

MAR 8 2005
Place On Calendar

HOUSE FILE 623
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 234)

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

A BILL FOR

1 An Act relating to the promotion of biodiesel and E-85 blended
2 gasoline as renewable fuels.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4

H-1339

HOUSE FILE 623

1 Amend House File 623 as follows:
2 1. Page 1, line 16, by striking the figure "D-
3 5798-99" and inserting the following: "D-6751".
By DRAKE of Pottawattamie

H-1339 FILED APRIL 6, 2005

HF 623

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1 DIVISION XXIII

2 PROMOTION OF RENEWABLE FUELS

3 Section 1. NEW SECTION. 15E.401 DEFINITIONS.

4 As used in this division, unless the context otherwise
5 requires:

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

11 a. The registration requirements for fuels and fuel
12 additives established by the United States environmental
13 protection agency under 42 U.S.C. § 7545.

14 b. Compliance with the specifications of ASTM (American
15 society for testing and materials) international designation
16 D-5798-99.

17 2. "E-85 blended gasoline" means a petroleum product that
18 is gasoline or natural gasoline blended with agriculturally
19 derived ethanol which has been denatured, if the petroleum
20 product typically contains eighty-five percent ethanol by
21 volume but at least contains seventy percent ethanol by
22 volume.

23 3. "Off-site terminal facility" means a distillate fuel
24 storage distribution facility which is used to supply
25 biodiesel through an automated system and which is located
26 within close proximity of a major pipeline terminal.

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

34 5. "Service station" means a geographic location where a
35 retail dealer as defined in section 214A.1 operates a metered

1 pump at a service station for purposes of selling and
2 dispensing motor vehicle fuel as defined in section 214A.1 on
3 a retail basis.

4 Sec. 2. NEW SECTION. 15E.402 RENEWABLE FUEL
5 INFRASTRUCTURE COST SHARE PROGRAMS -- E-85 BLENDED GASOLINE
6 AND BIODIESEL.

7 The department shall establish and administer renewable
8 infrastructure cost share fuel programs as follows:

9 1. a. An E-85 infrastructure cost share program to
10 provide financial incentives for the installation or
11 conversion of infrastructure related to equipment or devices
12 used by service stations to sell and dispense E-85 blended
13 gasoline. The financial incentives shall be used for the
14 purpose of establishing a minimum of thirty service stations
15 that distribute E-85 blended gasoline.

16 b. A biodiesel infrastructure cost share program to
17 provide financial incentives for the installation or
18 conversion of infrastructure required to establish off-site
19 terminal facilities that store biodiesel for distribution to
20 service stations. The financial incentives shall be used for
21 the purpose of establishing a minimum of four off-site
22 terminal facilities used for the distribution of biodiesel.

23 2. The financial incentives provided under this section
24 shall not exceed fifty percent of the estimated cost or fifty
25 percent of the actual cost, whichever is less, of installing
26 the necessary infrastructure located at a service station or
27 off-site terminal facility. The moneys shall not be used to
28 pay for expenses incurred by the department in administering
29 the programs. In awarding the financial incentives, the
30 department may cooperate with the office of renewable fuels
31 and coproducts pursuant to section 159A.3.

32 3. For each fiscal year in the fiscal period beginning
33 July 1, 2005, and ending June 30, 2008, the department shall
34 reserve and expend up to three hundred twenty-five thousand
35 dollars of moneys appropriated to the department for purposes

1 of allocating cost share moneys as financial incentives as
2 provided in this section.

3 Notwithstanding section 8.33, any unobligated or unexpended
4 moneys available on June 30 of a fiscal year shall not revert
5 but shall be retained by the department to carry out the
6 renewable infrastructure cost share fuel programs.

7 EXPLANATION

8 This bill establishes programs for the promotion of
9 renewable fuels and particularly programs for biodiesel and E-
10 85 blended gasoline to be administered by the department of
11 economic development.

