

CHAPTER 1119

AGRICULTURAL DEVELOPMENT AND RURAL REVITALIZATION

H.F. 2337

AN ACT relating to agricultural development and rural revitalization, by providing for value-added agricultural products and processes, providing for programs and moneys, providing for repeal of provisions, and providing effective dates.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. FINDINGS AND POLICY.

1. The general assembly finds and declares the following:

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

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

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

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

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

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

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

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

3. The director shall submit annually at a regular or special meeting preceding the beginning of the fiscal year, for approval by the economic development board, the proposed allocation of funds from the strategic investment fund to be made for that fiscal year to the community economic betterment program, ~~the value-added agricultural products and processes financial assistance program~~, the business development finance corporation, the self-employment loan program, and the targeted small business financial assistance program and for comprehensive management assistance. If funds are available under a federal microloan demonstration program, the director may recommend an allocation for that purpose. The plans may provide for increased or decreased allocations if the demand in a program indicates that the need exceeds the allocation for that program. The director shall report on a monthly basis to the board on the status of the funds and may present proposed revisions for approval by the board in January and April of each year. Unobligated and unencumbered moneys remaining in the strategic investment fund or any of its accounts on June 30 of each year shall be considered part of the fund for purposes of the next year's allocation.

Sec. 4. Section 15.318, Code 1993, is amended by adding the following new subsections:
NEW SUBSECTION. 16. The capacity of the proposed project to create products by adding value to agricultural commodities.

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

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

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

1. ~~Contingent on the availability of funding for this program, the~~ The department ~~may shall~~ establish a value-added agricultural products and processes financial assistance program. The department shall consult with the Iowa corn growers association and the Iowa soybean association. The purpose of the program is to foster encourage the increased utilization of agricultural commodities produced in this state. The program shall assist in efforts to revitalize rural regions of this state, by committing resources to provide financial assistance to new or existing value-added production facilities. In awarding financial assistance, the department shall commit resources to assist the following:

a. Facilities which are involved in the development of new innovative products, practices and processes related to agriculture through specialized financial or technical assistance to facilitate the acquisition of capital. The facility must do either of the following: produce a good derived from an agricultural commodity, if the good is not commonly produced from an agricultural commodity; or use a process to produce a good derived from an agricultural process, if the process is not commonly used to produce the good.

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

Financial assistance awarded under this section may be in the form of a loan, loan guarantee, grant, production incentive payment, or a combination of financial assistance. The department shall not award more than twenty-five percent of the amount allocated to the value-added agricultural products and processes financial assistance fund during any fiscal year to support a single person. The department may finance any size of facility. However, the department shall reserve up to fifty percent of the total amount allocated to the fund, for purposes of assisting persons requiring one hundred thousand dollars or less in financial assistance. The amount shall be reserved until the end of the third quarter of the fiscal year. The department shall not provide financial assistance to support a value-added production facility, if the facility or a person owning a controlling interest in the facility, has demonstrated a continuous and flagrant disregard for the health and safety of its employees, or the quality of the environment. Evidence of such disregard shall include a history of serious or uncorrected violations of state or federal law protecting occupational health and safety or the environment, including but not limited to serious or uncorrected violations of occupational safety and health standards enforced by the division of labor services of the department of employment services pursuant to chapter 84A, or rules enforced by the environmental protection division of the department of natural resources pursuant to chapter 455B.

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

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

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

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

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

3. The department of economic development may shall grant financial or technical assistance to a person determined by the department to be eligible to receive assistance under this

section, upon review and evaluation of the person's application by the agricultural products advisory council as established in section 15.203. The department shall consider the council's evaluation in granting or denying assistance. The department shall not approve an application for assistance under this section to refinance an existing loan or to finance traditional agricultural operations. An application is eligible for consideration if the application seeks assistance for any of the following purposes: The department shall not directly award financial assistance to support an activity directly related to farming as defined in section 9H.1, including the establishment or operation of a livestock production operation, regardless of whether the activity is related to a renewable fuel production facility.

