

Senate File 504 - Introduced

SENATE FILE 504

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1187)

A BILL FOR

1 An Act relating to the funding of mental health and disability
2 services, by modifying the mental health and disability
3 services property tax levy, providing for the transfer of
4 certain county hospital property taxes, providing for the
5 use of certain excess cash flow amounts, and including
6 effective date and applicability provisions.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 222.73, subsection 2, paragraph b, Code
2 2017, is amended to read as follows:

3 b. The per diem costs billed to each mental health and
4 disability services region shall not exceed the per diem costs
5 billed to the county region in the fiscal year beginning July
6 1, ~~1996~~ 2016. ~~However, the per diem costs billed to a county~~
7 ~~may be adjusted for a fiscal year to reflect increased costs~~
8 ~~to the extent of the percentage increase in the statewide per~~
9 ~~capita expenditure target amount, if any per capita growth~~
10 ~~amount is authorized by the general assembly for that fiscal~~
11 ~~year in accordance with section 331.424A.~~

12 Sec. 2. Section 230.20, subsection 2, paragraph b, Code
13 2017, is amended to read as follows:

14 b. The per diem costs billed to each mental health and
15 disability services region shall not exceed the per diem costs
16 billed to the county region in the fiscal year beginning July
17 1, ~~1996~~ 2016. ~~However, the per diem costs billed to a mental~~
18 ~~health and disability services region may be adjusted annually~~
19 ~~to reflect increased costs, to the extent of the percentage~~
20 ~~increase in the statewide per capita expenditure target amount,~~
21 ~~if any per capita growth amount is authorized by the general~~
22 ~~assembly for the fiscal year in accordance with section 426B.3.~~

23 Sec. 3. Section 331.424A, subsection 1, Code 2017, is
24 amended by striking the subsection and inserting in lieu
25 thereof the following:

26 1. For the purposes of part 6 of division III of this
27 chapter, this section, and chapter 426B, unless the context
28 otherwise requires:

29 a. "*Annual inflation factor*" means the percentage
30 established as follows and used to adjust the regional per
31 capita expenditure target amount for each region:

32 (1) For the fiscal year beginning July 1, 2018, one hundred
33 one percent.

34 (2) For the fiscal year beginning July 1, 2019, one hundred
35 one percent.

1 (3) For the fiscal year beginning July 1, 2020, one hundred
2 two percent.

3 (4) For the fiscal year beginning July 1, 2021, one hundred
4 two percent.

5 (5) For the fiscal year beginning July 1, 2022, and each
6 succeeding fiscal year, one hundred percent.

7 *b. "Base expenditure amount"* is an amount determined for
8 each county that is the lesser of the following amounts:

9 (1) The county's base year expenditures for mental health
10 and disabilities services, as defined in section 331.424A,
11 subsection 1, paragraph "a", Code 2017.

12 (2) The product of the statewide per capita expenditure
13 target amount multiplied by the county's population for the
14 fiscal year beginning July 1, 2017.

15 *c. "Cash flow reduction amount"* means the amount calculated
16 under subsection 4 and used to reduce a county budgeted amount
17 under subsection 9.

18 *d. "County budgeted amount"* means the amount calculated
19 under subsection 9 and certified for levy under subsection 6.

20 *e. "County services fund"* means a county mental health and
21 disabilities services fund created pursuant to this section.

22 *f. "Population"* means the population shown by the latest
23 preceding certified federal census or the latest applicable
24 population estimate issued by the federal government, whichever
25 is most recent and available as of July 1 of the fiscal year
26 preceding the fiscal year to which the funding calculations
27 apply.

28 *g. "Region"* means a mental health and disability services
29 region formed in accordance with section 331.389.

30 *h. "Regional per capita expenditure target amount"* means the
31 amount determined in subsection 8 for each region.

32 *i. "Statewide per capita expenditure target amount"* means
33 forty-seven dollars and twenty-eight cents.

34 Sec. 4. Section 331.424A, subsection 4, Code 2017, is
35 amended by striking the subsection and inserting in lieu

1 thereof the following:

2 4. a. An amount shall be reserved in the county services
3 fund to address cash flow obligations in the next fiscal year,
4 subject to the limitations of this subsection. The cash flow
5 amount for a county's services fund shall be specified in the
6 regional governance agreement entered into by the county under
7 section 331.392. Amounts transferred from a county hospital
8 fund to the county services fund pursuant to section 347.7,
9 subsection 1, paragraph "c", shall not be considered part of the
10 cash flow amount reserved under this subsection.

11 b. For each fiscal year beginning on or after July 1,
12 2017, of a county's cash flow amount maintained in the county
13 services fund, an amount equal to the county's cash flow
14 reduction amount shall be used for the payment of services
15 provided under the regional service system management plan
16 under section 331.393.

