

House Study Bill 240 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED GOVERNOR'S BILL)

A BILL FOR

1 An Act relating to state and local government finances by
2 increasing the regular program foundation base, establishing
3 property tax levy limits for cities and counties,
4 establishing certain property assessment limitations, and
5 including applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

EDUCATION FINANCE

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 PROPERTY ASSESSMENT LIMITATIONS

13 Sec. 2. Section 441.21, subsection 4, Code 2011, is amended
14 to read as follows:

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

1 other class of property shall be the dividend as determined for
2 that class of property for valuations established as of January
3 1, 1978, adjusted by the product obtained by multiplying
4 the percentage determined for that year by the amount of
5 any additions or deletions to actual value, excluding those
6 resulting from the revaluation of existing properties, as
7 reported by the assessors on the abstracts of assessment for
8 1978, plus a percentage of the amount so determined which is
9 equal to the percentage by which the dividend as determined
10 for the other class of property for valuations established
11 as of January 1, 1978, adjusted by the product obtained by
12 multiplying the percentage determined for that year by the
13 amount of any additions or deletions to actual value, excluding
14 those resulting from the revaluation of existing properties,
15 as reported by the assessors on the abstracts of assessment
16 for 1978, is increased in arriving at the 1979 dividend for
17 the other class of property. The divisor for each class of
18 property shall be the total actual value of all such property
19 in the state in the preceding year, as reported by the
20 assessors on the abstracts of assessment submitted for 1978,
21 plus the amount of value added to said total actual value by
22 the revaluation of existing properties in 1979 as equalized
23 by the director of revenue pursuant to section 441.49. The
24 director shall utilize information reported on abstracts of
25 assessment submitted pursuant to section 441.45 in determining
26 such percentage. For valuations established as of January 1,
27 1980, and each assessment year thereafter beginning before
28 January 1, 2012, the percentage of actual value as equalized
29 by the director of revenue as provided in section 441.49 at
30 which agricultural and residential property shall be assessed
31 shall be calculated in accordance with the methods provided
32 herein including the limitation of increases in agricultural
33 and residential assessed values to the percentage increase of
34 the other class of property if the other class increases less
35 than the allowable limit adjusted to include the applicable

1 and current values as equalized by the director of revenue,
2 except that any references to six percent in this subsection
3 shall be four percent. For valuations established as of
4 January 1, 2012, and each assessment year thereafter, the
5 percentage of actual value as equalized by the director of
6 revenue as provided in section 441.49 at which agricultural
7 and residential property shall be assessed shall be calculated
8 in accordance with the methods provided herein including
9 the limitation of increases in agricultural and residential
10 assessed values to the percentage increase of the other
11 class of property if the other class increases less than the
12 allowable limit adjusted to include the applicable and current
13 values as equalized by the director of revenue, except that
14 any references to six percent in this subsection shall be two
15 percent.

16 Sec. 3. Section 441.21, subsection 5, Code 2011, is amended
17 to read as follows:

18 5. a. ~~For valuations established as of January 1, 1979,~~
19 ~~commercial property and industrial property, excluding~~
20 ~~properties referred to in section 427A.1, subsection 8, shall~~
21 ~~be assessed as a percentage of the actual value of each class~~
22 ~~of property. The percentage shall be determined for each~~
23 ~~class of property by the director of revenue for the state in~~
24 ~~accordance with the provisions of this section. For valuations~~
25 ~~established as of January 1, 1979, the percentage shall be~~
26 ~~the quotient of the dividend and divisor as defined in this~~
27 ~~section. The dividend for each class of property shall be the~~
28 ~~total actual valuation for each class of property established~~
29 ~~for 1978, plus six percent of the amount so determined. The~~
30 ~~divisor for each class of property shall be the valuation~~
31 ~~for each class of property established for 1978, as reported~~
32 ~~by the assessors on the abstracts of assessment for 1978,~~
33 ~~plus the amount of value added to the total actual value by~~
34 ~~the revaluation of existing properties in 1979 as equalized~~
35 ~~by the director of revenue pursuant to section 441.49. For~~

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

1 ~~441.49, plus the amount of value added to the total actual~~
2 ~~value by the revaluation of existing properties in 1980. The~~
3 ~~director shall utilize information reported on the abstracts of~~
4 ~~assessment submitted pursuant to section 441.45 in determining~~
5 ~~such percentage. For valuations established as of January 1,~~
6 ~~1980, property valued by the department of revenue pursuant~~
7 ~~to chapters 428, 433, 437, and 438 shall be assessed at a~~
8 ~~percentage of its actual value. The percentage shall be~~
9 ~~determined by the director of revenue in accordance with the~~
10 ~~provisions of this section. For valuations established as of~~
11 ~~January 1, 1980, the percentage shall be the quotient of the~~
12 ~~dividend and divisor as defined in this section. The dividend~~
13 ~~shall be the total actual valuation established for 1979 by~~
14 ~~the department of revenue, plus eight percent of the amount so~~
15 ~~determined. The divisor for property valued by the department~~
16 ~~of revenue pursuant to chapters 428, 433, 437, and 438 shall be~~
17 ~~the valuation established for 1979, plus the amount of value~~
18 ~~added to the total actual value by the revaluation of the~~
19 ~~property by the department of revenue as of January 1, 1980.~~
20 ~~For valuations established as of January 1, 1981, and each~~
21 ~~year thereafter, the percentage of actual value as equalized~~
22 ~~by the director of revenue as provided in section 441.49 at~~
23 ~~which commercial property and industrial property, excluding~~
24 ~~properties referred to in section 427A.1, subsection 8, shall~~
25 ~~be assessed shall be calculated in accordance with the methods~~
26 ~~provided herein, except that any references to six percent~~
27 ~~in this subsection shall be four percent. For valuations~~
28 ~~established as of January 1, 1981, and each year thereafter,~~
29 ~~the percentage of actual value at which property valued by~~
30 ~~the department of revenue pursuant to chapters 428, 433, 437,~~
31 ~~and 438 shall be assessed shall be calculated in accordance~~
32 ~~with the methods provided herein, except that any references~~
33 ~~to ten percent in this subsection shall be eight percent.~~
34 ~~Beginning with valuations established as of January 1, 1979,~~
35 ~~and each year thereafter, property valued by the department of~~

