

GOVERNOR ITEM VETOES AND SIGNS HF 2625 – FY 2002 ADJUSTMENTS AND TRANSFERS ACT

Item Vetoes – HF 2625

On June 4, the Governor item vetoed and signed HF 2625 (FY 2002 Adjustments and Transfers Act). The Act, approved by the Legislature during the 2002 Second Special Session, transferred funds to the General Fund, Medical Assistance, and to several other appropriations and programs. The Act also:

- Modified the General Fund reserve requirements.
- Required applicants or recipients of the Medical Assistance Program to report changes in income or resources on a monthly basis to maintain eligibility. The State fund savings for FY 2003 was estimated at \$3.0 million. The Governor stated that this requirement creates an additional layer of bureaucracy and additional costs on the Department of Human Services (DHS) and that the requirement to report changes in such factors is being done currently.
- Created a three-tiered system of co-payments for Medical Assistance prescriptions. The new language required recipients of prescription drugs in the Medical Assistance Program to pay co-payments for each covered drug prescription and refills in accordance with the revised co-payment structure established in Division V of the Act. The State fund savings for FY 2003 was estimated at \$1.0 million. The Governor stated that the change in co-payment would increase the costs of prescription drugs for lowans most in need and that pharmacists would be required to dispense the prescribed drugs whether co-payments are paid or not.
- Created a three-tiered system of co-payments for Medical Assistance prescriptions. The Governor vetoed this provision and stated that the change would increase health care costs for the neediest lowans and would require pharmacists to provide the co-payment in instances where the individual could not afford to pay. The Governor stated that this could decrease the availability of health care to needy lowans.
- Permits mental disability intermediate care facilities to be charged a fee by the Department of Human Services.
- Removed a statutory requirement that the Legislature enact school budget allowable growth provisions within the first 30 days of submission of the Governor's budget to the Legislature. The Governor vetoed this provision and stated that the 30-day requirement was necessary to ensure that education funding did not get bogged down in last minute budget negotiations.
- Specified the intent of the Legislature that the Department of Personnel focus on duplicative job functions in the agencies of the executive branch. The Governor vetoed this provision and stated that the work was already being done.
- Requires that the Department of Management ensure compliance with restriction on executive branch reimbursement for employee educational costs. The Governor vetoed this section and stated that with a shrinking

State workforce, every effort must be made to ensure the remaining workers are adequately trained.

- Reduced the FY 2003 appropriation to the State Library and established a task force to determine the necessity for a State medical library, and if found to be necessary, the proper location of the library. The Governor vetoed this provision and stated that closing the library was shortsighted and unnecessary.
- Allowed value-added agriculture tax credits earned by specified cooperatives to be distributed to the cooperative's members.

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GOVERNOR ITEM VETOES AND SIGNS HF 2627 - FY 2003 OMNIBUS APPROPRIATIONS II ACT

Item Vetoes – HF 2627

The Governor item vetoed and signed HF 2627 (FY 2003 Omnibus Appropriations II Act) on June 13. This Act was approved by the General Assembly during the Second Extraordinary Session on May 28.

Funding Summary

The Act, as approved by the General Assembly, appropriated a net total of \$1.321 billion from the General Fund and 15,708.7 FTE positions. When combined with previously enacted appropriations, the FY 2003 General Fund appropriations total \$4.473 billion. This is a decrease of \$137.8 million compared to the FY 2002 estimated net appropriations. The Act also appropriated \$181.1 million from non-General Fund sources and made transfers from other funds to the General Fund for FY 2003 totaling \$71.0 million.

Funding Impact of Vetoes

Highlights of the vetoes related to funding are outlined below:

- Division III – Economic Development. The Governor vetoed an appropriation of \$67,000 from the Employment Security Contingency Fund (Penalty and Interest) to the Department of Workforce Development for collection of labor market information. The Department has identified federal funds that can be used for collection of the data.
- Division VI – Human Services (see also additional article).
 - The Governor vetoed language increasing drug co-payments under the Medicaid Program. The Governor stated the increase in co-payments of \$1 is a financial burden for low income lowans. While this veto will not increase direct appropriations to the Department of Human Services, it will result in an additional cost of \$3.0 million to the Medicaid Program in FY 2003.
 - The Governor vetoed language requiring nursing facilities to be certified by both Medicaid and Medicare to be eligible to receive reimbursements under the Medicaid Program. The Governor stated this provision was unnecessary because he has already instructed the Department of Human Services to prepare administrative rules to address dual certification. This veto will result in an additional cost of \$1.0 million to the Medicaid Program in FY 2003.

- Division X – Capitals and Infrastructure. The Governor vetoed the reduction of the Rebuild Iowa Infrastructure Fund appropriation of \$600,000 to the State Library Division of the Department of Education for the Enrich Iowa Library Program. The Governor stated that the reduction in funding would stifle progress made in improving educational opportunities for Iowa children.
- Division XI – State Employees – Printed Documents and Program Elimination – Furloughs – Miscellaneous.
 - The Governor vetoed the elimination of educational reimbursements for State employees. The veto eliminates potential savings related to this elimination. No estimate of the potential savings is available.
 - The Governor vetoed language that would have limited the amount of printed documents provided by State government to the public. The veto eliminates potential savings related to this reduction in printing costs. No estimate of the potential savings is available.
 - The Governor vetoed a provision that would have increased the amount of job program credits that could be allocated to the Accelerated Career Education (ACE) Program from \$3.0 million to \$4.2 million. The Governor stated that the ACE Program should not benefit at the expense of other economic development tools.
 - The Governor vetoed two sections related to elimination of the New Jobs Tax Credit for businesses. The language would have allowed an increase in the cap for tax credit for the ACE Program (see previous item). The Governor stated that the language would eliminate a valuable tool available to communities and developers to attract businesses.

