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To: Applicants to the Renewable Fuel Infrastructure Program

From: Paul Ovrom, RFIP Administrator

In May 2024, House File 2687 was signed into law by Governor Reynolds. This new law provides for a transition period through December 31, 2025, allowing newly installed aboveground retail ethanol infrastructure to be compatible with E-15. Beginning January 1, 2026, and running through June 30, 2030, new aboveground infrastructure must be compatible with ethanol blended gasoline classified as E-40. On and after July 1, 2030, new aboveground infrastructure must be compatible with E-85. This effectively removes through June 30, 2030, the previous Renewable Fuel Infrastructure Program (RFIP) requirement that retail ethanol projects be E-85 compatible. The law in its entirety can be found here: [Iowa Legislature - BillBook](#).

Additionally, in May 2024, House File 2691 was signed into law by Governor Reynolds. Portions of this new law make specific changes to the RFIP. Much of this new law took effect on July 1, 2024. The law in its entirety can be found here: [Iowa Legislature - BillBook](#). Items of note from HF2691 that may affect your project include:

Ethanol

- Beginning July 1, 2024, standard financial incentives awarded to improve tier sites as defined in the Biofuels Act of 2023 are amended. Tier definitions and the new award amounts are as follows:
 - Tier 1 sites: at the time of application, retailer owns or operates ten or fewer retail fuel sites • The retailer has not stored and dispensed E-15 at this site at any time prior to submitting the application • The site's average total gasoline gallonage must not be more than 140,000 gallons.
 - Awards to improve Tier 1 sites are 90% of the actual cost of making the improvement or \$75,000, whichever is less (need to show at least \$83,333.33 in expenses for the full cost share award of \$75,000).
 - Tier 2 sites: at the time of application, retailer owns or operates ten or fewer retail fuel sites • The retailer has not stored and dispensed E-15 at this site at any time prior to submitting the application • The site's average total gasoline gallonage is more than 140,000 gallons but not more than 450,000 gallons.
 - Awards to improve Tier 2 sites are 75% of the actual cost of making the improvement or \$75,000, whichever is less (need to show at least \$100,000 in expenses for the full cost share award of \$75,000).
 - Tier 3 sites: any retail motor fuel site not meeting the criteria provided in the two options above and designated as a Tier 1 or Tier 2 site shall be designated a Tier 3 site. This would include new sites.
 - Awards to improve Tier 3 sites are 70% of the actual cost of making the improvement or \$75,000, whichever is less (need to show at least \$107,142.86 in expenses for the full cost share award of \$75,000).

RFIP applications may be found on the [IDALS RFIP homepage](#).

- Ethanol Corrective Amounts: Beginning July 1, 2024, retail dealers that can document work and were awarded standard financial incentives through the RFIP on or after January 1, 2022, to improve a retail motor fuel site, based on the cost of installing, replacing, or converting infrastructure capable of storing and dispensing ethanol blended gasoline classified as E-85, may complete and submit an amendment to their application for a monetary corrective amount. This corrective amount shall not exceed the difference between \$75,000 and the amount of standard financial incentives the applicant was previously awarded. The bill allocates \$2 million for corrective awards, and all awards must be reviewed and approved by the RFIP Board. Beginning July 1, 2024, a Corrective Amendment form may be found on the [IDALS RFIP homepage](#).

To be eligible:

- The purpose of the project was to upgrade an existing site with E85-compatible equipment (i.e. an awarded project to construct a new retail site is not eligible for corrective amendment awards).
- A retail dealer must file this application amendment no later than December 31, 2024.
- A retail dealer must complete the improvement detailed in the original award using the RFIP standard financial dollars received.
- Any corrective amount award must be used to expense costs associated with E85-compatible equipment only. Applications will need to provide proof of E85-compatible project expenses.

Please note: cost share expenses used to calculate the original standard financial award are not eligible for corrective amount awards. Only expenses incurred beyond those used to determine the cost share award in the original standard financial application are eligible for a corrective amount award. These additional expenses should be used in cost share calculations that are dependent upon which of the three tiers the retailer falls within - up to a maximum of \$75,000 in total awards that combines both the original standard financial award and the corrective amount award. Cost share calculations using additional expenses for each of the tiers are as follows: Tier 1 sites may use a 90% cost share calculation; Tier 2 sites may use a 75% cost share calculation; Tier 3 sites may use a 70% cost share calculation.

