

JAN 31 2001  
LOCAL GOVERNMENT

HOUSE FILE 148  
BY HOUSER

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to local government fiscal reform and providing  
2 authority for bonding.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 148

1 Section 1. Section 25B.2, subsection 3, Code 2001, is  
2 amended by striking the subsection.

3 Sec. 2. NEW SECTION. 25B.5A UNFUNDED STATE MANDATES --  
4 EFFECT.

5 If, on or after July 1, 2001, a state mandate is enacted by  
6 the general assembly, or otherwise imposed, on a political  
7 subdivision and the state mandate requires a political  
8 subdivision to engage in any new activity, to provide a new  
9 service, or to provide any service beyond that required by any  
10 law enacted prior to July 1, 2001, and the state does not  
11 appropriate moneys to fully fund the cost of the state mandate  
12 as identified pursuant to section 25B.5, subsections 1 and 2,  
13 the political subdivision is not required to perform the  
14 activity or provide the service and the political subdivision  
15 shall not be subject to any liabilities imposed by the state  
16 or the imposition of any fines or penalties for the failure to  
17 comply with the state mandate.

18 Sec. 3. NEW SECTION. 28L.1 IOWA COMMISSION ON STATE AND  
19 LOCAL TAXATION.

20 1. An Iowa commission on state and local taxation is  
21 created which shall consist of fifteen members appointed as  
22 follows:

23 a. Four members appointed by the governor, at least one of  
24 whom shall be a private citizen and at least one of whom shall  
25 be a representative of business and industry.

26 b. Three senators appointed by the majority leader of the  
27 senate, one of whom shall be nominated by the minority leader  
28 of the senate.

29 c. Three representatives appointed by the speaker of the  
30 house, one of whom shall be nominated by the minority leader  
31 of the house.

32 d. One member appointed by the Iowa state association of  
33 counties.

34 e. One member appointed by the Iowa league of cities.

35 f. One member appointed by the Iowa association of school

1 boards.

2 g. One member appointed by the presidents of the regents  
3 universities.

4 h. One member appointed by the Iowa association of  
5 community college trustees.

6 2. Members appointed by the governor are subject to senate  
7 confirmation. In making all appointments, consideration shall  
8 be given to gender, race, or ethnic representation, population  
9 and demographic factors, and representation of different  
10 geographic regions. Appointments made under subsection 1,  
11 paragraphs "d" through "h", are not subject to section 69.16  
12 or 69.16A.

13 3. Members of the commission shall hold office for four  
14 years beginning June 1 of the year of appointment and until  
15 their successors are appointed, except that three initial  
16 appointees shall be appointed for one year, three initial  
17 appointees for two years, four initial appointees for three  
18 years, and five initial appointees for four years. The  
19 commission shall conduct its organizational meeting no later  
20 than September 1, 2001.

21 4. Legislative members of the commission are eligible for  
22 per diem and expenses as provided in section 2.10. Members of  
23 the commission appointed by the governor shall be reimbursed  
24 for actual and necessary expenses incurred in performance of  
25 their duties. Members may also be eligible to receive  
26 compensation as provided in section 7E.6.

27 5. A majority of the commission members shall constitute a  
28 quorum. For the purpose of conducting business, a majority  
29 vote of the commission shall be required. Beginning in May  
30 2002, the commission shall meet in May of each year for the  
31 purpose of electing one of its members as chairperson. The  
32 commission shall meet quarterly and at other times as  
33 necessary at the call of the chairperson or when any six  
34 members of the commission file a written request with the  
35 chairperson for a meeting. Written notice of the time and

1 place of each meeting shall be given to each member of the  
2 commission.

3 6. The commission may establish committees as it deems  
4 advisable and feasible, whose membership shall include at  
5 least two members of the commission, but only the commission  
6 may take final action on a proposal or recommendation of a  
7 committee.

8 7. Any vacancy shall be filled in the same manner as  
9 regular appointments are made for the unexpired portion of the  
10 regular term. A member of the commission may be removed for  
11 any of the causes and in the manner provided in chapter 66.

12 Sec. 4. NEW SECTION. 28L.2 STAFF AND FACILITIES.

13 The commission and committees established by the commission  
14 may accept technical and operational assistance from the staff  
15 of the legislative service bureau and the legislative fiscal  
16 bureau, other state or federal agencies, units of local  
17 governments, or any other public or private source. The  
18 directors of the legislative service bureau and the  
19 legislative fiscal bureau may assign professional, technical,  
20 legal, clerical, or other staff, as necessary and authorized  
21 by the legislative council for continued operation of the  
22 commission. However, technical and operational assistance  
23 provided by the bureaus shall be provided within existing  
24 appropriations made to or with existing resources of the  
25 legislative service bureau and legislative fiscal bureau. The  
26 legislative council may also provide to the commission  
27 available facilities and equipment as requested by the  
28 commission.

29 Sec. 5. NEW SECTION. 28L.3 REVIEW OF STATE AND LOCAL  
30 REVENUE AND SERVICES.

31 1. The commission shall conduct a review of the following:

32 a. Revenue sources available to local governments,  
33 including taxes, fees, state appropriations, and federal  
34 moneys.

