

FINAL REPORT

RURAL REVITALIZATION INTERIM STUDY COMMITTEE

July 1994

AUTHORIZATION AND APPOINTMENT

The Rural Revitalization Study Committee was established by the Legislative Council for the 1993 Interim for the 1993 Interim and was initially granted two days of meetings in order to examine issues related to revitalizing rural areas of this state. The Legislative Council granted the Committee one additional day in order to further consider testimony and make recommendations.

Members serving on the Study Committee included all of the following:

Co-chairperson Senator Berl Priebe
Co-chairperson Representative Roger Halvorson
Senator Allen Borlaug
Senator Patty Judge
Senator Wilmer Rensink
Senator James Riordan
Representative Bill Brand
Representative Jack Drake
Representative John Greig
Representative Keith Kreiman

CHARGE

The charge of the Committee was as follows:

Examine issues surrounding the expansion of rural economic development in Iowa, including the role of the state in providing financial and technical assistance, expansion of exports of Iowa's farm and value-added products, the effectiveness of existing export trading policy, and how best to rejuvenate or expand Iowa's livestock industry.

COMMITTEE PROCEEDINGS

The Study Committee held meetings on Thursday, November 11, 1993, Thursday, December 16, 1993, and Thursday, January 6, 1994. The Study Committee met in the State Capitol and began each meeting at 8:00 a.m. and completed each meeting during the late afternoon. A number of individuals testified before the Study Committee, and the Committee reviewed a number of written statements. Copies of these materials are on file with the Legislative Service Bureau.

MEETING -- NOVEMBER 11, 1993

The first meeting of the Study Committee was held on November 11, 1993. The Study Committee elected Senator Priebe and Representative Halvorson as permanent Co-chairpersons of the Study Committee, adopted rules, and made opening remarks. Co-chairperson Halvorson discussed the importance of promoting rural revitalization, including ethanol production. Co-chairperson Priebe discussed the state's dependence upon agriculture. Other members commented regarding the need to attract businesses to county seat cities, the need for value-added production, and the need to assist areas of the state which are most economically distressed.

The Study Committee viewed a short film entitled "Fueling Iowa's Economy: Corn, Cattle, and Ethanol," provided by the Iowa Corn Promotion Board and the Iowa Corn Growers Association. The film reviews the interrelationship between ethanol production and cattle feeding.

Mr. Mark Imerman, Coordinator, and Dr. Dan Otto, Professor, representing the Department of Economics at Iowa State University, discussed rural trends in the state. Mr. Imerman and Dr. Otto discussed Iowa's decreasing rural population and the resulting effects upon infrastructure, including roads and schools.

Ms. Jan Libbey and Mr. Paul Devine, farmers, emphasized the importance of maintaining independent producers on farmland, supporting environmental regulation, and pursuing alternative energy sources. They expressed concern regarding large-scale farming operations, including swine production operations, and the establishment of agricultural areas as enacted during the 1993 legislative session in S.F. 11.

Mr. Burnette Koebernick, Director of Government Relations for the Iowa Association of Electric Cooperatives, discussed the efforts of the Association to promote rural development, the importance of value-added products, and the need to support economic development programs such as the Community Economic Betterment Account (CEBA) program.

Dr. Duane Acker, Past Assistant Secretary of Agriculture for Science Education, United States Department of Agriculture, discussed the need to improve management practices

among Iowa livestock producers. Dr. Acker presented a model for production of beef by using methods which protect the environment while creating quality rural employment.

Mr. Dale M. Cochran, Secretary of Agriculture, and Ms. Camille Valley, Coordinator of the Office of Renewable Fuel of the Department of Agriculture and Land Stewardship, discussed the importance of the production and consumption of renewable fuel, and particularly ethanol. They discussed the Ethanol Production Incentive Program. Ms Valley noted that Minnesota has annually committed \$15.8 million for ethanol production, while Iowa has committed \$4 million annually under its program.

Mr. Bill Horan, President of the Iowa Corn Growers Association, and Mr. Everett Nordine, Chairman of the Iowa Corn Promotion Board, discussed value-added processing and the importance of the ethanol industry.

Mr. Lowel Langerman, a farmer, stated that individual farmers should have the same opportunity to compete for economic development resources as larger producers. He specifically commented upon the need to encourage farmers to produce ethanol.

