

County Finances

ISSUE

This **Issue Review** provides an overview of county finances in Iowa, including descriptions of revenue sources and a comparison of revenue and expenditures in FY 2003 and FY 2013, the latest annual financial reports available from the Department of Management.

AFFECTED AGENCIES

Local County Governments

CODE AUTHORITY

Iowa Code chapter [331](#)

BACKGROUND

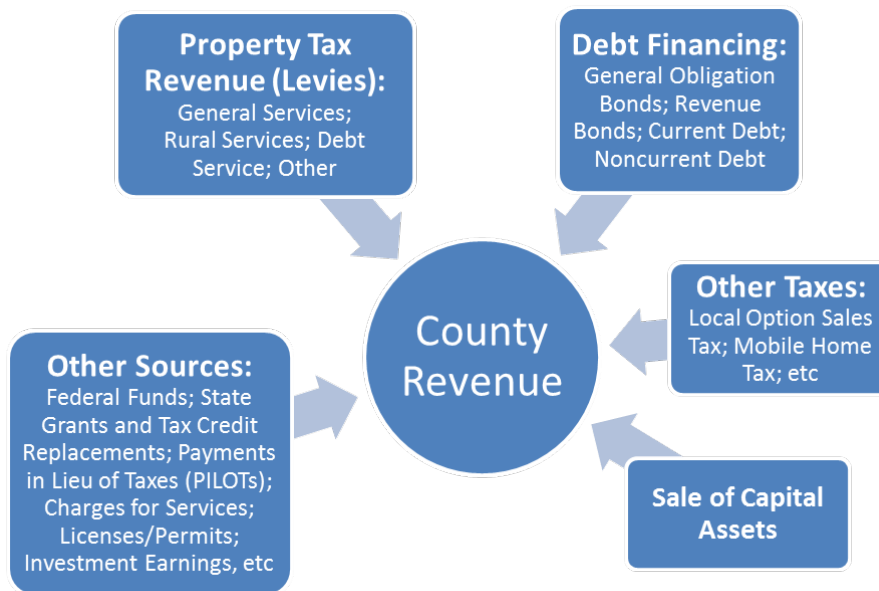
The Iowa Constitution was amended in 1978 to grant “home rule power and authority, not inconsistent with the laws of the general assembly, to determine their local affairs and government, except that they shall not have power to levy any tax unless expressly authorized by the general assembly If the power or authority of a county conflicts with the power and authority of a municipal corporation, the power and authority exercised by a municipal corporation shall prevail within its jurisdiction.” As a result, county governments may do anything not expressly prohibited by State law, with the exception that they may levy only those taxes expressly authorized by State law (Iowa Constitution, Article III, section 39A).

The general powers, duties, and limitations of county government are specified in Iowa Code chapter [331](#), Division III.

The government of each county is overseen by a locally elected board of supervisors. The duties of the boards regarding county finances are specified in Iowa Code chapter [331](#), Division IV. Among those duties are the establishment of an annual budget, certification of taxes, and appropriation of funds to county officers and departments.

Requirements for the budget, including public notice and hearing, are specified in Iowa Code section [331.434](#). Once adopted by the county board, the budget must be certified to the county auditor by March 15 and then filed with the State Appeal Board. A county cannot levy or collect a greater tax than that adopted by the county board.

Counties are required to prepare annual financial reports on a Generally Accepted Accounting Principles (GAAP) basis and file those with the Department of Management and the Auditor of State by December 1 (Iowa Code section [331.403](#)). Four counties (Black Hawk, Cerro Gordo, Scott, and Woodbury) budget on an accrual basis and file only GAAP-basis financial reports. The remaining counties budget on a cash basis and file both GAAP-basis and cash-basis financial reports with the State.

SOURCES OF REVENUE***Property Tax Levies***

Basic Levies. Counties in Iowa are authorized to certify property taxes under two basic levies. The General Services Levy funds general county services and is levied on all taxable property within the county. It is limited to \$3.50 per \$1,000 of assessed value.

The Rural Services Levy is levied on all taxable property not within incorporated areas of the county. It funds services primarily intended to benefit those residing in the unincorporated areas taxed under the levy. The Rural Services Levy is limited to \$3.95 per \$1,000 of assessed value.

Debt Service Levy. Counties are also authorized to collect property taxes through a Debt Service Levy on all taxable property within the county sufficient to cover the costs of servicing county debt obligations.

