

DISCUSSION

At the budget appeal hearing Kirk Siegle said that he wanted to make it clear that the petitioners were not asking the Appeal Board to do anything that would reduce mental health services. He said they all have a responsibility toward the general well being of the people who depend on adequate funding in the mental health services fund.

Mr. Siegle outlined three major issues the petitioners have with the budget. The issues were identified as follows:

Issue 1: The certified budget submitted to the Department of Management on March 15 is different than the budget approved on March 9.

Issue 2: The expenditure for the residential care facility is inappropriate.

Issue 3: The county is over-budgeting mental health expenditures, and under-budgeting cash reserves.

Pursuant to the three issues, the petitioners asked the State Appeal Board to take the following actions:

- Increase the FY2000 beginning balance in the mental health fund by approximately \$100,000 compared to the March 15 certified budget; or to whatever level is deemed appropriate.
- Reduce the FY2000 proposed expenditure by \$200,000.
- Reduce the mental health levy to 62.7 cents per \$1,000 of taxable valuation, a reduction of 41.6 cents per \$1,000 (approximately \$468,000).

Issue 1. According to the petitioners, the budget adopted on March 9 showed a mental health ending fund balance of \$1,008,602. The budget adopted on that date is the budget the petitioners relied upon during their budget review. The petitioners compared the budget adopted on March 9, with the budget submitted to the State Department of Management on March 15 and discovered the ending fund balance in the Mental Health Services Fund on March 15 was \$878,964, a difference of approximately \$130,000. The two versions of the budget showed mathematical errors that were corrected but this didn't explain the \$130,000 difference.

An employee in the County Auditor's office told the petitioners that an adjustment had been made to the re-estimated 1999 mental health budget to reflect an expenditure for a club house for consumers of mental health services. However, to the petitioners that was disturbing because the re-estimated mental health expenditure was the same in both the March 9 approved budget and the certified budget received by the State on March 15. Later, the auditor informed the petitioners that the beginning fund balance for FY2000 was reduced by

approximately \$130,000 to reflect the adjustment for the clubhouse. The petitioners said it was troubling that the County made no attempt to inform the petitioners that substantive changes were approved in the budget. The petitioners objected to the way the numbers were shifting during the time citizens were trying to analyze the budget.

The petitioners requested the beginning balance in the FY2000 budget be returned to the original level, with the exception that the mathematical error adjustment be allowed.

Issue 2. According to information submitted to the petitioners by the County, \$200,000 has been appropriated in the Mental Health Services Fund for a new residential care facility in FY2000. The petitioners outlined three concerns regarding this issue:

- Is the construction of a new care facility the best solution?
- The timing of the proposed construction of the new facility.
- If the county does plan to proceed with the new care facility, is the proposed expenditure in the proper fund category?

The petitioners stated that the current residential care facility is old, expensive to operate, and too large a structure to house the current consumer population. Further, and most important according to the petitioners, the building does not provide housing options that are consistent with the current philosophy of goals of mental health providers. The petitioners stated that there have been important and positive changes in housing options that should be available to consumers.

Because of the current programs offered at the State and Federal level, the petitioners requested the County examine alternative housing options that will not involve building a new residential care facility. The petitioners noted the creation of a task force to explore the care facility issue. They believe a decision to construct a new facility should not be rushed into. However, because the County budgeted \$200,000 for the new facility in FY2000, the petitioners feel the County is building the foundation for a decision to build another care facility. The petitioners requested the State Appeal Board to remove the \$200,000 expenditure from the Mental Health Services Fund category and reduce the mental health levy to reflect the reduction.

The petitioners stated that every aspect of the Iowa Code concerning mental health, mental retardation, and developmental disabilities addresses service and services only. The petitioners believe the Mental Health Services Fund should not be used for capital projects. Building a new residential care facility falls under the definition of a "capital expenditure" and not a "service expenditure." The petitioners said that if this issue is considered a capital expenditure, the petitioners request the following items be considered:

- Evaluation of the advantages and disadvantages of the construction of a new facility.
- Review financing alternatives and options available to fund capital projects.
- Complete a life cycle cost analysis.
- Research federal public housing funding sources to supplement construction costs.