Some Corrective Amount Scenarios/Examples are provided below. Examples 1, 2 and 3 are also provided in a worksheet format that can be found on page 4 of this memo.

- Example 1: In 2023, a retailer applied for and received standard RFIP financial incentives for a Tier 1* site that was upgraded with E85 compatible equipment. On the application and invoice summary form, the retailer only showed the expenses used to calculate the Tier 1, 90% cost share to be eligible for the maximum standard financial award amount of \$63,900 ($\$71,000 \times 90\% = \$63,900$). In actuality, the total E85 compatible expenses for this project came to \$110,000. The retailer hopes to achieve the maximum allowable \$75,000 in awards that combines both the original standard financial award and an additional corrective amount award.
 - Provided the retailer can document the additional E85 compatible work expenses, this project would likely be eligible for an additional \$11,100 in a corrective amount ($\$75,000 - \$63,900 = \$11,100$)
 - Any additional eligible expenses beyond the \$71,000 that were used to calculate the standard financial Tier 1, 90% cost share award of \$63,900, could be considered as qualifying expenses for calculating a new cost share corrective amount - keeping in mind the \$75,000 cap for any corrective amount plus the original standard financial incentive.
 - Remaining qualifying expenses for this retailer would be determined as follows: $\$110,000$ total qualifying expenses - $\$71,000$ used for cost share calculations in original award = $\$39,000$ remaining in expenses that could be used to calculate the potential cost share eligible expenses. A Tier 1, 90% cost share calculation on $\$39,000$ provides $\$35,100$ in additional eligible expenses ($\$39k \times .9$). But because $\$75,000$ is the cap for any corrective amount plus the original standard financial incentive, and the retailer has already received $\$63,900$, only $\$11,100$ of the $\$35,100$ in remaining qualifying expenses could be sought in a corrective amount award.

- Example 2: If this same retailer had a similar Tier 1 project at another location but the total E85 compatible expenses for this second project totaled \$80,000, the retailer would calculate a potential corrective amount award as follows: \$80,000 total qualifying expenses - \$71,000 used for cost share calculations in the original award = \$9,000 in expenses that could be used to calculate the potential cost share eligible expenses for a corrective award. A Tier 1, 90% cost share calculation on \$9,000 provides \$8,100 in additional eligible expenses (\$9k x .9). Should a corrective amount be awarded to this retailer, they would receive less than the \$75,000 cap in total awards (\$63,900 awarded in standard financial incentives + \$8,100 as a corrective amount = \$72,000 in total award dollars).
- Example 3: In 2023, a retailer applied for and received standard RFIP financial incentives for a Tier 3* site that was upgraded with E85 compatible equipment. As with the first example above, the total E85 compatible expenses for this project came to \$110,000. Because this was a Tier 3 retailer, they used a 70% cost share calculation to receive the \$50,000 maximum for their standard financial award (\$71,428.57 x .7 = \$50k). The retailer hopes to achieve the maximum allowable \$75,000 in awards that combines both the original standard financial award and an additional corrective amount award.
 - The retailer needs to subtract the cost share figure of \$71,428.57 used to calculate the standard financial award from their total eligible expenses: \$110,000 - \$71,428.57 = \$38,571.43 in remaining expenses that could be used to calculate the potential cost share eligible expenses for a corrective amount award. A Tier 3, 70% cost share calculation provides \$27,000 in additional eligible expenses (\$38,571.43 x .7). But because \$75,000 is the cap for any corrective amount plus the original standard financial incentive, and the retailer has already received \$50,000, only \$25,000 of the \$27,000 in remaining qualifying expenses could be sought in a corrective amount award.

*For fiscal years (July 1 to June 30) 2023 & 2024, ethanol tier maximum award amounts were as follows.