Supplemental Levies. Counties may also certify supplemental levies if the basic levies are insufficient to meet the county's needs for certain general county or rural county services. A supplemental levy for general county services may be certified in an amount sufficient to pay county obligations for the following:

- Specified costs for county residents that are receiving care at certain facilities, including the alcoholic treatment center at Oakdale, a State mental health institute or other public or private facility or service, the Iowa Juvenile Home at Toledo (no longer in operation), the Board of Regents' special schools, and the University of Iowa Hospitals and Clinics' Center for Disabilities and Development.
- Foster care and related services under court order to a child under the jurisdiction of the Juvenile Court.
- Elections and voter registration.
- Employer costs related to unemployment compensation, the Iowa Public Employees' Retirement System (IPERS), and federal Social Security for salaries associated with general county services.
- Tort liability insurance, property insurance, and any other insurance necessary, as well as costs related to a self-insurance program or local government risk pool.

- Maintenance and operations of the courts, court-ordered costs of conciliation procedures, and establishment and maintenance of a joint county indigent defense fund.
- Maintenance and operation of a local emergency management agency.

A supplemental levy for rural county services may be certified in an amount sufficient to pay county obligations for:

- Employer costs related to unemployment compensation, IPERS, and federal Social Security for salaries associated with rural county services.
- An aviation authority under Iowa Code chapter [330A](#).

Other Levies. Counties may certify a levy, not to exceed \$0.675 per \$1,000 of assessed value on all taxable property in the county, to repair and maintain cemeteries and to pay expenses of a board or cemetery commission related to pioneer cemeteries under Iowa Code section [331.325](#).

A county that provides fire protection or emergency medical service to a township may certify a levy not to exceed \$0.405 per \$1,000 of assessed value within the township as authorized in Iowa Code section [359.43](#).

Additions to Levies. Counties may certify additions to levies if unusual circumstances create a need for additional tax revenue in excess of the amount that can be generated from the basic and supplemental levies. The levy must first be submitted at a special levy election and receive a favorable majority of the votes cast. The unusual circumstances must be one or more of the following:

- An unusual increase in population as determined by the preceding federal census.
- A natural disaster or other emergency.
- Unusual problems relating to major new functions required by State law.
- Unusual staffing problems.
- Unusual need for additional moneys to permit continuance of a program that provides substantial benefit to county residents.
- Unusual need for a new program that will provide substantial benefit to county residents.
- A reduced or unusually low growth rate in the property tax base of the county.

Other Revenue

Taxes. In addition to general property taxes, counties are authorized to collect (or receive) a variety of other tax revenue, including:

- Mobile home taxes.
- Voter-approved local taxes, such as a hotel/motel tax, E911 surcharge, local option sales and services tax or vehicle tax, and emergency medical services tax.
- A portion of the gambling taxes from pari-mutuel wagering, excursion boats, and casinos located in the county per the distribution formulas in Iowa Code section [99D.15](#) and [99F.11](#).
- Revenue from tax increment financing.
- Utility Replacement Excise Tax, established in Iowa Code chapter [437A](#).
- Taxes collected on behalf of and passed through to other governments.

Counties may also collect delinquent taxes and the interest and fees applicable to those collections.

Other Sources of Revenue. Other sources of county revenue include:

- State shared revenues, such as road use taxes, franchise taxes, and fees collected for liquor licenses and beer permits.

- State tax replacements for a variety of tax credits and replacement programs, such as the Homestead Tax Credit, the Agricultural Land Tax Credit, and the Mobile Home Replacement.
- Federal funding received directly or passed through from the State.
- Contributions from other intergovernmental units, such as contracted law enforcement, E911 funding, child support recovery, and drainage district services.
- State grants and reimbursements related to a wide variety of programs, including emergency medical services, public and mental health services, veterans services, environmental programs, and juvenile justice services.
- Payments in lieu of taxes from the federal, State, or local governments.
- Licenses and permits.
- Charges for service, such as fees collected by the county recorder, county treasurer, and sheriff, as well as any other fees charged by county entities.
- Earnings on investments.
- Rents collected on land, buildings, equipment and machinery, or other rents.
- Miscellaneous revenue from such things as special assessments, sales of commodities, sale of seized property, and private grants and donations.

Debt Financing

In addition to the sale of capital assets, a major source of financing available to county governments is the issuance of long-term debt in the form of general obligation bonds and revenue bonds.

General Obligation Bonds. General obligation (GO) bonds may be issued for either essential or general county purposes, as defined in Iowa Code section [331.441](#). The bonds are payable from the proceeds of the county's Debt Service Levy. A county board may issue essential purpose bonds after providing public notice and considering oral and written objections from residents and property owners (Iowa Code section [331.443](#)).

