## MINUTES OF THE SPECIAL MEETING OF THE ADMINISTRATIVE RULES REVIEW COMMITTEE

Time of meeting

The special meeting of the Administrative Rules Review Committee (ARRC) was held on Tuesday and Wednesday, January 3 and 4, 1995, in Room 22, State Capitol, Des Moines, Iowa. This meeting was held in lieu of the statutory date, January 10, 1995.

Members present:

Representative Janet Metcalf and Senator Berl E. Priebe, Co-chairs; Senators H. Kay Hedge, John P. Kibbie, William Palmer and Sheldon Rittmer; Representatives Horace Daggett, Roger Halvorson, Minnette Doderer and David Schrader. Also, Representative Keith Weigel who had been appointed to fill the vacancy created by the resignation of Representative Schrader. Schrader had assumed duties as House Minority Leader.

Also present:

Joseph A. Royce, Legal Counsel; Phyllis Barry, Administrative Code Editor; Kimberly McKnight, Administrative Assistant; Caucus staff and other interested persons.

Convened:

Co-chair Metcalf convened the meeting at 10 a.m. and called up the following which was presented by Walter Felker, State Veterinarian, and John Schiltz:

AGRICULTURE

AGRICULTURE AND LAND STEWARDSHIP DEPARTMENT[21] Pseudorabies disease, 64.151(2), 64.153(1), 64.153(2), 64.154(2), 64.154(3)"a" and "b." 64.156(2)"e," 64.156(4), 64.156(5), 64.158(2) to 64.158(6), 64.161, <u>Filed ARC 5318A</u> 12/21/94

64.151(2) et al.

Daggett raised question concerning monitoring of pigs imported from other states. Felker indicated that every route to market had an inspector. In response to Priebe regarding individual identification of pigs from large operations, Felker stated that there would be identification for each farm of origin but each pig from a particular farm would most likely have a tattoo. Felker asked Priebe to inform him of any potential problem.

Kibbie was informed that the incidence of outbreaks from domestic herds in Iowa was on a downward trend. No Committee action.

ATTORNEY GEN. Bill Brauch, Assistant Attorney General in the Consumer Protection Division, represented the agency for the following:

ATTORNEY GENERAL[61]

Ch 27

Brauch stated that before commencing rule making, the agency presented drafts of these rules to interested groups for comment. These groups included Iowa Department of Transportation, Iowa Automobile Dealers Association, the Iowa Independent Auto Dealers Association and Iowa Automobile Recyclers Association. No written comments or requests for oral presentations have been received.

Brauch advised Schrader that the Attorney General's Office had drafted legislation to require the brand on the vehicle registration. He added that these rules define that information as a material fact and require that it be disclosed. Legislation would be needed to determine the method for disclosure.

ATTORNEY GEN. (Cont.)

Schrader and Brauch discussed the \$3,000 damage disclosure statement. Although that issue was not relevant to Chapter 27, Brauch pointed out the law was still being evaluated to determine if it were outdated. Schrader recommended \$5,000 as a more realistic figure. No Committee action.

#### COLLEGE AID

Laurie Wolf was present from the Commission for the following:

COLLEGE STUDENT AID COMMISSION[283] EDUCATION DEPARTMENT[281]"umbrella"

Student loans discharged in bankruptcy, 11.1(3)"c," 12.1(8), 13.1(8), 14.1(7), 18.15, 19.1(1)"f," 20.1(1)"f,"

11.1(3)"c" et al.

In response to Daggett, Wolf stated that there were no comments at the public hearing. Also, Wolf replied that she did not foresee an impact on the loan volume. The major problems with the provision previously were that a student could not obtain a grant or scholarship for another student loan until they had reaffirmed their debt that had been discharged through bankruptcy. Approximately 100 students were affected each year.

## DENTAL **EXAMINERS**

Cindy Nelson represented the Board for the following:

DENTAL EXAMINERS BOARD[650]

PUBLIC HEALTH DEPARTMENT[641]"umbrella"

27.7(7) and 27.7(8)

Nelson told the Committee that the amendments to rule 27.7 would allow the Board to consider recommendations for unnecessary treatment without requiring the licensee to actually perform the unnecessary treatment. No one appeared at the scheduled public hearing. The Board would review a comment from the Iowa Dental Association at its January meeting. The Association questioned this expansion because practitioners recommend treatment that might not be aligned with other practitioners. The Board wanted latitude to discriminate if the treatment were just a different judgment call or not in the best interest of the patient.

Priebe agreed with getting a second opinion but reasoned that a patient could get a different opinion from each dentist.

Royce advised that the Board was not exceeding its authority but the question of proper ethical consideration was a factor. Nelson stressed that the Board looked at "gray areas" and was not interested in the difference of opinion, for example, if a tooth could have been saved or if a root canal were needed. The impetus for this rule making was a licensee who unnecessarily removed healthy amalgam fillings and replaced them with composites, clearly for profit. The only evidence against the licensee was that two of these patients got a second opinion. recommendation being given to these patients was not scientifically based.

Priebe questioned the need for subrule 27.7(8). Nelson stated that patients do not normally seek second and third opinions because of the cost. With the rules in place, disciplinary procedures would be easier. No Committee action.

#### COMMUNITY ACTION

Rodney Huenemann represented the Division for the following:

22.1(1)"b" et al., 23.6(3)

Huenemann explained the amendments which were noncontroversial. No Committee action.

# ECONOMIC DEVELOPMENT

Melanie Johnson and Alan Clausen were present from the Department for the following:

5.1 to 5.12

Clausen stated that most changes were relative to clarifications for reporting. He pointed out that in 5.4(6), the last two sentences starting with "Reimbursement of employee's wages . . ." and ending with ". . . available training proceeds" should have been italicized as new language. Clausen added that he had received three letters from community college economic developers with minor suggestions.

