

**House File 9 - Introduced**

HOUSE FILE 9

BY SANDS, HAGENOW, J. SMITH,  
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S. OLSON, JORGENSEN,  
WORTHAN, HELLAND, HANUSA,  
HUSEMAN, WAGNER, SODERBERG,  
PAUSTIAN, GRASSLEY,  
CHAMBERS, RAECKER, ALONS,  
DEYOE, DRAKE, BYRNES,  
PEARSON, HAGER, LOFGREN,  
and WINDSCHITL

**A BILL FOR**

1 An Act relating to property taxation and local government  
2 and school financing by increasing the regular program  
3 foundation base, establishing local government financing  
4 requirements for essential services, establishing a method  
5 for determining property assessment limitations, and  
6 including retroactive and other applicability provisions.  
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

EDUCATION FINANCE

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Section 1. Section 257.1, subsection 2, paragraph b, Code 2011, is amended by striking the paragraph and inserting in lieu thereof the following:

b. (1) The regular program foundation base per pupil is the following:

(a) For the budget year commencing July 1, 2011, the regular program foundation base per pupil is eighty-seven and five-tenths percent of the regular program state cost per pupil.

(b) For the budget year commencing July 1, 2012, the regular program foundation base per pupil is eighty-nine and twenty-eight hundredths percent of the regular program state cost per pupil.

(c) For the budget year commencing July 1, 2013, the regular program foundation base per pupil is ninety-one and six hundredths percent of the regular program state cost per pupil.

(d) For the budget year commencing July 1, 2014, the regular program foundation base per pupil is ninety-two and eighty-four hundredths percent of the regular program state cost per pupil.

(e) For the budget year commencing July 1, 2015, the regular program foundation base per pupil is ninety-four and sixty-two hundredths percent of the regular program state cost per pupil.

(f) For the budget year commencing July 1, 2016, the regular program foundation base per pupil is ninety-six and forty hundredths percent of the regular program state cost per pupil.

(g) For the budget year commencing July 1, 2017, the regular program foundation base per pupil is ninety-eight and eighteen hundredths percent of the regular program state cost per pupil.

(h) For the budget year commencing July 1, 2018, and succeeding budget years, the regular program foundation base per pupil is one hundred percent of the regular program state cost per pupil.

(2) For each budget year, the special education support

1 services foundation base is seventy-nine percent of the special  
2 education support services state cost per pupil. The combined  
3 foundation base is the sum of the regular program foundation  
4 base, the special education support services foundation base,  
5 the total teacher salary supplement district cost, the total  
6 professional development supplement district cost, the total  
7 early intervention supplement district cost, the total area  
8 education agency teacher salary supplement district cost,  
9 and the total area education agency professional development  
10 supplement district cost.

11 DIVISION II

12 LOCAL GOVERNMENT ESSENTIAL SERVICES

13 Sec. 2. NEW SECTION. 331.437A **Essential services —**  
14 **funding.**

15 1. If a county's property tax capacity is reduced or the  
16 amount of revenue to be received by a county from sources  
17 other than property taxes is reduced, a county is prohibited  
18 from reducing funding for essential services provided by the  
19 county from the level such services were funded in the previous  
20 year without first reducing funding for services that are not  
21 essential services.

22 2. If funding for essential services is reduced under the  
23 circumstances described in subsection 1, the budget summary  
24 required to be published by the county pursuant to section  
25 331.434 shall include a listing of the essential services, by  
26 service area and item, for which funding was reduced from the  
27 previous year, the previous year's funding for such service  
28 area and item, and the proposed funding for such service area  
29 and item. The listing shall be prefaced by the following  
30 statement:

31 State law requires that when the revenue capacity of a county  
32 is reduced, funding for nonessential services shall be reduced  
33 before reductions are made in funding of essential services.  
34 Following is the list of essential services for which funding  
35 is reduced in this proposed budget.

1 3. For purposes of this section, "*essential services*" means  
2 law enforcement, fire protection service, emergency medical  
3 services, street lights, water, sewage and sewage disposal,  
4 garbage pickup and garbage disposal, landfills, roads and road  
5 maintenance, streets and street maintenance, bridges and bridge  
6 maintenance, sidewalks and sidewalk maintenance, snow removal,  
7 and local emergency management to the extent such essential  
8 services are mandated by statute or have been provided at the  
9 discretion of the county board of supervisors.

10 Sec. 3. NEW SECTION. 384.20A **Essential services — funding.**

11 1. If a city's property tax capacity is reduced or the  
12 amount of revenue to be received by a city from sources other  
13 than property taxes is reduced, a city is prohibited from  
14 reducing funding for essential services provided by the city  
15 from the level such services were funded in the previous year  
16 without first reducing funding for services that are not  
17 essential services.

