



Fiscal Services Division

ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES

January 10, 2020

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 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 Human Services

ARC 4819C (NOIA)

Rule Summary Eliminates the monthly budget maximum or cap for individuals eligible for the Medicaid home- and community-based services (HCBS) brain injury waiver, and increases per diem rates for assertive community treatment (ACT) services.

State or Federal Law Implemented: 2019 Iowa Acts, chapter 85.

Fiscal Impact **Agency Response:** Increasing per diem rates for ACT is estimated to cost \$211,332 in FY 2020 and subsequent fiscal years. Funding for this change was provided in HF 766 (FY 2020 Health and Human Services Appropriations Act).

No fiscal impact is expected from eliminating the monthly budget maximum or cap for individuals eligible for the brain injury (BI) waiver. During calendar year 2018, Iowa Medicaid Enterprise received 126 exception to policy (ETP) requests for BI waiver members to exceed the monthly cap for services, and of these, only two requests were denied. Since the ETP process is an existing practice, costs related to exceptions would already be incorporated into the base data used to set MCO rates.

LSA Response: The LSA concurs.

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Department of Revenue

ARC 4843C (NOIA)

Rule Summary Implements changes to Iowa's corporate income and bank franchise tax relating to the taxation of Global Intangible Low Tax Income (GILTI). Such income was made a component of the federal corporate income calculation for tax purposes through federal legislation passed in December 2017. Iowa's corporate income tax laws were conformed to the federal changes effective with tax years beginning on or after January

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1, 2019 (TY 2019). The rulemaking specifies how GILTI income will be apportioned and subject to Iowa corporate income tax.

Also includes changes to existing language relating to the apportionment of investment income that the Department of Revenue describes as cleanup language.

State or Federal Law Implemented: Iowa Code sections [422.33](#) and [422.63](#).

Fiscal Impact Agency Response: The corporate income affected by this rulemaking is included in Iowa income as a result of SF 2417 (2018 Tax Modifications Act). The Fiscal Note for SF 2417 did not specifically address GILTI income, but did include the projected impact in the overall impact of the Act. In March 2019, the Department performed a fiscal analysis for a proposal that would have effectively removed most of the income covered by this rule from Iowa corporate income taxation. The Department can provide a copy of that analysis upon request.

LSA Response: The LSA concurs in part. Senate File 2417 reduced Iowa corporate income tax rates, beginning January 1, 2020. The Act also coupled Iowa tax law with federal corporate income tax law changes through December 2017. The coupling provisions as a group were projected to increase Iowa corporate income tax revenue, while the tax rate reductions were projected to decrease revenue.

According to Table 6 of the Fiscal Note, the coupling provisions were projected to increase corporate income tax liability as provided in the middle column of the table below. In March 2019, the Department of Revenue analyzed a proposal to reverse the impact of coupling with the federal GILTI provisions. The Department's estimate of the fiscal impact of that proposal is displayed in the right-hand column of the table below. The numbers in the following table are provided for reference only. It is not known whether the proposed rules implement the GILTI taxation provisions as those provisions were contemplated at the time of the Department's estimates. Also, the March 2019 Department of Revenue analysis was based on national estimates of the amount of GILTI revenue corporations will report each year. With the initial federal tax year (TY 2018) of reported GILTI revenue available through federal tax reports in the future, a much more accurate estimate of the impact of Iowa's taxation of GILTI revenue will be able to be developed.

Tax Year (TY)	May 2018	March 2019
	All Coupling Provisions of SF 2417	GILTI Provision Only
TY 2019	\$ 22.2	\$ 11.7
TY 2020	21.2	12.4
TY 2021	26.4	11.1
TY 2022	30.2	11.6

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The rulemaking also provides additional changes to existing administrative rules that are referred to by the Department as cleanup language. The Department response assumes these changes have no additional fiscal impact.

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Department of Agriculture and Land Stewardship

ARC 4841C (NOIA) & ARC 4842C (AFE)

Rule Summary Outlines provisions for the Department to submit a Statewide plan for approval from the United States Department of Agriculture (USDA) for the domestic production of hemp. Includes provisions for maintaining information on the land where hemp is produced; testing the levels of delta-9 tetrahydrocannabinol (THC); disposing of plants not meeting necessary requirements; establishing licensing requirements; and ensuring compliance with the requirements of the Agriculture Improvement Act of 2018, which amended the Agricultural Marketing Act of 1946, and further restrictions found in 2019 Iowa Acts, Senate File 599 (Industrial Hemp Act).

