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SENATE FILE 2321
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 2263)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

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

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

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S.F. 2321

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 1, 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. For the fiscal year beginning July 1, 1993, and ending

1 June 30, 1994, the office of renewable fuel shall allocate two
2 and one-half percent of the total moneys available to support
3 the renewable fuel fund as provided in section 423.24 for the
4 purposes of conducting soydiesel demonstration projects
5 administered by state agencies under the oversight of the
6 renewable fuel advisory committee.

7 2. a. The office of renewable fuel shall allocate a
8 portion of the moneys to the state department of
9 transportation and the department of general services which
10 shall conduct soydiesel demonstration projects using diesel
11 vehicles. Each vehicle shall operate using soydiesel fuel for
12 at least 20,000 miles. The projects shall be conducted under
13 the oversight of the renewable fuel advisory committee.

14 b. The office shall allocate the remaining moneys to the
15 state department of transportation to assist governmental
16 bodies which seek to operate public transit vehicles using a
17 mixture of diesel fuel and soybean oil. The department shall
18 expend the moneys on a dollar-for-dollar matching basis with
19 contributions from a nonstate source in order to support one
20 or more special project operation assistance grants that
21 demonstrate the use of soydiesel fuel in one or more public
22 transit vehicles. All awards received by a governmental body
23 shall be used directly to subsidize the operation of public
24 transit vehicles using fuel which contains a mixture of diesel
25 fuel and soybean oil.

26 3. The state department of transportation and the
27 department of general services shall evaluate the performance
28 of vehicles operating on soydiesel fuel, including the rate of
29 repairs on the vehicles and comments of persons operating and
30 maintaining the vehicles. The departments shall submit
31 findings and recommendations to the renewable fuel advisory
32 committee which shall submit a report to the general assembly,
33 not later than March 1, 1995.

34 4. Moneys appropriated pursuant to this section which
35 remain unexpended or unobligated on June 30, 1994, shall

1 continue to be available to support the demonstration project
2 and shall not revert pursuant to section 8.33.

3 Sec. 25. MICROBUSINESS RURAL ENTERPRISE DEMONSTRATION
4 PROJECT.

5 1. As used in this section:

6 a. "Department" means the department of economic
7 development.

8 b. "Microbusiness" means a business producing goods or
9 providing services with five or fewer full-time equivalent
10 employee positions, and with asset requirements of up to
11 twenty-five thousand dollars.

12 c. "Microbusiness organization" means a nonprofit
13 corporation organized under chapter 504A which is exempt from
14 taxation pursuant to section 501(c) of the Internal Revenue
15 Code, and which has a principal mission of actively engaging
16 in microbusiness development, training, technical assistance,
17 and access to capital for the start-up or expansion of
18 microbusinesses.

19 2. For the fiscal year beginning July 1, 1993, and ending
20 June 30, 1994, there is allocated to the department two and
21 one-half percent of the total moneys available to support the
22 renewable fuel fund as provided in section 423.24 for the
23 purpose of conducting a microbusiness rural enterprise
24 demonstration project.

25 3. The department shall contract with a microenterprise
26 organization actively engaged in microbusiness enterprise in
27 order to assist the establishment of this demonstration
28 project. In order to qualify as the demonstration project,
29 the microenterprise organization must:

30 a. Demonstrate a past performance and a capacity to
31 successfully engage in microbusiness development.

32 b. Have a statewide commitment and focus to microbusiness
33 development.

34 c. Provide training and technical assistance.

35 d. Demonstrate an ability to provide access to capital for

1 start-up or expansion of a microbusiness.

2 e. Have established linkages with financial institutions.

3 f. Demonstrate an ability to provide follow-up technical
4 assistance after a microbusiness start-up or expansion.

5 4. Moneys allocated pursuant to this section which remain
6 unexpended or unobligated on June 30, 1994, shall be available
7 to support the demonstration project and shall not revert
8 pursuant to section 8.33. Moneys remaining unexpended or
9 unobligated on June 30, 1995, shall be available to support
10 the demonstration project and shall not revert pursuant to
11 section 8.33, but shall be credited to the renewable fuel
12 coproduct enhancement account of the renewable fuel fund as
13 created in section 159A.7.

14 5. The department shall submit a report to the secretary
15 of the senate and the chief clerk of the house not later than
16 November 1, 1994. The report shall detail the activities of
17 the microenterprise organization, and describe the success of
18 the project.

19 Sec. 26. REPEAL. 1992 Iowa Acts, chapter 1099, section
20 11, is repealed.

21 Sec. 27. 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 18.115 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 also establishes a microbusiness rural enterprise
6 demonstration project in order to assist businesses producing
7 goods or providing services with five or fewer full-time
8 equivalent employee positions, and with assets of up to
9 twenty-five thousand dollars.

