods of propulsion, including but not limited to  
8 any of the following:

9 a. A flexible fuel which is either of the  
10 following:

11 (1) A fuel blended with not more than fifteen  
12 percent gasoline and at least eighty-five percent  
13 ethanol.

14 (2) A fuel which is a mixture of processed soybean  
15 oil and diesel fuel. At least twenty percent of the  
16 fuel by volume must be processed soybean oil.

17 (3) A renewable fuel approved by the office of  
18 renewable fuel and oil pursuant to section 159A.3.

19 b. Compressed or liquified natural gas.

20 c. Propane gas.

21 d. Solar energy.

22 e. Electricity.

23 The provisions of this subsection do not apply to  
24 vehicles and trucks purchased and directly used for  
25 law enforcement or off-road maintenance work.

26 Sec. 24. NEW SECTION. 266.19 RENEWABLE FUEL --  
27 ASSISTANCE.

28 The university shall cooperate in assisting  
29 renewable fuel production facilities supporting  
30 livestock operations managed by persons receiving  
31 assistance pursuant to the value-added agricultural  
32 products and processes financial assistance program  
33 established in section 15E.111.

34 Sec. 25. Section 307.21, Code Supplement 1993, is  
35 amended by adding the following new subsection:

36 NEW SUBSECTION. 4A. Of all new passenger vehicles  
37 and light pickup trucks purchased by the  
38 administrator, a minimum of ten percent of all such  
39 vehicles and trucks purchased shall be equipped with  
40 engines which utilize alternative methods of  
41 propulsion, including but not limited to any of the  
42 following:

43 a. A flexible fuel which is either of the  
44 following:

45 (1) A fuel blended with not more than fifteen  
46 percent gasoline and at least eighty-five percent  
47 ethanol.

48 (2) A fuel which is a mixture of processed soybean  
49 oil and diesel fuel. At least twenty percent of the  
50 fuel by volume must be processed soybean oil.

S-5542

-18-

S-5542

Page 19

- 1 (3) A renewable fuel approved by the office of
- 2 renewable fuel and oil pursuant to section 159A.3.
- 3 b. Compressed or liquified natural gas.
- 4 c. Propane gas.
- 5 d. Solar energy.
- 6 e. Electricity.

7 The provisions of this subsection do not apply to  
8 vehicles and trucks purchased and directly used for  
9 law enforcement or off-road maintenance work.

10 Sec. 26. Section 423.24, subsection 1, paragraph  
11 b, Code Supplement 1993, is amended to read as  
12 follows:

13 b. Beginning on July 1, 1993, three and one-half  
14 percent of the revenue, not to exceed one million  
15 dollars per quarter, derived from the use tax on motor  
16 vehicles, trailers, and motor vehicle accessories and  
17 equipment as collected pursuant to section 423.7,  
18 shall be deposited ~~in the ethanol production incentive~~  
19 ~~account of the renewable fuel fund created in section~~  
20 ~~159A.7~~ used to support value-added agricultural  
21 products and processes.

22 Ninety-nine percent of these moneys shall be  
23 deposited in the value-added agricultural products and  
24 processes financial assistance fund as created in  
25 section 15E.112. One percent of these moneys shall be  
26 deposited in the renewable fuel and oil fund as  
27 created in section 159A.7.

28 PARAGRAPH DIVIDED. Moneys deposited according to  
29 this paragraph "b" are a continuing appropriation for  
30 expenditure under ~~section 159A.8~~ sections 15E.112 and  
31 159A.7. Moneys deposited during a state fiscal year  
32 to the ethanol production incentive account which  
33 remain unobligated and unencumbered on July 31 of the  
34 following state fiscal year shall be credited to the  
35 road use tax fund as provided in this section.

36 Sec. 27. Section 455B.104, Code Supplement 1993,  
37 is amended by adding the following new unnumbered  
38 paragraph:

39 NEW UNNUMBERED PARAGRAPH. The department shall  
40 assist persons applying for assistance to establish  
41 and operate renewable fuel production facilities  
42 pursuant to the value-added agricultural products and  
43 processes financial assistance program established in  
44 section 15E.111.

45 Sec. 28. NEW SECTION. 904.312A MOTOR VEHICLES.

46 1. A motor vehicle purchased by the department  
47 shall not operate on gasoline other than gasoline  
48 blended with at least ten percent ethanol. A state-  
49 issued credit card used to purchase gasoline shall not  
50 be valid to purchase gasoline other than gasoline

S-5542

S-5542

Page 20

1 blended with at least ten percent ethanol. The motor  
2 vehicle shall also be affixed with a brightly visible  
3 sticker which notifies the traveling public that the  
4 motor vehicle is being operated on gasoline blended  
5 with ethanol. However, the sticker is not required to  
6 be affixed to an unmarked vehicle used for purposes of  
7 providing law enforcement or security.

8 2. Of all new passenger vehicles and light pickup  
9 trucks purchased by the department, a minimum of ten  
10 percent of all such vehicles and trucks purchased  
11 shall be equipped with engines which utilize  
12 alternative methods of propulsion, including but not  
13 limited to any of the following:

14 a. A flexible fuel which is either of the  
15 following:

16 (1) A fuel blended with not more than fifteen  
17 percent gasoline and at least eighty-five percent  
18 ethanol.

19 (2) A fuel which is a mixture of diesel fuel and  
20 processed soybean oil. At least twenty percent of the  
21 mixed fuel by volume must be processed soybean oil.

22 (3) A renewable fuel approved by the office of  
23 renewable fuel and oil pursuant to section 159A.3.

24 b. Compressed or liquified natural gas.

25 c. Propane gas.

26 d. Solar energy.

27 e. Electricity.

28 The provisions of this subsection do not apply to  
29 vehicles and trucks purchased and directly used for  
30 law enforcement or off-road maintenance work.

31 Sec. 29. SOYDIESEL DEMONSTRATION PROJECTS.

32 1. The state department of transportation shall  
33 conduct a demonstration project using diesel trucks  
34 owned by the department. The trucks shall operate  
35 using soydiesel fuel for at least twenty thousand  
36 miles. The projects shall be under the oversight of  
37 the renewable fuel and oil advisory committee. The  
38 state department of transportation shall evaluate the  
39 performance of vehicles operating on soydiesel fuel,  
40 including the rate of repairs on the vehicles and  
41 comments of persons operating and maintaining the  
42 vehicles. The department shall submit its findings  
43 and recommendations to the renewable fuel and oil  
44 advisory committee as part of the reports provided in  
45 subsection 2.