- Tier 1 designation: maximum award per site \$63,900
- Tier 2 designation: maximum award per site \$53,250
- Tier 3 designation: maximum award per site \$50,000
- A retailer applied for and received standard RFIP financial incentives in 2022 to update an existing site and completed their project that year.
 - Some scenarios:
 - The project was for E85 dispensing equipment: the project may qualify for a corrective amount.
 - The project was for E15, and the equipment was not E85 compatible: the project would not be eligible for a corrective amount.
- A retailer applied for and received standard RFIP financial incentives in 2022 to update an existing site but completed their project in 2023 and therefore was required to follow the Biofuels Act of 2023. Among other things, this Act required that any ethanol equipment installed after December 31, 2022, had to be E85 compatible. Provided the retailer could show they complied with the Biofuels Act by installing E85 compatible equipment, they may qualify for a corrective amount.
- A retailer was awarded standard financial incentives for an E85 upgrade in 2021. This project would not qualify. Only E85 compatible projects awarded on or after January 1, 2022, qualify for corrective awards.

Calculation Steps for Determining RFIP Corrective Awards	Example 1	Example 2	Example 3	For Retailer Use
A - Total E85 compatible expenses of original project	\$110,000	\$80,000	\$110,000	
B - Original RFIP amount awarded	\$63,900 (Tier 1)	\$63,900 (Tier 1)	\$50,000 (Tier 3)	
C - Cost share figure used to calculate the original award: Tier 1: divide B by 0.9 Tier 2: divide B by 0.75 Tier 3: divide B by 0.7	\$71,000 ($\$63,900/0.9$)	\$71,000 ($\$63,900/0.9$)	\$71,428.57 ($\$50,000/0.7$)	
D - Subtract C from A; these are the remaining expenses that can be used to calculate the potential cost share for a corrective amount	\$39,000 ($\$110,000-\$71,000$)	\$9,000 ($\$80,000-\$71,000$)	\$38,571.43 ($\$110,000-\$71,428.57$)	
E - Cost share calculation for potential corrective amount award: Tier 1: multiply D by 0.9 Tier 2: multiply D by 0.75 Tier 3: multiply D by 0.7	\$35,100 ($\$39,000 \times 0.9$)	\$8,100 ($\$9,000 \times 0.9$)	\$27,000 ($\$38,571.43 \times 0.7$)	
F - Maximum amount of a potential corrective award for this project: subtract original RFIP award from \$75,000	\$11,100 ($\$75,000-\$63,900$)	\$11,100 ($\$75,000-63,900$)	\$25,000 ($\$75,000-\$50,000$)	
G - Whichever is less, E or F, is the corrective award that can be requested	\$11,100 ($\$11,100 < \$35,100$)	\$8,100 ($\$8,100 < \$11,100$)	\$25,000 ($\$25,000 < \$27,000$)	

Biodiesel

- HF2691 raised the amount of RFIP funds allocated to biodiesel retail projects from \$1.25 million to \$1.75 million per fiscal year, but it otherwise left intact the language of the Biofuels Act of 2023.

The Biofuels Act of 2023 includes the following requirements for biodiesel projects:

- Awarded applicants for biodiesel projects must install, replace, or convert equipment to dispense biodiesel blends from equipment that is B-20 compatible. While dispensing B-20 is not required, installing equipment compatible with dispensing B-20 is required.
- For the term of the RFIP financing agreement to improve a retail motor fuel site by installing, replacing, or converting biodiesel infrastructure, the retailer must use the biodiesel infrastructure to store and dispense, or store, blend, and dispense, biodiesel blended fuel classified as B-5 or higher. However, at least for the period beginning April 1 and ending October 31 of each year, the participant must use the infrastructure to store and dispense, or store, blend, and dispense, biodiesel blended fuel classified as B-11 or higher.
- For any fiscal year, should all designated dollars for retail biodiesel projects be awarded by the RFIP Board, applications yet to be reviewed will be placed in an application queue and reviewed by the RFIP Board at a time of their choosing but in the order in which the applications were received.
- Funds for awarded biodiesel terminal project applications are not drawn from the allocation for biodiesel retail projects. Biodiesel terminal awards are drawn from the allocation set aside for both ethanol retail projects and biodiesel terminal projects.

If you have questions, please contact me at 515-242-6239 or paul.ovrom@iowaagriculture.gov .

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