35 b. Revenue sources available to the state, including

1 taxes, fees, and federal moneys, and the portion of state  
2 revenues annually appropriated, or otherwise disbursed, to  
3 local governments.

4 c. Services provided by local governments, including those  
5 provided at the discretion of a local government and those  
6 mandated by federal or state statutes and regulations.

7 2. In conducting its review of revenue sources, the  
8 commission shall study state and local taxes from the  
9 standpoint of equity, neutrality, competitiveness, simplicity,  
10 and stability.

11 3. The commission shall hold public hearings to allow  
12 persons and organizations to be heard.

13 4. The commission shall submit a report to the general  
14 assembly on the status of the review no later than March 15,  
15 2002. The status report shall summarize the commission's  
16 activities to date and may include such other information that  
17 the commission deems relevant and necessary.

18 5. a. The commission shall submit a final report to the  
19 general assembly no later than January 15, 2003.

20 b. The final report shall include the following:

21 (1) A statement of goals that the commission believes are  
22 necessary to achieve principles of taxation agreed upon by the  
23 committee.

24 (2) Any strategies formulated by the commission that  
25 consist of recommended methods of state and local taxation,  
26 specific structural changes, and any modifications to the  
27 current system of state and local taxation.

28 (3) Such other information that the commission deems  
29 relevant and necessary.

30 6. This section shall not be construed to preclude the  
31 enactment of legislation that eliminates or reduces any state  
32 or local government tax during the period the Iowa commission  
33 on state and local taxation is conducting the review required  
34 by this section.

35 Sec. 6. NEW SECTION. 28L.4 DUTIES OF THE COMMISSION.

1 The commission shall:

2 1. Conduct the review as required in section 28L.3.

3 2. Monitor legislative or administrative action on  
4 recommendations in the report required in section 28L.3.

5 3. Annually report on the state of local governments in  
6 Iowa.

7 4. Annually report on state and federal issues relating to  
8 local government that have a potential fiscal impact on local  
9 governments.

10 5. Annually report on court decisions having an impact on  
11 state and local government revenue or services.

12 6. The reports in subsections 3, 4, and 5 shall be filed  
13 with the governor, president of the senate, speaker of the  
14 house, and the majority and minority leaders of each house,  
15 and shall be made available to legislators and the public upon  
16 request. The reports must be submitted no later than January  
17 15 of each year.

18 Sec. 7. NEW SECTION. 28L.5 INFORMATION.

19 The commission may request from any state agency or  
20 official the information and assistance as needed to perform  
21 the duties of the commission. A state agency or official  
22 shall furnish the information or assistance requested within  
23 the authority and resources of the state agency or official.  
24 This section does not require the production or opening of any  
25 public record which is required by law to be kept  
26 confidential.

27 Sec. 8. NEW SECTION. 28L.6 FUTURE REPEAL.

28 This chapter is repealed effective July 1, 2006.

29 Sec. 9. NEW SECTION. 331.404 COUNTY FINANCIAL MANAGEMENT  
30 PLAN.

31 Each county shall prepare a financial management plan for  
32 the county for use in budget planning. The financial  
33 management plan shall contain a set of financial policies for  
34 use by counties in budget planning. The county financial  
35 management plan shall be prepared in a manner which will

1 assist counties in identifying budgeting goals, fiscal and  
2 service planning strategies, and revenue targets. County  
3 financial management planning shall be completed on forms  
4 prepared by the department of management and approved by the  
5 county finance committee in consultation with the Iowa state  
6 association of county supervisors, the Iowa state association  
7 of county auditors, and the public.

8 Copies of the financial management plan for a county shall  
9 be maintained as a public record at the county auditor's  
10 office and shall be filed with the state appeal board in the  
11 same manner and at the same time that certified budgets are  
12 filed under section 24.17.

13 Sec. 10. NEW SECTION. 331.423A ENDING FUND BALANCE.

14 Effective for a fiscal year beginning on or after July 1,  
15 2007, budgeted ending fund balances shall not exceed twenty-  
16 five percent of actual expenditures in the previous fiscal  
17 year for either the general fund or the rural services fund.  
18 An ending fund balance does not include funds reserved or  
19 designated for a specific purpose and specifically described  
20 in the certified budget.

21 Sec. 11. Section 331.441, subsection 2, Code 2001, is  
22 amended by adding the following new paragraph:

23 NEW PARAGRAPH. d. "Rural general obligation bond" means a  
24 negotiable bond issued by a county and payable from the levy  
25 of ad valorem taxes on all taxable property located outside  
26 the incorporated areas of the county through its debt service  
27 fund which is required to be established by section 331.430.