17 c. For each fiscal year beginning on or after July 1,
18 2017, each county's cash flow reduction amount equals the
19 county's cash flow amount minus twenty-five percent of the
20 gross expenditures budgeted from the county services fund
21 for the fiscal year in progress. However, the cash flow
22 reduction amount shall not be less than zero and shall not
23 exceed one-third of the county budgeted amount determined under
24 subsection 9 prior to any reduction resulting from the cash
25 flow reduction amount.

26 Sec. 5. Section 331.424A, subsections 6 and 7, Code 2017,
27 are amended to read as follows:

28 6. For each fiscal year, the county shall certify a levy
29 for payment of services. For each fiscal year, county revenues
30 from taxes imposed by the county credited to the county
31 services fund shall not exceed an amount equal to the county
32 budgeted amount of ~~base year expenditures for mental health~~
33 ~~and disability services~~ for the fiscal year. A levy certified
34 under [this section](#) is not subject to the appeal provisions of
35 section 331.426 or to any other provision in law authorizing

1 a county to exceed, increase, or appeal a property tax levy
2 limit.

3 7. Appropriations specifically authorized to be made from
4 the ~~mental health and disabilities~~ county services fund shall
5 not be made from any other fund of the county.

6 Sec. 6. Section 331.424A, subsection 8, Code 2017, is
7 amended by striking the subsection and inserting in lieu
8 thereof the following:

9 8. *a.* For the fiscal year beginning July 1, 2017, the
10 regional per capita expenditure target amount is the sum of the
11 base expenditure amount for all counties in the region divided
12 by the population of the region.

13 *b.* For the fiscal year beginning July 1, 2018, and each
14 subsequent fiscal year, the regional per capita expenditure
15 target amount shall be an amount equal to the regional
16 per capita expenditure target amount for the immediately
17 preceding fiscal year multiplied by the annual inflation factor
18 established in subsection 1 for the fiscal year. However,
19 application of the annual inflation factor in any fiscal year
20 shall not result in a regional per capita expenditure target
21 amount that exceeds the statewide per capita expenditure target
22 amount.

23 Sec. 7. Section 331.424A, Code 2017, is amended by adding
24 the following new subsection:

25 NEW SUBSECTION. 9. For the fiscal year beginning July 1,
26 2017, and each subsequent fiscal year, the county budgeted
27 amount determined for each county shall be the amount necessary
28 to meet the county's financial obligations for the payment
29 of services provided under the regional service system
30 management plan approved pursuant to section 331.393, not to
31 exceed an amount equal to the product of the regional per
32 capita expenditure target amount multiplied by the county's
33 population, and reduced by the amount of the county's cash
34 flow reduction amount for the fiscal year calculated under
35 subsection 4, if applicable.

1 Sec. 8. Section 331.432, subsection 3, Code 2017, is amended
2 to read as follows:

3 3. Except as authorized in [section 331.477](#), transfers
4 of moneys between the county ~~mental health and disabilities~~
5 services fund created pursuant to [section 331.424A](#) and any
6 other fund are prohibited. This subsection does not apply
7 to transfers made pursuant to section 347.7, subsection 1,
8 paragraph "c".

9 Sec. 9. Section 347.7, subsection 1, Code 2017, is amended
10 by adding the following new paragraph:

11 NEW PARAGRAPH. *c.* For the fiscal year beginning July
12 1, 2017, and subsequent fiscal years, if a county having a
13 population of two hundred twenty-five thousand or over has
14 a county budgeted amount under section 331.424A, subsection
15 9, that is equal to the product of the regional per capita
16 expenditure target amount multiplied by the county's
17 population, as those terms are defined in section 331.424A, the
18 board of supervisors may transfer from a county public hospital
19 fund to the county services fund created pursuant to section
20 331.424A, an amount not to exceed the product of the county's
21 population multiplied by the remainder of the statewide per
22 capita expenditure target amount minus the regional per capita
23 expenditure target amount for the county, as those terms are
24 defined in section 331.424A.

25 Sec. 10. Section 426B.1, subsection 2, Code 2017, is amended
26 to read as follows:

27 2. Moneys shall be distributed from the property tax
28 relief fund to counties for the mental health and disability
29 regional service system for ~~providing county base property tax~~
30 ~~equivalent equalization payments and the per capita growth~~
31 ~~amount established pursuant to [section 426B.3](#)~~ mental health and
32 disabilities services, in accordance with the appropriations
33 made to the fund and other statutory requirements.

