



## Fiscal Services Division

### ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES

September 14, 2021

Iowa Code section 17A.4(4) requires the Legislative Services Agency (LSA) to analyze the fiscal impact of all administrative rules with an impact of \$100,000 or more and provide a summary of the impact to the Administrative Rules Review Committee (ARRC). Fiscal Impact Statements filed by State agencies can be found on our website at <https://www.legis.iowa.gov/publications/fiscal/adminRulesFiscalImpact>.

With each rule summary, the rulemaking type is indicated in parentheses following the ARC number. The acronyms have the following meanings: Notice of Intended Action (**NOIA**), Amended Notice of Intended Action (**ANOIA**), Notice of Termination (**NOT**), Adopted and Filed Emergency (**AFE**), Filed Emergency After Notice (**FEAN**), and Adopted and Filed (**AF**).

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#### Department of Revenue

##### ARC 5818C (NOIA) & ARC 5817C (AFE)

**Rule Summary** Implements the Iowa income tax exclusion for qualifying COVID-19 grants enacted in 2021 Iowa Acts, SF 619 (Taxation and Other Provisions Act), Division III, and identifies State grant programs that qualify for the exclusion.

**State or Federal Law Implemented:** 2021 Iowa Acts, SF 619, Division III.

**Fiscal Impact** **Agency Response:** No fiscal impact beyond the legislation the rule making is implementing. The Iowa Department of Revenue identified 24 grant programs for individual income tax purposes and 20 grant programs for corporate and financial institution grant purposes that may qualify for the income exclusion. The Fiscal Note for SF 619 estimated that the income exclusion will reduce General Fund revenue by \$9.2 million in FY 2021 and \$1.0 million in FY 2022.

**LSA Response:** The LSA concurs.

##### ARC 5822C (NOIA)

**Rule Summary** Implements statutory changes to the tax credit rate and the total school tuition organization tax credits that may be authorized each calendar year. 2021 Iowa Acts, HF 847 (Education Programs, Tax Credits, and Information Act), increases the tax credit rate from 65.0% to 75.0% for tax years beginning on or after January 1, 2021, and increases the maximum aggregate tax credit amount available to taxpayers in 2022 and subsequent years.

Implements provisions of 2020 Iowa Acts, chapter 1118, which eliminated the cap on the percentage of total tax credits that could be approved each year for corporate taxpayers. In existing rules, not more than 25.0% of the total annual tax credits may be allocated to corporate taxpayers.

Updates existing rules to reflect 2018 and 2019 legislative changes to the tax credit caps, as well as updates administrative terms including the definition of “eligible student.”

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Clarifies that the taxpayer must take the credit in the tax year in which the contribution is made.

**State or Federal Law Implemented:** 2018 Iowa Acts, chapter 1161, 2019 Iowa Acts, chapter 152, 2020 Iowa Acts, chapter 1118, and 2021 Iowa Acts, HF 847.

### Fiscal Impact

**Agency Response:** No fiscal impact to the State of Iowa beyond the legislation it is intended to implement. The Fiscal Note for 2021 Iowa Acts, HF 847, Division VIII, estimated that the School Tuition Tax Credit changes enacted in that bill will decrease General Fund revenues for fiscal years 2022 through 2025 by \$3.4 million, \$3.4 million, \$2.2 million, and \$0.6 million, respectively.

**LSA Response:** The LSA concurs.

### Rule Summary

**ARC 5842C (AF)**

Amends Chapter 68 to reflect the enactment of 2020 Iowa Acts, Senate File 2403 (Biofuels Excise Tax). The Bill changed tax rates for gasoline and biodiesel blended fuel rated B-11 or higher and created new classifications of ethanol blended gasolines. Senate File 2403 also requires the Department to calculate motor fuel distribution percentages with the annual fuel retailers' report. Items 2 through 15 reflect cleanup of outdated citations or terms throughout the rule chapter. Item 16 strikes language relating to how taxpayers should round for purposes of reporting tax due for liquefied petroleum gas, liquefied natural gas, and compressed natural gas on returns being designed as a part of the Department's modernization initiative. The current rule requires rounding to the nearest whole dollar. This proposed amendment will require taxpayers to enter cents rather than round.

**State or Federal Law Implemented:** Iowa Code chapter 452A, 2020 Iowa Acts, Senate File 2403.

### Fiscal Impact

**Agency Response:** The fuel tax rates modified by 2020 Iowa Acts, Senate File 2403, are estimated to increase revenue to the Road Use Tax Fund by \$1.18 million in FY 2022.

