



THOMAS J. VILSACK
GOVERNOR

OFFICE OF THE GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

May 30, 2006

The Honorable Chester Culver
Secretary of State
State Capitol
LOCAL

Dear Mr. Secretary:

I hereby transmit **House File 2759**, an Act relating to renewable fuel, by providing for the appropriation of moneys to support renewable fuel infrastructure, providing for tax credits, and providing contingent and other effective dates.

House File 2759 is approved on this date with the following exceptions, which I hereby disapprove:

I am unable to approve the items designated as Section 20 and 21 in their entirety. These sections would repeal the E-85 cost share program established by the General Assembly last year and transfer the dollars to the newly-established renewable fuels program. I am concerned that these two sections would terminate the successful E-85 program before the new renewable fuels program and the new board is ready to step in and take its place. Because of the success of the E-85 cost share program, we have a pool of applications still pending and additional are ready to go directly to retailers as soon as the new fiscal year begins in July of 2006. Disapproving these items, therefore, will enable Iowa retailers to upgrade facilities for E-85 fuel more promptly and avoid unnecessary delays.

I am unable to approve the items designated as Section 4, 5 in their entirety. These two sections remove references to E-85 cost share program repealed in sections 20 and 21.

I am unable to approve the item designated as Section 7 in its entirety. This section appropriates an open-ended amount of money to the Department of Agriculture and Land Stewardship for motor fuel quality assurance out of the funds appropriated for financial incentives to fuel retailers. While it is important that the Department obtain the resources necessary to assure motor fuel quality, it should not come at the expense of our critical efforts to promote and expand access to renewable fuels in this State. Rather, the



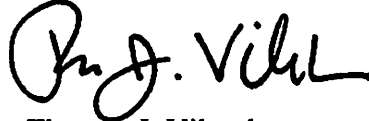
resources for assuring the quality of our motor fuel should be developed through the normal appropriations process.

I will recommend additional funding to the Department of Agriculture and Land Stewardship for motor fuel quality assurance in the final budget that I submit to the General Assembly in January 2007.

Additionally, I am unable to approve a portion of the item designated as Section 23, as well as the item designated as Section 24 in its entirety. These items make the provisions in Section 7 effective upon enactment. Because I have disapproved Section 7, these items should not be approved.

For the above reasons, I respectfully disapprove these items in accordance with Article 3 Section 16 of the Constitution of the State of Iowa. All other items in **House File 2759** are hereby approved as of this date.

Sincerely,

A handwritten signature in black ink that reads "Tom J. Vilsack". The signature is written in a cursive, flowing style.

Thomas J. Vilsack
Governor

TJV:jmc

cc: Secretary of the Senate
Chief Clerk of the House


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Sincerely,



Thomas J. Vilsack
Governor

TJV:jmc

cc: Secretary of the Senate
Chief Clerk of the House



HOUSE FILE 2759

AN ACT

RELATING TO RENEWABLE FUEL, BY PROVIDING FOR THE APPROPRIATION OF MONEYS TO SUPPORT RENEWABLE FUEL INFRASTRUCTURE, PROVIDING FOR TAX CREDITS, AND PROVIDING CONTINGENT AND OTHER EFFECTIVE DATES.

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

Section 1. Section 15G.111, subsection 1, paragraph a, Code Supplement 2005, is amended to read as follows:

a. For the fiscal period beginning July 1, 2005, and ending June 30, 2015, there is appropriated each fiscal year from the grow Iowa values fund created in section 15G.108, to the following amounts for the purposes designated:

(1) For the fiscal year beginning July 1, 2005, and ending June 30, 2006, to the department of economic development thirty-five million dollars for programs administered by the department of economic development.

(2) For each fiscal year of the fiscal period beginning July 1, 2006, and ending June 30, 2009, to the department of economic development thirty-three million dollars for programs administered by the department of economic development.

(3) For each fiscal year of the fiscal period beginning July 1, 2009, and ending June 30, 2015, to the department of economic development thirty-five million dollars for programs administered by the department of economic development.