12 The bill establishes a cost share program to provide
13 financial incentives for the installation or conversion of
14 infrastructure used by service stations to sell and dispense
15 E-85 blended gasoline. It also establishes a cost share
16 program to provide financial incentives for the installation
17 or conversion of infrastructure required to establish off-site
18 terminal facilities which supply biodiesel. The bill provides
19 that for each of three years, the department must reserve up
20 to \$325,000 for purposes of supporting the programs.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 623 - Ethanol 85 & Biodiesel Program (LSB 2837 HV)
Analyst: Debra Kozel (Phone: (515) 281-6767) (deb.kozel@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 623 creates a Renewable Fuel Infrastructure Cost Share Program that will be administered by the Department of Economic Development (DED). Within the Program, there will be an E-85 (85.0% gasoline and 15.0% blended fuel) Infrastructure Cost Share Fund to pay for up to 50.0% of the cost of installation or conversion of gas pumps to sell E-85 blended gasoline. A second fund, the Biodiesel Infrastructure Cost Share Program, is created to pay for up to 50.0% of the cost to install or convert off-site terminal storage and blending facilities to store and distribute biodiesel fuel to service stations.

Background

The Bill provides financial incentives to encourage Iowa distributors to sell E-85 gasoline and biodiesel fuel. Iowa has six operating ethanol plants with an additional nine plants in the development stages. There are two biodiesel plants in Iowa with an annual capacity of 3.0 million gallons per year. The minimum goal of the legislation is to build 30 additional E-85 gasoline outlets and four biodiesel blending stations in a three-year period.

Assumptions

1. The Bill specifies the DED reserve \$325,000 of the annual appropriation to the Department for the Renewable Fuel Infrastructure Cost Share Program for FY 2006 through FY 2008 and specifies the funds are not to be used for administering the Program.
2. The DED will absorb the cost to administer the Program within their current operations budget.

Fiscal Impact

The fiscal impact of HF 623 is an increase in expenditures of \$325,000 for FY 2006 through FY 2008.

Source

Department of Economic Development

/s/ Holly M. Lyons

March 15, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

S. Olson, Ch.
De Boef
Mertz

Sub. number 623
SF 11

HSB 234
Agriculture

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON DRAKE)

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

A BILL FOR

1 An Act relating to the promotion of biodiesel and E-85 blended
2 gasoline as renewable fuels.

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

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DIVISION XXIII

PROMOTION OF RENEWABLE FUELS

Section 1. NEW SECTION. 15E.401 DEFINITIONS.

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

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

a. The registration requirements for fuels and fuel additives established by the United States environmental protection agency under 42 U.S.C. § 7545.

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

2. "E-85 blended gasoline" means a petroleum product that is gasoline or natural gasoline blended with agriculturally derived ethanol which has been denatured, if the petroleum product typically contains eighty-five percent ethanol by volume but at least contains sixty percent ethanol by volume.

3. "Off-site terminal facility" means a vehicle facility that is used to manufacturer, store, or distribute motor vehicle fuel to a service station, if the facility is not supplied by a pipeline or a marine vessel.

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

5. "Service station" means a geographic location where a retail dealer as defined in section 214A.1 operates a metered pump at a service station for purposes of selling and

1 dispensing motor vehicle fuel as defined in section 214A.1 on
2 a retail basis.

3 Sec. 2. NEW SECTION. 15E.402 RENEWABLE FUEL
4 INFRASTRUCTURE COST SHARE PROGRAMS -- E-85 BLENDED GASOLINE
5 AND BIODIESEL.

6 The department shall establish and administer renewable
7 infrastructure cost share fuel programs as follows:

8 1. a. An E-85 infrastructure cost share program to
9 provide financial incentives for the installation or
10 conversion of infrastructure related to equipment or devices
11 used by service stations to sell and dispense E-85 blended
12 gasoline.

13 b. A biodiesel infrastructure cost share program to
14 provide financial incentives for the installation or
15 conversion of infrastructure required to establish off-site
16 terminal facilities that manufacture or store biodiesel for
17 distribution to service stations.

