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WAYS AND MEANS

HOUSE JOINT RESOLUTION 4

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Passed House, Date ____________ Passed Senate, Date ____________

Vote: Ayes ______ Nays ______ Vote: Ayes ______ Nays ______

Approved ____________________________

HOUSE JOINT RESOLUTION

A Joint Resolution proposing an amendment to the Constitution of the State of Iowa relating to protection of taxpayers' rights by limiting the growth rate of taxes, revenue, and spending of the state and local governments and by increasing the people's control over taxes, revenue, and spending of the state and local governments.

BE IT RESOLVED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

TLSB 1468YH 76

sc/sc/14

HJR 4

S.J.R. _______ H.J.R. 4

Section 1. The following amendment to the Constitution of the State of Iowa is proposed:

The Constitution of the State of Iowa is amended by adding the following new Article XIII:

ARTICLE XIII.

TAXPAYERS' RIGHTS.

SECTION 1. The state government and each local government is subject to a revenue limit and a spending limit as provided in section 8. Each government's beginning revenue limit is equal to its highest total revenue in any one of the last four fiscal years before this Article becomes effective. This limit is adjusted annually for the total of (1) the cumulative percentage rate of inflation or deflation since the base date, as measured by the federal implicit price deflator for state and local government purchases or its successor index, and (2) that government's cumulative percentage population increase since the base date. There is no reduction or offset for any cumulative population decrease since the base date. "Population" is determined by the most recent federal census or federal census estimate. A school district's "population" is its full-time equivalent student enrollment. The "base date" is the date eighteen months before this Article becomes effective. Each county government's revenue limit includes all townships in the county.

SEC. 2. "Revenue" includes all amounts received from all sources, including but not limited to all taxes, fees, charges, assessments, and other receipts, except these excluded amounts: (1) amounts refunded to the payers; (2) gifts and contracts from nongovernmental sources; (3) receipts from the federal government; (4) fees voluntarily paid for hospital or public utility services, but any part of a fee in excess of the actual cost of providing that service is revenue; (5) an amount equal to a government's net cost increase required by a federal law or rule, or change in a federal law or rule, that takes effect after this Article becomes effective, but only to the extent not offset by federal funds; (6) amounts borrowed after approval by vote of the electors; (7) amounts borrowed by issuing revenue bonds on which no payment can be made from tax revenue; (8) receipts applied to repay money borrowed lawfully, including interest; and (9) amounts excluded from revenue by sections 3 and 9.

SEC. 3. The state revenue limit excludes, and the local limits include, state revenue transferred to local governments or applied as tax credits against local taxes. Any other amount transferred between governments is counted only once as revenue, by the government first receiving it.

SEC. 4. If a government's revenue in a fiscal year exceeds its revenue limit, its limit for the next fiscal year shall be reduced by the excess amount.

SEC. 5. A government's revenue limit may be temporarily increased in an amount approved by a majority of that government's electors voting in a referendum. The increase is effective for no more than five fiscal years. Each referendum ballot is limited to this issue and shall not include any other proposal or subject. Each such referendum shall be held only on the first Tuesday after the first Monday in June or the first Tuesday after the first Monday in November.

SEC. 6. One or more revenue limits may be temporarily increased by law adopted by two-thirds vote of the whole membership of each house of the General Assembly and approved by the Governor. A local government's revenue limit may be temporarily increased by not more than ten percent, by vote of three-fourths of the whole membership of its governing body after prominent notice and public hearing. Each increase under this section is effective for only one fiscal year.

SEC. 7. Any change in a limit under section 4, 5, or 6 is effective only for the specified fiscal year or years and does not affect computation of the limit under section 1.

SEC. 8. Each government's total spending in a fiscal year shall not exceed its spending limit, which is equal to the sum of its (1) revenue limit for that year, adjusted for any change under section 4, 5, or 6, or actual revenue, whichever is less; (2) actual receipts in that year which are excluded from revenue by section 2 or 3; and (3) net unspent funds carried over from the preceding year. "Spending" includes all outlays for all purposes, unless expressly excluded by section 9.

SEC. 9. "Revenue" includes all receipts for a government's trust funds for unemployment, retirement, medical, or other benefits, but earnings of these trust funds are excluded from both revenue and spending. "Spending" includes all payments and transfers into these trust funds, and excludes payments out of these trust funds for the purpose for which the payments into the trust fund were made. "Net unspent funds" excludes these trust funds.

