



# 2018 GENERAL ASSEMBLY LEGISLATIVE BRIEFING

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# URBAN COUNTY COALITION

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# Urban County Coalition Summary

## Legislative Summary for 2018 General Assembly

*(Included in this Legislative Summary binder is this overview, selected issues that are tabbed that reflect legislative priorities, tracking of bills that passed and newsletters from the currently, just completed legislative session.)*

The 2017-18 Legislative session in Iowa has been universally categorized as historic, though the session's true legacy largely depends on who you ask. While there were some victories for local government, there were also restrictions and outright losses.

This was the second session under the control of the same party - the House, Senate, and the Governor's Office, all Republican. In the backdrop of lower than expected revenue collections, the session started with significant de-appropriations across the board which were not completed until late in session.

In the end, it was a reasonably good session that also included work on important noncontroversial bills and there were other wins for the Urban County Coalition; movement on a comprehensive Mental Health bill and protection of the state reimbursement of local governments (backfill) for property taxes revenue lost because of the drop of commercial/industrial property evaluations.

### **Backfill**

This is a major win for local governments. The backfill will remain status quo. Initially, the Senate proposed to start scooping from the backfill in fiscal year '20, however, the bill included 3-year clawbacks for urban areas and 6-year clawbacks for suburban areas.

It appeared that this would have adversely affected the urban areas, but the opposite was actually true: urban growth is slow, while suburban growth is much more rapid. The House had no interest in this plan, and in the end, no bill was passed.

The state is on the hook to reimburse up to \$150 million for the foreseeable future. But the future of reimbursement for local government will depend on who is elected governor, and control of the General Assembly.

### **Mental Health**

Mental health funding and service access has been a priority of Iowa law enforcement for the last few legislative sessions. Considering that police and sheriffs are often the first encounter for individuals living

with mental illness, law enforcement groups have impressed upon the General Assembly that mental health care cannot simply be reactive, but proactive.

**House File 2456** was enacted by Gov. Reynolds on March 29. The bill expanded mental health service access by creating six regional “access centers.” These are intended to be centers for people experiencing a crisis but are not in need of hospitalization. The bill also adds assertive community treatment (ACT) teams. Finally, and perhaps most imperatively, the bill made changes to mental health commitment rules.

But the next few months are critical to making that newly created system work. The funding study called for in last year’s mental health bill (SF 504) called for an interim study this summer to establish sustainable long term funding for mental health services, including for the youthful population which is not covered anywhere at this point in time. We will need to mount a statewide effort to get mental health services funded on a long term basis.

However, the funding mechanism was not attached to HF 2456. We are recommending a funding study be performed in the 2018 interim so we can prioritize it for the 2019 session. One of the main priorities of the 2017 was mental health funding, the final piece of the 2012 mental health redesign. Last year, the adopted Senate File 504 was meant as a patch to ensure services could continue into 2018, and the bill sunsets in 2020.

In the end, last year our goals for this two-year cycle were:

1. Elimination of the levy inequity between counties within mental health regions (done);
2. Elimination of the 1996 dollar cap on mental health expenditures (regional cap insert, still undone)
3. Long term funding so regions could move ahead on implementing Core services and where appropriate, Core+ services; (Study Committee in 2018 Interim)
4. Maintain \$47.28 cap on individual county expenditures (done); and
5. Maintain the 25% reserve requirement (modified for some counties).

## **Water Quality**

The first bill Gov. Reynolds signed in the 2018 session - and the first piece of legislation she signed as the new governor - was the water quality bill. While the Republicans considered it an early victory of the session, environmental groups and other stakeholders said the bill does not go far enough or address the underlying issues.

**Senate File 512** is estimated to generate more than \$280 million over the next 12 years for various water quality projects by establishing a funding stream converting the metered water sales tax into an excise tax. Gov. Reynolds signed the bill Jan. 31, 2018.

It also transferred funds from other environmental protection funds (REAP), so the net gain is minimal at this point.

## **Supervisor Districts**

Two bills emerged this session dealing with redrawing county supervisor districts. **House File 2372** and **Senate File 2320** essentially aimed to do the same thing: force larger counties into and keep them in “plan three” where the county voters would not be able to petition and vote to change the number of districts.

