



## Fiscal Services Division

### ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES

September 13, 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 6475C (NOIA)

- Rule Summary** Amends requirements for the utilization of generally accepted accounting principles (GAAP) in the completion of cost report reviews as part of the Home and Community Based Services (HCBS) Waiver cost reporting. Amendments include:
- Clarifying the programs that submit cost reports.
  - Correcting the Financial and Statistical Report form numbers.
  - Removing the 20.0% limitation from all HCBS salary, benefit, and payroll tax expenses.
  - Changing the mileage reimbursement for business use of personal employee vehicles to be reimbursed according to the federal Internal Revenue Services (IRS) published mileage rate.
  - Changing the cost reporting period to align with the provider's fiscal year.
  - Setting the maximum allowed compensation for the executive director, corporate executive officer, or equivalent position, who is an owner or immediate relative, to be equal to the Intermediate Care Facility for Individuals with an Intellectual Disability (ICF/ID) maximum compensation for facilities with 60 beds or more.
  - Adding rebasing language for the recalculation of rates every three years for HCBS Brain Injury (BI) Waiver supported community living services, HCBS Children's Mental Health (CMH) Waiver family and community support services, and interim medical monitoring and treatment services when provided by an HCBS-certified supported community living services agency to be consistent with Intellectual Disability (ID) Waiver rebasing.

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

**Fiscal Impact** **Agency Response:** This rulemaking increases the amount of reportable costs for the following services: ID Waiver Supported Community Living (15-minute unit), BI Waiver Supported Community Living (15-minute unit), BI Waiver Supported Community Living (daily unit), CMH Waiver Family and Community Support Services, and Interim Medical Monitoring and Treatment for the BI, Health and Disability (HD), and ID waivers. An increase in reportable costs could increase Medicaid provider rates. The prospective rates for established providers are capped at the upper rate limits in subrule

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441—79.1(2). Across these services, there are currently 134 of 238 providers paid below the upper rate limit. It is unclear by how much provider rates will increase because of these changes. A high-end estimate assumes rates for all 134 providers will increase to the upper limit as a result of these changes. A low-end estimate assumes no providers experience an increase to current rates. The fiscal estimate is based on the midpoint of these two scenarios. Assumptions used to calculate the fiscal impact are based on the number of providers not currently paid at maximum rates relative to State fiscal year 2020 fee-for-service utilization. It is estimated that the fiscal impact would be approximately \$300,000 annually (\$100,000 of State funding).

**LSA Response:** The LSA concurs.

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### Department of Transportation

#### **ARC 6466C (NOIA)**

**Rule Summary** Waives the fee for a chauffeur driver's license (Class D) or a commercial driver's license (Class A, B, or C) for an active-duty military member or a veteran who was issued an honorable discharge or general discharge (under honorable conditions). The rulemaking lists the documents that an applicant must present for a fee to be waived.

**State or Federal Law Implemented:** Iowa Code section 321.191 and 2022 Iowa Acts, Senate File 2383, section 25.

**Fiscal Impact** **Agency Response:** This rulemaking has no fiscal impact to the State of Iowa beyond any impact anticipated by the legislation.

**LSA Response:** The LSA concurs. Section 25 of SF 2383 (Workforce Omnibus Act) was estimated to decrease revenue to the Statutory Allocations Fund (SAF) by \$245,000 per year. The year-end balance of the SAF is transferred to the Road Use Tax Fund (RUTF). In FY 2021, \$61.8 million was transferred from the SAF to the RUTF. Revenue collected by the RUTF in FY 2021 totaled \$1.861 billion.

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### Department of Revenue

#### **ARC 6451C (NOIA)**

**Rule Summary** Implements the statutory changes to the corporate income tax rates as specified in 2022 Iowa Acts, House File 2317 (Income Tax Rate Reduction and Exemptions Act). In the event that net corporate income tax receipts for a fiscal year exceed \$700.0 million, the statute requires the Department of Revenue to calculate the corporate tax rates that would have generated \$700.0 million in net corporate income tax receipts in the preceding fiscal year. This rulemaking provides the method the Department will use to determine the revised corporate income tax rates.

