



Iowa Mental Health and Disability Services Commission

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November 10, 2010

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The Honorable Chester J. Culver  
Office of the Governor  
State Capitol Building  
Des Moines, Iowa 50319

Re: SFY 2013 Allowed Growth Factor Adjustment Recommendation  
and Renewal of SFY 2012 Growth Factor Adjustment Recommendation

Dear Governor Culver:

On behalf of the Mental Health and Disability Services Commission, and pursuant to Iowa Code §331.439(3)(b), I am transmitting our recommendation for an allowed growth factor adjustment for fiscal year 2013 and renewing our recommendation for fiscal year 2012 with both restraint and a great sense of urgency.

As you know, the Iowa Code section cited above states that the allowed growth factor percentage is intended to address the costs associated with new consumers entering the service system, the costs of inflation, and the costs of investments for reasons of economy and efficiency. The Commission's recommendation is based on information contained in county management plans, input from representatives of Iowa counties, consumers, family members, and providers. The input we have received consistently supports a call for significant growth, yet we recognize that dollars and resources are scarce and even though the need is real, the capacity to fully fund that need is limited.

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Representative Dave Heaton

Representative Lisa Heddens

We acknowledge that the intensity of need must be weighed against the scarcity of resources, but in doing so, we must find a way to strike an equitable balance that maintains essential services to Iowans with mental health and disability-related needs and allows our systems to continue to plan and grow as we move to more person-centered, recovery-oriented, efficient, and fiscally responsible delivery of those services.

One year ago, after carefully considering the need for growth and the stark financial reality, our recommendation to you for State Fiscal Year 2012 was to simply restore the amount of allowable growth to the level originally appropriated for State Fiscal Year 2010.

Due to the uncertain budget situation, a decision was made during the 2010 Legislative Session to defer enactment of the allowed growth percentage for the school foundation formula one year in advance for fiscal year 2012, as is otherwise required by law. Instead, Senate File 2045 now requires enactment of the state percent of growth for fiscal year 2012 within 30 days of submission of the Governor's budget during the 2011 Legislative Session. The General Assembly applied the same delay to enactment of the allowed growth percentage for county mental health, mental retardation, and developmental disabilities services in House File 2531.

In light of that delay, we now renew our recommendation for State Fiscal Year 2012. The amount requested, \$69,949,069, represents an \$8.2 million increase over the amount for State Fiscal Year 2009, which was \$61.7 million. Based on an estimated total county expenditure of \$330 million in State Fiscal Year 2009, an increase of \$8.2 million from State Fiscal Year 2009 to State Fiscal Year 2012 reflects growth of approximately 2.48 percent spread over three years or only about 0.83 percent per year. As we stated a year ago, an increase of less than one percent per year is not sufficient to maintain existing levels of service and will result in service cuts and increasing numbers of counties with waiting lists. Given State revenue projections, we recognize it is simply not realistic to expect an increase that is truly adequate to maintain services. We believe it is reasonable, however, to request that funding for SFY 2012 be restored to the level of the original State Fiscal Year 2010 appropriation. Additionally, and for the same reasons, we recommend an increase for State Fiscal Year 2013 of 1% over the SFY 2012 recommendation, or approximately \$3.3 million. That modest increase would bring the allowed growth factor amount for SFY 2013 to \$73.2 million.

We have seen that across-the-board budget cuts can take a disproportionate toll on the most vulnerable lowans and any cuts to essential services can jeopardize their health and safety. We believe that funding for basic services to people with disabilities must be a priority. It is not only the right thing to do—it is also the cost-effective thing to do. When essential and cost-effective supportive services to people with mental health and disability-related needs are not funded, the result is more emergency room visits, more emergency psychiatric hospitalizations, more involvement with law enforcement, corrections, and the courts, and more abuse and neglect. In addition to the human toll those events take, they all cost the state money. Significant increases in the number of both adult and juvenile mental health commitments over the last several years are just one reflection of the high cost of failure to provide sufficient home and community based services to meet the need.