46 2. Notwithstanding section 423.24, for the period  
47 beginning on July 1, 1993, and ending July 1, 1994,  
48 two and one-half percent of the total moneys used to  
49 support value-added agricultural products and  
50 processes as provided in that section shall be

S-5542

-20-

S-5542

Page 21

1 allocated for purposes of conducting soydiesel  
2 demonstration projects administered by the state  
3 department of transportation under the oversight of  
4 the renewable fuel and oil advisory committee.  
5 a. The office of renewable fuel and oil shall  
6 allocate the moneys to the state department of  
7 transportation. The department shall apply the moneys  
8 to match moneys used to support one or more special  
9 projects operations assistance grants which  
10 demonstrate the use of soydiesel fuel in one or more  
11 public transit systems.

12 b. The state department of transportation shall  
13 evaluate the performance of vehicles operating on  
14 soydiesel fuel, including the rate of repairs on the  
15 vehicles and comments of persons operating and  
16 maintaining the vehicles. The department shall submit  
17 initial findings and recommendations to the renewable  
18 fuel and oil advisory committee which shall submit a  
19 report to the senate and chief clerk of the house, the  
20 legislative service bureau, the chairpersons and  
21 ranking members of the senate standing committee on  
22 agriculture, the senate standing committee on small  
23 business, economic development and tourism, the house  
24 of representatives standing committee on agriculture,  
25 and the house of representatives standing committee on  
26 small business, economic development and trade. The  
27 department shall submit final findings and  
28 recommendations to the renewable fuel and oil advisory  
29 committee which shall submit a report to the general  
30 assembly. The initial report shall be due on October  
31 1, 1994. The final report shall be due on March 1,  
32 1995.

33 c. Moneys described pursuant to this subsection  
34 are allocated contingent upon a contribution made by  
35 either a private or public source to support soydiesel  
36 fuel demonstration projects in Iowa commencing during  
37 the fiscal year beginning July 1, 1993, and ending  
38 June 30, 1994.

39 d. Moneys available under this section which  
40 remain unexpended or unobligated on June 30, 1994,  
41 shall remain available to support the demonstration  
42 project and shall not revert pursuant to section 8.33.  
43 Moneys remaining unexpended or unobligated on June 30,  
44 1995, shall be credited to the value-added  
45 agricultural products and processes financial  
46 assistance fund as created in section 15E.112.

47 Sec. 30. ETHANOL PRODUCTION AND LIVESTOCK FEEDING  
48 EDUCATION PROJECT.

49 1. For the period beginning July 1, 1993, and  
50 ending June 30, 1994, the department of economic

S-5542

S-5542

Page 22

1 development shall allocate one and one-quarter percent  
2 of the total moneys used to support value-added  
3 agricultural products and processes as provided in  
4 section 423.24 to Iowa state university for purposes  
5 of sponsoring at least four seminars in different  
6 regions throughout the state, and a conference in a  
7 central location of the state. The seminars and the  
8 conference shall provide information relating to  
9 establishing and managing ethanol production  
10 facilities, the use of ethanol production coproducts  
11 to feed livestock, and the relationship between  
12 ethanol production and livestock feeding operations.  
13 The university shall, to every extent possible, invite  
14 nationally recognized experts to provide information  
15 regarding ethanol production processes, livestock  
16 nutrition, capitalization of production facilities,  
17 operational requirements, and marketing opportunities.

18 2. The department of economic development and  
19 relevant organizations representing agricultural  
20 producers as designated by the department shall  
21 cooperate with the university, and shall provide  
22 information and a representative to appear at each  
23 seminar and the conference. The department shall  
24 provide information regarding financial and technical  
25 assistance available from the department.

26 3. The university shall submit a report not later  
27 than December 1 to the secretary of the senate and the  
28 chief clerk of the house, describing the seminars and  
29 conference, including attendance numbers, and an  
30 analysis regarding the results of the project in  
31 attracting persons to begin ethanol production and  
32 livestock feeding operations.

33 4. Moneys available under this section which  
34 remain unexpended or unobligated on June 30, 1994,  
35 shall remain available to support the education  
36 project and shall not revert pursuant to section 8.33.  
37 Moneys remaining unexpended or unobligated on June 30,  
38 1995, shall be credited to the value-added  
39 agricultural products and processes financial  
40 assistance fund as created in section 15E.112.

41 Sec. 31. MICROBUSINESS RURAL ENTERPRISE  
42 DEMONSTRATION PROJECT.

43 1. As used in this section:

44 a. "Department" means the department of economic  
45 development.

46 b. "Microbusiness or microbusiness enterprise"  
47 means a business producing services with five or fewer  
48 full-time equivalent employee positions, and with  
49 asset requirements of up to twenty-five thousand  
50 dollars.

S-5542

-22-

S-5542

Page 23

1 c. "Microbusiness organization" means a nonprofit  
2 corporation organized under chapter 504A which is  
3 exempt from taxation pursuant to section 501(c) of the  
4 Internal Revenue Code, and which has a principal  
5 mission of actively engaging in microbusiness  
6 development, training, technical assistance, and  
7 access to capital for the start-up or expansion of  
8 microbusinesses.

9 2. For the period beginning July 1, 1993, and  
10 ending June 30, 1994, the department shall allocate  
11 two and one-half percent of the total moneys used to  
12 support value-added agriculture products and processes  
13 as provided in section 423.24 to be used for the  
14 purpose of conducting a microbusiness rural enterprise  
15 demonstration project.

16 3. The department shall contract with a  
17 microenterprise organization actively engaged in  
18 microbusiness enterprise in order to assist the  
19 establishment of this demonstration project. In order  
20 to qualify as the demonstration project, the  
21 microenterprise organization must:

22 a. Demonstrate a past performance and a capacity  
23 to successfully engage in microbusiness development.

24 b. Have a statewide commitment and focus to  
25 microbusiness development.

26 c. Provide training and technical assistance.

