

3/6/96 Referred to W. + M.

FEB 29 1996
Place On Calendar

HOUSE FILE 2411
BY COMMITTEE ON LOCAL GOVERNMENT

(SUCCESSOR TO HSB 674)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to county budgets, limiting expenditures by
2 counties, providing for appropriation of county funds,
3 creating a capital improvements fund, and repealing the
4 property tax limitation on counties, and providing an
5 effective date.

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

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HF 2411

1 Section 1. Section 331.433, Code 1995, is amended to read
2 as follows:

3 331.433 ESTIMATES SUBMITTED BY DEPARTMENTS.

4 1. On or before January 15 of each year, each elective or
5 appointive officer or board, except tax certifying boards as
6 defined in section 24.2, subsection 1, having charge of a
7 county office or department, shall prepare and submit to the
8 auditor or other official designated by the board an estimate,
9 itemized in the detail required by the board and consistent
10 with existing county accounts, showing all of the following:

11 a. The proposed expenditures of the office or department
12 for the next fiscal year.

13 b. An estimate of the revenues, except property taxes, to
14 be collected for the county by the office during the next
15 fiscal year.

16 2. The auditor shall prepare the revenue estimate for
17 purposes of computing the county expenditure limitation under
18 section 331.437B and the cash reserve fund appropriation under
19 section 331.437C.

20 ~~2.~~ 3. On or before January 20 of each year, the auditor or
21 other designated official shall compile the various office and
22 department estimates and submit them and the revenue estimate
23 to the board. In the preparation of the county budget the
24 board may consult with any officer or department concerning
25 the estimates and requests and may adjust the requests for any
26 county office or department.

27 Sec. 2. NEW SECTION. 331.437A TRANSITION TO EXPENDITURE
28 LIMITATION AND CASH RESERVE FUND.

29 1. Effective with the fiscal year beginning July 1, 1997,
30 a county may implement sections 331.437B through 331.437E in
31 their entirety. However, effective with the fiscal year
32 beginning July 1, 1999, each county shall implement sections
33 331.437B through 331.437E, in their entirety.

34 2. The director of the department of management may waive
35 the application of subsection 1 to a county for a one-year

1 period, if evidence is presented that substantial progress is
2 being made towards removing the cause for the need of the
3 waiver. The director shall not grant a waiver for more than
4 three successive years to the same county.

5 Sec. 3. NEW SECTION. 331.437B EXPENDITURE LIMITATION.

6 1. A county expenditure limitation is created for each
7 fiscal year. The county expenditure limitation shall be
8 calculated as provided in this section. The county shall
9 adopt a budget which does not exceed the county expenditure
10 limitation.

11 2. For each fiscal year, the county expenditure limitation
12 on the rural services levy, the general services levy, and the
13 supplemental levy shall be ninety-nine percent of the revenue
14 estimate for each of those levies.

15 3. The county expenditure limitation amount provided for
16 in this section shall be used by the board of supervisors in
17 the preparation of the budget under section 331.434.

18 4. The scope of the expenditure limitation under
19 subsection 3 shall not encompass federal funds, donations, or
20 constitutionally dedicated moneys, moneys from trust funds,
21 fees, funds from a debt service property tax levy, and
22 property tax replacement moneys received from the state, and
23 moneys appropriated by the state to the county secondary road
24 fund.

25 5. The board shall not submit a budget which, in order to
26 balance, assumes reversion of a specific amount of the total
27 of the appropriations included in the budget.

28 Sec. 4. NEW SECTION. 331.437C COUNTY CASH RESERVE FUND.

29 1. A county cash reserve fund is created. The cash
30 reserve fund shall be separate from the general fund of the
31 county and shall not be considered part of the general fund of
32 the county except in determining the cash position of the
33 county as provided in subsection 3. The moneys in the cash
34 reserve fund shall not be transferred, used, obligated,
35 appropriated, or otherwise encumbered except as provided in

1 this section. Notwithstanding section 12C.7, subsection 2,
2 interest or earnings on moneys deposited in the cash reserve
3 fund shall be credited to the capital improvements fund
4 created in section 331.437E. Moneys in the cash reserve fund
5 may be used for cash flow purposes provided that any moneys so
6 allocated are returned to the cash reserve fund by the end of
7 each fiscal year.

8 2. The maximum balance of the cash reserve fund is the
9 amount equal to the cash reserve goal percentage, as defined
10 in section 331.437D, multiplied by the revenue estimate for
11 the fiscal year.

