

May 2024

2024 End of Session Report

Iowa Academy of Family Physicians



TABLE OF CONTENTS

Introduction

Overview of the 2024 Legislative Session

Major Initiatives

Statements on End of Session

State of Iowa Budget

Overview

FY 2025 Budget

Budget Line Items of Interest

Bills of Interest



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INTRODUCTION

OVERVIEW OF THE 2024 LEGISLATIVE SESSION AND LEGISLATIVE/GOVERNOR INITIATIVES

Introduction

Saturday, April 20, marked the final day of the second session of the 90th Iowa General Assembly. Legislators were able to reach agreements on the FY 2025 budget and remaining key policy items in the last few weeks of session and adjourned only four days after the 100th day of session, when per diem pay for legislators ended. The Cornerstone team would like to thank all our clients for the opportunity to serve and represent you at the Capitol this session. We look forward to the continued partnership. The following report provides details on highlights from the legislative session, including legislative priorities, the FY 2025 budget, and bills that either reached final passage or failed to survive. Please reach out to any member of the team if you have questions on the information provided below.

Overview of Session

This session, Republicans held the majority in both the House and the Senate. With Governor Kim Reynolds also being a Republican, this means Republicans continued to hold their GOP trifecta. This was the second year of a new Republican supermajority in the Senate, with 34 Republicans and 16 Democrats. In the House, Republicans had 64 members, and Democrats had 36 members. As this was the second session of the 90th General Assembly, and since no special elections were held, no new members joined the Legislature this session.

Pat Grassley (R-New Hartford) continued to lead the House Republicans as Speaker with Matt Windschitl (R-Missouri Valley) as Majority Leader. In the Senate, Jack Whitver (R-Ankeny) continued to serve as Majority Leader with Amy Sinclair (R-Allerton) as Senate President. Representative Jennifer Konfrst (D-Windsor Heights) remained as House Minority Leader, and in the Senate, Pam Jochum (D-Dubuque) took over as Minority Leader.

Major Bills of Session

In January, Governor Reynolds gave her Condition of the State speech and advocated for policy initiatives related to education, taxes, health care, government efficiency, and safety. Prior to session, House and Senate Republicans announced priorities related to tax relief, educational outcomes, public safety, the economy, and government transparency and efficiency. Democratic leadership in the House and Senate announced priorities related to strengthening Iowa's public education system, making marijuana legal for adult use, protecting a woman's right to choose, raising workers' wages, and lowering everyday costs for families. Much of the work this session was devoted to these priority areas. Below is more information on major bills legislators prioritized work on this session and where they stand after Sine Die.

Area Education Agency (AEA) Reform

Conversations on AEA reform took up the bulk of session, and movement on most other major policy items were held up until agreement on this was reached. The Governor originally released a sweeping AEA reform package, but after feedback from stakeholders, including special education workers and parents, the Governor announced she would scale back her proposal. The House and Senate worked on different proposals to take this public feedback into account. In the first three months of session, we saw many iterations of the AEA reform bill which differed on the powers of the AEAs, allocation of funding, and if schools would be required to utilize the AEAs, among other items.

The bill eventually agreed upon by Republicans in both chambers places the AEAs under the supervision of the Department of Education, defines the powers of AEAs and requires certain reporting, adds four superintendent members to AEA boards, allows AEAs to continue receiving 90% of state special education money and gives school districts 10%, allows school districts to decide whether to utilize AEAs for media and general education services, limits the amount that AEA administrators can be paid, and creates a task force on AEAs to recommend future changes. Final passage of [HF 2612](#) occurred on March 26, with the Governor signing it into law the next day.

Teacher Pay

The conversation on teacher pay was tied up in negotiations on AEA reform, leading to multiple iterations of the proposal. Governor Reynolds proposed an increase in starting teacher pay to \$50,000, and \$62,000 for teachers with 12 or more years of experience. Ultimately, after negotiations between the Governor, House, and Senate, an increase in teacher pay was included in the final AEA reform bill that was signed by the Governor on March 27. The final bill increases starting teacher pay to \$47,500 this coming school year and \$50,000 the following year, and establishes a minimum pay for teachers with 12 or more years of experience of \$60,000 this coming year and \$62,000 the following year.

