

ADMINISTRATIVE RULES REVIEW COMMITTEE

August 14, 2018

Chairperson: Senator Mark Chelgren

Vice Chairperson: Representative Dawn Pettengill

INSURANCE DIVISION, *Multiple Employer Welfare Arrangements, 7/18/18 IAB, ARC 3894C,* NOTICE.

Background. This rulemaking pertains to Multiple Employer Welfare Arrangements (MEWAs) and sets forth membership stability requirements. The rulemaking also provides for the implementation of the five-year review of the administrative rules in Iowa Administrative Code Chapter 77. The rulemaking proposes rescinding Chapter 77 and adopting a new Chapter 77.

Commentary. Ms. Jennifer Lindberg and Ms. Andria Seip represented the Insurance Division in reviewing the rulemaking.

Ms. Lindberg provided opening comments. Ms. Lindberg indicated that the division received 24 comments during the comment period and received seven public, written comments at the public hearing. She stated that the division intends to make nonmaterial changes to the rule prior to adoption based on the following comments. Clarification will be provided to indicate that the rule applies to not only self-insured MEWAs, but also fully insured MEWAs. Additionally, the rule will be clarified to indicate that the requirements apply to any MEWA that wishes to market and offer coverage to Iowa residents, including out-of-state MEWAs. Ms. Lindberg detailed several additional comments that the division is reviewing to determine if the division needs to further clarify the rule. Ms. Lindberg also discussed several comments that were received but for which changes are not going to be made.

Committee members inquired as to the discrepancy between the division's analysis that there would be no fiscal impact and the Legislative Services Agency's (LSA's) analysis that the fiscal impact is unknown. Ms. Seip stated that she is interested in seeing what LSA concludes. In response to an inquiry from committee members, Ms. Seip indicated that interest or participation in MEWAs was not unusually high. Ms. Seip indicated that the division is hoping to provide access to health insurance with MEWAs. In response to an inquiry from committee members, Ms. Seip stated that Iowa is leading the way with MEWAs. Ms. Seip stated that MEWAs used to be more significant in the market many years ago. Ms. Seip indicated that the division worked closely with the National Association of Insurance Commissioners and participated in meetings with the Employee Retirement Income Security Act working group that oversees the MEWAs. Ms. Seip indicated that a big part of working for Iowa is making sure the division's rules are not preempted at the federal level.

Committee members asked the division whether the division was assuming that none of the MEWAs would be self-funded. Ms. Seip indicated that the existing MEWAs are not part of the guaranty association. Ms. Seip stated that they were not anticipating any increase in self-funded MEWAs.

Committee members inquired about subrule 77.7(6) and public comments about fees for withdrawing from a MEWA. Committee members indicated that the committee needed to approve all fees by rule regardless of the market. Ms. Lindberg indicated the reasonable market rate of the penalty depends on the size of the MEWA and would be negotiated when the party joined the MEWA. Ms. Seip stated that existing Iowa MEWA contracts and Nebraska MEWA contracts have a provision providing for a penalty for withdrawing from a MEWA.

Action Taken. No action taken.

CORRECTIONS DEPARTMENT, *Review and Update of Policies and Procedures, 8/1/18 IAB, ARC 3929C, FILED.*

Background. This rulemaking constitutes a comprehensive review and update of policies and procedures pursuant to five-year review of administrative rules under the purview of the Department of Corrections.

Commentary. Mr. Michael Savala represented the department and reviewed the rulemaking. Committee members asked how the rulemaking correlates with the Iowa Code, specifically with regard to Community Based Corrections. Mr. Savala stated that the reference to “supervising” was a scrivener’s error that the department intends to correct. In response to an inquiry from committee members, Mr. Savala indicated that he wanted to move forward with the rulemaking; however, he intends to file a new Notice of Intended Action with changes to the same rules that are presently before the committee, including striking “supervising.” Mr. Jerry Evans, Director of the Fifth Judicial District Department of Corrections, indicated that he had an agreement with the department to make changes to the language and he is satisfied that the language changes will be made. Committee members as compared to Mr. Savala and Mr. Evans had overlapping, but also varying, concerns about language that may need to be changed.