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

SEC. 11. If a state law or rule, or change in a state law or rule, that takes effect after this Article becomes effective requires a local government to incur a net cost increase, the State shall pay to the local government the amount of the necessary net cost increase, and shall increase the local revenue limit and decrease the state revenue limit by that amount. The local government need not comply with the law, rule, or change until the State has complied with this section.

SEC. 12. Any state or local government plan for retirement or other employee benefits shall be completely funded within ten years after this Article becomes effective, and at all times thereafter, in accordance with generally accepted actuarial and accounting principles.

SEC. 13. The state and local governments shall use consistent accounting, in accordance with generally accepted accounting principles, for all purposes.

SEC. 14. This Article creates fundamental and inalienable rights in each taxpayer and each citizen. Any infringement of these rights shall be subjected to strictest scrutiny. This Article shall be interpreted and implemented to achieve its purpose to limit the growth rate of revenue and spending of the state and local governments. Any taxpayer or citizen has standing to sue by individual or class action to enforce this Article and laws implementing it and, if successful, shall be reimbursed for all reasonable expenses of the suit.

SEC. 15. This Article becomes effective for the first state fiscal year beginning at least six months after its approval and ratification by the electors. The State, by law, shall implement this Article and may adopt further restrictions and limits. However, all provisions of this Article are self-executing and severable.

Sec. 2. DECLARATION OF INTENT. It is the intent of the General Assembly in agreeing to the foregoing proposed amendment that:

1. This declaration of intent shall be relied on by the electors and the courts, with the same results as if it were in the Constitution.

2. Article XIII does not authorize any borrowing and does not impair the debt limits and other provisions of Article VII. It does not impair any law that limits taxes, revenue, spending, borrowing, or debt or that requires approval by the electors for a tax, tax increase, borrowing, or debt, including laws requiring more than a majority vote and laws

allowing the electors to approve borrowing or debt for any stated number of years. It does not impair any contract in existence when Article XIII becomes effective.

3. In each referendum under section 5 of Article XIII, the ballot and published notice shall clearly state: that the proposal would allow the specified government to increase its taxes and other revenue by a stated amount above its constitutional limit for each fiscal year during a stated period; the total increase for that period; and the amount of the government's revenue limit under section 1 of Article XIII for the preceding and current fiscal years and for the next fiscal year, estimated if necessary.

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

5. A government which excludes an amount from revenue or spending under any provision of Article XIII must accurately determine and establish the correct amount excluded.

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

7. Because county limits include townships, a county government may limit the total revenue and spending of townships in that county.

8. If a government has a deficit of net unspent funds at the end of a fiscal year, the deficit is subtracted in computing the next year's spending limit under section 8 of

Article XIII. However, section 8 is intended to prevent any such deficit and to require each government to operate on a balanced budget.

Sec. 3. The foregoing proposed amendment to the Constitution of the State of Iowa is referred to the General Assembly to be chosen at the next general election for members of the General Assembly and the Secretary of State is directed to cause it to be published for three consecutive months previous to the date of that election as provided by law.

EXPLANATION

This proposed Taxpayers' Rights Amendment adds a new Article to the Iowa Constitution. It limits the future growth rate of the total revenue and total spending of the state and local governments, with some exceptions.

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

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

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

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

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

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

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

The revenue limits include all taxes and most other revenue. Receipts outside the revenue limit are: amounts refunded; private gifts and contracts; receipts from the federal government; a fee for hospital or public utility service, if the fee does not exceed the cost of the service; the amount of a net cost increase caused by a new federal mandate and not offset by federal funds; amounts borrowed with the voters' approval; revenue bonds not payable from taxes; receipts used to repay borrowed money; and earnings of trust funds.

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

The amendment provides for changes in revenue limits if a new local government is created, if local governments combine, or if a state law transfers services among local governments. However, the State cannot increase its share of total state and local revenue and spending limits.

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

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

Any taxpayer or citizen may sue to enforce this new Article of the Constitution.

Explanatory language is included in a separate declaration of intent which will not become part of the Constitution but will serve as a guide for interpretation.

This resolution, if adopted, will be referred to the next general assembly. If the next general assembly adopts this resolution, the amendment will be submitted to the voters for their decision on ratification.