Statutory Language

The Governor vetoed a number of intent language and statutory language provisions. These vetoes are outlined in detail in the Governor's veto message. Detail regarding the language vetoes will be provided in individual subcommittee blurbs in a future issue of the LFB's *Fiscal Update*.

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GOVERNOR SIGNS DIVISION VI (HUMAN SERVICES) OF HF 2627

Human Services Item Vetoes

The Governor signed Division VI of HF 2627, the FY 2003 Omnibus Budget Act on June 13. Division VI of HF 2627 (FY 2003 Omnibus Appropriations bill) appropriates \$713.2 million and 5448.7 FTE positions to the Department of Human Services. Appropriations of \$11.5 million for the Healthy and Well Kids in Iowa (*hawk-i*) Program and \$14.9 million for the Mental Health/Developmental Disabilities Growth Factor were enacted during the Regular Session in SF 2326 (Omnibus FY 2003 Appropriations Act) and HF 2623 (Salary Act). Within Division VI of HF 2625 (FY 2002 Adjustments and Transfers Act), the appropriation to the FY 2003 Medical Assistance Program in HF 2627 was reduced by \$3.7 million. Within Division II of HF 2625, there is \$9.0 million transferred from various nongeneral funds to the Medical Assistance Program appropriation for FY 2002. Because these are nongeneral funds, the comparison does not include this increase action. When the actions from

these three Acts and Bills are combined, the FY 2003 General Fund appropriation to the Department of Human Services is \$735.9 million and 5448.7 FTE position, which is a decrease of \$19.3 million and 300.4 FTE positions compared to the estimated net FY 2002 appropriation. This is also a decrease of \$100,000 and an increase of 68.2 FTE positions compared to the Governor's revised recommendation for FY 2003. Detail regarding the appropriations can be found in the *Fiscal Update* dated June 4.

Item Vetoes

The Governor item-vetoed the following in HF 2627:

- Section 112, subsection 6, last sentence, regarding legislative notification prior to adoption of emergency rules for the Family Investment Program, the Food Stamp Program, and the Medical Assistance Program, indicating that this could delay rules where federally required.
- Section 115, subsection 8, regarding continuation of prior year language for number of beds allowed in a community setting for persons with mental retardation, indicating that with implementation of the home and community based waivers, this language is no longer needed.
- Section 117, subsection 1, regarding legislative input prior to entering into or extending managed care contracts for mental health or substance abuse services, indicating that the current process for securing contracts and obtaining comments is sufficient and language is not necessary.
- Section 119, subsection 5, regarding legislative notification if additional federal child care funds are received beyond anticipated, indicating that staff resources are limited.
- Section 120, subsection 1, unnumbered paragraph 2, which indicates the Iowa Juvenile Home in Toledo serve only females in FY 2003, indicating that the language has been included for several appropriations bills and never funded.
- Section 121, subsection 9, regarding criteria for tracking of delinquent youth for various services, indicating that the criteria was developed in the past.
- Section 121, subsection 18, regarding privatization of foster care and adoption services, indicating that additional funds were not provided to do so.
- Section 132, last sentence of subsection 2, regarding submittal of legislation by the Department to parallel Code language with Departmental reorganization that has taken place, indicating that is the responsibility of legislative branch agencies.
- Section 135, subsection 2, regarding the Department reporting to the legislative and executive branches on new sources of income which may be used to supplement State funds appropriated, indicating that this would infringe on executive branch duties and Department flexibility.
- Section 135, subsection 3, regarding legislative input into amendments of State plans which have an effect on State appropriations, indicating that this would infringe on executive branch duties and Department flexibility.

- Section 137, subsection 1b(3), regarding increases to copayments of each covered drug prescription and refill, indicating that this would add a financial burden to both participants and pharmacists.
- Section 138 which exempted a certain health care facility from certain safety code and physical plant requirements, indicating that this may cause a State liability risk and may place the residents of the facility at risk.
- Section 141 and Section 151, subsection 2(c), which reduced administrative requirements for field staff of the Department for targeted case management efforts, indicating that the requirements are necessary if federal approval for the waiver being requested.
- Section 142 and Section 151, subsection 2(f) relating to nursing facilities being "dual certified" for reimbursement purposes for Medicare and Medicaid, indicating that administrative rule action underway by the Department will require the same without impacting the facilities which would not benefit the State by being "dual certified".

Other Bills

Other Bills or Acts of interest impacting the FY 2003 budget of the Department of Human Services include, but are not limited to (please refer to other articles in this *Fiscal Update* or the *Fiscal Updates* of April 22 and June 4):

- House File 2613: Senior Living Trust Fund and Hospital Trust Fund appropriations.
- House File 2615: Healthy Iowans Tobacco Trust (HITT) appropriations.
- House File 2582: Federal Block Grant appropriations.
- House File 2614: Infrastructure appropriations.
- House File 2623: Salary, Statutory Changes, and Corrective Changes.
- House File 2245: FY 2002 Medical Assistance supplemental appropriations.
- Senate File 2304: FY 2002 Budget Adjustments.
- House File 2625: FY 2002 Adjustments and Transfers (2nd Special Session)

More Information

Additional information and the Notes on Bills and Amendments (NOBA) for this Bill and other Acts relating to the budget for the Department of Human Services are available from the Legislative Fiscal Bureau or at the web site: www.staffweb.legis.state.ia.us/lfb/noba.

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