

House Joint Resolution 2006 - Introduced

HOUSE JOINT RESOLUTION 2006
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HOUSE JOINT RESOLUTION

1 A Joint Resolution proposing amendments to the Constitution of
2 the State of Iowa relating to state budgeting by creating a
3 state general fund expenditure limitation, providing for a
4 taxpayers relief fund, requiring authorization for certain
5 bonds, and restricting certain state revenue changes.
6 BE IT RESOLVED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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 section to new Article XIII:

5 ARTICLE XIII.

6 EXPENDITURE LIMITATION.

7 **General fund expenditure limitation. SECTION 1.**

8 1. For the purposes of this section:

9 *a. "Adjusted revenue estimate"* means the most recent revenue
10 estimate determined before January 1, or a later and lesser
11 revenue estimate determined before adjournment of the regular
12 session of the general assembly, for the general fund for the
13 following fiscal year as determined by a revenue estimating
14 conference which shall be established by the general assembly
15 by law, adjusted by subtracting estimated refunds payable from
16 that estimated revenue and adding any available surplus in
17 accordance with subsection 6. However, if the general assembly
18 holds an extraordinary session prior to the commencement of the
19 fiscal year to which the revenue estimate applies and before
20 or during the extraordinary session the revenue estimating
21 conference determines a lesser revenue estimate, the lesser
22 estimate shall be used for the adjusted revenue estimate.

23 *b. "General fund"* means the principal operating fund of the
24 state which shall be established by the general assembly by
25 law.

26 *c. "New revenues"* means moneys which are received by the
27 state due to increased tax rates or fees or newly created
28 taxes or fees over and above those moneys which are received
29 due to state taxes or fees which are in effect as of January
30 1 following the most recent meeting of the state revenue
31 estimating conference. *"New revenues"* also includes moneys
32 received by the general fund due to new transfers over
33 and above those moneys received by the general fund due to
34 transfers which are in effect as of January 1 following the
35 most recent meeting of the state revenue estimating conference.

1 The state revenue estimating conference shall determine the
2 eligibility of transfers to the general fund which are to be
3 considered as new revenue in determining the state general fund
4 expenditure limitation.

5 *d. "Surplus"* means the cumulative excess of revenues and
6 other financing sources over expenditures and other financing
7 uses for the general fund at the end of a fiscal year.

8 2. A state general fund expenditure limitation is created
9 and calculated in subsection 3, for each fiscal year beginning
10 on or after July 1 following the effective date of this
11 section.

12 3. Except as otherwise provided in this section, the state
13 general fund expenditure limitation for a fiscal year shall be
14 ninety-nine percent of the adjusted revenue estimate.

15 4. The state general fund expenditure limitation shall be
16 used by the governor in the preparation and approval of the
17 budget and by the general assembly in the budget process.

18 5. If a new revenue source is proposed, the budget revenue
19 projection used for that new revenue source for the period
20 beginning on the effective date of the new revenue source and
21 ending in the fiscal year in which the source is included in
22 the adjusted revenue estimate shall be ninety-five percent
23 of the amount remaining after subtracting estimated refunds
24 payable from the projected revenue from that source. If a new
25 revenue source is established and implemented, the original
26 state general fund expenditure limitation amount provided for
27 in subsection 3 shall be readjusted to include ninety-five
28 percent of the estimated revenue from that source.

29 6. *a.* (1) If there is a surplus existing at the end of a
30 fiscal year which exceeds ten percent of the adjusted revenue
31 estimate of that fiscal year and the actual net revenue for the
32 general fund exceeds the adjusted revenue estimate for that
33 fiscal year, a portion of such surplus shall be transferred
34 to a taxpayers trust fund. The maximum amount subject to
35 transfer to the taxpayers trust fund shall be established by

1 statute enacted for this purpose and shall not be less than
2 one percent of the adjusted revenue estimate for the fiscal
3 year in which the surplus exists. Except for temporary cash
4 flow purposes, moneys in the taxpayers trust fund shall only
5 be used in accordance with appropriations made for purposes of
6 providing tax relief.