Metcalf requested Clausen to expand on the differences from current rules. Clausen replied that the first sentence that should have been italicized in 5.4(6) was in legislation. The next sentence further clarified an attempt on the part of the community colleges to include more formal training activities in the training program rather than a salary reimbursement for the new jobs. Clausen continued that the words "total available training proceeds" referred to the total fund available which was determined by two methods. The Department intended 50 percent for reimbursement of wages and the other 50 percent of the total proceeds would be for formal training activities. Metcalf suggested clarification in the language.

Priebe referred to 5.4(6) and asked if the new employee had payroll costs. Clausen replied that this program would pay half of that employee's wages for one year.

Daggett asked about 5.4(5) and learned that administrative costs received by community colleges would not change.

Hedge and Clausen discussed the two sources of revenue to repay the certificates—diverting withholding of one and one-half percent and incremental property tax. Clausen also stated that the standby property tax levy in 5.8 would be used in extremely rare instances, e.g., if a company failed to meet employment obligations and there were no other revenue sources available to repay the bonds. Hedge asked about monitoring in 5.10 and Clausen said a field and desk audit would determine whether new jobs actually existed and if the training activities were taking place.

Kibbie opined that coordination with other agencies was a positive approach and he suspected that most training was conducted at the place of employment rather than the institution.

Daggett referred to Iowa Code chapter 260E which exempted the federal bonds and asked if the change in this language would require clarification from the

DED (Cont.)

federal government. According to Clausen, the Department had talked to the bond attorney who saw no impact on the tax-exempt status of the bonds. No Committee action.

#### **INSURANCE**

Susan Voss from the Division, Mike Treinen, Principal Financial Group and Serge Garrison, representing the Society for Human Resource Managers, were present for the following:

INSURANCE DIVISION[191]	
COMMERCE DEPARTMENT[181]"umbrella"	
Small group health benefit plans, 71.3(4), Filed Emergency ARC 5314A	2/21/94
Health care access, ch 74, Notice ARC 5161A Terminated, Notice ARC 5320A	
Community health management information system, ch 100, Filed ARC 5319A	

71.3(4)

With respect to 71.3(4), Daggett asked if having a payroll deduction for health care coverage would reduce income taxes for that employee. Voss replied that it would depend on how it was structured. If the deduction were made with pretax dollars it would be a benefit to the employee. Such a plan would be set up by the employer who was also contributing and would realize a pretax benefit. This rule was applicable only when the employee paid the entire contribution. No Committee action.

Ch 74

Voss recalled the controversial nature of Chapter 74 relative to health care access. The Notice which was published as ARC 5161A in the October 12, 1994, Bulletin had been terminated at the suggestion of the ARRC. The Division contacted several groups involved previously and revisited some of the letters and comments before rewriting the Notice published December 21, 1994.

According to Voss, the most significant change in the revision was the definition of an "eligible employee" as to the method of receiving the information and the written referral to health care which would be limited to full-time and permanent part-time employees. She had received request for further explanation of "permanent part-time." She explained that it would include temporary employees—seasonal or internship was not considered a permanent part-time basis employee. The Division attempted to clarify that the Division intended a written referral and not a requirement that employers become insurance agents or have to provide or explain plans.

Metcalf suggested that the language in 74.1(505) be changed to read "... requiring an employer to provide, at a minimum, access to health care or health insurance to the *employer's* eligible employees ... "She also suggested that 74.4(1) be changed to add commas around the words "at the minimum".

In response to Daggett, Voss said written referral would not be necessary after the probationary period had passed.

With respect to Doderer's concerns, Voss said the Division wanted to preclude an employer from referring employees to the yellow pages to find an insurer. Preferably, the employer would be required only to handle payroll deduction toward one referred carrier and Voss point to rule 74.5(505). Voss admitted that the issue had surfaced previously. Doderer viewed language in 74.4(1) as being "awkward" and the rules in general were "confusing." She inquired as to the reason for excluding the spouse of an eligible employee. Voss cited family farm corporations where the spouse was an employee but did not want to be considered an "eligible" employee. Doderer referred to 74.3(2), definition of "eligible employee" which she contended was contradictory. Doderer questioned whether

INSURANCE (Cont.) this effort was "reform" or a "nuisance" for the employer and no benefit for the employee.

Voss spoke of the absence of statistics for a viable report to the General Assembly—they had only comments received by various factions. She readily admitted that the majority of employers were not pleased with these rules. Voss recalled impetus for the legislation was the proposed national health care reform.

Dierenfeld offered to meet with Doderer and provide history of this issue. She added that the Governor would be proposing legislation this year which would be necessary for all "pieces to fit."

Motion to Refer

Doderer moved to refer proposed Chapter 74 to the Speaker and President of the Senate for review by the appropriate committee. Motion carried.

Garrison addressed the Committee briefly and contended that the rules exceeded the statute.

Metcalf pointed out that these rules were only under Notice and formal action by the Committee to delay them could not be voted until they were adopted as final rules.

Voss expressed the Division concerns relative to timely distribution of information to 65,000 employers in the state. Priebe suggested termination and renotice of the rules. In conclusion, Voss said that additional hearings would be scheduled to gain information.

Ch 100

Voss stated that no comments had been received on Chapter 100. Priebe questioned 100.4(1) as to the reason for filing articles of incorporation with the Secretary of State and also with the Polk County Recorder. Voss replied that the governing board had a private attorney and because it was a nonprofit corporation, the attorney filed it both places.

#### **EDUCATION**

Don Helvick and Ann Marie Brick were present from the Department for the following:

#### **EDUCATION DEPARTMENT[281]**

12.2(1) et al.

In response to Kibbie regarding 12.2(3), Helvick replied that parent-teacher conferences counted as instructional time. Under these rules the school could count a full day of school even when it was less than the five and one-half required hours if they had been in session longer than the required hours on another day. Kibbie inquired about snow days and Helvick replied that they do not count. He added that this meant five consecutive days—not a week.

36.15(4)

Helvick explained that amendments to 36.15(41) provided athletic eligibility guidelines for parents who rescind an open enrollment request before the student has attended the receiving district.

17.3(2) et al.