As a result of your across-the-board reductions, the Allowable Growth appropriation for State Fiscal Year 2010 was cut to \$54 million, and only \$48.6 million has been appropriated for State Fiscal Year 2011. Counties are struggling to maintain existing levels of service even with the support of federal stimulus dollars received through the American Recovery and Reinvestment Act of 2009, which have reduced their non-federal share of Medicaid services. As a result of the stimulus funds, some counties were able to add to their fund balance in State Fiscal Year 2009 due to the retroactive nature of the Federal Medical Assistance Percentage (FMAP) increase for State Fiscal Year 2009. Those fund balance increases will be essential in State Fiscal Year 2012, and could help alleviate some cuts in services if the Allowable Growth Appropriation is restored to the level originally appropriated for State Fiscal Year 2010.

In November of 2009, we indicated to you that with federal stimulus package money scheduled to end December 31, 2010, half-way through State Fiscal Year 2011, Iowa counties would be totally reliant on the Allowable Growth Appropriation to maintain services in State Fiscal Year 2012. We now know that the extension of an enhanced Federal Medical Assistance Percentage (FMAP) will be available for the remainder of SFY 2011, but at a significantly reduced rate, and that some cuts in services for people with mental illness and disabilities are likely. We see allowed growth funding for State Fiscal Years 2012 and 2013 as a critical bridge to the full

implementation of the Affordable Care Act. We anticipate the expansion of Medicaid coverage to additional populations to provide some relief by 2014, but we must find the means to sustain programs as they currently exist until that time.

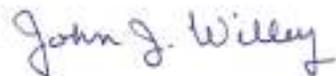
During the past year, the Commission has also been working with DHS on the development of the DHS Olmstead State Plan for Mental Health and Disability Services, a plan to enhance community capacity in accordance with the 1999 U.S. Supreme Court *Olmstead v. L.C. and E.W.* Decision. We are concerned about the capability to implement and expand the initiatives in that plan and to truly build community capacity in light of recent rate reductions. If community providers are to continue to operate, they have no choice but to pay increased costs for fuel, utilities, transportation, medications, and payroll today. Our community services system will collapse if we fail to support the continued operation and growth of providers. The alternative is a big step backward to increased reliance on unnecessary and expensive institutional care. When the basic needs of people with mental illness and disabilities are not met in their homes and communities, the only remaining options are higher cost and more restrictive. In addition, the Obama Administration has made compliance by States with the Americans with Disabilities Act (ADA) a priority. Failure to demonstrate adequate progress toward the community integration goals of the *Olmstead* Decision will place Iowa at risk for U.S. Department of Justice enforcement actions akin to those that are already ongoing in several states. The potential human and economic costs of that risk should be unacceptable to us.

We are all feeling the weight of the economic recession compounded by natural disasters. Both factors have created a growing need for mental health and supportive services at a time when the revenues and resources needed to support them are shrinking. The current property tax cap means that county MHDD dollars are frozen at the amount budgeted for State Fiscal Year 1996, with a maximum allowable levy amount of \$125,781,915. In SFY 2009, eighty-one of our ninety-nine counties levied 100% of the maximum allowed. Counties are dependent on State appropriations for any growth and expect that the State will appropriate funds that allow for reasonable growth. In addition to our recommendation for growth resulting from State dollars, the Commission also supports a change in the current dollar cap on county property taxes. Allowing counties to change to a levy rate cap would provide them with flexibility in planning and growth on a county by county basis. It has been estimated that if the 1996 levy rates were applied today, there would be approximately \$50 million more county dollars available to fund current service needs.

Recent news reports stated that Iowa's budget has a surplus of over \$300 million and reserve funds (also known as "rainy day funds") of over \$400 million. We are now experiencing a "rainy day". It would seem that some of these excess funds could be used to meet the \$20 million shortfall in MHDD funding. Mental health and disability-related services are essential to the health and well-being of our citizens, and the quality of life in our communities and our State. Especially in these challenging economic times, we must all work together to ensure that our short term decisions are not only cost-effective today, but remain focused on our long term priorities and the goals of community integration and self-determination for all Iowans.

On behalf of the Mental Health and Disability Services Commission, thank you for your consideration.

Respectfully submitted,



*John (Jack) Willey*  
Chair, MHDS Commission