Fiscal Services Division

ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES **March 6, 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 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 Human Services

ARC 4899C (AF)

Rule Summary Updates and clarifies language to reflect existing prescribed outpatient drug policies for qualified prescribers, reasons for nonpayments of drugs, covered nonprescription drugs, allowed quantity dispensed, drug reimbursement methodology (including dispensing fee limitation), and credits for returned unit dose drugs not consumed. In addition, the rule adds language regarding initiation of refill requirements with the prohibition of automatic refills without the member's consent and includes legislatively required prior authorization (PA) limitations on medication-assisted treatment (MAT), including opioid overdose treatment, under the pharmacy and medical benefits.

State or Federal Law Implemented: Iowa Code section 249A.4.

Fiscal Impact **Agency Response:** The rule changes are estimated to have a net General Fund savings of $124,000 in FY 2020 and $298,000 in FY 2021 and beyond. The rulemaking assumes a February 1, 2020, implementation date. The provisions with a fiscal impact include:

- Clarifying the quantity prescribed and dispensing fee allowance is estimated to save the General Fund $309,000 in cases where a pharmacy has been reimbursed for more than one dispensing fee per drug per member per month for maintenance drugs.
- Removing the clinical prior authorization (PA) for medication-assisted treatment (MAT) drugs is estimated to cost the General Fund $11,000.

LSA Response: The LSA concurs.

ARC 4911C (NOIA)

Rule Summary Defines "personal degradation of a dependent adult" as a category of adult abuse and changes criteria for outcome determinations for dependent adult abuse evaluations conducted by the Department of Human Services (DHS) to include reports of personal degradation.

State or Federal Law Implemented: Iowa Code chapter 235B.

Fiscal Impact **Agency Response:** These changes are estimated to cost the General Fund $123,000 in FY 2020 and $225,000 in FY 2021 and subsequent fiscal years. The changes will result in DHS computer system updates, and the new category of abuse will increase case counts, resulting in the need for additional DHS staff. Additional funding for DHS Field Operations was provided in HF 766 (FY 2020 Health and Human Services Appropriations Act).

LSA Response: The LSA concurs.

ARC 4937C (NOIA)

Rule Summary Makes the following changes to the Child Care Assistance (CCA) Program.

- Updates eligibility guidelines for CCA Plus by removing the 12-month limit on eligibility. Revises the income parameters to 85.0% of the State Median Income or 225.0% Federal Poverty Level (FPL), whichever is lower.
- Changes the definition of the age group “infant and toddler” from between two weeks and two years of age to between two weeks and three years of age. Makes a conforming adjustment to the age group “preschool” to reflect this change.
- Updates the sliding fee schedule to reflect 2020 FPL amounts.

State or Federal Law Implemented: Iowa Code section 234.6.

Fiscal Impact **Agency Response:** The impacts of the changes are estimated as follows:

- CCA Plus: There will be decreased expenditures in FY 2021 estimated at $288,000, with costs increasing annually thereafter by approximately $1.4 million, to a total increase of $5.5 million in FY 2025.
- “Infant and toddler” definition: The change will increase expenditures for the CCA Program by an estimated $2.3 million in FY 2021.
- Updates to sliding fee schedule: No fiscal impact.

This brings the total increase in provider reimbursement expenditures by year to:

- FY 2021: $2.0 million.
- FY 2022: $3.7 million.
- FY 2023: $6.0 million.
- FY 2024: $7.2 million.
- FY 2025: $7.8 million.

The amounts of federal Child Care Development Fund revenue to be carried forward into FY 2021 and FY 2022 are estimated to be sufficient to cover these changes.

LSA Response: The LSA concurs in part. The LSA estimates the impact of the “infant and toddler” definition change at $2.8 million using a detailed weighted average based on rates and population distribution across all Quality Rating System (QRS) levels. The DHS estimate uses an estimate at the base rates and the rates for the highest QRS level and averages the two. For additional information on the assumptions for the “infant and toddler” definition change, please refer to the Fiscal Note for HF 2271. The impact would increase the five-year estimates outlined above by approximately $500,000 each fiscal year.

For additional information on the funding sources and current estimate, please refer to the ***Fiscal Update*** Article CCA Forecasting Group — December 2019.

ARC 4896C (AF)

Rule Summary Creates a Children’s Behavioral Health System and does the following:

- Requires certain children’s behavioral health core services for children with serious emotional disturbances.

- Provides guidance to Mental Health and Disability Services (MHDS) regions in developing the new children's behavioral health core services, including new definitions, provider standards, access standards, and implementation dates.
- Makes changes in MHDS regional governance structure and reporting requirements, and establishes eligibility standards for children's behavioral health services.

State or Federal Law Implemented: 2019 Iowa Acts, ch. 61 (Children's Behavioral Health System Act).