27 d. Demonstrate an ability to provide access to  
28 capital for start-up or expansion of a microbusiness.

29 e. Have established linkages with financial  
30 institutions.

31 f. Demonstrate an ability to provide follow-up  
32 technical assistance after a microbusiness start-up or  
33 expansion.

34 4. Moneys appropriated pursuant to this section  
35 which remain unexpended or unobligated on June 30,  
36 1994, shall be available to support the demonstration  
37 project and shall not revert pursuant to section 8.33.  
38 Moneys remaining unexpended or unobligated on June 30,  
39 1995, shall be available to support the demonstration  
40 project and shall not revert pursuant to section 8.33,  
41 but may be credited to the value-added agricultural  
42 products and processes financial assistance fund as  
43 created in section 15E.112.

44 5. The department shall submit a report to the  
45 secretary of the senate and the chief clerk of the  
46 house not later than November 1, 1994. The report  
47 shall detail the activities of the microenterprise  
48 organization, and describe the success of the project.

49 Sec. 32. TRANSFER OF UNOBLIGATED MONEYS. Any  
50 unobligated moneys required to be or actually

S-5542

-23-

S-5542

Page 24

1 deposited in the ethanol production incentive account  
2 of the renewable fuel fund as provided in section  
3 423.24 prior to the effective date of this Act, other  
4 than moneys dedicated to the administration of the  
5 office of renewable fuel, shall be transferred to the  
6 value-added agricultural products and processes  
7 assistance fund as created in section 15E.112, in  
8 order to carry out the provisions of this Act.

9 Sec. 33. REPEALS.

10 1. 1992 Iowa Acts, chapter 1099, section 11, is  
11 repealed.

12 2. Section 159A.8, Code 1993, is repealed.

13 Sec. 34. ELIMINATION OF FUNDING SOURCE --

14 DIRECTIONS TO CODE EDITOR.

15 1. Section 423.24, subsection 1, paragraph b, Code  
16 Supplement 1993, is amended by striking the paragraph.

17 2. No moneys shall be deposited into the value-  
18 added agricultural products and processes financial  
19 assistance fund or the renewable fuel and oil fund,  
20 pursuant to section 423.24, as provided in this Act,  
21 after June 30, 2000.

22 3. Notwithstanding this section, restrictions upon  
23 the amount of money used to support administrative  
24 expenses by the department of economic development  
25 shall continue to apply to moneys deposited in the  
26 value-added agricultural products and processes  
27 financial assistance fund, pursuant to section 423.24,  
28 as provided in this Act, after June 30, 2000.

29 4. Any unencumbered or unobligated moneys in the  
30 value-added agricultural products and processes  
31 financial assistance fund derived from moneys  
32 deposited pursuant to section 423.24, which are in  
33 excess of four million dollars of the unencumbered or  
34 unobligated moneys in the fund deposited pursuant to  
35 that section, which are remaining on June 30, 2000,  
36 shall be credited on August 31, 2000, to the road use  
37 tax fund as created in section 312.1.

38 5. The Code editor is directed to eliminate  
39 provisions within sections of this Act wherever  
40 references to section 423.24, subsection 1, paragraph  
41 "b", appear in those provisions.

42 6. This section takes effect on July 1, 2000.

43 Sec. 35. EFFECTIVE DATE. This Act, being deemed  
44 of immediate importance, takes effect upon enactment."

45 2. Title page, by striking lines 1 through 4 and  
46 inserting the following: "An Act relating to  
47 agricultural development and rural revitalization, by  
48 providing for value-added agricultural products and  
49 processes, providing for programs and moneys,  
50 providing for repeal of provisions, and providing

S-5542

-24-

S-5542

Page 25

1 effective dates."

By PATTY JUDGE

S-5542 FILED APRIL 8, 1994

ADOPTED

Judge - Chair  
Bartz  
Kibbic

SSB- 2155  
Small Business +  
Economic Development

SENATE FILE 2294  
BY (PROPOSED COMMITTEE ON SMALL  
BUSINESS, ECONOMIC DEVELOPMENT  
AND TOURISM BILL BY CHAIRPERSON  
RIORDAN)

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

**A BILL FOR**

1 An Act relating to value-added products, including renewable fuel  
2 and coproducts derived from renewable fuel processing  
3 facilities, providing for programs, the appropriation of  
4 moneys, the repeal of a section, and an effective date.

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

6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

1 Section 1. Section 15.203, Code 1993, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 6. The agricultural products advisory  
4 council shall conduct the final evaluation and selection of  
5 applicants for assistance under the renewable fuel coproduct  
6 enhancement program, as provided in section 159A.8.

7 Sec. 2. Section 15.318, Code 1993, is amended by adding  
8 the following new subsections:

9 NEW SUBSECTION. 16. The capacity of the proposed project  
10 to create products by adding value to agricultural  
11 commodities.

12 NEW SUBSECTION. 17. The degree to which the proposed  
13 project relies upon agricultural or value-added research  
14 conducted at a college or university.

15 Sec. 3. Section 18.115, subsection 5, Code Supplement  
16 1993, is amended to read as follows:

17 5. Of all new passenger vehicles and light pickup trucks  
18 purchased by the state vehicle dispatcher, institutions-under  
19 the-control-of-the-state-board-of-regents, community-colleges,  
20 and-any-other-state-agency-purchasing-such-new-vehicles-and  
21 trucks, beginning-July-1, 1992, a minimum of five percent, and  
22 beginning-July-1, 1994, a minimum of ten percent of all such  
23 vehicles and trucks purchased shall be equipped with engines  
24 which utilize alternative methods of propulsion including but  
25 not limited to those-propelled-by-flexible-fuels, compressed  
26 any of the following:

27 a. A flexible fuel, which is any of the following:

28 (1) A fuel blended with not more than fifteen percent  
29 gasoline and at least eighty-five percent ethanol.

30 (2) A fuel which is a mixture of diesel fuel and processed  
31 soybean oil. At least twenty percent of the mixed fuel by  
32 volume must be processed soybean oil.

33 (3) A renewable fuel approved by the office of renewable  
34 fuel pursuant to section 159A.2.

35 b. Compressed natural gas, propane.

1 c. Propane gas solar.

2 d. Solar energy or electricity.