Income Tax Reductions

One of Republicans' major priorities this session was further reducing the state individual income tax. However, for most of the legislative session there was no consensus on the specific decreases and timeline for implementing the changes. At the beginning of session, the Governor released a plan to lower the individual income tax rate to 3.65% for 2024 and 3.5% starting in 2025. Soon after, the House and Senate released a joint proposal to reduce the rate to 3.775% in 2026 and 3.65% in 2027. Neither of these tax plans received much traction in the first few months of session, and in the final week the House and Senate announced a new deal on income tax reductions. The income tax changes were part of [SF 2442](#), a tax omnibus bill that moved quickly through the legislative process and was passed in the last 24 hours of session, just two days after being introduced. The omnibus bill included the following changes:

Division I – Individual Income Tax

- Eliminates the bracketed individual income tax rates that go into effect in tax year (TY) 2025 and establishes flat individual income tax rates of 3.8% for TY 2025 and on. Current law provides that a flat individual income tax rate of 3.9% is scheduled to go into effect in TY 2026.
- Decreases the future alternate income tax rate from 4.4% to 4.3% for TY 2025 and on.
- Requires the rate of withholding for TY 2025 and on to not be higher than the tax rate in effect for the applicable tax year.

Division II – Targeted Jobs Withholding Credit

- Increases the investment necessary for a business to qualify for the Targeted Jobs Withholding Tax Credit from \$500,000 to \$1.0 million.
- Extends the ability of the Iowa Economic Development Authority (IEDA) to enter into a targeted jobs withholding agreement by three years, from June 30, 2024, to June 30, 2027.

- Changes the annual compliance reporting to the IEDA about the targeted jobs withholding agreement from the pilot project city to the employer.

Division III – Franchise Tax, Investment Subsidiaries

- Makes changes to franchise tax returns for financial institutions with an investment subsidiary.

Division IV – Property Tax Procedures

- Modifies procedures related to the collection of taxes by counties and cities, including the property tax procedures and statements found in Iowa Code section [24.2A](#).

Division V – Compensation of Elected County Officials

- Modifies processes for a county changing the compensation of its elected county officials.

Division VI – County and City Tax Levy Rate Adjustments

- Makes changes to the limits on county and city property tax rates established in [House File 718](#) (Property Tax, Assessments, and Bond Elections Act) from the 2023 Legislative Session.
- Creates four growth categories, redistributes the allowable base growth, and includes an assessed value reduction for each group. Adjusts the levy rates for cities and counties so that they use the greater of last year's levy rate or the default levy rate based on their growth.

Division VII – Public Utility Assessment Limitations

- Makes changes to the calculation of the assessment limitation related to the property of a public utility company or pipeline company, reduces the percentage of actual value at which a property is valued, and lowers the rollback percentage for pipeline property.

Division VIII – Taxpayer Relief Fund

- Makes changes to transfers from the Taxpayer Relief Fund to the General Fund, effective only through FY 2029.

Division IX – Corrective Provision

- Makes a technical correction to [SF 574](#) (Major Economic Growth Attraction Program).

Tax Constitutional Amendments

This session, Republican legislators proposed two constitutional amendments related to taxes. One of the proposals, [HJR 2006](#), would require that any bill that increases the individual or corporate income tax rate, increases the rate of any other type of state tax based upon income, or creates a new state tax on any type of income must be passed by at least 2/3 of the members of both chambers, rather than the standard constitutional majority. The other proposal, [SJR 2004](#), would require that any individual income tax must be imposed at a single rate rather than a graduated rate. It would also limit the state to only imposing at most one income tax rate on an individual at any one time.

