

Executive Summary

Iowa's State Fiscal Crisis and Its Impact on Human Services: New Holes in the Safety Net

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December 2004

Iowa Fiscal Partnership

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Overview

During a recession, the demand for public services increases. More people need public assistance to support their families; fewer people are covered by health insurance through their employer; family stress causes an increase in child abuse and mental health and chemical dependency problems. Most of the state programs and services that address these needs are provided through funding that goes to the Iowa Department of Human Services (DHS).

This report analyzes how both state and overall appropriations for programs under the supervision of the Iowa Department of Human Services changed between state fiscal year 2001 and state fiscal year 2004. Outside of education, the DHS budget is the largest share of the state budget and its appropriations, but state appropriations tell only a part of the story. State general fund appropriations in FY2004 of \$707.3 million for the DHS covered only 25 percent of the funding used by the Department, with non-general fund expenditures totaling \$2.835 billion, primarily from federal funds administered by the Department.

Table 1 (page 2) shows the changes in general fund appropriations and non-general fund expenditures and authorized FTEs (full-time equivalent workers) for the DHS for fiscal years 2001 and 2004, by major department category (with the exception that state expenditures for child care have been moved from the child and family services section to the economic assistance section).

As Table 1 shows, overall general fund appropriations declined dramatically during this period (by 9.7 percent), while non-general fund expenditures rose even more dramatically (by 51.9 percent). Despite increased demand, the department's workforce declined substantially during the period.

Total general fund appropriations and non-general fund expenditures rose by 29.8 percent over the three-year period, which would appear as a healthy overall growth, well above the rate of inflation. This figure is deceptive, however, as it includes substantial new state expenditures established to draw down additional federal funding. As will be discussed later, the major reason for the increase in overall expenditures was the state's Medicaid program.

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**Table 1. Iowa Department of Human Services
General Fund Appropriations and Non-General Fund Expenditures and FTEs
FY2001 and FY2004, by Major Categories**

	Actual 2001	Estimated Net 2004	% Change FY01-04
GENERAL FUND APPROPRIATIONS			
Economic Assistance and Child Care	\$ 47,424,192	\$ 49,123,135	3.6%
Medical Services	433,610,949	373,711,547	-13.8%
Child and Family Services	128,440,386	14,892,580	-10.6%
Mental Health, Mental Retardation, Developmental Disability, and Brain Injury (MH/MR/DD/BI)	104,631,003	105,222,096	0.6%
Managing and Delivering	68,909,400	64,318,185	-6.7%
Total General Fund Human Services	\$ 783,015,930	\$ 707,267,543	-9.7%
NON-GENERAL FUND EXPENDITURES			
Economic Assistance and Child Care	\$ 142,410,580	150,969,095	6.0%
Medical Services	70,734,333	228,891,521	223.6%
Child and Family Services	29,935,270	34,565,543	15.5%
MH/MR/DD/BI Total	9,692,376	8,108,843	-16.3%
Managing and Delivering Services	18,290,783	19,556,433	-6.9%
Other DHS Federal (Grants and Match)	1,153,395,820	1,713,018,158	48.5%
Total Non-General Fund Human Services	\$ 1,424,459,162	\$2,155,109,593	51.3%
TOTAL HUMAN SERVICES EXPENDITURES (General and Non-General Funds)			
Economic Assistance and Child Care	\$ 189,834,772	\$ 200,092,230	5.4%
Medical Services	504,345,282	602,603,068	19.5%
Children and Family Services	158,375,656	49,458,123	-5.6%
MH/MR/DD/BI	114,323,379	113,330,939	-0.9%
Managing and Delivering Services	87,200,183	83,874,618	-3.8%
Other DHS Federal	1,153,395,820	1,713,018,158	48.5%
Total Human Service Expenditures	\$ 2,207,475,092	\$ 2,862,377,136	29.7%
TOTAL AUTHORIZED FTEs¹			
Economic Assistance and Child Care	339.00	437.00	28.9%
Medical Services	21.00	21.00	0.0%
Child and Family Services	366.07	349.07	-4.6%
MH/MR/DD/BI	2,420.06	2,367.30	-2.2%
Managing and Delivering Services	2,457.66	2,094.00	-14.80%
Total Human Services Authorized FTEs	5,603.79	5,268.37	-6.0%

¹ These are Iowa Department of Human Services figures, and differ somewhat from those from the Legislative Fiscal Bureau figures. The Department also has provided information on actually funded and filled positions, which are shown in the Appendix. While the authorized figures are somewhat higher than the filled figures, the relationships across the years are consistent across most categories, except for Child and Family Services, which will be discussed later.

Source: Legislative Fiscal Bureau, unless noted otherwise

Over this period there were significant cutbacks in certain discretionary and often more preventive services, and there were major transfers of funds and uses of time-limited funding sources to meet ongoing program needs. The result has placed strains on most parts of the DHS budget and on the workers and providers who deliver services to those in need.

Summary of Impacts by Department of Human Services Appropriations Areas

The following summarizes what the report found for each of the service areas.