34 Sec. 11. Section 426B.2, Code 2017, is amended to read as
35 follows:

1 **426B.2 Property tax relief fund payments.**

2 ~~1.~~ The director of human services shall draw warrants on the
3 property tax relief fund, payable to the county treasurer in
4 the amount due to a county in accordance with ~~section 426B.3~~
5 statutory requirements, and mail the warrants to the county
6 auditors in July and January of each year.

7 ~~2.~~ As used in ~~this chapter~~ and in ~~section 331.424A~~, for
8 purposes of ~~population-based funding calculations~~, "~~population~~"
9 means ~~the population shown by the latest preceding certified~~
10 ~~federal census or the latest applicable population estimate~~
11 ~~issued by the federal government, whichever is most recent and~~
12 ~~available as of July 1 of the fiscal year preceding the fiscal~~
13 ~~year to which the funding calculations apply.~~

14 Sec. 12. REPEAL. Section 426B.3, Code 2017, is repealed.

15 Sec. 13. COUNTY BUDGET RECERTIFICATION. If this Act takes
16 effect on or after March 15, 2017, notwithstanding section
17 24.17, for the fiscal year beginning July 1, 2017, a county may
18 recertify the county's budget as necessary to implement the
19 provisions of this Act. A budget recertified pursuant to this
20 section must be recertified in duplicate to the county auditor
21 not later than thirty days after the effective date of this
22 Act, and protests to the budget shall be filed not later than
23 ten days after the county's budget is recertified.

24 Sec. 14. MENTAL HEALTH AND DISABILITY SERVICES FUNDING —
25 FISCAL VIABILITY REVIEW DURING 2020 LEGISLATIVE INTERIM. The
26 legislative council is requested to authorize a study
27 committee to analyze the viability of the mental health and
28 disability services funding provisions in this Act, including
29 the methodology used to calculate and determine the base
30 expenditure amount, the county budgeted amount, the regional
31 per capita expenditure target amount, the statewide per capita
32 expenditure target amount, the cash flow reduction amount, and
33 the annual inflation factor. The study committee shall consist
34 of five members of the senate, three of whom shall be appointed
35 by the majority leader of the senate and two of whom shall

1 be appointed by the minority leader of the senate, and five
2 members of the house of representatives, three of whom shall
3 be appointed by the speaker of the house of representatives
4 and two of whom shall be appointed by the minority leader
5 of the house of representatives. The study committee shall
6 meet during the 2020 legislative interim to make appropriate
7 recommendations for consideration during the 2021 legislative
8 session in a report submitted to the general assembly by
9 January 15, 2021.

10 Sec. 15. SAVINGS PROVISION. This Act, pursuant to section
11 4.13, does not affect the operation of, or prohibit the
12 application of, prior provisions of law amended or repealed
13 by this Act, or rules adopted under chapter 17A to administer
14 prior provisions of law amended or repealed by this Act, for
15 fiscal years beginning before July 1, 2017.

16 Sec. 16. EFFECTIVE UPON ENACTMENT. This Act, being deemed
17 of immediate importance, takes effect upon enactment.

18 Sec. 17. APPLICABILITY. This Act applies to fiscal years
19 beginning on or after July 1, 2017.

20 EXPLANATION

21 The inclusion of this explanation does not constitute agreement with
22 the explanation's substance by the members of the general assembly.

23 This bill relates to the funding of mental health and
24 disability services, by modifying the mental health and
25 disability services property tax levy, providing for the
26 transfer of certain county hospital property taxes, and
27 providing for the use of certain excess cash flow amounts.

28 Under current law, for the fiscal period beginning July 1,
29 2013, and ending June 30, 2018, county revenues from property
30 taxes levied by the county and credited to a county mental
31 health and disabilities services fund created pursuant to Code
32 section 331.424A (county services fund) shall not exceed the
33 lower of the amount of the county's base year expenditures for
34 mental health and disability services or the amount equal to
35 the product of the statewide per capita expenditure target

1 for the fiscal year beginning July 1, 2013, multiplied by the
2 county's general population for the applicable fiscal year.
3 After June 30, 2017, current law provides that county revenues
4 from property taxes levied and credited to the county services
5 fund shall not exceed an amount equal to the county's base year
6 expenditures for these services.

7 The bill amends Code section 331.424A relating to the amount
8 of county funding for mental health and disability services
9 and the amount of property taxes levied for payment of such
10 services.