Sec. 2. Section 15G.111, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 6A. a. For the fiscal period beginning July 1, 2006, and ending June 30, 2009, there is appropriated for each fiscal year from the grow Iowa values fund created in

section 15G.108 two million dollars for deposit in the renewable fuel infrastructure fund as provided in section 15G.119.

b. This subsection is repealed on July 1, 2009.

Sec. 3. Section 15G.114, as enacted by 2006 Iowa Acts, House File 2754, section 28, is amended by adding the following new subsection:

NEW SUBSECTION. 3A. "Infrastructure fund" means the renewable fuel infrastructure fund created in section 15G.119.

Sec. 4. Section 15G.116, subsection 3, as enacted by 2006 Iowa Acts, House File 2754, section 30, is amended by striking the subsection.

Sec. 5. Section 15G.117, subsection 2, as enacted by 2006 Iowa Acts, House File 2754, section 31, is amended by striking the subsection.

Sec. 6. NEW SECTION. 15G.119 RENEWABLE FUEL INFRASTRUCTURE FUND.

1. A renewable fuel infrastructure fund is created in the state treasury under the control of the department. The infrastructure fund is separate from the general fund of the state.

2. The renewable fuel infrastructure fund is composed of moneys appropriated by the general assembly and moneys available to and obtained or accepted by the department from the United States government or private sources for placement in the infrastructure fund.

3. Moneys in the renewable fuel infrastructure fund are appropriated to the department exclusively to support the renewable fuel infrastructure programs as provided in sections 15G.116 and 15G.117, as enacted by 2006 Iowa Acts, House File 2754, sections 30 and 31, as allocated in financial incentives by the renewable fuel infrastructure board as created in section 15G.115, as enacted by 2006 Iowa Acts, House File 2754, section 29. Up to fifty thousand dollars shall be allocated each fiscal year to the department to support the administration of the programs. Otherwise the moneys shall not be transferred, used, obligated, appropriated, or otherwise encumbered except to allocate as financial incentives under the programs.

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4. a. The recapture of awards or penalties, or other repayments of moneys originating from the renewable fuel infrastructure fund shall be deposited into the infrastructure fund.

b. Notwithstanding section 12C.7, interest or earnings on moneys in the infrastructure fund shall be credited to the infrastructure fund.

c. Notwithstanding section 8.33, unencumbered and unobligated moneys remaining in the infrastructure fund at the close of each fiscal year shall not revert but shall remain available in the infrastructure fund for expenditure for the same purposes in the succeeding fiscal year.

Sec. 7. NEW SECTION. 214A.1A MOTOR FUEL QUALITY ASSURANCE SCHEDULE.

1. The department shall adopt a schedule which provides a schedule of departmental improvements required for each fiscal year necessary to assure that motor fuel sold and dispensed from motor fuel pumps in this state meets all applicable standards as provided in section 214A.2. On or before June 1 of each year, and based on the schedule of improvements, the secretary of agriculture shall certify the amount required to implement the improvements required for the next fiscal year to the director of the department of management and the fiscal services division of the legislative services agency. The department of management shall conduct a review of the scheduled improvements for that fiscal year and may reduce the amount certified by the secretary if the department of management determines that a lesser amount is adequate. The director of the department of management and the secretary shall report their findings to the legislative government oversight committees as required by the committees' chairpersons.

2. For each fiscal year, of the moneys appropriated to each state agency to support the production or use of ethanol, ethanol blended gasoline, biodiesel, or biodiesel blended fuel as defined in section 214A.1, the department of management shall transfer a prorated share of the state agency's appropriation as is necessary to satisfy the amount required to comply with the schedule of improvements for that fiscal year as directed by the department of management. The

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department of management shall identify each affected appropriation and notify each head of a department of the transfer of the prorated share on or before June 15 of each year.

Sec. 8. Section 214A.2, subsection 2A, paragraph b, subparagraph (4), as enacted by 2006 Iowa Acts, House File 2754, section 7, is amended by striking the subparagraph.

Sec. 9. Section 214A.7, as amended by 2006 Iowa Acts, House File 2754, section 12, is amended to read as follows:

214A.7 DEPARTMENT INSPECTION -- SAMPLES TESTED.

