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SENATE JOINT RESOLUTION 10  
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Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

SENATE JOINT RESOLUTION

1 A Joint Resolution proposing an amendment to the Constitution of  
2 the State of Iowa relating to protection of taxpayers' rights  
3 by limiting taxes, revenue, and spending of the state and  
4 local governments.

5 BE IT RESOLVED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SUB COMMITTEE ASSIGNMENTS

CHAIR: *Brunner*

COMMITTEE: *Wass* *Edwards*

*3/2/87*  
*1/13/88*

1 Section 1. The following amendment to the Constitution of  
2 the State of Iowa is proposed:

3 The Constitution of the State of Iowa is amended by adding  
4 the following new article XIII:

5 ARTICLE XIII.

6 TAXPAYERS' RIGHTS.

7 SECTION 1. The total revenue of the state government and  
8 all local governments in any fiscal year shall not exceed the  
9 total revenue limit for that year. The total revenue limit is  
10 equal to the total revenue of the state government and all  
11 local governments in fiscal 1987, with two adjustments:  
12 annual adjustment for the percentage rate of price inflation  
13 or deflation in the preceding calendar year, plus adjustment  
14 for percentage change in state population as determined by  
15 each federal statewide census after 1987.

16 SEC. 2. "Revenue" includes all amounts received from all  
17 sources, except amounts lawfully refunded to the payors; gifts  
18 from nongovernmental sources; all receipts of a local  
19 government enterprise which was operating in 1987 and receives  
20 no tax revenue; amounts borrowed lawfully, but this does not  
21 authorize any borrowing; and receipts applied to pay principal  
22 and interest on bonds approved by vote of the electors, bonds  
23 outstanding when this article becomes effective, and revenue  
24 bonds on which no payment can be made from tax revenue.

25 SEC. 3. A revenue limit shall be established for the state  
26 government and for each local government as provided by law.  
27 The sum of the limits shall not exceed the total revenue  
28 limit. The state limit shall exclude, and the local limits  
29 shall include, state revenue transferred to local governments  
30 or applied as tax credits against local taxes. The state  
31 limit as a percentage of the total revenue limit shall not  
32 exceed that percentage for fiscal 1987.

33 SEC. 4. If the total state and local revenue in a fiscal  
34 year exceeds the total revenue limit for that year, the total  
35 revenue limit for the first fiscal year beginning after the

1 excess amount is known shall be reduced by one hundred ten  
2 percent of the excess amount.

3 SEC. 5. The revenue limits may be exceeded as provided in  
4 a declaration of emergency adopted by two-thirds vote of the  
5 whole membership of each house of the General Assembly and  
6 approved by the Governor. A declaration of emergency shall be  
7 effective for only one fiscal year.

8 SEC. 6. The revenue limits may be exceeded in an amount  
9 approved by a majority of the electors voting in a state or  
10 local referendum. The vote shall be effective for no more  
11 than five fiscal years.

12 SEC. 7. Each government's total spending in a fiscal year  
13 shall not exceed the sum of its revenue limit or actual  
14 revenue for that year, whichever is less; additional revenue  
15 approved under section 5 or 6 and received in that year; and  
16 unspent funds carried over from the preceding year, but  
17 excluding trust funds for unemployment, retirement, or other  
18 employee benefits. "Spending" includes payments into these  
19 trust funds and excludes payments out of these trust funds.  
20 "Spending" includes all other outlays, except that amounts  
21 excluded from revenue are also excluded from spending.

22 SEC. 8. If a state law or rule which becomes effective  
23 after 1987 requires a local government to incur a net cost  
24 increase, the state shall pay to the local government the  
25 amount of the necessary net cost increase, and shall increase  
26 the local revenue limit and decrease the state revenue limit  
27 by that amount.

28 SEC. 9. Any state or local government plan for retirement  
29 or other employee benefits shall be completely funded at all  
30 times after 1997, in accordance with generally accepted  
31 actuarial and accounting principles.

32 SEC. 10. Bonds approved after this article becomes  
33 effective shall be used only to finance capital improvements,  
34 not operating expenses.

35 SEC. 11. Any taxpayer has standing to sue to enforce this

1 article and laws implementing it. If successful, the taxpayer  
2 shall be reimbursed for all reasonable expenses of the suit.

3 SEC. 12. This article becomes effective for the first  
4 state fiscal year beginning at least six months after its  
5 approval by the electors. The state by law shall implement  
6 this article, may adopt further restrictions and limits, and  
7 shall provide for consistent and uniform accounting for all  
8 governments.

9 Sec. 2. DECLARATION OF INTENT. It is the intent of the  
10 General Assembly in agreeing to the foregoing proposed  
11 amendment that:

12 1. This declaration of intent shall be relied on by the  
13 electors and the courts, with the same result as if it were in  
14 the Constitution.

15 2. Article XIII does not impair the debt limits and other  
16 provisions of article VII.

17 3. To make the annual adjustment for price inflation or  
18 deflation, the most reliable index of general price inflation  
19 or deflation in the United States shall be selected in good  
20 faith as provided by law. The selection of index shall not be  
21 changed if the change would have the effect of weakening the  
22 limits.

