

## CHAPTER 25B

## STATE MANDATES — FUNDING REQUIREMENTS

Referred to in §618.11

Implementation of new or revised federal block grants affecting political subdivisions;  
see §8.41

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**25B.1 Title.**

[This chapter](#) may be cited as the “*State Mandates Act*”.  
83 Acts, ch 142, §1

**25B.2 Findings and purpose — effect of unfunded state mandate.**

1. The general assembly finds that preceding actions of state government in specifying the manner, standards, and conditions under which public services are rendered to citizens by the political subdivisions of this state in some cases have not resulted in equitable relationships between the state government and its political subdivisions. Some state actions have dealt in detail with the internal management of the political subdivisions; some have specified the establishment of new services and facilities without providing new revenue sources or financial participation by the state to meet the additional costs; and other actions have specified the adoption of higher service standards without a complete assessment of the impact on the expenditures and tax rates of the political subdivisions.

2. It is the purpose of [this chapter](#) to enunciate policies, criteria, and procedures to govern future state-initiated specification of local government services, standards, employment conditions, and retirement benefits that necessitates increased expenditures by political subdivisions or agencies and entities which contract with a political subdivision to provide services.

3. *a.* If, on or after July 1, 1994, a state mandate is enacted by the general assembly, or otherwise imposed, on a political subdivision and the state mandate requires a political subdivision to engage in any new activity, to provide any new service, or to provide any service beyond that required by any law enacted prior to July 1, 1994, and the state does not appropriate moneys to fully fund the cost of the state mandate, the political subdivision is not required to perform the activity or provide the service and the political subdivision shall not be subject to the imposition of any fines or penalties for the failure to comply with the state mandate unless the legislation specifies the amount or proportion of the cost of the state mandate which the state shall pay annually. However, [this subsection](#) does not apply to any requirement imposed on a political subdivision relating to public employee retirement systems under [chapters 97B, 410, and 411](#).

*b.* For the purposes of [this subsection](#), any requirement originating from the federal government and administered, implemented, or enacted by the state, or any allocation of federal moneys conditioned upon enactment of a state law or rule, is not a state mandate.

*c.* For the purposes of [this subsection](#), “*political subdivision*” includes community colleges and area education agencies.

83 Acts, ch 142, §2; 94 Acts, ch 1173, §2; 2008 Acts, ch 1032, §201

**25B.3 Definitions.**

As used in [this chapter](#), unless the context otherwise requires:

1. “*Political subdivision*” means a city, county, township, or school district.
2. “*State mandate*” means a statutory requirement or appropriation which requires a political subdivision of the state to establish, expand, or modify its activities in a manner which necessitates additional combined annual expenditures of local revenue by all affected political subdivisions of at least one hundred thousand dollars, or additional combined

expenditures of local revenue by all affected political subdivisions within five years of enactment of five hundred thousand dollars or more, excluding an order issued by a court of this state.

[83 Acts, ch 142, §3](#); [92 Acts, ch 1123, §1](#); [94 Acts, ch 1173, §3](#)

#### **25B.4 State mandate information.**

The director of the department of management shall report at least biennially to the governor and the general assembly regarding the administration of [this chapter](#) including any proposed changes.

[83 Acts, ch 142, §4](#)

#### **25B.5 Cost estimates — notation in Acts.**

1. When a bill or joint resolution is requested, the legislative services agency shall make an initial determination of whether the bill or joint resolution may impose a state mandate. If a state mandate may be included, that fact shall be included in the explanation of the bill or joint resolution.

2. If a bill or joint resolution may include a state mandate, the legislative services agency shall determine if the bill or joint resolution contains a state mandate. If the bill or joint resolution contains a state mandate and is still eligible for consideration during the legislative session for which the bill or joint resolution was drafted, the legislative services agency shall prepare an estimate of the amount of costs imposed.

