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SENATE JOINT RESOLUTION 5
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(COMPANION TO LSB 1188HH BY IVERSON)

Passed Senate, Date ____________ Passed House, Date ____________
Vote: Ayes ______ Nays ________ Vote: Ayes ______ Nays _________
Approved ______________________________

SENATE JOINT RESOLUTION

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

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SJR5

TLSB 1188SS 74
sc/sc/14

S.J.R. 5 H.J.R. ________

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

The Constitution of the State of Iowa is amended by adding the following new Article XIII:

ARTICLE XIII.

TAXPAYERS' RIGHTS.

SECTION 1. The state government and each local government is subject to a revenue limit and a spending limit as provided in section 8. Each government's beginning revenue limit is equal to its total revenue in the base year, or, if higher, in any of the three preceding fiscal years. This limit is adjusted annually for the cumulative percentage rate of price inflation or deflation since the base year and for any cumulative percentage population increase since the base year. Each county government's revenue limit includes all townships in the county. A school district's "population" is its full-time equivalent student enrollment. The "base year" is the last fiscal year before this article becomes effective.

SEC. 2. "Revenue" includes all amounts received from all sources, except (1) amounts refunded to the payors; (2) gifts and contracts from nongovernmental sources; (3) amounts received from the federal government; (4) fees voluntarily paid for specific services, but any part of a fee in excess of the actual cost of providing that specific service is revenue; (5) an amount equal to a government's net cost increase required by a federal law or rule adopted after this Article becomes effective, but only to the extent not offset by federal funds; (6) amounts borrowed after approval by vote of the electors; (7) amounts borrowed by issuing revenue bonds on which no payment can be made from tax revenue; and (8) receipts applied to repay money borrowed lawfully, including interest.

SEC. 3. The state revenue limit excludes, and the local limits include, state revenue transferred to local governments or applied as tax credits against local taxes.

SEC. 4. If a government's revenue in a fiscal year exceeds its revenue limit, its limit for the next fiscal year shall be reduced by the excess amount.

SEC. 5. A government's revenue limit may be temporarily increased in an amount approved by a majority of that government's electors voting in a referendum. The increase is effective for no more than five fiscal years.

SEC. 6. One or more revenue limits may be temporarily increased by law adopted by two-thirds vote of the whole membership of each house of the General Assembly and approved by the Governor. Each such law is effective for only one fiscal year.

SEC. 7. Any change in a limit under section 4, 5, or 6 is effective only for the specified fiscal year or years and does not affect computation of the limit under section 1.

SEC. 8. Each government's total spending in a fiscal year shall not exceed the sum of its (1) revenue limit for that year, adjusted for any change under section 4, 5, or 6, or actual revenue, whichever is less; (2) actual receipts in that year which are excluded from revenue by section 2; and (3) net unspent funds carried over from the preceding year.

SEC. 9. "Revenue" includes all receipts for a government's trust funds for unemployment, retirement, medical, or other benefits but does not include earnings of these trust funds. "Spending" includes all payments and transfers into, and excludes payments out of, these trust funds. "Net unspent funds" excludes these trust funds.

SEC. 10. If a new local government is created, the state shall establish its base year and the amount of its beginning revenue limit, and shall reduce the appropriate state or local revenue limit or limits by that amount. If two or more local governments are combined, their revenue limits shall be combined. If a service or program is transferred by law among local governments, their revenue limits shall be proportionally adjusted by law, with no increase in the combined limits. The state may transfer any part of its revenue limit to a local government but shall not transfer any part of a local limit to the state.

SEC. 11. If a state law or rule adopted after this Article becomes effective requires a local government to incur a net cost increase, the state shall pay to the local government the amount of the necessary net cost increase, and shall increase the local revenue limit and decrease the state revenue limit by that amount.

SEC. 12. Any state or local government plan for retirement or other employee benefits shall be completely funded within ten years after this Article becomes effective and at all times thereafter, in accordance with generally accepted actuarial and accounting principles.

SEC. 13. The state and local governments shall use consistent accounting, in accordance with generally accepted accounting principles, for all purposes.

SEC. 14. Any taxpayer has standing to sue to enforce this Article and laws implementing it. If successful, the taxpayer shall be reimbursed for all reasonable expenses of the suit.

