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WAYS AND MEANS

HOUSE JOINT RESOLUTION

2002

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Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

HOUSE JOINT RESOLUTION

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

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

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HSR 2002

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

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

5 ARTICLE XIII
6 TAXPAYERS' RIGHTS

7 SECTION 1. The state government is subject to a revenue
8 limit and a spending limit as provided in section 7. Its
9 beginning revenue limit is equal to its total revenue in the
10 last fiscal year before this Article becomes effective. This
11 limit is adjusted annually for the total of (1) the cumulative
12 percentage rate of inflation or deflation since the base date,
13 as measured by the federal implicit price deflator for state
14 and local government purchases or its successor index, and (2)
15 the state's cumulative percentage population increase above
16 the population at the base date. There is no reduction or
17 offset for any cumulative population decrease below the
18 population at the base date. "Population" is determined by
19 the most recent federal census or federal census estimate.
20 The "base date" is the date eighteen months before this
21 Article becomes effective.

22 SEC. 2. "Revenue" includes all amounts received from all
23 sources, including but not limited to all taxes, fees,
24 charges, assessments, amounts borrowed, and other receipts,
25 except these excluded amounts: (1) amounts refunded to the
26 payers; (2) gifts and contracts from nongovernmental sources;
27 (3) receipts from the federal government; (4) fees voluntarily
28 paid for state university hospital services, but any part of a
29 fee in excess of the actual cost of providing that service is
30 revenue; (5) an amount equal to the state government's net
31 cost increase required by a federal law or rule, or change in
32 a federal law or rule, that takes effect after this Article
33 becomes effective, but only to the extent not offset by
34 federal funds; (6) amounts collected pursuant to section 8 of
35 Article VII; (7) amounts borrowed after approval by vote of

1 the electors; (8) amounts borrowed by issuing revenue bonds on
2 which no payment can be made from tax revenue; (9) receipts
3 applied to repay money borrowed lawfully, including interest;
4 and (10) amounts excluded from revenue by section 8.

5 SEC. 3. If state government revenue in a fiscal year
6 exceeds the revenue limit, the limit for the next fiscal year
7 shall be reduced by the excess amount.

8 SEC. 4. The revenue limit may be temporarily increased in
9 an amount approved by a majority of the electors voting in a
10 referendum. The increase is effective for no more than five
11 fiscal years. Each referendum ballot is limited to this issue
12 and shall not include any other proposal or subject. Each
13 such referendum shall be held only on the first Tuesday after
14 the first Monday in June or the first Tuesday after the first
15 Monday in November.

16 SEC. 5. The revenue limit may be temporarily increased by
17 law adopted by two-thirds vote of the whole membership of each
18 house of the General Assembly and approved by the Governor.
19 Each such law is effective for only one fiscal year.

20 SEC. 6. Any change under section 3, 4, or 5 is effective
21 only for the specified fiscal year or years and does not
22 affect computation of the limit under section 1.

23 SEC. 7. Total state government spending in a fiscal year
24 shall not exceed the spending limit, which is equal to the sum
25 of the (1) revenue limit for that year, adjusted for any
26 change under section 3, 4, or 5, or actual revenue, whichever
27 is less; (2) actual receipts in that year which are excluded
28 from revenue by section 2; and (3) net unspent funds carried
29 over from the preceding year. "Spending" includes all outlays
30 for all purposes, unless expressly excluded by section 8.

31 SEC. 8. "Revenue" includes all receipts for state
32 government trust funds for retirement, medical, or other
33 benefits, but earnings of these trust funds are excluded from
34 both revenue and spending. "Spending" includes all payments
35 and transfers into these trust funds, and excludes payments

1 out of these trust funds for the kind of benefits for which
2 the payments into the trust fund were made. Payments for
3 expenses of administration are included in spending. "Net
4 unspent funds" excludes these trust funds. This section also
5 applies to any state government trust fund for unemployment
6 benefits and to the state's unemployment trust fund account
7 with the federal government, except that (1) its receipts,
8 including reimbursements for benefits paid but excluding
9 penalties and interest, are excluded from revenue to the
10 extent that federal law requires them to be deposited promptly
11 with the federal government as a condition of federal approval
12 of the state's unemployment program, and (2) amounts lawfully
13 paid as unemployment benefits are excluded from spending.

14 SEC. 9. In each fiscal year the percentage of state
15 government spending that consists of state transfers to local
16 governments and tax credits against local taxes shall be at
17 least equal to that percentage in the last fiscal year before
18 this Article becomes effective.

19 SEC. 10. If a state law or rule, or change in a state law
20 or rule, that takes effect after this Article becomes
21 effective requires a local government to incur a net cost
22 increase, the State shall pay to the local government the
23 amount of the necessary net cost increase. The local
24 government need not comply with the law, rule, or change until
25 the State has complied with this section.

26 SEC. 11. Any state government plan for retirement or other
27 employee benefits shall be completely funded within ten years
28 after this Article becomes effective and at all times
29 thereafter, in accordance with generally accepted actuarial
30 and accounting principles.

31 SEC. 12. The state government shall use consistent
32 accounting, in accordance with generally accepted accounting
33 principles, for all purposes.

34 SEC. 13. This Article creates fundamental and inalienable
35 rights in each taxpayer and each citizen. Any infringement of

1 these rights shall be subjected to strictest scrutiny. This
2 Article shall be interpreted and implemented to achieve its
3 purpose to limit the growth rate of revenue and spending of
4 the state government. Any taxpayer or citizen has standing to
5 sue by individual or class action to enforce this Article and
6 laws implementing it and, if successful, shall be reimbursed
7 for all reasonable attorney fees and other expenses of the
8 suit.

