

# MANAGEMENT DEPARTMENT[541]

## Regulatory Analysis

Notice of Intended Action to be published: Iowa Administrative Code 541—Chapter 13  
“Suspension and Reinstatement of State Funds”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 27A and 27B  
State or federal law(s) implemented by the rulemaking: Iowa Code chapters 27A and 27B

### Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

October 18, 2023  
9 a.m.

State Capitol, G14  
1007 East Grand Avenue  
Des Moines, Iowa

### Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis. Written comments in response to this Regulatory Analysis must be received by the Department of Management no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Gloria Van Rees  
Iowa Department of Management  
1007 East Grand Avenue, G13  
Des Moines, Iowa 50319  
Email: [gloria.vanrees@iowa.gov](mailto:gloria.vanrees@iowa.gov)

### Purpose and Summary

The proposed chapter establishes procedures and guidelines to deny state funds to a local entity intentionally violating the provisions of Iowa Code chapter 27A and to reinstate eligibility funds when a local entity comes into compliance.

#### Analysis of Impact

1. Persons affected by the proposed rulemaking:

- Classes of persons that will bear the costs of the proposed rulemaking:

Costs to local entities are incurred as a result of noncompliance with the existing rules.

- Classes of persons that will benefit from the proposed rulemaking:

No classes of persons will benefit because Iowa Code chapter 27A requires the suspension of funds to local entities in violation of the law.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:

- Quantitative description of impact:

The rulemaking creates the method to withhold funding for local entities that do not abide by Iowa Code chapters 27A and 27B.

- Qualitative description of impact:

There is no cost to the State incurred by promulgating the proposed chapter. The impetus for the rulemaking and compliance with Iowa Code chapter 27A lies with local government entities.

3. Costs to the State:

- Implementation and enforcement costs borne by the agency or any other agency:

There are no anticipated costs.

- Anticipated effect on state revenues:

There is no anticipated effect on state revenues.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction: Inaction is not an option. Funds are only lost when local entities do not abide by the Iowa Code.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

The Department did not discern any less costly or less intrusive methods.

6. Alternative methods considered by the agency:

- Description of any alternative methods that were seriously considered by the agency:

No alternative methods were considered.

- Reasons why alternative methods were rejected in favor of the proposed rulemaking:

The language in 541—Chapter 13 is being expanded to include language from 541—Chapter 16 in order to ultimately rescind 541—Chapter 16.

### Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking’s compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

There is no anticipated impact on small business.

### Text of Proposed Rulemaking

ITEM 1. Rescind 541—Chapter 13 and adopt the following **new** chapter in lieu thereof:

#### CHAPTER 13 SUSPENSION AND REINSTATEMENT OF STATE FUNDS

**541—13.1(27A) Definitions.** For purposes of this chapter:

“*City*” means a municipal corporation but does not include a county, township, school district, or any special-purpose district or authority.

“*County*” means an administrative subdivision in the state governed by a locally elected board of supervisors and may be comprised of subdivisions including cities, townships, school districts, or any special-purpose district or authority.

“*Declaratory judgment*” means a judgment issued by a district court declaring a local entity is in full compliance with Iowa Code chapter 27A or 27B.

“*Department*” means the Iowa department of management pursuant to Iowa Code chapter 8.

“*Final judicial determination*” means a district court ruling on a civil action brought by the state attorney general’s office finding a local entity to have violated the provisions of Iowa Code chapter 27A or 27B.

“*Fiscal year*” means the time period beginning on July 1 and ending the following June 30 as defined in Iowa Code section 8.36.

“*Governing body*” means the mayor and city council of a city or the board of supervisors of a county.

“*Local entity*” means the same as defined in Iowa Code section 27A.1(4) or 27B.1(1).

“*State agencies*” means any boards, commissions, or departments, as defined by Iowa Code section 7E.4, or other administrative offices or units of the executive branch of the state.

“*State funds*” means those funds held by the state that originate from revenues, fees or receipts collected by the state and distributed to local entities. Funds held by the state that are not defined as state funds include:

1. Federal funds (unless provided to the state and awarded as a grant by the state).
2. Funds paid out per gubernatorial or presidential emergency proclamation.
3. Any revenue collected and administered by the state on behalf of a local entity due to a locally imposed tax, fee or fine.
4. Any state funds for the provision of wearable body protective gear used for law enforcement purposes.
5. Payment for public protection, utilities, or goods and services.
6. Payment of settlements.
7. Setoffs as defined by Iowa Code section 8A.504.

**541—13.2(27A) Denial of state funds.** State funds are denied to a local entity in circumstances authorized by Iowa Code section 27A.9(2) or 27B.5(2).

**13.2(1)** The department will send written notification to each state agency to deny state funds. Payments will continue to be made to the local entity until the beginning of the state fiscal year that begins after the date on which a final judicial determination is made, at which time payments will be denied.

**13.2(2)** If the local entity receives state funds through the county, the department will notify the county so that any needed changes may be made to apportionment systems for property tax credits, exemptions and replacements.

**13.2(3)** State agencies will contact federal granting agencies in writing to determine how to administer federal funds when state match funds are denied. State agencies may be obligated to discontinue drawing federal funds or issue repayments as instructed by federal granting agencies.

**13.2(4)** Funds will continue to be denied until the court issues a declaratory judgment declaring that the local entity is in full compliance with Iowa Code chapter 27A or 27B.

**541—13.3(27A) Reinstatement of eligibility to receive state funds.** In circumstances authorized by Iowa Code section 27A.10(3) or 27B.6(3), the local entity's eligibility to receive state funds is reinstated.

**13.3(1)** The department will send written notification to each state agency to reinstate state funds. Payments will be reinstated to the local entity beginning on the first day of the month following the date on which the declaratory judgment is issued.

**13.3(2)** State agencies will contact federal partners in writing to determine how to reinstate the drawdown of federal funds when state match funds are reinstated.

These rules are intended to implement Iowa Code chapters 27A and 27B.