Helvick described amendments to Chapter 17 as focusing on ways to reduce paperwork.

**EPC** 

Ann Preziosi, Darrell McAllister, Dennis Alt, Victor Kennedy, Jeff Fiagle and Tom Collins were present from the Commission for the following:

**ENVIRONMENTAL PROTECTION COMMISSION[567]** 

NATURAL RESOURCES DEPARTMENT[561]"umbrella"

Exemptions from air construction permit requirement, 22.1(1), 22.1(2), 22.3(6), 22.8, Notice ARC 5322A ... 12/21/94 Controlling pollution — voluntary operating permit, 22.201(1)"a," 22.206(1)"h,"

	, operating permits, and a second control in	
Filed Without Notice	ARC 5299A	12/7/94
Household batteries, ch	145, Notice ARC 5321A	
	nent—Fee schedule for operation of a public water supply, 43,2(3)"b"	
Economic impact States	ichi—ree schedule for operation of a public water supply, 43,2(3) b	17/71/93

22.1(1) et al.

Daggett wondered if the rules would have an impact on residential heaters, cookstoves and fireplaces. Preziosi stated that revision in 22.1 et al. related to exemptions to obtaining air quality construction permits and they were contained in the original rule. Hedge asked if 22.1(2)"c" was part of the old rules and Preziosi indicated that the concept was the same. She also advised that other rules addressed power sources contained on mobile equipment.

22.201(1)"a" et al.

No questions on 22.201(1)"a" and 22.206(1)"h".

Ch 145

Kennedy stated that proposed Chapter 145 to regulate use and disposal of household batteries had been discussed with the industry. He was not aware of opposition to the rules which were intended to protect groundwater resources and the environment as a whole. In response to Rittmer, Fiagle replied that this program would govern nickle-cadmium batteries, mercuric oxide batteries and the smaller sealed lead-acid batteries that would be used in laptop computers rather than a vehicle. Some nickle-cadmium combinations would be in C or D batteries used in flashlights. However, for the most part they would include batteries used in products such as dustbusters or laptop computers—rechargeable products. The heavy metal content of the battery was the determining factor. Rittmer wondered how the average person could distinguish the different batteries. Fiagle cited labeling to inform consumers and an education program in place by the manufacturers as provided in the law. This may take the form of an 800 number on the package to call for information.

Fiagle added that the part of the law requiring a telephone number for consumers would not take effect until July 1, 1996. Other states were enacting similar laws.

Kibbie reasoned that a simpler approach would include "all batteries." Fiagle replied that carbon-zinc batteries—alkaline or "copper top" were not included. Batteries used in flashlights and most toys were carbon-zinc. Nickle-cadmium batteries (for vehicles) must be labeled as recyclable by July 1, 1996. Rittmer favored understandable rules and law for general consumers.

43.2(3)"b"

Metcalf called up the Economic Impact Statement on 567—43.2(3)"b" which had been requested by the ARRC. Daggett requested clarification on the cost to communities.

Daggett had received many letters from small communities who were concerned about escalated costs. McAllister referred to Table 2 which reflected the cost avoidance that different types and sizes of water supplies would be able to use. Schrader recalled his support of the Governor's proposal last year for solving this problem which would have allowed communities to bypass federal EPA and avoid costs portrayed in Table 2. McAllister replied that this was correct, they would not have the fee. Schrader opined that the threat from the federal EPA was not part of the equation. He wondered what the action taken would cost communities cumulatively. In response to Schrader, McAllister stated that the EPC (Cont.)

fees in Table 1 and the construction permit fees in Table 4 would generate the funds authorized in the legislation. McAllister added that all water supplies would be paying for monitoring and with the Department doing inspections and providing monitoring waivers, all water supplies serving less than approximately 4,100 would realize more savings through monitoring than they would pay in fees.

There was discussion as to whether Senate File 2314 was limited to 1994 with consensus being that it had been codified as permanent law.

It was noted that if small communities buy the bulk water from the rural water district, maintain the distribution system and do their own billing, they would have to monitor for bacteria.

In response to Halvorson, McAllister said that EPA did not dictate this specific process but stated in November 1993 that if more resources were not put into the program they would start the process of taking back primacy. Last year's legislation delayed further action by EPA.

With respect to the public hearing, McAllister reported that the public wanted safe drinking water through a state-operated program but they felt the fees were not equitable because most of the cost would be borne by small water suppliers. Some suggested use of general fund dollars.

The Commission had developed a response summary. Small water supplies make up 95 percent of the regulated facilities in the state and in trying to provide some equity, the Commission felt they should pay a large portion of the fees identified by the legislature.

Kibbie asked about water supplies that had no community base such as fairgrounds, parks and rest areas. McAllister explained those types of facilities would be subject to the base and there would be less monitoring, e.g. they would test for nitrates and total coliform.

Rittmer inquired about programs in other states and learned that only Wyoming did not have primacy. EPA had implemented the program in Wyoming and required all the monitoring. Rittmer spoke of the unfairness of federal mandates without funding.

Priebe questioned situations where several small communities use a larger community's water supply such as Leon supplying water for Van Wert and Weldon. McAllister explained the two different conditions which would apply. Priebe was concerned about contamination after water leaves the original source, e.g. high lead content. No Committee action.

DNR

Richard Bishop represented the Commission for the following:

94.1(2) et al.

Bishop reviewed proposed amendments to Chapter 94 and noted that second permits may not be issued next year in the southern Iowa zone.

DNR (Cont.) 98.1(1) et al.

In review of Chapter 98, discussion focused on 98.1(1) which was changed from the Notice to allow an unarmed licensed turkey hunter to "call" for other turkey hunters. No action taken.

Recess

Metcalf recessed the Committee at 12:10 p.m. for lunch and reconvened it at 1:30 p.m.