The department shall, from time to time, make or cause to be made tests of any motor vehicle fuel or ~~oxygenate-octane enhancer~~ biofuel which is being sold, or held or offered for sale within this state. ~~An A departmental~~ a inspector may enter upon the premises of ~~any-wholesale-dealer-or-retail~~ a dealer, and take from any container a sample of the motor vehicle fuel or ~~oxygenate-octane-enhancer~~ biofuel, not to exceed sixteen fluid ounces. The sample shall be sealed and appropriately marked or labeled by the inspector and delivered to the department. The department shall make, or cause to be made, complete analyses or tests of the motor vehicle fuel or ~~oxygenate-octane-enhancer~~ biofuel by the methods specified in section 214A.2.

Sec. 10. Section 422.11N, subsection 4, paragraph b, subparagraph (1), subparagraph subdivision (k), as enacted by 2006 Iowa Acts, House File 2754, section 39, is amended to read as follows:

(k) Twenty-five percent for each determination period in the period beginning on and-after January 1, 2019, and ending on December 31, 2020.

Sec. 11. Section 422.11N, subsection 4, paragraph b, subparagraph (2), subparagraph subdivisions (l) and (m), as enacted by 2006 Iowa Acts, House File 2754, section 39, are amended to read as follows:

(l) ~~Twenty-three~~ Twenty-five percent for the determination period beginning on January 1, 2020, and ending December 31, 2020.

~~(m)--Twenty-five-percent-for-each-determination-period beginning-on-and-after-January-17-2021-~~

Sec. 12. Section 422.11N, subsection 4, paragraph c, as enacted by 2006 Iowa Acts, House File 2754, section 39, is amended to read as follows:

c. The retail dealer's biofuel threshold percentage disparity which is a positive percentage difference obtained by taking the minuend which is the retail dealer's biofuel ~~distribution~~ threshold percentage and subtracting from it the subtrahend which is the retail dealer's biofuel ~~threshold~~ distribution percentage, in the retail dealer's applicable determination period.

Sec. 13. Section 422.11N, subsection 5, paragraph b, subparagraphs (1) and (2), as enacted by 2006 Iowa Acts, House File 2754, section 39, are amended to read as follows:

(1) If a retail dealer has not claimed a tax credit in the retail dealer's previous tax year, the retail dealer may claim the tax credit in the retail dealer's current tax year for that period beginning on January 1 of the retail dealer's previous tax year to the last day of the retail dealer's previous tax year. For that period the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on December 31 of that calendar year as provided in paragraph "a".

(2) (a) For the period beginning on the first day of the retail dealer's tax year until December 31, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who calculates the tax credit on that same December 31 as provided in paragraph "a".

(2) (b) For the period beginning on January 1 to the end of the retail dealer's tax year, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on the following December 31 as provided in paragraph "a".

Sec. 14. Section 422.11N, subsection 9, as enacted by 2006 Iowa Acts, House File 2754, section 39, is amended to read as follows:

9. This section is repealed on January 1, ~~2026~~ 2021.

Sec. 15. Section 422.11O, subsection 4, paragraphs a and b, as enacted by 2006 Iowa Acts, House File 2754, section 40, are amended to read as follows:

a. If a retail dealer has not claimed a tax credit in the retail dealer's previous tax year, the retail dealer may claim the tax credit in the retail dealer's current tax year for that period beginning on January 1 of the retail dealer's previous tax year to the last day of the retail dealer's previous tax year. For that period the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on December 31 of that calendar year as provided in subsection 3.

b. (1) For the period beginning on the first day of the retail dealer's tax year until December 31, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who calculates the tax credit on that same December 31 as provided in subsection 3.

~~b.~~ (2) For the period beginning on January 1 to the end of the retail dealer's tax year, the retail dealer shall calculate the tax credit in the same manner as a retail dealer who will calculate the tax credit on the following December 31 as provided in subsection 3.

Sec. 16. Section 422.33, subsection 11A, paragraph c, as enacted by 2006 Iowa Acts, House File 2754, section 46, is amended to read as follows:

c. This subsection is repealed on January 1, ~~2026~~ 2021.