12 3. The moneys in the cash reserve fund may be appropriated
13 by the board of supervisors in accordance with subsection 4
14 only in the fiscal year for which the appropriation is made.
15 The moneys shall only be appropriated by the board of
16 supervisors for annual operating funds in anticipation of
17 revenues and for nonrecurring emergency expenditures and shall
18 not be appropriated for payment of any collective bargaining
19 agreement or arbitrator's decision negotiated or awarded under
20 chapter 20. The balance in the cash reserve fund may be used
21 in determining the cash position of the general fund of the
22 county for payment of county obligations, but shall not be
23 considered by an arbitrator or in negotiations under chapter
24 20 and shall not be used in determining the amount of the
25 state appropriation to the secondary road fund under section
26 331.429.

27 4. a. Except as provided in subsection 1, an
28 appropriation shall not be made from the cash reserve fund
29 unless the appropriation is in accordance with all of the
30 following:

31 (1) The appropriation is contained in a resolution in
32 which the appropriation is the only subject matter of the
33 resolution.

34 (2) The resolution states the reasons the appropriation is
35 necessary.

1 b. In addition to the requirements of paragraph "a", an
2 appropriation shall not be made from the cash reserve fund
3 which would cause the fund's balance to be less than three
4 percent of the revenue estimate for the fiscal year for which
5 the appropriation is made.

6 Sec. 5. NEW SECTION. 331.437D ANNUAL APPROPRIATIONS.

7 1. a. The "cash reserve goal percentage" for each fiscal
8 year is fifteen percent of the revenue estimate. For each
9 fiscal year in which the appropriation of the surplus existing
10 in the general fund and the rural services fund of the county
11 at the conclusion of the prior fiscal year pursuant to
12 paragraph "b" was not sufficient for the cash reserve fund to
13 reach the cash reserve goal percentage for the fiscal year,
14 there is appropriated from such funds an amount necessary to
15 reach the cash reserve goal percentage. The moneys
16 appropriated under this lettered paragraph shall be credited
17 on the last day of September of the fiscal year.

18 b. The surplus existing in the general fund and the rural
19 services fund of the county at the conclusion of the fiscal
20 year is appropriated for distribution in the succeeding fiscal
21 year as provided in subsection 2. Moneys credited to the cash
22 reserve fund from the appropriation made in this paragraph
23 shall not exceed the amount necessary for the cash reserve
24 fund to reach the cash reserve goal percentage for the
25 succeeding fiscal year. As used in this paragraph, "surplus"
26 means the excess of revenues and other financing sources over
27 expenditures and other financing uses for the general fund and
28 the rural services fund of the county in a fiscal year and
29 "revenue estimate" means the actual revenues in the fiscal
30 year immediately preceding the current fiscal year, less
31 federal funds, donations, constitutionally dedicated moneys,
32 moneys from trust funds, fees, funds from a debt service
33 property tax levy, and property tax replacement moneys
34 received from the state, and moneys appropriated by the state
35 to the county secondary road fund under section 331.429.

1 2. Moneys appropriated under subsection 1 shall be first
2 credited to the cash reserve fund. To the extent that moneys
3 appropriated under subsection 1 would make the moneys in the
4 cash reserve fund at the beginning of the fiscal year exceed
5 the cash reserve goal percentage of the revenue estimate for
6 that fiscal year, the excess moneys are appropriated to the
7 capital improvements fund.

8 Sec. 6. NEW SECTION. 331.437E CAPITAL IMPROVEMENTS FUND.

9 1. A capital improvements fund is created. The fund shall
10 consist of appropriations made to the fund and transfers of
11 interest, earnings, and moneys from other funds as provided by
12 law. The fund shall be separate from the general fund of the
13 county and the balance in the fund shall not be considered
14 part of the balance of the general fund of the county.

15 2. Notwithstanding section 12C.7, subsection 2, interest
16 or earnings on moneys in the capital improvements fund shall
17 be credited to the capital improvements fund.

18 3. Moneys in the fund in a fiscal year shall be used as
19 directed by the board of supervisors for the financing of
20 special capital improvements, or carrying out a specific
21 capital improvement plan.

22 Sec. 7. Section 444.27, subsection 2, Code Supplement
23 1995, is amended by striking the subsection.

24 Sec. 8. Section 444.25B, Code Supplement 1995, is
25 repealed.

26 Sec. 9. EFFECTIVE DATE. This Act takes effect January 1,
27 1997, and applies to the budget for the fiscal year beginning
28 July 1, 1997, and all succeeding fiscal years.