## **REAL ESTATE**

K. Marie Thayer and Roger Hansen were present from the Commission for the following:

REAL ESTATE COMMISSION[193e]

Professional Licensing and Regulation Division[193] COMMERCE DEPARTMENT[181]"umbrella"

#### 1.27(1) et al.

Hansen described the amendments to Chapter 1, requested by the Commission, as essentially clarifying and removing obsolete provisions. Field auditors, in auditing the trust accounts of the brokers, saw the need for modification of timeframes for the brokers to deposit funds. Hansen noted that under the law a broker could only maintain \$100 of his own money in the account to cover expenses associated with that account. The Commission had filed a request to change the law to allow \$500.

According to Hansen, only one person had abused a trust account in four years. Most of the violations observed by the auditors were not of a serious nature.

In response to Priebe, Hansen stated that lawyers would not have to be licensed to sell real estate if they were acting in the capacity of an attorney. Royce believed this would be limited to the course of their profession. Hansen and Thayer concurred. No Committee action.

#### **PHARMACY**

Lloyd Jessen from the Board, Pat Staub, America's Pharmacy, Brent Appel, Dickinson Law Firm, and Janelle Sobotka, Iowa Pharmacy Association, were present for the following:

8.20

Jessen stated that under 8.20 counseling would be required on any new prescription but the rule was revised to allow the pharmacist to determine the appropriate method. Several comments had been received and all of them were positive.

Sobotka stated that the Iowa Pharmacy Association supported the rule but still strongly advocated oral counseling. She believed this would become a standard of practice in all instances.

Jessen reminded that the rule was promulgated because of a federal regulation (OBRA) for Medicaid patients which the Board, and 40 plus other states, extended to all patients.

Staub was satisfied with the rules because they allowed them to be competitive with out-of-state, full-service pharmacies and safeguarded the privacy of the patient. Staub told Kibbie that her company had no Medicaid customers at this time.

# PHARMACY (Cont.)

Priebe suspected that some pharmacists were being forced out of business by the mail-order pharmacies.

Appel, representing the American Managed Care Pharmacy Association, quoted from the federal OBRA provisions, "As part of a state's prospective drug review . . . the pharmacist must offer to discuss . . .". His view was that a written offer to discuss would be consistent with the OBRA language. Metcalf recalled that at issue in the original rules was the requirement for on-site pharmacists to abide by a different set of procedures than mail order pharmacists. No Committee action.

19.2(1) and 19.3

No questions on 19.2(1) and 19.3.

# INDUSTRIAL SERVICES

Byron Orton, Industrial Commissioner and Clair Cramer, Chief Deputy Industrial Commissioner, were present from the Division for the following:

2.6 et al.

Orton stated that insurance and employer representatives were consulted and they voiced no opposition to this rule making. Orton added that the Division has had a year to monitor the expedited proceeding criteria in rule 4.44 and claimants and defense attorneys have communicated to the Division their reaction. Orton spoke of controversial material in rule 8.9. He had received complaints from worker's compensation attorneys who contended that medical records sometimes had exorbitant reproduction costs. This was called to the attention of the Advisory Committee comprised of representatives from the practicing bar, both claimants and defendants, the insurance industry and employers and employee groups, and new language in rule 8.9 was an attempt to address this issue and to allow them to obtain records at a reasonable average cost of \$65 per case. No one appeared at the scheduled public hearing.

Kibbie questioned Division officials as to the current caseload. Orton spoke of significant progress—cases that had been heard and appealed to the Commissioner were very current. The Division reviewed appeals and disposed of decisions on average of 40 to 50 days. Four years ago the average was 100 plus days. For the first time in several years the Division reduced the number of contested cases pending with fewer staff. In response to Halvorson, Orton indicated that, in fact, the Division had a great deal of success with a certain form of alternate dispute resolution. They had added a rule for binding arbitration but it was never used. Approximately 75 percent of the cases were settled without the need for a contested case hearing and, of those, approximately one-third reached settlement because of the mediation program.

Palmer and Orton discussed the Division's policy for scheduling cases—200 to 230 per month which included scheduling 2 hearings for every time slot on the theory that 70 to 75 percent of those cases would be settled. Orton stated that out of 11 deputy positions, 2 1/2 were assigned exclusively to mediation and another 1/2 position was assigned to duties other than hearings. The remaining 8 deputies were assigned exclusively to hearing contested cases. Deputies hear, on average, 12 to 15 cases per month.

## **INDUSTRIAL** SERVICES (Cont.)

Palmer suggested a graph to depict progress with the cases. Orton stated that interns had helped to track the various factors that made up an industrial disability award and entered this information on computers. The only contract employees were in the compliance section. The Division had been required to reassign data entry operators so this work was contracted out to a private firm. No Committee action.

#### **COMMUNITY** SERVICE

JoAnn Callison and Jody Heuberger represented the Commission for the following:

NATIONAL AND COMMUNITY SERVICE, IOWA COMMISSION ON[555]

Organization and operation, rule making, declaratory rulings, due process, public records and fair information 

Ch 1 et al.

Callison explained changes from the Noticed version of the Commission rules. Priebe voiced opposition to proxy voting by a Commissioner. Callison cited number of members as a factor—25. No Committee action.

#### PUBLIC SAFETY

Michael Coveyou from the Department, Michael Rehberg, Administrator of the State Crime Laboratory, and Tim McDonald, DCI, were present for the following:

PUBLIC SAFETY DEPARTMENT[661]

Juvenile fingerprints, 11.19, Notice ARC 5312A 12/21/94

7.8(14)

New subrule 7.8(14) was considered and Daggett asked about the minimum requirement of \$1 million liability coverage. Rehberg cited malfunction of an ignition interlock device which would prevent a person from driving. Coveyou viewed this coverage as a parallel to dram shop insurance. No Committee action.

11.19

In review of new rule 11.19, Hedge asked if the Code specifically required juvenile fingerprints to be expunged from the system after a certain age. McDonald stated that this rule was consistent with the law. Rittmer wondered about procedure for fingerprints taken a few months before the age of 21 and McDonald noted that a person over the age of 18 would be treated as an adult. No Committee action.