4. The department shall select an applicant to receive financial assistance based on the following criteria:

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

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

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

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

e. The degree to which the facility produces a coproduct which is marketed in the same locality as the facility.

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

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

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

c. The development of an innovative processing, packaging, marketing, or management practice not commonly available in this state which is to be carried out by the person in this state.

4. Assistance by the department granted to an eligible person shall be subject to the following restrictions:

a. The person shall not receive financial assistance totaling more than eighty thousand dollars under this program.

b. Interest on a loan shall not exceed the current fair market interest rate. A loan shall not exceed fifty thousand dollars.

c. A loan guarantee shall not exceed eighty thousand dollars. A loan guarantee shall guarantee not more than eighty percent of a conventionally obtained loan.

d. A grant shall not exceed twenty-five thousand dollars. A grant shall be made only to provide leverage for a conventionally obtained loan. The conventionally obtained loan must be for an amount significantly larger than the amount of the grant.

5. Notwithstanding restrictions contained in subsection 4, the department may use up to five thousand dollars to contract for technical assistance in order to aid a person having a pending or approved application under this section.

6. a. The department shall consider an application to assist a renewable fuel production facility. An application based on ethanol fuel production shall be considered by the department if all of the following apply:

(1) All fermentation, distillation, and dehydration of the ethanol will occur at the proposed facility.

(2) The ethanol produced at the proposed facility will be at least one hundred ninety proof and must be denatured. However, if the facility markets the ethanol for further refining, the facility must demonstrate that the refiner will produce one hundred ninety proof ethanol from the ethanol purchased from the facility.

b. The department shall give priority to supporting proposed renewable fuel production facilities which directly support livestock production operations. The highest priority shall be provided to a renewable fuel production facility which produces coproducts which are used

to produce livestock raised in the same locality as the production facility. If the department has several proposals having the highest priority, a preference shall be given to a proposal in which the livestock operation:

(1) Is located in an agricultural area as provided in chapter 352.

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

c. The department shall cooperate with the office of renewable fuels and coproducts in order to carry out this subsection, as provided in section 159A.6B. The office shall be primarily responsible for providing technical expertise regarding the operation of a renewable fuel production facility, and specifically a facility which supports livestock production operations. The department shall cooperate with any contract consultant supported by the office as provided in section 159A.6B. The agricultural products advisory council as established in section 15.203, shall coordinate the activities of the department and the office. In administering this part of the program, the department and the office shall cooperate with the department of natural resources which shall assist an applicant in complying with all applicable environmental regulations. The department of natural resources shall acknowledge receipt of a completed application for a permit not later than two weeks following receipt of a completed application by the department. Within twelve weeks following receipt of the application, the department shall issue the permit or reply to the applicant describing reasons why the permit cannot be issued.

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

8. The department of economic development and the office of renewable fuels and coproducts shall prepare a report each six months detailing the progress of the department and other agencies provided in this section. The office of renewable fuels and coproducts, the department of natural resources, and Iowa state university may contribute a summary of their activities. The report shall be delivered to the secretary of the senate and the chief clerk of the house; the legislative service bureau; the chairpersons and ranking members of the senate standing committee on agriculture; the senate standing committee on small business, economic development, and tourism; the house of representatives standing committee on agriculture; and the house of representatives standing committee on small business, economic development, and trade.

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

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

1. A value-added agricultural products and processes financial assistance account fund is established within the strategic investment fund created in section 15.313 created within the state treasury under the control of the department. The account fund shall consist of any money appropriated by the general assembly for that purpose, moneys allocated to the account from the strategic investment fund, and any other moneys available to and obtained or accepted by the department from the federal government or private sources for placement in the account fund. Until July 1, 2000, moneys shall be deposited in the fund as provided in section 423.24. Not more than one percent of the total moneys available to support value-added agricultural products and processes pursuant to section 423.24 during each quarter shall be used by the department for administration of the value-added agricultural products and processes financial assistance program, as provided in section 15E.111. Except as otherwise provided in subsection 2, the assets of the account fund shall be used by the department only for carrying out the purposes of section 15E.111.