General purpose bonds require approval by at least 60.0% of the votes cast in a county special election (Iowa Code section [331.442](#)). When a small amount of bond issuance is under consideration, a county board may forego a special election by issuing public notice of its intent and the right of residents to petition for an election. The size of the bond issuance is limited to:

- \$100,000 for counties with a population of 20,000 or less.
- \$200,000 for counties with a population of 50,000 or less.
- \$300,000 for counties with a population exceeding 50,000.

A single election or notice of intent may cover the issuance of bonds for more than one essential purpose or general purpose. The bonds may then be sold as a single issuance. If a general purpose is combined with an essential purpose in a single notice of intent, then the entire issue is subject to the election requirement.

Other statutory limits or requirements apply to bonds issued for a variety of specific purposes. For example, statute limits the annual debt service levy permissible for essential purpose bonds related to public buildings. For purposes of funding water service projects, counties may establish a special service area tax district, incorporating only the unincorporated portions of the county. The debt service levy for such a project is levied only against taxable property within the special district.

Revenue Bonds. A county board may issue revenue bonds to pay for all or part of the cost of a project related to a county enterprise or combined county enterprise. A combined county enterprise is two or more county enterprises operated as a single enterprise. The bonds are payable solely out of the net revenues of the enterprise and not considered to be a debt of the

county. County boards may also issue revenue bonds to refund existing bonds or other obligations that are payable from the net revenues of the enterprise. Statute specifies what is included in the cost of a project for purposes of issuing revenue bonds (Iowa Code section [331.463](#)).

A county enterprise may be any of the following:

- Airports and airport systems.
- Works and facilities related to liquid and solid waste, sewage, and industrial waste.
- Swimming pools and golf courses.
- Equipping, enlarging, and improving a county public hospital.
- Building a county hospital in a county with a population of less than 150,000.
- A waterworks or single benefited water district.
- Housing for the elderly or disabled.

The issuance of revenue bonds requires adoption of a resolution by a majority vote of the county board members. Prior to adoption, the board must give public notice of intent and consider any oral or written objections from residents and property owners.

Other Authorized Debt. Current debt is short-term debt that is payable from resources that will have accrued by the end of the fiscal year in which the debt is incurred, useful for addressing a county's cash-flow needs. Current debt may be authorized only by resolution of a county board and may take the form of anticipatory warrants, loans from other county funds, and other formal short-term debt instruments or obligations.

Noncurrent debt is payable from resources that will accrue after the end of the fiscal year in which the debt is incurred, allowing the county to finance beyond the current year and across multiple years. Noncurrent debt can take the form of anticipatory warrants, advances from other funds, installment purchase contracts, and other formal debt instruments or obligations other than bonds. Noncurrent debt must be retired from the resources of the fund from which the original expenditure was made and for which the debt was incurred.

A county board may, by resolution, authorize noncurrent debt for any of the following purposes:

- Bridges or buildings destroyed by fire, flood, or other extraordinary casualty.
- Operation of the courts.
- Bridges made necessary by the construction of a public drainage improvement.
- Benefit of a person entitled to receive assistance from public funds.
- Expenditures authorized by vote of the electorate.
- Contracts executed on the basis of the county budget.
- Expenditures authorized by county board members acting as trustees or directors of a drainage district or other special district.
- Land acquisition and capital improvements for county conservation purposes not to exceed in any year the equivalent of a tax of \$0.0675 per \$1,000 of assessed value on all taxable property in the county.
- Purposes for which counties may issue general obligation bonds without an election.

Sale of Capital Assets

A county board may dispose of capital assets and authorize the use of any proceeds for essential or general county purposes as allowed by law.

STATEWIDE REVENUES

Statewide county revenues totaled \$2.439 billion in FY 2013, and 40.1% of that total was generated through taxes levied on property. Of the remainder, another 26.6% was generated

through intergovernmental payments, including State shared revenues and grants, State property tax replacements, federal grants and entitlements, contributions and reimbursements from local governmental units and agencies, and payments in lieu of taxes.

Between FY 2003 and FY 2013, statewide county revenue grew by \$737.5 million (43.3%). Revenue from taxes levied on property grew by \$367.0 million (60.1%). Revenue from general long-term debt increased by \$146.3 million (498.4%). **Table 1**, on the following page, shows revenue by source for FY 2003 and FY 2013.

