

their tasks. New technologies are being implemented to make it possible for our workers to perform more efficiently and effectively. Also services that may be included as part of a social worker's duties in other states are contracted out in Iowa. Given these variances, national standards can not be directly applied to Iowa's experience.

I am unable to approve the item designated as Section 37, in its entirety. This proposed statutory change fails to address the relationships of the local decategorization accounts and the current funding mechanisms for the mental health institutes and state hospital-schools. Traditionally child welfare funds have not been used for mental health institutes or hospital-school costs. Counties that decategorize child welfare funding will be able to continue to carry out their plans.

For the above reasons, I hereby respectfully disapprove these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 462 are hereby approved as of this date.

Sincerely,
TERRY E. BRANSTAD, *Governor*

CHAPTER 206

INCOME AND PROPERTY TAX RELIEF - MENTAL HEALTH FUNDING

S.F. 69

AN ACT relating to tax provisions involving state income tax, certain county property tax and services associated with mental health and developmental disabilities services, the county property tax limitation, and property tax on industrial machinery, equipment and computers, providing appropriations, and providing effective and applicability dates.

Be It Enacted by the General Assembly of the State of Iowa:

DIVISION I INCOME TAX

Section 1. Section 422.7, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 33. For a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for the exemption under this subsection for the tax year, subtract, to the extent included, the total amount of a governmental or other pension or retirement pay, including, but not limited to, defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans, up to a maximum of three thousand dollars for a person who files a separate state income tax return and up to a maximum of six thousand dollars for a husband and wife who file a joint state income tax return. However, a surviving spouse who is not disabled or fifty-five years of age or older can only exclude the amount of pension or retirement pay received as a result of the death of the other spouse.

Sec. 2. Section 422.12, subsection 1, paragraph c, Code 1995, is amended to read as follows:

c. For each dependent, an additional ~~fifteen~~ forty dollars. As used in this section, the term "dependent" has the same meaning as provided by the Internal Revenue Code.

Sec. 3. TAXATION STUDY. The legislative council is requested to establish a taxation study during the 1995 legislative interim period. The study would address taxation of businesses, including subchapter S corporations, taxation incentives and disincentives for economic development, and the long-term objectives of business taxation. The legislative council is requested to authorize up to \$100,000 for consultants and other costs associated with the business taxation study.

Sec. 4. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 1995, for tax years beginning on or after that date.

DIVISION II SUPPLEMENTAL LEVY AND COUNTY MENTAL HEALTH FUND

Sec. 5. Section 123.38, unnumbered paragraph 2, Code 1995, is amended to read as follows:

Any licensee or permittee, or the licensee's or permittee's executor or administrator, or any person duly appointed by the court to take charge of and administer the property or assets of the licensee or permittee for the benefit of the licensee's or permittee's creditors, may voluntarily surrender a license or permit to the division. When a license or permit is surrendered the division shall notify the local authority, and the division or the local authority shall refund to the person surrendering the license or permit, a proportionate amount of the fee received by the division or the local authority for the license or permit as follows: If a license or permit is surrendered during the first three months of the period for which it was issued, the refund shall be three-fourths of the amount of the fee; if surrendered more than three months but not more than six months after issuance, the refund shall be one-half of the amount of the fee; if surrendered more than six months but not more than nine months after issuance, the refund shall be one-fourth of the amount of the fee. No refund shall be made, however, for any special liquor permit, nor for a liquor control license, wine permit, or beer permit surrendered more than nine months after issuance. For purposes of this paragraph, any portion of license or permit fees used for the purposes authorized in section 331.424, subsection 1, paragraphs "a", and "b", "c", "d", "e", "f", "g", and "h", and in section 331.424A, shall not be deemed received either by the division or by a local authority. No refund shall be made to any licensee or permittee, upon the surrender of the license or permit, if there is at the time of surrender, a complaint filed with the division or local authority, charging the licensee or permittee with a violation of this chapter. If upon a hearing on a complaint the license or permit is not revoked or suspended, then the licensee or permittee is eligible, upon surrender of the license or permit, to receive a refund as provided in this section; but if the license or permit is revoked or suspended upon hearing the licensee or permittee is not eligible for the refund of any portion of the license or permit fee.

Sec. 6. Section 218.99, Code 1995, is amended to read as follows:

218.99 COUNTY AUDITORS TO BE NOTIFIED OF PATIENTS' PERSONAL ACCOUNTS.

The administrator of a division of the department of human services in control of a state institution shall direct the business manager of each institution under the administrator's jurisdiction which is mentioned in section 331.424, subsection 1, paragraphs "a" through "g" and "b" and for which services are paid under section 331.424A to quarterly inform the auditor of the county of legal settlement of any patient or resident who has an amount in excess of two hundred dollars on account in the patients' personal deposit fund and the amount on deposit. The administrators shall direct the business manager to further notify the auditor of the county at least fifteen days before the release of funds in excess of two hundred dollars or upon the death of the patient or resident. If the patient or resident has

no county of legal settlement, notice shall be made to the director of the department of human services and the administrator of the division of the department in control of the institution involved.

Sec. 7. Section 225C.4, subsection 2, paragraph b, Code 1995, is amended to read as follows:

b. Establish mental health and mental retardation services for all institutions under the control of the director of human services and establish an autism unit, following mutual planning with and consultation from the medical director of the state psychiatric hospital, at an institution or a facility administered by the administrator to provide psychiatric and related services and other specific programs to meet the needs of autistic persons as defined in section 331.424, subsection 1, and to furnish appropriate diagnostic evaluation services.

Sec. 8. Section 331.301, subsection 12, Code 1995, is amended to read as follows:

12. The board of supervisors may credit funds to a reserve for the purposes authorized by subsection 11 of this section; section 331.424, subsection 1, paragraph "f"; and section 331.441, subsection 2, paragraph "b". Moneys credited to the reserve, and interest earned on such moneys, shall remain in the reserve until expended for purposes authorized by subsection 11 of this section; section 331.424, subsection 1, paragraph "f"; or section 331.441, subsection 2, paragraph "b".

Sec. 9. Section 331.424, subsection 1, Code 1995, is amended to read as follows:

1. For general county services, an amount sufficient to pay the charges for the following:

a. To the extent that the county is obligated by statute to pay the charges for:

~~(1) Care and treatment of patients by a state mental health institute.~~
~~(2) Care and treatment of patients by either of the state hospital schools or by any other facility established under chapter 222 and diagnostic evaluation under section 222.31.~~

~~(3) Care and treatment of patients under chapter 225.~~

(4) (1) Care and treatment of persons at the alcoholic treatment center at Oakdale. However, the county may require that an admission to the center shall be reported to the board by the center within five days as a condition of the payment of county funds for that admission.