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

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

b. ~~Authorize payment from the account fund for costs, commissions, attorney fees, and other reasonable expenses, including expenses related to and carrying out duties necessary for insuring or guaranteeing loans under section 15E.111, and for the recovery of loan moneys insured or guaranteed or the management of property acquired in connection with such loans.~~

3. ~~Payments of interest, recaptures of awards, or repayments of moneys loaned under the value-added agricultural products and processes financial assistance program shall be deposited into the strategic investment into the fund. Section 8.33 does not apply to any moneys in the fund. Unencumbered or unobligated moneys in the fund derived from moneys deposited pursuant to section 423.24, which are in excess of three million six hundred fifty thousand dollars of unencumbered or unobligated moneys in the fund deposited pursuant to that section, which are remaining on June 30 of each fiscal year, shall be credited on August 31 to the road use tax fund as created in section 312.1.~~

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

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

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

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

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

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

(3) ~~A renewable fuel approved by the office of renewable fuels and coproducts pursuant to section 159A.2.~~

b. ~~Compressed or liquified natural gas, propane, solar.~~

c. ~~Propane gas.~~

d. ~~Solar energy, or electricity.~~

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

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

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

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

22. ~~The appointee serving as the coordinator of the office of renewable fuel fuels and coproducts, as provided in section 159A.3.~~

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

13. The appointee serving as the coordinator of the office of renewable fuel fuels and coproducts, as provided in section 159A.3.

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

10. Assist the office of fuel fuels and coproducts and the renewable fuel fuels and coproducts advisory committee in administering the provisions of chapter 159A.

Sec. 11. Section 159A.1, subsections 2 and 3, Code 1993, are amended to read as follows:

2. It is necessary to support industries using agricultural commodities to ~~produce~~ increase the demand for and production and consumption of sources of energy in order to reduce the state's dependency upon petroleum products, and to ameliorate threats to this; to reduce atmospheric contamination of this state's environment resulting from the atmospheric contamination of carbon monoxide from the combustion of fossil fuels; and to produce coproducts, such as corn gluten feed, distillers grain, and solubles, which can be used to increase livestock production in this state.

3. This state adopts a policy of enhancing agricultural production through support of the renewable fuel industry by encouraging the development and use of fuels and coproducts derived from agricultural commodities, as provided in this chapter, including rules adopted by the office of renewable fuel fuels and coproducts and the renewable fuel fuels and coproducts advisory committee.

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

159A.2 DEFINITIONS.

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

1. "Committee" means the renewable fuel fuels and coproducts advisory committee established pursuant to section 159A.4.

2. "Coordinator" means the administrative head of the office of renewable fuel fuels and coproducts appointed by the department as provided in section 159A.3.

2A. "Coproduct" means a product other than a renewable fuel which at least in part is derived from the processing of agricultural commodities, and which may include corn gluten feed, distillers grain, or solubles, or can be used as livestock feed or a feed supplement.

3. "Fund" means the renewable fuel fuels and coproducts fund established pursuant to section 159A.7.

4. "Office" means the office of renewable fuel fuels and coproducts created pursuant to section 159A.3.

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

6. "Renewable fuel fuels and coproducts activities" means either of the following:

a. The research, development, production, promotion, marketing, or consumption of a renewable fuel fuels and coproducts.

b. The research, development, transfer, or use of technologies which directly or indirectly increase the supply or demand of a renewable fuel fuels and coproducts.

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

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

159A.3 OFFICE OF RENEWABLE FUEL FUELS AND COPRODUCTS.

1. An office of renewable fuel fuels and coproducts is created within the department and shall be staffed by a coordinator who shall be appointed by the secretary. It shall be the policy of the office to further renewable fuel fuels and coproducts activities. The office shall first further renewable fuel fuels and coproducts activities based on the following considerations:

a. The price competitiveness of the renewable fuel or coproduct.

