

MAR 9 2005
ECONOMIC GROWTH

HOUSE FILE 654
BY THOMAS and KUHN

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

A BILL FOR

1 An Act relating to economic development initiatives by providing
2 for the Iowa agricultural industry finance Act, providing for
3 the repayment of moneys loaned by the department of economic
4 development to a corporation, providing for the allocation of
5 those moneys, and providing effective dates.

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

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HF 654

1 Section 1. Section 10C.3, unnumbered paragraph 1, Code
2 2005, is amended to read as follows:

3 Notwithstanding any other provision of law, a life science
4 enterprise may acquire or hold an ownership or leasehold
5 interest in agricultural land if the economic development
6 board approves a life science enterprise plan as provided in
7 section 15.104. A life science enterprise must acquire or
8 hold the agricultural land pursuant to the plan which may be
9 amended as provided by the board. However, the life science
10 enterprise shall not hold a total of more than three hundred
11 twenty acres of agricultural land. The life science
12 enterprise shall hold the land only for purposes of producing
13 life science products according to the life science enterprise
14 plan. ~~In addition, the life science enterprise shall not~~
15 ~~acquire or hold agricultural land if the life science~~
16 ~~enterprise receives any form of financing from an Iowa~~
17 ~~agricultural industry finance corporation as provided in~~
18 ~~chapter 15E.~~ A life science enterprise that complies with
19 this section may hold the interest in the agricultural land,
20 as provided in the plan, for as long as commercial sales of
21 products produced from the agricultural land are subject to
22 the following:

23 Sec. 2. Section 12C.6A, subsection 4, paragraph g, Code
24 2005, is amended to read as follows:

25 g. Participation in local community and rural development
26 and redevelopment projects, and in state and federal business
27 and economic development programs, ~~including investment in an~~
28 ~~Iowa agricultural industry finance corporation formed under~~
29 ~~the Iowa agricultural industry finance Act pursuant to chapter~~
30 ~~15E.~~

31 Sec. 3. Sections 15E.201 through 15E.211, Code 2005, are
32 repealed.

33 Sec. 100. REPAYMENT OF IOWA AGRICULTURAL INDUSTRY FINANCE
34 LOAN MONEYS -- ALLOCATION OF MONEYS.

35 1. As used in this section, unless the context otherwise

1 requires:

2 a. "Biodiesel" means the end product achieved through a
3 chemical process which produces monoalkyl esters of long chain
4 fatty acids derived from plant or animal matter for use in
5 diesel-powered engines that meets all of the following
6 requirements:

7 (1) The registration requirements for fuels and fuel
8 additives established by the United States environmental
9 protection agency under 42 U.S.C. § 7545.

10 (2) Compliance with the specifications of ASTM (American
11 society for testing and materials) international designation
12 D-5798-99.

13 b. "E-85 blended gasoline" means a petroleum product that
14 is gasoline or natural gasoline blended with agriculturally
15 derived ethanol which has been denatured, if the petroleum
16 product typically contains eighty-five percent ethanol by
17 volume but at least contains seventy percent ethanol by
18 volume.

19 c. "Off-site terminal facility" means a distillate fuel
20 storage distribution facility which is used to supply
21 biodiesel through an automated system and which is located
22 within close proximity of a major pipeline terminal.

23 d. "Renewable fuel" means an energy source which is
24 derived from a biomass that is an organic compound available
25 on a renewable or recurring basis, including but not limited
26 to agricultural crops, if the biomass when processed may be
27 used alone or blended with another product to power machinery,
28 including an engine or power plant. "Renewable fuel" includes
29 but is not limited to biodiesel or "E-85 blended gasoline".

30 e. "Service station" means a geographic location where a
31 retail dealer as defined in section 214A.1 operates a metered
32 pump at a service station for purposes of selling and
33 dispensing motor vehicle fuel as defined in section 214A.1 on
34 a retail basis.

35 2. This section applies to those moneys appropriated to

1 the department of economic development pursuant to section
2 423.24, subsection 1, paragraph "a", subparagraph (2), Code
3 Supplement 1997, which have been awarded as an Iowa
4 agricultural industry finance loan to an Iowa agricultural
5 industry finance corporation as provided in section 15E.208,
6 Code 2005. Notwithstanding any provision of law or provision
7 of an agreement executed by the department and another person
8 to the contrary, all of the following shall apply to such
9 loan:

10 a. The corporation shall not provide any financing to a
11 person as provided in section 15E.209, Code 2005, from the
12 remaining principal balance of the Iowa agricultural industry
13 finance loan.

14 b. The corporation shall repay the department the
15 remaining principal balance of the Iowa agricultural industry
16 finance loan by October 1, 2005. The remaining principal
17 balance of the loan equals twenty-one million five hundred
18 seventeen thousand two hundred thirty-nine dollars. The
19 office of the attorney general shall provide the department
20 with all necessary assistance required to recover the
21 remaining principal balance.