29 EXPLANATION

30 This bill repeals the county property tax limitation for
31 fiscal year 1997-1998, and allows counties to establish an
32 expenditure limitation, a cash reserve fund, and a capital
33 improvements fund, similar to that maintained by the state,
34 beginning with fiscal year 1997-1998. Effective for the
35 fiscal year beginning July 1, 1999, counties will be required

1 to establish the expenditure limit and the cash reserve and
2 capital improvements funds.

3 The maximum allowable balance in the cash reserve fund is
4 equal to 15 percent of the county's revenue estimate.

5 Counties are required to appropriate to the cash reserve fund
6 the ending year balance amounts in the county general fund and
7 the county rural services fund. The bill sets the expenditure
8 limitation at 99 percent of the county's revenue estimate.

9 "Revenue estimate" is defined as the actual revenues in the
10 fiscal year immediately preceding the current fiscal year,
11 less federal funds, donations, constitutionally dedicated
12 moneys, moneys from trust funds, fees, funds from a debt
13 service property tax levy, and property tax replacement moneys
14 received from the state, and moneys appropriated by the state
15 to the county secondary road fund under section 331.429.

16 The bill also establishes a county capital improvements
17 fund for public infrastructure-related expenditures.

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LOCAL GOVERNMENT

Succeeded By
SF (HF) 2411

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
LOCAL GOVERNMENT BILL
BY CHAIRPERSON VANDE HOEF)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to county budgets, limiting expenditures by
2 counties, providing for appropriation of county funds,
3 creating a capital improvements fund, and repealing the
4 property tax limitation on counties.

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

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1 --Section 1. NEW SECTION. 331.437A GENERAL FUND
2 EXPENDITURE LIMITATION.

3 1. There is created a county general fund expenditure
4 limitation for each fiscal year beginning on or after July 1,
5 1997, calculated as provided in this section. The county
6 shall adopt a budget which does not exceed the county general
7 fund expenditure limitation.

8 2. Except as otherwise provided in this section, the
9 county general fund expenditure limitation for a fiscal year
10 shall be ninety-nine percent of the revenue estimate.

11 3. The county general fund expenditure limitation amount
12 provided for in this section shall be used by the board of
13 supervisors in the preparation of the budget under section
14 331.434.

15 4. The scope of the expenditure limitation under
16 subsection 3 shall not encompass federal funds, donations, or
17 constitutionally dedicated moneys, moneys from trust funds,
18 fees, and property tax replacement moneys received from the
19 state, and moneys appropriated by the state to the county
20 secondary road fund.

21 5. The board shall not submit a budget which, in order to
22 balance, assumes reversion of a specific amount of the total
23 of the appropriations included in the budget.

24 Sec. 2. NEW SECTION. 331.437B COUNTY CASH RESERVE FUND.

25 1. A county cash reserve fund is created. The cash re-
26 serve fund shall be separate from the general fund of the
27 county and shall not be considered part of the general fund of
28 the county except in determining the cash position of the
29 county as provided in subsection 3. The moneys in the cash
30 reserve fund shall not be transferred, used, obligated,
31 appropriated, or otherwise encumbered except as provided in
32 this section. Notwithstanding section 12C.7, subsection 2,
33 interest or earnings on moneys deposited in the cash reserve
34 fund shall be credited to the capital improvements fund
35 created in section 331.437D. Moneys in the cash reserve fund

1 may be used for cash flow purposes provided that any moneys so
2 allocated are returned to the cash reserve fund by the end of
3 each fiscal year.

4 2. The maximum balance of the cash reserve fund is the
5 amount equal to the cash reserve goal percentage, as defined
6 in section 331.437C, multiplied by the revenue estimate for
7 the general fund of the county for the fiscal year.

8 3. The moneys in the cash reserve fund may be appropriated
9 by the board of supervisors in accordance with subsection 4
10 only in the fiscal year for which the appropriation is made.
11 The moneys shall only be appropriated by the board of super-
12 visors for nonrecurring emergency expenditures and shall not
13 be appropriated for payment of any collective bargaining
14 agreement or arbitrator's decision negotiated or awarded under
15 chapter 20. The balance in the cash reserve fund may be used
16 in determining the cash position of the general fund of the
17 county for payment of county obligations, but shall not be
18 considered by an arbitrator or in negotiations under chapter
19 20 and shall not be used in determining the amount of the
20 state appropriation under section 331.429.

21 4. a. Except as provided in subsection 1, an
22 appropriation shall not be made from the cash reserve fund
23 unless the appropriation is in accordance with all of the
24 following:

25 (1) The appropriation is contained in a resolution in
26 which the appropriation is the only subject matter of the
27 resolution.