- b. The production capacity and supply of the renewable fuel or coproduct.
 - c. The ease and safety of transporting and storing the renewable fuel or coproduct.
 - d. The degree to which the renewable fuel or coproduct is currently developed for ready transfer to current engine technology.
 - e. The degree to which the renewable fuel or coproduct is environmentally protective.
 - f. The degree to which the renewable fuel or coproduct provides economic development opportunities.
2. The duties of the office include, but are not limited to, the following:
 - a. Serving as advisor to the department regarding regulations, including federal and state standards, relating to oxygenate octane enhancers, as defined in section 214A.1.
 - b. Serving as advisor to the department regarding renewable fuel fuels and coproducts programs.
 - c. Serving as monitor of regulations administered in the state, in other states, or by the federal government. The office shall collect information and data prepared by state agencies related to these regulations, and provide referral and assistance to interested persons and agencies.
 - d. Cooperating with persons and agencies involved in renewable fuel fuels and coproducts activities, including other states and the federal government, to standardize regulations and coordinate programs, in order to increase administrative effectiveness and reduce administrative duplication.
 - e. Implementing policies and procedures designed to facilitate communication between persons involved in renewable fuel fuels and coproducts activities.
 - f. Assisting state or federal agencies, or assisting commercial enterprises or commodity organizations which are located in or desiring to locate in the state. The assistance may include support of public research relating to renewable fuel fuels and coproducts activities.
 - g. Conducting studies relating to the viability of producing or using a renewable fuel fuels and coproducts, and methods and schedules required to ensure a practicable transition to the use of a renewable fuel fuels and coproducts.
 - h. Preparing an annual report to the secretary regarding renewable fuel fuels and coproducts activities. The report shall include a review of research and research results, areas of study with promising potential, a summary of initiatives in other states, and an analysis of state and federal regulations and programs.
 - i. Promoting the use of by-products resulting from the production of renewable fuel.
 - j. Cooperating with the committee in carrying out the purposes of the committee as provided in section 159A.5. The office shall regularly inform the committee regarding its operations and programs administered under this chapter, including financial reports concerning the fund.
 - k. Approve a renewable fuel which may be used as a flexible fuel powering a motor vehicle required to be purchased by state agencies.
3.
 - a. A chief purpose of the office is to further the production and consumption of ethanol fuel in this state. The office shall be the primary state agency charged with the responsibility to promote public consumption of ethanol fuel.
 - b. The office shall promote the production and consumption of soydiesel fuel in this state.
 4. The office shall cooperate with the Wallace technology transfer foundation of Iowa in formulating long-range strategic plans to guide state investment in applied research, development, and commercial transfer of selected scientific and technological innovation relating to renewable fuel fuels and coproducts technology.
 5. The office and state entities, including the department, the committee, the Iowa department of economic development, the state department of transportation, the department of natural resources, state board of regents' institutions, and the Wallace technology transfer foundation of Iowa, shall cooperate to implement this section.

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

A renewable fuel fuels and coproducts advisory committee is established within the department. The committee shall be composed of the following persons:

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

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

Sec. 16. Section 159A.4, subsection 1, paragraph j, Code 1993, is amended to read as follows:
j. A person representing the renewable ~~fuel~~ fuels industry in this state.

Sec. 17. Section 159A.4, unnumbered paragraph 2, Code 1993, is amended to read as follows:

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

Sec. 18. Section 159A.5, subsections 1, 2, 4, 5, Code Supplement 1993, are amended to read as follows:

1. The purpose of the committee is to provide general oversight of operations of the office and to advise the office about all aspects concerning the production and consumption of renewable ~~fuel~~ fuels and coproducts. However, the committee shall not control policy decisions or direct the administration of this chapter.

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

4. The committee shall review the annual report to the secretary regarding renewable ~~fuel~~ fuels and coproducts activities, as provided in section 159A.3. The committee may make written comments concerning the contents of the report. Upon request of the committee, the coordinator shall include the comments as part of the report.

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

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

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

c. Encourage full support of programs designed to inform the public or targeted groups regarding renewable ~~fuel~~ fuels and coproducts production and consumption.

d. Support promotional programs or marketing strategies designed to encourage public consumption of renewable ~~fuel~~ fuels and coproducts.

