



[HF 691](#) – Mental Health Ending Balance, Regional General Funds (LSB2763HVV.1)
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Fiscal Note Version – Final Action

Description

[House File 691](#) modifies the amount of excess funds counties are able to retain for cash flow for the adult Mental Health and Disability Services (MH/DS) system. Beginning in FY 2024, counties are limited to a fund balance reserved for cash flow of 40.0% of gross expenditures. Counties are required to reduce their levies by any dollar amount in excess of 40.0% beginning in FY 2024. If the Bill takes effect on or after March 15, 2019, a county may recertify its budget as necessary to implement the provisions of the Bill. In addition, MH/DS regions may amend the region's regional service system management plan or annual service and budget plan for FY 2019 and FY 2020.

Background

Under current law beginning in FY 2018, counties were required to spend down fund balances on services required in their regional service system management plans within three years to 25.0% of gross expenditures. Beginning in FY 2022, counties are limited to a fund balance reserved for cash flow of 20.0% of gross expenditures if the region has a population equal to or greater than 100,000, or 25.0% of gross expenditures if the region has a population of fewer than 100,000. Counties will be required to reduce their levies by any dollar amount in excess of the cash flow amount.

Assumptions

Although counties levy funds individually, MH/DS fund balances are combined and calculated on a regional basis. In total, the regions had a combined ending fund balance in FY 2018 of \$121.8 million, but regional fund balances varied from 5.4% of FY 2018 actual expenditures to 238.3% in the Southwest Iowa MH/DS region, which includes Polk County. It is assumed that the Bill will slow the reduction in fund balances as regions use the funds to fund current services and develop new services, as required by [HF 2456](#) (FY 2018 Mental Health Complex Services Needs Act), instead of reducing their current levy rates to spend down fund balances.

Fiscal Impact

The fiscal impact of [HF 691](#) cannot be determined, as it is unknown how quickly MH/DS regions will spend down fund balances, but any region that has a fund balance above 40.0% beginning in FY 2024 will be required to reduce its levy until the fund balance is below the 40.0% limit.

Table 1 below details MH/DS regional ending fund balances and expenditures for FY 2018.

**Table 1
MH/DS Regional Ending Fund Balances — FY 2018**

Region	FY 2018 Actual Expenditures	FY 2018 Ending Fund Balance	Balance as a Percent of Expenditures
Central Iowa Community Services	\$ 10,022,159	\$ 17,928,281	178.9%
County Rural Offices of Social Services (CROSS)	2,981,630	5,235,439	175.6%
County Social Services (CSS)	20,694,210	6,446,827	31.2%
Eastern Iowa MHDS Region	9,691,222	12,076,245	124.6%
Heart of Iowa Region	3,414,244	2,671,540	78.2%
MHDS of the East Central Region	16,444,236	35,285,671	214.6%
Northwest Iowa Care Connections	2,192,916	4,081,903	186.1%
Polk County Health Services	21,978,559	1,182,743	5.4%
Rolling Hills Community Services Region	3,442,996	4,214,226	122.4%
Sioux River MHDS	5,535,304	2,538,512	45.9%
South Central Behavioral Health Region	3,315,026	5,818,931	175.5%
Southeast Iowa Link (SEIL)	5,668,511	9,244,953	163.1%
Southern Hills Regional Mental Health	1,075,799	356,409	33.1%
Southwest Iowa MHDS Region	6,168,408	14,701,420	238.3%
Total	\$ 112,625,220	\$ 121,783,098	

Note: FY 2018 revenues, expenditures, and fund balance information is from each region's 2018 annual report. All regions are in compliance with FY 2018 data.
Totals may not sum due to rounding.

Sources

Department of Human Services
LSA analysis

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.