3 e. Electricity. For the purpose of this subsection,  
 4 "flexible-fuels" means fuels which are blended with eighty-  
 5 five-percent ethanol and fifteen-percent gasoline.

6 PARAGRAPH DIVIDED. The provisions of this subsection do  
 7 not apply to such vehicles and trucks purchased and directly  
 8 used for the following purposes: law enforcement, or off-road  
 9 maintenance work, or work vehicles used to pull loaded  
 10 trailers. This subsection also does not apply to school  
 11 corporations, with the exceptions of those designated above.

12 PARAGRAPH DIVIDED. It is the intent of the general  
 13 assembly that the members of the midwest energy compact  
 14 promote the development and purchase of motor vehicles  
 15 equipped with engines which utilize alternative methods of  
 16 propulsion.

17 Sec. 4. Section 159A.2, subsection 5, Code 1993, is  
 18 amended to read as follows:

19 5. "Renewable fuel" means an energy source derived from an  
 20 organic compound, including a photosynthate, which may be used  
 21 to power an engine. A renewable fuel includes but is not  
 22 limited to ethanol or soydiesel fuel.

23 Sec. 5. Section 159A.2, subsection 6, Code 1993, is  
 24 amended by adding the following new paragraph:

25 NEW PARAGRAPH. c. The research or development of a  
 26 process that directly or indirectly impacts the economic  
 27 viability of agricultural grain processing facilities, which  
 28 produce renewable fuel.

29 Sec. 6. Section 159A.2, Code 1993, is amended by adding  
 30 the following new subsection:

31 NEW SUBSECTION. 7. "Soydiesel fuel" means a fuel which is  
 32 a mixture of diesel fuel and processed soybean oil, if at  
 33 least twenty percent of the mixed fuel by volume is processed  
 34 soybean oil.

35 Sec. 7. Section 159A.3, subsection 1, paragraphs a through

1 f, Code 1993, are amended to read as follows:

2 a. The price competitiveness of the renewable fuel.

3 b. The degree to which obstacles that inhibit the  
4 production capacity-and expansion or supply of the renewable  
5 fuel may be overcome.

6 c. The ease and safety of transporting and storing the  
7 renewable fuel.

8 d. The degree to which the renewable fuel is currently  
9 developed for ready transfer to current engine technology.

10 e. The degree to which the renewable fuel is  
11 environmentally protective.

12 f. The degree to which the renewable fuel provides  
13 economic development opportunities.

14 Sec. 8. Section 159A.3, subsection 2, Code 1993, is  
15 amended by adding the following new paragraph:

16 NEW PARAGRAPH. k. Approval of a renewable fuel which may  
17 be used as a flexible fuel powering a motor vehicle required  
18 to be purchased by state agencies.

19 Sec. 9. Section 159A.3, subsections 3 and 5, Code 1993,  
20 are amended to read as follows:

21 3. ~~A~~ The chief purpose of the office is to further the  
22 production and consumption of ~~ethanol~~ renewable fuel in this  
23 state. The office shall be the primary state agency charged  
24 with the responsibility to promote public consumption of  
25 ~~ethanol~~ renewable fuel.

26 5. The office and state entities, including the  
27 department, the committee, the Iowa department of economic  
28 development, the state department of transportation, the  
29 department of natural resources, state board of regents'  
30 institutions, and the Wallace technology transfer foundation  
31 of Iowa, shall cooperate to implement this section.

32 Sec. 10. Section 159A.3, Code 1993, is amended by adding  
33 the following new subsections:

34 NEW SUBSECTION. 6. The department of natural resources  
35 shall cooperate with the office in order to ensure that a

1 proposed renewable fuel processing facility or an applicant  
2 participating in the renewable fuel coproduct enhancement  
3 program complies with all applicable environmental regulations  
4 in an expeditious manner. The department of natural resources  
5 shall assign a staff person who shall give the highest  
6 priority to providing the assistance.

7 NEW SUBSECTION. 7. Iowa state university, including the  
8 Iowa state university cooperative extension service, shall  
9 cooperate with the office in order to assist renewable fuel  
10 processing facilities and users of a renewable fuel coproduct,  
11 including livestock or poultry feed. The assistance shall  
12 include providing nutrition and livestock management advice.

13 Sec. 11. Section 159A.4, subsection 1, Code 1993, is  
14 amended by adding the following new paragraph after paragraph  
15 h and relettering the subsequent paragraphs:

16 NEW PARAGRAPH. i. A person representing the Iowa soybean  
17 association.

18 Sec. 12. Section 159A.4, subsection 1, unnumbered  
19 paragraph 2, Code 1993, is amended to read as follows:

20 The governor shall appoint persons who shall be confirmed  
21 by the senate, pursuant to section 2.32, to serve as voting  
22 members of the committee. However, the secretary of  
23 agriculture shall appoint the person representing the  
24 department of agriculture and land stewardship, the director  
25 of the Iowa department of economic development shall appoint  
26 the person representing that department, the director of the  
27 state department of transportation shall appoint the person  
28 representing that department, and the director of the  
29 department of natural resources shall appoint the person  
30 representing that department. The governor may make  
31 appointments of persons representing organizations listed  
32 under paragraphs "g" and "~~h~~" through "i" from a list of  
33 candidates which shall be provided by the organization upon  
34 request by the governor.

35 Sec. 13. Section 159A.5, subsection 5, paragraph e, Code

1 Supplement 1993, is amended to read as follows:

2 e. ~~Review the-distribution-of-ethanol-production-incentive~~  
3 ~~payments-to-qualified-persons and comment on applications for~~  
4 ~~assistance under the renewable fuel coproduct enhancement~~  
5 ~~program~~, pursuant to section 159A.8.

6 Sec. 14. Section 159A.7, Code Supplement 1993, is amended  
7 to read as follows:

8 159A.7 RENEWABLE FUEL FUND.

9 1. A renewable fuel fund is created in the state treasury  
10 under the control of the office of renewable fuel. The fund  
11 is composed of moneys accepted by the office. Moneys in the  
12 fund shall be deposited into the renewable fuel activities  
13 account or the ethanol-production-incentive renewable fuel  
14 coproduct enhancement account. The fund may include moneys  
15 appropriated by the general assembly, and other moneys  
16 available to and obtained or accepted by the office, including  
17 moneys from the United States, other states in the union,  
18 foreign nations, state agencies, political subdivisions, and  
19 private sources.