State or Federal Law Implemented: 2019 Iowa Acts, SF 599, and Iowa Code section 204.3(5).

Fiscal Impact **Agency Response:** Senate File 599 is estimated to increase expenditures for the Department by an estimated \$304,000 in FY 2020 and \$209,000 in FY 2021. The fee income that will be deposited into the Hemp Fund cannot be estimated, as it is unknown how many persons will participate in the manufacturing of industrial hemp. It is also unknown how much it will cost to destroy crops that exceed the maximum allowable delta-9 tetrahydrocannabinol levels.

LSA Response: The LSA concurs.

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Department of Inspections and Appeals/Racing and Gaming Commission

ARC 4807C (ANOIA)

Rule Summary Provides a framework and guidance to all industry participants in sports wagering and fantasy sports contests, and protects the public by ensuring the integrity of licensed facilities and participants.

State or Federal Law Implemented: Iowa Code chapters 99D, 99E, and 99F, and 2019 Iowa Acts, Senate File 617 (Sports Wagering Act).

Fiscal Impact **Agency Response:** The Commission will use existing budget and resources to implement these rules, including specific appropriations made during the 2019 Legislative Session for such purposes.

LSA Response: The LSA concurs. While the rulemaking itself does not have a fiscal impact, Senate File 617 does, as noted in the Fiscal Note for the Act. The Iowa Racing and Gaming Commission estimated that the Commission would need to hire 3.0 additional full-time equivalent (FTE) positions to manage the supervisory workload resulting from licensing entities to participate in sports wagering. During the 2019 Legislative Session, the General Assembly authorized the Commission to spend \$275,000 from the Gaming Regulatory Revolving Fund and add 3.0 additional FTE positions for sports wagering regulation upon enactment of the Act through the Administration and Regulation Appropriations Act, 2019 Iowa Acts, House File 759.

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Position	FTEs	Cost
Management Position	1.0	\$ 200,000
Auditor	1.0	107,000
Administrative Assistant	1.0	85,000
	Subtotal	\$ 392,000
Existing Budget		(117,000)
Funds Appropriated Through HF 759	Total	\$ 275,000

Additionally, one aspect of the implementation of the rulemaking involves a suspension of the collection of offset debt through the garnishment of sports wagering and Internet fantasy sports contest winnings of \$1,200 or more due to a session delay approved by the Administrative Rules Review Committee on August 12, 2019. According to the Department of Administrative Services, it is not possible to estimate the fiscal impact of revenue collected from offset procedures as a result of authorizing sports wagering and Internet fantasy sports contests.

For more information on the fiscal impact and revenue estimates related to sports wagering, please review the Fiscal Note for [Senate File 617](#).

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Department of Education

ARC 4809C (AF)
Rule Summary Implements SF 603 (Concurrent Enrollment Functions and Funding Act) that allows direct contracts between an accredited nonpublic school and a community college to provide concurrent enrollment coursework. Clarifies part-time and full-time enrollment through concurrent enrollment and the postsecondary enrollment options program and when permissible, for a school district to provide access to community college coursework through the postsecondary enrollment options program. Defines the ways in which school districts and community colleges may offer Project Lead the Way courses.

State or Federal Law Implemented: 2016 Iowa Acts, chapter [1108](#), section 61; 2019 Iowa Acts, chapter [164](#); and [SF 603](#) (Concurrent Enrollment Functions and Funding Act).

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

LSA Response: The LSA concurs in part. Although the rulemaking has no fiscal impact, the legislation associated with it does. House File 758 (FY 2020 Education Appropriations Act) included an appropriation of \$1.0 million from the General Fund in FY 2020 for nonpublic school concurrent enrollment to community colleges.

ARC 4810C (AF)
Rule Summary Creates policies for the Career Academy Incentive Fund, which was established through the reauthorization of the Secure an Advanced Vision for Education (SAVE) Fund in [HF 546](#) (Secure an Advanced Vision for Education, Extension Act).