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

Sec. 19. Section 159A.6, Code 1993, is amended to read as follows:

159A.6 POINT OF SALE PUBLIC PROMOTION PROGRAM EDUCATION, PROMOTION, AND ADVERTISING.

1. The office shall support education regarding, and promotion and advertising of, renewable fuels and coproducts. The office shall consult with the Iowa corn growers association and the Iowa soybean association.

2. The office shall establish a program to promote the advantages related to the use of renewable fuel fuels as an alternative to nonrenewable fuel fuels. Promotions shall be designed to inform the ultimate consumer of advantages associated with using renewable fuel fuels, and emphasize the benefits to the natural environment. The promotion shall inform consumers at the businesses of retail dealers of the motor vehicle fuel fuels.

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

3. The office shall promote the advantages related to the use of coproducts derived from the production of renewable fuels, including the use of coproducts used as livestock feed or meal. Promotions shall be designed to inform the potential purchasers of the advantages associated with using coproducts. The office shall promote advantages associated with using coproducts of ethanol production as livestock feed or meal to cattle producers in this state.

4. The office may contract to provide all or part of these services.

Sec. 20. NEW SECTION. 159A.6A RENEWABLE FUELS AND COPRODUCTS RESEARCH.

The office shall support research relating to renewable fuels and coproducts, including methods to increase efficiency and reduce costs associated with production. The office shall consult with the Iowa corn growers association and the Iowa soybean association. The office shall support research activities at the university of Iowa, Iowa state university of science and technology, and the university of northern Iowa. The office may contract to provide all or part of these services.

Sec. 21. NEW SECTION. 159A.6B TECHNICAL ASSISTANCE.

The office shall assist persons in revitalizing rural regions of this state, by providing technical assistance to new or existing renewable fuel production facilities, including the establishment and operation of facilities, and specifically facilities which create coproducts, including coproducts which support livestock production operations. The office shall consult with the Iowa corn growers association and the Iowa soybean association. The office shall provide planning assistance which may include evaluations of methods to most profitably manage these operations. The business planning assistance shall provide for adequate environmental protection of this state's natural resources from the operation of the facility.

The office may execute contracts in order to provide technical support and outreach services for purposes of assisting and educating interested persons as provided in this section. The office may also contract with a consultant to provide part or all of these services. The office may require that a person receiving assistance pursuant to this section contribute up to fifty percent of the amount required to support the costs of contracting with the consultant to provide assistance to the person. The office shall assist the person in completing any technical information required in order to receive assistance by the department of economic development pursuant to the value-added agricultural products and processes financial assistance program created pursuant to section 15E.111. The office shall cooperate with the department of economic development, the department of natural resources, and regent institutions or other universities and colleges as provided in section 15E.111, in order to carry out this section.

Sec. 22. Section 159A.7, Code Supplement 1993, is amended to read as follows:

159A.7 RENEWABLE FUEL FUELS AND COPRODUCTS FUND.

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

Moneys in the fund shall be used only to ~~administer this chapter~~ carry out the provisions of this section and sections 159A.3, 159A.4, 159A.5, 159A.6, 159A.6A, and 159A.6B within the state of Iowa.

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

a. ~~Up to~~ At least forty percent ~~may~~ shall be dedicated to support education, promotion, and advertising of ~~ethanol fuel~~ renewable fuels and coproducts as provided in section 159A.6.

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

e. ~~Up to thirty percent~~ may be dedicated to support research at Iowa state university of science and technology, and the university of northern Iowa, as provided in section 159A.6A.

d. The Any remaining balance shall be used by the office to support technical assistance as provided in section 159A.6B and any other projects or programs developed by the office.