20 Moneys in the fund shall be used only to administer carry  
21 out the provisions of this chapter.

22 2. Moneys in the ~~renewable-fuel-activities-account~~ fund  
23 shall be allocated at the beginning of each fiscal year as  
24 ~~follows:~~ provided in section 159A.8.

25 ~~a:--Up-to-forty-percent-may-be-dedicated-to-support~~  
26 ~~promotion-and-advertising-of-ethanol-fuel:~~

27 ~~b:--Up-to-thirty-percent-may-be-dedicated-to-support~~  
28 ~~research-at-the-university-of-iowa:~~

29 ~~c:--Up-to-thirty-percent-may-be-dedicated-to-support~~  
30 ~~research-at-iowa-state-university-of-science-and-technology:~~

31 d. The Any remaining balance shall be used by the office  
32 to support other projects-or-programs renewable fuel  
33 activities developed by the office.

34 3. Moneys shall be deposited in the ethanol-production  
35 incentive-account fund as provided in section 423.24. One Not

1 more than one percent of the total moneys deposited and  
2 appropriated to the fund pursuant to section 423.24 deposited  
3 in-the-account-during-each-quarter shall be allocated to used  
4 by the department for administration of the office. Remaining  
5 moneys-shall-be-allocated-to-provide-financial-incentives-to  
6 support-the-increased-production-of-ethanol-derived-from-an  
7 organic-compound, including a photosynthate, as provided in  
8 section 159A.8.

9 4. Moneys in the fund are subject to an annual audit by  
10 the auditor of state. The fund is subject to warrants by the  
11 director of revenue and finance, drawn upon the written  
12 requisition of the coordinator.

13 5. In administering the fund, the office may do all of the  
14 following:

15 a. Contract, sue and be sued, and adopt procedures  
16 necessary to administer this section. However, the office  
17 shall not in any manner, directly or indirectly, pledge the  
18 credit of the state.

19 b. Authorize payment from the ~~accounts, from income~~  
20 ~~received by investment of moneys in the fund, fund~~ for  
21 ~~administrative costs, commissions, attorney and accountant~~  
22 ~~fees, and other reasonable expenses related to and necessary~~  
23 ~~for administering the accounts fund.~~

24 6. Section 8.33 does not apply to moneys in the ~~renewable~~  
25 ~~fuel-activities-account fund~~. Income received by investment  
26 of moneys in the ~~account fund~~ shall remain in ~~that-account the~~  
27 ~~fund~~. ~~Moneys-appropriated-for-a-state-fiscal-year-to-the~~  
28 ~~ethanol-production-incentive-account-which-remain-unobligated~~  
29 ~~and-unencumbered-on-July-31-of-the-following-state-fiscal-year~~  
30 ~~shall-be-credited-to-the-road-use-tax-fund-as-provided-in~~  
31 ~~section-423-24.~~

32 Sec. 15. Section 159A.8, Code 1993, is amended by striking  
33 the section, and inserting in lieu thereof the following:

34 159A.8 RENEWABLE FUEL COPRODUCT ENHANCEMENT PROGRAM.

35 1. A renewable fuel coproduct enhancement program is

1 established. The department shall adopt rules pursuant to  
2 chapter 17A to implement the program. The program shall be  
3 administered by the office.

4 2. The purpose of the program is to stimulate the growth  
5 in the state's renewable fuel industry by increasing the  
6 demand for coproducts derived from renewable fuel production,  
7 including livestock feeds. Financial assistance shall be in  
8 the form of a grant, loans, or loan guarantees, as determined  
9 by the office. The office shall not award an amount greater  
10 than thirty percent of total costs of a project. The  
11 financial assistance shall be awarded to assist any of the  
12 following:

13 a. The construction, expansion, or purchase of facilities  
14 used to further process or handle livestock feed, including  
15 drying and packaging.

16 b. The development of a distribution system principally  
17 used for transporting a renewable fuel coproduct from a  
18 renewable fuel processing facility to a person who uses the  
19 coproduct in a livestock feeding operation.

20 3. A person is eligible to apply for assistance under this  
21 section, if the person satisfies the following requirements:

22 a. The proposed project would result in a new enterprise  
23 which would operate in the state and within close proximity to  
24 a renewable fuel processing facility.

25 b. The application is made in a manner and according to  
26 procedures required by the office.

27 c. The person submits a business plan which demonstrates  
28 managerial and technical expertise.

29 4. An eligible proposal shall be based on the following  
30 criteria:

31 a. The feasibility of the proposal to be a viable  
32 enterprise.

33 b. The level of need in the area to be served by the  
34 proposal. The level of need may be indicated by commitments  
35 made to participate in the project by local livestock

1 producers.

2 c. The proportion of moneys to be contributed to the  
3 project.

4 d. The number of livestock which could be supported by the  
5 project. A project must support at least one thousand head of  
6 livestock.

7 Special consideration shall be given to proposals that are  
8 managed by an organized group of livestock producers that may  
9 be organized as a cooperative association pursuant to chapter  
10 497, 498, or 499.

11 5. The office shall grant financial assistance to a  
12 successful applicant following a competitive selection  
13 process. The process shall include a review by the committee.  
14 The final evaluation and selection shall be made by the  
15 agricultural products advisory council, established pursuant  
16 to section 15.203. The council shall not approve an  
17 application for assistance under this section to refinance an  
18 existing loan or to finance an existing enterprise.

19 6. The office shall prepare and submit by January 1 of  
20 each year an annual status report regarding the progress of  
21 activities under this section. The report shall be delivered  
22 to the secretary of the senate and the chief clerk of the  
23 house; the legislative service bureau; the chairpersons and  
24 ranking members of the senate standing committee on  
25 agriculture; the senate standing committee on small business,  
26 economic development and tourism; the house of representatives  
27 standing committee on agriculture; and the house of  
28 representatives standing committee on small business, economic  
29 development and trade.

30 Sec. 16. NEW SECTION. 159A.9 RENEWABLE FUEL PROMOTION  
31 AND RESEARCH PROGRAM.

32 1. The office shall establish renewable fuel programs to  
33 encourage the increased utilization of agricultural  
34 commodities produced in this state, by supporting the  
35 increased consumption of renewable fuel.