Fiscal Impact

Agency Response: These changes are estimated to cost the General Fund $723,000 in FY 2020 and FY 2021. General Fund costs include $423,000 for Medicaid and $300,000 for administration. Funding for these changes was provided by 2019 Iowa Acts, ch. 85 (FY 2020 Health and Human Services Appropriations Act).

In addition, these changes are estimated to cost the MHDS regions $3.2 million in FY 2020 and $6.6 million in FY 2021. No additional funding was provided for the MHDS regions.

LSA Response: The LSA concurs.

LSA Staff Contact: Jess R. Benson (515.281.4611) jess.benson@legis.iowa.gov

Iowa Finance Authority

ARC 4902C (AF)

Rule Summary

Implements 2019 Iowa Acts, chapter 161 (Beginning Farmer Tax Credit Act). This rulemaking establishes the Program and sets forth the criteria for eligible taxpayers and qualified beginning farmers, the requirements of an agricultural lease agreement upon which the tax credit is based, the process to be followed when a lease is amended, the application process and the required content of the tax credit application, and the procedure for calculating tax credit awards.

Also updates outdated statutory references and amends the Beginning Farmer Loan Program eligibility criteria and related definitions to clarify the differences between the Beginning Farmer Loan Program and the Beginning Farmer Tax Credit Program.

State or Federal Law Implemented: 2019 Iowa Acts, chapter 161 (Beginning Farmer Tax Credit Act).

Fiscal Impact

Agency Response: No fiscal impact.

LSA Response: The LSA concurs in part. Although the rulemaking itself has no fiscal impact, the legislation associated with it does. This rulemaking implements 2019 Iowa Acts, chapter 161 (Beginning Farmer Tax Credit Act). That Act replaced the existing Agricultural Asset Transfer Tax Credit with a new Beginning Farmer Tax Credit beginning January 1, 2019. The Fiscal Note for the Act estimated that the tax credit changes would reduce net General Fund revenue by the following annual amounts:

- FY 2020 = $0.4 million
- FY 2021 = $1.4 million
- FY 2022 = $2.5 million
- FY 2023 = $3.0 million
- FY 2024 = $3.3 million
- FY 2025 = $3.4 million
- FY 2026 = $3.6 million
- FY 2027 and after = $3.8 million

LSA Staff Contact: Ron Robinson (515.281.6256) ron.robinson@legis.iowa.gov

Iowa Public Employees' Retirement System

ARC 4925C (NOIA)

Rule Summary Revises existing rules by implementing the following changes:

- Conforms rules with other rules and statutes and rescinds rules that are outdated, redundant, or inconsistent, or no longer in effect to meet the requirements of the statutory five-year rules review for chapters 11 to 15.
- Implements contribution rates for employers and regular and special service members beginning July 1, 2020.
- Reflects an IRS requirement verifying citizenship status.
- Brings the rule into compliance with the new federal legislation regarding mandatory distributions.
- Clarifies when a member's first month of entitlement begins.
- Indicates that a subrule applies only to regular class members to change the yearly multiplier to a quarterly multiplier as is current IPERS' practice.
- Removes outdated language regarding average covered wages and clarifies the way in which a computed year of wages is calculated.
- Strikes obsolete language and adds necessary language regarding vesting by service.
- Clarifies that annual certifications of disability benefits are not necessary after a member meets IPERS' normal retirement age.
- Provides for the trial work period as allowed by federal disability benefits.
- Acknowledges that multiple doctors' appointments may not be able to be scheduled consecutively in the same day and that written notice will be the primary communication of appointment notification.
- Amends language to reflect current practice regarding precertification of medical eligibility for disability.
- Amends language to delineate the requirements for qualification for special service disability benefits.
- Emphasizes that IPERS designation of beneficiary forms may be filled out online through the IPERS website.
- Clarifies that when there is no proper or valid beneficiary to whom a death benefit is to be paid, then beneficiaries will be paid via the intestacy law of the State of Iowa.
- States the member receives the higher of two preretirement death benefit calculations.
- Clarifies the means of addressing the proper role of Social Security representative payees.

State or Federal Law Implemented: Iowa Code chapter 97B.

Fiscal Impact **Agency Response:** Contribution rate changes for all three classes of IPERS employees (Regular members, Sheriffs and Deputy Sheriffs, and Protection Occupation members) are reflected below:

- **Regular Members.** There is no change in the contribution rates from FY 2020 to FY 2021. The contribution rate remains at 15.73% (9.44% employer/6.29% employee).
- **Sheriffs and Deputy Sheriffs.** The contribution rates are decreasing by 0.50%, from 19.02% in FY 2020 to 18.52% for FY 2021. For Sheriffs and Deputy Sheriffs, contribution amounts are split 50/50 between employers and employees. The impact to covered employers and employees is an estimated savings of $640,000 ($320,000 employer and $320,000 employee) annually.

