# CORRECTIONS DEPARTMENT[201]

## Regulatory Analysis

Notice of Intended Action to be published: 201—Chapter 37
"Iowa State Industries"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 904.108 and 904.804
State or federal law(s) implemented by the rulemaking: Iowa Code chapter 904

*Public Hearing*

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

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|---|---|
| August 25, 2026<br>10:30 to 11:30 a.m. | Via Google Meet:<br>meet.google.com/cwv-fguh-evv<br>Or dial: 1.385.246.2955<br>PIN: 719 985 663# |

*Public Comment*

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Department of Corrections no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Jen Rathje
Iowa Department of Corrections
Jessie Parker State Office Building
510 East 12th Street
Des Moines, Iowa 50319
Phone: 515.802.0898
Email: jen.rathje1@iowa.gov

*Purpose and Summary*

This proposed rulemaking rescinds and adopts a new Chapter 37 with revised administrative rules to satisfy the requirements of Executive Order 10. The purpose of Chapter 37 is to offer work training opportunities, partner with private sector employers, and produce goods for public and private entities, ultimately improving employability, reducing recidivism, and enhancing public safety.

Pursuant to Executive Order 10, the Department conducted a comprehensive review of this chapter to eliminate restrictive terms, obsolete rules, and language that duplicates State statutes. Specifically, this proposed rulemaking:

- Removes all references to the Prison Industries Advisory Board to align administrative rules with the statutory changes mandated by 2024 Iowa Acts, Senate File 2385, which dissolved the Board and transferred duties directly to the Department.
- Simplifies vendor appeal protocols by cleanly adopting by reference the Uniform Rules on Agency Procedure under 7—Chapter 2505.
- Replaces redundant statutory language regarding core functions with citations to the Iowa Code to prevent rules from becoming instantly obsolete when underlying laws shift.
- Maintains procedural compliance with the dual-agency directives between the Department and Iowa Workforce Development (IWD).

The result is a streamlined chapter that maintains essential public transparency while ensuring alignment with provisions of the Iowa Code.

*Analysis of Impact*

1. **Persons affected by the proposed rulemaking:**

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

There are no classes of persons that will bear any additional costs from this proposed rulemaking.

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

The general public, public entities utilizing manufactured goods, private sector business partners, and incarcerated individuals seeking workforce rehabilitation will benefit from the increased clarity, modernized procedural pathways, and updated statutory references provided by this proposed rulemaking.

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:**

There is no known quantitative or financial impact.

- **Qualitative description of impact:**

There is no known qualitative impact.

3. **Costs to the State:**

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

There are no additional implementation or enforcement costs borne by the Department or any other agency since these updates align administrative rules with current agency practices.

- **Anticipated effect on State revenues:**

There is no effect on State revenues. This proposed rulemaking maintains existing statutory practices and carries no net fiscal impact. Iowa State Industries is entirely self-funded and receives no State appropriation.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

The benefit of this proposed rulemaking is an accurate, streamlined, and legally compliant chapter that satisfies Executive Order 10 at no additional cost. Inaction is not permissible.

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

No less costly or less intrusive methods exist. Rulemaking is the legally required method to maintain an administrative framework that complies with the Iowa Code and the mandates of Executive Order 10.

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:**

Alternative methods were not considered because formal rulemaking is required to bring the chapter into compliance with Executive Order 10 directives.

*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?**

This proposed rulemaking has no impact on small business.

*Text of Proposed Rulemaking*

ITEM 1. Rescind 201—Chapter 37 and adopt the following **new** chapter in lieu thereof:

CHAPTER 37
IOWA STATE INDUSTRIES

**201—37.1(904) Function.** Iowa state industries, established by Iowa Code chapter 904, is administered by a state director and operates manufacturing, farming, surplus and private sector work programs. Each business is entirely self-funded and receives no state appropriation.

**37.1(1)** Iowa state industries is charged with making available to offenders of the state correctional institutions opportunities for work in meaningful jobs that will enable the offenders' chances of a successful return to society as law-abiding and self-supporting members of the community upon the offenders' release.

**37.1(2)** Iowa state industries is further charged with enabling offenders to work in order to provide financial assistance to their dependents, make restitution, pay the cost of board and maintenance in a correctional institution, and accumulate savings upon their eventual return to the community.

This rule is intended to implement Iowa Code section 904.804.

**201—37.2(904) Sale of products.**

**37.2(1)** Iowa state industries may sell products as outlined in Iowa Code section 904.815.

**37.2(2)** Iowa state industries may sell products to a general contractor when the products purchased will be sold to a public entity as provided in Iowa Code section 904.815. The public entity will submit a written request to Iowa state industries specifying the products and quantities to be purchased. Such sales will be limited to contractors involved in construction, renovation, and remodeling projects. Sales to a general contractor above $50,000 will be approved by the state director.