1 2. The office shall allocate moneys in the renewable fuel  
2 activities account of the fund to support research and  
3 promotion. Moneys in the account shall be allocated during  
4 each fiscal year as follows:

5 a. At least forty percent shall be dedicated to support  
6 the promotion and advertising of renewable fuel.

7 b. Up to thirty percent shall be dedicated to support  
8 research at colleges and universities, including the  
9 university of Iowa, Iowa state university of science and  
10 technology, and the university of northern Iowa.

11 Sec. 17. Section 214A.16, Code 1993, is amended to read as  
12 follows:

13 214A.16 NOTICE OF BLENDED FUEL -- DECAL.

14 All motor vehicle fuel kept, offered, or exposed for sale,  
15 or sold at retail containing over one percent ethanol,  
16 methanol, or any combination of oxygenate octane enhancers  
17 shall be identified as "with" either "ethanol", "methanol",  
18 "ethanol/methanol", or similar wording on a decal. All diesel  
19 fuel kept, offered, or exposed for sale, or sold at retail  
20 containing over one percent soybean oil by volume shall be  
21 identified as "with soydiesel" or similar wording on a decal.  
22 The design and location of the decals may shall be prescribed  
23 by rules adopted by the department. The department shall  
24 adopt the rules to be effective by January 1, 1995. A decal  
25 identifying a renewable fuel shall be consistent with  
26 standards adopted pursuant to section 159A.6. ~~ff~~ Until the  
27 department ~~does-not-establish~~ establishes standards for a  
28 ~~decal-relating-to-a-specific-oxygenate-octane-enhancer~~ decals,  
29 the wording shall be on a white adhesive decal with black  
30 letters at least one-half inch high and at least one-quarter  
31 inch wide placed between thirty and forty inches above the  
32 driveway level on the front sides of any container or pump  
33 from which the motor fuel is sold. The department may approve  
34 an application to place a decal in a special location on a  
35 pump or container or use a decal with special lettering or

1 colors, if the decal appears clear and conspicuous to the  
2 consumer. The application shall be made in writing pursuant  
3 to procedures adopted by the department. Designs for a decal  
4 identifying a renewable fuel shall be consistent with  
5 standards adopted pursuant to section 159A.6.

6 Sec. 18. Section 216B.3, subsection 16, Code Supplement  
7 1993, is amended to read as follows:

8 16. a. A motor vehicle purchased by the commission shall  
9 not operate on gasoline other than gasoline blended with at  
10 least ten percent ethanol. A state issued credit card used to  
11 purchase gasoline shall not be valid to purchase gasoline  
12 other than gasoline blended with at least ten percent ethanol.  
13 The motor vehicle shall also be affixed with a brightly  
14 visible sticker which notifies the traveling public that the  
15 motor vehicle is being operated on gasoline blended with  
16 ethanol. However, the sticker is not required to be affixed  
17 to an unmarked vehicle used for purposes of providing law  
18 enforcement or security.

19 b. Of all new passenger vehicles and light pickup trucks  
20 purchased by the commission, a minimum of ten percent of all  
21 such vehicles and trucks purchased shall be equipped with  
22 engines which utilize alternative methods of propulsion,  
23 including but not limited to any of the following:

24 (1) A flexible fuel which is either of the following:

25 (a) A fuel blended with not more than fifteen percent  
26 gasoline and at least eighty-five percent ethanol.

27 (b) A fuel which is a mixture of diesel fuel and processed  
28 soybean oil. At least twenty percent of the mixed fuel by  
29 volume must be processed soybean oil.

30 (c) A renewable fuel approved by the office of renewable  
31 fuel pursuant to section 159A.3.

32 (2) Compressed natural gas.

33 (3) Propane gas.

34 (4) Solar energy.

35 (5) Electricity.

1 The provisions of this paragraph "b" do not apply to  
2 vehicles and trucks purchased and directly used for law  
3 enforcement or off-road maintenance work.

4 Sec. 19. Section 260C.19A, Code Supplement 1993, is  
5 amended to read as follows:

6 260C.19A MOTOR VEHICLES REQUIRED TO OPERATE ON ETHANOL-  
7 BLENDED-GASOLINE ALTERNATIVE FUELS.

8 1. A motor vehicle purchased by or used under the  
9 direction of the board of directors to provide services to a  
10 merged area shall not, ~~on or after January 17, 1993,~~ operate on  
11 gasoline other than gasoline blended with at least ten percent  
12 ethanol. The motor vehicle shall also be affixed with a  
13 brightly visible sticker which notifies the traveling public  
14 that the motor vehicle is being operated on gasoline blended  
15 with ethanol. However, the sticker is not required to be  
16 affixed to an unmarked vehicle used for purposes of providing  
17 law enforcement or security.

18 2. Of all new passenger vehicles and light pickup trucks  
19 purchased by or under the direction of the board of directors  
20 to provide services to a merged area, a minimum of ten percent  
21 of all such vehicles and trucks purchased shall be equipped  
22 with engines which utilize alternative methods of propulsion,  
23 including but not limited to any of the following:

24 a. A flexible fuel which is either of the following:

25 (1) A fuel blended with not more than fifteen percent  
26 gasoline and at least eighty-five percent ethanol.

27 (2) A fuel which is a mixture of diesel fuel and processed  
28 soybean oil. At least twenty percent of the mixed fuel by  
29 volume must be processed soybean oil.

30 (3) A renewable fuel approved by the office of renewable  
31 fuel pursuant to section 159A.3.

32 b. Compressed natural gas.

33 c. Propane gas.

34 d. Solar energy.

35 e. Electricity.

1 The provisions of this subsection do not apply to vehicles  
2 and trucks purchased and directly used for law enforcement or  
3 off-road maintenance work.

4 Sec. 20. Section 262.25A, Code Supplement 1993, is amended  
5 by adding the following new subsection:

6 NEW SUBSECTION. 3. Of all new passenger vehicles and  
7 light pickup trucks purchased by or under the direction of the  
8 state board of regents to provide services to a merged area, a  
9 minimum of ten percent of all such vehicles and trucks  
10 purchased shall be equipped with engines which utilize  
11 alternative methods of propulsion, including but not limited  
12 to any of the following:

13 a. A flexible fuel which is either of the following:

14 (1) A fuel blended with not more than fifteen percent  
15 gasoline and at least eighty-five percent ethanol.