Estimated IPERS Contributions for Sheriffs and Deputy Sheriffs										
		FY 2020			FY 2021					
Employer Type	Projected Wages	Member Contribution 9.51%	Employer Contribution 9.51%	Combined Rate 19.02%	Member Contribution 9.26%	Employer Contribution 9.26%	Combined Rate 18.52%	Member Difference	Employer Difference	Total Difference
County	$128,007,391	$12,173,503	$12,173,503	$24,347,006	$11,853,484	$11,853,484	$23,706,968	($320,019)	($320,019)	($640,038)

- **Protection Occupation.** The contribution rates are decreasing by 0.50%, from 16.52% in FY 2020 to 16.02% for FY 2021. For Protection Occupation members, contribution amounts are split 60/40 between employers and employees. The impact to covered employers and employees is an estimated savings of $2.0 million ($1.2 million employer and $800,000 employee) annually.

Estimated IPERS Contributions for Protection Occupation										
		FY 2020			FY 2021					
Employer Type	Projected Wages	Member Contribution 6.61%	Employer Contribution 9.91%	Combined Rate 16.52%	Member Contribution 6.41%	Employer Contribution 9.61%	Combined Rate 16.02%	Member Difference	Employer Difference	Total Difference
State	$179,328,465	$11,853,612	$17,771,451	$29,625,063	$11,494,955	$17,233,466	$28,728,421	($358,657)	($537,985)	($896,642)
County	$119,818,574	$7,920,008	$11,874,021	$19,794,029	$7,680,371	$11,514,565	$19,194,936	($239,637)	($359,456)	($599,093)
City	$97,851,835	$6,468,006	$9,697,117	$16,165,123	$6,272,303	$9,403,561	$15,675,864	($195,703)	($293,556)	($489,259)
Other	$2,396,371	$158,400	$237,480	$395,880	$153,607	$230,291	$383,898	($4,793)	($7,189)	($11,982)
	$399,395,245	$26,400,026	$39,580,069	$65,980,095	$25,601,236	$38,381,883	$63,983,119	($798,790)	($1,198,186)	($1,996,976)

LSA Response: The LSA concurs.

LSA Staff Contact: Jennifer D. Acton (515.281.7846) jennifer.acton@legis.iowa.gov

Department of Transportation

ARC 4908C (AF)

Rule Summary Provides for the inclusion of blackout license plates. Makes technical changes and accommodates electronic submission of license plate applications.

State or Federal Law Implemented: Iowa Code section 321.34 as amended by 2019 Iowa Acts, Senate File 638 (FY 2020 Standing Appropriations Act).

Fiscal Impact **Agency Response:** As of December 31, 2019, there were approximately 92,000 blackout plates in use, and approximately 28.0% of the plates issued were personalized. Based on those numbers and for that time frame, approximately $4.0 million in additional revenue was deposited in the Road Use Tax Fund in FY 2019. This positive impact will grow as additional orders are received in the future.

LSA Response: The LSA concurs. Based on the plates already issued, revenues deposited in the Road Use Tax Fund will increase by $1.0 million per year beginning in FY 2020.

LSA Staff Contact: Adam Broich (515.281.8223) adam.broich@legis.iowa.gov

Department of Revenue

ARC 4915C (NOIA)

Rule Summary Implements 2019 Iowa Acts, chapter 152 (Tax Code Changes Act), which exempted grain bins and the materials used to build and repair grain bins from the sales/use tax.

State or Federal Law Implemented: Iowa Code section 423.3 and 2019 Iowa Acts, ch. 152.

Fiscal Impact **Agency Response:** No fiscal impact beyond that described in the Fiscal Note for the Act, which estimated a reduction in General Fund revenue of $5.2 million in FY 2020, increasing to $5.8 million by FY 2024.

LSA Response: The LSA concurs.

ARC 4916C (NOIA)

Rule Summary Implements 2019 Iowa Acts, chapter 152 (Tax Code Changes Act), which expanded the existing sales tax exemption for manufacturers by adding the word "primarily" to the definition of "manufacturer." This change allows companies that are primarily manufacturers, but also engage in activities that are not manufacturing, to benefit from the sales tax exemption for manufacturers. The Act made this change effective retroactively to May 30, 2018. The rulemaking provides examples of how the rule will be applied.

State or Federal Law Implemented: Iowa Code section 423.3 and 2019 Iowa Acts, ch. 152.

Fiscal Impact **Agency Response:** No fiscal impact beyond that described in the Fiscal Note for the Act, which estimated a reduction in General Fund revenues of $200,000 in FY 2020 and each year thereafter.

LSA Response: The LSA concurs.

ARC 4955C (AF)

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 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 will 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.

Department of Revenue Federal Coupling Provision Projections
In Millions

	May 2018	March 2019
Tax Year (TY)	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

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.

LSA Staff Contact: Jeff W. Robinson (515.281.4614) jeff.robinson@legis.iowa.gov