The petitioners stated they believe that if the task force decides to build a new residential care facility, the tax levy should be collected through the General Fund and planned as a capital project. They believe that it is important to keep specific expenditures associated with the correct funding mechanisms. The petitions requested that the \$200,000 proposed expenditure for a new residential care facility be removed from the Mental Health Services Fund and the tax levy be reduced to reflect the reduction.

Issue 3. According to the petitioners, the County has over-budgeted expenditures for mental health for the last several years. They said that this results in under-budgeted ending fund balances. The petitioners provided several exhibits that illustrated this. The petitioners said that the County told them that the budget was over-estimated because of the lateness of state billings. However, the petitioners do not believe this should be an on-going problem, it should only present itself as a change in accruals. If the County cannot pay FY1999 bills in the year they are due, they will pay them in FY2000 just as the unpaid bills of FY1998 are paid in FY1999, and the unpaid bills of FY1997 are paid in FY1998. Further, the petitioners said the magnitude of the state billings doesn't come close to justifying the extent to which the County is over-budgeting.

The petitioners said they believed that an ending fund balance equal to 20% of budgeted expenditures would more than adequate since they feel history shows that actual cash reserves will be closer to 50% of actual expenditures.

Supervisor David Miller delivered the county's response to the appeal. He made several comments regarding the budget process and the interaction with the citizens. The hearing on the mental health budget was held on January 11 and he said the petitioners' input would have been welcomed at that time.

Mr. Miller showed that tax levy rate for mental health has been significantly reduced through managed care and increased funding from the State of Iowa. He continued by saying that this is a fund with frequent changes in expenditures because of the nature of the individuals served.

Mr. Miller compared the cost of per person served in Des Moines County with other counties. He said that although the county is 12th in the state in population,

it is 76th in the amount spent per person. The county would have to spend an additional \$1.3 million to be 12th in costs per persons.

According to Mr. Miller, the advent of managed care came with both positives and negatives. One negative of managed care mentioned was that the State Department of Human Services is no longer setting provider rates. Now counties must negotiate with each provider. He said that fewer numbers could reflect on the negotiation process.

Mr. Miller said that another uncontrollable factor is the number of people that will become consumers needing services. He also gave an example of how much an intermediate care facility specializing in services to the mentally retarded could cost (\$70,000 per year).

In order to put these issues in perspective he related the findings of a United States Senate hearing dealing with rural health matters including the farm crisis and mental health. One of a number of findings was that there is a direct relationship between the rural economy and the mental health of farmers and rural residents. Studies documented the rise in rates in the rates of depression related to farm stress.

Mr. Miller said that it is impossible to accurately predict how many people will require costly treatment. He said for this reason, the County needs a risk pool built into the budget to cover such costs.

Mr. Miller also talked about the residential care facility (Gateway Care Center). This is a four-story brick building built in the 1940's, originally intended to accommodate 103 residents. Approximately one year ago the county was notified that the operators of the residential care facility would not renew their contract, at which time the county began the process of seeking a new operator. At that time the resident census was 53.

The Board of Supervisors and the County CPC Director questioned the appropriate utilization of the building because national trends, based on outcome surveys, were recommending that whenever possible the MI/MH population be placed in community-based housing. Mr. Miller said that actually they were thinking about a planned closure as far back as February 1996. He said that little did the County know that the population would drop to 28.

According to Mr. Miller, throughout this period of transition the County established reserve funds for the purpose of a down sized residential care facility. Questions needing answers were location, when is best for transition, and how best to plan for the transition. The County has included adequate housing in its County plan and it is the County's intention to use mental health reserve dollars as a catalyst to accomplish this goal.

Mr. Miller also cited a letter received from Loren Bawn, Executive Officer for County Systems with the Iowa Department of Human Services. Mr. Miller quoted from Mr. Bawn's letter: "I am aware of no specific law which forbids a county from using services fund dollars on capital expenditures, so long as the planned expenditure has been included in an approved county management plan." Mr. Miller said the County chose to use reserve fund dollars for this project, in part, because it reflects sharing of the burden of payment among the taxpayers of Des Moines County and State assistance, in deference to County general fund dollars which are made up only of tax dollars collected from Des Moines County residents. He added, "It seems fiscally reasonable to spread the tax burden whenever possible.

