



TERRY E. BRANSTAD
GOVERNOR

OFFICE OF THE GOVERNOR

KIM REYNOLDS
LT. GOVERNOR

May 25, 2012

The Honorable Matt Schultz
Secretary of State of Iowa
State Capitol Building
Des Moines, Iowa 50319

Dear Mr. Secretary:

I hereby transmit Senate File 2336, an Act relating to appropriations for health and human services and including other related provisions and appropriations, making penalties applicable, and including effective, retroactive, and applicability date provisions.

Senate File 2336 is, therefore, signed on this date with the following exceptions, which I hereby disapprove.

I am concerned that Senate File 2336 does not adequately fund the state share of Medicaid. The legislature was unable to reach an agreement on Medicaid so there has not been an adjustment to the Medicaid appropriation since the last legislative session. It is estimated that the Medicaid appropriation will fall \$30 to \$40 million short of the low-range projections. Sufficient funds will exist in the ending balance to cover any shortfall and the money has not been used for other purposes. Simply put, this is not a good budget practice and should not be continued in the future.

I am unable to approve the designated portion of the item designated as Section 3, subsection 2, lettered paragraph d. This item creates a redundant, overly burdensome mandate requiring the Iowa Veterans' Home to make expenditure reports monthly to the Legislative Services Agency for fiscal year 2013. While I strongly support transparency efforts that publicly disclose how departments spend their resources, this information is already available within the State's accounting and budgeting systems.

I am unable to approve the designated portion of the item designated as Section 7, amending 2011 Iowa Acts, chapter 129, section 119 inserting numbered paragraph 5. This item appropriates \$500,000 to the Food Bank of Iowa. This is a new appropriation. The effect of this disapproval shall cause the \$500,000 contained in this item to revert to the General Fund. I

strongly support the Food Bank of Iowa and their important work to help needy Iowans. In fact, I started in the 1980's and annually lead a fund drive to help raise private donations for the Food Bank. I am proud of the generous contributions state of Iowa employees make to the Food Bank. I believe that private donations are the best way to support the Food Bank.

I am unable to approve the item designated as Section 11 in its entirety. This language sets a poor policy precedent because it limits savings that can be achieved in our Medicaid program. The Department of Human Services needs to have the flexibility to manage the Medicaid entitlement program and its' cost to the taxpayers.

I am unable to approve the item designated as Section 16 in its entirety. The effect of this disapproval shall cause the \$37,000 contained in this item to revert to the General Fund. It is inappropriate to designate a special reimbursement method directed for one single provider. This issue should be dealt with through the Children's Disability Services workgroup. This group is working together so that unmet needs and reimbursement issues can be addressed as a whole, rather than for certain providers.

I am unable to approve the designated portion of the item designated as Section 29, amending 2011 Iowa Acts, chapter 129, section 138 inserting numbered paragraph 3. This item creates carry-forward language which is unnecessary for the Department of Human Services from fiscal year 2013 to 2014 for field operations. The carry-forward language does not work to advance my goals of returning predictability and sustainability back to government budgeting. Additionally, providing carry-forward language for the Department of Human Services before the fiscal year has begun and before it can be known if funds will exist to carry-forward is inappropriate.

I am unable to approve the designated portion of the item designated as Section 30 amending 2011 Iowa Acts, chapter 129, section 139 inserting numbered paragraph 9. This item creates carry-forward language which is unnecessary for the Department of Human Services from fiscal year 2013 to 2014 for general administration. The carry-forward language does not work to advance my goals of returning predictability and sustainability back to government budgeting. Additionally, providing carry-forward language for the Department of Human Services before the fiscal year has begun and before it can be known if funds will exist to carry-forward is inappropriate.

I am unable to approve the designated portion of the item designated as Section 50, paragraph 3. The effect of this disapproval shall cause the disapproved funds to not be appropriated and the terms of the federal funding shall control disbursement. This item appropriates funds for a child welfare resources fund to pay for infrastructure, supplies, and equipment for private child welfare providers. The Department of Human Services has emphasized the value and

effectiveness of care in home and community-based settings over institutions. Psychiatric Medical Institutions for Children already have the ability to be reimbursed by Medicaid for the costs of infrastructure, supplies and equipment.

I am unable to approve the item designated as Section 73 in its entirety. The effect of this disapproval shall cause the disapproved funds to revert to the community housing revolving loan program. This item diverts critically important funds away from cost effective community-based care. Instead it uses the one-time funds for building or rehabilitation of institutions. Due to scarce state resources, care of children in home and community-based settings must have funding priority.

I am unable to approve the item designated as Section 75 in its entirety. This item creates carry-forward language which is unnecessary for the Department of Human Services from fiscal year 2012 to 2013 for the family investment program. This carry-forward language is not needed for this program.

The DHS carry-forward for state supplementary assistance found in Section 78 is not consistent with best budget practices. It is inappropriate, but unfortunately necessary due to federal maintenance of effort requirements. We must return predictability and sustainability back to government budgeting. It is my goal that in next year's biennial budget, the legislature will forgo the use of any carry-forward language for general fund dollars.

The DHS carry-forwards for facilities, field operations and general administration found in Sections 79-83 and 85 are not consistent with best budget practices. They are inappropriate, but unfortunately necessary due to underfunding. We must return predictability and sustainability back to government budgeting. It is my goal that in next year's biennial budget, the legislature will forgo the use of any carry-forward language for general fund dollars.

I am unable to approve the item designated as Section 84 in its entirety. This item creates carry-forward language which is unnecessary for the Department of Human Services from fiscal year 2012 to 2013 for child protection system improvements because the carry-forward for general administration makes this carry-forward unnecessary.

I am unable to approve the item designated as Section 92 in its entirety. This language creates a grant program to provide housing or infrastructure funds for organizations which provide the Psychiatric Medical Institution for Children (PMIC) level of care. It is no longer needed due to the disapproval of Section 73 which would have funded the grant program.

I am unable to approve the item designated as Section 100 in its entirety. Given current uncertainty about what charges may be billed as costs of special education instructional

programs, it is expected that all impacted entities will continue existing billing practices through June 30, 2013. Clarification of allowable costs is anticipated by the fiscal year that begins July 1, 2014. The goal is to provide stability and predictability, assuring a high level of educational services and a fair playing field for use of funding for all involved.

For the above reasons, I respectfully disapprove the designated 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 2336 are hereby approved as of this date.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry E. Branstad". The signature is fluid and cursive, with a large loop at the end.

TERRY E. BRANSTAD

Governor