18 2. If funding for essential services is reduced under the  
19 circumstances described in subsection 1, the budget summary  
20 required to be published by the city pursuant to section 384.16  
21 shall include a listing of the essential services, by service  
22 area and item, for which funding was reduced from the previous  
23 year, the previous year's funding for such service area and  
24 item, and the proposed funding for such service area and item.  
25 The listing shall be prefaced by the following statement:

26 State law requires that when the revenue capacity of a city  
27 is reduced, funding for nonessential services shall be reduced  
28 before reductions are made in funding of essential services.  
29 Following is the list of essential services for which funding  
30 is reduced in this proposed budget.

31 3. For purposes of this section, "*essential services*" means  
32 law enforcement, fire protection service, emergency medical  
33 services, street lights, water, sewage and sewage disposal,  
34 garbage pickup and garbage disposal, landfills, roads and road  
35 maintenance, streets and street maintenance, bridges and bridge

1 maintenance, sidewalks and sidewalk maintenance, snow removal,  
2 and local emergency management to the extent such essential  
3 services are mandated by statute or have been provided at the  
4 discretion of the city council.

5 Sec. 4. APPLICABILITY. This division of this Act applies to  
6 fiscal years beginning on or after July 1, 2012.

7 DIVISION III

8 PROPERTY ASSESSMENT LIMITATION

9 Sec. 5. Section 441.21, subsections 4 and 5, Code 2011, are  
10 amended to read as follows:

11 4. For valuations established as of January 1, 1979,  
12 the percentage of actual value at which agricultural and  
13 residential property shall be assessed shall be the quotient  
14 of the dividend and divisor as defined in this section. The  
15 dividend for each class of property shall be the dividend  
16 as determined for each class of property for valuations  
17 established as of January 1, 1978, adjusted by the product  
18 obtained by multiplying the percentage determined for that  
19 year by the amount of any additions or deletions to actual  
20 value, excluding those resulting from the revaluation of  
21 existing properties, as reported by the assessors on the  
22 abstracts of assessment for 1978, plus six percent of the  
23 amount so determined. ~~However, if the difference between the~~  
24 ~~dividend so determined for either class of property and the~~  
25 ~~dividend for that class of property for valuations established~~  
26 ~~as of January 1, 1978, adjusted by the product obtained by~~  
27 ~~multiplying the percentage determined for that year by the~~  
28 ~~amount of any additions or deletions to actual value, excluding~~  
29 ~~those resulting from the revaluation of existing properties,~~  
30 ~~as reported by the assessors on the abstracts of assessment~~  
31 ~~for 1978, is less than six percent, the 1979 dividend for the~~  
32 ~~other class of property shall be the dividend as determined for~~  
33 ~~that class of property for valuations established as of January~~  
34 ~~1, 1978, adjusted by the product obtained by multiplying~~  
35 ~~the percentage determined for that year by the amount of~~

1 ~~any additions or deletions to actual value, excluding those~~  
2 ~~resulting from the revaluation of existing properties, as~~  
3 ~~reported by the assessors on the abstracts of assessment for~~  
4 ~~1978, plus a percentage of the amount so determined which is~~  
5 ~~equal to the percentage by which the dividend as determined~~  
6 ~~for the other class of property for valuations established~~  
7 ~~as of January 1, 1978, adjusted by the product obtained by~~  
8 ~~multiplying the percentage determined for that year by the~~  
9 ~~amount of any additions or deletions to actual value, excluding~~  
10 ~~those resulting from the revaluation of existing properties,~~  
11 ~~as reported by the assessors on the abstracts of assessment~~  
12 ~~for 1978, is increased in arriving at the 1979 dividend for~~  
13 ~~the other class of property. The divisor for each class of~~  
14 ~~property shall be the total actual value of all such property~~  
15 ~~in the state in the preceding year, as reported by the~~  
16 ~~assessors on the abstracts of assessment submitted for 1978,~~  
17 ~~plus the amount of value added to said total actual value by~~  
18 ~~the revaluation of existing properties in 1979 as equalized~~  
19 ~~by the director of revenue pursuant to section 441.49. The~~  
20 ~~director shall utilize information reported on abstracts of~~  
21 ~~assessment submitted pursuant to section 441.45 in determining~~  
22 ~~such percentage. For valuations established as of January~~  
23 ~~1, 1980, and each year thereafter, the percentage of actual~~  
24 ~~value as equalized by the director of revenue as provided~~  
25 ~~in section 441.49 at which agricultural and residential~~  
26 ~~property shall be assessed shall be calculated in accordance~~  
27 ~~with the methods provided herein including the limitation of~~  
28 ~~increases in agricultural and residential assessed values to~~  
29 ~~the percentage increase of the other class of property if the~~  
30 ~~other class increases less than the allowable limit adjusted~~  
31 ~~to include the applicable and current values as equalized by~~  
32 ~~the director of revenue in this subsection, except that any~~  
33 ~~references to six percent in this subsection shall be four~~  
34 ~~percent. For valuations established for the assessment year~~  
35 ~~beginning January 1, 2011, and each assessment year thereafter,~~

