

MINUTES OF THE SPECIAL MEETING
OF THE
ADMINISTRATIVE RULES REVIEW COMMITTEE

Time of Meeting: Tuesday, February 7, 1984.

Place of Meeting: Committee Room 116, State Capitol, Des Moines, Iowa.

Members Present: Representative Laverne Schroeder, Vice Chairman; Senators Donald Doyle and Dale Tieden; Representative James O'Kane. Not present: Senator Berl Priebe, Chairman, and Representative Ned Chiodo. Also present: Joseph Royce, Committee Counsel; Kathryn Graf, Governor's Coordinator; Phyllis Barry, Deputy Code Editor, and Vivian Haag, Administrative Assistant.

Meeting Convened Vice Chairman Schroeder convened the meeting at 7:30 a.m.

HUMAN SERVICES Judith Welp, Don Kearney, Mary Laughlin, Bette Murray and Jane Jorgensen were present on behalf of Human Services Department to review:

HUMAN SERVICES DEPARTMENT[498]

ADC, continuing eligibility, 40.7(1)"a", filed emergency ARC 4386 ..F.F. 1/4/84
Fair hearings and appeals, aid to dependent children, food stamps, and medical assistance, 7.7(1)"b", 40.4(1)"a", 40.4(2)"c", 40.4(4), 40.6, 40.7(4)"e", 40.7(5)"a", 41.2(6)"b"(4), 41.2(7), 41.4(4), 41.7(1)"h"(1), 41.7(9)"e", 46.1(5), 46.3, 46.4, 46.4(3)"b", 46.5, 46.6, 65.19(2), 65.19(18), 65.22 to 65.24, 75.1(2), 75.1(14), 75.1(15), 75.1(17) ARC 4383 1/4/84

Welp gave a brief review of 40.7(1)a, which would exempt more people from monthly reporting. O'Kane was informed that "income disregarded in accordance with 41.7(2)e....." was that obtained by a minor.

In re fair hearings and appeals amendments, Welp indicated the system which has been implemented should be a time-saving factor and prevent errors. The policy change was a result of federal regulation. Welp believed it was a change in federal interpretation and not an actual regulation change.

46.5(4) O'Kane raised question as to what were resources deemed to an alien in 46.5(4)c. Welp responded it was not the refugee program but a small group of aliens under auspices of sponsors. The sponsors' income would be considered if those aliens should apply for assistance. No other questions.

REVENUE DEPT. Carl Castelda, Deputy Director, and Ben Brown, Technical Tax Specialist, were present for Revenue Department to review:

REVENUE DEPARTMENT[730]

Interest, 10.2(3) ARC 4390F.F. 1/4/84
Individual income tax-minimum tax, deductions, child care credit, political contributions credit, venture capital fund investment credit, out-of-state credit, optional designations of funds by taxpayer, 39.6, 41.5(2), 42.2(3), 42.2(4), 42.2(5), 42.4(3), 43.4 ARC 4391F.F. 1/4/84
Withholding, 46.1(1)"c", 46.3(2) ARC 4392F.F. 1/4/84
Allocation or apportionment of investment income, 54.2 ARC 4393F.F. 1/4/84
Inheritance tax, 86.2(2) to 86.2(15), 86.3(1) to 86.3(3), 86.6, 86.9 to 86.12, 8.1(5)"b" ARC 4394F.F. 1/4/84

REVENUE
DEPARTMENT
Continued

2/7/84

According to Castelda, the rules are identical to those filed under Notice of Intended Action, with the exception of grammatical changes. In re 10.2(3), interest rate for 1984 will be nine percent per annum upon all unpaid taxes due 1/1/84. Castelda assured Schroeder that Revenue did not envision problems with the fluctuating rates--14 percent in 1983 and 9 percent in 1984. Castelda thought the interest rate coupled with a 25 percent penalty rate could create complaints. He referenced proposed legislation to change penalty rates to flat 5 percent for retailers and holding agents and people acting in a fiduciary capacity. General discussion.

Doyle indicated he had received constituent complaints about the Department's lack of response re filing amended returns. Castelda admitted the Department was at least 8 months behind on some refund programs. Reassignments are being made in order for the Department to become current on the refunds. Interest will begin sixty days after due date of the return.