Mr. Ken Ehrp, General Manager, Farmers Cooperative in Sioux Center, discussed the need for an ethanol plant in Sioux County and the relationship between ethanol production and cattle feeding operations.

Mr. Charles Pyatt, a farmer, and Mr. Rick Whalen, Commercial Development Manager for the Butler County Rural Electric Cooperative, discussed plans to construct an ethanol production facility. Mr. Whalen noted that the plant may be constructed in Minnesota due to that state's more attractive incentive program.

Mr. Terry Wells, a fuel buyer representing the Archer Daniels Midland Company (ADM), testified regarding the production of ethanol using waste tires as a fuel source. Mr. Wells indicated that obtaining a permit in Iowa for using tires as a fuel is still being considered despite problems caused by regulatory concerns of the Department of Natural Resources. Mr. Wells stated that ADM is likely to be receptive to cooperating with small production facilities in an effort to encourage increased ethanol production.

Mr. Reg Clause, President of the Iowa Cattlemens Association, discussed recommendations to expand Iowa's livestock industry, including protections against nuisance suits, improving the environmental regulatory climate in Iowa, and encouraging cattle production on land currently reserved under the federal Conservation Reserve Program (CRP).

Mr. Randy Pilkington, Director of the Institute for Decision Making at the University of Northern Iowa, expressed optimism regarding rural economic development initiatives, and expressed support for the Rural Enterprise Fund, Rural Mainstreet Program, and leadership training programs.

Mr. Robert Furleigh, Administrative Assistant, Office of the Governor, discussed the Governor's Livestock Task Force report due on December 20, 1993. Mr. Furleigh discussed a number of areas impacting upon livestock production, including environmental regulations, a lack of available financing, the marketing of red meat products, and new technology.

Mr. Robert Mulqueen, Public Policy Analyst, Rural Development Initiatives, Iowa State Association of Counties, discussed multicomunity economic development efforts and the need for rural housing.

Mr. Kent Sovern, representing the League of Iowa Municipalities, discussed local tax policy, rural housing needs, and statutes imposing jurisdictional limits on cities beyond their city limits.

Mr. Allan Thoms, Director of the Department of Economic Development, and Ms. Kathy Berry, Division Administrator for Community and Rural Development for the Department of Economic Development, discussed departmental programs, emphasizing the need for flexibility in administering the programs, and adequate financial resources.

The Committee received a copy of written remarks prepared by Mr. Philip W. Madson, President of Raphael Katzen Associates International, Inc., regarding the public policy issues involved in ethanol production programs. A copy of Mr. Madson's remarks are on file with the Legislative Service Bureau.

MEETING -- DECEMBER 16, 1993

The second meeting of the Study Committee was held on December 16, 1993.

Mr. Neil Milner, Vice President and Chief Executive Officer of the Iowa Bankers Association, testified regarding lending practices and policies. Mr. Milner discussed the financial distress of farmers due to weather conditions and commodity prices.

Ms. Sue Atkinson, former Farm Credit Administration official, expressed concern regarding current economic development programs, the North American Free Trade Association treaty, and farm credit practices. She mentioned the North Dakota State Bank as an example of an institution dedicated to rural revitalization.

Mr. Ron Manning, State Director of the Iowa Small Business Development Center, discussed the role of his organization, and identified barriers to development, including access to capital. He commented on the need to focus resources to encourage the development of small businesses, and developing source business management practices.

Mr. Tim Kapucian, President of the Iowa Pork Producers Association, discussed a number of issues, including zoning regulations, environmental regulation, and corporate farming laws.

Mr. Ron Heck, President of the Iowa Soybean Association, discussed the potential of products using soybean oil, including soydiesel fuel. Mr. Heck presented a number of recommendations for statutory change, including requiring that soydiesel fuel be considered as a flexible fuel as provided in section 18.115, increasing assistance to public transit system demonstration projects using soydiesel oil, and providing production incentives to companies producing new value-added products.

Mr. Dick Shoenhair, President of the Iowa Poultry Association, discussed Iowa's place among leading poultry and turkey production states. He discussed corporate farming laws, and the need for legislation which would establish protective zones for agricultural production.

Mr. Tom Sepic, President of the Iowa Telephone Association, and Mr. Bob Halford, Manager of the Clear Lake Independent Telephone Company, discussed the relationship between local communication facilities and rural economic development. They discussed how rural residents earn income within the telemarketing industry. They also discussed the Iowa Communications Network, and the appropriate role of the state in owning or managing the network.