1 the percentage of actual value as equalized by the director of  
2 revenue as provided in section 441.49 at which agricultural  
3 and residential property shall be assessed shall be calculated  
4 in accordance with the methods provided in this subsection and  
5 subsection 5A, except that any references to six percent in  
6 this subsection shall be four percent.

7 5. For valuations established as of January 1, 1979,  
8 commercial property and industrial property, excluding  
9 properties referred to in section 427A.1, subsection 8, shall  
10 be assessed as a percentage of the actual value of each class  
11 of property. The percentage shall be determined for each  
12 class of property by the director of revenue for the state in  
13 accordance with the provisions of this section. For valuations  
14 established as of January 1, 1979, the percentage shall be  
15 the quotient of the dividend and divisor as defined in this  
16 section. The dividend for each class of property shall be the  
17 total actual valuation for each class of property established  
18 for 1978, plus six percent of the amount so determined. The  
19 divisor for each class of property shall be the valuation  
20 for each class of property established for 1978, as reported  
21 by the assessors on the abstracts of assessment for 1978,  
22 plus the amount of value added to the total actual value by  
23 the revaluation of existing properties in 1979 as equalized  
24 by the director of revenue pursuant to section 441.49. For  
25 valuations established as of January 1, 1979, property valued  
26 by the department of revenue pursuant to chapters 428, 433,  
27 437, and 438 shall be considered as one class of property and  
28 shall be assessed as a percentage of its actual value. The  
29 percentage shall be determined by the director of revenue in  
30 accordance with the provisions of this section. For valuations  
31 established as of January 1, 1979, the percentage shall be  
32 the quotient of the dividend and divisor as defined in this  
33 section. The dividend shall be the total actual valuation  
34 established for 1978 by the department of revenue, plus ten  
35 percent of the amount so determined. The divisor for property

1 valued by the department of revenue pursuant to chapters 428,  
2 433, 437, and 438 shall be the valuation established for 1978,  
3 plus the amount of value added to the total actual value by  
4 the revaluation of the property by the department of revenue  
5 as of January 1, 1979. For valuations established as of  
6 January 1, 1980, commercial property and industrial property,  
7 excluding properties referred to in section 427A.1, subsection  
8 8, shall be assessed at a percentage of the actual value of  
9 each class of property. The percentage shall be determined  
10 for each class of property by the director of revenue for the  
11 state in accordance with the provisions of this section. For  
12 valuations established as of January 1, 1980, the percentage  
13 shall be the quotient of the dividend and divisor as defined in  
14 this section. The dividend for each class of property shall  
15 be the dividend as determined for each class of property for  
16 valuations established as of January 1, 1979, adjusted by the  
17 product obtained by multiplying the percentage determined  
18 for that year by the amount of any additions or deletions to  
19 actual value, excluding those resulting from the revaluation  
20 of existing properties, as reported by the assessors on the  
21 abstracts of assessment for 1979, plus four percent of the  
22 amount so determined. The divisor for each class of property  
23 shall be the total actual value of all such property in 1979,  
24 as equalized by the director of revenue pursuant to section  
25 441.49, plus the amount of value added to the total actual  
26 value by the revaluation of existing properties in 1980. The  
27 director shall utilize information reported on the abstracts of  
28 assessment submitted pursuant to section 441.45 in determining  
29 such percentage. For valuations established as of January 1,  
30 1980, property valued by the department of revenue pursuant  
31 to chapters 428, 433, 437, and 438 shall be assessed at a  
32 percentage of its actual value. The percentage shall be  
33 determined by the director of revenue in accordance with the  
34 provisions of this section. For valuations established as of  
35 January 1, 1980, the percentage shall be the quotient of the