## DOT

Nancy Burns represented the Department for the following:

TRANSPORTATION DEPARTMENT[761]

Recreational trails program — exception to funding requirement, 165.5(2)"a,"

Recreational trails program — funding exception eliminated, 165.5(2)"a." Filed Emergency ARC 5311A .... 12/21/94

165.5(2)"a"

With respect to amendment to rule 165.5, Burns indicated that the fund was operated on a cash-flow basis. Maintenance costs were not an eligible expense from this fund and the priority was in the development of trails. No Committee action.

#### REVENUE

Carl Castelda, Deputy Director and Coadministrator of the Compliance Division, Mel Hickman, Supervisor of the Policy Unit and Harry Griger, Special Assistant to the Attorney General assigned to the Department, were present from the Department for the following:

#### REVENUE AND FINANCE DEPARTMENT[701]

Procedures, forms, interest, penalty, exceptions to penalty, jeopardy assessments, assessments, refunds, appeals, inheritance tax, fiduciary income tax, 7.8, 7.8(2), 7.11(1), 7.12, 7.17(5), 7.17(7), 7.17(8), 7.30 to 7.35, 8.4(1)"bb," 10.2, 10.2(1), 10.115, 38.7, 38.11, 43.5, 51.8, 55.4, 55.5, 57.7, 60.4, 60.5,  REVENUE (Cont.)

7.8 et al.

Castelda stated that a concise statement relative to 7.8 et al. had been published and distributed. Changes were made following the Notice because of public comments and further review. In response to Halvorson, Castelda stated that in some areas the Department had satisfied Burns Mossman, but in other areas agreement was not reached. Castelda reviewed controversial portions of the rules addressed in the concise statement which included when litigation fees should be paid. The Department's position was that the fees should not be paid unless there was a contested case hearing. Another issue was whether the director had the authority to abate unpaid taxes and Castelda stated that the statute was clear on this. He saw room for negotiation on abatement of taxes but he did not believe the agency should enter the debate on whether they should pay legal fees from the date of the assessment.

Halvorson asked if the rules were intended as a challenge for legislation in this area. Castelda emphasized that the Department drafted the rules to implement current legislation. Halvorson asked if it was determined what the estimated cost could be or would be to the state based on the most recent rules. With respect to cost, Castelda cited the appeal process of centrally assessed property as the greatest. If a suit were filed, they were limited to \$25,000 per case. Royce stated that the litigation cost issue was a misnomer. It made common sense that attorney's fees should be awarded only if the case went to a hearing but it was broader than that. He continued that the statute stated that litigation fees included reports and CPA expenses and these were expenses that would be incurred with or without an attorney. No Committee action.

10.2(14)

No questions on 10.2(14) which was identical to the Notice.

38.10(13) et al.

No questions on 38.10(13) et al.

40.18(3) et al.

Daggett and Castelda discussed the concept of apportionment formula used by the Department to determine gross receipts as a basis as opposed to shipment miles for railroads. Historically, railroads had been able to attribute the source of their gross receipts to particular states.

Griger spoke of federal legislation [4 R Act] which prohibits taxing railroads differently from other businesses. The rule was the result of litigation with BN which was settled.

Rittmer referred to 54.7(6) pertaining to printing corporations and asked about current provisions. According to Castelda, the Department still used circulation and ratings as part of the total formula. He added that other issues were considered for border operations.

Hedge wondered about a farm corporation selling products outside of Iowa and avoiding Iowa income tax. Castelda admitted that this was possible and could happen with any corporation in the state. If it were doing business in another state, this would trigger apportionment and apportionment for sales was based on

REVENUE (Cont.)

destination. Priebe wondered about selling his produce in another state and Castelda responded that if enough business were done with the other state, they could impose their corporate income tax, then Iowa would allow apportionment. The other state could impose state tax also.

Castelda responded to Halvorson that the basis for taxing individuals was totally different from taxing corporations. In response to Rittmer, Castelda advised Rittmer that some states do not have corporate income tax and others were higher than Iowa. International corporations in Iowa pay very little tax to the state of Iowa making Iowa's corporate tax structure a benefit to the state for purposes of economic development.

71.1(4) et al.

In review of amendments to 71.1(4) et al., Daggett asked when a modular home would pay real estate taxes. Castelda replied that if it were in a mobile home park there would be square footage tax with the benefits afforded a residential homeowner. He spoke of concern by the assessors as to the value of a mobile home and the definition of "park." A mobile home with a two-car garage outside of a park would be assessed as real estate.

Halvorson suspected that assessors were overestimating the value of mobile homes and asked who was responsible for this. Castelda replied that the Department offered guidelines to the assessors. Halvorson noted a number of variables which could be used to determine value. Castelda pointed out that mobile homes have a tendency to depreciate while normal real estate would appreciate which would make a difference in determining fair market value.

There was further discussion as to possible inconsistencies in this area. No Committee action.

Special Review Ch 4

Stefanie Devin, Deputy Treasurer, Lynn Bedford and Jill Smith were present from the Department for the following special review:

TREASURER

Metcalf explained her request for this special review and offered background on Chapter 4. The state had a slush fund of cash in accounts across the state of up to \$700 million daily on which interest was earned. Some years ago, in an economic development initiative, the state allowed banks to loan this money to specific small businesses and forego some revenue to the state by paying less interest and using the spread to reduce the loan rate to the targeted small business or the alternative crops. She estimated this lost revenue at approximately \$1 million.

Devin stated that many loans were at 2 percent. Although there was merit in the program to encourage banks to do local lending, Metcalf was concerned about lack of means testing which could allow abuse of the program. She learned that a "well-to-do person" was receiving this loan which she reasoned was not the intent of the General Assembly. She had spoken with the Treasurer's Office about revision of the rules but nothing had been done.

Devin stated that there were four different programs under LIFT. The horticulture and alternative crops program does not have a means test. If the person applying for the loan was producing a certain type of alternative crop within the state of Iowa, that was the criteria to be met. The targeted small business program does have a means test because the entity must have no more than a \$3 million gross

Special Review (Cont.)

income for the average of the past three years. However, the mainstreet revitalization and rural transfer programs have criteria which must be met.