FINDINGS OF FACT

1. The County has identified at least \$200,000 in the Mental Health Services Fund to construct a new residential care facility.
2. The Des Moines County Disability Services Plan for FY99-00 identified the County's creation of a Care Facility Task Force to assist the Board of Supervisors in the decision making process regarding the possible planning and acquisition of a new care facility. The County's Plan was approved by the Iowa Department of Human Services on May 14, 1999.
3. The State provides a risk pool from which a County may apply for funds to cover unanticipated costs in excess of the County's current year budget amount for the County's Mental Health, Mental Retardation, and Developmental Disabilities' Fund.
4. The County budgeted an increase of \$41,585 in property taxes in the Mental Health Services Fund.

CONCLUSIONS OF LAW

The State Appeal Board has jurisdiction over the parties and the subject matter of this appeal, pursuant to Iowa Code sections 24.28 and 331.436.

ORDER

Based on the financial position of the County, information provided by the parties involved, and in reviewing the historical data of Des Moines County, the State

Appeal Board orders the property tax levy in the Mental Health Services Fund be reduced by \$241,585, which is equal to the requested property tax increase of \$41,585 plus \$200,000.

STATE APPEAL BOARD



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Member

6-1-99

Date

**Des Moines County
Fiscal 2000 Budget Protest
Mental Health Fund Analysis**

Property Taxes Levied:

Fiscal Year	Taxes Levied	Dollar Change Prior Year	Percent Change Prior Year	Percent Change from 1995		Net Current Property Taxes
1997	2,071,028	2,071,028	#DIV/0!	#DIV/0!	(1)	1,918,519
1998	1,877,305	(193,723)	-9.354%	#DIV/0!		1,454,783
1999	1,132,390	(744,915)	-39.680%	#DIV/0!		1,030,176
2000	1,173,975	41,585	3.672%	#DIV/0!		1,104,459
2000 - Alt.	932,390	(200,000)	-17.662%	#DIV/0!	(2)	862,874

(1) Beginning in FY97, mental health is budgeted in the MH-DD Services Fund.

(2) Levied amount reduced by \$241,585

Non-Property Tax Receipts

Fiscal Year	Budget	Actual/Estimated	Percent Difference	Source of Actual Amounts	Transfers In
1997	1,341,223	1,523,673	13.603%	County	600,000
1998	1,051,187	2,188,861	108.228%	County	-
1999	1,921,328	1,951,790	1.585%	Co. re-estimated (1)	-
2000	1,849,140	1,969,815	6.526%	Estimated (2)	-

(1) Used county re-estimated rather than estimate due to large variance in 1998

(2) Estimated at 6.526% higher than budget (average of 1997 and 1999)

Disbursements

Fiscal Year	Budget	Actual/Estimated	Percent Difference	Source of Actual Amounts	Transfers Out
1997	3,055,424	2,799,731	-8.368%	County	-
1998	3,055,424	2,857,651	-6.473%	County	-
1999	3,453,500	3,109,702	-9.955%	Co. re-estimated (1)	-
2000	3,754,048	3,441,111	-8.336%	Estimated (2)	-

(1) Used county re-estimated rather than estimate

(2) Estimated at 8.336% lower than budget (average of 1997 through 1999)

**Des Moines County
Fiscal 2000 Budget Protest
Mental Health Fund Analysis**

Fund Balances					
Fiscal Year Ended June 30,	Budget	Actual/ Estimated	Difference	% Budgeted Balance to Disbursements	% Actual Balance to Disbursements
1997	610,567	1,242,461	(631,894)	19.983%	44.378%
1998	951,802	2,028,454	(1,076,652)	31.151%	70.983%
1999	1,179,337	1,900,718	(721,381)	34.149%	61.122%
2000	878,964	1,533,881	(654,917)	23.414%	44.575%
2000 - Alt.	878,964	1,292,296	(413,332)	23.414%	37.555%