Amendments found in ARC 4391 reflect changes to income tax laws. Schroeder was concerned that capital gains tax on sale of property purchased years ago would be exorbitant. Castelda said that minimum tax is a separate computation -- federal and state are handled a little bit differently starting in 1983. The Department plans to make a presentation before the House Ways and Means Committee Wednesday afternoon on the complex issue. Brown explained the complex formula used to arrive at the tax. Brief discussion.

No questions re 46.1(1)c, 46.3(2) and 54.2.

Inheritance tax amendments reflect changes made by the elimination of the preliminary inheritance tax return -- federal method of determining value on personal property was adopted -- will be done administratively instead of by the assessor. There is a change in method Department uses to issue releases and clearances on inheritance tax.

86.2(2) Schroeder inquired as to difference between federal and state forms in 86.2(2). Brown described the difference and indicated that in all cases, the federal form would be used. There was brief discussion of use of the short form tax return. Castelda encouraged legislators to forward complaint letters to the Department and suggested that the Legislature's tax study committee might want to review the tax form.

86.2(2)b Doyle indicated he had a problem with 86.2(2)b and the fact that clerks of courts are still required to file preliminary tax returns both on short form probate and joint tenancy and also on long form. He contended the preliminary inheritance tax return had not been abolished. He indicated some action was needed between the Revenue Department and the Court Administrator's office.

2/7/84

REVENUE
DEPARTMENT
Continued

Castelda said this was a transition period--there has been the question of availability of forms. Brown was under the impression the new forms had been printed. Doyle indicated they were unavailable.

86.9(1)

O'Kane questioned 86.9(1). Castelda said market value was determined by agreement between the department and estate. According to Brown, in the event of a disagreement on personal property, the administrative procedure is used.

HEALTH
DEPARTMENT
special
review -
cosmetology

Discussion moved to Cosmetology and the question of whether the Board can or should regulate the ownership of salons by cosmetology schools. Present for the special review were Grace West, Cosmetology Board; Peter Fox, Health Department, Licensure; Bob Boykin, representing Barbers; Robert M Kreamer, attorney, Iowa Cosmetology Schools; Leonard Eichacker, Stewart School of Hairstyling; Marian L. Lokken, Finesse Imagemakers; Mary A. Charles, Petze's Waterloo and Cedar Falls School of Beauty; Mary Jackson, Professional Cosmetology Institute.

Boykin expressed concerns of journeymen barbers of Iowa that beauty schools have salons in competition with their students. Barbers contend schools have unfair advantage over their graduates. Boykin continued that ability varies in hair cutting and styling and the schools hire the better students for themselves. He cited another advantage for school-owned shops in that they can purchase "supplies cheaper than the person on the street." Some schools with supply houses sell supplies to other salons and owners. It was pointed out that there is no rule prohibiting this practice. Schroeder saw Boykin's concern that a policy was being developed.

Boykin said that out of 41 licensed schools, 15 own 37 salons. Mention was made of possible legislation on the issue.

Kraemer, speaking for cosmetology schools, supported the free enterprise concept. Eichacker took the position that operation of a salon and school would be beneficial to both.

Lokken expressed her personal experiences in managing a school and salons. She assured ARRC that all graduates could not be employed in the area. Jackson provided some answers concerning education.

West assured ARRC that no petition request had been submitted. She had polled the Board members Monday and 3 of them opposed rules on the issue.

Charles indicated she has the distinction of being the only jobber, dating back to 1920's. Her parents owned a beauty school, a salon and a supply house with each operation. No action taken by ARRC.

COMMERCE
COMMISSION

2/7/84

Ray Vawter, Jr., Christine Hansen, Bill Haas, David Lynch, Diane Munns and Paul Franzenburg appeared on behalf of Commerce Commission. The following agenda was reviewed:

COMMERCE COMMISSION[250]

Natural gas procurement and contracting practices, 19.1(3), 19.10, 19.11, filed emergency after notice ARC 4397 *FEAN*, 1/4/84

Gas and electric utilities, notice of disconnect, customer rights and remedies, 19.4(15)"h"(2) and (3), 20.4(15)"h"(2), (3) and (4) ARC 4396..... 1/4/84

70-day delay — Basic local service, ch 22, ARC 4201 10/26/83

Also present: Don Williams, Northwestern Bell Telephone Co.; Don Heidbrecht, United Telephone; Todd W. Schulz, Iowa Telephone Association; John Lewis, Iowa Utility Association; Kent Jerome, Utilities.