1 dividend and divisor as defined in this section. The dividend  
2 shall be the total actual valuation established for 1979 by  
3 the department of revenue, plus eight percent of the amount so  
4 determined. The divisor for property valued by the department  
5 of revenue pursuant to chapters 428, 433, 437, and 438 shall  
6 be the valuation established for 1979, plus the amount of  
7 value added to the total actual value by the revaluation of  
8 the property by the department of revenue as of January 1,  
9 1980. For valuations established as of January 1, 1981,  
10 and each year thereafter, the percentage of actual value as  
11 equalized by the director of revenue as provided in section  
12 441.49 at which commercial property and industrial property,  
13 excluding properties referred to in section 427A.1, subsection  
14 8, shall be assessed shall be calculated in accordance with  
15 the methods provided herein in this subsection, except that  
16 any references to six percent in this subsection shall be four  
17 percent. For valuations established as of January 1, 1981,  
18 and each year thereafter, the percentage of actual value at  
19 which property valued by the department of revenue pursuant  
20 to chapters 428, 433, 437, and 438 shall be assessed shall be  
21 calculated in accordance with the methods provided herein,  
22 except that any references to ten percent in this subsection  
23 shall be eight percent. Beginning with valuations established  
24 as of January 1, 1979, and each year thereafter, property  
25 valued by the department of revenue pursuant to chapter 434  
26 shall also be assessed at a percentage of its actual value  
27 which percentage shall be equal to the percentage determined  
28 by the director of revenue for commercial property, industrial  
29 property, or property valued by the department of revenue  
30 pursuant to chapters 428, 433, 437, and 438, whichever is  
31 lowest. For valuations established for the assessment year  
32 beginning January 1, 2011, and each assessment year thereafter,  
33 the percentage of actual value as equalized by the director of  
34 revenue as provided in section 441.49 at which commercial and  
35 industrial property shall be assessed shall be calculated in

1 accordance with the methods provided in this subsection and  
2 subsection 5A, except that any references to six percent in  
3 this subsection shall be four percent.

4 Sec. 6. Section 441.21, Code 2011, is amended by adding the  
5 following new subsection:

6 NEW SUBSECTION. 5A. Notwithstanding the limitation  
7 of increases for agricultural and residential property in  
8 subsection 4 and the limitation of increases for commercial and  
9 industrial property in subsection 5, for valuations established  
10 for the assessment year beginning January 1, 2011, and each  
11 assessment year thereafter, for residential, agricultural, and  
12 commercial property, the assessed values of these three classes  
13 of property shall be limited to the percentage increase of that  
14 class of property that is the lowest percentage increase under  
15 the allowable limit adjusted to include the applicable and  
16 current values as equalized by the director of revenue. The  
17 lowest percentage increase determined under this subsection  
18 shall also be applied to industrial property in the same manner  
19 it is applied to the other three classes of property.

20 Sec. 7. RETROACTIVE APPLICABILITY. This division of this  
21 Act applies retroactively to January 1, 2011, for assessment  
22 years beginning on or after that date.

23 EXPLANATION

24 This bill makes changes relating to property taxation and  
25 local government and school financing.

26 Division I of the bill provides for an increase in the  
27 regular program foundation base under the state school  
28 foundation program. The foundation base is the specified  
29 percentage of the state cost per pupil calculation which is  
30 paid as state aid to school districts, above and beyond the  
31 uniform property tax levy imposed in Code section 257.3.  
32 Beginning with the budget year commencing July 1, 2012, the  
33 increase is phased in over a seven-year period in equal annual  
34 increments, from the current foundation base level of 87.5  
35 percent to the level of 100 percent.

1 Division II of the bill makes changes relating to funding of  
2 city and county budgets and relating to assessment of property  
3 for property tax purposes. The bill requires a county or  
4 city whose property tax capacity or other revenue capacity  
5 is reduced to first reduce funding for services that are not  
6 essential services. If funding for essential services is also  
7 reduced, the county or city shall include on the published  
8 proposed budget summary the listing of essential services  
9 for which funding has been reduced and a statement informing  
10 persons that state law requires that when revenue capacity is  
11 reduced, funding for nonessential services is to be reduced  
12 before funding for essential services is reduced. The bill  
13 defines "essential services".

14 Division II of the bill applies to fiscal years beginning on  
15 or after July 1, 2012.

16 Division III of the bill ties together the assessment  
17 limitations of residential, agricultural, and commercial  
18 property by limiting the percentage increase in all of those  
19 classes of property to the percentage increase of that class  
20 of property that is the lowest percentage increase under the  
21 allowable (4 percent) limit. The division also provides that  
22 the lowest percentage increase shall be applied to industrial  
23 property in the same manner that it is applied to the other  
24 three classes of property.

25 Division III of the bill applies retroactively to January 1,  
26 2011, for assessment years beginning on or after that date.