State or Federal Law Implemented: 2019 Iowa Acts, chapter [166](#).

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

LSA Response: The LSA concurs in part. Although the rulemaking itself does not have a fiscal impact, the legislation associated with it does. House File 546 provides for a \$1.0 million appropriation to the Career Academy Fund from the SAVE Fund.

ARC 4812C (AF)

Rule Summary Makes the following changes:

- Adds accredited nonpublic schools to the definition of “supplant,” which applies to concurrent enrollment coursework and clarifies that supplementary weighting applies only to Iowa resident students.
- Implements changes to eligibility for supplementary weighting pertaining to public school students attending community college-offered coursework.
- Implements changes to the time period for district eligibility for whole-grade sharing supplementary weighting.
- Makes changes to the items required by the Department of Education (DE) for the report of progress that districts are required to submit when requesting the second or third year of whole-grade sharing supplementary weighting.
- Creates a weighting for accredited nonpublic schools that access concurrent enrollment coursework through an agreement directly with a community college.

State or Federal Law Implemented: 2019 Iowa Acts, chapter 101; and 2019 Iowa Acts, chapter 164 (Concurrent Enrollment Functions and Funding Act); and 2019 Iowa Acts, chapter 135 (FY 2020 Education Appropriations Act).

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

LSA Response: The LSA concurs in part. While the rulemaking itself does not have a fiscal impact, the legislation it implements does. The estimated fiscal impact to the General Fund of extending whole-grade sharing until FY 2024 is currently unknown and will be based on the number of districts eligible to receive supplementary weighting. For more information, see the **Fiscal Note**.

Additional concurrent enrollment weightings for accredited nonpublic schools may be used to generate payments to community colleges subject to an appropriation to the DE. For FY 2020, the General Assembly appropriated \$1.0 million from the General Fund to the DE for accredited nonpublic school concurrent enrollments. For more information, see the **Fiscal Note**.

ARC 4816C (NOIA)

Rule Summary Rescinds and replaces existing seclusion and restraint rules. Provides definitions and guidance for when physical restraint or seclusion is reasonable and necessary and establishes parental notification requirements. Requires an employee to receive training prior to using any form of physical restraint or seclusion. Details required documentation and reporting of any physical restraint or seclusion occurrence, including reporting to the Iowa Department of Education. Establishes seclusion room requirements including size and that the room is compliant with State and local codes and standards. Allows a maximum five-year period for use of current seclusion rooms that are compliant with all other rules except room size.

State or Federal Law Implemented: Iowa Code sections 256B.3 and 280.21.

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

LSA Response: The LSA concurs in part. While the rulemaking itself does not have a fiscal impact, there could be construction costs to school districts for modifying existing seclusion rooms to be compliant with new room requirements. An estimate cannot be determined at this time because reporting is not currently in place for how many school buildings currently have seclusion rooms that would require modification.

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Department of Workforce Development

ARC 4832C (AF)

Rule Summary Specifies that a claimant who voluntarily quits supplemental part-time employment is not disqualified from other benefits to which the claimant may be entitled. Updates calculations for the impact of vacation payments and pension payments. Modifies the rules related to fraudulent overpayments, offsets, and shared work programs. Makes additional conforming changes.

State or Federal Law Implemented: Iowa Code chapter 96.

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

LSA Response: The LSA concurs in part. Although the rulemaking has no fiscal impact, the legislation associated with it does. The updates to the calculations for the impact of vacation payments and pension payments implement HF 2321 (Unemployment Compensation, Workforce Development Act), and the Fiscal Note for that legislation states that the changes will permit the Iowa Department of Workforce Development (IWD) to reallocate an estimated 2.9 Workforce Advisor full-time equivalent (FTE) positions and \$150,000 in salary expenses paid from the Unemployment Insurance Federal Base Grant in the Benefits Bureau.

The modification of the rules related to fraudulent overpayments implements HF 2493 (FY 2019 Economic Development Appropriations Act). That Act provided for the disqualification of a claimant from receiving unemployment compensation benefits until all benefits received by the individual by reason of nondisclosure or misrepresentation of a material fact have been paid in full. The impact of that change on the Unemployment Compensation Fund is a decrease in payments from the Fund and an increase in collections. Information is not available to determine the magnitude of the impact.

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