**LSA Response:** The LSA concurs.

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## Labor Services Division

### Rule Summary

**ARC 5846C (NOIA) & ARC 5847C (AFE)**

Adopts by reference the federal Occupational Safety and Health Administration's (OSHA) new emergency temporary standard (ETS) related to the COVID-19 pandemic. The ETS applies only to certain locations where health care services are provided and it is set to expire after six months. The ETS focuses workplaces where employees care for people with the COVID-19 virus and people with an unknown viral status.

**State or Federal Law Implemented:** Iowa Code chapter 88.

### Fiscal Impact

**Agency Response:** In the Federal Register, the U.S. Department of Labor published a large amount of data as part of its economic analysis. The analysis concluded the ETS is economically feasible and the benefits far outweigh the costs. However, data specific to Iowa is not available.

**LSA Response:** The LSA concurs in part. Requiring health care facilities and workplaces to develop a COVID-19 Plan, screen and manage patients, provide personal protective equipment, install physical barriers, provide respiratory protection, train employees, and employ physical distancing will increase costs by \$4.0 billion nationally, according to federal OSHA. Based on national and state population

estimates, costs to Iowa health care providers are estimated to increase by \$38.2 million in FY 2022, partially reimbursed by the federal government. There are secondary benefits through infections and deaths prevented that would be expected to exceed costs, according to federal OSHA.

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**Economic Development Authority**

**ARC 5851C (NOIA)**

**Rule Summary** Codifies the new Butchery Innovation and Revitalization Program, which will provide grants to eligible businesses to expand, refurbish, or establish new meat processing businesses or to rent buildings, refrigeration facilities, freezer facilities, or equipment necessary to expand meat processing capacity. Creates a \$50,000 maximum amount of assistance that may be awarded to an eligible applicant. The Iowa Economic Development Authority (IEDA) Board may increase the maximum amount of financial assistance per eligible business if funds are made available for the program in addition to the \$750,000 appropriated by 2021 Iowa Acts, House File 871 (Economic Development Appropriation Act).

**State or Federal Law Implemented:** 2021 Iowa Acts, HF 857 (Butchery Innovation and Revitalization Act).

**Fiscal Impact** **Agency Response:** No fiscal impact to the State beyond the appropriation made in HF 871.

**LSA Response:** The LSA concurs in part. Creating rules for the new Butchery Innovation and Revitalization Program will allow the \$750,000 appropriation from HF 871 or other moneys identified internally by the IEDA to be expended on economic assistance for the Program.

**ARC 5878C (NOIA)**

**Rule Summary** Implements rules for the Energy Infrastructure Revolving Loan Program (EIRLP), established in 2021 Iowa Acts, SF 619 (Taxation and Other Provisions Act) under the Iowa Energy Center. The purpose of the Program is to provide financial assistance for electricity or gas generation, transmission, storage, distribution, and electric grid modernization projects; energy-sector workforce development; emergency preparedness for rural and underserved areas; the expansion of biomass, biogas, and renewable natural gas; innovative technologies; and the development of infrastructure for alternative fuel vehicles. Funding for the Program comes through a transfer from the Alternate Energy Revolving Loan Fund that, per SF 619, cannot initiate any new loans as of July 1, 2021.

**State or Federal Law Implemented:** SF 619 (Taxation and Other Provisions Act).

**Fiscal Impact** **Agency Response:** No fiscal impact to the State.

**LSA Response:** The LSA concurs in part. The proposed rules may increase interest income to the EIRLP, that may be waived depending on terms of the loan. Because of statutory limitations, the Alternate Energy Revolving Loan Program was unable to include interest charges for loan agreements. The proposed rules also allow loan forgiveness for EIRLP loans, that was not included in rules for the Alternate Energy Revolving Loan Program.

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## Department of Education

### ARC 5869C (AF)

**Rule Summary** Eliminates the ability of school districts to offer voluntary diversity plans, makes substantive changes to open enrollment, provides additional requirements for Medicaid billing for students with disabilities who participate in open enrollment, and makes other nonsubstantive changes in language.

**State or Federal Law Implemented:** 2021 Iowa Acts, HF 228 (Open Enrollment, School District Diversity Plans Act); 2021 Iowa Acts, HF 847 (Education Programs, Tax Credits, and Information Act); and 2021 Iowa Acts, SF 260 (Medicaid Reimbursement, Special Education Act).