7 (2) After taking into account any transfer anticipated
8 pursuant to subparagraph (1), the remaining surplus anticipated
9 at the end of a fiscal year which exceeds ten percent of the
10 adjusted revenue estimate of that fiscal year shall be included
11 in the adjusted revenue estimate for the following fiscal year.

12 b. Any surplus equal to ten percent or less of the adjusted
13 revenue estimate of the fiscal year may be included in the
14 adjusted revenue estimate for the following fiscal year if
15 approved in a bill receiving the affirmative votes of at least
16 three-fifths of the members elected to each house of the
17 general assembly.

18 7. If a bill or joint resolution provides for new revenue or
19 appropriations bonding authority, or an expansion of existing
20 revenue or appropriations bonding authority, which bonds are
21 funded in whole or in part from revenues from the general
22 fund or from another portion of the state treasury, the bill
23 or joint resolution shall not become law unless approved by
24 the affirmative votes of at least two-thirds of the members
25 elected to each house of the general assembly. In addition,
26 the state general fund expenditure limitation for the initial
27 or subsequent fiscal year to which the bill or joint resolution
28 applies shall include any appropriations of such revenues for
29 the fiscal year.

30 8. The scope of the state general fund expenditure
31 limitation under subsection 3 shall not include federal funds,
32 donations, constitutionally dedicated moneys, and moneys
33 expended from a state retirement system.

34 9. The governor shall submit and the general assembly shall
35 pass a budget which does not exceed the state general fund

1 expenditure limitation. The governor shall not approve or
2 disapprove appropriation bills or items of appropriation bills
3 passed by the general assembly in a manner that would cause
4 the final budget approved by the governor to exceed the state
5 general fund expenditure limitation.

6 10. The governor shall not submit and the general assembly
7 shall not pass a budget which in order to balance assumes
8 reversion of any part of the total of the appropriations
9 included in the budget.

10 11. The state shall use consistent standards, in accordance
11 with generally accepted accounting principles, for all state
12 budgeting and accounting purposes.

13 12. The general assembly shall enact laws to implement this
14 section.

15 Sec. 2. The following amendment to the Constitution of the
16 State of Iowa is proposed:

17 The Constitution of the State of Iowa is amended by adding
18 the following new sections to new Article XIII:

19 ARTICLE XIII.

20 THREE-FIFTHS MAJORITY FOR TAX LAW CHANGES.

21 **Three-fifths majority to increase taxes.** SECTION 1. A
22 bill containing provisions enacting, amending, or repealing
23 the state income tax or enacting, amending, or repealing the
24 state sales and use taxes, in which the aggregate fiscal
25 impact of those provisions relating to those taxes results in
26 a net increase in state tax revenues, as determined by the
27 general assembly, shall require the affirmative votes of at
28 least three-fifths of the members elected to each house of the
29 general assembly for passage. This section does not apply to
30 income tax or sales and use taxes imposed at the option of a
31 local government.

32 **Three-fifths majority to enact new state tax.** SEC. 2. A bill
33 that establishes a new state tax to be imposed by the state
34 shall require the affirmative votes of at least three-fifths
35 of the members elected to each house of the general assembly

1 for passage.

2 **Enforcement of three-fifths majority requirement.** SEC. 3. A
3 lawsuit challenging the proper enactment of a bill pursuant to
4 section 1 or 2 shall be filed no later than one year following
5 the enactment. Failure to file such a lawsuit within the
6 one-year time limit shall negate the three-fifths majority
7 requirement as it applies to the bill.

8 Each bill to which section 1 or 2 applies shall include a
9 separate provision describing the requirements for enactment
10 prescribed by section 1 or 2.

11 **Implementation.** SEC. 4. The general assembly shall enact
12 laws to implement sections 1 through 3.