~~(5) (2) Care of children admitted or committed to the Iowa juvenile home at Toledo.~~

~~(6) (3) Clothing, transportation, medical, or other services provided persons attending the Iowa braille and sight saving school, the Iowa school for the deaf, or the state hospital-school for severely handicapped children at Iowa City, for which the county becomes obligated to pay pursuant to sections 263.12, 269.2, and 270.4 through 270.7.~~

b. ~~To the extent that the board deems it advisable to pay, the charges for professional evaluation, treatment, training, habilitation, and care of persons who are mentally retarded, autistic persons, or persons who are afflicted by any other developmental disability, at a suitable public or private facility providing inpatient or outpatient care in the county. As used in this paragraph:~~

~~(1) "Developmental disability" has the meaning assigned that term by 42 U.S.C. sec. 6001(7) (1976), Supp. II, 1978, and Supp. III, 1979.~~

~~(2) "Autistic persons" means persons, regardless of age, with severe communication and behavior disorders that became manifest during the early stages of childhood development and that are characterized by a severely disabling inability to understand, communicate, learn, and participate in social relationships. "Autistic persons" includes but is not limited to those persons afflicted by infantile autism, profound aphasia, and childhood psychosis.~~

e. ~~Care and treatment of persons placed in the county hospital, county care facility, a health care facility as defined in section 135C.1, subsection 6, or any other public or private facility, which placement is in lieu of admission or commitment to or is upon discharge,~~

~~removal, or transfer from a state mental health institute, hospital, school, or other facility established pursuant to chapter 222.~~

~~d. Amounts budgeted by the board for the cost of establishment and initial operation of a community mental health center in the manner and subject to the limitations provided by state law.~~

~~e. b.~~ Foster care and related services provided under court order to a child who is under the jurisdiction of the juvenile court, including court-ordered costs for a guardian ad litem under section 232.71.

~~f. The care, admission, commitment, and transportation of mentally ill patients in state hospitals, to the extent that expenses for these services are required to be paid by the county, including compensation for the advocate appointed under section 229.19.~~

~~g. Amounts budgeted by the board for mental health services or mental retardation services furnished to persons on either an outpatient or inpatient basis, to a school or other public agency, or to the community at large, by a community mental health center or other suitable facility located in or reasonably near the county, provided that services meet the standards of the mental health and developmental disabilities commission created in section 225C.5 and are consistent with the annual plan for services approved by the board.~~

~~h. Reimbursement on behalf of mentally retarded persons under section 249A.12.~~

~~i. c.~~ Elections, and voter registration pursuant to chapter 48A.

~~j. d.~~ Employee benefits under chapters 96, 97B, and 97C, which are associated with salaries for general county services.

~~k. e.~~ Joint county and city building authorities established under section 346.27, as provided in subsection 22 of that section.

~~l. f.~~ Tort liability insurance, property insurance, and any other insurance that may be necessary in the operation of the county, costs of a self-insurance program, costs of a local government risk pool, and amounts payable under any insurance agreements to provide or procure such insurance, self-insurance program, or local government risk pool.

~~m. g.~~ The maintenance and operation of the courts, including but not limited to the salary and expenses of the clerk of the district court and other employees of the clerk's office, and bailiffs, court costs if the prosecution fails or if the costs cannot be collected from the person liable, costs and expenses of prosecution under section 189A.17, salaries and expenses of juvenile court officers under chapter 602, court-ordered costs in domestic abuse cases under section 236.5, the county's expense for confinement of prisoners under chapter 356A, temporary assistance to the county attorney, county contributions to a retirement system for bailiffs, reimbursement for judicial magistrates under section 602.6501, claims filed under section 622.93, interpreters' fees under section 622B.7, uniform citation and complaint supplies under section 805.6, and costs of prosecution under section 815.13.

~~n. h.~~ Court-ordered costs of conciliation procedures under section 598.16.

~~o. i.~~ Establishment and maintenance of a joint county indigent defense fund pursuant to an agreement under section 28E.19.

~~p. j.~~ The maintenance and operation of a local emergency management agency established pursuant to chapter 29C.

The board may require a public or private facility, as a condition of receiving payment from county funds for services it has provided, to furnish the board with a statement of the income, assets, and legal residence including township and county of each person who has received services from that facility for which payment has been made from county funds under paragraphs "a" through "h" and "b". However, the facility shall not disclose to anyone the name or street or route address of a person receiving services for which commitment is not required, without first obtaining that person's written permission.

Parents or other persons may voluntarily reimburse the county or state for the reasonable cost of caring for a patient or an inmate in a county or state facility.

Sec. 10. NEW SECTION. 331.424A COUNTY MENTAL HEALTH, MENTAL RETARDATION, AND DEVELOPMENTAL DISABILITIES SERVICES FUND.

1. For the purposes of this chapter, unless the context otherwise requires, "services

fund” means the county mental health, mental retardation, and developmental disabilities services fund created in subsection 2. The county finance committee created in section 333A.2 shall consult with the state-county management committee in adopting rules and prescribing forms for administering the services fund.

2. For the fiscal year beginning July 1, 1996, and succeeding fiscal years, county revenues from taxes and other sources designated for mental health, mental retardation, and developmental disabilities services shall be credited to the mental health, mental retardation, and developmental disabilities services fund of the county. The board shall make appropriations from the fund for payment of services provided under the county management plan approved pursuant to section 331.439.

3. For the fiscal year beginning July 1, 1996, and succeeding fiscal years, receipts from the state or federal government for such services shall be credited to the services fund, including moneys allotted to the county from the state payment made pursuant to section 331.439 and moneys allotted to the county for property tax relief pursuant to section 426B.1.

4. For the fiscal year beginning July 1, 1996, and for each subsequent fiscal year, the county shall certify a levy for payment of services. Unless otherwise provided by state law, for each fiscal year, county revenues from taxes imposed by the county credited to the services fund shall not exceed an amount equal to the amount of base year expenditures for services in the fiscal year beginning July 1, 1993, and ending June 30, 1994, as defined in section 331.438 less the amount of property tax relief to be received pursuant to section 426B.2, subsections 1 and 3, in the fiscal year for which the budget is certified. The county auditor and the board of supervisors shall reduce the amount of the levy certified for the services fund by the amount of property tax relief to be received.

5. Appropriations specifically authorized to be made from the mental health, mental retardation, and developmental disabilities services fund shall not be made from any other fund of the county.

Sec. 11. Section 444.25A, subsection 3, paragraph b, subparagraph (3), Code 1995, is amended to read as follows:

(3) Need for additional moneys for health care, treatment, and facilities, including ~~mental health and mental retardation care and treatment~~ pursuant to section 331.424, subsection 1, paragraphs “a” through “h” and “b”.

Sec. 12. EFFECTIVE AND APPLICABILITY DATES. This division of this Act takes effect January 1, 1996, and is applicable to taxes payable in the fiscal year beginning July 1, 1996, and subsequent fiscal years.

