



STATE OF IOWA
KIM REYNOLDS
GOVERNOR

June 2, 2026

The Honorable Paul Pate
Secretary of State of Iowa
State Capitol Building
LOCAL

Dear Mr. Secretary:

I hereby transmit House File 2782, an Act relating to and making appropriations to the department of veterans affairs and the department of health and human services, including aging and disability services, behavioral health, public health, and community access and eligibility; the medical assistance program, state supplementary assistance, hawki, and other health-related programs; family well-being and protection; state-operated specialty care; administration and compliance; transfers, cash flow, and nonreversions; report on nonreversion of moneys; more options for maternal support program; reimbursement rates review; mental diseases exclusion waiver; full-time equivalent dashboard; comprehensive family support program; federal community mental health services block grant; behavioral health expenditure report; opioid settlement fund; emergency rules; graduate medical education; and special population nursing facilities; and including effective date and retroactive applicability provisions.

House File 2782 is approved this date with the following exceptions:

- Division XVIII involves a federal community mental health services block grant. When I signed behavioral health system redesign, House File 2673, into law in 2024, I committed to building a stronger, more coordinated behavioral health system. With bipartisan support, we established a comprehensive approach to behavioral health prevention, early intervention, treatment, recovery, and crisis services for all Iowans.

Upon enactment, Iowa HHS engaged stakeholders statewide to bring the law's vision to life. Feedback from providers, law enforcement, legislators, local leaders, individuals, and families informed both the development of the plan and, on July 1, 2025, the implementation of Iowa's first statewide behavioral health service system. We chartered a clear path toward a north star vision: streamlined access, consistent care, stronger coordination at every level, and reduced administrative burdens for our providers. Through Behavioral Health District Advisory Councils, monthly virtual Town Hall meetings, and roundtable conversations, ongoing stakeholder feedback now helps guide our assessment of progress and outcomes and will inform our future plans.

In 2025, Senate File 626 modernized Iowa's use of federal Mental Health Block Grant (MHBG) funds. For more than 20 years, 70 percent of MHBG funds were required to pass directly to Community Mental Health Centers (CMHCs), despite CMHCs not offering the full range of services needed across the state and the allocation not being tied to need or outcomes. Senate File 626 removed this passthrough beginning in FY27, allowing Iowa to focus MHBG investments on areas of high need, expand training for all safety net providers, and more strategically invest to improve outcomes statewide.

To support the FY27 transition, Iowa HHS adjusted the behavioral health safety net fee schedule so CMHCs and Certified Community Behavioral Health Clinics (CCBHCs) now receive 100 percent of Medicaid enhanced CMHC rates, effectively reimbursing at rates that are 15 to 50 percent higher than other behavioral health providers. Additional funds to sustain safety net access will continue to flow through the Behavioral Health Administrative Service Organization (BHASO) contracts to ensure funding is aligned with Iowa's statewide plan.

Iowa HHS has fully prepared for the changes directed in Senate File 626 and remains committed to ensuring investments are aligned with local need, achieve the greatest impact, and comply with federal requirements. Adhering to the framework built by House File 2673 and the intentional planning directed by Senate File 626 will continue to move our state toward maximizing the impact of all available funding.

- Division XX involves the opioid settlement fund. Since I signed House File 1038 following the 2025 General Assembly, Iowa HHS has worked diligently to establish a competitive, accessible and fair process for allocation of opioid settlement funds. The process empowers providers and partners of all types and sizes to clearly and transparently apply for and receive funding to address the impacts of the opioid crisis in Iowa – without having to hire a lobbyist to secure an earmark.

After two years of discussion, House File 1038 directed that 75 percent of the state's ongoing share of opioid settlement funds be allocated to Iowa HHS. The legislation also required the department to gather local feedback through the local Behavioral Health District Advisory Councils regarding disbursement of funds, intended outcomes, and recommendations for future investment and submit a report and recommendations annually to the legislature. Iowa HHS submitted its first annual report and recommendations to the legislature in November 2025; that report remains publicly available on the legislative website.

Since enactment, Iowa HHS has worked proactively to allocate its share of funds swiftly and directly to synergize effort in communities all across Iowa. Between the passage of the bill and the end of FY25, the department invested \$26M into initiatives identified in the legislation. By the end of FY26, Iowa HHS anticipates an additional \$20M, allocated through three competitive procurements, will be invested to combat the opioid crisis in Iowa. Iowa HHS' investments, thus far totaling \$46M, have focused on a wide range of projects including youth prevention, building and training specialized treatment and crisis response teams, and expanding recovery housing.

The competitive process envisioned is now in place. As directed by the legislature in House File 1038, work has been established with the direct input of Behavioral Health District Advisory Councils. To ensure ongoing connection, Behavioral Health District Advisory Council members assisted in application review for grant funding. This collaborative approach ensures that the state's investments align with local need, target the most effective opportunities, and remain fully compliant with the requirements of the opioid settlement agreement and the process set up by HF1038. In this instance, this project was not awarded a grant through the competitive process. Iowa HHS will continue to utilize this process to open additional funding opportunities, reflecting the ongoing and evolving work required to address the impacts of the opioid crisis on Iowans.

For the above reasons, I disapprove those parts of House File 2782 as specified above, in accordance with Article III, Section 16, of the Constitution of the State of Iowa. The remainder of House File 2782 is approved as of this date.

Sincerely,

A handwritten signature in black ink, appearing to read "Kim Reynolds", written in a cursive style.

Kim Reynolds
Governor

cc: Secretary of the Senate
Clerk of the House