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ISAC
Iowa State Association of Counties

ISAC Comments on County Reserves to Mental Health and Disability Services Redesign Fiscal Viability Study Committee

The Legislative Interim Committee has requested that ISAC recommend options for counties to develop and to maintain an appropriate ending balance for county mental health and disability services funds. ISAC recommends state funding of reserves at 10% to 25% of expenditures.

There are several variables facing counties in the next fiscal year. At this point in time, we do not know whether counties who have applied for transition funding will receive that funding, nor do we know whether the equalization payment to bring counties that are currently below $47.28 per capita up to that level will be fully or partially funded. In addition, whether Iowa will expand Medicaid coverage under the Affordable Care Act and what the benefits will be remains unknown. Lastly, the county-by-county impact of the shift from legal settlement to residency will be a factor in determining a county's need for financing in FY 2014.

We do know that 32 counties applied for transition funding. The 26 counties that would receive funding under the best case scenario ($11.6 million) would all have zero fund balance going into FY 2014. The six that did not receive an award under this scenario would have minimal fund balances.

It is important to remember that the purpose for reserves is three-fold: first, to be able to pay bills in the first quarter of the fiscal year prior to receiving property tax revenues; second, to be able to respond to new consumers, particularly those whose services are more costly; and three, to have the resources to invest in the services system. Redesign requires counties to invest in core services and evidence-based practices.

Redesign assumes that the regions will be able to provide core services starting July 1, 2014. To the extent that the regions need to develop services and be flexible enough to address emergent needs, the county/regions will need to have resources beyond 0% reserves. If the counties coming together into a region are living "paycheck to paycheck" and spending their energy just getting by, there will be no resources to address improvements in the system. Also, the concept of borrowing to address cash flow only works if the county has funds in another area AND if the funding is forthcoming during the year. This may work for cash flow, but does not work for responding to new consumers or investing in the service system.

ISAC's recommendation for a level of funding for reserves is 10% to 25% of expenditures. Specifically, smaller counties will need 25% since unexpected, high cost needs have a greater impact on smaller budgets. The funds need to come from the state.

Black Hawk County Auditor

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