The non-partisan Legislative Services Agency would be tasked with the district redrawing. This would impact ten counties, and immediately impact two – Linn and Polk counties. The House version eventually made it to the Governor’s desk, and she signed it May 16.

The lobbying team has requested though Sen. Rob Hogg for the Attorney General’s Office to opine on the constitutionality of this bill, and stakeholders have formally requested Gov.

Reynolds to veto the legislation.

There is also ongoing discussions with Polk County, Urban County Coalition and the State Association of Counties regarding potential litigation challenging the law.

## **County Bonding/Lease Purchase**

New construction projects for local government will see hindrances after this session. **House File 2253** (Senate version was **Senate Study Bill 3110**) essentially squeezed out leasepurchase projects for cities and counties. The bill required that construction projects and improvements built by a private contractor under a lease or a lease-purchase contract with either the state, local governments, community colleges, or Regents would be subject to competitive bidding in the same manner that a public project is subject to competitive bidding.

Though the House and Senate said they were open to amendments, the amendment ultimately agreed to on party lines by the House Local Government Committee eliminates, for all practical purposes, the option of lease purchase and eliminates the functionality of Tax Increment Financing Districts. It basically makes the Lease Purchase provision in the Iowa Code inoperable because it requires competitive bidding, or low bid, despite the presence of developers fronting the cost. That inability to choose known contractors or subcontractors makes it impossible for any developer to agree to a pre-determined price.

This was signed by the Governor on April 4.

Ironically the session-ending Standings bill (SF2502) included a provision that exempted a project that includes a substantial lease purchase for the city of Johnston, which is in the legislative district of the Lease Purchase sponsor, Rep. Jake Highfill.

## Sanctuary Cities

Perhaps one of the most contentious bills to be signed during the 2018 session regarded “sanctuary” cities. **Senate File 481** prohibits cities and counties from adopting policies or ordinances pertaining to undocumented residents and prohibits these entities from discouraging law enforcement officers or others from activities related to enforcing immigration laws.

This bill was met with pushback from various stakeholders, including law enforcement, who said the bill will damage the working relationships that police and sheriffs have with immigrant populations in their communities. Such relationships and trust-building have taken considerable time to build and maintain.

Despite the contention that followed with this bill signing, another bill (**House File 2114**), which would have required that a person’s immigration status be made a public record, died in one of the legislative funnels.

## Opioids

Stakeholders across Iowa, including local governments, called upon the legislature in 2018 to take action against the opioid epidemic that are flooding other states and present in Iowa. An interim study committee during 2017 led up to various bills to address opioid prescription and use. **House File 2377** specifically regarded the prescription monitoring program (PMP). The bill requires pharmacists and other dispensers to report dispensing a controlled substance within 24 hours and gives the Board of Pharmacy authority to impose a surcharge on controlled substance prescriptions to maintain the PMP. Starting in 2020, all controlled substance prescriptions must be transmitted between the prescriber and the pharmacy electronically (certain exceptions were carved out for veterinarians, etc.). The bill also directs the Board of Pharmacy and the PMP advisory council to develop criteria to identify persons at risk of abuse of prescription drugs. Finally, the bill requires persons who manufacture, distribute or dispense controlled substances to register with the Board of Pharmacy, and it establishes protections for people who seek assistance for someone who is suffering a drug-related overdose.

Critics, however, say the bill doesn’t go far enough in opioid use mitigation because it addresses what happens if an addicted person overdoses once and then assigns penalties, rather than acknowledging people with addiction may relapse and overdose more than once.

Gov. Reynolds signed this bill on May 14, 2018 in Dubuque.

### **IPERS Iowa Public Employment Retirement System**

Despite public discussion on the Legislature's part, no changes were made to retirement accounts or IPERS.

### **Medicaid Reimbursement to County owned facilities**

An effort to require Medicaid reimbursement for County owned facilities was made early in session, but the bill died in subcommittee.

The privatization of Medicaid in Iowa has caused many challenges for providers; including county owned facilities.

### **Tax Credits & Tax Increment Financing**

While considerable discussion was held by legislators and the governor's office regarding tax credits and Tax Increment Financing structures, in the end despite a major tax reform bill being passed late in session, there was little impact on Tax Credits or TIF.

