

F I N A L R E P O R T

MANDATORY SPENDING LIMITS STUDY COMMITTEE
OF THE
SENATE AND HOUSE COMMITTEES ON WAYS AND MEANS
AND THE
SENATE AND HOUSE COMMITTEES ON APPROPRIATIONS

January, 1981

The Mandatory Spending Limits Study Committee, composed of Senator Rolf V. Craft and Representative Robert H. Renken, Co-chairpersons, and Senators Jack W. Hester, Edgar H. Holden, Lowell L. Junkins and Bass Van Gilst and Representatives Robert T. Anderson, Ruhl Maulsby, Emil S. Pavich and Doug Shull, was created by the Legislative Council pursuant to Senate Concurrent Resolution 135. The interim Study Committee was charged with the task of studying ". . . concepts directed toward the control of inflation in state and local revenues and spending including a budgeting statute to set mandatory spending limits on state and local governments and the so-called taxpayers' rights amendment . . ." (SCR 135).

The Study Committee met on November 12, 1980. The reason for the holding of the meeting after the general election was to ascertain whether or not the voters of Iowa wanted a constitutional convention to be called. If the question of calling a constitutional convention had received a majority vote, the Study Committee would have directed its work towards recommending enabling legislation and guidelines for the calling of the convention. The Legislative Service Bureau had obtained information on what other states have done with regard to the holding of their constitutional conventions and this information, with a recap of Iowa's constitutional provisions on the holding of such a convention, was presented to the Study Committee members. The suggestion that the Study Committee prepare enabling legislation and guidelines for the holding of a state constitutional convention was thought to be infeasible because subsequent legislatures could always amend any provisions.

Additional information was provided to the members of the Study Committee by the Legislative Fiscal Bureau involving state of Iowa general fund appropriations and revenues and state of Iowa personal income for previous years. Information was also provided by the Legislative Service Bureau on the 17 states that have enacted tax or expenditure limits at the state level. It was pointed out to the members that those 17 states have enacted these limits since 1976 and that of the 17 states only 7 have enacted the limits as constitutional provisions. But it was noted that of these 7 state constitutionally imposed limits, 3 were the result of voter

initiatives, 2 were the result of constitutional conventions and only 2 were the result of legislative proposals. This information was presented in conjunction with the discussion of the questions that a legislature needs to resolve when drafting a tax or expenditure limitation. These questions are:

1. Should the limitation be a constitutional or statutory provision?

2. Should the limit apply to state revenues, expenditures, or both?

3. What factor or factors should be used in determining the limit, i.e. state personal income, growth in state economy or inflation, etc?

4. Under what circumstances and conditions can the limit be exceeded?

5. What is to be done with revenues received in a fiscal year which exceed the tax or expenditure limit for that fiscal year?

The Study Committee, as a result of a lack of members present, does not make any recommendations to the Legislative Council or the General Assembly. However, the consensus of those members present was that there is support for an expenditure limitation which should be statutorily imposed.