Table 1

	Statewide County Revenue by Source				
	FY 2003		FY 2013		FY 2013 v. FY 2003
	Statewide Revenue	Percent of Total Revenue	Statewide Revenue	Percent of Total Revenue	
Taxes Levied on Property	\$ 646,418,592		\$ 1,007,203,406		
Uncollected Delinquent Taxes	(1,930,550)		(1,121,604)		
Credits to Taxpayers	(33,537,660)		(28,127,542)		
Net Current Property Taxes	\$ 610,950,382	35.9%	\$ 977,954,260	40.1%	60.1%
Intergovernmental	622,408,273	36.6%	649,377,791	26.6%	4.3%
Transfers In	175,632,169	10.3%	273,387,773	11.2%	55.7%
Other County Taxes	94,123,007	5.5%	149,026,326	6.1%	58.3%
Charges for Services	87,838,931	5.2%	109,281,049	4.5%	24.4%
Miscellaneous	38,042,481	2.2%	58,973,160	2.4%	55.0%
General Long-Term Debt	29,352,805	1.7%	175,645,300	7.2%	498.4%
Use of Money and Property	24,875,594	1.5%	20,015,369	0.8%	-19.5%
Penalties and Interest	8,499,577	0.5%	9,784,319	0.4%	15.1%
Licenses and Permits	5,410,527	0.3%	8,544,346	0.4%	57.9%
Fixed Asset Sales	3,503,258	0.2%	6,517,366	0.3%	86.0%
Delinquent Property Taxes (collected)	780,329	0.0%	448,152	0.0%	-42.6%
Total	\$ 1,701,417,333		\$ 2,438,955,211		43.3%

STATEWIDE EXPENDITURES

In FY 2013, statewide county expenditures totaled \$2.273 billion. Expenditures for roads and transportation constituted 20.8% of the statewide total. Another 19.6% was expended for public safety and legal services.

Between FY 2003 and FY 2013, statewide county expenditures grew by \$557.7 million (32.5%). The greatest percentage increases were for long-term debt service (123.8%) and nonprogram current expenses (197.8%), consisting primarily of short-term debt and miscellaneous expenditures.

The decrease in expenditures for mental health, intellectual disability, and developmental disabilities in FY 2013 is attributable to the State assuming responsibility for \$240.9 million in expenditures for Medicaid services previously paid for by the counties. The State also retained \$172.3 million that was previously appropriated to the Department of Human Services and distributed to the counties to help offset the cost of assuming the non-federal share of the Medicaid Program. For more information see the **Issue Review** titled [Funding for the Mental Health and Disability Services System](#).

Table 2 shows expenditures by function for FY 2003 and FY 2013. Each of the 12 function categories is described in further detail in Attachment A.

Table 2

	FY 2003		FY 2013		FY 2013 v. FY 2003
	Statewide	Percent of	Statewide	Percent of	
	Expenditure	Total Expenditures	Expenditure	Total Expenditures	
Roads and Transportation	\$ 343,502,015	20.0%	\$ 473,270,913	20.8%	37.8%
Mental Health, Intellectual Disability, and Developmental Disabilities	286,551,981	16.7%	185,285,845	8.2%	-35.3%
Public Safety and Legal Services	281,063,169	16.4%	445,072,587	19.6%	58.4%
Transfers Out	169,947,547	9.9%	267,220,366	11.8%	57.2%
Administration	160,384,260	9.3%	217,127,093	9.6%	35.4%
Physical Health and Social Services	155,699,060	9.1%	188,517,537	8.3%	21.1%
Capital Projects	117,054,349	6.8%	169,286,821	7.4%	44.6%
County Environment and Education	100,231,634	5.8%	131,021,806	5.8%	30.7%
Government Services to Residents	48,552,486	2.8%	72,527,178	3.2%	49.4%
Long-Term Debt Service	44,305,227	2.6%	99,170,012	4.4%	123.8%
Nonprogram Current	8,176,521	0.5%	24,350,925	1.1%	197.8%
Refunded Debt/Escrow	0	0.0%	300,000	0.0%	N/A
Total	\$ 1,715,468,249		\$ 2,273,151,083		32.5%

Attachments B and C include maps of FY 2013 revenue and expenditures, respectively, per capita by county. Also included are charts of FY 2013 statewide revenue and expenditures by category.

COUNTY FUND BALANCES

In FY 2003, the statewide total of county ending fund balances was \$662.3 million. This compares to an FY 2013 statewide ending fund balance of \$1.081 billion, an increase of \$419.1 million. In FY 2013, statewide county reserves increased by \$2.1 million over the previous year.

