



Fiscal Services Division

ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES

October 11, 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 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 6565C (FEAN)

Rule Summary Implements changes based on 2022 Iowa Acts, House File 2252, which removes language that previously required medical incapacity to be temporary in order for a parent to be eligible for child care assistance (CCA). Removal of this requirement will allow a family with one permanently disabled parent to be CCA-eligible based upon the needs of the parent who is not disabled.

State or Federal Law Implemented: Iowa Code section 237A.13.

Fiscal Impact **Agency Response:** A fiscal impact of greater than \$100,000, but less than \$500,000, is expected over the next five years with this rule change. This rule change is expected to increase overall demand for child care services as eligibility requirements are revised based on CCA for disabled parents. The additional costs will be absorbed in the CCA budget with the balance of federal Child Care Development funds.

LSA Response: The LSA concurs.

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Department of Revenue

ARC 6525C (AF)

Rule Summary Implements a portion of the changes made to the Business Property Tax Credit (BPTC) in HF 2552 (2022 Department of Revenue Omnibus Act). Division XI of the Act changed the existing BPTC from a tax credit that is fully funded by the State to a property value exemption funded by the State up to a specified local government reimbursement amount. This rulemaking provides the application method for the new \$150,000 partial exemption in cases where a qualified commercial, industrial, or railroad property unit consists of multiple property parcels.

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State or Federal Law Implemented: 2022 Iowa Acts, HF 2552, Division XI.

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

LSA Response: The LSA concurs. While the law change does have a projected fiscal impact on State and local finance, this rulemaking only provides the method of implementing the new partial exemption for qualified multiparcel property units.

Rule Summary

Implements statutory changes to the penalty imposed on payers of withholding who fail to file income statements with the Department of Revenue. Under the proposed rules, payers of withholding will be penalized \$500 for each instance of willful failure to file an income statement with the Department.

ARC 6538C (NOIA)

Implements a statutory change that eliminates the requirement that payers of withholding submit an annual summary of withholding payments.

Eliminates references to responsible parties and amends other provisions related to withholding registration to better conform with how withholding registration is administered by the Department.

Amends existing rules regarding filing of returns to better conform with how withholding filings are administered by the Department and to make the rules easier to read.

State or Federal Law Implemented: Iowa Code sections 422.16, 421.27, and 422.25 and 2022 Iowa Acts, HF 2552 (Department of Revenue Omnibus Act).

Fiscal Impact **Agency Response:** No fiscal impact beyond that of the legislation it implements. The final **Fiscal Note** for 2022 Iowa Acts, HF 2552, did not indicate any impact.

LSA Response: The LSA concurs in part. While the **Fiscal Note** for HF 2552, Division VII (Income Statements to be Provided to the Department), determined that there was no fiscal impact associated with the changes enacted in that division (\$500 penalty and annual summary of withholding payments) and included in these rules, this rulemaking may make changes to existing rules that are not directly associated with HF 2552 and are therefore not covered by the HF 2552 fiscal impact analysis or the Department's fiscal impact statement attached to this rulemaking.

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.

ARC 6570C (AF)

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 (TY) 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 projected tax reduction cited in the **Fiscal Note** for HF 2317 was based on projected FY 2022 net corporate income tax receipts totaling \$780.0 million, and modeled results indicated at that time that the top corporate income tax rate for TY 2023 would be 8.9%. The Department of Revenue, through Order 2022-03, has certified FY 2022 net corporate income tax receipts at \$860.2 million, and at that level of FY 2022 net receipts, the Department has further certified that the TY 2023 top corporate income tax rate will be 8.4%. With a lower top corporate income tax in place for TY 2023 than was projected in the **Fiscal Note**, the tax reduction will be higher. The Department will need to provide new fiscal estimates for the actual corporate income tax rate reduction.

ARC 6577C (NOIA)

Rule Summary

Replaces the Iowa Department of Revenue's (IDR) 701 IAC 26 on services subject to sales tax to make updates to several out-of-date elements and reorganize the rules into more subject-focused chapters. Makes the following three substantive changes to current rules under 701 IAC 26:

- Clarifies language relating to machine operators and situations in which a person may or may not be a machine operator.
- Reorganizes rules regarding storage of household goods, mini-storage, and warehousing of raw agricultural products and clarifies language relating to mini-storage.
- Replaces the current rule on "golf and country clubs and all commercial recreation" with an updated rule that defines "recreation" and indicates that all sales of recreation are subject to sales tax, thus making all commercial recreation services subject to sales tax. Under the current rule, commercial recreation services that are led by an instructor who has special training and who imparts guidance or knowledge to the participant at a level of knowledge or skill not known to an ordinary person engaging in the service are exempt.

Adopts new rules on a variety of new, digital-based services subject to sales tax pursuant to 2018 Iowa Acts, Senate File 2417 (Income and Sales Tax Modification Act). The IDR provided guidance shortly after passage of Senate File 2417, and these rules reflect the IDR's interpretation of those services.

State or Federal Law Implemented: Iowa Code chapter 423 and 2018 Iowa Acts, Senate File 2417.

Fiscal Impact

Agency Response: The Department estimates the fiscal impact of the proposed rulemaking to eliminate the sales tax exemption for instruction in recreational activities to have the following increases to the General Fund and Local Option Sales Tax (LOST):

Table 1. Estimated Fiscal Impact of Proposal (in Millions)

Fiscal Year	GF	LOST
FY 2023	\$2.43	\$0.38
FY 2024	\$4.95	\$0.78
FY 2025	\$5.05	\$0.80
FY 2026	\$5.15	\$0.82
FY 2027	\$5.26	\$0.83
FY 2028	\$5.36	\$0.85

These estimates assume that taxpayers whose names included the terms “gym,” “fitness,” “tennis,” “yoga,” or “Pilates” would return to prepandemic levels from FY 2019 and that there would be an additional 10.0% sales tax from gyms and fitness centers and an additional 60.0% sales tax from yoga and Pilates studios under this rulemaking. Sales made taxable under the rulemaking are assumed to increase year over year as a result of inflation only. The fiscal impact for FY 2023 would begin at the midpoint for the year.

LSA Response: The LSA concurs in part. The estimate submitted by the IDR includes revenues that will be deposited in the Secure an Advanced Vision for Education (SAVE) Fund. The table below breaks out the SAVE portion of the total General Fund impact:

Table 2 — Fiscal Impact of Proposed Rulemaking on Commercial Recreation Sales Tax (in millions)

	General Fund	SAVE	LOST
FY 2023	\$ 2.02	\$ 0.40	\$ 0.38
FY 2024	4.13	0.83	0.78
FY 2025	4.21	0.84	0.80
FY 2026	4.30	0.86	0.82
FY 2027	4.38	0.88	0.83
FY 2028	4.47	0.89	0.85

The additional provisions of this rulemaking that update and reorganize existing rules may also create a fiscal impact if they alter the current procedures of the IDR in regard to implementation of the sales or use tax. Regarding the portion of the rulemaking on digital-based services, the LSA does not have information available at this time to provide any updated fiscal estimate to the **Fiscal Note** for Senate File 2417.

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Department of Agriculture and Land Stewardship

ARC 6500C (NOIA)

Rule Summary Implements 2022 Iowa Acts, House File 2581 (Agriculture Omnibus Act), by removing pesticide registration fee language that is no longer relevant. House File 2581 changed registration fees for pesticides to a flat fee of \$300.

State or Federal Law Implemented: Iowa Code section 206.12, as amended by 2022 Iowa Acts, House File 2581.

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Fiscal Impact **Agency Response:** See **Fiscal Note** from 2022 Session. House File 2581 is estimated to have either a loss of \$320,000 or a gain of \$390,000 to the Groundwater Protection Fund depending on how trends continue.

LSA Response: The LSA concurs.

Rule Summary **ARC 6552C (AF)**
Establishes rules for the Choose Iowa Promotional Program (CIPP), including qualifications for various types of Iowa grown and raised products, application procedures for participation in the program, fees and membership classifications, and standards for use of the Choose Iowa logo and departmental procedure for enforcement of proper standards. Also establishes processes and procedures for the Value Added Agriculture Grant Program, including application and application review procedures, eligibility for applying, specifying ineligible uses of grant funds, and the scoring criteria used to evaluate applications.

State or Federal Law Implemented: Iowa Code section 159.29 as enacted by 2022 Iowa Acts, House File 2581 (Agricultural Omnibus Act), and 2022 Iowa Acts, House File 2560 (Agricultural and Natural Resources Appropriations Act).

Fiscal Impact **Agency Response:** The Department will collect fee revenue from CIPP participants. At this time, the Department does not have a good estimate on how much revenue the rulemaking may generate. All fee revenue is deposited into the Choose Iowa Fund (Iowa Code section 159.31A as enacted by 2022 Iowa Acts, HF 2581) and will be used to further support the Program.

LSA Response: The LSA concurs. Due to the unknown number of participants in the Choose Iowa Promotional Program who will pay yearly membership fees, the fiscal impact of this rulemaking is currently unknown.

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Department of Education

Rule Summary **ARC 6585C (NOIA)**
Adds two additional shared operational functions: school resource officer and college and career transition counselor or coordinator. Raises the amount of weighting generated for sharing a superintendent and adds flexibility for sharing with political subdivisions and other school corporations. Also adds a definition of "work-based learning coordinator," which was omitted from a prior rulemaking.

State or Federal Law Implemented: 2022 Iowa Acts, HF 2080, and 2022 Iowa Acts, HF 2589.

Fiscal Impact **Agency Response:** This rulemaking has a fiscal impact to the State.

House File 2589. From the Notes on Bills and Amendments:

Based on FY 2023 data, a total of 296 school districts are currently under the maximum amount of additional weighting for a school district of 21 additional pupils per year. School districts have a capacity to add total weighting of 554 for a college and career transition counselor or coordinator. Information is not available to determine the number of school districts that will receive the additional maximum weighting of two for a college and career transition counselor or coordinator as provided in this Act. Each school district that receives the additional weighting for a college and career transition counselor or coordinator will result in additional weighting costing an estimated \$14,826. The weighting would be funded with \$13,456 from the State General Fund and \$1,370 from local property tax beginning with FY 2024 and ending with FY 2025.

House File 2080. From the final **Fiscal Note**:

House File 2080 is estimated to increase the operational function sharing supplementary weighting for superintendent management by a total of 91 pupils for 91 school districts at a total annual cost of \$660,000 beginning with FY 2024 and ending with FY 2025. The estimated increase will be funded with approximately \$595,000 from the State General Fund and \$65,000 from local property tax.

Information is not available to determine the number of school districts that will receive the additional maximum weightings of two for a special education director and two for a school resource officer provided in this Act. Information is also not available on the number of school districts that are funding a shared special education director function or school resource officer function with currently available resources and not receiving any additional weighting. However, each school district that receives the additional weighting for a shared special education director or school resource officer will result in additional weighting costing an estimated \$14,826. The weighting would be funded with \$13,456 from the State General Fund and \$1,370 from local property tax beginning with FY 2024 and ending with FY 2025.

LSA Response: The LSA concurs.

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Department of Inspections and Appeals/Racing and Gaming Commission

ARC 6542C (NOIA)

Rule Summary Creates new rules related to alternative simulcast license applications, the definition of “alternate simulcast operator,” and authorization from the Iowa Racing and Gaming Commission for entities to conduct alternative simulcast wagering. Also eliminates language on summary reports for waivers and makes various additional changes related to summary reports, occupational licenses, and the use of physician assistants.

State or Federal Law Implemented: 2020 Iowa Acts, HF 2389 (Administrative Rulemaking Procedures Act); 2022 Iowa Acts, HF 803 (Physician Assistants—Scope of Practice Act); and 2022 Iowa Acts, HF 2497 (Gaming, Accessing Cash, Sports-Related Events Act).

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

LSA Response: The LSA concurs in part. While not included directly in the rulemaking, HF 2497 also amended the tax imposed on the gross sum wagered on races that are simultaneously telecast to 2.0% on the gross sum wagered in excess of \$25.0 million in a calendar year if wagering is conducted by a licensee under Iowa Code section 99D.9D, as authorized under Item 13 in the rulemaking. Previously, a 2.0% tax was imposed on the gross sum wagered on horse races and dog races that are simultaneously telecast. Of the wagers, 0.5% was remitted to the city in which the racetrack is located (Dubuque) and 0.5% was remitted to the treasurer of the county in which the racetrack is located (Dubuque). The remaining 1.0% was deposited into the General Fund. According to the **Fiscal Note** for HF 2497, this change is expected to result in an approximately \$47,000 decrease to both the city and county in which the horse racetrack is located and licensed and an approximately \$47,000 decrease to the General Fund annually.

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Department of Inspections and Appeals

ARC 6569C (AF)

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 will 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 6568C, the DIA amends the frequency of food establishment routine inspections from at least once every 36 months to once every 60 months and adds language stating that very low-risk food establishments will not have a routine inspection frequency. According to the DIA, these changes will manage the DIA’s workload to absorb the costs outlined above.

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ARC 6568C (AF)

Rule Summary Makes conforming changes aligned with the replacement of an Iowa Administrative Code 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 (Home-Based Business Ordinances).

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

LSA Response: The LSA concurs. As described in the fiscal impact summary for ARC 6569C, 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. According to the DIA, 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 Management

ARC 6524C (AF)

Rule Summary Establishes procedures and guidelines to deny State funds to a local entity for intentionally violating Iowa Code chapter 27B and reinstate eligibility to receive State funds after renewed compliance with Iowa Code chapter 27B.

State or Federal Law Implemented: Iowa Code sections 27B.5 and 27B.6.

Fiscal Impact **Agency Response:** Fiscal impact cannot be determined at this time.

LSA Response: The LSA concurs.

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Department of Public Health

ARC 6554C (AF)

Rule Summary Transfers administration of the State’s newborn screening panel for congenital and inherited disorders from the Department of Public Health (DPH) to the State Hygienic Lab (SHL). Establishes the authority of the Congenital and Inherited Disorders Advisory Committee (CIDAC) to review newborn screening conditions on the federal recommended uniform screening panel (RUSP) for addition to Iowa’s newborn screening panel. Requires the CIDAC to review and consider RUSP conditions within 12 months of the addition of the condition to the RUSP. Requires the Department to add the condition(s) to the State newborn screening panel within 18 months of CIDAC’s recommendation.

State or Federal Law Implemented: Iowa Code chapter 136A and 2022 Iowa Acts, chapter 1023.

Fiscal Impact **Agency Response:** There will be additional expenses for laboratory equipment and infrastructure to support the testing, including test supplies, educational materials, and

training provided to expectant parents and providers. 2022 Iowa Acts, chapter 1023 gives authority to the SHL to establish a newborn screening fee schedule in a manner sufficient to support the newborn screening system of care. The costs of the additional jobs, equipment, supplies, trainings, and educational materials are dependent on the type of disorders added to the newborn screening panel. Each disorder comes with specific testing methodology and expertise requirements, so costs are unknown until such time as the capacity of the current system and the administration, laboratory, clinical, and follow-up needs for expansion of the panel for the specific disorder(s) can be assessed.

LSA Response: The LSA concurs. The ***Fiscal Note*** published by the LSA for SF 2345 stated that the SHL anticipated an initial cost of \$2.1 million to add testing capabilities for the three disorders included in the RUSP that are not currently included in the Iowa panel. At the time of the publishing of the ***Fiscal Note***, the SHL estimated an ongoing operational cost increase of \$714,000 to administer the three additional tests, which were estimated to require an increase of \$19.80 to the \$122.00 fee set by the DPH.

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