Economic Assistance and Child Care Summary

Over the last three years, while the state's economic position has worsened and lowans generally have greater needs for economic assistance:

- Overall state general fund expenditures have remained virtually unchanged over the three-year period (although non-general fund expenditures have increased).
- Two state-supported efforts to help families – emergency assistance and individual development accounts – have been eliminated.
- Iowa has not raised its payment benefits under TANF to reflect the impacts of inflation. Additionally, although Iowa has adopted standards for FIP hardship exemptions, a number of TANF recipients have reached their five year eligibility limits and no longer qualify for assistance at all.
- Iowa's child care subsidy program remains among the least well-funded in the country, with major cliff effects due to the low eligibility limits for participation, and Iowa has done the minimum in meeting its maintenance of efforts requirements for child care.
- A declining share of state funding has been devoted to economically supporting families with children, when child care subsidies and payment benefits are combined, a trend that has continued from 1980 to the present.

Medical Services

Iowa is a major source of medical care for Iowa's children and for the elderly and persons with disabilities and must contend with the same medical cost issues that affect private employers and insurers. Medical services:

- represent the largest and fastest growing part of the DHS overall budget;
- have become the source for medical coverage for a large share of children from Iowa's working families whose health coverage needs are not being met by the private, employer-based health care system, yet are needed to enable those families to work;
- increasingly have been funded by resources that will not be there in the future;
- in some places (dental care and EPSDT services, in particular) do not provide sufficient financial incentives for comprehensive or accessible care; and
- will require significant and ongoing new general fund expenditures if needs are to be met.

Child and Family Services

While Iowa's child welfare system is generally considered to be underfunded and to face challenges in meeting federal expectations related to protecting children and achieving permanency and well-being goals:

- Overall child welfare expenditures declined, even though demand increased;
- Specific elements of the system were cut back, with the decategorization reserve funding eliminated, and the adoption subsidy program subject to new restrictions;
- Support for both purchase-of-service providers and institutions has forced real cuts in services and availability; and
- Federal funding under Title IV-E and particularly under Medicaid, and the flexibility of that funding, remained a major, unresolved issue with the federal government.

Mental Health, Retardation, Developmental Disability, and Behavioral Services

Over the last two decades, the state has taken increasing financial responsibility for financing mental health, retardation, developmental disability, and behavioral services. Between 2001 and 2004, however,

- Mental health services have not received increased funding to reflect inflation nor to address unmet need or increased demand as exists during recessions;
- Mental Health Institutes have been able to cope with reduced funding only by instituting major reductions in bed capacity;
- Several small and more discretionary services have been eliminated; and
- Services remain fragmented and of variable availability and quality throughout the state.

Managing and Delivering Services

The Department needs staff to administer and manage the \$2.3 billion budget and its many programs. Generally, demand increased for most DHS programs from 2001 to 2004, but the managing and delivering services component of the Department of Human Services has:

- been dramatically reduced at the general administration level;
- experienced reductions in administrative staff at the local level; and
- not kept pace at the direct field operations level with increases in caseloads, with caseload levels far above recommended levels in child welfare services, in particular.

Conclusion

DHS clients have felt the impact of the state fiscal crisis from 2001 to 2004 as resources have been held constant or reduced while service needs have increased. The resource reductions would be even greater if the figures were expressed in inflation-adjusted terms.

Overall state general fund expenditures have declined, but non-general fund expenditures have increased dramatically, almost exclusively the result of medical services expenditures and largely due to increased federal funding. A good share of this federal funding increase, however, is from time-limited funding sources or is under federal review and challenge.

There has been elimination of a number of small, discretionary services, such as emergency assistance and family assistance, and some cutbacks in others, such as adoption assistance, and a departmental reorganization has very significantly reduced general administration. Decategorization reserves were eliminated in order to address the budget crisis, removing one incentive to more community-based and prevention-focused service delivery. The state's commitment to more prevention-oriented services represents a very small part of the overall department's budget, but it has experienced very real cutbacks.

Most of the Department of Human Services budget is involved in administering services that are supported, at least in part, by federal funding, with attendant federal regulations and requirements with which the state must comply. The state has been successful in leveraging significant additional federal funding, particularly under Medicaid (through RTS services, the Senior Living Trust Fund, and the Hospital Trust Fund), but these have come with restrictions and with challenges. Maintaining the existing funding base, particularly related to intergovernmental transfers (the Senior Living Trust Fund and the Hospital Trust Fund) and RTS, will be a challenge in subsequent years.

While Iowans experienced significant cutbacks in certain services through the 2001 to 2004 fiscal years, and found others to be simply unavailable (such as dental care under Medicaid), the next few years will be critical in determining how much the state will commit to meeting child, family and senior health care and social needs, and how much support can be secured from the federal government to this end. The enhanced federal Medicaid match has expired, and no salary adjustments were built into the Department's budget, effectively resulting in future staff cutbacks or other reductions in program.

At the same time that Iowans were affected by the recession and in greater need of the services the Iowa Department of Human Services provides, the state effectively cut back on many of the services being provided. Much repair and restoration work needs to be done if the Iowa Department of Human Services is to meet its mandates over the next several years.

Iowa Fiscal Partnership

The Iowa Fiscal Partnership is a joint initiative of the Iowa Policy Project and the Child & Family Policy Center, two nonprofit, nonpartisan Iowa-based organizations that cooperate in analysis of tax policy and budget issues facing Iowans. IFP reports are available on the web at <http://www.iowafiscal.org>.