11 The bill establishes a methodology for establishing a
12 regional per capita expenditure target amount. For the
13 fiscal year beginning July 1, 2017, the regional per capita
14 expenditure target amount is the sum of the base expenditure
15 amount for all counties in the region, divided by the
16 population of the region. The bill defines "base expenditure
17 amount" as the lesser of either the county's base year
18 expenditures for mental health and disabilities services, as
19 defined in section 331.424A, Code 2017, or the product of
20 \$47.28 multiplied by the county's population for the fiscal
21 year beginning July 1, 2017. For the fiscal year beginning
22 July 1, 2018, and each subsequent fiscal year, the regional
23 per capita expenditure target amount is an amount equal to
24 the regional per capita expenditure target amount for the
25 immediately preceding fiscal year multiplied by the annual
26 inflation factor for the fiscal year, as specified in the
27 bill. However, the bill prohibits the application of the
28 annual inflation factor from resulting in a regional per capita
29 expenditure target amount that exceeds the statewide per capita
30 expenditure target amount.

31 Under the bill, a county is required to certify a property
32 tax levy for payment of services in an amount not to exceed the
33 county budgeted amount for the fiscal year. For the fiscal
34 year beginning July 1, 2017, and subsequent fiscal years,
35 each county's budgeted amount shall be the amount necessary

1 to meet the county's financial obligations for the payment of
2 services under the regional service system management plan, not
3 to exceed an amount equal to the product of the regional per
4 capita expenditure target amount multiplied by the county's
5 population, and reduced by the county's cash flow reduction
6 amount, if applicable.

7 Under current law, counties are required to reserve an
8 amount to address cash flow obligations in the next fiscal
9 year that does not exceed 25 percent of the gross expenditures
10 budgeted from the county services fund for the fiscal year
11 in progress. The bill requires an amount to be reserved in
12 the county services fund to address cash flow obligations in
13 the next fiscal year as specified in the regional governance
14 agreement. For each fiscal year beginning on or after July
15 1, 2017, of a county's cash flow amount maintained in the
16 county services fund, an amount equal to the county's cash
17 flow reduction amount is required to be used for the payment
18 of services provided under the regional service system
19 management plan. Each county's cash flow reduction amount
20 equals the county's cash flow amount minus 25 percent of the
21 gross expenditures budgeted from the county services fund for
22 the fiscal year in progress. However, the bill prohibits the
23 cash flow reduction amount from being less than zero or more
24 than one-third of the county budgeted amount determined under
25 the bill prior to any reduction resulting from the cash flow
26 reduction amount. Amounts transferred from a county hospital
27 fund to the county services fund, as authorized in the bill,
28 shall not be considered part of the reserved cash flow amount.

29 The bill amends Code section 347.7, relating to county
30 hospital tax levies. The bill provides that for the fiscal
31 year beginning July 1, 2017, and subsequent fiscal years,
32 if a county with a population of 225,000 or more that has a
33 county budgeted amount equal to the product of the county's
34 population multiplied by the regional per capita expenditure
35 target amount, the board of supervisors may transfer from the

1 county hospital fund to the county services fund an amount
2 not to exceed the product of the county's population for the
3 applicable fiscal year multiplied by the remainder of the
4 statewide per capita expenditure target amount minus the
5 regional per capita expenditure target amount for the county.
6 Amounts transferred by a county under this provision are
7 available to the county for the payment of mental health and
8 disability services.

9 The bill repeals Code section 426B.3 relating to per capita
10 funding and repayments of Medicaid offset amounts and makes
11 conforming Code changes to other provisions of law.

12 The bill provides that, notwithstanding the deadline for
13 certifying a county budget, for the fiscal year beginning
14 July 1, 2017, a county may recertify the county's budget as
15 necessary to implement the bill if the bill takes effect after
16 the budget certification deadline. A budget recertified
17 pursuant to the bill must be recertified to the county auditor
18 no later than 30 days after the effective date of the bill,
19 and protests to the budget must be filed no later than 10 days
20 after the county's budget is recertified.

21 The bill requests the legislative council to authorize
22 a study committee to analyze the viability of the mental
23 health and disability services funding provisions in the bill,
24 including the methodology used to calculate and determine
25 the base expenditure amount, the county budgeted amount, the
26 regional per capita expenditure target amount, the statewide
27 per capita expenditure target amount, and the annual inflation
28 factor. The study committee shall consist of 10 legislative
29 members appointed as specified in the bill. The study
30 committee shall meet during the 2020 legislative interim to
31 make appropriate recommendations for consideration during the
32 2021 legislative session in a report submitted to the general
33 assembly by January 15, 2021.

34 The bill takes effect upon enactment and applies to fiscal
35 years beginning on or after July 1, 2017.

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1 The bill does not affect the operation of, or prohibit the
2 application of, prior provisions of law amended or repealed by
3 the bill, or rules adopted to administer prior provisions of
4 law amended or repealed by the bill, for fiscal years beginning
5 before July 1, 2017.