**State or Federal Law Implemented:** Iowa Code section 422.33 and 2022 Iowa Acts, HF 2317, section 56.

**Fiscal Impact** **Agency Response:** This rulemaking has no fiscal impact to the State of Iowa beyond that of the legislation it implements. The ***Fiscal Note*** for HF 2317 projected that State General Fund revenue will decrease by the following annual amounts:

- FY 2023 = \$19.6 million
- FY 2024 = \$79.6 million
- FY 2025 = \$109.8 million
- FY 2026 = \$135.3 million
- FY 2027 = \$182.1 million

- FY 2028 = \$229.4 million

The assumptions used to develop the projected tax reduction associated with the change to corporate income tax rates resulted in a projected top tax rate of 7.2% for tax year 2028. The enacted contingent tax rate reduction process continues until the tax rate is established at 5.5%. Therefore, the tax reduction will continue at potentially higher levels beyond FY 2028.

**LSA Response:** The LSA does not concur. The proposed rules contain a provision that allows the Department to base the tax rate change calculation on an amount that is in a range that is 3.0% above or below the \$700.0 million target that is contained in the new law. This 3.0% allowance is not part of the new law. This 3.0% factor would allow the target revenue amount to be set between \$679.0 million and \$721.0 million. Establishing a revenue target that is anything other than the \$700.0 million amount contained in law has its own fiscal impact and could change the calculated top tax rate to a level that is different than the level that would be established if the \$700.0 million statutory target is used.

The law as written provides for the Department to calculate the required top tax rate to whatever degree of specificity (for example, 7.2126%) needed in order to achieve the modeled \$700.0 million target and then round that specific top tax rate down to the nearest one-tenth of one percent (in the example case, 7.2%).

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## Department of Inspections and Appeals

### ARC 6454C (NOIA)

**Rule Summary** Implements House File 2431 (Home-Based Business Ordinances Act) by rescinding the current chapter on “home bakeries” and replacing it with a new chapter on “home food processing establishments.” Expands opportunities for the sale of homemade food items through a home food processing establishment and exempts cottage food from State licensing and inspection.

**State or Federal Law Implemented:** 2022 Iowa Acts, House File 2431.

**Fiscal Impact** **Agency Response:** Implementation of House File 2431 and these rules requires modifications to the Department of Inspections and Appeals’ (DIA’s) online licensing and inspection system and website. The Department anticipates one-time information technology (IT) development costs of \$60,000 for these tasks.

Implementation of these administrative rules is based on the DIA’s current resources. The DIA anticipates an approximate 5.0% increase in its current workload to accommodate additional inspections, complaint responses, and compliance-related activities. The DIA’s Food and Consumer Safety Bureau currently has 21.0 Environmental Specialist full-time equivalent (FTE) positions to conduct inspections in 63 of the 99 counties in Iowa, with an inventory of over 12,000 establishments. The DIA anticipates that its currently allocated FTE positions are insufficient to appropriately absorb the increased workload, and an additional 1.0 Environmental Specialist FTE position is necessary to implement these changes. The cost of adding 1.0 Environmental Specialist FTE position is \$85,000.

The DIA also currently has 0.5 Environmental Specialist Senior FTE position dedicated to providing regulatory guidance to home food processing establishments, cottage food producers, local contracting health departments, and Iowa State University Extension and Outreach. An additional 0.5 FTE position is required to appropriately absorb the increase in demand for technical assistance and to provide regulatory guidance to

industry personnel, home-based food producers, and local contracting public health departments. The cost of 0.5 Environmental Specialist Senior FTE position is \$50,000.

The DIA anticipates that individuals seeking home food processing licenses may double in comparison to current home bakery licenses from approximately 400 license holders to approximately 800 license holders. Iowa Code section 137D.2 requires the DIA to collect a \$50 fee for the cost of the license.