DIVISION III PROPERTY TAX RELIEF PROVISIONS

Sec. 13. Section 222.60, unnumbered paragraph 1, Code 1995, as amended by 1995 Iowa Acts, House File 483,* section 12, is amended to read as follows:

All necessary and legal expenses for the cost of admission or commitment or for the treatment, training, instruction, care, habilitation, support and transportation of persons with mental retardation, as provided for in the county management plan provisions implemented pursuant to section 331.439, subsection 1, in a state hospital-school, or in a special unit, or any public or private facility within or without the state, approved by the director of the department of human services, shall be paid by either:

Sec. 14. Section 331.438, subsection 1, paragraph b, Code 1995, is amended to read as follows:

b. “State payment” means the payment made by the state to a county determined to be eligible for the payment in accordance with section 331.439.

1A. Except as modified based upon the actual amount of the appropriation for purposes of state payment under section 331.439, the amount of the state payment for a fiscal year shall be calculated ~~as fifty percent of the amount by which the county’s qualified~~

*Chapter 82 herein

expenditures during the immediately preceding fiscal year were in excess of the amount of the county's base year expenditures by applying the inflation factor adjustment established in accordance with section 331.439, subsection 3, for that fiscal year to the amount of county expenditures for qualified services in the previous fiscal year. A state payment is the state funding a county receives pursuant to section 426B.2, subsection 2. Any state funding received by a county for property tax relief in accordance with section 426B.2, subsections 1 and 3, is not a state payment and shall not be included in the state payment calculation made pursuant to this subsection.

Sec. 15. Section 331.439, Code 1995, is amended by striking the section and inserting in lieu thereof the following:

331.439 ELIGIBILITY FOR STATE PAYMENT.

1. The state payment to eligible counties under this section shall be made as provided in sections 331.438 and 426B.2. A county is eligible for the state payment, as defined in section 331.438, for the fiscal year beginning July 1, 1996, and for subsequent fiscal years if the director of human services, in consultation with the state-county management committee, determines for a specific fiscal year that all of the following conditions are met:

a. The county accurately reported by October 15 the county's expenditures for mental health, mental retardation, and developmental disabilities services for the previous fiscal year on forms prescribed by the department of human services.

b. The county developed and implemented a county management plan for the county's mental health, mental retardation, and developmental disabilities services in accordance with the provisions of this paragraph. The plan shall comply with the administrative rules adopted for this purpose by the council on human services and is subject to the approval of the director of human services in consultation with the state-county management committee created in section 331.438. The plan shall include a description of the county's service management provision for mental health, mental retardation, and developmental disabilities services. For mental retardation and developmental disabilities service management, the plan shall describe the county's development and implementation of a managed system of cost-effective individualized services and shall comply with the provisions of paragraph "d". The goal of this part of the plan shall be to assist the individuals served to be as independent, productive, and integrated into the community as possible. The service management provisions for mental health shall comply with the provisions of paragraph "c".

c. (1) For mental health service management, the county may either directly implement a system of service management and contract with service providers, or contract with a private entity to manage the system, provided all requirements of this lettered paragraph are met by the private entity. The mental health service management shall incorporate a single entry point and clinical assessment process developed in accordance with the provisions of section 331.440. The county shall submit this part of the plan to the department of human services for approval by April 1 for the succeeding year. Initially, this part of the plan shall be submitted to the department by April 1, 1996, and the county shall implement the approved plan by July 1, 1996.

(2) The basis for determining whether a managed care system for mental health proposed by a county is comparable to a mental health managed care contractor approved by the department of human services shall include but is not limited to all of the following elements which shall be specified in administrative rules adopted by the council on human services in consultation with the state-county management committee:

- (a) The enrollment and eligibility process.
- (b) The scope of services included.
- (c) The method of plan administration.
- (d) The process for managing utilization and access to services and other assistance.
- (e) The quality assurance process.

(f) The risk management provisions and fiscal viability of the provisions, if the county contracts with a private managed care entity.

d. For mental retardation and developmental disabilities services management, the county must either develop and implement a managed system of care which addresses a full array of appropriate services and cost-effective delivery of services or contract with a state-approved managed care contractor or contractors. Any system or contract implemented under this paragraph shall incorporate a single entry point and clinical assessment process developed in accordance with the provisions of section 331.440. The elements of the managed system of care and the state-approved managed care contract or contracts shall be specified in rules developed by the department of human services in consultation with the state-county management committee and adopted by the council on human services. Initially, this part of the plan shall be submitted to the department for approval on or before October 1, 1996, and shall be implemented on or before January 1, 1997. In fiscal years succeeding the fiscal year of initial implementation, this part of the plan shall be submitted to the department of human services for approval by April 1 for the succeeding fiscal year.

e. Changes to the approved plan are submitted at least sixty days prior to the proposed change and are not to be implemented prior to the director of human services' approval.

2. The county management plan shall address the county's criteria for serving persons with chronic mental illness, including any rationale used for decision making regarding this population.

3. a. For the fiscal year beginning July 1, 1996, and succeeding fiscal years, the county's mental health, mental retardation, and developmental disabilities service expenditures for a fiscal year are limited to a fixed budget amount. The fixed budget amount shall be the amount identified in the county's management plan and budget for the fiscal year. **The county shall be allowed an inflation factor adjustment for services paid from the county's services fund under section 331.424A which is in accordance with the county's management plan and budget, implemented pursuant to this section.*

b. *Based upon information contained in county management plans and budgets, the state-county management committee shall recommend an inflation factor adjustment to the council on human services by November 15 for the succeeding fiscal year. The inflation factor adjustment shall address costs associated with new consumers of service, service cost inflation, and investments for economy and efficiency. The council on human services shall recommend to the governor the amount of the inflation factor adjustment for the succeeding fiscal year for inclusion in the governor's proposed budget for the succeeding fiscal year.*

c. *If the general assembly has not revised the amount of the inflation factor adjustment for a fiscal year on the date county budgets must be approved and levies must be certified for that fiscal year, the budgets and levies shall utilize the inflation factor adjustment for that fiscal year recommended by the governor in the governor's proposed budget.**

4. A county may provide assistance to service populations with disabilities to which the county has historically provided assistance but who are not included in the service management provisions required under subsection 1, subject to the availability of funding.

5. Notwithstanding any other provision of law to the contrary, a county shall have no obligation to pay for or provide mental health, mental retardation, or developmental disabilities services for any person that applies through the county's single entry point and clinical assessment process after the moneys in the county services fund under section 331.424A are expended.

6. A county shall implement the county's management plan in a manner so as to provide adequate funding for the entire fiscal year by budgeting for ninety-nine percent of the funding anticipated to be available for the plan. A county may expend all of the funding anticipated to be available for the plan.