16 (2) A fuel which is a mixture of processed soybean oil and  
17 diesel fuel. At least twenty percent of the fuel by volume  
18 must be processed soybean oil.

19 (3) A renewable fuel approved by the office of renewable  
20 fuel pursuant to section 159A.3.

21 b. Compressed natural gas.

22 c. Propane gas.

23 d. Solar energy.

24 e. Electricity.

25 The provisions of this subsection do not apply to vehicles  
26 and trucks purchased and directly used for law enforcement or  
27 off-road maintenance work.

28 Sec. 21. Section 307.21, Code Supplement 1993, is amended  
29 by adding the following new subsection:

30 NEW SUBSECTION. 4A. Of all new passenger vehicles and  
31 light pickup trucks purchased by the administrator, a minimum  
32 of ten percent of all such vehicles and trucks purchased shall  
33 be equipped with engines which utilize alternative methods of  
34 propulsion, including but not limited to any of the following:

35 a. A flexible fuel which is either of the following:

1 (1) A fuel blended with not more than fifteen percent  
2 gasoline and at least eighty-five percent ethanol.

3 (2) A fuel which is a mixture of processed soybean oil and  
4 diesel fuel. At least twenty percent of the fuel by volume  
5 must be processed soybean oil.

6 (3) A renewable fuel approved by the office of renewable  
7 fuel pursuant to section 159A.3.

8 b. Compressed natural gas.

9 c. Propane gas.

10 d. Solar energy.

11 e. Electricity.

12 The provisions of this subsection do not apply to vehicles  
13 and trucks purchased and directly used for law enforcement or  
14 off-road maintenance work.

15 Sec. 22. Section 423.24, subsection 1, paragraph b, Code  
16 Supplement 1993, is amended to read as follows:

17 b. Beginning on July 1, 1993, ~~three-and-one-half-percent~~  
18 ~~of-the-revenue-not-to-exceed-one-million-dollars-per-quarter,~~  
19 of the revenue derived from the use tax on motor vehicles,  
20 trailers, and motor vehicle accessories and equipment as  
21 collected pursuant to section 423.77:

22 (1) Three and one-half percent of the revenue, not to  
23 exceed nine hundred twenty-five thousand dollars per quarter,  
24 shall be deposited in the ethanol-production-incentive  
25 renewable fuel coproduct enhancement account of the renewable  
26 fuel fund created in section 159A.7.

27 (2) One-half of one percent of the revenue, not to exceed  
28 seventy-five thousand dollars per quarter, shall be deposited  
29 in the renewable fuel activities account of the renewable fuel  
30 fund created in section 159A.7.

31 PARAGRAPH DIVIDED. Moneys deposited according to this  
32 paragraph are a continuing appropriation for expenditure under  
33 ~~section-159A:8~~ section 159A.7. Moneys-deposited-during-a  
34 ~~state-fiscal-year-to-the-ethanol-production-incentive-account~~  
35 ~~which-remain-unobligated-and-unencumbered-on-July-31-of-the~~

1 following-state-fiscal-year-shall-be-credited-to-the-road-use  
2 tax-fund-as-provided-in-this-section.

3 Sec. 23. NEW SECTION. 904.312A MOTOR VEHICLES.

4 1. A motor vehicle purchased by the department shall not  
5 operate on gasoline other than gasoline blended with at least  
6 ten percent ethanol. A state-issued credit card used to  
7 purchase gasoline shall not be valid to purchase gasoline  
8 other than gasoline blended with at least ten percent ethanol.  
9 The motor vehicle shall also be affixed with a brightly  
10 visible sticker which notifies the traveling public that the  
11 motor vehicle is being operated on gasoline blended with  
12 ethanol. However, the sticker is not required to be affixed  
13 to an unmarked vehicle used for purposes of providing law  
14 enforcement or security.

15 2. Of all new passenger vehicles and light pickup trucks  
16 purchased by the department, a minimum of ten percent of all  
17 such vehicles and trucks purchased shall be equipped with  
18 engines which utilize alternative methods of propulsion,  
19 including but not limited to any of the following:

20 a. A flexible fuel which is either of the following:

21 (1) A fuel blended with not more than fifteen percent  
22 gasoline and at least eighty-five percent ethanol.

23 (2) A fuel which is a mixture of diesel fuel and processed  
24 soybean oil. At least twenty percent of the mixed fuel by  
25 volume must be processed soybean oil.

26 (3) A renewable fuel approved by the office of renewable  
27 fuel pursuant to section 159A.3.

28 b. Compressed natural gas.

29 c. Propane gas.

30 d. Solar energy.

31 e. Electricity.

32 The provisions of this subsection do not apply to vehicles  
33 and trucks purchased and directly used for law enforcement or  
34 off-road maintenance work.

35 Sec. 24. SOYDIESEL DEMONSTRATION PROJECTS.

1 1. The state department of transportation shall conduct a  
2 demonstration project using diesel trucks owned by the  
3 department. The department of general services shall conduct  
4 a demonstration project using not less than four diesel trucks  
5 owned by the department. Each truck shall operate using  
6 soydiesel fuel for at least twenty thousand miles. The  
7 projects shall be under the oversight of the renewable fuel  
8 advisory committee.

9 2. There is appropriated from the renewable fuel  
10 activities account of the renewable fuel fund as created in  
11 section 159A.7 for the fiscal year beginning July 1, 1993, and  
12 ending June 30, 1994, the following amount, or so much thereof  
13 as is necessary, to be used for the purposes designated:

14 For purposes of conducting soydiesel demonstration projects  
15 administered by the state department of transportation under  
16 the oversight of the renewable fuel advisory committee:

17 ..... \$ 100,000

18 a. The office of renewable fuel shall allocate the moneys  
19 to the state department of transportation. The department  
20 shall apply the moneys to match moneys used to support one or  
21 more special projects operations assistance grants which  
22 demonstrate the use of soydiesel fuel in one or more public  
23 transit systems.