9 SEC. 14. This Article becomes effective for the first
10 state fiscal year beginning at least six months after its
11 approval and ratification by the electors. The State, by law,
12 shall implement this Article and may adopt further
13 restrictions and limits. However, all provisions of this
14 Article are self-executing and severable.

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

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

20 2. Article XIII requires all amounts borrowed to be
21 included in revenue, except the two kinds of borrowing
22 expressly excluded by section 2 of Article XIII. Article XIII
23 does not authorize any borrowing and does not impair the debt
24 limits and other provisions of Article VII. It does not
25 impair any law that limits taxes, revenue, spending,
26 borrowing, or debt or that requires approval by the electors
27 for a tax, tax increase, borrowing, or debt, including laws
28 requiring more than a majority vote and laws allowing the
29 electors to approve borrowing or debt for any stated number of
30 years. It does not impair any contract in existence when
31 Article XIII becomes effective.

32 3. In each referendum under section 4 of Article XIII, the
33 ballot and published notice shall clearly state: that the
34 proposal would allow the state government to increase its
35 taxes and other revenue by a stated amount above its

1 constitutional limit for each fiscal year during a stated
2 period; the total increase for that period; and the amount of
3 the revenue limit under section 1 of Article XIII for the
4 preceding and current fiscal years and for the next fiscal
5 year, estimated if necessary.

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

10 5. If the state government excludes an amount from revenue
11 or spending under any provision of Article XIII, it must
12 accurately determine and establish the correct amount
13 excluded.

14 6. "Government" includes all parts, agencies, enterprises,
15 and operations of a government. "Local government" includes
16 each city, county, school district, special district, and
17 political subdivision in the State.

18 7. If the state government has a deficit of net unspent
19 funds at the end of a fiscal year, the deficit is subtracted
20 in computing the next year's spending limit under section 7 of
21 Article XIII. However, section 7 is intended to prevent any
22 such deficit and to require the state government to operate on
23 a balanced budget.

24 Sec. 3. It is the intent of the General Assembly that the
25 declaration of intent in section 2 be placed on the ballot
26 containing the question of ratification of this proposed
27 amendment to the Constitution.

28 Sec. 4. The foregoing proposed amendment to the
29 Constitution of the State of Iowa is referred to the General
30 Assembly to be chosen at the next general election for members
31 of the General Assembly and the Secretary of State is directed
32 to cause it to be published for three consecutive months
33 previous to the date of that election as provided by law.

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EXPLANATION

35 This proposed Taxpayers' Rights Amendment adds a new

1 Article to the Iowa Constitution. It limits the future growth
2 rate of the total revenue and total spending of the state
3 government, with some exceptions.

4 The state government's beginning revenue limit is equal to
5 its total revenue in the last fiscal year before this
6 amendment becomes effective. This limit is adjusted annually
7 for the combined total of cumulative inflation or deflation
8 and any cumulative population increase after the base date.
9 The population adjustment can rise or fall, but it cannot fall
10 below the population at the base date. The base date is 18
11 months before this amendment becomes effective.

12 The state government's spending limit is equal to its
13 revenue limit, or actual revenue if less, for that year, plus
14 almost all actual receipts which are outside the revenue
15 limit, plus unspent funds carried over. This will require the
16 State to operate on a balanced budget.

17 The revenue limit can be temporarily increased in either of
18 two ways:

19 1. A majority vote of the people in a state referendum can
20 increase the limit in any amount, for any purpose, and for any
21 period up to five years.

22 2. A vote of two-thirds of all members of each house of
23 the General Assembly, with the governor's approval, can
24 increase the limit for one year.

25 If actual state revenue exceeds the revenue limit, the
26 limit for the next year is reduced by the excess amount. The
27 excess revenue cannot be spent in the year it is received but
28 can be spent in any future year. This is intended to help the
29 State even out the good and bad economic years.

30 The State must maintain the percentage of total state
31 spending that consists of state transfers to local governments
32 and tax credits against local taxes, at least equal to that
33 percentage in the last fiscal year before this amendment
34 becomes effective. This is intended to protect local
35 governments and property taxpayers.

1 The State must pay for a state-mandated net cost increase
2 imposed on a local government after this amendment becomes
3 effective. The local government need not obey the mandate
4 until the State has complied.

5 The revenue limits include nearly all taxes and most other
6 revenue. Receipts outside the revenue limit are: amounts
7 refunded; private gifts and contracts; receipts from the
8 federal government; a fee for state university hospital
9 services, if the fee does not exceed the cost of the service;
10 the amount of a net cost increase caused by a new or changed
11 federal mandate and not offset by federal funds; motor vehicle
12 registration fees and motor vehicle fuel taxes which are
13 constitutionally earmarked for roads; amounts borrowed with
14 the voters' approval; amounts borrowed by revenue bonds not
15 payable from taxes; receipts used to repay borrowed money; and
16 earnings of trust funds.

17 If actual revenue is below the revenue limit, this does not
18 reduce any future revenue limit. Thus, the State is not
19 penalized for holding its revenue and spending below the
20 limit.

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

23 The state government is required to follow generally
24 accepted accounting principles.

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

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

30 This resolution, if adopted, will be referred to the next
31 General Assembly. If the next General Assembly adopts this
32 resolution, the amendment will be submitted to the voters for
33 their decision on ratification.

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