7. The director's approval of a county's mental health, mental retardation, and developmental disabilities services management plan shall not be construed to constitute certification of the county's budget.

*Item veto; see message at end of the Act

Sec. 16. Section 331.440, subsection 1, Code 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. The single entry point and clinical assessment process shall include provision for the county's participation in a management information system developed in accordance with rules adopted pursuant to subsection 3.

Sec. 17. **NEW SECTION.** 426B.1 APPROPRIATIONS - PROPERTY TAX RELIEF FUND.

1. A property tax relief fund is created in the state treasury under the authority of the department of revenue and finance. The fund shall be separate from the general fund of the state and shall not be considered part of the general fund of the state except in determining the cash position of the state for payment of state obligations. The moneys in the fund are not subject to the provisions of section 8.33 and shall not be transferred, used, obligated, appropriated, or otherwise encumbered except as provided in this section. Moneys in the fund may be used for cash flow purposes, provided that any moneys so allocated are returned to the fund by the end of each fiscal year. However, the fund shall be considered a special account for the purposes of section 8.53, relating to elimination of any GAAP deficit. For the purposes of this chapter, unless the context otherwise requires, "property tax relief fund" means the property tax relief fund created in this section.

2. There is appropriated to the property tax relief fund for the indicated fiscal years from the general fund of the state the following amounts:

- a. For the fiscal year beginning July 1, 1995, sixty-one million dollars.
- b. For the fiscal year beginning July 1, 1996, seventy-eight million dollars.
- c. For the fiscal year beginning July 1, 1997, and succeeding fiscal years, ninety-five million dollars.

Sec. 18. **NEW SECTION.** 426B.2 PROPERTY TAX RELIEF FUND DISTRIBUTIONS.

Moneys in the property tax relief fund shall be utilized in each fiscal year as follows in the order listed:

1. The first sixty-one million dollars plus the amount paid pursuant to subsection 3 in the previous fiscal year in the property tax relief fund shall be distributed to counties under this subsection. A county's proportion of the moneys shall be equivalent to the sum of the following three factors:

- a. One-third based upon the county's proportion of the state's general population.
- b. One-third based upon the county's proportion of the state's total taxable property valuation assessed for taxes payable in the previous fiscal year.
- c. One-third based upon the county's proportion of all counties' base year expenditures, as defined in section 331.438.

Moneys provided to a county for property tax relief in a fiscal year in accordance with this section shall not be less than the amount provided for property tax relief in the previous fiscal year.

2. Payment of moneys to eligible counties of the state payment in accordance with the provisions of sections 331.438 and 331.439.

3. For the fiscal year beginning July 1, 1996, and succeeding fiscal years, the department of human services shall estimate the amount of moneys required for the state payment pursuant to subsection 2. Moneys remaining in the property tax relief fund following the payment made pursuant to subsection 1 and the estimated amount of the state payment pursuant to subsection 2 shall be paid for property tax relief in the same manner as provided in subsection 1 to counties eligible for state payment under subsection 2. These payments shall continue until the combined amount of the payments made under this subsection and subsection 1 are equal to fifty percent of the total of all counties' base year expenditures as defined in section 331.438. The amount of moneys paid to a county pursuant to this subsection shall be added in subsequent fiscal years to the amount of moneys paid under subsection 1.

4. Moneys remaining in the property tax relief fund following the payments made pursuant to subsections 1, 2, and 3 shall be transferred to the homestead credit fund created in section 425.1. This transfer shall continue until the homestead credit is fully funded.

5. The department of human services shall notify the director of revenue and finance of the amounts due a county in accordance with the provisions of this section. The director of revenue and finance shall draw warrants on the property tax relief fund, payable to the county treasurer in the amount due to a county in accordance with subsections 1 and 3 and mail the warrants to the county auditors in September and March of each year. Warrants for the state payment in accordance with subsection 2 shall be mailed in January of each year.

Sec. 19. NEW SECTION. 426B.3 NOTIFICATION OF MENTAL HEALTH, MENTAL RETARDATION, AND DEVELOPMENTAL DISABILITIES EXPENDITURE RELIEF FUND PAYMENT.

1. The county auditor shall reduce the certified budget amount received from the board of supervisors for the succeeding fiscal year for the county mental health, mental retardation, and developmental disabilities services fund created in section 331.424A by an amount equal to the amount the county will receive from the property tax relief fund pursuant to section 426B.2, subsections 1 and 3, for the succeeding fiscal year and the auditor shall determine the rate of taxation necessary to raise the reduced amount. On the tax list, the county auditor shall compute the amount of taxes due and payable on each parcel before and after the amount received from the property tax relief fund is used to reduce the county budget. The director of revenue and finance shall notify the county auditor of each county of the amount of moneys the county will receive from the property tax relief fund pursuant to section 426B.2, subsections 1 and 3, for the succeeding fiscal year.

2. The amount of property tax dollars reduced on each parcel as a result of the moneys received from the property tax relief fund pursuant to section 426B.2, subsections 1 and 3, shall be noted on each tax statement prepared by the county treasurer pursuant to section 445.23.

Sec. 20. NEW SECTION. 426B.4 RULES.

The council on human services shall consult with the state-county management committee created in section 331.438 and the director of revenue and finance in prescribing forms and adopting rules pursuant to chapter 17A to administer this chapter.

Sec. 21. PROPERTY TAX RELIEF – FISCAL YEAR 1995-1996. For the fiscal year beginning July 1, 1995, the department of management shall notify each county auditor by June 1, 1995, of the amount the county will receive from the property tax relief fund for property tax relief pursuant to section 426B.2, subsection 1, for that fiscal year. The county auditor shall reduce by the notified amount the amount of the county's certified budget to be raised by property tax for that fiscal year which is to be expended for mental health, mental retardation, and developmental disabilities services and shall revise the rate of taxation as necessary to raise the reduced amount. The county auditor shall report the reduction in the certified budget and the revised rate of taxation to the department of management by June 30, 1995.

Sec. 22. FUNDING OF SESSION LAW REQUIREMENTS. If the appropriations in section 426B.1, subsection 2, as created in this division of this Act, are enacted by this Act, the requirements of 1994 Iowa Acts, chapter 1163, section 8, subsection 2, to fully fund provisions of sections 331.438 and 331.439 shall be considered to be met and the repeals contained in 1994 Iowa Acts, chapter 1163, section 8, subsection 2, shall be void.