The tax bill eliminated the geothermal tax credit and restricted the timing and access to the research and development tax credit, but otherwise, there was little impact on tax credits.

Likewise, despite discussion regarding how TIF would be handled with the three affected taxing jurisdictions, there was no change in the law.

### **Resolution Publications, E911 & Rural EMS Levy**

#### **Resolutions**

Another considered win for local governments is the resolution publications bill, **Senate File 2227**. This bill requires county auditors to include a summary of resolutions, or the full text of resolutions, in the materials furnished to the board of supervisors for publication about supervisor meetings. It also requires the county to post adopted resolutions online if the county has an internet site. The Governor signed SF 2227 May 4.

#### **E-911/EMS Levies**

E-911 has been a less pressing issue this legislative session, as most of the pieces were enacted previously. **House File 2254** was mostly a technical clean up bill. It defined 911 call processing equipment as well as next generation 911 network service provider, and other related terms. It also made changes to the 911 service plans and surcharges. Finally, it contained provisions on consolidated 911 networks and consolidation of the next generation 911 network service provider. The bill was signed by the Governor on April 4.

The House worked hard on emergency management services levying. **House File 2479** established a voter approval of a proposition to require a township to provide emergency medical services. higher township property tax rate for areas that provide emergency medical services was authorized, but only if that higher rate is approved by voters. The additional levy authorized was a maximum of \$0.20 per \$1,000 of taxed property value. The Senate version, **Senate File 2060**, died in funnel, leaving just the House version. While it came out of a Senate subcommittee, it was during the last week of session, and lawmakers expressed doubt about its viability. The language also did not show up in the catch-all standings bill.





## 2018 Priorities Agenda

**Commercial Property Tax Backfill** - Counties consistently try to find efficiencies in how they spend taxpayer resources. From 2013 to 2016 the county budgets in the UCC have increased about 1.6%, while the state's budget during the same period has increased by 18%. The state made a commitment to backfill the revenue loss that was a result of the reduction in the commercial and industrial property tax rates. In addition, the changes in the multi residential rates will take effect in FY17 (and is not backfilled) which will have an additional adverse effect on local revenues. We expect the State to make sure it continues to follow through on its promise to backfill the property tax loss.

***Mental Health Funding*** -We respectfully request that the legislature follow through on the recommendation of SF 504 and appoint an interim study committee to address the issues of mental health funding. These issues are simply too important to wait until we have another funding crisis. While regions work through the process of complying with the directives of SF 504, the legislature should keep its promise and discuss permanent funding solutions. In addition, we still strongly oppose any transfer of additional responsibilities from the state to regions without the commitment to provide additional resources. Without this commitment, the state would be placing an additional burden on local property taxes.

**Water Quality** - We support the funding of the Iowa Water and Land Legacy fund established by constitutional amendment. We also oppose any change to the current formula of allocation, encouraging the legislature to find new funding to address the water quality issues that affect Iowa's waterways. We would also ask the legislature to look closely at local partnerships that have been established and are having an effect. These efforts, including watershed management authorities, should be given the resources they need to make sure the work they are doing can continue. We believe that any solution that is considered should include a shared financial burden between both urban and rural partners.

**Iowa Public Employees Retirement System:** Iowa has *the most solvent and well-funded public retirement systems in the United States. It has maintained that status with conservative investment policies and conservative growth projection.* IPERS is an important and effective recruiting tool to help government agencies attract talented workers. We would encourage the legislature to carefully consider before any changes are made to the current system.

**Opioid Epidemic** - The UCC recognizes the spread of opioid-related abuse and deaths, including abuse and deaths related to the use of heroin and abuse of prescription drugs, and the effects this abuse has on communities. The UCC encourages the General Assembly to seek measures that mitigate and curb the abuse of opioids and other injection-drugs. We would like the legislature to make the Iowa Prescription Management program a key part of any strategy they employ to reduce the use of the abuse of prescription drugs. We also encourage the legislature to restore funding for drug courts.

