

SENATE FILE 124
BY HOUSER

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

A BILL FOR

1 An Act relating to local government financing, including local
2 government fiscal reform, authority for bonding, and the
3 percentage of actual value at which residential property is
4 assessed, and including a retroactive applicability date
5 provision.

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

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SF 124 LOCAL GOVERNMENT

1 Section 1. Section 25B.2, subsection 3, Code 2003, 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, 2003, 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, 2003, 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. 331.404 COUNTY FINANCIAL MANAGEMENT
19 PLAN.

20 Each county shall prepare a financial management plan for
21 the county for use in budget planning. The financial
22 management plan shall contain a set of financial policies for
23 use by counties in budget planning. The county financial
24 management plan shall be prepared in a manner which will
25 assist counties in identifying budgeting goals, fiscal and
26 service planning strategies, and revenue targets. County
27 financial management planning shall be completed on forms
28 prepared by the department of management and approved by the
29 county finance committee in consultation with the Iowa state
30 association of county supervisors, the Iowa state association
31 of county auditors, and the public.

32 Copies of the financial management plan for a county shall
33 be maintained as a public record at the county auditor's
34 office and shall be filed with the state appeal board in the
35 same manner and at the same time that certified budgets are

1 filed under section 24.17.

2 Sec. 4. NEW SECTION. 331.423A ENDING FUND BALANCE.

3 1. Effective for a fiscal year beginning on or after July
4 1, 2009, budgeted ending fund balances shall not exceed
5 twenty-five percent of actual expenditures in the previous
6 fiscal year for either the general fund or the rural services
7 fund. An ending fund balance does not include funds reserved
8 or designated for a specific purpose and specifically
9 described in the certified budget.

10 2. A county shall not exceed a balance greater than five
11 percentage points above the twenty-five percent fund balance
12 limitation in subsection 1. If a county exceeds the
13 limitation in this subsection, in the second budget year
14 following the fiscal year that shows a fund balance exceeding
15 the limitation in this subsection, the county shall implement
16 a levy reduction formula to offset the excess fund balance.

17 Sec. 5. Section 331.441, subsection 2, Code 2003, is
18 amended by adding the following new paragraph:

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

24 Sec. 6. NEW SECTION. 331.450 RURAL DEBT SERVICE.

25 The county board of supervisors may direct the county
26 auditor to establish a rural debt service tax district for the
27 purpose of issuing general obligation bonds for rural county
28 services. The rural debt service tax district shall include
29 only unincorporated portions of the county. The county's debt
30 service tax levy for the rural general obligation bonds shall
31 be levied only against taxable property within the county
32 which is included within the boundaries of the rural debt
33 service tax district. The board may issue rural general
34 obligation bonds for general county purposes and essential
35 county purposes if such stated purpose is primarily intended

1 to benefit those persons residing in the county outside of
2 incorporated city areas. Rural general obligation bonds for
3 the purposes described in this section are subject to an
4 election held in the manner provided in section 331.442,
5 subsections 1 through 4, except that only those registered
6 voters residing within the rural service area tax district may
7 vote on the proposition.

8 Sec. 7. NEW SECTION. 331.451 LOANS TO CITIES.

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

20 The county may provide in the resolution authorizing the
21 issuance of bonds that the principal and interest on the bonds
22 are payable exclusively from any of the following:

23 1. The income and receipts or other money derived from the
24 project financed with the proceeds of the bonds.

25 2. The income and receipts or other money derived from
26 designated projects whether or not the projects are financed
27 in whole or in part with the proceeds of the bonds or notes.

28 3. A debt service property tax levy imposed by the city on
29 the taxable property in the city.

30 4. Tax incremental revenues if the project is located in
31 an urban renewal area. The county may require that a city
32 create an urban renewal area to collect incremental tax
33 revenues to secure the loan.

34 Bonds proposed to be issued under this section are subject
35 to an election held in the manner provided in section 331.442,

1 subsections 1 through 4.

2 Sec. 8. Section 441.21, Code 2003, is amended by adding
3 the following new subsection:

4 NEW SUBSECTION. 5A. For valuations established as of
5 January 1, 2003, and for subsequent years, if the percentage
6 of actual value at which residential property is to be
7 assessed as computed under subsection 5 is less than fifty
8 percent, the percentage of actual value at which residential
9 property shall be assessed shall be fifty percent
10 notwithstanding the computation under subsection 5.

11 Sec. 9. RETROACTIVE APPLICABILITY. The section of this
12 Act amending section 441.21 applies retroactively to
13 assessment years beginning on or after January 1, 2003.

14 EXPLANATION

15 This bill makes a number of changes relating to local
16 government fiscal reform.

17 The bill provides that if a new state mandate is imposed on
18 or after July 1, 2003, which requires the performance of a new
19 activity or service or the expansion of a service beyond what
20 was required before July 1, 2003, the state mandate must be
21 fully funded. If the state mandate is not fully funded, the
22 affected political subdivisions are not required to comply or
23 implement the state mandate. Also, no fines or penalties may
24 be imposed on a political subdivision for failure to comply or
25 carry out an unfunded state mandate.

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

31 The bill requires counties to annually prepare a financial
32 management plan to be filed with the state at the same time
33 that the certified budget is filed. The purpose of the plan
34 is to set forth a set of financial policies for use by
35 counties in budget planning.

1 The bill limits the ending general fund and rural services
2 fund balances of a county to 25 percent of actual expenditures
3 from each fund in the previous fiscal year. However, the bill
4 provides that if the ending fund balance exceeds five
5 percentage points above 25 percent, the county shall implement
6 a levy reduction formula in the following fiscal year to
7 offset the excess fund balance. The limitation applies to
8 fiscal years beginning on or after July 1, 2009.

9 The bill allows a county to issue rural general obligation
10 bonds payable from property taxes levied in the unincorporated
11 areas of the county. The bonds are subject to the election
12 requirements for countywide general obligation bonds.

13 The bill also allows a county to issue general obligation
14 bonds and loan the proceeds of the bonds to one or more cities
15 to finance a city project. The bonds are subject to the
16 election requirements for countywide general obligation bonds.

17 The bill sets the percentage (rollback) of the actual value
18 at which residential property is to be taxed at not less than
19 50 percent for valuations established as of January 1, 2003,
20 and for subsequent years. This provision of the bill applies
21 retroactively to assessment years beginning on or after
22 January 1, 2003.

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