Bedford stated that she had previously spoken with Metcalf about single person entities working out of the home who do not create jobs or pay salaries. Bedford pointed out that some of these entities do eventually grow. Devin suggested further exploration on the type of project being funded would be preferable to a means test. Bedford cited an example of a person who was certified as a rental business and purchased a duplex but maintained a full-time job. She questioned, "Would buying the duplex spur the economy and provide jobs or would it be an investment for the individual?" Devin stated that the Department was drafting proposed revisions which were mainly operational changes such as streamlining paperwork.

It was noted that the state assumed no risk, only the bank. Devin said there was \$45 million in the fund currently and the statute limited its use to 10 percent (of available funds). Smith reported that the majority of participants were in the northeast and northwest corner of the state and many were not small banks.

According to Bedford, mass mailings, brochures, small business development centers, community colleges, newspaper stories and fairs were used to encourage participation in the program. Devin agreed to supply the Committee with the annual report when it was ready in a few weeks.

Recess

Metcalf recessed the Committee at 3:30 p.m.

1-4-95

Reconvened

Metcalf reconvened the meeting at 9 a.m. on Wednesday, January 4, 1995. All members and staff were present.

#### HISTORICAL

Patricia Ohlerking and David Crosson represented the Division for the following:

HISTORICAL DIVISION[223]

CULTURAL AFFAIRS DEPARTMENT[221]"umbrella"

Historical resources development program, 49.2, 49.3(1)"a" to "c," 49.3(2)"a" to "d," 49.4 to 49.6,

49.7(1)"a"(2) to (4), 49.7(1)"b," 49.7(1)"c"(1) to (3), 49.7(1)"d"(1), 49.7(1)"e," 49.7(2)"a" to "c" and "f,"

49.8(1), Notice ARC 5324A 12/21/94

49.2 et al.

Ohlerking reviewed minor changes in 49.2 et al. and explained that the Historic Resource Development Program Steering Committee was created to award a total of \$987,000 in federal funds to Iowans who suffered property damage from the floods. The state contributed \$60,000. Metcalf wondered how much damage the federal funds covered. Ohlerking was unsure but, for example, in Bonaparte almost every structure was historic and they have documented well over \$2 million in needs.

DHS

Mary Ann Walker, Charlene Hansen, Kathy Ellithorpe, Sally Nadolsky, Mike Thomas, Anita Smith, Mary Cogley, Victoria Stocker, Mike Murphy, Eric Sage and Alice Fisher were present from the Department for the following:

 HUMAN SERVICES DEPARTMENT[441]
 Eligibility for residential care, 50.3(2), Filed ARC 5276A
 12/7/94

 Excess medical expense, 65.8, 65.8(7), 65.22(1)"c," 65.108, 65.108(7), 65.122(1)"c,"
 Filed Emergency ARC 5277A
 12/7/94

 Health insurance premium payment program, 75.21(7), 75.21(8)"d," 75.21(11), 75.21(13)"c," 75.21(14),
 12/7/94

DHS (Cont.)	75.21(15), Notice ARC 5310A
	EPSDT, elderly waiver service program, 77.33(1), 77.33(1)"a," 77.33(3), 77.33(4), 77.33(6)"a" and "e," 78.1(1)"b"(3), (4), (7), and (8), 78.37(11), 79.1(2), 83.22(1)"b," 83.27, Filed ARC 5278A
	Vaccines for children program, 78.1(2)"e," 78.1(3), 78.1(3)"f." 78.3(5), 78.18(1), 78.21 to 78.23, 78.25, 78.29(9)
	78.30, 78.31(2)"h," 78.39, 78.40, 79.1(8)"d," 84.3(3). Notice ARC 4958A Terminated ARC 5292A 12/7/94 Highly structured juvenile program, 114.2, 185.10(8)"c"(5), 185.83, 185.83(4), Notice ARC 5291A 12/7/94
	Contracting — copyrights and patents, 152.5, Notice ARC 5309A
	Foster home insurance fund, 158.1(1), 158.1(1), 158.1(2), 158.2, 158.3, Filed ARC 5279A

50.3(2) No questions on 50.3(2).

Walker and Hansen discussed amendments to Chapter 65 which would allow households eligible for excess medical benefits to give a reasonable estimate. They would not be required to verify changes which they had anticipated. In response to Priebe, Hansen replied that verification would be made during initial application and when the certification period was up—in six or twelve months. She assured Priebe there would not be more chance for error or fraud this way. Hansen clarified that the rules were applicable only to the food stamp program. Medical expenses were an allowable deduction for the elderly or disabled and when the calculation was made for food stamps it would take into account certain medical expenses to allow a larger amount of food stamps. The maximum amount of food stamps for one person would be \$111 per month.

In review of 75.21(7) et al, Smith said language had been tightened regarding eligibility for participation in the HIPP program and when payment would be discontinued.

Daggett wondered if this required more accountability by the policyholder or less in the reporting. There would be no change in accountability—this was determined automatically by a computer system.

With respect to the elderly waiver service program, Walker stated that seven area agencies requested that the rate be equal or higher than the public health rate for the homemaker services. It was also requested that assistive devices be included under the waiver program and the Department agreed to study these recommendations.

Hedge asked if the \$18 rate for homemaker services would automatically become the wage level. Cogley replied that help was hired by individual agencies and the current rate was \$18 including payment to the person providing the service and agency costs which varied widely.

Kibbie wondered if this was on a per county basis and Cogley replied that the Health Care Financing Administration wanted agency providers to be licensed and certified. There were no state standards for adult day care so the Department has stated that if a provider already has a contract with a Veterans Administration they would not be required to meet additional standards. The standards for veterans exceeded those of elder affairs.

Cogley informed Kibbie that most patients were 65 years or older with a nursing home level of care. Kibbie suspected that Iowa was not taking advantage of the available help for veterans in many areas.