28 Sec. 12. NEW SECTION. 331.450 RURAL DEBT SERVICE.

29 The county board of supervisors may direct the county  
30 auditor to establish a rural debt service tax district for the  
31 purpose of issuing general obligation bonds for rural county  
32 services. The rural debt service tax district shall include  
33 only unincorporated portions of the county. The county's debt  
34 service tax levy for the rural general obligation bonds shall  
35 be levied only against taxable property within the county

1 which is included within the boundaries of the rural debt  
2 service tax district. The board may issue rural general  
3 obligation bonds for general county purposes and essential  
4 county purposes if such stated purpose is primarily intended  
5 to benefit those persons residing in the county outside of  
6 incorporated city areas. Rural general obligation bonds for  
7 the purposes described in this section are subject to an  
8 election held in the manner provided in section 331.442,  
9 subsections 1 through 4, except that only those registered  
10 voters residing within the rural service area tax district may  
11 vote on the proposition.

12 Sec. 13. NEW SECTION. 331.451 LOANS TO CITIES.

13 A county may enter into a 28E agreement with one or more  
14 cities to finance in whole or in part one or more projects  
15 meeting the definition of a city essential corporate purpose  
16 or city general corporate purpose. The agreement may provide  
17 for issuance of general obligation bonds by the county the  
18 proceeds from which will be loaned to the city to finance such  
19 a city project. The county may require that the repayment  
20 obligation of a city be secured as the county deems  
21 appropriate. The repayment obligation may be evidenced by one  
22 or more notes of a borrowing city. The loan agreements may  
23 contain terms and conditions the county deems advisable.

24 The county may provide in the resolution authorizing the  
25 issuance of bonds that the principal and interest on the bonds  
26 are payable exclusively from any of the following:

- 27 1. The income and receipts or other money derived from the  
28 project financed with the proceeds of the bonds.
- 29 2. The income and receipts or other money derived from  
30 designated projects whether or not the projects are financed  
31 in whole or in part with the proceeds of the bonds or notes.
- 32 3. A debt service property tax levy imposed by the city on  
33 the taxable property in the city.
- 34 4. Tax incremental revenues if the project is located in  
35 an urban renewal area. The county may require that a city

1 create an urban renewal area to collect incremental tax  
2 revenues to secure the loan.

3 Bonds proposed to be issued under this section are subject  
4 to an election held in the manner provided in section 331.442,  
5 subsections 1 through 4.

6 EXPLANATION

7 This bill makes a number of changes relating to local  
8 government fiscal reform and creates a commission to review  
9 state and local taxes.

10 The bill provides that if a new state mandate is imposed on  
11 or after July 1, 2001, which requires the performance of a new  
12 activity or service or the expansion of a service beyond what  
13 was required before July 1, 2001, the state mandate must be  
14 fully funded. If the state mandate is not fully funded, the  
15 affected political subdivisions are not required to comply or  
16 implement the state mandate. Also, no fines or penalties may  
17 be imposed on a political subdivision for failure to comply or  
18 carry out an unfunded state mandate.

19 The bill strikes Code section 25B.2, subsection 3, and  
20 rewrites it as a new section outside the intent section of  
21 Code chapter 25B. The rewritten section removes a qualifying  
22 phrase which limits the circumstances under which a political  
23 subdivision may fail to carry out an unfunded state mandate.

24 The bill creates a commission on state and local taxation.  
25 The 15 members of the commission are appointed by the governor  
26 (four members), senate majority leader (three members),  
27 speaker of the house of representatives (three members), and  
28 various associations representing local governments (one  
29 member each).

30 The bill requires the commission to hold its organizational  
31 meeting no later than September 1, 2001. The commission is to  
32 be staffed by the legislative service bureau and the  
33 legislative fiscal bureau.

34 The bill requires the commission to conduct a review of  
35 state and local taxation in Iowa. The commission is to submit

1 a status report on the review of state and local taxation and  
2 the commission's other activities by March 15, 2002. A final  
3 report is to be submitted to the general assembly by January  
4 15, 2003. The commission is to also report annually on the  
5 state of local governments in Iowa, state and federal issues  
6 that have a potential fiscal impact on local governments, and  
7 court decisions having an impact on state and local government  
8 revenue and services. All annual reports of the commission  
9 are to be filed with the governor, the president of the  
10 senate, speaker of the house, and the majority and minority  
11 leaders of each house. The reports shall also be made  
12 available to other legislators and the public upon request.

13 The commission is repealed July 1, 2006.

14 The bill requires counties to annually prepare a financial  
15 management plan to be filed with the state at the same time  
16 that the certified budget is filed. The purpose of the plan  
17 is to set forth a set of financial policies for use by  
18 counties in budget planning.

19 The bill limits the ending general fund and rural services  
20 fund balances of a county to 25 percent of actual expenditures  
21 from each fund in the previous fiscal year. The limitation  
22 applies to fiscal years beginning on or after July 1, 2007.

23 The bill allows a county to issue rural general obligation  
24 bonds payable from property taxes levied in the unincorporated  
25 areas of the county. The bonds are subject to the election  
26 requirements for countywide general obligation bonds.

27 The bill also allows a county to issue general obligation  
28 bonds and loan the proceeds of the bonds to one or more cities  
29 to finance a city project. The bonds are subject to the  
30 election requirements for countywide general obligation bonds.

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