HJR 2006 and SJR 2004 were both approved by the Legislature. These joint resolutions do not require signature by the Governor; however, a proposal for a constitutional amendment must be passed again by the next General Assembly. If it does pass again next session, it would then go up for a vote by Iowans, where it would need to receive majority support to become part of the Iowa Constitution.

Postpartum Medicaid Coverage

The Governor announced expanding postpartum Medicaid coverage as one of her priorities during her Condition of the State speech. Under her proposed bill, [SF 2251](#), postpartum Medicaid coverage would be extended from 60 days to 12 months. The bill scales back eligibility criteria for Medicaid coverage for pregnant women from 300% of the federal poverty level (FPL) to 215% of the FPL. As this bill advanced through the legislative process, there was discussion on what percentage of the FPL was appropriate for eligibility. However, in the end, no changes were made to this provision. Final passage of the bill occurred on April 3.

Iowa's Behavioral Health System

One of the most significant healthcare bills this session was the transition of behavioral health services from a mental health and disabilities service system to a Behavioral Health Service System. This started as one of the Governor's priority bills, and it was largely supported by both parties. In addition to transitioning Iowa's behavioral health services, the bill transfers disability services to the Department of Health and Human Services (HHS), eliminates the Commission on Aging, and eliminates special intellectual disability units at the state mental health institutes. The bill, [HF 2673](#), was officially passed during the last week of session. For more information on the specific changes made to Iowa's behavioral health system, see the [NOBA](#).

Boards and Commissions

As a continuation of the Governor's priority from last year on government alignment and efficiency, the Governor proposed a bill this session that would eliminate, merge, or make changes to a significant portion of Iowa's boards and commissions. This bill was the result of recommendations from the Boards and Commissions Review Committee which met during the 2023 interim and was created by [SF 514](#), the Governor's state government alignment bill from last session. We saw multiple iterations of the boards and commissions bill throughout session this year as legislators grappled with which boards to make changes to. In the end, the final bill eliminated or merged over 70 boards and commissions, as compared to more than 100 in the original bill. [SF 2385](#) reached final passage during the last week of session, passing largely along party lines but with several Republicans voting against the bill. For more information about the specific changes made to boards and commissions in SF 2385, see the [fiscal note](#).

Opioid Settlement Moneys

This year, the Governor and legislators from both parties worked on potential plans for disbursing moneys from the Opioid Settlement Fund. This fund was established during the 2022 legislative session in response to multiple large opioid settlements from investigations the Iowa Attorney General participated in. Moneys in the fund must be used for the purposes of abating the opioid crisis in Iowa. Only one appropriation has been made from this fund, which occurred during the 2022 session. The Legislature did not appropriate any moneys last session. As of April 15, 2024, there is approximately \$45.7 million in the fund, and a significant amount of additional moneys will be deposited into the fund in coming years.

The Governor proposed [HSB 689](#), which would appropriate \$20.2 million to the HHS, the Iowa Finance Authority, and Iowa Workforce Development for specific opioid prevention, treatment, recovery, and infrastructure activities. The House and Senate proposed multiple plans through [HF 2427](#) and [SF 2395](#). SF 2395 provided that annually, 75% of the moneys in the Opioid Settlement Fund would be appropriated to the HHS and 25% would be appropriated to the Office of the Attorney General. In the last few weeks of session, the House amended this bill with a new plan that would create an annual grant process and an advisory council to make recommendations to the General Assembly for the funding of grant applications. The House amendment also made three appropriations from the fund for FY 2025, for a total of approximately \$12.5 million. On the last day of session, the Senate stripped out the 14-member

advisory council the House insisted on, as they felt it was duplicative and thus not necessary. The House refused to agree to this, and the bill failed to advance, meaning the opioid dollars received by the state will not be distributed this year. Only the General Assembly is authorized to appropriate moneys from the Opioid Settlement Fund, so we will likely not see any appropriations from the fund until next session at the earliest.