1 revenue pursuant to chapter 434 shall also be assessed at a
2 percentage of its actual value which percentage shall be equal
3 to the percentage determined by the director of revenue for
4 ~~commercial property, industrial property, or property valued by~~
5 the department of revenue pursuant to chapters 428, 433, 437,
6 and 438, ~~whichever is lowest.~~

7 b. For valuations established on or after January 1, 2012,
8 commercial property, excluding properties referred to in
9 section 427A.1, subsection 8, shall be assessed as a percentage
10 of the actual value, as determined in this paragraph.

11 (1) For valuations established for the assessment year
12 beginning January 1, 2012, the percentage of actual value as
13 equalized by the director of revenue as provided in section
14 441.49 at which commercial property shall be assessed shall be
15 ninety-two percent.

16 (2) For valuations established for the assessment year
17 beginning January 1, 2013, the percentage of actual value as
18 equalized by the director of revenue as provided in section
19 441.49 at which commercial property shall be assessed shall be
20 eighty-four percent.

21 (3) For valuations established for the assessment year
22 beginning January 1, 2014, the percentage of actual value as
23 equalized by the director of revenue as provided in section
24 441.49 at which commercial property shall be assessed shall be
25 seventy-six percent.

26 (4) For valuations established for the assessment year
27 beginning January 1, 2015, the percentage of actual value as
28 equalized by the director of revenue as provided in section
29 441.49 at which commercial property shall be assessed shall be
30 sixty-eight percent.

31 (5) For valuations established for the assessment year
32 beginning January 1, 2016, and each assessment year thereafter,
33 the percentage of actual value as equalized by the director
34 of revenue as provided in section 441.49 at which commercial
35 property shall be assessed shall be sixty percent.

1 c. For valuations established on or after January 1, 2012,
2 industrial property, excluding properties referred to in
3 section 427A.1, subsection 8, shall be assessed as a percentage
4 of the actual value, as determined in this paragraph.

5 (1) For valuations established for the assessment year
6 beginning January 1, 2012, the percentage of actual value as
7 equalized by the director of revenue as provided in section
8 441.49 at which industrial property shall be assessed shall be
9 ninety-two percent.

10 (2) For valuations established for the assessment year
11 beginning January 1, 2013, the percentage of actual value as
12 equalized by the director of revenue as provided in section
13 441.49 at which industrial property shall be assessed shall be
14 eighty-four percent.

15 (3) For valuations established for the assessment year
16 beginning January 1, 2014, the percentage of actual value as
17 equalized by the director of revenue as provided in section
18 441.49 at which industrial property shall be assessed shall be
19 seventy-six percent.

20 (4) For valuations established for the assessment year
21 beginning January 1, 2015, the percentage of actual value as
22 equalized by the director of revenue as provided in section
23 441.49 at which industrial property shall be assessed shall be
24 sixty-eight percent.

25 (5) For valuations established for the assessment year
26 beginning January 1, 2016, and each assessment year thereafter,
27 the percentage of actual value as equalized by the director
28 of revenue as provided in section 441.49 at which industrial
29 property shall be assessed shall be sixty percent.

30 **Sec. 4. NEW SECTION. 441.21A Legislative intent.**

31 It is the intent of the general assembly that appropriations
32 be made annually to reimburse local taxing authorities in this
33 state for reductions in property tax collections on commercial
34 and industrial property as a result of the assessment
35 limitations on such property established under section 441.21,

1 subsection 5, paragraphs "b" and "c", in the following amounts:

2 1. For the fiscal year beginning July 1, 2013, fifty million
3 dollars.

4 2. For the fiscal year beginning July 1, 2014, one hundred
5 million dollars.

6 3. For the fiscal year beginning July 1, 2015, one hundred
7 fifty million dollars.

8 4. For the fiscal year beginning July 1, 2016, two hundred
9 million dollars.

10 5. For the fiscal year beginning July 1, 2017, and each
11 fiscal year thereafter, two hundred fifty million dollars.

12 Sec. 5. SAVINGS PROVISION. This division of this Act,
13 pursuant to section 4.13, does not affect the operation of,
14 or prohibit the application of, prior provisions of section
15 441.21, or rules adopted under chapter 17A to administer prior
16 provisions of section 441.21, for assessment years beginning
17 before January 1, 2012, and for duties, powers, protests,
18 appeals, proceedings, actions, or remedies attributable to an
19 assessment year beginning before January 1, 2012.

20 Sec. 6. APPLICABILITY. This division of this Act applies
21 to property tax assessment years beginning on or after January
22 1, 2012.

23 DIVISION III

24 COUNTY AND CITY BUDGET LIMITATION

25 Sec. 7. Section 23A.2, subsection 10, paragraph h, Code
26 2011, is amended to read as follows:

27 h. The performance of an activity listed in section 331.424,
28 Code 2011, as a service for which a supplemental levy county
29 may be certified include in its budget.