3. ~~Moneys~~ Until July 1, 2000, moneys shall be deposited in the ethanol production incentive account fund as provided in section 423.24. One ~~Not more than one and one-half percent of the total moneys deposited in the account during each quarter available to support value-added agricultural products and processes pursuant to section 423.24 shall be allocated to the department for administration of the office. Remaining moneys shall be allocated to provide financial incentives to support the increased production of ethanol derived from an organic compound, including a photosynthate, as provided in section 159A.8.~~

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

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

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

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

6. ~~Section 8.33 does not apply to moneys in the renewable fuel activities account fund. Income received by investment of moneys in the account fund shall remain in that account the fund. Moneys appropriated for a state fiscal year to the ethanol production incentive account which remain unobligated and unencumbered on July 31 of the following state fiscal year shall be credited to the road use tax fund as provided in section 423.24. Unencumbered or unobligated moneys in the fund derived from moneys deposited pursuant to section 423.24, which are in excess of three hundred fifty thousand dollars of unencumbered or unobligated moneys in the fund deposited pursuant to that section, and which are remaining on June 30 of each fiscal year, shall be credited on August 31 to the road use tax fund as created in section 312.1.~~

Sec. 23. Section 214A.16, Code 1993, is amended to read as follows:

214A.16 NOTICE OF BLENDED FUEL – DECAL.

All motor vehicle fuel kept, offered, or exposed for sale, or sold at retail containing over one percent ethanol, methanol, or any combination of oxygenate octane enhancers shall be identified as "with" either "ethanol", "methanol", "ethanol/methanol", or similar wording on a decal. All diesel fuel kept, offered, or exposed for sale, or sold at retail containing over one percent soybean oil by volume shall be identified as "with soydiesel" or similar wording on a decal. The design and location of the decals ~~may shall~~ be prescribed by rules adopted by the department. The department shall adopt the rules to be effective by January 1, 1995. A decal identifying a renewable fuel shall be consistent with standards adopted pursuant to section 159A.6. ~~If~~ Until the department does not establish ~~establishes~~ standards for a ~~decal relating to a specific oxygenate octane enhancer~~ decal, the wording shall be on a white adhesive decal with black letters at least one-half inch high and at least one-quarter inch wide placed between thirty and forty inches above the driveway level on the front sides of any container or pump from which the motor fuel is sold. The department may approve an application to place a decal in a special location on a pump or container or use a decal with special lettering or colors, if the decal appears clear and conspicuous to the consumer. The application shall be made in writing pursuant to procedures adopted by the department. Designs for a decal identifying a renewable fuel shall be consistent with standards adopted pursuant to section 159A.6.

Sec. 24. Section 216B.3, subsection 16, Code Supplement 1993, is amended to read as follows:

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

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

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

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

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

(c) A renewable fuel approved by the office of renewable fuels and coproducts pursuant to section 159A.3.

(2) Compressed or liquified natural gas.

(3) Propane gas.

(4) Solar energy.

(5) Electricity.

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

Sec. 25. Section 260C.19A, Code Supplement 1993, is amended to read as follows:

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

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

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

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

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

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

(3) A renewable fuel approved by the office of renewable fuels and coproducts pursuant to section 159A.3.

b. Compressed or liquified natural gas.

c. Propane gas.

d. Solar energy.

e. Electricity.

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

Sec. 26. Section 262.25A, Code Supplement 1993, is amended by adding the following new subsection:

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

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

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

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

(3) A renewable fuel approved by the office of renewable fuels and coproducts pursuant to section 159A.3.

b. Compressed or liquified natural gas.

c. Propane gas.

d. Solar energy.

e. Electricity.

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

Sec. 27. **NEW SECTION. 266.19 RENEWABLE FUEL – ASSISTANCE.**

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

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

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

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

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

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

(3) A renewable fuel approved by the office of renewable fuels and coproducts pursuant to section 159A.3.

b. Compressed or liquified natural gas.

c. Propane gas.

d. Solar energy.

e. Electricity.

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

Sec. 29. Section 423.24, subsection 1, paragraph b, Code Supplement 1993, is amended to read as follows:

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

(1) Ninety-one and one-quarter percent of these moneys shall be deposited in the value-added agricultural products and processes financial assistance fund as created in section 15E.112.

(2) eight and three-quarters percent of these moneys shall be deposited in the renewable fuels and coproducts fund as created in section 159A.7.

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

Sec. 30. Section 455B.104, Code Supplement 1993, is amended by adding the following new unnumbered paragraph:

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

Sec. 31. NEW SECTION. 904.312A MOTOR VEHICLES.

