

MAR 16 1995
WAYS & MEANS CALENDAR

HOUSE FILE 480
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 235)

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

A BILL FOR

1 An Act relating to protection of taxpayers' rights by limiting
2 the growth rate of taxes, revenue, and spending of the state
3 and local governments and by increasing the people's control
4 over taxes, revenue, and spending of the state and local
5 governments, and providing effective and applicability dates.

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

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HOUSE FILE 480

H-3532

Amend House File 480 as follows:

1. Page 2, by striking lines 9 through 13 and inserting the following: "borrowing, including interest, if the borrowing is repaid with a division of property tax revenues under section 260E.4, 260F.4, or 403.19; and (10) amounts excluded from revenue by".

By LARSON of Linn

H-3532 FILED MARCH 28, 1995

HF 480

1 Section 1, NEW SECTION. 8B.1 REVENUE LIMIT ESTABLISHED
2 -- INCREASE.

3 The state government and each local government is subject
4 to a revenue limit and a spending limit as provided in section
5 8B.4. Each government's beginning revenue limit is equal to
6 its highest total revenue in any one of the last four fiscal
7 years before this chapter becomes effective. This limit is
8 adjusted annually for the total of (1) the cumulative
9 percentage rate of inflation or deflation since the base date,
10 as measured by the federal implicit price deflator for state
11 and local government purchases or its successor index, and (2)
12 that government's cumulative percentage population increase
13 since the base date. There is no reduction or offset for any
14 cumulative population decrease since the base date.

15 "Population" is determined by the most recent federal
16 census or federal census estimate. A school district's
17 "population" is its full-time equivalent student enrollment.
18 The "base date" is the date eighteen months before this
19 chapter becomes effective. Each county government's revenue
20 limit includes all townships in the county.

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

25 Sec. 2. NEW SECTION. 8B.2 DEFINITION OF REVENUE --
26 EXCLUSIONS.

27 1. "Revenue" includes all amounts received from all
28 sources, including but not limited to all taxes, fees,
29 charges, assessments, and other receipts, except these
30 excluded amounts: (1) amounts refunded to the payers; (2)
31 gifts and bequests and contracts from nongovernmental sources;
32 (3) receipts from the federal government; (4) fees voluntarily
33 paid for hospital or public utility services, but any part of
34 a fee in excess of the actual cost of providing that service
35 is revenue; (5) an amount equal to a government's net cost

1 increase required by a federal law or rule, or change in a
2 federal law or rule, that takes effect after this chapter
3 becomes effective, but only to the extent not offset by
4 federal funds; (6) amounts collected pursuant to section 8 of
5 Article VII of the Constitution of the State of Iowa; (7) all
6 amounts borrowed lawfully; (8) receipts applied to repay
7 borrowing, including interest, if the borrowing was authorized
8 by vote of the electors; (9) receipts applied to repay
9 borrowing, including interest, if the borrowing is within a
10 class for which the receipts applied to repayment are excluded
11 from revenue by law adopted by two-thirds vote of the entire
12 membership of each house of the general assembly and approved
13 by the governor; and (10) amounts excluded from revenue by
14 this section and section 8B.5.

15 2. The state revenue limit excludes, and the local limits
16 include, state revenue transferred to local governments or
17 applied as tax credits against local taxes. Any other amount
18 transferred between governments is counted only once as
19 revenue, by the government first receiving it.

20 3. If a government's revenue in a fiscal year exceeds its
21 revenue limit, its limit for the next fiscal year shall be
22 reduced by the excess amount.

23 Sec. 3. NEW SECTION. 8B.3 TEMPORARY INCREASES IN REVENUE
24 LIMIT.

25 1. A government's revenue limit may be temporarily
26 increased in an amount approved by a majority of that
27 government's electors voting in a referendum. The increase is
28 effective for no more than five fiscal years. Each referendum
29 ballot is limited to this issue and shall not include any
30 other proposal or subject. Each such referendum shall be held
31 only on the first Tuesday after the first Monday in June or
32 the first Tuesday after the first Monday in November.

33 2. One or more revenue limits may be temporarily increased
34 by law adopted by two-thirds vote of the whole membership of
35 each house of the general assembly and approved by the

1 governor. A local government's revenue limit may be
2 temporarily increased by not more than ten percent, by vote of
3 three-fourths of the whole membership of its governing body
4 after prominent notice and public hearing. Each increase
5 under this section is effective for only one fiscal year.