In FY 2013, the statewide ending fund balance was 44.3% of statewide revenue. Counties with the largest and smallest fund balances compared to revenue were:

Largest		Smallest	
Wayne	97.5%	Butler	18.5%
Appanoose	94.6%	Plymouth	23.3%
Harrison	83.6%	Shelby	24.6%
Palo Alto	82.6%	Linn	25.3%
Calhoun	81.6%	Union	26.1%
Dallas	78.2%	Scott	26.4%
Poweshiek	77.8%	Pottawattamie	28.8%
Winnebago	73.8%	Madison	30.1%
Carroll	71.5%	Cass	30.2%
Floyd	70.9%	Woodbury	30.6%

ADDITIONAL INFORMATION

The following resources provide more detail on county budgets and finance:

- Budgets and annual financial reports for individual counties:
<https://www.iowaonline.state.ia.us/localbudgets/default.aspx?cmd=gotopublicsite>.
- Annual summaries of county budgets in Iowa, FY 2001 through current:
<http://www.dom.state.ia.us/local/county/index.html>.
- County tax rates and levies, FY 2002 through current:
http://www.dom.state.ia.us/local/county/county_prop_tax.html.
- **Issue Review:** Iowa Property Tax and Local Government Finance Trends:
<https://www.legis.iowa.gov/docs/publications/IR/16950.pdf>.
- **Legislative Guide:** Local Property Tax:
<https://www.legis.iowa.gov/docs/publications/LG/9447.pdf>.

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County Expenditure Functions (Categories)

Roads and Transportation

- Secondary Roads Administration and Engineering.
- Roadway Maintenance - Maintenance of roads, bridges, and culverts; snow and ice control; traffic controls; and road clearing.
- General Roadway Expenditures - New equipment, equipment operations, real estate and buildings, and tools, materials, and supplies.
- Mass Transit - Support of an aviation authority under Iowa Code chapter [330A](#); tax aid to railroads under Iowa Code chapter [327H](#).

Public Safety and Legal Services

- Law Enforcement - Uniformed sheriff patrol and other police activities, investigations, unified law enforcement (the county's contribution to a public safety commission), contracted law enforcement provided to other entities, law enforcement communications, adult correctional services, and administration of law enforcement activities.
- Legal Services - Criminal prosecution, the county medical examiner, and child support recovery.
- Emergency Services - Ambulance, fire protection, rescue, and hazardous materials services; also includes the county's contributions to support a joint emergency management agency or E911 service commission.
- Assistance to the District Court System - District court facilities, research and other assistance, and bailiff services.
- Court Proceedings - Compensation and expenses for juries and witnesses, detention services, court costs, and service of civil papers.
- Juvenile Justice Administration - Victim restitution, representation services provided by the county attorney, and court-appointed attorneys and other court costs for juveniles.

Transfers Out - Interfund operating transfers (loans) between budgeted funds that will not be repaid within the current fiscal year.

Administration

- Policy and Administration - Expenditures for the board of supervisors, the offices of the county auditor and county treasurer, and independent auditing.
- Central Services - General services that cannot be directly allocated to specific programs, such as printing and duplication, courthouse maintenance and operations, and equipment maintenance.
- Risk Management Services - Insurance premiums and other costs related to tort liability, insuring public buildings, workers' compensation, property damage insurance, insuring county officers and employees against personal liability, and financing unemployment compensation benefits.

Capital Projects

- Roadway construction.
- County conservation land acquisition and capital improvement projects.
- Other capital projects for county programs and activities.

Mental Health, Intellectual Disability, and Developmental Disabilities

- Services provided for individuals diagnosed with mental illness, intellectual disability, other developmental disabilities, and brain injury.
- General administration expenses necessary to manage the service system.
- County-provided case management services.
- County-provided services other than case management, such as county care facilities and sheltered workshops.

Physical Health and Social Services

- Physical Health Services - Personal and family health services, communicable disease prevention and control, environmental health (food inspections, insect control, etc.), administration of the local board of health, and the county's contribution to a memorial hospital under Iowa Code chapter [37](#).
- Services to the Poor - Administration, general welfare services, and support of persons in county care facilities who are indigent.
- Services to Military Veterans - Administration of the county commission of veteran affairs and direct benefits to veterans under Iowa Code chapter [35B](#).
- Children's and Family Services - Youth guidance, including the operation and maintenance of juvenile detention centers and shelters, diagnostic services, counseling, and other services; family protective services, including foster care and other court-ordered services; and services for disabled children attending Iowa's special schools.
- Services to Other Adults - Services for the elderly and other social services such as job training and placement.
- Chemical Dependency - Treatment and preventive services.