Sec. 23. STATE-COUNTY MANAGEMENT COMMITTEE REVIEW – 1995 INTERIM. The state-county management committee created in section 331.438 shall review statutory provisions and administrative rules which are intended to regulate and contain county

expenditures for mental health, mental retardation, and developmental disabilities (MH/MR/DD) services and the formula for distribution of property tax relief moneys to counties under section 426B.2. The committee should consider proposals from counties and other interested persons for a distribution formula factor which rewards or provides incentives for economy and efficiency in providing mental health, mental retardation, and developmental disabilities services; and a mechanism for a county to appeal to the state if it is believed the county is unfairly treated under an established funding formula. In addition, the committee shall consider tort and other liability issues associated with a county managing MH/MR/DD expenditures in accordance with a fixed budget and make recommendations to address the issues. The committee shall review the dates required under section 331.439 and chapter 426B, as enacted by this Act and make recommendations for change if revisions are deemed necessary. The committee shall report to the governor and the general assembly on or before December 1, 1995.

Sec. 24. LEVY STUDY. The county finance committee created in chapter 333A shall consult with any interested parties in studying the ramifications of consolidating the county general basic levies and the general supplemental levies and other proposals involving the levies. The committee shall be assisted by four legislators with one each appointed by the following leaders: majority leader of the senate, minority leader of the senate, speaker of the house of representatives, and minority leader of the house of representatives. The legislative appointees are eligible for per diem and actual expenses for their assistance to the committee. The committee shall report to the governor and the general assembly with findings and recommendations on or before January 4, 1996.

Sec. 25. EFFECTIVE DATE. Section 21 of this division of this Act, relating to property tax relief for fiscal year 1995-1996, being deemed of immediate importance, takes effect upon enactment.

DIVISION IV COUNTY PROPERTY TAX LIMITATION

Sec. 26. Section 444.25A, subsection 1, Code 1995, is amended to read as follows:

1. COUNTY LIMITATION. The maximum amount of property tax dollars which may be certified by a county for taxes payable in the fiscal year beginning July 1, 1995, shall not exceed the amount of property tax dollars certified by the county for taxes payable in the fiscal year beginning July 1, 1994, minus the amount of property tax relief moneys to be received by the county for the fiscal year beginning July 1, 1995, pursuant to section 426B.2, subsection 1, and the maximum amount of property tax dollars which may be certified by a county for taxes payable in the fiscal year beginning July 1, 1996, shall not exceed the amount of property tax dollars certified by the county for taxes payable in the fiscal year beginning July 1, 1995, minus the amount by which the property tax relief moneys to be received by the county in the fiscal year beginning July 1, 1996, pursuant to section 426B.2, subsections 1 and 3, exceeds the amount of the property tax relief moneys received in the fiscal year beginning July 1, 1995, for each of the levies for the following, except for the levies on the increase in taxable valuation due to new construction, additions or improvements to existing structures, remodeling of existing structures for which a building permit is required, annexation, and phasing out of tax exemptions, and on the increase in valuation of taxable property as a result of a comprehensive revaluation by a private appraiser under a contract entered into prior to January 1, 1992, or as a result of a comprehensive revaluation directed or authorized by the conference board prior to January 1, 1992, with documentation of the contract, authorization, or directive on the revaluation provided to the director of revenue and finance, if the levies are equal to or less than the levies for the previous year, levies on that portion of the taxable property located in an urban renewal project the tax revenues from which are no longer divided as provided in section 403.19, subsection 2, or as otherwise provided in this section:

- a. General county services under section 331.422, subsection 1.
- b. Rural county services under section 331.422, subsection 2.
- c. Other taxes under section 331.422, subsection 4.

Sec. 27. NEW SECTION. 444.25B PROPERTY TAX LIMITATION FOR FISCAL YEAR 1998.

1. COUNTY LIMITATION. The maximum amount of property tax dollars which may be certified by a county for taxes payable in the fiscal year beginning July 1, 1997, shall not exceed the amount of property tax dollars certified by the county for taxes payable in the fiscal year beginning July 1, 1996, minus the amount by which the property tax relief moneys to be received by the county in the fiscal year beginning July 1, 1997, pursuant to section 426B.2, subsections 1 and 3, exceeds the amount of the property tax relief moneys received in the fiscal year beginning July 1, 1996, for each of the levies for the following, except for the levies on the increase in taxable valuation due to new construction, additions or improvements to existing structures, remodeling of existing structures for which a building permit is required, annexation, and phasing out of tax exemptions, and on the increase in valuation of taxable property as a result of a comprehensive revaluation by a private appraiser under a contract entered into prior to January 1, 1992, or as a result of a comprehensive revaluation directed or authorized by the conference board prior to January 1, 1992, with documentation of the contract, authorization, or directive on the revaluation provided to the director of revenue and finance, if the levies are equal to or less than the levies for the previous year, levies on that portion of the taxable property located in an urban renewal project the tax revenues from which are no longer divided as provided in section 403.19, subsection 2, or as otherwise provided in this section:

- a. General county services under section 331.422, subsection 1.
- b. Rural county services under section 331.422, subsection 2.
- c. Other taxes under section 331.422, subsection 4.

2. EXCEPTIONS. The limitations provided in subsection 1 do not apply to the levies made for the following:

- a. Debt service to be deposited into the debt service fund pursuant to section 331.430.
- b. Taxes approved by a vote of the people which are payable during the fiscal year beginning July 1, 1997.
- c. Hospitals pursuant to chapters 37, 347, and 347A.
- d. Emergency management to be deposited into the local emergency management fund and expended for development of hazardous substance teams pursuant to chapter 29C.
- e. Unusual need for additional moneys to finance existing programs which would provide substantial benefit to county residents or compelling need to finance new programs which would provide substantial benefit to county residents. The increase in taxes levied under this exception for the fiscal year beginning July 1, 1997, is limited to no more than the product of the total tax dollars levied in the fiscal year beginning July 1, 1996, and the percent change, computed to two decimal places, in the price index for government purchases by type for state and local governments computed for the third quarter of calendar year 1996 from that computed for the third quarter of calendar year 1995.

For purposes of this paragraph, the price index for government purchases by type for state and local governments is defined by the bureau of economic analysis of the United States department of commerce and published in table 7.11 of the national income and products accounts. For the fiscal year beginning July 1, 1997, the price index used shall be the revision published in the November 1996 edition of the United States department of commerce publication, "survey of current business". For purposes of this paragraph, tax dollars levied in the fiscal year beginning July 1, 1996, shall not include funds levied for paragraphs "a", "b", and "c" of this subsection.

Application of this exception shall require an original publication of the budget and a public hearing and a second publication and a second hearing both in the manner and form prescribed by the director of the department of management, notwithstanding the

provisions of section 331.434. The publications and hearings prescribed in this paragraph shall be held and the budget certified no later than March 15. The taxes levied for counties whose budgets are certified after March 15, 1997, shall be frozen at the fiscal year beginning July 1, 1996, level.