6 3. In each referendum under this section, the ballot and
7 published notice shall clearly state that the proposal would
8 allow the specified government to increase its taxes and other
9 revenue by a stated amount above its limit for each fiscal
10 year during a stated period; the total increase for that
11 period; and the amount of the government's revenue limit under
12 section 8B.1 for the preceding and current fiscal years and
13 for the next fiscal year, estimated if necessary.

14 4. Any change in a limit under section 8B.2 or 8B.3 is
15 effective only for the specified fiscal year or years and does
16 not affect computation of the limit under section 8B.1.

17 Sec. 4. NEW SECTION. 8B.4 SPENDING LIMIT ESTABLISHED.

18 Each government's total spending in a fiscal year shall not
19 exceed its spending limit, which is equal to the sum of its
20 (1) revenue limit for that year, adjusted for any change under
21 section 8B.2 or 8B.3, or actual revenue, whichever is less;
22 (2) actual receipts in that year which are excluded from
23 revenue by section 8B.2; and (3) net unspent funds carried
24 over from the preceding year. "Spending" includes all outlays
25 for all purposes, unless expressly excluded by section 8B.5.

26 If a government has a deficit of net unspent funds at the
27 end of a fiscal year, the deficit is subtracted in computing
28 the next year's spending limit under section 8B.4. However,
29 section 8B.4 is intended to prevent any such deficit and to
30 require each government to operate on a balanced budget.

31 Sec. 5. NEW SECTION. 8B.5 TRUST FUNDS.

32 "Revenue" includes all receipts for a government's trust
33 funds for unemployment, retirement, medical, or other
34 benefits, but earnings of these trust funds are excluded from
35 both revenue and spending. "Spending" includes all payments

1 and transfers into these trust funds, and excludes payments
2 out of these trust funds for the purpose for which the
3 payments into the trust fund were made. "Net unspent funds"
4 excludes these trust funds.

5 Sec. 6. NEW SECTION. 8B.6 NEW LOCAL GOVERNMENTS --
6 ESTABLISHMENT OF LIMITS.

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

18 Sec. 7. NEW SECTION. 8B.7 MANDATES.

19 If a state law or rule, or change in a state law or rule,
20 that takes effect after this chapter becomes effective
21 requires a local government to incur a net cost increase, the
22 state shall pay to the local government the amount of the
23 necessary net cost increase, and shall increase the local
24 revenue limit and decrease the state revenue limit by that
25 amount. The local government need not comply with the law,
26 rule, or change until the state has complied with this
27 section.

28 Sec. 8. NEW SECTION. 8B.8 EMPLOYEE BENEFITS -- FUNDING.

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

34 Sec. 9. NEW SECTION. 8B.9 USE OF GENERALLY ACCEPTED
35 ACCOUNTING PRINCIPLES.

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

4 Sec. 10. NEW SECTION. 8B.10 CONSTRUCTION OF STATUTE.

5 1. This chapter creates fundamental and inalienable rights
6 in each taxpayer and each citizen. Any infringement of these
7 rights shall be subjected to strictest scrutiny. This chapter
8 shall be interpreted and implemented to achieve its purpose to
9 limit the growth rate of revenue and spending of the state and
10 local governments. Any taxpayer or citizen has standing to
11 sue by individual or class action to enforce this chapter and
12 laws implementing it and, if successful, shall be reimbursed
13 for all reasonable expenses of the suit. All provisions of
14 this chapter are self-executing and severable.

15 2. This chapter does not authorize any borrowing and does
16 not impair constitutional debt limits. It does not impair any
17 law that limits taxes, revenue, spending, borrowing, or debt
18 or that requires approval by the electors for a tax, tax
19 increase, borrowing, or debt, including laws requiring more
20 than a majority vote and laws allowing the electors to approve
21 borrowing or debt for any stated number of years. It does not
22 impair any contract in existence when the chapter becomes
23 effective.

24 Sec. 11. NEW SECTION. 8B.11 DEFINITION OF GOVERNMENT.

25 "Government" includes all parts, agencies, enterprises, and
26 operations of a government. "Local government" includes each
27 city, county, school district, special district, and political
28 subdivision in the state, except that townships are included
29 with county governments. An agreement or joint action by two
30 or more governments does not create a new government unless
31 expressly provided by state law, but all revenue and spending
32 related to the agreement or joint action are included in
33 revenue and spending of the appropriate governments.

34 Because county limits include townships, a county
35 government may limit the total revenue and spending of

1 townships in that county.

2 Sec. 12. EFFECTIVE AND APPLICABILITY DATES. This Act,
3 being deemed of immediate importance, takes effect upon
4 enactment and applies to fiscal years beginning on or after
5 July 1, 1996.