Biomarker Testing

Legislators worked on a biomarker testing bill, [HF 2668](#), for much of session. The bill requires a health carrier that offers certain plans in Iowa that provide for third-party payment of health or medical expenses to offer coverage for biomarker testing for the purposes of diagnosing, treating, appropriately managing, or monitoring a disease or condition in a covered person when the test has demonstrated clinical utility. The legislation applies to the Medicaid program, the Healthy and Well Kids in Iowa (Hawk-i) program, and managed care organizations contracted with the HHS Department to administer those programs. As the bill went through the legislative process, an additional provision was added that requires HHS to report the number of biomarker tests provided during FY 2025 and the resulting cost for providing the tests to individuals covered under Medicaid and Hawk-i. However, much of the discussion on this bill related to how clinical utility should be defined. Ultimately, in the last week of session, the Legislature came to an agreement on the definition and passed the bill almost unanimously. The definition of clinical utility in the final version of the bill is “sufficient medical and scientific evidence indicating that the use of a biomarker test will provide meaningful information that affects treatment decisions and guides improvement of net health outcomes, including an improved quality of life or longer survival.”

Nonmedical Switching

This session, legislators continued work on a nonmedical switching bill, [HF 626](#), which was introduced last session and had made it through the House. The bill prohibits limiting or excluding the coverage of a prescription drug for a medically stable covered person on that drug if the prescription was previously approved by the carrier for the covered person, the person’s prescribing health care professional has prescribed the drug for the person’s medical condition within the last six months, and the person continues to be an enrollee of the plan. This year, the bill was approved by a Senate committee early in session, but it didn’t gain further traction until the last week of session, when it was passed by the Senate and again by the House on near unanimous votes. Final passage occurred on April 17. For more information on the bill, see the LSA’s [final fiscal note](#).

Consumable Hemp

The regulation of consumable hemp was at the forefront of many legislators’ minds this session. With the recent advent of Iowa businesses selling hemp-derived THC infused beverages, legislators sought to add regulations to this new industry. After many discussions on how best to regulate these consumable hemp products, the Legislature ultimately passed [HF 2605](#), which sets the maximum THC concentration at 4 mg per serving and 10 mg per container, or 0.3% on a dry weight basis, whichever is less. The bill also prohibits the sale of consumable hemp to individuals under 21 years of age, requires registration with the HHS for the retail sale of consumable hemp, and prohibits a person holding a retail alcohol license from selling alcoholic beverages that contain THC. For more information on this bill, see the [final fiscal note](#). In addition to this regulation bill, the Senate also considered two other consumable hemp bills, [SF 2417](#) and [SF 2425](#). SF 2417 would establish a 25% excise tax on the sales price of consumable hemp products, and SF 2425 would expand the applicability of the Dramshop Act to include alcoholic beverage licensees and permittees who sell or serve consumable hemp products. The excise tax and

dramshop bills were passed out of committee but never made it to the Senate floor. HF 2605 is on the Governor's desk waiting for her signature.

Statements on End of Session

Governor

The Governor released a statement upon Adjournment Sine Die praising the work that was done this session on education, taxes, behavioral health, boards and commissions, and strengthening foreign land ownership laws. She said that "Iowa is a state that values education, rewards hard work, and encourages strong families. A place where government is driven by a sense of responsibility to the people it serves. I'm proud of what we accomplished this year and I look forward to continuing to build upon our strong foundation, ensuring prosperity and stability for every Iowan."

Republicans

In Senate Majority Leader Jack Whitver's closing remarks, he celebrated the work the Legislature did on taxes, teacher pay, special education, immigration, and reducing the size of government. He said that "big and bold ideas have always been our focus, and our caucus has never shied away from difficult or complex issues. This year was no different. This session was another tremendous success for Senate Republicans as we kept our promises to Iowans and focused on big reforms, bold changes, and major tax relief."