3. **APPEAL PROCEDURES.** In lieu of the procedures in sections 24.48 and 331.426, which procedures do not apply for taxes payable in the fiscal year beginning July 1, 1997, if a county needs to raise property tax dollars from a tax levy in excess of the limitations imposed by subsection 1, the following procedures apply:

a. Not later than March 1, and after the publication and public hearing on the budget in the manner and form prescribed by the director of the department of management, notwithstanding section 331.434, the county shall petition the state appeal board for approval of a property tax increase in excess of the increase provided for in subsection 2, paragraph "e", on forms furnished by the director of the department of management. Applications received after March 1 shall be automatically ineligible for consideration by the board.

b. Additional costs incurred by the county due to any of the following circumstances shall be the basis for justifying the excess in property tax dollars:

- (1) Natural disaster or other life-threatening emergencies.
- (2) Unusual need for additional moneys to finance existing programs which would provide substantial benefit to county residents or compelling need to finance new programs which would provide substantial benefit to county residents.
- (3) Need for additional moneys for health care, treatment, and facilities pursuant to section 331.424, subsection 1, paragraphs "a" and "b".
- (4) Judgments, settlements, and related costs arising out of civil claims against the county and its officers, employees, and agents, as defined in chapter 670.

c. The state appeal board shall approve, disapprove, or reduce the amount of excess property tax dollars requested. The board shall take into account the intent of this section to provide property tax relief. The decision of the board shall be rendered at a regular or special meeting of the board within twenty days of the board's receipt of an appeal.

d. Within seven days of receipt of the decision of the state appeal board, the county shall adopt and certify its budget under section 331.434, which budget may be protested as provided in section 331.436. The budget shall not contain an amount of property tax dollars in excess of the amount approved by the state appeal board.

4. **Rate adjustment by county auditor.** In addition to the requirement of the county auditor in section 444.3 to establish a rate of tax which does not exceed the rate authorized by law, the county auditor shall also adjust the rate if the amount of property tax dollars to be raised is in excess of the amount specified in subsection 1, as may be adjusted pursuant to subsection 3.

Sec. 28. Section 444.27, Code 1995, is amended to read as follows:

444.27 SECTIONS VOID.

1. For purposes of section 444.25, sections 24.48 and 331.426 are void for the fiscal years beginning July 1, 1993, and July 1, 1994. For purposes of section 444.25A, sections 24.48 and 331.426 are void for the fiscal years beginning July 1, 1995, and July 1, 1996.

2. For purposes of section 444.25B, sections 24.48 and 331.426 are void for the fiscal year beginning July 1, 1997.

DIVISION V
INDUSTRIAL MACHINERY, EQUIPMENT AND COMPUTERS PROPERTY TAX
EXEMPTION AND REPLACEMENT

Sec. 29. Section 427B.17, Code 1995, is amended to read as follows:

427B.17 PROPERTY SUBJECT TO SPECIAL VALUATION.

1. For property defined in section 427A.1, subsection 1, paragraphs "e" and "j", acquired or initially leased on or after January 1, 1982, the taxpayer's valuation shall be

limited to thirty percent of the net acquisition cost of the property, except as otherwise provided in subsections 2 and 3. For purposes of this section, "net acquisition cost" means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.

For purposes of this ~~section~~ subsection:

~~1. Property assessed by the department of revenue and finance pursuant to sections 428.24 to 428.29, or chapters 433, 434 and 436 to 438 shall not receive the benefits of this section.~~

~~2. a.~~ Property acquired before January 1, 1982, which was owned or used before January 1, 1982, by a related person shall not receive the benefits of this ~~section~~ subsection.

~~3. b.~~ Property acquired on or after January 1, 1982, which was owned and used by a related person shall not receive any additional benefits under this ~~section~~ subsection.

~~4. c.~~ Property which was owned or used before January 1, 1982, and subsequently acquired by an exchange of like property shall not receive the benefits of this ~~section~~ subsection.

~~5. d.~~ Property which was acquired on or after January 1, 1982, and subsequently exchanged for like property shall not receive any additional benefits under this ~~section~~ subsection.

~~6. e.~~ Property acquired before January 1, 1982, which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive the benefits of this ~~section~~ subsection.

~~7. f.~~ Property acquired on or after January 1, 1982, which is subsequently leased to a taxpayer or related person who previously owned the property shall not receive any additional benefits under this ~~section~~ subsection.

For purposes of this ~~section~~ subsection, "related person" means a person who owns or controls the taxpayer's business and another business entity from which property is acquired or leased or to which property is sold or leased. Business entities are owned or controlled by the same person if the same person directly or indirectly owns or controls fifty percent or more of the assets or any class of stock or who directly or indirectly has an interest of fifty percent or more in the ownership or profits.

2. Property defined in section 427A.1, subsection 1, paragraphs "e" and "j", which is first assessed for taxation in this state on or after January 1, 1995, shall be exempt from taxation.

3. Property defined in section 427A.1, subsection 1, paragraphs "e" and "j", and assessed under section 427B.17, subsection 1, shall be valued by the local assessor as follows for the following assessment years:

a. For the assessment year beginning January 1, 1999, at twenty-two percent of the net acquisition cost.

b. For the assessment year beginning January 1, 2000, at fourteen percent of the net acquisition cost.

c. For the assessment year beginning January 1, 2001, at six percent of the net acquisition cost.

d. For the assessment year beginning January 1, 2002, and succeeding assessment years, at zero percent of the net acquisition cost.

4. Property assessed pursuant to this section shall not be eligible to receive a partial exemption under sections 427B.1 to 427B.6.

5. This section shall not apply to property assessed by the department of revenue and finance pursuant to sections 428.24 to 428.29, or chapters 433, 434, and 436 to 438, and such property shall not receive the benefits of this section.

Any electric power generating plant which operated during the preceding assessment year at a net capacity factor of more than twenty percent, shall not receive the benefits of this section or of sections 15.332 and 15.334. For purposes of this section, "electric power generating plant" means any name plate rated electric power generating plant, in which

electric energy is produced from other forms of energy, including all taxable land, buildings, and equipment used in the production of such energy. "Net capacity factor" means net actual generation divided by the product of net maximum capacity times the number of hours the unit was in the active state during the assessment year. Upon commissioning, a unit is in the active state until it is decommissioned. "Net actual generation" means net electrical megawatt hours produced by the unit during the preceding assessment year. "Net maximum capacity" means the capacity the unit can sustain over a specified period when not restricted by ambient conditions or equipment deratings, minus the losses associated with station service or auxiliary loads.