24 b. Moneys described pursuant to this subsection are  
25 allocated contingent upon a matching contribution made by  
26 either a private or public source to support soydiesel fuel  
27 demonstration projects in Iowa commencing during the fiscal  
28 year beginning July 1, 1993, and ending June 30, 1994.

29 c. Moneys available under this subsection which remain  
30 unexpended or unobligated on June 30, 1994, shall remain  
31 available to support the demonstration project and shall not  
32 revert pursuant to section 8.33. Moneys remaining unexpended  
33 or unobligated on June 30, 1995, shall be credited to the  
34 renewable fuel activities account of the renewable fuel fund  
35 created in section 159A.7.

1 3. The state department of transportation and the  
2 department of general services shall evaluate the performance  
3 of vehicles operating on soydiesel fuel, including the rate of  
4 repairs on the vehicles and comments of persons operating and  
5 maintaining the vehicles. The departments shall submit  
6 initial findings and recommendations to the renewable fuel  
7 advisory committee which shall submit a report to the senate  
8 and chief clerk of the house, the legislative service bureau,  
9 the chairpersons and ranking members of the senate standing  
10 committee on agriculture, the senate standing committee on  
11 small business, economic development and tourism, the house of  
12 representatives standing committee on agriculture, and the  
13 house of representatives standing committee on small business,  
14 economic development and trade. The departments shall submit  
15 final findings and recommendations to the renewable fuel  
16 advisory committee which shall submit a report to the general  
17 assembly. The initial report shall be due on October 1, 1994.  
18 The final report shall be due on March 1, 1995.

19 Sec. 25. REPEAL. 1992 Iowa Acts, chapter 1099, section  
20 11, is repealed.

21 Sec. 26. EFFECTIVE DATE. This Act, being deemed of  
22 immediate importance, takes effect upon enactment.

23 EXPLANATION

24 This bill provides for the production and use of value-  
25 added agricultural products in this state, and especially  
26 renewable fuel.

27 The bill adds two new criteria to the factors required to  
28 be considered when the department of economic development  
29 awards moneys to businesses under the community economic  
30 betterment account (CEBA) program. The bill requires that  
31 preference be given to businesses which demonstrate a capacity  
32 to create products by adding value to agricultural  
33 commodities. The bill also requires that preference be given  
34 to businesses which rely upon agricultural or value-added  
35 research conducted at a college or university.

1 The bill amends a number of provisions authorizing state  
2 agencies to purchase vehicles. In 1991, the general assembly  
3 amended a number of these provisions by requiring that state  
4 and local agencies operate their gasoline-powered motor  
5 vehicles with a blend of gasoline and ethanol. In the same  
6 year, the general assembly amended section 118.115 to provide  
7 that after July 1994, state agencies must purchase a minimum  
8 of 10 percent of all motor vehicles and light trucks using  
9 alternative fuel sources, including a "flexible fuel" which is  
10 defined to mean gasoline blended with at least 85 percent  
11 ethanol. This bill provides that a flexible fuel may include  
12 a mixture of diesel fuel and soybean oil which contains at  
13 least 20 percent soybean oil by volume, or a renewable fuel  
14 approved by the department of agriculture and land  
15 stewardship. The bill makes amendments in the same sections  
16 containing the ethanol requirements. In 1991, there was no  
17 amendment to sections authorizing the department of  
18 corrections to operate its motor vehicles using ethanol. This  
19 bill requires that the department of corrections operate its  
20 vehicles using ethanol-blended gasoline to the same extent  
21 required by other state and local governmental entities.

22 The bill amends a provision detailing the composition of  
23 the renewable fuel advisory committee, by adding a person  
24 representing the Iowa soybean association.

25 Currently, the office of renewable fuel within the  
26 department of agriculture and land stewardship administers the  
27 renewable fuel fund which is divided into two accounts. The  
28 first account is dedicated to supporting research and  
29 promotion. The second account is dedicated to supporting an  
30 incentive program which subsidizes the production of ethanol  
31 according to the number of gallons produced. The incentive  
32 account is supported by moneys derived from the use tax on  
33 motor vehicles, trailers, and motor vehicle accessories and  
34 equipment collected pursuant to section 423.7. This bill  
35 eliminates the incentive program and provides that the moneys

1 must be used to encourage the demand for coproducts derived  
2 from renewable fuel production.

3 The purpose of the program is to stimulate the growth in  
4 the state's renewable fuel industry by increasing the demand  
5 for coproducts derived from renewable fuel production,  
6 including livestock feeds. Financial assistance can be in the  
7 form of a grant, loan, or loan guarantee. Not more than 30  
8 percent of total project costs can be supported by an award.  
9 In awarding financial assistance, the department must commit  
10 moneys to assist in the construction, expansion, or purchase  
11 of facilities used to further process or handle livestock  
12 feed, including drying and packaging. Moneys may also be used  
13 to support the development of a distribution system  
14 principally used for transporting a renewable fuel coproduct  
15 from a renewable fuel processing facility to a person who uses  
16 the coproduct in a livestock feeding operation.

17 Current Code section 214A.16 provides that motor vehicle  
18 fuel sold at retail must be identified as containing ethanol.  
19 The bill amends the section to provide that all diesel fuel  
20 kept, offered, or exposed for sale, or sold at retail  
21 containing over 1 percent soybean oil by volume must be  
22 similarly identified. The design and location of the decals  
23 must be prescribed by rules adopted by the department. A  
24 decal identifying a renewable fuel shall be consistent with  
25 standards adopted pursuant to section 159A.6.

26 The bill also requires the department of transportation and  
27 the department of general services to conduct soydiesel  
28 demonstration projects in which vehicles owned by the  
29 departments are operated with fuel which contains a mixture of  
30 diesel fuel and soybean oil. The department of transportation  
31 is required to assist governmental bodies which seek to  
32 operate public transit vehicles using a mixture of diesel fuel  
33 and soybean oil. The assistance shall include the award of  
34 moneys as financial incentives. The bill requires the  
35 departments to evaluate the performance of vehicles operating

1 on soydiesel fuel, including the rate of repairs on the  
2 vehicles and comments of persons operating and maintaining the  
3 vehicles. The departments must cooperate to prepare and  
4 submit a report to the governor and the general assembly.

5 The bill repeals a provision which sunsets the  
6 appropriation of moneys from the use tax.

7 The bill takes effect upon enactment.

8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35