



Department of  
**HUMAN SERVICES**

***REPORT ON FINANCIAL CONDITION OF  
THE MHDS REGIONAL INCENTIVE FUND***

**JULY 2022**

# IOWA DEPARTMENT OF HUMAN SERVICES REPORT ON CONDITION OF THE REGIONAL INCENTIVE FUND

The purpose of this report is to satisfy the requirements found in Iowa Code 2022, Section §225C.7A.

§225C.7A.8.i. – On or before March 1 and September 1 of each fiscal year, the department shall provide the Governor’s Office and the General Assembly with a report of the financial condition of the incentive fund. The report shall include but is not limited to an itemization of the funding source’s balances, types and amount of revenues credited, and payees and payment amounts for the expenditures made from the funding source during the reporting period.

## INCENTIVE FUND BALANCE

For the fiscal year beginning July 1, 2021, three million dollars were credited to the incentive fund from the general fund of the state. No qualifying MHDS region applied to receive incentive funds during state fiscal year 2022. With no expenditures to report, the balance in the incentive fund at the close of the state fiscal year remained the same as the amount initially appropriated from the State General Fund, three million dollars.

Final administrative rules pertaining to incentive fund application, approval, and reporting ([441—25.22](#)) were filed, noticed, and became effective 5/1/22. Applications to receive incentive funds for the fiscal year beginning July 1, 2022, are due on November 15, 2022.

To apply for incentive funds for state fiscal year 2023, MHDS regions must meet the criteria outlined in Iowa Code §225C.7A, limiting applications to MHDS regions with an ending fund balance of less than 20% of the actual expenditures for state fiscal year 2021. Of the fourteen MHDS Regions, only one region will meet the basic financial eligibility criteria to apply in state fiscal year 2023:

Region	Ending Fund Balance as a Percent of Expenditures
Heart of Iowa Region	20%

## INCENTIVE FUND REVENUES, PAYEES, AND EXPENDITURES

MHDS REGIONAL INCENTIVE FUND - fiscal year beginning July 1, 2022			
Starting Balance	Dollars credited	Dollars awarded	Balance
\$3,000,000	\$12,954	<i>Application deadline 11/15/2022</i>	\$3,012,954

2022 Iowa Acts, Division VIII, Sec. 42 of the Health and Human Services Appropriations (HF 2578) required that any balance remaining in the Property Tax Relief Fund at the close of FY 2022 be transferred to the Regional Incentive Fund. The amount carried forward in that fund since state fiscal year 2017 was \$12,954. That amount, therefore, was moved to the regional incentive fund for fiscal year beginning July 1, 2022.

The funds remaining in the incentive fund at the end of each fiscal year do not revert to any other fund and remain available for use in subsequent fiscal years. Regional service payments withheld, or overage payments made to DHS by an MHDS Region with a fund balance in excess of the limitations outlined in Iowa Code §225C.7A.7, will grow the incentive fund balance in the third and fourth quarters of SFY2023, SFY2024, and SFY2025.

Regional SFY2022 certified ending fund balances are due to DHS on December 1, 2022. Until ending fund balances have been certified, DHS is not able to project the amount of growth for FY2023. Preliminary estimates\* of previous year ending fund balances indicate nine of the fourteen regions exceed the required ending fund balance percentage.

DHS continues to work with MHDS Regional Administrators to gain improved insight into near and long-term projections. FY2023 Annual Service and Budget Plans indicate increased spending by regions to develop and maintain core services. The next report to the Governor's Office and the General Assembly on the condition of the incentive fund is due on or before March 1, 2023.

\* As determined by a region's approved FY2023 Annual Service and Budget Plan