**37.2(3)** Catalogs are available online at www.iaprisonind.com or at the Iowa state industries showroom and main office, located at 1445 East Grand Avenue, Des Moines, Iowa 50316. Inquiries or requests for a mailed catalog may be made by calling 800.332.7922.

**37.2(4)** Information may be obtained from or reported to Iowa state industries at the Business Office, 406 North High Street, Anamosa, Iowa 52205; telephone 319.462.3706. Information is also available online at www.iaprisonind.com.

This rule is intended to implement Iowa Code section 904.815.

**201—37.3(904) Procurement of goods and services.**

**37.3(1)** The provisions of 11—Chapter 117 are hereby adopted by reference with the following amendments.

*a.* Strike "department of administrative services" and insert in lieu thereof "Iowa state industries" in all rules.

*b.* In lieu of the definitions of "department" and "director", insert the following:

"Department" means the division of Iowa state industries.

"Director" means the director of the division of Iowa state industries or the director's designee.

*c.* Rules 11—117.7(8A) and 11—117.15(8A) and 11—subrule 117.4(3) are not adopted.

*d.* In lieu of the text of 11—subrule 117.14(1), insert the following: "Purchase of goods. An agency may acquire goods not otherwise available through a master agreement in accordance with the procurement threshold guidelines in 11—subrule 117.5(3)."

**37.3(2)** For vendor appeals involving a competitive solicitation, 7—Chapter 2505 applies. For all other purchasing actions, including noncompetitive procurement and contract administration, the following process shall apply:

*a.* Step 1. Appeals will be filed in writing to the Business Manager, Iowa State Industries, 406 North High Street, Anamosa, Iowa 52205, within five working days of notification of the action being appealed. The appeal is to state the specific grounds upon which the vendor is challenging the action. The business manager, Iowa state industries, will notify the vendor in writing of the decision within ten working days.

*b.* Step 2. If the appeal is not resolved, it may be further appealed by the vendor to the Director of Iowa State Industries, Jessie Parker State Office Building, 510 East 12th Street, Des Moines, Iowa 50319, within ten working days of the notification of the Step 1 appeal response. The director of Iowa state industries will notify the vendor in writing of the decision within 15 working days.

*c.* Step 3. An unresolved appeal to the Director of Iowa State Industries will be referred to the Director of the Department of Corrections, Jessie Parker State Office Building, 510 East 12th Street, Des Moines, Iowa 50319, within ten working days of the notification of the Step 2 appeal response. The director of the department of corrections will notify the vendor in writing of the decision within 15 working days.

This rule is intended to implement Iowa Code section 904.813.

**201—37.4(904) Private sector employment projects.**

**37.4(1)** *Definitions.*

*"Deputy director of prison industries"* means the department of corrections deputy director responsible for the day-to-day operations of prison industries, including private sector individuals.

*"Director"* means the same as defined in Iowa Code section 904.101(5).

*"Wage range"* means the same as described in Iowa Code section 904.809(1)*"c."*

*"Workforce development board"* means the board created in Iowa Code section 84A.1A.

*"Workforce development director"* means the same as described in Iowa Code section 84A.1(2).

**37.4(2)** *Employer application.* Private sector employers requesting offender labor will submit an application to the deputy director of prison industries or designee. Required application information will be provided in accordance with Iowa state industries policies and procedures.

*a.* Upon receiving an application to use offenders in a private sector work program, the deputy director of prison industries or designee will provide a copy of the private sector work proposal, including job descriptions and proposed wages to the workforce development division administrator.

*b.* The deputy director of prison industries or designee will send a letter to the department of workforce development requesting the average wage rate for the job(s) the offenders will perform, the current unemployment rate in the county where the work is being performed, and the current employment level of the company that will employ the offenders.

*c.* The deputy director of prison industries or designee and the warden at the proposed institution will review the proposed projects with the board of supervisors and the sheriff in the county where the project will be located.

**37.4(3)** *Verification.* Upon written request from the deputy director of prison industries or designee, the workforce development division administrator shall verify the employment levels and prevailing wages paid for similar jobs in the area and provide to the deputy director of prison industries or designee, in writing:

*a.* The average wage rate for the proposed job(s);

*b.* The wage range;

*c.* The current unemployment rate for the county where the work is being performed; and

*d.* The current employment levels of the company that will employ the offenders based upon the most recent quarter for which data is available.

**37.4(4)** *Prevailing wages.* The deputy director of prison industries or designee will obtain employment levels in the locale of the proposed job(s) and the prevailing wages for the job(s) in question from the department of workforce development prior to authorizing any private sector work program. The deputy director of prison industries or designee will consider the average wage rate and wage range from the department of workforce development for the appropriate geographic area for which occupational wage information is available. The appropriate geographic area may be statewide. To reduce possible displacement of civilian workers, the deputy director of prison industries shall advise prospective employers and eligible offenders of the following requirements:

*a.* Offenders shall not be eligible for unemployment compensation while incarcerated.

*b.* Before the employer initiates work utilizing offender labor, the deputy director of prison industries or designee will provide the baseline number of jobs as established by the department of workforce development.