30 Sec. 8. Section 28M.5, subsection 2, Code 2011, is amended
31 to read as follows:

32 2. If a regional transit district budget allocates
33 revenue responsibilities to the board of supervisors of a
34 participating county, the amount of the regional transit
35 district levy that is the responsibility of the participating

1 county shall be deducted from the maximum ~~rates~~ amount of taxes
2 authorized to be levied by the county pursuant to section
3 331.423, ~~subsections 1 and 2~~ subsection 3, paragraphs "b"
4 and "c", as applicable, unless the county meets its revenue
5 responsibilities as allocated in the budget from other
6 available revenue sources. However, for a regional transit
7 district that includes a county with a population of less than
8 three hundred thousand, the amount of the regional transit
9 district levy that is the responsibility of such participating
10 county shall be deducted from the maximum ~~rate~~ amount of taxes
11 authorized to be levied by the county pursuant to section
12 331.423, subsection ~~±~~ 3, paragraph "b".

13 Sec. 9. Section 123.38, subsection 2, Code 2011, is amended
14 to read as follows:

15 2. Any licensee or permittee, or the licensee's or
16 permittee's executor or administrator, or any person duly
17 appointed by the court to take charge of and administer the
18 property or assets of the licensee or permittee for the benefit
19 of the licensee's or permittee's creditors, may voluntarily
20 surrender a license or permit to the division. When a license
21 or permit is surrendered the division shall notify the local
22 authority, and the division or the local authority shall
23 refund to the person surrendering the license or permit, a
24 proportionate amount of the fee received by the division or
25 the local authority for the license or permit as follows: if
26 a license or permit is surrendered during the first three
27 months of the period for which it was issued, the refund shall
28 be three-fourths of the amount of the fee; if surrendered
29 more than three months but not more than six months after
30 issuance, the refund shall be one-half of the amount of the
31 fee; if surrendered more than six months but not more than
32 nine months after issuance, the refund shall be one-fourth of
33 the amount of the fee. No refund shall be made, however, for
34 any special liquor permit, nor for a liquor control license,
35 wine permit, or beer permit surrendered more than nine months

1 after issuance. For purposes of this subsection, any portion
2 of license or permit fees used for the purposes authorized in
3 section 331.424, subsection 1, paragraph "a", subparagraphs
4 (1) and (2), Code 2011, and in section 331.424A, shall not be
5 deemed received either by the division or by a local authority.
6 No refund shall be made to any licensee or permittee, upon the
7 surrender of the license or permit, if there is at the time
8 of surrender, a complaint filed with the division or local
9 authority, charging the licensee or permittee with a violation
10 of this chapter. If upon a hearing on a complaint the license
11 or permit is not revoked or suspended, then the licensee or
12 permittee is eligible, upon surrender of the license or permit,
13 to receive a refund as provided in this section; but if the
14 license or permit is revoked or suspended upon hearing the
15 licensee or permittee is not eligible for the refund of any
16 portion of the license or permit fee.

17 Sec. 10. Section 218.99, Code 2011, is amended to read as
18 follows:

19 **218.99 Counties to be notified of patients' personal**
20 **accounts.**

21 The administrator in control of a state institution shall
22 direct the business manager of each institution under the
23 administrator's jurisdiction ~~which is mentioned in section~~
24 ~~331.424, subsection 1, paragraph "a", subparagraphs (1)~~
25 ~~and (2), and for which services are paid under section~~
26 331.424A, to quarterly inform the county of legal settlement's
27 entity designated to perform the county's central point of
28 coordination process of any patient or resident who has an
29 amount in excess of two hundred dollars on account in the
30 patients' personal deposit fund and the amount on deposit. The
31 administrators shall direct the business manager to further
32 notify the entity designated to perform the county's central
33 point of coordination process at least fifteen days before the
34 release of funds in excess of two hundred dollars or upon the
35 death of the patient or resident. If the patient or resident

1 has no county of legal settlement, notice shall be made to the
2 director of human services and the administrator in control of
3 the institution involved.

4 Sec. 11. Section 331.263, subsection 2, Code 2011, is
5 amended to read as follows:

6 2. The governing body of the community commonwealth
7 shall have the authority to levy county taxes and shall
8 have the authority to levy city taxes to the extent the
9 city tax levy authority is transferred by the charter to
10 the community commonwealth. A city participating in the
11 community commonwealth shall transfer a portion of the
12 city's tax levy authorized under section 384.1 or 384.12,
13 whichever is applicable, to the governing body of the community
14 commonwealth. The maximum ~~rates~~ amount of taxes authorized to
15 be levied under ~~sections~~ section 384.1 and the maximum amount
16 of taxes authorized to be levied under section 384.12 by a city
17 participating in the community commonwealth shall be reduced
18 by an amount equal to the rates of the same or similar taxes
19 levied in the city by the governing body of the community
20 commonwealth.

21 Sec. 12. Section 331.301, subsection 12, Code 2011, is
22 amended to read as follows:

23 12. The board of supervisors may credit funds to a reserve
24 for the purposes authorized by subsection 11 of this section;
25 ~~section 331.424, subsection 1, paragraph "a", subparagraph~~
26 ~~(6);~~ and section 331.441, subsection 2, paragraph "b". Moneys
27 credited to the reserve, and interest earned on such moneys,
28 shall remain in the reserve until expended for purposes
29 authorized by subsection 11 of this section; ~~section 331.424,~~
30 ~~subsection 1, paragraph "a", subparagraph (6);~~ or section
31 331.441, subsection 2, paragraph "b".