18 2. The financial incentives provided under this section
19 shall not exceed fifty percent of the estimated cost or fifty
20 percent of the actual cost, whichever is less, of installing
21 the necessary infrastructure located at a service station or
22 off-site terminal facility. The moneys shall not be used to
23 pay for expenses incurred by the department in administering
24 the programs. In awarding the financial incentives, the
25 department may cooperate with the office of renewable fuels
26 and coproducts pursuant to section 159A.3.

27 3. For each fiscal year in the fiscal period beginning
28 July 1, 2005, and ending June 30, 2008, the department shall
29 reserve and expend up to three hundred twenty-five thousand
30 dollars of moneys appropriated to the department for purposes
31 of allocating cost share moneys as financial incentives as
32 provided in this section.

33 a. For each of the fiscal years, not more than two hundred
34 fifty thousand dollars shall be used to support the E-85
35 infrastructure cost share program. During the fiscal period,

1 the department shall allocate the moneys to at least thirty
2 service stations.

3 b. For each of the fiscal years, not more than seventy-
4 five thousand dollars shall be used to support the biodiesel
5 infrastructure cost share program. During the fiscal period,
6 the department shall allocate the moneys to at least four off-
7 site terminal facilities.

8 Notwithstanding section 8.33, any unobligated or unexpended
9 moneys available on June 30 of a fiscal year shall not revert
10 but shall be retained by the department to carry out the
11 renewable infrastructure cost share fuel programs.

12 Sec. 3. NEW SECTION. 15E.403 RENEWABLE FUEL EDUCATION
13 PROGRAM -- E-85 BLENDED GASOLINE AND BIODIESEL.

14 The department shall establish and administer a renewable
15 fuel education program directed at ultimate consumers of motor
16 vehicle fuel. The program shall promote the advantages
17 associated with using E-85 blended gasoline and biodiesel as
18 an alternative to conventional motor vehicle fuel.

19 1. The department shall award the moneys on a competitive
20 grant basis as provided by the department. The department may
21 award moneys to one or more persons. The moneys shall not be
22 used to pay for expenses incurred by the department in
23 administering the program. In awarding the moneys, the
24 department may cooperate with the office of renewable fuels
25 and coproducts created under section 159A.3.

26 2. A person is eligible to be awarded moneys if all of the
27 following apply:

28 a. The person is a nonprofit corporation organized under
29 chapter 504 which is exempt from taxation pursuant to section
30 501(c) of the Internal Revenue Code.

31 b. The person demonstrates a knowledge about all
32 significant aspects relating to the production and use of
33 renewable fuels, and experience in promoting renewable fuels
34 to ultimate consumers.

35 3. a. For each fiscal year in the fiscal period beginning

1 July 1, 2005, and ending June 30, 2008, the department shall
2 reserve and expend up to one hundred thousand dollars of
3 moneys appropriated to the department for purposes of
4 allocating moneys as awards as provided in this section.

5 b. Notwithstanding section 8.33, any unobligated or
6 unexpended moneys available on June 30 of a fiscal year shall
7 not revert but shall be retained by the department to carry
8 out a renewable fuel education program.

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EXPLANATION

10 This bill establishes programs for the promotion of
11 renewable fuels and particularly programs for biodiesel and E-
12 85 blended gasoline to be administered by the department of
13 economic development.

14 The bill establishes a cost share program to provide
15 financial incentives for the installation or conversion of
16 infrastructure used by service stations to sell and dispense
17 E-85 blended gasoline. It also establishes a cost share
18 program to provide financial incentives for the installation
19 or conversion of infrastructure required to establish off-site
20 terminal facilities which manufacture or store biodiesel for
21 distribution to service stations. The bill provides that for
22 each of three years, the department must reserve up to
23 \$325,000 for purposes of supporting the programs.

24 The bill also establishes a renewable fuel education
25 program directed at ultimate consumers of motor vehicle fuel
26 in order to promote the advantages associated with using E-85
27 blended gasoline and biodiesel as an alternative to
28 conventional motor vehicle fuel. The department must award
29 the moneys on a competitive grant basis to qualified nonprofit
30 organizations. The bill provides that for each of three
31 years, the department must reserve up to \$100,000 for purposes
32 of supporting the program.

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