Dr. Stanley Johnson, Executive Director for the Center for Agricultural Research and Development (CARD), Iowa State University, discussed a number of issues affecting rural revitalization, including the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations, the federal Conservation Reserve Program (CRP), and the economic benefits of producing value-added products.

Mr. Steve Ovel, Executive Director for Grants and Governmental Relations, Kirkwood Community College, discussed a number of rural revitalization initiatives sponsored by community colleges, including outreach services, long-distance learning facilities, and customized training programs.

Dr. Jerry Hembd, Communities Director for the Iowa Cooperative Extension Service, Iowa State University, presented information regarding the role of the extension service in improving the health of rural residents.

Mr. James Gulliford, Director, Soil Conservation Division of the Department of Agriculture and Land Stewardship, discussed the impact of the flood on soil conservation practices, trends in soil management practices, and the Organic Nutrient Management Program funded by the General Assembly during the 1993-1994 fiscal year.

Mr. Tom Grau, State Director of the Agricultural Stabilization and Conservation Service, United States Department of Agriculture, discussed federal efforts to provide flood relief, and various federal programs designed to support conservation efforts.

MEETING -- JANUARY 6, 1994

The third meeting of the Study Committee was held on January 6, 1994.

Mr. Mark Imerman, Coordinator, Department of Economics, and Dr. Dan Otto, Professor, Department of Economics, representing Iowa State University, discussed adding value and differentiating agricultural products, and Iowa's ethanol and corn milling industries.

Mr. Ron Heck, President of the Iowa Soybean Association, and Mr. David Larson, Executive Director of the Iowa Soybean Association, presented several recommendations to the Study Committee, including the need to provide that soydiesel fuel be classified as a flexible fuel as provided in the Iowa Code, establish a program to increase state assistance to Iowa public transit systems demonstrating the use of soydiesel fuel, encourage state agencies to support and participate in demonstration projects which utilize soydiesel fuel, and encourage economic development awards that will encourage soydiesel production and the production of other value-added uses in the state.

Mr. David Reynolds, Division Administrator, Division of Tourism for the Department of Economic Development, presented information regarding departmental programs and opportunities to expand tourism markets in Iowa.

Mr. John Baker, staff attorney representing Rural Concern/Iowa Concern, Iowa State University, discussed initiatives to assist beginning farmers, including a program to match persons interested in acquiring farmland with persons owning farmland who are retiring from agricultural production.

Mr. Ron Langston, Executive Director for the Institute for Social and Economic Development, discussed the role of the Institute in assisting low- and moderate-income rural residents. Mr. Langston stressed the need to provide capital to persons to establish microbusinesses. He requested that legislators consider providing funding to the Institute.

Mr. Donald Paulin, Deputy Director, Department of Natural Resources, and Mr. Peter Hamlin, Bureau Chief, Air Quality Bureau, Environmental Protection Division of the Department of Natural Resources, discussed environmental regulations and the process of issuing environmental permits. During the last meeting, Mr. Terry Wells, representing ADM, stated that the Department was not cooperating with the company in issuing a permit to burn waste tires as fuel in its ethanol production process in Cedar Rapids. Mr. Hamlin stated that the Department would cooperate with ADM, but that the company has not applied for a permit to burn tires. Mr. Paulin testified that the Department is cooperating with livestock producers

in order to issue permits for the construction of livestock operations. He stated that a number of applications have been made, but that the Department is processing those permits in a timely manner.

Mr. Duane Sand, Director of Long-Range Planning, Iowa Natural Heritage Foundation, discussed the future of highly erodible land currently withheld from production under the federal Conservation Reserve Program. Mr. Sand noted that land under CRP contract should be maintained as pastureland or timberland.

Mr. Dan Schmitt, President of the American Agricultural Movement, discussed a number of concerns regarding federal monetary policy and farm income. Mr. Schmitt distributed information regarding Iowa's livestock industry, and the ability of producers to maintain profitable operations.

The Reverend Gil Dawes, Director of the Renewing Rural Iowa Project, Prairie Fire, discussed the importance of supporting rural infrastructure and the state's human resources. He noted the importance of maintaining the high quality of life enjoyed by rural residents, but emphasized the need to ensure that rural residents have access to modern infrastructure and facilities.

The Study Committee then considered two proposals.

The first proposal was submitted as a concept to increase tourism in the state. The proposal would establish a tourism marketing revolving fund supported by the transfer of 40 percent of the amount by which sales tax revenue generated by eating, drinking, and lodging establishments and amusement parks and services increased over the previous year's amount. The 40 percent formula would only be applied if the revenue increased by at least 3 percent over the previous year's amount and only to that portion of the revenue increase which is between 3 percent and 7 percent of the previous year's amount. The Study Committee approved in concept the proposal.

The second proposal was presented in bill form. The proposal relates to supporting value-added agricultural products. The bill (LSB 3413IC) requires the Department of Economic Development to encourage the development of profitable facilities which create value-added products, including ethanol, using renewable agricultural commodities. The program would be supported by moneys derived from the use tax on motor vehicles, trailers, and motor vehicle accessories and equipment collected pursuant to section 423.7, (currently supporting an ethanol production incentive program administered by the Department of Agriculture and Land Stewardship).

The bill makes allocations to support specific demonstration projects relating to soydiesel production and integrated ethanol production and cattle feeding operations. The bill adds two new criteria to the factors required to be considered when the Department of Economic Development awards moneys to businesses under the Community Economic

Betterment Account (CEBA) program. The bill also authorizes state agencies to use soydiesel fuel as an alternative fuel.

The bill adds a person representing the Iowa Soybean Association to the Renewable Fuel Advisory Committee. The bill also amends provisions relating to the labeling of fuel containing a renewable fuel.

During Committee discussion the Committee adopted a number of amendments to the bill, including provisions to support increasing the production and consumption of renewable oil as well as renewable fuel.

The Study Committee approved LSB 3413IC subject to a final review of the bill draft at a subsequent meeting.

COMMITTEE RECOMMENDATIONS AND SUBSEQUENT LEGISLATIVE ACTION

The Study Committee approved the drafting of bills relating to tourism and value-added products and processes. The Committee did not meet a final time to review the bills, but versions of both drafts were introduced by the Small Business, Economic Development and Tourism Standing Committee in the Senate and the Small Business, Economic Development and Trade Standing Committee in the House. The General Assembly considered two versions of the tourism bill (SF 2114 and HF 2425). Neither bill passed. The General Assembly did pass and the Governor signed HF 2337, based on LSB 3413IC as considered by the Study Committee, which relates to value-added processes, provides programs and moneys, and provides for the repeal of provisions. The bill became effective on April 26, 1994.

A copy of the latest versions of these bills is attached.

(S. 209) 2/15/94 Approved

FILED FEB 10 1994

SENATE FILE 2114
BY COMMITTEE ON SMALL BUSINESS,
ECONOMIC DEVELOPMENT, AND
TOURISM

(SUCCESSOR TO SSB 2009)

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

A BILL FOR

1 An Act relating to funding tourism marketing from certain sales
2 tax revenues and making an appropriation.

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

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SF 2114

1 Section 1. NEW SECTION. 12.55 TOURISM MARKETING REVENUE
2 FUND.

3 1. The treasurer of state shall establish a tourism
4 marketing revolving fund as a separate fund in the state
5 treasury under the administration of the department of
6 economic development. Moneys shall be deposited in the fund
7 in accordance with section 422.59A.

8 2. Moneys in the fund are appropriated and shall be used
9 in accordance with section 15.108, subsection 5, paragraph
10 "p". Notwithstanding section 8.33, moneys in the fund shall
11 not revert, but shall be available for expenditure for tourism
12 marketing in succeeding fiscal years.

13 Sec. 2. Section 15.108, subsection 5, Code Supplement
14 1993, is amended by adding the following new paragraph:

15 NEW PARAGRAPH. p. Administer the tourism marketing
16 revolving fund established in section 12.55.

17 (1) The fund shall consist of those moneys transferred to
18 the fund under section 422.59A and shall be used for tourism
19 marketing. Moneys transferred to the fund shall be in
20 addition to and not in lieu of the base appropriation for
21 tourism marketing. The base appropriation shall be the amount
22 appropriated for tourism marketing in the previous fiscal
23 year, which shall not be lower than the amount appropriated in
24 the fiscal year ending June 30, 1994.

25 (2) Moneys in the fund shall be apportioned as follows:

26 (a) Ninety percent of the funds shall be used by the
27 department for tourism marketing.

28 (b) Ten percent of the funds shall be used for cooperative
29 advertising among the three tourism regions.