Democrats

Pam Jochum, Senate Minority Leader, released a statement after adjournment, saying "Iowa Senate Democrats opened this session offering a better deal for Iowans, with specific plans to increase opportunity, freedom, and accountability. Unfortunately, our Republican colleagues refused to join us in that effort. Republican Senators chose instead to serve special interests and give more power to the Governor. Iowans deserve better than what they got from their Legislature in 2024."

STATE OF IOWA BUDGET

OVERVIEW

The Legislature is required by law to approve a budget for the upcoming fiscal year before final adjournment. In general, the Governor releases a budget target at the beginning of session, and majority party leadership in the House and Senate release their own budget targets later in session. The budget targets represent money to be spent from the General Fund. The targets usually vary not only in the total amount of money to be spent, but also in the ways that money would be distributed among various state agencies and programs. After all targets are released, the Governor, House, and Senate must then have conversations to reach a compromise on a final target and the distribution of funding.

In the Governor's budget, she proposed spending \$8.919 billion from the General Fund for FY 2025, which is \$367.1 million more than was appropriated for FY 2024. Much of the Governor's proposed increase was for education, including an additional \$96.1 million for teacher salaries, \$62.3 million for state foundation school aid, and \$51.3 million for education savings accounts.

The Revenue Estimating Conference (REC) met in March to establish revenue estimates for FY 2024 and FY 2025. At the March meeting, the REC established a FY 2025 revenue estimate of \$9.698 billion, which was an increase of \$61 million from the REC's estimate made in December and \$71 million more than the REC's estimate for FY 2024. The General Assembly is required to use the estimate that was made at the December meeting when creating the budget for the following fiscal year, unless a later meeting establishes a lower estimate. Since the March meeting established a higher estimate, the December estimate of \$9.637 billion for FY 2025 was used in the budget process this session.

In late March, following the REC meeting, the House released a budget target of \$8.955 billion, and the Senate released a budget target of \$8.872 billion. The House and Senate were approximately \$83 million apart in their targets. Soon after, both chambers started moving their own budget bills through the legislative process without yet having a joint target.

Ultimately, in the last week of session, Republican leadership reached an agreement on a General Fund budget target, and budget subcommittee chairs worked to create the ten budget bills used to fund state government. Legislators worked in the last few days of session to get the compromise budget bills passed through both chambers, and the final budget bill passed in the early morning hours of Saturday, April 20, just before Adjournment Sine Die.

The final budget passed totaled \$8.913 billion from the General Fund for FY 2025, which begins on July 1. This is an increase of \$361.2 million (4.2%) compared to FY 2024. The budget bills also appropriated money from other state funds; in fact, the Transportation and Infrastructure bills only appropriate money from other funds and nothing from the General Fund. See the tables below for the total amounts appropriated from the General Fund and other funds this session.

The budget bills will now go to the Governor's desk for her signature, where she has 30 days to decide on signing. It is important to note that unlike a policy bill where the Governor must sign or veto the entire bill, the Governor is able to "line-item veto" specific provisions in budget bills.

Appropriations from the General Fund

Budget Area	FY 2024	FY 2025	Increase
Administration and Regulation	\$ 70,538,208	\$ 71,644,974	\$ 1,106,766
Agriculture and Natural Resources	43,544,227	45,923,745	2,379,518
Economic Development	41,799,538	42,083,530	283,992
Education	982,906,607	1,018,259,691	35,353,084
Health and Human Services	2,124,973,594	2,213,601,301	88,627,707
Justice System	881,712,725	913,462,616	31,749,891
Unassigned Standings	4,406,531,087	4,608,222,640	201,691,553
Total	\$ 8,552,005,986	\$ 8,913,198,497	\$ 361,192,511