County Environment and Education

- Environmental Quality - Natural resources conservation, weed eradication, solid waste disposal, and environmental restoration.
- Conservation and Recreation Services - County conservation board administration; maintenance and operation of parks and related facilities; and recreational services such as golf courses, beaches, and playgrounds and recreation centers.
- Animal Control - Animal seizure, impoundment, and disposition, as well as costs related to bounties on wild animals and expenses of the State Apiarist.
- County Development - Land use and building controls (regulation and inspection), housing rehabilitation and development, and community economic development.
- Educational Services - Libraries, historic preservation, county fairs and 4-H clubs, county fairgrounds, memorial halls, art centers, museums, and other services and facilities.
- Presidential or Governor Declared Disasters - Expenditures related to damage to property, buildings, equipment, and public facilities.

Long-Term Debt Service

- Redemption of general obligation bonds or other long-term debt.
- Interest and other fiscal charges associated with general obligation bonds or other long-term debt.

Government Services to Residents

- Representation Services - Elections administration, costs for conducting local elections, and compensation of township officials and clerks.
- State Administrative Services - Motor vehicle registration, driver licenses services, and recording of public documents.

Nonprogram Current

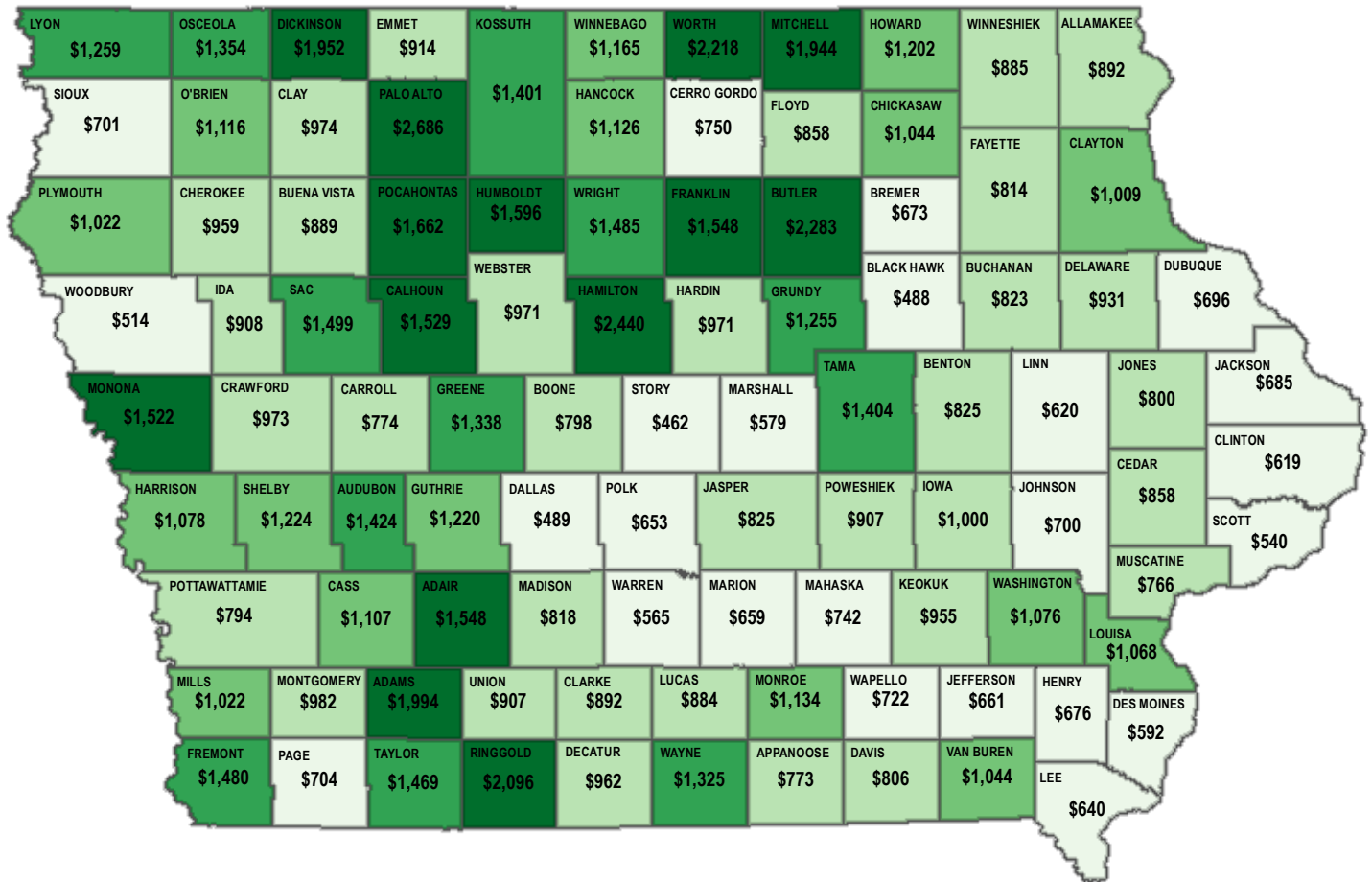
- Operations of a county farm.
- Interest on short-term debt.
- Pass-through grant money.
- Other nonprogram current expenses, such as refunds of amounts previously recorded as revenue and payment of claims for previously cancelled warrants.
- Other county enterprises that do not directly provide a service to residents.