Haas noted that amendments to chapter 19 were implemented on an emergency basis to comply with 1983 Acts, HF 312. Rules are under Notice and comments have been forthcoming. Haas said the main opposition was on the part of utilities to the adjusted weatherization methodology and that has been renoticed under a separate rulemaking.

In re 19.10(5)a, Schroeder wondered as to the impact on nonrate-regulated utilities. Vawter agreed to review that area. Tieden raised question re formula in 19.10(3)a as to whether it was standard.

In re purchased gas adjustment reconciliation in 19.10(4), O'Kane questioned the rationale of looking back one year when this changes from month to month and impacts the customer as often. Haas thought it was a recommendation of the office of consumer advocate. He said there was a benefit throughout the year should the company incur lower costs. O'Kane could see a problem if the cost of gas were figured in error and not reconciled until a year later. Vawter reviewed the purchased gas adjustment factor and cited timing factor with getting everything implemented and the rate changed precisely on the date changed by the federal regulation. O'Kane asked Vawter were he then to assume the utility corrects any errors the next month? Vawter said they do file every time the PGA factor is changed.

Munns called attention to new language re load limiters in lieu of shutoffs. Schroeder was informed that it would not be available in all areas at this time. Lynch explained to Schroeder that until more detail is available on service limiters work in all areas, it will be voluntary on the part of the companies. Schroeder preferred the use of load limiters in the Mason City area.

Lynch cited a New York study which indicated that service limiters actually promote increase in payment. Schroeder asked if Commerce had authority to say "they shall make available load limiters." Lynch answered in the affirmative but added they were trying to take a cautious approach. However, if the load limiter concept is not adopted voluntarily, Commerce will mandate it.

2/7/84

COMMERCE
COMMISSION

Munns noted that chapter 20 addressed service limitation. There was brief discussion of 19.4(15)h(2) and the fact that utility employees will be known on a first-name basis only. Schroeder referenced legislation re shut-off after the age of sixty.

ch 22

The 70-day delay imposed by the ARRC on basic local service [ch 22] was brought up. Lynch thought 100 trunk lines were in use. Jerome recalled changes on FCC level in the last two weeks--user charges will be delayed until 1988 and the Commission has also cut off any possibility of user charges for the time being. In addition, the Association of Dial Telephones has filed petition with the FCC to ask whether or not Commerce Commission orders can be applied to interstate end-user charge. An approximate 18-month moratorium has been declared on the whole issue.

It was noted that the 70-day delay would expire this week. Lynch said rules will remain in place and rules would be filed concerning end-user access charges. No further action taken.

VOTER
REGISTRA-
TION COMM.

Dorothy J. Elliott and W. Douglas Lovitt appeared on behalf of the Voter Registration Commission. Voter registration forms and instructions, 2.1(1), 2.3(2)(3), ARC 4370, Filed, IAB 1/4/84 was before the Committee.

Elliott advised Doyle that telephone numbers were statutory --2.1(1)e.

Graf pointed out that 2.1(1)m could be construed to require an individual to supply Social Security number. If intent was to allow alternative numbers, the rule should be reworded. Elliott thought the statute should be changed. According to Elliott, the forms for this election year were already printed and it would be costly to change at this time. In view of post card registration, most counties have a large supply right now. The ARRC requested Elliott to work with Graf to resolve the matter.

REAL ESTATE
COMMISSION

Kenneth Smith was present to review brokers and salespersons, 1.9, 1.19, 1.34, 1.35, ARC 4368, Filed, IAB 1/4/84. According to Smith, rule 1.9 was broadened to include any licensee in the firm.

Doyle reiterated his concern with relatives selling property and he was doubtful the rule addressed this sufficiently. Smith said there was no question but that could be a violation but it was a difficult area.

No

Agency Reps

O'Kane noted use of "shall" in the preamble in reference to a permissive rule -- Dentistry. Schroeder asked Royce to contact Public Safety for further information on retention of accident reports.

Adjourned Vice Chairman Schroeder adjourned the Committee at 9:00 a.m. to be convened Monday, February 13, 7:30 a.m.

Respectfully submitted,

Phyllis Barry
Phyllis Barry, Secretary
Assistant, Vivian Haag

APPROVED:

Bert E. Riebs
CHAIRMAN