Ellithorpe described the Vaccines For Children Program as intended to provide free vaccine for Medicaid eligible children as well as underinsured, American Indian and Alaskan native children. The Notice was terminated due to changes at the federal level which eliminated the proposed warehouse distribution system.

75.21(7) et al.

65.8 et al.

77.33(1) et al.

78.1(2)"e" et al.

DHS (Cont.)

Private doctors could not be included until a larger distribution system was in place. Metcalf was advised that the vaccine required refrigeration. An RFP was initiated and the Department would have one distributor who would mail containers in dry ice. Ellithorpe was unsure when the RFP would be completed. Metcalf inquired as to which children were not being served because of this situation and Ellithorpe replied that all children were being served because Iowa Medicaid had a vaccine replacement program. The Department wanted to take advantage of the Vaccine for Children Program where the federal government would be paying for 100 percent of Medicaid money for the vaccine—currently, the Department was paying for one-third.

114.2 et al.

Rittmer inquired about the status of the juvenile program for adjudicated delinquents. Walker and Sage replied that the RFP had been issued and 60 had been sent out. Responses were due on the 27th and two agencies had submitted questions.

Doderer questioned whether the 90-day limit for length of stay was in the Code. Sage responded that there appeared to be a duration which varied from 30 days to one year and most programs were time-limited in some way. Doderer inquired if there could be an extension and Sage replied that none was allowed. However, the Department was attempting to monitor the juvenile after release.

Sage advised Priebe that a dispositional hearing was held at the end of the 90 days to determine best interests of the child. Priebe was interested in utilizing unused cottages at Woodward and asked what was needed to bring them up to standards. Sage believed there was a community group that had worked with the State Hospital School on this possibility.

Sage told Kibbie that the delinquents were primarily teenagers—14 to 17 years of age. Kibbie agreed with Doderer that the 90-day cutoff should be flexible. There was discussion of declining population at the Woodward facility which had at one time accommodated 900 residents. At the time the cottages were built, a loophole in the federal law allowed the state to bill the federal government for the cost.

Rittmer inquired about the number being served at Glenwood and Kibbie estimated 200 plus but there was capacity for 600.

152.5

Walker stated that amendment to 152.5 was proposed in response to provider request. Providers were concerned that as a byproduct of providing services, they would produce copyrighted material. With the revision, the Department would not be charge but would not have the ability to make external distribution. No Committee recommendations.

158.1(1) et al.

No questions on 158.1(1) et al.

## PUBLIC EMPLOYMENT

Richard Ramsey and Jan Berry were present from the Board for the following:

PUBLIC EMPLOYMENT RELATIONS BOARD[621]

Bargaining, impasse procedures, public records and fair information practices, 4.8, 7.6, 12.3(1),

4.8 et al.

No questions on 4.8 et al.

7.6 and 12.3(1)

In review of amendments to 7.6 and 12.3, Berry said they dealt with an employer's time period to object to an impasse process. In many cases the employer and the

# PUBLIC EMP. (Cont.)

union agree to waive the statutory timeline and allow more time for the process to be completed—a technical clarification. There were no more than five or six filings in any impasse year and of those, no more than two or three have gone to hearing. Usually the employer stated that they could not complete the process.

Hedge wondered about an opportunity for public input on these rules and Berry pointed out that Notice was published simultaneously with the Emergency filing. The Board held a large conference with 350 to 375 who were representatives of school boards, unions, counties and cities.

Ramsey added that the interest groups were present at two meetings and a public hearing was held. Berry added that ISEA and the School Board Association had representatives at the Board meetings when the rules were discussed. The rules had potential to affect all public employers, however. No Committee action.

#### **UST BOARD**

Pat Rounds, Bob Galbraith and other interested persons were present for the following:

11.7(1)"d"(2)"1" and "3" No questions on 11.7(1)"d"(2)"1" and "3".

17.33

Daggett asked what the effect would be of the paragraph stating that the rule would not necessitate additional annual expenditures exceeding \$100,000. Galbraith stated that Chapter 17A required the agency promulgating the rule to make a determination whether the rule would have impact on those types of entities to the degree of \$100,000 or more. This rule did not change anything for these entities but would expedite the hearing process. In addition, legal assistants may represent the Board and Administrator in contested case proceedings.

11.7(1)"c" and "f"

Metcalf reminded that 11.7(1)"e" and "f" were under a 70-day delay which would expire on January 9. She added that a Session delay was another option for the Committee but it would require 7 affirmative votes.

Priebe stated that he would not support any further delay and favored allowing the rules to go into effect. He suggested a general referral to the General Assembly since it would be less likely to consider the issue if the rules were under Session delay.

Halvorson expressed his support for a Session delay and contended the legislature must deal with this problem from financial and public policy standpoints. He reasoned that by allowing the rules to go into effect and then suggesting to the legislature that they be changed would compound the confusion of operations and send a mixed message to the public.

Motion Session Delay Halvorson moved that 11.7(1)"c" and "f" be delayed until adjournment of the 1995 General Assembly.

Kibbie inquired as to the number of claims in process and, if this rule went into effect, how many would be paid between now and the end of the Session. Rounds replied that it would depend upon the number of operators who have their corrective action design reports approved. A large estimate would have been \$10

UST (Cont.)

million had all of the nonsmall businesses completed work on the most favorable time schedule possible. If this rule becomes effective, they would be delayed in getting payment until the Board was sure of enough money to pay all claims. Currently, payments were made on a 30-day turnaround.

Kibbie had heard from operators who contended that more money was needed for the fund. He felt the ARRC should support a plan to increase the fund and it was his understanding that most people favored a one-cent tax increase on gas.

In response to Daggett, Rounds stated that county, city and state sites would not receive payments until all small business, high-risk sites were paid. The prioritization rules were proposed because there were insufficient funds to pay all of the costs. Based on the statute [455G.9(5)], the Board determined that small business should be paid first. Governmental entities, including school districts, and larger businesses would be on a first-come, first-served basis without prioritization. Rounds added that prioritization could result in operators who were already moving forward to wait for payment. The 483 governmental claims out currently could be affected by this. Approximately 36 percent of those sites may be high risk.