32 Sec. 13. Section 331.421, subsections 1 and 10, Code 2011,
33 are amended by striking the subsections.

34 Sec. 14. Section 331.421, Code 2011, is amended by adding
35 the following new subsection:

1 NEW SUBSECTION. 7A. *Item* means a budgeted expenditure,
2 appropriation, or cash reserve from a fund for a service area,
3 program, program element, or purpose.

4 Sec. 15. Section 331.423, Code 2011, is amended by striking
5 the section and inserting in lieu thereof the following:

6 **331.423 Property tax dollars — maximums.**

7 1. Annually, the board shall determine separate property
8 tax levy limits to pay for general county services and rural
9 county services in accordance with this section. The property
10 tax levies separately certified for general county services and
11 rural county services under section 331.434 shall not raise
12 property tax dollars that exceed the amount determined under
13 this section.

14 2. For purposes of this section and section 331.423B, unless
15 the context otherwise requires:

16 *a. "Annual growth factor"* means an index, expressed as
17 a percentage, determined by the department of management by
18 January 1 of the calendar year in which the budget year begins.
19 In determining the annual growth factor, the department shall
20 calculate the average of the preceding twelve-month percentage
21 change, which shall be computed on a monthly basis, in the
22 midwest consumer price index. In no case, however, shall the
23 annual growth factor exceed four percent.

24 *b. "Boundary adjustment"* means annexation, severance,
25 incorporation, or discontinuance as those terms are defined in
26 section 368.1.

27 *c. "Budget year"* is the fiscal year beginning during the
28 calendar year in which a budget is certified.

29 *d. "Current fiscal year"* is the fiscal year ending during
30 the calendar year in which a budget is certified.

31 *e. "Net new valuation taxes"* means the amount of property
32 tax dollars equal to the current fiscal year's levy rate in
33 the county for general county services or for rural county
34 services, as applicable, multiplied by the increase from the
35 current fiscal year to the budget year in taxable valuation due

1 to the following:

2 (1) Net new construction, excluding all incremental
3 valuation that is released in any one year from an urban
4 renewal area for which taxes were being divided under section
5 403.19 if the property for the valuation being released remains
6 part of the urban renewal area.

7 (2) Additions or improvements to existing structures.

8 (3) Remodeling of existing structures for which a building
9 permit is required.

10 (4) Net boundary adjustment.

11 (5) A municipality no longer dividing tax revenues in
12 an urban renewal area as provided in section 403.19, to the
13 extent that the incremental valuation released is due to new
14 construction or revaluation on property newly constructed,
15 additions or improvements to existing property, net boundary
16 adjustment, or expiration of tax abatements, all occurring
17 after the division of revenue begins.

18 (6) That portion of taxable property located in an urban
19 revitalization area on which an exemption was allowed and such
20 exemption has expired.

21 3. *a.* For the fiscal year beginning July 1, 2012, and
22 subsequent fiscal years, the maximum amount of property tax
23 dollars which may be certified for levy by a county for general
24 county services and rural county services shall be the maximum
25 property tax dollars calculated under paragraphs "b" and "c",
26 respectively.

27 *b.* The maximum property tax dollars that may be levied for
28 general county services is an amount equal to the sum of the
29 following:

30 (1) The annual growth factor times the current fiscal year's
31 maximum property tax dollars for general county services.

32 (2) The amount of net new valuation taxes in the county.

33 *c.* The maximum property tax dollars that may be levied for
34 rural county services is an amount equal to the sum of the
35 following:

1 (1) The annual growth factor times the current fiscal year's
2 maximum property tax dollars for rural county services.

3 (2) The amount of net new valuation taxes in the
4 unincorporated area of the county.

5 4. a. For purposes of calculating maximum property tax
6 dollars for general county services for the fiscal year
7 beginning July 1, 2012, only, the term "*current fiscal year's*
8 *maximum property tax dollars*" shall mean the total amount of
9 property tax dollars certified by the county for general county
10 services for the fiscal year beginning July 1, 2011.

11 b. For purposes of calculating maximum property tax dollars
12 for rural county services for the fiscal year beginning July
13 1, 2012, only, the term "*current fiscal year's maximum property*
14 *tax dollars*" shall mean the total amount of property tax dollars
15 certified by the county for rural county services for the
16 fiscal year beginning July 1, 2011.

17 5. Property taxes certified for deposit in the mental
18 health, mental retardation, and developmental disabilities
19 services fund in section 331.424A, the emergency services fund
20 in section 331.424C, the debt service fund in section 331.430,
21 any capital projects fund established by the county for deposit
22 of bond, loan, or note proceeds, and any temporary increase
23 approved pursuant to section 331.424, are not included in the
24 maximum amount of property tax dollars that may be certified
25 for a budget year under subsection 3.

26 6. The department of management, in consultation with the
27 county finance committee, shall adopt rules to administer this
28 section. The department shall prescribe forms to be used by
29 counties when making calculations required by this section.

30 **Sec. 16. NEW SECTION. 331.423B Ending fund balance.**

31 1. a. Budgeted ending fund balances on a cash basis for
32 a budget year in excess of twenty-five percent of budgeted
33 expenditures in either the general fund or rural services
34 fund for that budget year shall be explicitly reserved or
35 designated for a specific purpose and specifically described

1 in the certified budget. The description shall include the
2 projected date that the expenditures will be appropriated for
3 the specific purpose.

4 *b.* A county is encouraged, but not required, to reduce
5 budgeted, unreserved, or undesignated ending fund balances for
6 the budget year to an amount equal to approximately twenty-five
7 percent of budgeted expenditures in the general fund and
8 rural services fund for that budget year unless a decision is
9 certified by the state appeal board ordering a reduction in the
10 ending fund balance of any of those funds.

