Fiscal Services Division

ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES **February 4, 2022**

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 6161C (NOIA)

Rule Summary Establishes rules for the new Quality Rating System (QRS) program. The QRS program has been redesigned and rebranded as Iowa Quality for Kids (IQ4K). The new program involves more stringent criteria at each level of the program that providers must meet to be eligible. Increases in the achievement bonuses help cover the additional costs to the providers and offer financial incentives for providers to invest the time, effort and moneys to meet the criteria being asked of them. The program continues to be voluntary, and the Department's goal is to improve the quality of care from child care providers. The current rules in effect will continue to support the previous QRS program until the program sunsets on March 31, 2024. The new proposed rules for IQ4K will apply for all child care programs applying to the new QRS program. Child care programs will not be able to apply to the previous QRS program once the new rules are in effect.

State or Federal Law Implemented: Iowa Code section 237A.30.

Fiscal Impact **Agency Response:** The increase in the achievement bonuses to be awarded are to be funded with American Rescue Plan Act (ARPA) funds from April 1, 2022, through September 20, 2023, which is the end of the obligation period for the ARPA funds. After that, the anticipated ongoing balance of federal Child Care Development Funds (CCDF) is expected to cover the cost through at least State Fiscal Year 2026 based on status quo funding.

LSA Response: The LSA concurs.

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Department of Administrative Services

ARC 6162C (NOIA)

Rule Summary Increases the noncompetitive purchasing threshold for state agencies by the following amounts:

- From $1,500 to $15,000 for non-master agreement goods.

- From $5,000 to $15,000 for non-master agreement services from private entities.

Specifies agencies are allowed to procure non-master agreement goods up to $50,000 per transaction in a competitive manner using either informal or formal competition. Makes other conforming changes related to the threshold increase.

State or Federal Law Implemented: Iowa Code sections 8A.104, 8A.311, 17A.3, and 17A.4.

Fiscal Impact **Agency Response:** It is impossible to determine the overall fiscal impact of the various procurements of goods and services completed by different agencies under these proposed amendments.

LSA Response: The LSA concurs. The fiscal impact cannot be determined at this time.

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Economic Development Authority

ARC 6134C (FEAN)

Rule Summary Establishes the Downtown Loan Guarantee Program, created in 2021 Iowa Acts, Senate File 619 (Taxation and Other Provisions Act), to encourage Iowa downtown businesses and banks to reinvest and reopen following the COVID-19 pandemic. The loan guarantee is available to businesses that are eligible for a Downtown Resource Center Community Catalyst Building Remediation Grant or Main Street Iowa Challenge Grant. The project must include a housing component and meet Downtown Resource Center and Main Street Iowa design review.

State or Federal Law Implemented: 2021 Iowa Acts, Senate File 619.

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

LSA Response: The LSA concurs in part. The rules for the Program contain an annual fee paid by the lender not to exceed 2.0% of the loan amount for the duration of the loan guarantee. The total annual fee amount cannot be estimated.

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Department of Revenue

ARC 6149C (AF)

Rule Summary Implements statutory changes to the maximum income limit for a taxpayer to qualify for the Child and Dependent Care Tax Credit or the Early Childhood Development Tax Credit. 2021 Iowa Acts, chapter 177 (SF 619 – Taxation and Other Provisions Act) increases the income limit to qualify for the credits from $45,000 to $90,000 for tax years beginning on or after January 1, 2021. The rulemaking clarifies that a taxpayer who claims the Child and Dependent Care Tax Credit cannot also claim the Early Childhood Development Tax Credit.

The rulemaking also clarifies that the percentage of the federal Child and Dependent Care Tax Credit the taxpayer can claim is based on the taxpayer's all-source net income. The rulemaking also explains how nonresidents and part-year residents shall calculate the Early Childhood Development Tax Credit.

State or Federal Law Implemented: Iowa Code section 422.12C and 2021 Iowa Acts, chapter 177, division II.

Fiscal Impact

Agency Response: No fiscal impact beyond that of the legislation it is intended to implement.

LSA Response: The LSA concurs in part.

The portions of the rule that increase the maximum income limit for the two tax credits and that clarify that a taxpayer may only utilize one of the two credits in a single tax year have no fiscal impact beyond the impact specified in the Fiscal Note for SF 619, division II. The negative impact on General Fund revenue is estimated to be $0.6 million for FY 2021, $16.2 million for FY 2022, and $4.2 million to $5.1 million annually in succeeding fiscal years.

The rule also makes changes to the Early Childhood Development Tax Credit that are not the direct result of changes made in SF 619. Specifically, the rule:

- Changes the wording for married taxpayers who file separate returns by changing the term “combined income” to “combined net income.”
- Adds language specifying how the tax credit is to be calculated for nonresident and part-year resident taxpayers.
- Adds language to the portion of the existing rule that defines ineligible expenses.

All three additional changes to the rules for the Early Childhood Development Tax Credit could alter the tax credit calculation for affected taxpayers. These changes may create a fiscal impact if they alter the existing procedures of the Department of Revenue in regard to the calculation of the credit.

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