Committee members inquired whether there was a written memo documenting the agreement to make changes and sought a timeline for those changes to be made. Mr. Savala confirmed that written documentation exists. Mr. Savala was not able to indicate the exact date he would be able to bring forth a Notice of Intended Action, but stated that he would be able to have the filing ready the week following August 14, 2018. In response to an inquiry from committee members as to the impact of a 70-day delay, Mr. Savala indicated he had not contemplated the impact because he was not coming to the committee seeking a delay. Committee members moved for a 70-day delay of ARC 3929C on the basis that the committee does not allow a rulemaking to go into effect when an agency states it intends to make changes to the same rules. The committee passed the motion and expressed a desire to see the department back before the committee soon.

Action Taken. On a vote of 9-0, the Administrative Rules Review Committee issued a 70-day delay of Filed ARC 3929C.

REVENUE DEPARTMENT, *Water Service Excise Tax, 7/18/18 IAB, ARC 3896C, NOTICE.*

Background. This rulemaking proposes to adopt new Chapter 97 within Title XIII, which establishes rules to administer the water service excise tax passed by the General Assembly in 2018. Specifically, these rules implement sections 10 through 17 of 2018 Iowa Acts, Senate File 512, which exempts certain sales of water from sales tax and enacts Iowa Code chapter 423G, which establishes a water service excise tax.

Commentary. Ms. Alana Stamas and Mr. Joe Fraioli represented the Department of Revenue and reviewed the rulemaking.

Ms. Stamas indicated that the department received many comments and concerns prior to the filing of the Notice of Intended Action (NOIA) because the law took effect July 1. Ms. Stamas stated that the topics the rulemaking is trying to cover are who is responsible for collecting the tax and what types of use might be subject to the tax. Since the filing of the NOIA, the department has received additional comments. As a result, the department is in the process of scheduling a public hearing to give the public an additional opportunity to be heard. The department anticipates making changes to the rulemaking

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in advance of the adopted and filed rule to change the policy on who is obligated to collect the tax. Ms. Stamas indicated that the proposed changes will likely resolve the concerns that have been raised. Committee members encouraged the department to be consistent in that if an individual pays their water bill, they pay their water tax. Additionally, the department was encouraged to ensure that if a housing unit is involved, it be run similarly to a mobile home unit, and other similar instances. Ms. Stamas stated that committee members will see that consistency when the rulemaking returns for review.

Committee members asked about the declaratory ruling *In the Matter of Macomb Motel, Inc.*, Docket No. 583 (Sept. 18, 1986) (*Macomb*) and its applicability. Mr. Joe Fraioli spoke on behalf of the department about the applicability of *Macomb*. Mr. Fraioli stated that *Macomb* is not exactly on point but the principle is the same. If an entity is a water utility as defined under the statute, but the water utility is purchasing water from another water utility and it is not breaking it out and separately itemizing it and charging it, then it is not required to collect and remit the tax. Instead, the water utility will purchase that water and pay the tax when it purchases it. Upon inquiry from committee members, Mr. Fraioli confirmed that the rulemaking will be changed to conform to the holding of *Macomb*.

Ms. Emily Piper, representing the Iowa Rural Water Association, expressed support for the rulemaking, specifically that the rule requires an excise tax on the actual sale of water. Mr. Joe Kelly, representing the Iowa Manufactured Housing Association, stated that he received a call from Mr. Fraioli the morning of August 14, 2018. As a result, Mr. Kelly believes that many of his concerns are going to be addressed in the proposed changes. Mr. Kelly expressed appreciation for the department working with him.

Action Taken. No action taken.

Next meeting. The next committee meeting will be held in Room 116, Statehouse, on Tuesday, September 11, 2018, beginning at 9:00 a.m.

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