23 4. Official revisions of inflation and population data  
24 affect the total revenue limit for future fiscal years, but do  
25 not change the limit for the fiscal year in which a revision  
26 is made or for prior years.

27 5. "Revenue" includes but is not limited to all taxes,  
28 fees, charges, assessments, receipts from the federal  
29 government, and other receipts of the state and local  
30 governments, except amounts expressly excluded by section 2 or  
31 3 of article XIII. Amounts transferred between governments  
32 are counted only once.

33 6. "Amounts borrowed lawfully" are excluded from revenue  
34 for the sole purpose of preventing double counting. Receipts  
35 applied to repay borrowed funds are included in revenue unless

1 excluded by section 2.

2 7. "Government" includes all parts, agencies, enterprises,  
3 and operations of a government. "Local government" includes  
4 all cities, counties, school districts, special districts,  
5 townships, and other political subdivisions in the state.  
6 "Local government enterprise" includes but is not limited to a  
7 hospital, airport, transportation system, recreation facility,  
8 or public utility owned or operated by a local government.

9 8. If all receipts of a local government enterprise become  
10 excluded from revenue under section 2 because the enterprise  
11 ceases to receive tax revenue, the total revenue limit for  
12 that fiscal year shall be reduced by the amount of that  
13 enterprise's non-tax receipts in the preceding year.

14 9. Section 3 allows flexibility in methods and formulas  
15 for allocating the total revenue limit among the state and  
16 local governments. The law may allow a review board to  
17 allocate part of the limit to meet emergencies or other needs.

18 10. Action under section 4, 5, or 6 is effective only for  
19 the specified fiscal year or years and does not affect future  
20 computation of the limit under section 1.

21 11. A state referendum under section 6 may relate to the  
22 state revenue limit or the limits for a class of local  
23 governments. A local referendum under section 6 relates to  
24 the revenue limit of that local government, and only its  
25 electors may vote. A referendum vote, approving an amount of  
26 revenue in excess of the state limit or one or more local  
27 limits, also authorizes exceeding the total revenue limit by  
28 the same amount.

29 12. A referendum vote under section 6 shall not create or  
30 increase any tax or revenue source. Any new or increased tax  
31 or revenue source shall be adopted separately as provided by  
32 law.

33 13. Article XIII shall be interpreted and implemented to  
34 achieve its purpose to limit the growth of total revenue and  
35 spending of the state and local governments.

1 Sec. 3. The foregoing proposed amendment to the  
2 Constitution of the State of Iowa is referred to the General  
3 Assembly to be chosen at the next general election for members  
4 of the General Assembly and the Secretary of State is directed  
5 to cause it to be published for three consecutive months  
6 previous to the date of that election as provided by law.

7 EXPLANATION

8 This proposed taxpayers' rights amendment adds a new  
9 article to the Iowa Constitution.

10 A total revenue limit is established. This is one combined  
11 limit on all taxes and most other revenue of the state and all  
12 local governments. The limit includes federal aid. If  
13 federal aid is cut, the state may choose whether or not to  
14 raise taxes to offset the cut. A sharp rise in federal aid  
15 would not affect the slow, steady growth of the total revenue  
16 limit.

17 This limit is adjusted for inflation and population growth.  
18 The growth rate of the total revenue limit is equal to the  
19 entire annual inflation rate plus any state population change  
20 shown by a federal census.

21 Each fiscal year's total revenue limit is based on the  
22 preceding year's limit, not on that year's actual revenue.  
23 Government is not penalized for holding actual revenue below  
24 the limit, because this would not affect the limit for any  
25 future year.

26 The total revenue limit is flexibly allocated among the  
27 state and all local governments as provided by law, so that  
28 each government has its own revenue limit. The state cannot  
29 increase its percentage of the total limit. However, state  
30 aid to local governments and state credits against local taxes  
31 can be increased without limit, because these amounts are  
32 outside the state limit and are included in local limits.

33 Additional revenue above the limits may be authorized in  
34 either of two ways: (1) by two-thirds vote of the General  
35 Assembly with the Governor's approval, or (2) by majority vote

1 of the people in a state or local referendum.

2 Each government's spending limit is equal to its revenue  
3 limit, plus additional revenue authorized in either of the  
4 above two ways, plus unspent funds carried over.

5 The state must pay for a net cost increase imposed on a  
6 local government by a post-1987 state law or rule.

7 Other provisions require sound funding of retirement  
8 benefits and prohibit future use of bonds for operating  
9 expenses.

10 Any taxpayer may sue to enforce this new article of the  
11 Constitution. As an incentive for voluntary compliance, if  
12 the total revenue limit is exceeded in any year, the limit for  
13 one later year is temporarily reduced by 110 percent of the  
14 excess amount.

15 Explanatory language is in a separate declaration of intent  
16 which will not become part of the Constitution. This  
17 declaration of intent will reduce the need for interpretation  
18 by the courts.

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