10 The bill repeals a provision which sunsets the
11 appropriation of moneys from the use tax.

12 The bill takes effect upon enactment.

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Riordan
Hester
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SSB-2263
Ways + Means

SENATE FILE 2321
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON DIELEMAN)

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

A BILL FOR

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

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

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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 423.7~~;~~:

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. For the fiscal year beginning July 1, 1993, and ending

1 June 30, 1994, the office of renewable fuel shall allocate two
2 and one-half percent of the total moneys available to support
3 the renewable fuel fund as provided in section 423.24 for the
4 purposes of conducting soydiesel demonstration projects
5 administered by state agencies under the oversight of the
6 renewable fuel advisory committee.

7 2. a. The office of renewable fuel shall allocate a
8 portion of the moneys to the state department of
9 transportation and the department of general services which
10 shall conduct soydiesel demonstration projects using diesel
11 vehicles. Each vehicle shall operate using soydiesel fuel for
12 at least 20,000 miles. The projects shall be conducted under
13 the oversight of the renewable fuel advisory committee.

14 b. The office shall allocate the remaining moneys to the
15 state department of transportation to assist governmental
16 bodies which seek to operate public transit vehicles using a
17 mixture of diesel fuel and soybean oil. The department shall
18 expend the moneys on a dollar-for-dollar matching basis with
19 contributions from a nonstate source in order to support one
20 or more special project operation assistance grants that
21 demonstrate the use of soydiesel fuel in one or more public
22 transit vehicles. All awards received by a governmental body
23 shall be used directly to subsidize the operation of public
24 transit vehicles using fuel which contains a mixture of diesel
25 fuel and soybean oil.

26 3. The state department of transportation and the
27 department of general services shall evaluate the performance
28 of vehicles operating on soydiesel fuel, including the rate of
29 repairs on the vehicles and comments of persons operating and
30 maintaining the vehicles. The departments shall submit
31 findings and recommendations to the renewable fuel advisory
32 committee which shall submit a report to the general assembly,
33 not later than March 1, 1995.

34 4. Moneys appropriated pursuant to this section which
35 remain unexpended or unobligated on June 30, 1994, shall

1 continue to be available to support the demonstration project
2 and shall not revert pursuant to section 8.33.

3 Sec. 25. MICROBUSINESS RURAL ENTERPRISE DEMONSTRATION
4 PROJECT.

5 1. As used in this section:

6 a. "Department" means the department of economic
7 development.

8 b. "Microbusiness" means a business producing goods or
9 providing services with five or fewer full-time equivalent
10 employee positions, and with asset requirements of up to
11 twenty-five thousand dollars.

12 c. "Microbusiness organization" means a nonprofit
13 corporation organized under chapter 504A which is exempt from
14 taxation pursuant to section 501(c) of the Internal Revenue
15 Code, and which has a principal mission of actively engaging
16 in microbusiness development, training, technical assistance,
17 and access to capital for the start-up or expansion of
18 microbusinesses.

19 2. For the fiscal year beginning July 1, 1993, and ending
20 June 30, 1994, there is allocated to the department two and
21 one-half percent of the total moneys available to support the
22 renewable fuel fund as provided in section 423.24 for the
23 purpose of conducting a microbusiness rural enterprise
24 demonstration project.

25 3. The department shall contract with a microenterprise
26 organization actively engaged in microbusiness enterprise in
27 order to assist the establishment of this demonstration
28 project. In order to qualify as the demonstration project,
29 the microenterprise organization must:

30 a. Demonstrate a past performance and a capacity to
31 successfully engage in microbusiness development.

32 b. Have a statewide commitment and focus to microbusiness
33 development.

34 c. Provide training and technical assistance.

35 d. Demonstrate an ability to provide access to capital for

1 start-up or expansion of a microbusiness.

2 e. Have established linkages with financial institutions.

3 f. Demonstrate an ability to provide follow-up technical
4 assistance after a microbusiness start-up or expansion.

5 4. Moneys allocated pursuant to this section which remain
6 unexpended or unobligated on June 30, 1994, shall be available
7 to support the demonstration project and shall not revert
8 pursuant to section 8.33. Moneys remaining unexpended or
9 unobligated on June 30, 1995, shall be available to support
10 the demonstration project and shall not revert pursuant to
11 section 8.33, but shall be credited to the renewable fuel
12 coproduct enhancement account of the renewable fuel fund as
13 created in section 159A.7.

14 5. The department shall submit a report to the secretary
15 of the senate and the chief clerk of the house not later than
16 November 1, 1994. The report shall detail the activities of
17 the microenterprise organization, and describe the success of
18 the project.

19 Sec. 26. REPEAL. 1992 Iowa Acts, chapter 1099, section
20 11, is repealed.

21 Sec. 27. 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 18.115 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 also establishes a microbusiness rural enterprise
6 demonstration project in order to assist businesses producing
7 goods or providing services with five or fewer full-time
8 equivalent employee positions, and with assets of up to
9 twenty-five thousand dollars.

10 The bill repeals a provision which sunsets the
11 appropriation of moneys from the use tax.

12 The bill takes effect upon enactment.

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