11 *c.* In a protest to the county budget under section 331.436,
12 the county shall have the burden of proving that the budgeted
13 balances in excess of twenty-five percent are reasonably likely
14 to be appropriated for the explicitly reserved or designated
15 specific purpose by the date identified in the certified
16 budget. The excess budgeted balance for the specific purpose
17 shall be considered an increase in an item in the budget for
18 purposes of section 24.28.

19 2. *a.* For a county that has, as of June 30, 2011, reduced
20 its actual ending fund balance to less than twenty-five
21 percent of actual expenditures on a cash basis, additional
22 property taxes may be computed and levied as provided in this
23 subsection. The additional property tax levy amount is an
24 amount not to exceed twenty-five percent of actual expenditures
25 from the general fund and rural services fund for the fiscal
26 year beginning July 1, 2010, minus the combined ending fund
27 balances for those funds for that year.

28 *b.* The amount of the additional property taxes shall be
29 apportioned between the general fund and the rural services
30 fund. However, the amount apportioned for general county
31 services and for rural county services shall not exceed for
32 each fund twenty-five percent of actual expenditures for the
33 fiscal year beginning July 1, 2010.

34 *c.* All or a portion of additional property tax dollars
35 may be levied for the purpose of increasing cash reserves

1 for general county services and rural county services in the
2 budget year. The additional property tax dollars authorized
3 under this subsection but not levied may be carried forward as
4 unused ending fund balance taxing authority until and for the
5 fiscal year beginning July 1, 2017. The amount carried forward
6 shall not exceed twenty-five percent of the maximum amount of
7 property tax dollars available in the current fiscal year.
8 Additionally, property taxes that are levied as unused ending
9 fund balance taxing authority under this subsection may be the
10 subject of a protest under section 331.436, and the amount
11 will be considered an increase in an item in the budget for
12 purposes of section 24.28. The amount of additional property
13 taxes levied under this subsection shall not be included in the
14 computation of the maximum amount of property tax dollars which
15 may be certified and levied under section 331.423.

16 Sec. 17. Section 331.424, Code 2011, is amended by striking
17 the section and inserting in lieu thereof the following:

18 **331.424 Authority to levy beyond maximum property tax**
19 **dollars.**

20 1. The board may certify additions to the maximum amount
21 of property tax dollars to be levied for a period of time not
22 to exceed two years if the proposition has been submitted at a
23 special election and received a favorable majority of the votes
24 cast on the proposition.

25 2. The special election is subject to the following:

26 a. The board must give at least thirty-two days' notice to
27 the county commissioner of elections that the special election
28 is to be held.

29 b. The special election shall be conducted by the county
30 commissioner of elections in accordance with law.

31 c. The proposition to be submitted shall be substantially
32 in the following form:

33 Vote "yes" or "no" on the following: Shall the county of
34 _____ levy for an additional \$ _____ each year for ____ years
35 beginning July 1, _____, in excess of the statutory limits

1 otherwise applicable for the (general county services or rural
2 services) fund?

3 d. The canvass shall be held beginning at 1:00 p.m. on
4 the second day which is not a holiday following the special
5 election.

6 e. Notice of the special election shall be published at
7 least once in a newspaper as specified in section 331.305 prior
8 to the date of the special election. The notice shall appear
9 as early as practicable after the board has voted to submit
10 a proposition to the voters to levy additional property tax
11 dollars.

12 3. Registered voters in the county may vote on the
13 proposition to increase property taxes for the general fund
14 in excess of the statutory limit. Registered voters residing
15 outside the corporate limits of a city within the county may
16 vote on the proposition to increase property taxes for the
17 rural services fund in excess of the statutory limit.

18 4. The amount of additional property tax dollars certified
19 under this section shall not be included in the computation
20 of the maximum amount of property tax dollars which may be
21 certified and levied under section 331.423.

22 Sec. 18. Section 331.424A, subsection 4, Code 2011, is
23 amended to read as follows:

24 4. For the fiscal year beginning July 1, 1996, and for each
25 subsequent fiscal year, the county shall certify a levy for
26 payment of services. For each fiscal year, county revenues
27 from taxes imposed by the county credited to the services fund
28 shall not exceed an amount equal to the amount of base year
29 expenditures for services as defined in section 331.438, less
30 the amount of property tax relief to be received pursuant to
31 section 426B.2, in the fiscal year for which the budget is
32 certified. The county auditor and the board of supervisors
33 shall reduce the amount of the levy certified for the services
34 fund by the amount of property tax relief to be received. A
35 levy certified under this section is not subject to ~~the appeal~~

1 ~~provisions of section 331.426 or to~~ any other provision in law
2 authorizing a county to exceed, increase, or appeal a property
3 tax levy limit.

4 Sec. 19. Section 331.427, subsection 3, paragraph 1, Code
5 2011, is amended to read as follows:

6 1. Services listed in section 331.424, subsection 1, Code
7 2011, and section 331.554.

8 Sec. 20. Section 331.428, subsection 2, paragraph d, Code
9 2011, is amended to read as follows:

10 d. Services listed under section 331.424, subsection 2, Code
11 2011.