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

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

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

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

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

(3) A renewable fuel approved by the office of renewable fuels and coproducts pursuant to section 159A.3.

b. Compressed or liquified natural gas.

c. Propane gas.

d. Solar energy.

e. Electricity.

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

Sec. 32. SOYDIESEL DEMONSTRATION PROJECTS.

1. The state department of transportation shall conduct a demonstration project using diesel trucks owned by the department. Each truck shall operate using soydiesel fuel for at least twenty thousand miles. However, trucks primarily used for snow removal shall operate for at least twelve thousand miles. The projects shall be under the oversight of the renewable fuels and coproducts advisory committee. The state department of transportation shall evaluate the performance of vehicles operating on soydiesel fuel, including the rate of repairs on the vehicles and comments of persons operating and maintaining the vehicles. The department shall submit its findings and recommendations to the renewable fuels and coproducts advisory committee as part of the reports provided in subsection 2.

2. Notwithstanding section 423.24, as amended in this Act, for the period beginning on July 1, 1993, and ending July 1, 1994, an amount equal to two and one-half percent of the total moneys used to support value-added agricultural products and processes as provided in that section, which would otherwise be allocated to the value-added agricultural products and processes financial assistance fund, shall instead be allocated to the office of renewable fuels and coproducts. The moneys shall be used for purposes of conducting soydiesel demonstration projects administered by the state department of transportation under the oversight of the renewable fuels and coproducts advisory committee.

a. The office of renewable fuels and coproducts shall allocate the moneys to the state department of transportation. The department shall apply the moneys to support one or more special projects operations assistance grants which demonstrate the use of soydiesel fuel in one or more public transit systems.

b. The state department of transportation shall evaluate the performance of vehicles operating on soydiesel fuel, including the rate of repairs on the vehicles and comments of persons operating and maintaining the vehicles. The department shall submit initial findings and recommendations to the renewable fuels and coproducts advisory committee which shall submit a report to the senate and chief clerk of the house, the legislative service bureau, the chairpersons and ranking members of the senate standing committee on agriculture, the senate standing committee on small business, economic development and tourism, the house of representatives standing committee on agriculture, and the house of representatives standing committee on small business, economic development and trade. The department shall submit final findings and recommendations to the renewable fuels and coproducts advisory committee which shall submit a report to the general assembly. The initial report shall be due on October 1, 1994. The final report shall be due on March 1, 1995.

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

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

Sec. 33. ETHANOL PRODUCTION AND LIVESTOCK FEEDING EDUCATION PROJECT.

1. For the period beginning July 1, 1993, and ending June 30, 1994, the office of renewable fuels and coproducts shall allocate from the renewable fuels and coproducts fund, not more than an amount equal to one and one-half percent of the total moneys used to support value-added agricultural products and processes as provided in section 423.24 to Iowa state university for purposes of sponsoring at least four seminars in different regions throughout the state, and a conference in a central location of the state. Iowa state university shall consult with the Iowa corn growers association and the Iowa soybean association. The seminars and the conference shall provide information relating to establishing and managing ethanol production facilities, the use of ethanol production coproducts to feed livestock, and the relationship between ethanol production and livestock feeding operations. The university shall, to every extent possible, invite nationally recognized experts to provide information regarding ethanol production processes, livestock nutrition, capitalization of production facilities, operational requirements, and marketing opportunities.

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

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

4. Moneys available under this section which remain unexpended or unobligated on June 30, 1994, shall remain available to support the education project and shall not revert pursuant to section 8.33. Moneys remaining unexpended or unobligated on June 30, 1995, shall be credited to the renewable fuels and coproducts fund created in section 159A.7.

Sec. 34. MICROBUSINESS RURAL ENTERPRISE DEMONSTRATION PROJECT.