6. The taxpayer's valuation of property defined in section 427A.1, subsection 1, paragraphs "e" and "j", and located in an urban renewal area for which an urban renewal plan provides for the division of taxes as provided in section 403.19 to pay the principal and interest on loans, advances, bonds issued under the authority of section 403.9, subsection 1, or indebtedness incurred by a city or county to finance an urban renewal project within the urban renewal area, if such loans, advances, or bonds were issued or indebtedness incurred, on or after January 1, 1982, and on or before June 30, 1995, shall be limited to thirty percent of the net acquisition cost of the property. Such property located in an urban renewal area shall not be valued pursuant to subsection 2 or 3, whichever is applicable, until the assessment year following the calendar year in which the obligations created by any loans, advances, bonds, or indebtedness payable from the division of taxes as provided in section 403.19 have been retired. The taxpayer's valuation for such property shall then be the valuation specified in subsection 2 or 3, whichever is applicable, for the applicable assessment year. If the loans, advances, or bonds issued, or indebtedness incurred between January 1, 1982, and June 30, 1995, are refinanced or refunded after June 30, 1995, the valuation of such property shall then be the valuation specified in subsection 2 or 3, whichever is applicable, for the applicable assessment year beginning with the assessment year following the calendar year in which any of those loans, advances, bonds, or other indebtedness are refinanced or refunded after June 30, 1995.

7. For the purpose of dividing taxes under section 260E.4 or 260F.4, the employer's or business's valuation of property defined in section 427A.1, subsection 1, paragraphs "e" and "j", and used to fund a new jobs training project which project's first written agreement providing for a division of taxes as provided in section 403.19 is approved on or before June 30, 1995, shall be limited to thirty percent of the net acquisition cost of the property. An employer's or business's taxable property used to fund a new jobs training project shall not be valued pursuant to subsection 2 or 3, whichever is applicable, until the assessment year following the calendar year in which the certificates or other funding obligations have been retired or escrowed. The taxpayer's valuation for such property shall then be the valuation specified in subsection 1 for the applicable assessment year. If the certificates issued, or other funding obligations incurred, between January 1, 1982, and June 30, 1995, are refinanced or refunded after June 30, 1995, the valuation of such property shall then be the valuation specified in subsection 2 or 3, whichever is applicable, for the applicable assessment year beginning with the assessment year following the calendar year in which those certificates or other funding obligations are refinanced or refunded after June 30, 1995.

Sec. 30. NEW SECTION. 427B.18 REPLACEMENT.

Beginning with the fiscal year beginning July 1, 1996, each county treasurer shall be paid from the industrial machinery, equipment and computers replacement fund an amount equal to the amount of the industrial machinery, equipment and computers tax replacement claim, as calculated in section 427B.19.

Sec. 31. NEW SECTION. 427B.19 ASSESSOR AND COUNTY AUDITOR DUTIES.

1. On or before July 1 of each fiscal year, the assessor shall determine the total assessed

value of the property assessed under section 427B.17 for taxes payable in that fiscal year and the total assessed value of such property assessed as of January 1, 1994, and shall report the valuations to the county auditor.

2. On or before July 1 of each fiscal year, the assessor shall determine the valuation of all commercial and industrial property assessed for taxes payable in that fiscal year and the valuation of such property assessed as of January 1, 1994, and shall report the valuations to the county auditor.

3. On or before July 1, 1996, and on or before July 1 of each succeeding fiscal year through June 30, 2006, the county auditor shall prepare a statement, based upon the report received pursuant to subsections 1 and 2, listing for each taxing district in the county:

a. Beginning with the assessment year beginning January 1, 1995, the difference between the assessed valuation of property assessed pursuant to section 427B.17 for that year and the total assessed value of such property assessed as of January 1, 1994. If the total assessed value of the property assessed as of January 1, 1994, is less, there is no tax replacement for the fiscal year.

b. The tax levy rate for each taxing district for that fiscal year.

c. The industrial machinery, equipment and computers tax replacement claim for each taxing district. For fiscal years beginning July 1, 1996, and ending June 30, 2001, the replacement claim is equal to the amount determined pursuant to paragraph "a", multiplied by the tax rate specified in paragraph "b". For fiscal years beginning July 1, 2001, and ending June 30, 2006, the replacement claim is equal to the product of the amount determined pursuant to paragraph "a", less any increase in valuations determined in paragraph "d", and the tax rate specified in paragraph "b". If the amount subtracted under paragraph "d" is more than the amount determined in paragraph "a", there is no tax replacement for the fiscal year.

d. Beginning with the assessment year beginning January 1, 2000, the auditor shall reduce the amount listed in paragraph "a", by the increase, if any, in assessed valuations of commercial and industrial property in the assessment year beginning January 1, 1994, and the assessment year for which taxes are due and payable in that fiscal year. If the calculation under this paragraph indicates a net decrease in aggregate valuation of such property, the industrial machinery, equipment and computers tax replacement claim for each taxing district is equal to the amount determined pursuant to paragraph "a", multiplied by the tax rate specified in paragraph "b".

4. The county auditor shall certify and forward one copy of the statement to the department of revenue and finance not later than July 1 of each year.

Sec. 32. NEW SECTION. 427B.19A FUND CREATED.

1. The industrial machinery, equipment and computers property tax replacement fund is created. For the fiscal year beginning July 1, 1996, through the fiscal year ending June 30, 2006, there is appropriated annually from the general fund of the state to the department of revenue and finance to be credited to the industrial machinery, equipment and computers property tax replacement fund, an amount sufficient to implement this division.

2. If an amount appropriated for a fiscal year is insufficient to pay all claims, the director shall prorate the disbursements from the fund to the county treasurers and shall notify the county auditors of the pro rata percentage on or before August 1.

3. The replacement claims shall be paid to each county treasurer in equal installments in September and March of each year. The county treasurer shall apportion the replacement claim payments among the eligible taxing districts in the county.

Sec. 33. NEW SECTION. 427B.19B GUARANTEE OF STATE REPLACEMENT FUNDS.

For the fiscal years beginning July 1, 1996, and ending June 30, 2006, if the industrial machinery, equipment and computers property tax replacement fund is insufficient to pay

in full the total of the amounts certified to the director of revenue and finance, the director shall compute for each county the difference between the total of all replacement claims for each taxing district within the county and the amount paid to the county treasurer for disbursement to each taxing district in the county. The assessor, for the assessment year for which taxes are due and payable in the fiscal year for which a sufficient appropriation was not made, shall revalue all industrial machinery, equipment and computers described in section 427B.17, subsections 2 and 3, in the county at a percentage of net acquisition cost which will yield from each taxing district its shortfall and the property shall be assessed and taxed in such manner for taxes due and payable in the following fiscal year in addition to being assessed and taxed in the applicable manner under section 427B.17. When conducting the revaluation, the assessor shall increase the percentage of net acquisition cost of such property by the same percentage point. Property tax dollar amounts certified pursuant to this section shall not be considered property tax dollars certified for purposes of the property tax limitation in chapter 444.

Sec. 34. Section 257.3, subsection 1, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The amount paid to each school district for the tax replacement claim for industrial machinery, equipment and computers under section 427B.19A shall be regarded as property tax. The portion of the payment which is foundation property tax shall be determined by applying the foundation property tax rate to the amount computed under section 427B.19, subsection 3, paragraph "a", as adjusted by paragraph "d", if any adjustment was made.