12 Sec. 21. Section 373.10, Code 2011, is amended to read as
13 follows:

14 **373.10 Taxing authority.**

15 The metropolitan council shall have the authority to
16 levy city taxes to the extent the city tax levy authority
17 is transferred by the charter to the metropolitan council.
18 A member city shall transfer a portion of the city's tax
19 levy authorized under section 384.1 or 384.12, whichever is
20 applicable, to the metropolitan council. The maximum ~~rates~~
21 amount of taxes authorized to be levied under ~~sections~~ section
22 384.1 and the taxes authorized to be levied under section
23 384.12 by a member city shall be reduced by an amount equal to
24 the rates of the same or similar taxes levied in the city by the
25 metropolitan council.

26 Sec. 22. Section 384.1, Code 2011, is amended by striking
27 the section and inserting in lieu thereof the following:

28 **384.1 Property tax dollars — maximums.**

29 1. A city shall certify taxes to be levied by the city
30 on all taxable property within the city limits, for all city
31 government purposes. Annually, the city council may certify
32 basic levies for city government purposes, subject to the
33 limitation on property tax dollars provided in this section.

34 2. For purposes of this section and section 384.1B, unless
35 the context otherwise requires:

1 *a. "Annual growth factor"* means an index, expressed as
2 a percentage, determined by the department of management by
3 January 1 of the calendar year in which the budget year begins.
4 In determining the annual growth factor, the department shall
5 calculate the average of the preceding twelve-month percentage
6 change, which shall be computed on a monthly basis, in the
7 midwest consumer price index. In no case, however, shall the
8 annual growth factor exceed four percent.

9 *b. "Boundary adjustment"* means annexation, severance,
10 incorporation, or discontinuance as those terms are defined in
11 section 368.1.

12 *c. "Budget year"* is the fiscal year beginning during the
13 calendar year in which a budget is certified.

14 *d. "Current fiscal year"* is the fiscal year ending during
15 the calendar year in which a budget is certified.

16 *e. "Net new valuation taxes"* means the amount of property
17 tax dollars equal to the current fiscal year's levy rate in the
18 city for the general fund multiplied by the increase from the
19 current fiscal year to the budget year in taxable valuation due
20 to the following:

21 (1) Net new construction, excluding all incremental
22 valuation that is released in any one year from an urban
23 renewal area for which taxes were being divided under section
24 403.19 if the property for the valuation being released remains
25 part of the urban renewal area.

26 (2) Additions or improvements to existing structures.

27 (3) Remodeling of existing structures for which a building
28 permit is required.

29 (4) Net boundary adjustment.

30 (5) A municipality no longer dividing tax revenues in
31 an urban renewal area as provided in section 403.19, to the
32 extent that the incremental valuation released is due to new
33 construction or revaluation on property newly constructed,
34 additions or improvements to existing property, net boundary
35 adjustment, or expiration of tax abatements, all occurring

1 after the division of revenue begins.

2 (6) That portion of taxable property located in an urban
3 revitalization area on which an exemption was allowed and such
4 exemption has expired.

5 3. a. For the fiscal year beginning July 1, 2012, and
6 subsequent fiscal years, the maximum amount of property
7 tax dollars which may be certified for levy by a city for
8 the general fund shall be the maximum property tax dollars
9 calculated under paragraph "b".

10 b. The maximum property tax dollars that may be levied for
11 deposit in the general fund is an amount equal to the sum of the
12 following:

13 (1) The annual growth factor times the current fiscal year's
14 maximum property tax dollars for the general fund.

15 (2) The amount of net new valuation taxes in the city.

16 4. For purposes of calculating maximum property tax dollars
17 for the city general fund for the fiscal year beginning July
18 1, 2012, only, the term "*current fiscal year's maximum property*
19 *tax dollars*" shall mean the total amount of property tax dollars
20 certified by the city for the city's general fund for the
21 fiscal year beginning July 1, 2011.

22 5. Property taxes certified for deposit in the debt service
23 fund in section 384.4, trust and agency funds in section
24 384.6, capital improvements reserve fund in section 384.7,
25 the emergency fund in section 384.8, any capital projects
26 fund established by the city for deposit of bond, loan, or
27 note proceeds, any temporary increase approved pursuant to
28 section 384.12A, property taxes collected from a voted levy in
29 section 384.12, and property taxes levied under section 384.12,
30 subsection 18, are not counted against the maximum amount of
31 property tax dollars that may be certified for a fiscal year
32 under subsection 3.

33 6. Notwithstanding the maximum amount of taxes a city
34 may certify for levy, the tax levied by a city on tracts of
35 land and improvements on the tracts of land used and assessed

1 for agricultural or horticultural purposes shall not exceed
2 three dollars and three-eighths cents per thousand dollars
3 of assessed value in any year. Improvements located on such
4 tracts of land and not used for agricultural or horticultural
5 purposes and all residential dwellings are subject to the same
6 rate of tax levied by the city on all other taxable property
7 within the city.

8 7. The department of management, in consultation with the
9 city finance committee, shall adopt rules to administer this
10 section. The department shall prescribe forms to be used by
11 cities when making calculations required by this section.

12 Sec. 23. NEW SECTION. **384.1B Ending fund balance.**

13 1. *a.* Budgeted ending fund balances on a cash basis for
14 a budget year in excess of twenty-five percent of budgeted
15 expenditures for that budget year shall be explicitly reserved
16 or designated for a specific purpose and specifically described
17 in the certified budget. The description shall include the
18 projected date that the expenditures will be appropriated for
19 the specific purpose.

20 *b.* A city is encouraged, but not required, to reduce
21 budgeted, unreserved, or undesignated ending fund balances for
22 the budget year to an amount equal to approximately twenty-five
23 percent of budgeted expenditures in the general fund for that
24 budget year unless a decision is certified by the state appeal
25 board ordering a reduction in the ending fund balance of the
26 fund.