**Fiscal Impact** **Agency Response:** No fiscal impact.

**LSA Response:** The LSA concurs in part. The proposed rulemaking does not have a fiscal impact, however several provisions of the legislation prompting the rulemaking may have a fiscal impact at the school district level.

Five school districts that have previously denied open enrollment requests based on the districts' voluntary diversity programs may experience a decrease in State and property tax funding totaling an estimated \$4.0 million in FY 2022 and an estimated \$2.6 million in FY 2023. For more information, see the Fiscal Note for HF 228.

The additional changes to open enrollment are expected to increase the number of open enrollment applications and transportation reimbursements; however, the extent to which school districts may experience a net fiscal impact cannot be determined. For more information, see the Fiscal Note for HF 847.

### ARC 5876C (NOIA)

**Rule Summary** Creates two levels of supplementary weighting for students who are limited-English proficient.

**State or Federal Law Implemented:** 2021 Iowa Acts, House File 605 (English Learners Funding Act).

**Fiscal Impact** **Agency Response:** This rule making has a fiscal impact to the State, according to the analysis completed by the Legislative Services Agency. The estimated fiscal impact is between \$84,000 and \$97,000.

**LSA Response:** The LSA concurs. The legislation implemented by this rulemaking is estimated to increase State aid and property tax as indicated by fiscal year in the chart below.

Fiscal Year	Previous Law		HF 605		Differences		Total
	State Aid	Prop. Tax	State Aid	Prop. Tax	State Aid	Prop. Tax	
FY 2022	\$29,560,000	\$3,520,000	\$29,560,000	\$3,520,000	\$ 0	\$ 0	\$ 0
FY 2023	32,293,000	3,846,000	32,366,000	3,854,000	73,000	9,000	82,000
FY 2024	33,907,000	4,038,000	33,984,000	4,047,000	77,000	9,000	86,000
FY 2025	35,603,000	4,240,000	35,683,000	4,249,000	81,000	10,000	91,000
FY 2026	37,383,000	4,452,000	37,468,000	4,462,000	85,000	10,000	95,000

Totals may not add due to rounding.

For more information see the Fiscal Note for HF 605.

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## **ARC 5877C (NOIA)**

**Rule Summary** Revises supplementary weightings for operational sharing, adds the teacher leadership supplement as an eligible source for the flexibility account, and establishes a flexible student and school support program.

**State or Federal Law Implemented:** 2021 Iowa Acts, HF 847 (Education Programs, Tax Credits, and Information Act), and 2021 Iowa Acts, HF 868 (Education Appropriations Act).

**Fiscal Impact** **Agency Response:** The rule-making has a fiscal impact to the State. According to the Fiscal Note accompanying HF 847, the reductions in weightings starting in FY 2023 will decrease State aid from the General Fund by approximately \$2.5 million and decrease statewide property taxes by \$300,000. There is no fiscal impact for the flexible student and school support program.

**LSA Response:** The LSA concurs. Beginning in FY 2023 and ending in FY 2025, State school aid from the General Fund will decrease by an estimated \$2.5 million each year, and property taxes will also decrease by an estimated \$300,000 each year. For more information, see the **Fiscal Note** for HF 847.

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## **Department of Transportation**

### **ARC 5859C (NOIA)**

**Rule Summary** Removes exceptions to the regulation of street signs that are based upon the content of the sign. Removes other rules that pertain to sign regulations based upon the content of the sign. These exceptions were provided for in Iowa Code chapters 306B and 306C, which were amended by Senate File 548 (Outdoor Advertising). Adds new processes and requirements to regulate advertising devices based on whether on remuneration paid or earned in exchange for erection, display, or existence of the device.

**State or Federal Law Implemented:** Iowa Code chapter 306B, 306C, 2021 Iowa Acts, Senate File 548, 23 CFR Section 750.705, 23 U.S.C. Section 131.

**Fiscal Impact** **Agency Response:** This rule making has no fiscal impact to the State of Iowa. The **Fiscal Note** for 2021 Iowa Acts, Senate File 548 explained the potential for loss of \$53.2 million dollars in federal funding due to inaction. The proposed amendments implement the legislative changes to ensure that the Department is not put in a position of risk regarding federal highway funds.

**LSA Response:** The LSA concurs.

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