**LSA Response:** The LSA concurs in part. The increase in annual licensure of approximately 400 home food processing establishments is estimated to result in an increase of approximately \$40,000 annually. Additionally, as noted in the **Fiscal Note** for House File 2431, the DIA also estimates that approximately 20.0% of small food processing establishments with gross annual sales of less than \$200,000 will seek licensure as a home food processing establishment, resulting in approximately \$11,000 of annual revenue loss. Overall, there would be an estimated net annual revenue increase to the DIA of approximately \$29,000.

Combined with the increase in expenditures as noted in the agency response, the overall fiscal impact to the DIA is estimated to be approximately \$166,000 in FY 2023 and \$106,000 in FY 2024. However, no funding source was identified in House File 2431, and the DIA anticipates absorbing the increased costs in its existing budget and FTE positions for FY 2023. Under ARC 6455C, the DIA proposes to amend food establishment routine inspections from at least once every 36 months to once every 60 months and adds language that very low-risk food establishments will not have a routine inspection frequency. According to the DIA, these changes are proposed to manage the DIA's workload to absorb the costs outlined above.

**ARC 6455C (NOIA)**

**Rule Summary** Makes conforming changes aligned with the replacement of a chapter on “home bakeries” with a chapter on “home food processing establishments,” as proposed in ARC 6454C. Also defines “cottage food,” amends food establishment routine inspections from at least once every 36 months to once every 60 months, and provides that very low-risk food establishments will not have a routine inspection frequency.

**State or Federal Law Implemented:** 2022 Iowa Acts, House File 2431.

**Fiscal Impact** **Agency Response:** No fiscal impact beyond the fiscal impact described in ARC 6454C.

**LSA Response:** The LSA concurs. As described in the fiscal impact summary for ARC 6454C, the Department of Inspections and Appeals (DIA) anticipates absorbing the increased costs associated with the changes in its existing budget and full-time equivalent positions for FY 2023. Under this rulemaking, the DIA amends food establishment routine inspections from at least once every 36 months to once every 60 months and provides that very low-risk food establishments will not have a routine inspection frequency. The decrease in expenditures associated with this rulemaking cannot be estimated. These changes were proposed to manage the DIA's workload to absorb the increased costs associated with home food processing establishments.

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**Department of Education**

**ARC 6482C (NOIA) & ARC 6483C (AFE)**

**Rule Summary** Eliminates open enrollment deadlines, eliminates remaining open enrollment appeal rights to the Iowa State Board of Education, makes conforming changes, and makes changes to athletic eligibility rules.

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**State or Federal Law Implemented:** 2022 Iowa Acts, [HF 2589](#).

**Fiscal Impact**     **Agency Response:** Fiscal impact cannot be determined at this time. Open enrollment applications and transportation reimbursements are expected to increase; however, the extent to which each district may experience a fiscal impact cannot be estimated at this time.

**LSA Response:** The LSA concurs.

**Rule Summary**     **ARC 6485C (NOIA) & ARC 6486C (AFE)**  
Revises charter school funding in light of [House File 2575](#) (FY 2023 Education Appropriations Act) required revisions for specified costs per pupil for each student enrolled in a charter school to be paid by the Department of Education.

**State or Federal Law Implemented:** 2022 Iowa Acts, HF 2575.

**Fiscal Impact**     **Agency Response:** This rulemaking has the following fiscal impact to the State, according to the ***Notes on Bills and Amendments***: “An estimated 275 students will attend a charter school who were not included in the actual enrollment of the district of residence for FY 2023. The Department of Education will pay to the charter schools an estimated \$2,600,000 from the General Fund standing unlimited appropriation for charter school funding during FY 2023.”

**LSA Response:** The LSA concurs in part. The contract for Choice Charter estimates 300 students will be enrolled and Hamburg Charter estimated between 10 and 60 students will be enrolled.

Enrollment numbers filed August 5, 2022, included 50 students for Choice Charter and 31 students for Hamburg Charter. If the numbers are maintained at each reconciliation, the total estimated General Fund expenditure for FY 2023 would be an estimated \$764,000.

The Department of Education has indicated that it will allocate \$1.0 million from the federal pandemic funding grant to Choice Charter as a pilot program for this founding board-state board model in addition to the amount provided based on the enrollment at Choice Charter.

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