22 c. The department shall immediately allocate the moneys
23 repaid as the remaining principal balance of the Iowa
24 agricultural industry finance loan as follows:

25 (1) Ten percent shall be deposited into the value-added
26 agricultural products and processes financial assistance fund
27 created in section 15E.112.

28 (2) Ninety percent shall be allocated by the department to
29 support renewable fuel infrastructure cost-share programs as
30 follows:

31 (a) An E-85 infrastructure cost-share program to provide
32 financial incentives for the installation or conversion of
33 infrastructure related to equipment or devices used by service
34 stations to sell and dispense E-85 blended gasoline.

35 (b) A biodiesel infrastructure cost-share program to

1 provide financial incentives for the installation or
2 conversion of infrastructure required to establish off-site
3 terminal facilities used for the distribution of biodiesel.

4 The financial incentives provided under this subparagraph
5 (2) shall not exceed fifty percent of the estimated cost or
6 fifty percent of the actual cost, whichever is less, of
7 installing the necessary infrastructure located at a service
8 station or off-site terminal facility. The moneys shall not
9 be used to pay for expenses incurred by the department in
10 administering the programs. In awarding the financial
11 incentives, the department may cooperate with the office of
12 renewable fuels and coproducts pursuant to section 159A.3.
13 Notwithstanding section 8.33, any unobligated or unexpended
14 moneys available on June 30 of a fiscal year shall not revert
15 but shall be retained by the department to carry out the
16 renewable fuel infrastructure cost-share programs.

17 Sec. 4. EFFECTIVE DATES.

18 1. Section 100 of this Act, being deemed of immediate
19 importance, takes effect upon enactment.

20 2. The amendments to the following provisions by this Act
21 take effect October 2, 2005:

22 a. Section 10C.3, unnumbered paragraph 1.

23 b. Section 12C.6A, subsection 4, paragraph "g".

24 3. The repeal of sections 15E.201 through 15E.211, Code
25 2005, by this Act take effect October 2, 2005.

26 EXPLANATION

27 This bill eliminates provisions in Code chapter 15E,
28 division XIX, known as the Iowa agricultural industry finance
29 Act and originally enacted by the general assembly in 1998
30 (see 1998 Iowa Acts, ch. 1207). The legislation appropriated
31 \$25 million from moneys to be deposited into the road use tax
32 fund. The moneys were diverted to the department of economic
33 development, subject to repayment to the road use tax fund.
34 The moneys were appropriated for purposes of making a loan to
35 an Iowa agricultural industry finance corporation

1 (corporation) pursuant to an agreement. The corporation in
2 turn was authorized to extend financing to eligible persons
3 engaged in specific agricultural industrial ventures (an
4 agricultural products processor or an agricultural
5 biotechnology enterprise). The corporation was required to
6 repay the department \$1 million (4 percent of the total amount
7 of the loan) each year for 25 years. In 2004 the general
8 assembly deferred the repayment schedule. The corporation
9 must begin repaying the amount of the principal balance to the
10 department beginning October 1, 2007 (2004 Iowa Acts, ch.
11 1175). Moreover, in 2003 the principal balance owing was
12 reduced when the general assembly authorized the department to
13 accept an assignment of a loan made by the corporation to an
14 eligible person for a special project. The recipient is
15 required to repay the amount that the department would have
16 received from the corporation. The legislation also provided
17 that the department has no right of recourse against the
18 corporation for amounts that are not collected under the loan
19 assignment (2003 Iowa Acts, ch. 122). The remaining principal
20 balance of the loan equals \$21,517,239.

21 The bill provides for the recapture of the remaining
22 principal balance of the original loan. It suspends the
23 authority of the corporation to extend financing to eligible
24 persons using the remaining principal amount of the loan. The
25 bill accelerates the corporation's repayment obligation, by
26 requiring that it satisfy its entire obligation by October 1,
27 2005. It requires the office of attorney general to assist
28 the department. The bill also requires the department to
29 deposit 10 percent of the repaid amount into the value-added
30 agricultural products and processes financial assistance fund
31 created in Code section 15E.112. Ninety percent of the moneys
32 is to be allocated by the department for programs benefiting
33 biodiesel and E-85 blended gasoline.

34 The bill establishes a cost-share program to provide
35 financial incentives for the installation or conversion of

1 infrastructure used by service stations to sell and dispense
2 E-85 blended gasoline. It also establishes a cost-share
3 program to provide financial incentives for the installation
4 or conversion of infrastructure required to establish off-site
5 terminal facilities that distribute biodiesel.

6 Generally, the bill takes effect upon enactment. However,
7 the bill also provides that provisions repealing and referring
8 to the Iowa agricultural industry finance Act are repealed
9 October 2, 2005.

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