Appropriations from Other Funds

Budget Area	FY 2024	FY 2025	Increase
Administration and Regulation	\$ 66,885,576	\$ 67,131,204	\$ 245,628
Agriculture and Natural Resources	96,883,459	97,529,687	646,228
Economic Development	34,366,084	34,366,084	-
Education	34,000,000	34,000,000	-
Health and Human Services	471,111,335	473,116,514	2,005,179
Justice System	19,493,200	19,493,200	-
Transportation, Infrastructure, and Capitals	669,194,373	672,374,022	3,179,649
Unassigned Standings	27,137,131	29,094,295	1,957,164
Total	\$ 1,419,071,158	\$ 1,427,105,006	\$ 8,033,848

Budget Line Items of Interest

Health and Human Services Budget Bill – **HF 2698**

The most recent NOBA is located [here](#). Although the final action NOBA has not yet been published by the LSA, there are no changes from this to final passage of the bill, so the NOBA is accurate.

Family Medicine Obstetrics Fellowship Program Fund: \$560,000 allocation from the HHS Public Health appropriation for the continuation of the Family Medicine Obstetrics Fellowship Program Fund to establish obstetrics fellowships in rural and underserved areas in the state. This is no change compared to the estimated FY 2024 allocation.

Iowa First Five Healthy Mental Development Initiative Programs: \$3.1 million allocation from the HHS Community Access and Eligibility appropriation for the Iowa First Five Healthy Mental Development Initiative programs. This is no change compared to the estimated FY 2024 allocation.

Education Budget Bill – SF 2435

Rural Iowa Primary Care Loan Repayment Program: \$2.6 million appropriation to the Department of Education for the College Student Aid Commission Rural Iowa Primary Care Loan Repayment Program. This is an increase of \$125,000 compared to estimated FY 2024.

Family Practice Residency Education Program: \$2.2 million appropriation for the Family Practice Residency Education Program at the University of Iowa. This is no change compared to estimated FY 2024.

Primary Health Care Initiative: \$624,000 appropriation for the Primary Health Care Initiative at the University of Iowa. This is no change compared to estimated FY 2024.

Intent Language: Requires the General Fund appropriation to the Department of Education for Early Head Start projects to be used for the implementation and expansion of Early Head Start pilot projects addressing the comprehensive cognitive, social, emotional, and developmental needs of children from birth to three years of age, including prenatal support for qualified families. Requires the projects to promote healthy prenatal outcomes and healthy family functioning and to strengthen the development of infants and toddlers in low-income families.

BILLS OF INTEREST

The Governor has 30 days from the date of final adjournment to sign enrolled bills. That date will be Monday, May 20, 2024.

SF 2251 – **Postpartum Medicaid Coverage**

- Extends postpartum Medicaid coverage from 60 days to 12 months. Scales back eligibility criteria for Medicaid coverage for pregnant women from 300% of the FPL to 215% of the FPL.
- Registered in **support**.
- Passed by the Legislature on April 3. On the Governor's desk awaiting her signature.

HF 2668 – **Biomarker Testing**

- Requires a health carrier that offers certain plans in Iowa that provide for third-party payment of health or medical expenses to offer coverage for biomarker testing for the purposes of diagnosing, treating, appropriately managing, or monitoring a disease or condition in a covered person when the test has demonstrated clinical utility.
- Registered in **support**.
- Passed by the Legislature on April 15. On the Governor's desk awaiting her signature.

HF 2489 – **Insurance Diagnostic Breast Exams**

- Requires an insurance policy, contract, or plan providing for third-party payment or prepayment of health or medical expenses to provide coverage for diagnostic and supplemental breast examinations.
- Registered in **support**.
- Passed by the Legislature on April 1. On the Governor's desk awaiting her signature.

HF 2507 – **Ambulance Staffing, First Responder**

- Allows a physician and surgeon or osteopathic physician and surgeon to staff a medical care ambulance service or non-transport service if they can document equivalency through education and additional skills training. Modifies the definition of "first responder" for the purposes of the Opioid Antagonist Medication Fund and the Newborn Safe Haven Act.
- Registered **undecided**.
- Passed by the Legislature on March 19. Signed into law by the Governor on April 10.