Priebe declared there was no guarantee that the legislature would respond to a Session delay and larger entities would be paid first. He opined that if these rules went into effect, schools and other entities would protest to the legislature.

Palmer asked if the Code segregated governmental entities from business and if there were a definition. Rounds replied that there were a number of ways to become eligible for funding and two sections referred to a specific type of entity. With respect to prioritization, there was no emphasis—the statute directed the Board to prioritize payment when funds were not available to settle all claims. The Board looked at other areas where there were specific definitions and through two strategic planning sessions, it was decided small business was the number one group to help since they would have the least ability to pay. Emphasis would be on high-risk sites.

Palmer took the position that the Board overstepped its authority when they prioritized. He added that taxpayers would be charged twice for cleanup. Palmer opined that a delay would push the legislature into addressing this issue. Rounds estimated a \$120 to \$200 million shortfall depending on the magnitude of cleanup.

Palmer wondered how net worth was determined and Rounds stated it would be the value of the property before cleanup. An operator would qualify as a small business when they had no more than two stations and twelve tanks. It was possible for an operator with \$1.5 million worth to subtract the cost of contamination at two sites of \$1.3 million and have a net worth of less than \$400,000 and qualify as a small business. The site must be independently owned to be considered a small business. Galbraith added that the Board looked at legislative history to determine whether a preference was shown for any group. Nearly all remedial account provisions of section 455G.9 show a preference for small business. The Board then relied on the legislative definition of "small business" to make their determination.

Schrader expressed support for Priebe's motion although he saw merit in Halvorson's remarks. He questioned whether prioritization over the next few months would be a rationalized plan or a disorganized one.

UST (Cont.)

In response to Rittmer, Rounds estimated \$16.3 million per year for each one cent collected. Currently, the fund received \$15.8 million per year depending on the diminution rate and EPC charge. Rittmer opined that more funds was not the solution. The program costs must be studied.

With respect to Session delay, the rule would go into effect the day following adjournment if no action were taken.

Rounds reviewed the necessary steps for cleanup. He noted that most states wait from six months to two years before reimbursement. As of last year, Iowa was the only state which was consistently paying within 30 days.

Daggett wondered about possible litigation and Rounds did not rule out such action. Galbraith added that the prioritization language was clear but could be subject to challenge.

Priebe reasoned that pressure would come from the large companies for corrective action if the rules were in effect. Otherwise they would be "first in line" to receive payment. He would not support Halvorson's motion.

Metcalf reviewed the role of the ARRC in determining whether legislative intent was followed. She believed the UST Board had followed intent and she would support allowing the rules to go into effect.

Halvorson reiterated that at issue was the matter of consistency. He viewed opposition to a delay as an endorsement of these rules which place schools at the bottom of the list for payment. The rules would force local government and property taxes to pay for first costs when they could be on an equal basis.

Motion to Delay

Halvorson moved for a Session delay with recommendation that the legislature take action. Motion failed on a show of hands.

Motion to Refer

Priebe moved to refer ARC 5077A to the Speaker of the House and President of the Senate with request that they be referred to the appropriate Committee for immediate action.

Halvorson indicated that he would support Priebe's motion even though he favored a Session delay.

Motion Carried

A vote was taken on Priebe's motion and it carried. There was no opposition to allowing the 70-day delay to expire on ARC 5076A [11.7(1)"g"].

#### PROFESSIONAL LICENSURE

Carol Barnhill, Administrator of Behavioral Science, represented the Department for the following:

30.3(1)"c" et al.

There were no questions on 30.3(1)"c" et al.

Minutes

Priebe moved to approve the December minutes as submitted and the motion carried.

	Meeting Dates	The next meeting was scheduled for Monday, February 13, 1995, 7 a.m. (later rescheduled for 7:45 a.m.).
,	NO REPS.	No agency representative was requested to appear for the following and there were no questions:
		ARCHITECTURAL EXAMINING BOARD[193b] Professional Licensing and Regulation Division[193] COMMERCE DEPARTMENT[181]"umbrella" Registration, continuing education, disciplinary action, 2.2(1), 3.1(6), 5.22, Notice ARC 5304A
		JOB SERVICE DIVISION[345]  EMPLOYMENT SERVICES DEPARTMENT[341]"umbrella"  Employer records and reports, claims and benefits, benefit payment control, 2.1(1), 2.17, 3.40, 4.2(2)"a," 4.6, 4.13(2)"e," 4.23(23), 4.39, 4.40, 5.10, Filed ARC 5283A
		LATINO AFFAIRS DIVISION[433] HUMAN RIGHTS DEPARTMENT[421]"umbrella" Organization and name change, new chs 1, 2; amend ch 6, Filed ARC 5280A
		LOTTERY DIVISION[705] REVENUE AND FINANCE DEPARTMENT[701]"umbrella" Computerized validation and inventory system for scratch and pull-tab tickets. 3.4, 3.5, 3.6(1), 3.6(2), 3.9, 3.12, 3.12(2), 8.2, 8.6, 8.8(1), 8.8(2), 8.9(1), 11.2, 11.3, Notice ARC 5048A Terminated ARC 5308A
		NURSING BOARD[655] PUBLIC HEALTH DEPARTMENT[641]"umbrella" Advanced registered nurse practitioners, 7.1, 7.2(1), 7.2(5)"b," Filed ARC 5286A
J		PUBLIC HEALTH DEPARTMENT[641] Burial-transit permits, 101.4(1) to 101.4(4), 101.6, Filed ARC 5275A
	Committee Business	On behalf of the ARRC, Metcalf thanked Schrader for his service on the Committee and she welcomed Keith Weigel as a new member.
	Adjournment	The meeting was adjourned at 12:10 p.m.
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Respectfully submitted,

Phyllis Barry, Secretary Assisted by Kimberly McKnight

APPROVED: