



Fiscal Services Division

ADMINISTRATIVE RULES — FISCAL IMPACT SUMMARIES

March 13, 2023

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 6852C (AF)

Rule Summary Increases fiscal year (FY) 2023 reimbursement rates for Intermediate Care Facilities for Persons with an Intellectual Disability (ICF/ID) over the rates in effect in FY 2022. The rate increase is to be used for the wages and associated costs specific to wages, benefits, and required withholding of direct support professionals and frontline management. Adopts a new wage add-on factor for community-based ICF/ID facilities to be included in the rates effective July 1, 2022. The wage add-on factor is proposed to be added to the maximum allowable base rate.

State or Federal Law Implemented: Iowa Code sections 249A.12 and 249A.16 and 2022 Iowa Acts, House File 2578 (FY 2023 Health and Human Services Appropriations Act).

Fiscal Impact **Agency Response:** For the fiscal year beginning July 1, 2022, reimbursement rates for ICF/ID shall be increased over the rates in effect on June 30, 2022, within the \$1.3 million appropriated in HF 2578 for this purpose.

LSA Response: The LSA concurs.

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Department of Public Health

ARC 6848C (AF)

Rule Summary Cleans up outdated certification agency language, since the National Environmental Health Association (NEHA) no longer certifies radon professionals. Includes in rule the current national consensus radon measurement standards. Adds measurement training requirements and training course approval for school district employees.

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State or Federal Law Implemented: Iowa Code section 136B.4 and 2022 Iowa Acts, House File 2412 (Radon Testing in Schools Act).

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

LSA Response: The LSA concurs. House File 2412 requires the board of directors of each public school district to establish a radon plan and schedule for short-term tests for radon gas to be performed at each attendance center under its control. School districts may choose to use district employees trained in radon testing. It is unknown how many public school personnel already have certification or would pursue certification.

This testing will have no fiscal impact to the State but will have a fiscal impact to local school districts. Initial measurement specialist certification for radon testing is \$275. Initial mitigation specialist certification for radon testing is \$175. Training for an individual to receive both certifications is \$400.

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Department of Administrative Services

ARC 6864C (AF)

Rule Summary Outlines the purchasing requirements of State motor vehicles as those requirements relate to the qualified use of renewable fuels, requires the adherence of a highly visible renewable fuel sticker to qualified State vehicles capable of using renewable fuel, and requires that State drivers required to take a driver improvement course complete the course at their expense. The Iowa Department of Administrative Services (DAS) oversees the State's fleet of vehicles. This rulemaking comports with 2022 Iowa Acts, House File 2128 (Renewable Fuels Incentives Act), and addresses a cleanup of language throughout chapter 103.

State or Federal Law Implemented: Iowa Code sections 8A.360, 8A.368, 8A.369, and 8A.362 and 2022 Iowa Acts, House File 2128.

Fiscal Impact **Agency Response:** It is impossible to determine the fiscal impact based on future fleet car usage and volume of fuel needed.

LSA Response: The LSA concurs.

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Department of Education

ARC 6875C (NOIA)

Rule Summary Clarifies the role of the Department of Education in providing family mentoring for deaf or hard-of-hearing children. Specifies the qualifications of family mentors and characteristics of family mentoring programs required to be a part of the Family Support Mentoring Program.

State or Federal Law Implemented: 2022 Iowa Acts, House File 604 (Deaf Children, Language, and Literacy Development Act).

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

LSA Response: The LSA concurs. The proposed rulemaking is contingent upon appropriation by the General Assembly. The **Fiscal Note** for HF 604 estimated the cost to the Iowa School for the Deaf for establishment and ongoing costs of the Family Support Mentoring Program of \$300,000. The **Fiscal Note** additionally estimated a cost

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of \$80,000 to the Department of Public Health for establishment and ongoing costs of the Family Support Mentoring Program.

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Secretary of State

Rule Summary **ARC 6887C (AF)**
Reverts filing fees to the amounts prior to a temporary increase. The Secretary of State (SOS) stopped collecting the extra fees as scheduled starting July 1, 2022.

State or Federal Law Implemented: Iowa Code section 9.4A and 2022 Iowa Acts, Senate File 2385 (FY 2023 Administration and Regulation Appropriations Act).

Fiscal Impact **Agency Response:** The SOS received up to \$2.0 million in revenue to update and modernize technology. This is due to the sunset provision in the 2017 legislation authorizing those fees, ending June 30, 2022. This rulemaking reflects the sunset provision.

LSA Response: The LSA concurs. The amount within the Technology Modernization Fund as of January 10, 2023, is \$4.1 million and is fully expendable until June 30, 2026.

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Department of Workforce Development

Rule Summary **ARC 6893C (AF)**
Prevents employers from being charged for an overpayment in certain situations, updates guidelines for voluntary shared work, updates the maximum number of benefit weeks, defines “misconduct” in relation to unemployment benefits eligibility, updates salary guidelines for unemployed job seekers, and provides for claimant appeals to bypass the employment appeal board.

State or Federal Law Implemented: 2022 Iowa Acts, House File 2355 (Unemployment Insurance Act).

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

LSA Response: The LSA concurs in part. This rulemaking has no fiscal impact beyond the legislation the rulemaking is intended to implement. The **Fiscal Note** for HF 2355 concluded that reducing unemployment benefits from 39 to 26 weeks to claimants when employers go out of business will decrease benefits paid from the Unemployment Insurance Trust Fund by approximately \$4.6 million in FY 2023 and \$4.7 million in FY 2024. The fiscal impact of other changes in the rulemaking cannot be estimated due to a lack of data.

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Department of Revenue

Rule Summary **ARC 6902C (AF)**
Amends existing rules that implement the Iowa income tax exclusion contained in division III of 2021 Iowa Acts, Senate File 619 (Taxation and Other Provisions Act), by adding several additional State grant programs that the Department has determined meet the definition of “qualifying COVID-19 grant.” On September 5, 2022, the Department of Revenue was notified by the Economic Development Authority that additional COVID-19 grant programs administered by the Authority may be qualifying COVID-19 grants for purposes of the income tax exclusion. This rulemaking adds four

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newly identified for-profit grants to the list eligible for the income tax exclusion contained in the Department's rules.

State or Federal Law Implemented: Iowa Code sections 422.7(62) and 422.35(30).

Fiscal Impact **Agency Response:** The ***Fiscal Note*** for 2021 Iowa Acts, Senate File 619, division III, estimated a reduction of \$9.2 million in fiscal year 2021 and \$1.0 million in fiscal year 2022. However, the four State grant programs identified in this rulemaking were not in existence on the date of that ***Fiscal Note***, according to information provided by the Authority, so they were not accounted for in the assumptions used to create the estimate. Based on the Authority's publicly available information about these additional programs, it is assumed that total funds to be issued under these additional programs will amount to \$43.5 million. The estimated fiscal impact to the State of Iowa of exempting grants made under these programs from Iowa tax is -\$2.4 million in fiscal year 2023.

LSA Response: The LSA Concur.

Rule Summary **ARC 6920C (NOIA)**
Exempts diapers from sales tax and provides definitions of "adult diapers" and "children's diapers."

State or Federal Law Implemented: 2022 Iowa Acts, Senate File 2367 (Department of Revenue, Sales Tax Act), division II.

Fiscal Impact **Agency Response:** No fiscal impact beyond the statute the rulemaking seeks to implement. The LSA fiscal estimate for SF 2367, division II, estimates a reduction to General Fund revenue in FY 2023 of \$4.7 million, which increases to \$9.5 million in FY 2024, the first full fiscal year of the new exemption.

LSA Response: The LSA concurs. Table 2 in the ***Fiscal Note*** for SF 2367 includes a cumulative fiscal impact for various sales tax exemptions. Isolating the fiscal impact of the exemption of sales tax for only the sales of child and adult diapers results in the following estimates for FY 2023:

- A decrease of \$0.8 million to the Secure an Advanced Vision for Education (SAVE) Fund.
- A decrease of \$0.8 million to Local Option Sales Tax (LOST).
- A net decrease of \$3.9 million to the General Fund.

For FY 2024:

- A decrease of \$1.6 million to SAVE.
- A decrease of \$1.5 million to LOST.
- A net decrease of \$7.9 million to the General Fund.

Rule Summary **ARC 6921C (NOIA)**
Implements a new excise tax on electricity used to fuel a vehicle (electric fuel), enacted by the Iowa Legislature in 2019 Iowa Acts, chapter 151 (HF 767 — Motor Vehicle Fees and Taxes), which takes effect July 1, 2023. Provides guidance as to what entities need to obtain a license to sell or dispense electric fuel as a user, dealer, or both. Requires that all administration of this excise tax — license registration, return filing, tax payments, and claims for refunds — be handled electronically through GovConnectIowa. The Department intends for these rules to take effect on July 1, 2023, in conjunction with the effective date of the excise tax on electric fuel. The rulemaking also renumbers, without modification, 701 IAC 262 (Administration of Marijuana and Controlled Substances Stamp Act) as 701 IAC 269.

State or Federal Law Implemented: 2019 Iowa Acts, chapter 151.

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Fiscal Impact	<p>Agency Response: The <i>Fiscal Note</i> for HF 767 concluded that for the initial fiscal year of the new excise tax (FY 2024), the excise tax is projected to increase Road Use Tax Fund revenues by \$160,000 and reduce General Fund sales tax revenues by \$37,000.</p> <p>LSA Response: The LSA concurs.</p>
Rule Summary	<p style="text-align: right;"><u>ARC 6924C (NOIA)</u></p> <p>Expands the sales and use tax exemption for manufacturers of “marketable food products for human consumption” to be an exemption for manufacturers of food or food ingredients.</p> <p>State or Federal Law Implemented: 2022 Iowa Acts, <u>Senate File 2367</u>, division VIII (Department of Revenue, Sales Tax Act).</p>
Fiscal Impact	<p>Agency Response: This rulemaking has no fiscal impact to the State of Iowa beyond the legislation it seeks to implement. The Legislative Services Agency (LSA) estimated that division VIII of SF 2367 would result in a \$4.2 million reduction to the General Fund, a \$0.8 million reduction to the Secure an Advanced Vision for Education (SAVE) Fund, and a \$0.8 million reduction to Local Option Sales Tax (LOST) revenues in fiscal year 2023.</p> <p>LSA Response: The LSA concurs. The <i>Fiscal Note</i> for SF 2367 estimates a \$4.2 million decrease to the General Fund, a \$0.8 million decrease to SAVE, and a \$0.8 million decrease to LOST revenues beginning in FY 2023.</p>

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