3. If a bill or joint resolution containing a state mandate is enacted, unless the estimate already on file with the house of origin is sufficient, the legislative services agency shall prepare a final estimate of additional local revenue expenditures required by the state mandate and file the estimate with the secretary of state for inclusion with the official copy of the bill or resolution to which it applies. A notation of the filing of the estimate shall be made in the Iowa Acts published pursuant to [chapter 2B](#).

[83 Acts, ch 142, §5](#); [92 Acts, ch 1123, §2](#); [2003 Acts, ch 35, §39, 49](#)

Referred to in [§2B.10](#)

#### **25B.6 State rules.**

1. A state agency or department shall not propose or adopt an administrative rule which exceeds its statutory authority by mandating expenditures by political subdivisions, or agencies and entities which contract with political subdivisions to provide services. A state administrative rule, proposed pursuant to [chapter 17A](#), which necessitates additional combined annual expenditures exceeding one hundred thousand dollars by all affected political subdivisions or agencies and entities which contract with the affected political subdivisions to provide services shall be accompanied by a fiscal impact statement outlining the costs. An affected political subdivision, or an entity representing an affected political subdivision, shall cooperate in the preparation of the fiscal impact statement. The fiscal impact statement shall be submitted to the administrative rules coordinator for publication in the Iowa administrative bulletin along with the notice of intended action.

2. The fiscal impact statement shall also be submitted to the legislative fiscal committee of the legislative council. Beginning in the first full fiscal year after adoption of the state administrative rule, the fiscal committee shall annually prepare a report for each fiscal impact statement submitted detailing the fiscal impact of the administrative rule on the affected political subdivision, or agencies and entities which contract with the political subdivision to provide services. The report shall be transmitted to the governor and the general assembly.

[83 Acts, ch 142, §6](#); [91 Acts, ch 179, §1](#); [94 Acts, ch 1173, §4](#); [2020 Acts, ch 1062, §94](#); [2022 Acts, ch 1021, §16](#)

#### **25B.7 Funding property tax credits and exemptions.**

1. Beginning with property taxes due and payable in the fiscal year beginning July 1, 1998, the cost of providing a property tax credit or property tax exemption which is enacted by the general assembly on or after January 1, 1997, shall be fully funded by the state. If a state appropriation made to fund a credit or exemption which is enacted on or after January 1,

1997, is not sufficient to fully fund the credit or exemption, the political subdivision shall be required to extend to the taxpayer only that portion of the credit or exemption estimated by the department of revenue to be funded by the state appropriation. The department of revenue shall determine by June 15 the estimated portion of the credit or exemption which will be funded by the state appropriation.

2. The requirement for fully funding and the consequences of not fully funding credits and exemptions under [subsection 1](#) also apply to all of the following:

a. Homestead tax credit pursuant to [section 425.1](#), [sections 425.2 through 425.13](#), and [section 425.15](#).

b. Low-income property tax credit and elderly and disabled property tax credit pursuant to [sections 425.16 through 425.40](#), subject to the limitation of [section 425.39](#), [subsection 1](#), paragraph “b”.

97 Acts, ch 206, §4; 99 Acts, ch 180, §22, 24; 2003 Acts, ch 44, §18; 2003 Acts, ch 145, §286; 2021 Acts, ch 177, §124, 131; 2023 Acts, ch 71, §24, 48 – 50, 55, 56

Referred to in [§425.1A](#), [425.39](#)

2021 amendment to subsection 2, paragraph b applies to claims under [chapter 425, subchapter II](#), filed on or after January 1, 2022; 2021 Acts, ch 177, §131

2023 amendment to subsection 2, paragraph a applies retroactively to assessment years beginning on or after January 1, 2023; 2023 Acts, ch 71, §49

2023 strike of former subsection 2, paragraph c applies retroactively to assessment years beginning on or after January 1, 2023; 2023 Acts, ch 71, §56

Subsection 2, paragraph a amended

Subsection 2, paragraph c stricken