Refunded Debt/Escrow - Principal payments to refund debt and payments to escrow agents for defeased debt.

Other Functions - These functions are included in the county budgets submitted to the State but are not part of the expenditures for FY 2004 through FY 2014 discussed in this document:

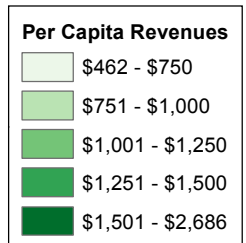
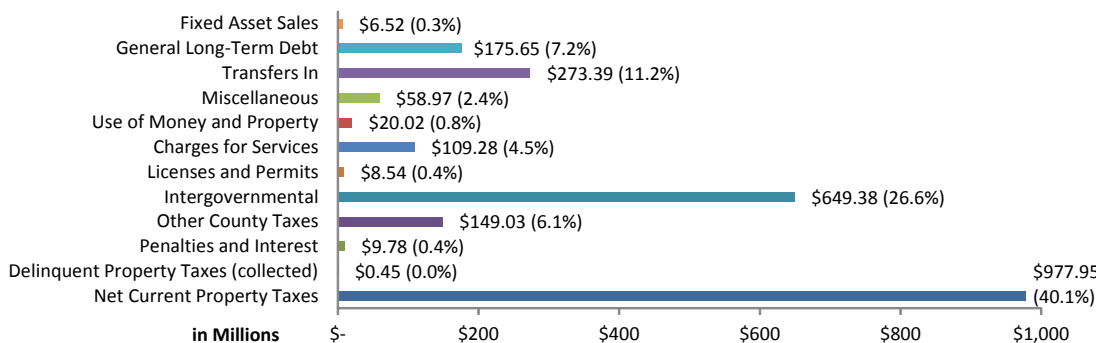
- Interfund operating transfers (loans) between budgeted funds that will be repaid within the current fiscal year.
- Nonbudgetary uses, such as internal service funds for county programs and activities, temporary clearing accounts, and revenues and expenditures from enterprise funds generated by activities for which a fee is charged for goods and services.
- Revenues and expenditures disbursed on behalf of agencies that are not part of the county's budget, such as a local emergency management agency or E911 service board.

COUNTY GOVERNMENT REVENUES PER CAPITA FROM ALL FUNDS FY 2013



Note: Per capita revenues are calculated by dividing a county's total expenditures by the 2013 estimated population. There is a negative relationship between county size (either total expenditures or population) and per capita expenditures. That is, the larger counties spend less per person for county government service; this can be attributed to economies of scale.