28 (2) The resolution states the reasons the appropriation is
29 necessary.

30 b. In addition to the requirements of paragraph "a", an
31 appropriation shall not be made from the cash reserve fund
32 which would cause the fund's balance to be less than three
33 percent of the revenue estimate for the fiscal year for which
34 the appropriation is made.

35 Sec. 3. NEW SECTION. 331.437C ANNUAL APPROPRIATIONS.

1 1. a. The "cash reserve goal percentage" for fiscal years
2 beginning on or after July 1, 1997, is five percent of the
3 revenue estimate. For each fiscal year beginning on or after
4 July 1, 1997, in which the appropriation of the surplus
5 existing in the general fund of the county at the conclusion
6 of the prior fiscal year pursuant to paragraph "b" was not
7 sufficient for the cash reserve fund to reach the cash reserve
8 goal percentage for the current fiscal year, there is
9 appropriated from the general fund of the county an amount to
10 be determined as follows:

11 (1) If the balance of the cash reserve fund in the current
12 fiscal year is not more than four percent of the adjusted
13 revenue estimate for the current fiscal year, the amount of
14 the appropriation under this lettered paragraph is one percent
15 of the revenue estimate for the current fiscal year.

16 (2) If the balance of the cash reserve fund in the current
17 fiscal year is more than four percent but less than five
18 percent of the adjusted revenue estimate for that fiscal year,
19 the amount of the appropriation under this lettered paragraph
20 is the amount necessary for the cash reserve fund to reach
21 five percent of the revenue estimate for the current fiscal
22 year.

23 The moneys appropriated under this lettered paragraph shall
24 be credited in equal installments on the last day of September
25 and on the last day of March of the fiscal year.

26 b. The surplus existing in the general fund of the county
27 at the conclusion of the fiscal year is appropriated for
28 distribution in the succeeding fiscal year as provided in
29 subsection 2. Moneys credited to the cash reserve fund from
30 the appropriation made in this paragraph shall not exceed the
31 amount necessary for the cash reserve fund to reach the cash
32 reserve goal percentage for the succeeding fiscal year. As
33 used in this paragraph, "surplus" means the excess of revenues
34 and other financing sources over expenditures and other
35 financing uses for the general fund of the county in a fiscal

1 year and "revenue estimate" means the actual revenues in the
2 fiscal year immediately preceding the current fiscal year,
3 less federal funds, donations, constitutionally dedicated
4 moneys, moneys from trust funds, fees, and property tax
5 replacement moneys received from the state, and moneys
6 appropriated by the state to the county secondary road fund.

7 2. Moneys appropriated under subsection 1 shall be first
8 credited to the cash reserve fund. To the extent that moneys
9 appropriated under subsection 1 would make the moneys in the
10 cash reserve fund exceed the cash reserve goal percentage of
11 the revenue estimate for the succeeding fiscal year, the
12 moneys are appropriated to the capital improvements fund.

13 Sec. 4. NEW SECTION. 331.437D CAPITAL IMPROVEMENTS FUND.

14 1. A capital improvements fund is created. The fund shall
15 consist of appropriations made to the fund and transfers of
16 interest, earnings, and moneys from other funds as provided by
17 law. The fund shall be separate from the general fund of the
18 county and the balance in the fund shall not be considered
19 part of the balance of the general fund of the county.

20 2. Notwithstanding section 12C.7, subsection 2, interest
21 or earnings on moneys in the capital improvements fund shall
22 be credited to the capital improvements fund.

23 3. Moneys in the fund in a fiscal year shall be used as
24 directed by the board of supervisors for the financing of
25 special capital improvements, or carrying out a specific
26 capital improvement plan.

27 Sec. 5. Section 444.27, subsection 2, Code Supplement
28 1995, is amended by striking the subsection.

29 Sec. 6. Section 444.25B, Code Supplement 1995, is
30 repealed.

31

EXPLANATION

32 This bill repeals the county property tax limitation for
33 fiscal year 1997-1998 and fiscal year 1998-1999, and requires
34 counties to establish a cash reserve fund similar to that
35 maintained by the state beginning with fiscal year 1997-1998.

S.F. _____ H.F. _____

1 The maximum allowable balance in the fund is equal to 5
2 percent of the actual revenues received by a county in the
3 immediately preceding fiscal year. The bill also sets an
4 expenditure limitation for a county equal to 99 percent of the
5 actual revenues received by a county in the immediately
6 preceding fiscal year. The bill also establishes a county
7 capital improvements fund for public infrastructure-related
8 expenditures.

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