30 Moneys from the fund shall not be used for administrative
31 expenses.

32 The department shall provide a detailed report to the
33 appropriate economic development joint appropriation
34 subcommittee of the general assembly regarding the tourism
35 marketing efforts and cooperative advertising funded through

1 the revolving fund.

2 Sec. 3. NEW SECTION. 422.59A TOURISM MARKETING FUND --
3 TRANSFER.

4 1. As used in this section:

5 a. "Base year amount" means, for the fiscal year ending
6 June 30, 1995, the gross amount determined by the department
7 of revenue and finance of taxes collected from the sale of
8 tourism-oriented goods and services in the fiscal year ending
9 June 30, 1994, and, for the fiscal year ending June 30, 1996,
10 and for each subsequent fiscal year, the gross amount of taxes
11 collected from the sale of tourism-oriented goods and services
12 in the prior fiscal year.

13 b. "Tourism-oriented goods and services" means goods and
14 services sold at eating establishments, drinking
15 establishments, hotels and lodging establishments, and
16 amusement parks.

17 2. The department shall account for and transfer to the
18 treasurer of state for deposit in the tourism marketing
19 revolving fund, by October 1 of each year, forty percent of
20 the maximum amount by which the preceding fiscal year's tax
21 revenues from the sale of tourism-oriented goods and services
22 exceed the base year amount by at least three percent but not
23 more than seven percent. However, for the fiscal year ending
24 June 30, 2002, and each subsequent fiscal year, the amount
25 transferred shall be thirty percent of the maximum amount by
26 which that year's tax revenues from the sale of tourism-
27 oriented goods and services exceed the base year amount by at
28 least three percent but not more than seven percent.

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EXPLANATION

30 This bill establishes the tourism marketing revolving fund
31 as a separate fund in the state treasury. The revolving fund
32 is to be funded by a transfer of 40 percent of the amount that
33 the sales tax revenue generated by tourism-oriented goods and
34 services increases by at least 3 percent up to 7 percent over
35 the previous year's amount. Starting in fiscal year 2002, the

1 amount transferred shall be reduced to 30 percent of that
2 amount of growth. The department of revenue and finance is
3 directed to account for and transfer to the revolving fund by
4 October 1 the amount generated.

5 The bill provides that the department of economic
6 development shall administer the revolving fund. The moneys
7 in the revolving fund shall be used 90 percent to fund tourism
8 marketing and 10 percent for cooperative advertising among
9 Iowa's three tourism regions. Money unexpended at the end of
10 a fiscal year will not revert to the general fund but shall be
11 available for use for tourism marketing during the subsequent
12 fiscal year.

13 The bill also provides that the moneys in the revolving
14 fund are in addition to the amount appropriated by the general
15 assembly for tourism marketing and establishes a floor for
16 tourism marketing appropriations. The bill further requires
17 the department of economic development to provide the economic
18 development joint appropriation subcommittee with a detailed
19 report on the uses to which revolving fund moneys were put.

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APR 4 1994
WAYS & MEANS CALENDAR

HOUSE FILE 2425
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 533)
(SUCCESSOR TO HF 2340)

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

A BILL FOR

1 An Act relating to funding tourism marketing from certain sales
2 tax revenues and making an appropriation.

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

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HF 2425

1 Section 1. NEW SECTION. 12.55 TOURISM MARKETING REVENUE
2 FUND.

3 1. The treasurer of state shall establish a tourism
4 marketing revolving fund as a separate fund in the state
5 treasury under the administration of the department of
6 economic development. Moneys shall be deposited in the fund
7 in accordance with section 422.59A.

8 2. Moneys in the fund are appropriated and shall be used
9 in accordance with section 15.108, subsection 5, paragraph
10 "p". Moneys appropriated from the fund shall be considered to
11 be state spending and shall count as part of total spending
12 that is subject to the ninety-nine percent spending limitation
13 in the fiscal year that the funds are appropriated.
14 Notwithstanding section 8.33, moneys in the fund shall not
15 revert, but shall be available for expenditure for tourism
16 marketing in succeeding fiscal years.

17 Sec. 2. Section 15.108, subsection 5, Code Supplement
18 1993, is amended by adding the following new paragraph:

19 NEW PARAGRAPH. p. Administer the tourism marketing
20 revolving fund established in section 12.55.

21 (1) The fund shall consist of those moneys transferred to
22 the fund under section 422.59A and shall be used for tourism
23 marketing. Moneys transferred to the fund shall be in
24 addition to and not in lieu of the base appropriation for
25 tourism marketing. The base appropriation shall be the amount
26 appropriated for tourism marketing in the previous fiscal
27 year, which shall not be lower than the amount appropriated in
28 the fiscal year ending June 30, 1994.