County Revenues by Function FY 2013

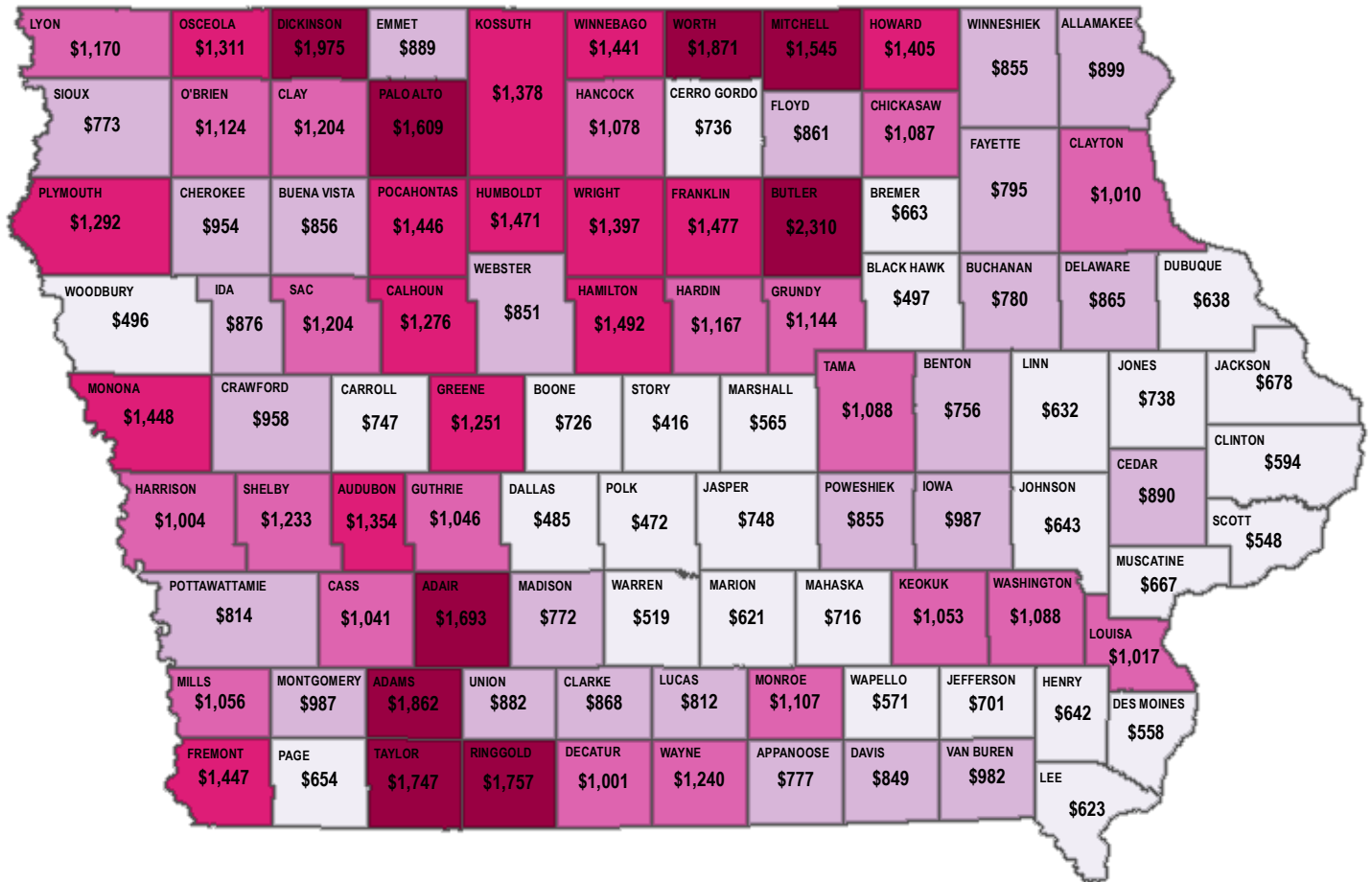


Statewide Average: \$1,578

Sources: Department of Management, County Annual Financial Reports, U.S. Census Bureau, ACS 2013 5-Year Estimate, LSA Calculations

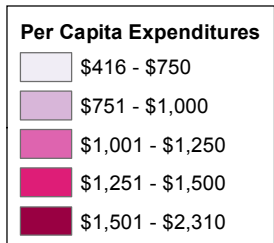
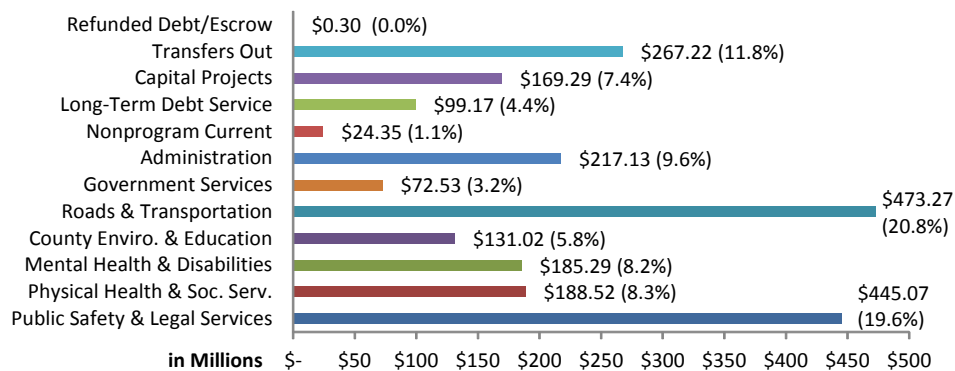
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COUNTY GOVERNMENT EXPENDITURES PER CAPITA FROM ALL FUNDS FY 2013



Note: Per capita expenditures are calculated by dividing a county's total expenditures by the 2013 estimated population. There is a negative relationship between county size (either total expenditures or population) and per capita expenditures. That is, the larger counties spend less per person for county government service; this can be attributed to economies of scale.

County Expenditures by Function FY 2013



Statewide Average: \$1,471

Sources: Department of Management, County Annual Financial Reports, U.S. Census Bureau, ACS 2013 5-Year Estimate, LSA Calculations

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