SEC. 15. This Article becomes effective for the first state fiscal year beginning at least six months after its approval by the electors. The state by law shall implement this Article and may adopt further restrictions and limits.

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

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

2. Article XIII does not authorize any borrowing and does not impair the debt limits and other provisions of Article VII.

3. To make the adjustment for price inflation or deflation, the most reliable index of general price inflation

in the United States shall be selected in good faith as provided by law. The selection of index shall not be changed if the change would have the effect of weakening the limits. Except for school districts, the adjustment for population shall be made by using the most recent federal census, but use of the most recent federal census estimate may be permitted by law.

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

5. "Revenue" includes, but is not limited to, all taxes, fees, charges, assessments, and other receipts of the state and local governments, except amounts expressly excluded by section 2, 3, or 9 of Article XIII. Amounts transferred between governments are counted as revenue only once.

6. "Fees voluntarily paid for specific services" includes fees for hospital, recreational, public utility, and similar services, but does not include any tax, assessment, toll, or filing, permit, registration, or license fee.

7. A government which excludes an amount from revenue under section 2 of Article XIII must accurately determine and establish the correct amount excluded.

8. "Government" includes all parts, agencies, enterprises, and operations of a government. "Local government" includes each city, county, school district, special district, and political subdivision in the state, except that townships are included with county governments.

9. Because county limits include townships, a county government may limit the total revenue and spending of townships in that county.

10. If a government has a deficit of net unspent funds at the end of a fiscal year, the deficit is subtracted in computing the next year's spending limit under section 8 of Article XIII. However, section 8 is intended to prevent any

such deficit and to require each government to operate on a balanced budget.

11. Article XIII shall be interpreted and implemented to achieve its purpose to limit the growth of revenue and spending of the state and local governments.

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

EXPLANATION

This proposed Taxpayers' Rights Amendment adds a new Article to the Iowa Constitution. It limits the future growth rate of the total revenue and total spending of the state and local governments, with some exceptions.

The state government and each local government has its own revenue limit and spending limit. County limits include townships.

Each government's beginning revenue limit is equal to its highest total revenue in the base year or any of the three preceding fiscal years. This limit is adjusted annually for cumulative inflation or deflation and for any cumulative population increase after the base year. The population adjustment can rise or fall, but it cannot fall below the population in the base year. The base year is the last fiscal year before this amendment becomes effective.

Each government's spending limit is equal to its revenue limit (or actual revenue, if less) for that year, plus all actual receipts which are outside the revenue limit, plus unspent funds carried over. This requires each government to operate on a balanced budget.

A government's revenue limit can be temporarily increased in either of two ways: (1) A majority vote of the people in a state or local referendum can increase the limit in any amount, for any purpose, and for any period up to five years. (2) A vote of two-thirds of all members of each house, with the governor's approval, can increase any or all limits for one year.

If a government's actual revenue exceeds its revenue limit, its limit for the next year is reduced by the excess amount. The excess revenue cannot be spent in the year it is received but can be spent in any future year. This may help governments even out the good and bad economic years.

State aid to local governments and state credits against local taxes can be increased without limit, because these amounts are outside the state limit and are included in local limits. This provision encourages using state revenue for local property tax replacement.

The state must pay for a net cost increase imposed on a local government by a state law or rule adopted after this amendment becomes effective.

The revenue limits include all taxes and most other revenue. Examples of receipts outside the revenue limit are: amounts refunded; private gifts and contracts; federal grants and aid; a fee for a specific service, if the fee does not exceed the cost of the service; the amount of a net cost increase caused by a new federal mandate and not offset by federal funds; amounts borrowed with the voters' approval; revenue bonds; and receipts used to repay borrowed money.

Each fiscal year's revenue limit is based on the preceding year's limit adjusted for inflation and population growth, not on that year's actual revenue. Thus, a government is not penalized for holding its revenue and spending below the limit.

The amendment provides for changes in revenue limits if a new local government is created, if local governments combine, or if a state law transfers services among local governments. However, the state cannot increase its share of total state and local revenue and spending limits.

Sound funding of any retirement or benefit plan for government employees is required within ten years.

The state and all local governments are required to follow generally accepted accounting principles.

Any taxpayer may sue to enforce this new Article of the Constitution.

Explanatory language is included in a separate declaration of intent which will not become part of the Constitution but will reduce the need for interpretation by the courts.