29 (2) Moneys in the fund shall be apportioned as follows:

30 (a) Ninety percent of the funds shall be used by the
31 department for tourism marketing.

32 (b) Ten percent of the funds shall be used for cooperative
33 advertising among the three tourism regions.

34 Moneys from the fund shall not be used for administrative
35 expenses.

1 The department shall provide a detailed report to the
2 appropriate economic development joint appropriation
3 subcommittee of the general assembly regarding the tourism
4 marketing efforts and cooperative advertising funded through
5 the revolving fund.

6 Sec. 3. NEW SECTION. 422.59A TOURISM MARKETING FUND --
7 TRANSFER.

8 1. As used in this section:

9 a. "Base year amount" means, for the fiscal year ending
10 June 30, 1995, the gross amount determined by the department
11 of revenue and finance of taxes collected from the sale of
12 tourism-oriented goods and services in the fiscal year ending
13 June 30, 1994, and, for fiscal years ending June 30, 1996,
14 through June 30, 2001, the gross amount of taxes collected
15 from the sale of tourism-oriented goods and services in the
16 prior fiscal year.

17 b. "Tourism-oriented goods and services" means the goods
18 and services under the following standard industrial
19 classification code numbers:

- 20 (1) 5812, eating establishments.
- 21 (2) 5813, drinking establishments.
- 22 (3) 7011, hotels, motels, and lodging establishments.
- 23 (4) 7996, amusement parks.

24 2. The department shall account for and transfer to the
25 treasurer of state for deposit in the tourism marketing
26 revolving fund, by January 31 of each year, forty percent of
27 the maximum amount by which the preceding fiscal year's tax
28 revenues from the sale of tourism-oriented goods and services
29 exceed the base year amount by any amount within the range of
30 three percent to seven percent. No transfer of additional
31 sales tax revenues to the tourism marketing revolving fund
32 shall occur if the increase in sales tax revenues from the
33 sale of tourism-oriented goods and services is less than three
34 percent and no transfer shall be made out of any increase in
35 tourism-oriented sales tax revenue in excess of seven percent

1 in any fiscal year. However, for the fiscal year ending June
2 30, 2002, and each subsequent fiscal year, the amount
3 transferred shall be thirty percent of the maximum amount by
4 which that year's tax revenues from the sale of tourism-
5 oriented goods and services exceed the base year amount by any
6 amount within the range of three percent to seven percent.

7

EXPLANATION

8 This bill establishes the tourism marketing revolving fund
9 as a separate fund in the state treasury. The revolving fund
10 is to be funded by a transfer of 40 percent of the amount that
11 the sales tax revenue generated by tourism-oriented goods and
12 services increases by at least 3 percent up to 7 percent over
13 the previous year's amount. Starting in fiscal year 2002, the
14 amount transferred shall be reduced to 30 percent of that
15 amount of growth. The department of revenue and finance is
16 directed to account for and transfer to the revolving fund by
17 January 31 the amount generated.

18 The bill provides that the department of economic
19 development shall administer the revolving fund. The moneys
20 in the revolving fund shall be used 90 percent to fund tourism
21 marketing and 10 percent for cooperative advertising among
22 Iowa's three tourism regions. Money unexpended at the end of
23 a fiscal year will not revert to the general fund but shall be
24 available for use for tourism marketing during the subsequent
25 fiscal year.

26 The bill also provides that the moneys in the revolving
27 fund are in addition to the amount appropriated by the general
28 assembly for tourism marketing and establishes a floor for
29 tourism marketing appropriations. The bill further requires
30 that moneys in the fund shall be considered state spending
31 subject to the 99 percent spending limitations in the fiscal
32 year that the funds are appropriated and that the department
33 of economic development provide the economic development joint
34 appropriation subcommittee with a detailed report on the uses
35 to which revolving fund moneys were put.

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 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

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.

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 i. 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.

j. 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,

~~c. 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~~ c. ~~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~~ decals,

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 17, 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.

HAROLD VAN MAANEN
Speaker of the House

LEONARD L. BOSWELL
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2337, Seventy-fifth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved _____, 1994

TERRY E. BRANSTAD
Governor