DIVISION VI FISCAL YEAR 1996 PAYMENT

Sec. 35. **FISCAL YEAR 1996 RELIEF FUND PAYMENT.** Notwithstanding 1995 Iowa Acts, House File 132,* section 13, the appropriation in that section shall not be made from the general fund of the state but shall be made from the property tax relief fund created in section 426B.1, as enacted by this Act. Notwithstanding section 426B.2, subsection 2, as enacted by this Act, for the fiscal year beginning July 1, 1995, the amount of moneys distributed under that subsection shall be \$54.4 million.

Approved May 2, 1995, except the items which I hereby disapprove and which are designated as those portions of Section 15 which are herein bracketed in ink and initialed by me; and that portion of Section 18 which is herein bracketed in ink and initialed by me. My reasons for vetoing these items are delineated in the item veto message pertaining to this Act to the President of the Senate this same date, a copy of which is attached hereto.

TERRY E. BRANSTAD, Governor

Dear Mr. President:

I hereby transmit Senate File 69, an Act relating to tax provisions involving state income tax, certain county property tax and services associated with mental health and developmental disabilities services, the county property tax limitation, and property tax on industrial machinery, equipment and computers, providing appropriations, and providing effective and applicability dates.

Senate File 69 represents landmark legislation for the first session of the Seventy-Sixth General Assembly. The bill contains nearly \$100 million in tax reductions for Iowa families and businesses in fiscal year 1996, growing to \$172 million in fiscal year 2001.

*Chapter 202 herein

With the repeal of property taxes on new machinery and equipment, this bill will have an immediate impact on Iowa's ability to attract and keep high paying jobs. This impact will grow in the future, as all property taxes on existing equipment are gradually eliminated. County taxpayers will also receive property tax relief through the mental health provisions, where 50 percent of mental health financing is shifted to the State and a process for cost containment is begun. Finally, families and retirees will see their Iowa income tax bills go down as a result of increasing the dependent credit from \$15 to \$40, and allowing the exclusion from taxable income of \$3,000 of pension income (\$6,000 for married filers).

I believe that Senate File 69 is an excellent first step towards the goals of increasing jobs, personal income and population growth. I expect additional action to be taken during the next legislative session to reduce income tax rates and treating small businesses the same as other corporations under the single-factor corporate income tax. These changes are critical to attaining our goals.

Senate File 69 is, therefore, approved on this date with the following exceptions which I hereby disapprove.

I am unable to approve the designated portion of Section 15, identified as the third sentence of Section 331.439, subsection 3a, and Section 331.439, subsections 3b and 3c, in their entirety. These items require counties to receive an inflation factor for mental health beginning in fiscal year 1997, and spell out specific factors and procedures relating to its determination. These items fail to allow for savings from managed care, and could significantly dilute the property tax relief. Moreover, the portion of Section 15, identified as Section 331.439, subsection 3b, contains a provision that intrudes upon my executive budgeting responsibilities. The concept of an inflation factor may be appropriate to reconsider at a later date, after adequate cost containment has been achieved through the rule-making process.

I am unable to approve the designated portion of Section 15, identified as Section 331.439, subsection 5, in its entirety. This item limits counties' obligations for payment of mental health, mental retardation and developmental disabilities services. I support the concept of limiting counties' obligations, except in those instances where a county elects to become its own managed care provider. The assumption of financial risk is one of the defining characteristics of managed care. If a county chooses to become its own managed care provider, it should also assume the financial risk. I will approve language that is subsequently enacted as long as it contains this exclusion.

I am unable to approve the designated portion of Section 18, identified as Section 426B.2, second unnumbered and unlettered paragraph, in its entirety. This item will hinder future efforts to change the allocation formula.

For the above reasons, I hereby respectfully disapprove these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 69 are hereby approved as of this date.

Sincerely,
TERRY E. BRANSTAD, Governor

CHAPTER 207
APPROPRIATIONS - JUSTICE SYSTEM
S.F. 459

AN ACT relating to and making appropriations to the department of justice, office of consumer advocate, board of parole, department of corrections, judicial district departments of correctional services, judicial department, state public defender, Iowa law enforcement academy, department of public defense, and for the department of public safety's administration, division of criminal investigation and bureau of identification, division of narcotics enforcement, undercover purchases, and the state fire marshal's office, for the fiscal year beginning July 1, 1995, and providing effective dates and retroactive applicability.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. DEPARTMENT OF JUSTICE. There is appropriated from the general fund of the state to the department of justice for the fiscal year beginning July 1, 1995, and ending June 30, 1996, the following amounts, or so much thereof as is necessary, to be used for the purposes designated:

1. For the general office of attorney general for salaries, support, maintenance, miscellaneous purposes including odometer fraud enforcement, and for not more than the following full-time equivalent positions:

| | | |
|-------|------|-----------|
| | \$ | 5,242,801 |
| | FTEs | 177.50 |

It is the intent of the general assembly that the general office of attorney general shall establish within the office a farm services unit and a juvenile unit within the funds appropriated in this subsection:

2. Prosecuting attorney training program for salaries, support, maintenance, miscellaneous purposes, and for not more than the following full-time equivalent positions:

| | | |
|-------|------|---------|
| | \$ | 122,415 |
| | FTEs | 4.00 |

a. In addition to the funds appropriated in this subsection for the fiscal year beginning July 1, 1995, and ending June 30, 1996, the attorney general shall provide up to \$41,000 in state matching funds from moneys retained by the attorney general from property forfeited pursuant to section 809.13, for the prosecuting attorney training program, the prosecuting intern program, or both. Counties participating in the prosecuting intern program shall match the state funds.

b. In addition to the funds appropriated in this subsection for the fiscal year beginning July 1, 1995, and ending June 30, 1996, and the moneys retained by the attorney general pursuant to paragraph "a", the attorney general shall provide up to \$10,000 in state matching funds from moneys retained by the attorney general from property forfeited pursuant to section 809.13, for the office of the prosecuting attorneys training coordinator to use for continuation of the domestic violence response enhancement program established in accordance with 1992 Iowa Acts, chapter 1240, section 1, subsection 2, paragraph "b".

c. The prosecuting attorneys training program shall use a portion of the funds appropriated in this subsection for educating and training prosecuting attorneys, as defined in section 13A.1, in alternative dispute resolution techniques.

3. In addition to the funds appropriated in subsection 1, there is appropriated from the general fund of the state to the department of justice for the fiscal year beginning July 1, 1995, and ending June 30, 1996, an amount not exceeding \$200,000 to be used for the enforcement of the Iowa competition law. The expenditure of the funds appropriated in this subsection is contingent upon receipt by the general fund of the state of an amount at least equal to either the expenditures from damages awarded to the state or a political subdivision of the state by a civil judgment under chapter 553, if the judgment authorizes