## **Additional Issues**

**Tax Credits:** Tax credits play a major role in rebuilding communities. While we understand that these programs should be used judiciously, we believe that the current programs work (such as the Historic Tax Credits, the Endow Iowa tax credits, and the renewable energy tax credits), and any policy that proposes to change the way these credits currently work should be carefully balanced against the economic/tourist value if implemented.

**Tax Increment Financing:** We understand that this is an important tool (and one of the few left) to local governments to encourage economic development. Should changes be considered, we ask that the legislature make counties more active partners in the use of TIFs.

**Medicaid reimbursement to County owned facilities:** Counties that still have county hospitals are not receiving the state set rate for RCF services. MCO's are paying the lower negotiated rate (80%). The counties in the UCC that are providing these services did not negotiate this rate and in the absence of a negotiated rate the MCO's should be required to pay the state rate. The current system of managed care has failed and the Legislature must address the issue by returning to the previous system or finding other sustainable options.

**Early Childhood Iowa:** The Urban County Coalition urges the Legislature to enhance effectiveness of Early Childhood Iowa funds by removing the categorical restrictions on their use allowing ECI Governance Boards to address the unique local needs of at-risk families as documented in their Community Plans.

**Restore Full funding for De-categorization:** Funding for the Decat Boards is appropriated via 1.)

Legislative Allocation 2.) Transfer of Child Welfare funds from the DHS Service Area Manager 3.) Transfer of funds from the Chief Juvenile Court Officer. In FY16 the Decat Boards did not receive the roughly \$5 million Transfer of DHS Child Welfare funds. This resulted in a nearly 80% decrease in funding for some Decat Boards and the elimination of many critical programs that help prevent children and family involvement in the child welfare and juvenile justice systems. The Urban County Coalition urges the Legislature to shift the primary funding for Decategorization away from Child Welfare Transfers to a comparable increase in annual legislative allocation to allow for improved fiscal planning.

**Unfunded and Underfunded Mandates** - We encourage the Legislature to act to reduce the instances of cost shifting identified and eliminate the burdens these place on property tax payers. The two areas that have the largest impact on local property taxes are colocation of state offices (DHS) and courthouse maintenance and security, but there are many others.

- **Housing State Offices at Local Taxpayer Expense** – Currently some counties are forced to house a variety of state agencies (DHS and the Courts, for example) and receive little or no reimbursement from the State. In addition, counties are forced to pay for expenses such as postage and office supplies at local taxpayer’s expense. We request that the State no longer require that counties subsidize the local office expenses of state agencies. We would encourage the legislature to pay particular attention to the document storage requirements of the Department of Human Services,
- **Courthouse Security and expenses**- Like the housing of state agencies, local taxpayers are bearing the entire burden of upgrading, modifying, or even replacing aging courthouses. There is a court expense added to virtually every criminal or civil action but none of this money goes to pay actual courthouse expenses. We would request that the state allocate a portion of these funds to counties for courthouse maintenance and security. This is also an area where the state imposes costs on local governments by not moving the agencies to a paperless document storage program like it has other state agencies.
- **Paper Document Storage – Publishing Costs** – Reduce publishing costs to local governments to publish meeting, and legal notices on-line and require only a summary to be published in local print outlets. Additionally, allow counties to publish in only one newspaper. We would also encourage the legislature to provide a more clear definition of proceedings.

**Emergency Management Agency Funding** – The current funding formula does not adequately address the needs of the urban counties in Iowa. Eliminate the funding cap on urban counties. We also encourage the State to pass through 80% of the federal funding it receives to counties.

**REAP** - We encourage the Legislature and the Governor to fully fund the program at the 20 million dollar level.

**Trail Funding** - We believe that these funds should be focused on identifying and addressing the issues of trail connectivity across our state.

**County Bonding** - We believe that in matters of public finance, counties should be treated in the same manner as cities. We support allowing counties the same flexibility in bonding for certain projects that the cities currently enjoy. We also ask that the limit be raised to a consistent level with cities, currently five million dollars. In addition, the definitions of essential county purpose have not been updated to address new challenges faced by counties. We ask that the following categories be added to essential county purposes: disaster recovery, disaster mitigation, water quality initiatives, and courthouse improvements and upgrades.

**EMS Services** - We encourage the state to work with counties and municipalities to help find ways to expand emergency medical services and to expand it to essential service designation.