1. As used in this section:

- a. "Department" means the department of economic development.
- b. "Microbusiness or microbusiness enterprise" means a business producing services with five or fewer full-time equivalent employee positions, and with asset requirements of up to twenty-five thousand dollars.
- c. "Microbusiness organization" means a nonprofit corporation organized under chapter 504A which is exempt from taxation pursuant to section 501(c) of the Internal Revenue Code, and which has a principal mission of actively engaging in microbusiness development, training, technical assistance, and access to capital for the start-up or expansion of microbusinesses.

2. For the period beginning July 1, 1993, and ending June 30, 1994, the department may allocate from the value-added agricultural products and processes financial assistance fund an amount equal to one and one-quarter percent of the total moneys used to support value-added agriculture products and processes as provided in section 423.24 to be used for the purpose of conducting a microbusiness rural enterprise demonstration project.

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

- a. Demonstrate a past performance and a capacity to successfully engage in microbusiness development.
- b. Have a statewide commitment and focus to microbusiness development.
- c. Provide training and technical assistance.
- d. Demonstrate an ability to provide access to capital for start-up or expansion of a microbusiness.
- e. Have established linkages with financial institutions.
- f. Demonstrate an ability to provide follow-up technical assistance after a microbusiness start-up or expansion.

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

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

Sec. 35. PRIOR ALLOCATED MONEYS. In order to carry out the provisions of this Act, any moneys deposited in the ethanol production incentive account of the renewable fuel fund as provided in section 423.24 prior to the effective date of this Act, shall be credited to the renewable fuels and coproducts fund as if the moneys had been allocated to the fund pursuant to section 423.24 as provided by this Act. Moneys which remain in the renewable fuels and coproducts fund which exceed the amount required to be deposited in the fund pursuant to this Act shall be credited to the value-added agricultural products and processes financial assistance fund as created in section 15E.112 as if the moneys had been allocated to that fund pursuant to section 423.24 as provided by this Act.

Sec. 36. ELIMINATION OF FUNDING SOURCE – DIRECTIONS TO CODE EDITOR.

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

2. No moneys shall be deposited into the value-added agricultural products and processes financial assistance fund or the renewable fuels and coproducts fund, pursuant to section 423.24, as provided in this Act, after June 30, 2000.

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

4. a. Any unencumbered or unobligated moneys in the value-added agricultural products and processes financial assistance fund derived from moneys deposited pursuant to section 423.24, which are in excess of three million six hundred fifty thousand dollars of the unencumbered or unobligated moneys in the fund deposited pursuant to that section, and which are remaining on June 30, 2000, shall be credited on August 31, 2000, to the road use tax fund as created in section 312.1.

b. Any unencumbered or unobligated moneys in the renewable fuels and coproducts fund derived from moneys deposited pursuant to section 423.24, which are in excess of three hundred fifty thousand dollars of the unencumbered or unobligated moneys in the fund deposited pursuant to that section, and which are remaining on June 30, 2000, shall be credited on August 31, 2000, to the road use tax fund as created in section 312.1.

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

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

Sec. 37. REPEALS.

1. 1992 Iowa Acts, chapter 1099, section 11, is repealed.
2. Section 159A.8, Code 1993, is repealed.

Sec. 38. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

Approved April 26, 1994

CHAPTER 1120

MEDICAL ASSISTANCE — TRUSTS AND OTHER MATTERS

H.F. 2372

AN ACT relating to medical assistance including medical assistance trusts, transfers of assets related to medical assistance and special education services provided through medical assistance fundings, and psychiatric medical institution for children services funded under medical assistance and providing an effective date and for retroactive applicability.

Be It Enacted by the General Assembly of the State of Iowa:

DIVISION I

Medical Assistance — Trusts

Section 1. Section 249A.3, Code Supplement 1993, is amended by adding the following new subsections:

NEW SUBSECTION. 12. In determining the eligibility of an individual for medical assistance, the department shall consider income or assets relating to trusts or similar legal instruments or devices established on or before August 10, 1993, as available to the individual, in accordance with the Comprehensive Omnibus Budget Reconciliation Act of 1986, Pub.L. No. 99-272, section 9506(a), as amended by the Omnibus Budget Reconciliation Act of 1986, Pub. L. No. 99-509, section 9435(c).