13 Sec. 3. The foregoing proposed amendments to the
14 Constitution of the State of Iowa are referred to the general
15 assembly to be chosen at the next general election for members
16 of the general assembly, and the Secretary of State is directed
17 to cause them to be published for three consecutive months
18 previous to the date of that election as provided by law.

19 EXPLANATION

20 This resolution proposes two amendments within a new Article
21 XIII to the Constitution of the State of Iowa which relates to
22 state budgets and state revenues.

23 The first amendment creates a state general fund expenditure
24 limitation. The amount of the limitation is 99 percent of the
25 adjusted revenue estimate. The amendment defines adjusted
26 revenue estimate and requires that that estimate be determined
27 by a revenue estimating conference which is to be created by
28 the general assembly by law. The amendment requires that the
29 expenditure limitation be used by the governor in preparation
30 of the governor's budget and by the general assembly in the
31 budget process. The governor is prohibited from approving or
32 disapproving of appropriations in a manner that would cause the
33 final budget approved by the governor to exceed the expenditure
34 limitation.

35 The first amendment also provides that if a new revenue

1 source is established and implemented, 95 percent of the
2 estimate of that new revenue shall be included in the
3 expenditure limitation.

4 The first amendment provides that if there is a surplus
5 existing at the end of a fiscal year which exceeds 10 percent
6 of the adjusted revenue for the fiscal year and the actual
7 net revenue for the general fund for the fiscal year exceeds
8 the adjusted revenue estimate for the fiscal year, a portion
9 of the surplus is required to be transferred to a taxpayers
10 trust fund. The maximum transfer amount is required to be
11 established by statute but cannot be less than 1 percent of the
12 adjusted revenue estimate for the fiscal year. After taking
13 into account any anticipated transfer to the taxpayers trust
14 fund, the remaining amount of any surplus anticipated to exceed
15 10 percent of the adjusted revenue estimate is required to be
16 included in the adjusted revenue estimate for the following
17 fiscal year. Any surplus which is equal to 10 percent or less
18 of the amount of the adjusted revenue estimate may be included
19 in the following year's adjusted revenue estimate if inclusion
20 is approved in a bill by at least three-fifths of the members
21 elected to each house of the general assembly.

22 The first amendment requires that enactment of a bill or
23 joint resolution providing for new or expanded authority to
24 issue revenue or appropriations bonds funded in whole or in
25 part from revenues from the general fund or from another
26 portion of the state treasury requires a vote of at least
27 two-thirds of the members elected to each house of the general
28 assembly. In addition, the appropriations of such revenues are
29 required to be included in the state general fund expenditure
30 limitation for each applicable fiscal year.

31 The first amendment also requires the state to use generally
32 accepted accounting principles for state budgeting and
33 accounting purposes. The amendment provides that the general
34 assembly shall enact laws to implement the amendment.

35 The second amendment contained in the resolution requires

1 a three-fifths majority vote of the members elected to each
2 house of the general assembly for certain tax law changes.
3 The amendment provides that any bill that enacts, amends,
4 or repeals the state income tax or the state sales and use
5 tax, and which causes, in the aggregate, an increase in state
6 tax revenues, as determined by the general assembly, must be
7 adopted by at least three-fifths of the members elected to each
8 house of the general assembly. The amendment also requires
9 a three-fifths majority vote of the members elected to each
10 house of the general assembly in order to enact a new state tax
11 to be imposed by the state. A lawsuit challenging enactment
12 of a bill subject to either three-fifths majority passage
13 requirement must be filed no later than one year from the date
14 of enactment of the bill. Finally, the amendment provides
15 that the general assembly shall enact laws to implement the
16 amendment.

17 The resolution, if adopted, will be referred to the next
18 general assembly. If the next general assembly adopts this
19 resolution, the amendments will be submitted to the voters for
20 their decision on ratification.