27 *c.* In a protest to the city budget under section 384.19,
28 the city shall have the burden of proving that the budgeted
29 balances in excess of twenty-five percent are reasonably likely
30 to be appropriated for the explicitly reserved or designated
31 specific purpose by the date identified in the certified
32 budget. The excess budgeted balance for the specific purpose
33 shall be considered an increase in an item in the budget for
34 purposes of section 24.28.

35 2. *a.* For a city that has, as of June 30, 2011, reduced

1 its ending fund balance to less than twenty-five percent of
2 actual expenditures on a cash basis, additional property taxes
3 may be computed and levied as provided in this subsection.
4 The additional property tax levy amount is an amount not to
5 exceed the difference between twenty-five percent of actual
6 expenditures for city government purposes for the fiscal year
7 beginning July 1, 2010, minus the ending fund balance for that
8 year.

9 *b.* All or a portion of additional property tax dollars
10 may be levied for the purpose of increasing cash reserves for
11 city government purposes in the budget year. The additional
12 property tax dollars authorized under this subsection but not
13 levied may be carried forward as unused ending fund balance
14 taxing authority until and for the fiscal year beginning
15 July 1, 2017. The amount carried forward shall not exceed
16 twenty-five percent of the maximum amount of property tax
17 dollars available in the current fiscal year. Additionally,
18 property taxes that are levied as unused ending fund balance
19 taxing authority under this subsection may be the subject of a
20 protest under section 384.19, and the amount will be considered
21 an increase in an item in the budget for purposes of section
22 24.28. The amount of additional property tax dollars levied
23 under this subsection shall not be included in the computation
24 of the maximum amount of property tax dollars which may be
25 certified and levied under section 384.1.

26 Sec. 24. Section 384.12, subsection 20, Code 2011, is
27 amended by striking the subsection.

28 Sec. 25. NEW SECTION. **384.12A Authority to levy beyond**
29 **maximum property tax dollars.**

30 1. The city council may certify additions to the maximum
31 amount of property tax dollars to be levied for a period of
32 time not to exceed two years if the proposition has been
33 submitted at a special election and received a favorable
34 majority of the votes cast on the proposition.

35 2. The special election is subject to the following:

1 a. The city council must give at least thirty-two days'
2 notice to the county commissioner of elections that the special
3 election is to be held.

4 b. The special election shall be conducted by the county
5 commissioner of elections in accordance with law.

6 c. The proposition to be submitted shall be substantially
7 in the following form:

8 Vote "yes" or "no" on the following: Shall the city of
9 _____ levy for an additional \$_____ each year for ___ years
10 beginning next July 1, ____, in excess of the statutory limits
11 otherwise applicable for the city general fund?

12 d. The canvass shall be held beginning at 1:00 p.m. on
13 the second day which is not a holiday following the special
14 election.

15 e. Notice of the special election shall be published at
16 least once in a newspaper as specified in section 362.3 prior
17 to the date of the special election. The notice shall appear
18 as early as practicable after the city council has voted to
19 submit a proposition to the voters to levy additional property
20 tax dollars.

21 3. The amount of additional property tax dollars certified
22 under this section shall not be included in the computation
23 of the maximum amount of property tax dollars which may be
24 certified and levied under section 384.1.

25 Sec. 26. Section 384.19, Code 2011, is amended by adding the
26 following new unnumbered paragraph:

27 NEW UNNUMBERED PARAGRAPH. For purposes of a tax protest
28 filed under this section, "item" means a budgeted expenditure,
29 appropriation, or cash reserve from a fund for a service area,
30 program, program element, or purpose.

31 Sec. 27. Section 386.8, Code 2011, is amended to read as
32 follows:

33 **386.8 Operation tax.**

34 A city may establish a self-supported improvement district
35 operation fund, and may certify taxes not to exceed the

1 rate limitation as established in the ordinance creating the
2 district, or any amendment thereto, each year to be levied
3 for the fund against all of the property in the district,
4 for the purpose of paying the administrative expenses of
5 the district, which may include but are not limited to
6 administrative personnel salaries, a separate administrative
7 office, planning costs including consultation fees, engineering
8 fees, architectural fees, and legal fees and all other expenses
9 reasonably associated with the administration of the district
10 and the fulfilling of the purposes of the district. The taxes
11 levied for this fund may also be used for the purpose of paying
12 maintenance expenses of improvements or self-liquidating
13 improvements for a specified length of time with one or more
14 options to renew if such is clearly stated in the petition
15 which requests the council to authorize construction of the
16 improvement or self-liquidating improvement, whether or not
17 such petition is combined with the petition requesting creation
18 of a district. Parcels of property which are assessed as
19 residential property for property tax purposes are exempt from
20 the tax levied under this section except residential properties
21 within a duly designated historic district. A tax levied under
22 this section is not subject to the ~~levy~~ limitation in section
23 384.1.

24 Sec. 28. Section 386.9, Code 2011, is amended to read as
25 follows:

26 **386.9 Capital improvement tax.**

27 A city may establish a capital improvement fund for a
28 district and may certify taxes, not to exceed the rate
29 established by the ordinance creating the district, or any
30 subsequent amendment thereto, each year to be levied for
31 the fund against all of the property in the district, for
32 the purpose of accumulating moneys for the financing or
33 payment of a part or all of the costs of any improvement or
34 self-liquidating improvement. However, parcels of property
35 which are assessed as residential property for property tax

1 purposes are exempt from the tax levied under this section
2 except residential properties within a duly designated historic
3 district. A tax levied under this section is not subject to
4 the ~~levy~~ limitations in section 384.1 or 384.7.