6 EXPLANATION

7 This bill limits the future growth rate of the total
8 revenue and total spending of the state and local governments,
9 with some exceptions.

10 Each government has its own revenue limit and spending
11 limit. County limits include townships.

12 Each government's beginning revenue limit is equal to its
13 highest total revenue in any of the four fiscal years before
14 this amendment becomes effective. This limit is adjusted
15 annually for the combined total of cumulative inflation or
16 deflation and any cumulative population increase after the
17 base date. The population adjustment can rise or fall, but it
18 cannot fall below the population at the base date. The base
19 date is the date 18 months before this amendment becomes
20 effective.

21 Each government's spending limit is equal to its revenue
22 limit, or actual revenue if less, for that year, plus almost
23 all actual receipts which are outside the revenue limit, plus
24 unspent funds carried over. This will require each government
25 to operate on a balanced budget.

26 A government's revenue limit can be temporarily increased
27 in any of three ways: (1) A majority vote of the people in a
28 state or local referendum can increase the limit in any
29 amount, for any purpose, and for any period up to five years,
30 (2) a vote of two-thirds of all members of each house of the
31 legislature, with the governor's approval, can increase any or
32 all limits for one year, (3) a vote of three-fourths of all
33 members of a local governing body can increase that local
34 government's limit by not more than 10 percent for one year,
35 after notice and hearing.

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

6 State aid to local governments and state credits against
7 local taxes are outside the state limit and are included in
8 local limits. Thus, one additional state tax dollar sent to a
9 local government that is at its revenue limit will require an
10 equal \$1 reduction in local taxes. This provision encourages
11 using state revenue for local property tax replacement.

12 The state must pay for a state-mandated net cost increase
13 imposed on a local government after this amendment becomes
14 effective, and must increase the local revenue limit and
15 decrease the state limit by the amount of the net cost
16 increase. The local government need not obey the mandate
17 until the state has complied.

18 The revenue limits include all taxes and most other
19 revenue. Receipts outside the revenue limit are: amounts
20 refunded; private gifts, bequests, and contracts; receipts
21 from the federal government; a fee for hospital or public
22 utility service, if the fee does not exceed the cost of the
23 service; the amount of a net cost increase caused by a new
24 federal mandate and not offset by federal funds; amounts from
25 transportation-related fees and taxes; amounts borrowed
26 lawfully; amounts borrowed with the voters' approval; receipts
27 used to repay borrowed money if the exclusion is approved by a
28 two-thirds majority of the general assembly; and earnings of
29 trust funds.

30 If a government's actual revenue is below its revenue
31 limit, this does not reduce any future revenue limit. Thus, a
32 government is not penalized for holding its revenue and
33 spending below the limit.

34 The amendment provides for changes in revenue limits if a
35 new local government is created, if local governments combine,

1 or if a state law transfers services among local governments.
2 However, the state cannot increase its share of total state
3 and local revenue and spending limits.

4 Sound funding of any retirement or benefit plan for
5 government employees is required within 10 years.

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

8 Any taxpayer or citizen may sue to enforce this new chapter
9 of the Code of Iowa.

10 The bill takes effect upon enactment and applies to fiscal
11 years beginning on or after July 1, 1996.

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Larson, Chair
Nutt
Roderer
Shultz
Van Fossen

HSB 235

WAYS AND MEANS

Succeeded

HOUSE FILE

480

BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL
BY CHAIRPERSON HALVORSON)

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

A BILL FOR

1 An Act relating to protection of taxpayers' rights by limiting
2 the growth rate of taxes, revenue, and spending of the state
3 and local governments and by increasing the people's control
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33 hospital or public utility services, but any part of a fee in
34 excess of the actual cost of providing that service is
35 revenue; (5) an amount equal to a government's net cost

1 increase required by a federal law or rule, or change in a
2 federal law or rule, that takes effect after this chapter
3 becomes effective, but only to the extent not offset by
4 federal funds; (6) amounts collected pursuant to section 8 of
5 Article VII of the Constitution of the State of Iowa; (7) all
6 amounts borrowed lawfully; (8) receipts applied to repay
7 borrowing, including interest, if the borrowing was authorized
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10 class for which the receipts applied to repayment are excluded
11 from revenue by law adopted by two-thirds vote of the entire
12 membership of each house of the general assembly and approved
13 by the governor; and (10) amounts excluded from revenue by
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15 effective only for the specified fiscal year or years and does
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