Sec. 17. 2006 Iowa Acts, House File 2754, section 49, subsection 2, is amended to read as follows:

2. For a retail dealer who may claim an ethanol promotion tax credit under section 422.11N or 422.33, subsection 11A, as enacted in this Act, in calendar year ~~2025~~ 2020 and whose tax year ends prior to December 31, ~~2025~~ 2020, the retail dealer may continue to claim the tax credit in the retail dealer's following tax year. In that case, the tax credit shall be calculated in the same manner as provided in section 422.11N or 422.33, subsection 11A, as enacted in this Act, for the remaining period beginning on the first day of the retail dealer's new tax year until December 31, ~~2025~~ 2020. For that remaining period, the tax credit shall be calculated in the same manner as a retail dealer whose tax year began on the previous January 1 and who is calculating the tax credit on December 31, ~~2025~~ 2020.

Sec. 18. 2006 Iowa Acts, House File 2754, section 83, subsection 4, is amended to read as follows:

4. Sections 214A.1, 214A.4, ~~214A.57-214A.77~~ 214A.8, and 214A.10, Code 2005, are amended by striking from the provisions the words "oxygenate octane enhancer" and inserting the following: "oxygenate".

Sec. 19. NEW SECTION. 455G.3A SPECIAL APPROPRIATION -- RENEWABLE FUEL INFRASTRUCTURE FUND.

1. Notwithstanding section 455G.3, for the fiscal period beginning July 1, 2006, and ending June 30, 2008, there is appropriated each fiscal year from the Iowa comprehensive petroleum underground storage tank fund created in section 455G.3, to the renewable fuel infrastructure fund, created in section 15G.119, three million five hundred thousand dollars.

2. This section is repealed on July 1, 2008.

Sec. 20. Section 15.401, Code Supplement 2005, is repealed.

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Sec. 21. TRANSFER OF MONEYS. Moneys appropriated to the Iowa department of economic development for the purposes provided in section 15.401 shall be transferred to the renewable fuel infrastructure fund created in section 15G.119, as enacted by this Act, to be expended as provided in sections 15G.116 and 15G.117, as enacted by 2006 Iowa Acts, House File 2754, sections 30 and 31.

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Sec. 22. MOTOR FUEL INSPECTION. There is appropriated from the renewable fuel infrastructure fund as created in section 15G.119, as enacted in this Act, to the department of agriculture and land stewardship for each fiscal year of the fiscal period beginning July 1, 2006, and ending June 30, 2008, the following amount, or so much thereof as is necessary, to be used for the purposes designated:

For purposes of the inspection of motor fuel, including salaries, support, maintenance, miscellaneous purposes, and for not more than the following full-time equivalent positions:

.....	\$	300,000
.....	FTEs	3.00

The department shall establish and administer programs for the auditing of motor fuel including biofuel processing and production plants, for screening and testing motor fuel,

including renewable fuel, and for the inspection of motor fuel sold by dealers including retail dealers who sell and dispense motor fuel from motor fuel pumps.

Sec. 23. CONTINGENT EFFECTIVE DATE. The sections of this Act, other than the section of this Act enacting section 214A.1A, are contingent upon the enactment of 2006 Iowa Acts, House File 2754.

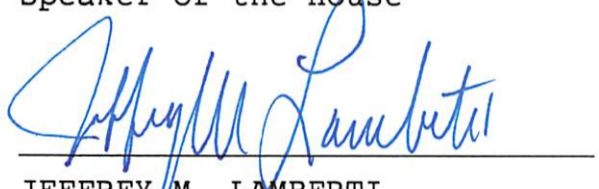
Sec. 24. SPECIAL EFFECTIVE DATE. The section of this Act enacting section 214A.1A, being deemed of immediate importance, takes effect upon enactment.

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CHRISTOPHER C. RANTS
Speaker of the House



JEFFREY M. LAMBERTI
President of the Senate

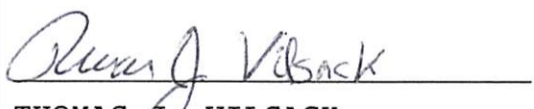
I hereby certify that this bill originated in the House and is known as House File 2759, Eighty-first General Assembly.



MARGARET THOMSON
Chief Clerk of the House

with exceptions noted

Approved May 30, 2006



THOMAS J. VILSACK
Governor