5 Sec. 29. REPEAL. Sections 331.425 and 331.426, Code 2011,
6 are repealed.

7 Sec. 30. APPLICABILITY. This division of this Act applies
8 to fiscal years beginning on or after July 1, 2012.

9 EXPLANATION

10 This bill makes changes to state and local government
11 finances by making changes to property taxation, school
12 financing, and county and city budgets.

13 Division I of the bill provides for an increase in the
14 regular program foundation base under the state school
15 foundation program. The foundation base is the specified
16 percentage of the state cost per pupil calculation which is
17 paid as state aid to school districts, above and beyond the
18 uniform property tax levy imposed in Code section 257.3.
19 Beginning with the budget year commencing July 1, 2012, the
20 increase is phased in over a seven-year period in equal annual
21 increments, from the current foundation base level of 87.5
22 percent to the level of 100 percent in the eighth year.

23 Division II of the bill changes the property tax assessment
24 limitation percentage for residential property and agricultural
25 property from 4 percent to 2 percent for assessment years
26 beginning on or after January 1, 2012.

27 Division II of the bill strikes the methodology in Code
28 section 441.21(5) currently used to determine the percentage
29 of actual value at which commercial property and industrial
30 property are assessed for property tax purposes. The bill
31 provides that for valuations established for the assessment
32 year beginning January 1, 2012, the percentage of actual value
33 at which commercial property and industrial property shall
34 be assessed shall be 92 percent. The bill provides that
35 for each assessment year thereafter the percentage at which

1 commercial property and industrial property are assessed is
2 reduced by 8 percentage points each year until the percentage
3 is 60 percent. The bill provides that for the assessment year
4 beginning January 1, 2016, and each assessment year thereafter,
5 commercial property and industrial property are assessed at 60
6 percent. Under the bill, commercial property and industrial
7 property remain separate classifications of property.

8 Division II of the bill specifies that it is the intent of
9 the general assembly that appropriations be made annually in
10 fiscal years beginning on or after July 1, 2013, to reimburse
11 local taxing authorities for reductions in property tax
12 collections on commercial and industrial property as a result
13 of the assessment limitations on such property established
14 in the bill. The bill specifies the amounts of the intended
15 appropriations.

16 Division II of the bill also makes corresponding changes to
17 other provisions of Code section 441.21, including removing
18 the commercial property and industrial property valuation
19 limitations from the methodology used to determine the
20 percentage at which property valued by the department of
21 revenue pursuant to Code chapter 434 (railway companies) is
22 assessed.

23 Division II of the bill applies to property tax assessment
24 years beginning on or after January 1, 2012. The bill,
25 pursuant to Code section 4.13, does not affect the application
26 of prior provisions of Code section 441.21 to assessment years
27 beginning before January 1, 2012.

28 Division III of the bill removes the property tax levy rate
29 limitations on the general and rural funds for counties and on
30 the general fund for cities and substitutes a limitation on the
31 maximum amount of property tax dollars that may be certified
32 for expenditure by a county or city for budget years beginning
33 on or after July 1, 2012. For the budget year beginning July
34 1, 2012, and subsequent budget years, the maximum amount of
35 property tax dollars which may be certified for levy shall be

1 an amount equal to the sum of the current fiscal year's total
2 property tax dollars certified by the county multiplied by the
3 annual growth factor, as defined in the bill, and the amount of
4 net new valuation taxes, as defined in the bill.

5 Division III also allows counties and cities to certify
6 additions to the maximum amount of property tax dollars to be
7 levied for a period of time not to exceed two years if the
8 proposition has been approved at a special election. The bill
9 specifies the notice and election requirements for such a
10 proposition. The bill specifies that such amounts approved at
11 special election are not to be included in the computation of
12 the maximum amount of property tax dollars for future budget
13 years.

14 Division III of the bill specifies certain requirements
15 for ending fund balances for counties and cities. The bill
16 provides that budgeted ending fund balances for a budget
17 year in excess of 25 percent of budgeted expenditures
18 shall be explicitly reserved or designated for a specific
19 purpose and specifically described in the certified budget.
20 The description must include the projected date that the
21 expenditures will be appropriated for the specific purpose.

22 Under the bill, counties and cities are encouraged, but
23 not required, to reduce budgeted, unreserved, or undesignated
24 ending fund balances for the budget year to an amount equal
25 to approximately 25 percent of budgeted expenditures for that
26 budget year unless a decision is certified by the state appeal
27 board ordering a reduction in the ending fund balance of any of
28 those funds. The county or city, as applicable, has the burden
29 of proving that the budgeted balances in excess of 25 percent
30 are reasonably likely to be appropriated for the explicitly
31 reserved or designated specific purpose by the date identified
32 in the certified budget.

33 Division III of the bill also allows for additional property
34 taxes to be levied in certain fiscal years for those counties
35 or cities that have, as of June 30, 2011, reduced their

1 actual ending fund balance to less than 25 percent of actual
2 expenditures. Such additional property tax dollars authorized
3 but not levied may be carried forward as unused ending
4 fund balance taxing authority until and for the fiscal year
5 beginning July 1, 2017. However, the amount carried forward
6 shall not exceed 25 percent of the maximum amount of property
7 tax dollars available in the current fiscal year. The amount
8 of such additional property taxes levied shall not, however, be
9 included in the computation of the maximum amount of property
10 tax dollars which may be certified and levied in future budget
11 years.

12 Division III also makes conforming amendments to other
13 provisions of the Code.

14 Division III applies to fiscal years beginning on or after
15 July 1, 2012.