*c.* Annually, the deputy director of prison industries or designee will request from the department of workforce development the actual number of civilian workers by employer and will compile a side-by-side comparison of each employer.

**37.4(5)** *Ineligible projects.* The deputy director of prison industries or designee will evaluate the information from the department of workforce development to verify nondisplacement of civilian workers consistent with Iowa Code section 904.809(1)*"d."*

**37.4(6)** *Notification and review.*

*a.* The deputy director of prison industries or designee will provide a copy of the private sector work proposal and the department of workforce development review of the private sector work proposal to the following:

(1) Warden at the proposed work site;

(2) Local labor organization(s); and

(3) Department of Justice, Washington, D.C.

*b.* Within 14 calendar days of receiving the department of workforce development review, the deputy director of prison industries or designee will consolidate the recommendations for review and approval by the director of corrections.

**37.4(7)** *Disputes.*

*a.* Anyone who believes that the private sector work program violates this rule shall advise the department of workforce development. A written complaint may be filed in accordance with rule 877—1.5(84A). The workforce development director shall consult with the deputy director of prison industries before the workforce development board makes a final recommendation(s) to resolve any complaint.

*b.* The deputy director of prison industries will assist the department of workforce development in compiling all information necessary to resolve the dispute. The workforce development board shall notify the deputy director of prison industries and interested parties in writing of the recommended action to resolve a complaint, which will be binding on all parties.

This rule is intended to implement Iowa Code section 904.809.

**201—37.5(904) Utilization of offender labor in construction and maintenance projects.**

**37.5(1)** *Definitions.*

*"Director"* means the same as defined in Iowa Code section 904.101(5).

*"Employer"* means a contractor or subcontractor providing maintenance or construction services under contract to the department of corrections or under the department of administrative services.

*"Workforce development director"* means the same as described in Iowa Code section 84A.1(2).

**37.5(2)** *Scope.* Utilization of offender labor applies only to contractors or subcontractors providing construction or maintenance services to the department of corrections. The contract authority for providing construction or maintenance services may be the department of administrative services.

**37.5(3)** *Employer application.* Employers working under contract with the state of Iowa may submit an application to the department of corrections to employ offenders. Requests for such labor shall not include work release offenders assigned to community-based corrections under Iowa Code chapter 904.

*a.* The employer's application shall include:

(1) Scope of work, including type of work and required number of workers;

(2) Proposed wage rate;

(3) Location;

(4) Duration; and

(5) Reason for utilizing offender labor.

*b.* The department of corrections will verify through the department of workforce development the average wage rate for the job(s) the offenders will perform, the current unemployment rate in the county where the work is being performed, and the current employment level of the employer that will employ the offenders.

**37.5(4)** *Verification.* Upon written request from the department of corrections, the workforce development division administrator shall verify the employment levels and prevailing wages paid for similar jobs in the area and provide to the director, in writing:

*a.* The average wage rate for the proposed job(s);

*b.* The wage range;

*c.* The prevailing wage as determined by the U.S. Department of Labor;

*d.* The current unemployment rate for the county where the work is being performed;

*e.* The current employment levels of the employer that will employ the offenders based upon the most recent quarter for which data is available.

**37.5(5)** *Safety training.* The employer shall document that all offenders employed in construction and maintenance projects receive an Occupational Safety and Health Administration (OSHA) 10-Hour outreach course provided free of charge by an authorized OSHA outreach trainer.

**37.5(6)** *Prevailing wages.*

*a.* The director will not authorize an employer to employ offenders in hard labor programs without obtaining from the department of workforce development employment levels in the locale of the proposed jobs and the prevailing wages for the jobs in question. The average wage rate and wage range from the department of workforce development will be based on the appropriate geographic area for which occupational wage information is available. The appropriate geographic area may be statewide.

*b.* To reduce any potential displacement of civilian workers, the director will advise prospective employers and eligible offenders of the following requirements:

(1) Offenders will not be eligible for unemployment compensation while incarcerated.

(2) Before the employer initiates work utilizing offender labor, the director will provide the baseline number of jobs as established by the department of workforce development.

(3) If the contract to employ offender labor exceeds six months, the director will:

1. Request and receive from the workforce development division administrator the average wage rates and wage ranges for jobs currently held by offenders and current employment levels of employers employing offenders; and

2. Compile a side-by-side comparison of each employer.

**37.5(7)** *Disputes.* Anyone who believes that the employer's application violates this rule shall present concerns in writing to the workforce development board. A written complaint may be filed with the workforce development board for any dispute arising from the implementation of the employer's application in accordance with rule 877—1.6(84A). The workforce development board shall consult with the director prior to making recommendations. The director will assist the workforce development board in compiling all information necessary to resolve the dispute. The workforce development board shall notify the director and interested parties in writing of the corrective action plan to resolve the dispute, which will be binding on all parties.

This rule is intended to implement Iowa Code section 904.701.