

Federal Fiscal Year 2001: Iowa Issues

Medicaid Upper Payment Limit and the Iowa Senior Living Trust: The Health Care Finance Administration has proposed regulations that would limit Iowa's ability to fund the Iowa Senior Living Trust using a mechanism that takes advantage of the Medicaid Upper Payment Limit. Their original proposal would have cut Iowa off immediately. Following an intense lobbying effort by Governor Vilsack and Senator Harkin, and with the support of Senator Grassley on the Senate Finance Committee that oversees this program, Iowa and other similarly situated states were given a 2-year "hold harmless" period in the proposed rulemaking. This should result in an estimated \$300 million in total funding over the three year of eligibility. These regulations are not final at this point, but we anticipate few changes that would affect the hold harmless provision.

State Children's Health Insurance Program (S-CHIP): Iowa, along with 40 other states, was not able to spend all of the funds provided under the S-CHIP program for Fiscal '97, and under current law the state would forgo some \$6.1 million. This money would be reallocated to the 9 states that had spent all of their funds from that fiscal year. A compromise amendment that would allow states to retain a portion of these funds is included in H.R. 5543, known as the "Medicare Give-Backs" legislation. This legislation is still pending in the lame-duck session; it is unclear whether it will pass. Since there are also problems with how reallocation would occur under current law, there may be the possibility of legislation early in the 107th Congress.

Synar Cuts in State Substance Abuse Block Grant funding: Iowa would face a 40% cut in substance abuse block grant funding under current law if our state fails to meet its goal for youth tobacco access reduction. Our state revised its goals and its survey methodology, which has greatly reduced the likelihood of our failing to reach our goals for the coming fiscal year; however, the revised methodology is subject to approval by the Department of Human Services. Last year we faced a similar cut, but an amendment offered by Senators Harkin and Bond (R-MO) to the FFY00 Labor, Health and Human Services, Education Appropriations Bill (LHHS Bill) simply required that states commit additional resources for youth tobacco enforcement to the extent they are out of compliance with the state's tobacco reduction goals rather than reducing the amount of the funding. An identical provision was included in the last version of the FFY01 LHHS Bill, but the resolution of that bill is still in doubt and Congress may choose to simply pass a continuing resolution. Since the Harkin/Bond language was specific to the FFY2k bill, it would not prevent the 40% cut from going into effect.

Other Aspects of the LHHS Bill: Many other funding programs are up in the air because of the uncertainty about the LHHS bill. While nobody at this point is prepared to predict the final outcome there is significant interest by the House and Senate Appropriators to approve this legislation in something close to the form it was in prior to recess. However, House leaders object to certain legislative language or the lack thereof on the bill regarding a number of issues unrelated to the following programs; they also are concerned with the total amount of spending on this legislation. However, in most of the programs the state can anticipate receiving at least flat funding from last year, and if

the LHHS bill passes, many programs will receive an increase. The two columns below represent the likely high and low funding levels for these programs.

Freeze at FY2k levels vs. Bipartisan Appropriators Package for Labor, Health and Human Services, Education Appropriations		
Program	FY2000 Freeze Level	Last LHHS Proposal
Class Size Reduction Program	\$1.3 billion	\$1.75 billion
Low Income Home Energy Assistance (LIHEAP)	\$1.1 billion	\$1.4 billion
Social Service Block Grant (SSBG)	\$1.775 billion	\$1.725 billion
Title I Accountability Grants	\$134 million	\$250 million
Title I Grants to LEAs	\$7.807 billion	\$8.446 billion
After School Programs	\$453 million	\$1.026 billion
Special Education	\$6.0 billion	\$7.7 billion
Pell Grants	\$7.6 billion (Max. Grant: \$3300)	\$9 billion (Max. Grant: \$3800)
Head Start	\$5.3 billion	\$6.3 billion
Child Care and Development Block Grant (CCDBG)	\$1.183 billion	\$2 billion
Vocational Education Funding	\$1.19 billion	\$1.24 billion