

Senate Joint Resolution 8 - Introduced

SENATE JOINT RESOLUTION 8
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SENATE JOINT RESOLUTION

1 A Joint Resolution proposing amendments to the Constitution of
2 the State of Iowa relating to the state budget by creating
3 a state general fund expenditure limitation, providing for
4 a taxpayers trust 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
16 from that estimated revenue. However, if the state general
17 fund expenditure limitation is calculated based upon the
18 adjusted revenue estimate and the general assembly holds an
19 extraordinary session prior to the commencement of the fiscal
20 year to which the adjusted revenue estimate applies and before
21 or during the extraordinary session the revenue estimating
22 conference determines a lesser revenue estimate, the lesser
23 estimate shall be used for the adjusted revenue estimate.

24 *b. "Current fiscal year"* means the fiscal year preceding
25 the fiscal year to which the state general fund expenditure
26 limitation applies.

27 *c. "General fund"* means the principal operating fund of the
28 state which shall be established by the general assembly by
29 law.

30 *d. "Net revenue estimate"* means the most recent revenue
31 estimate determined before January 1, or a later and lesser
32 estimate determined before adjournment of the regular
33 session of the general assembly for the general fund for the
34 current fiscal year, as determined by the revenue estimating
35 conference, and adjusted by subtracting estimated refunds

1 payable from that estimated revenue. However, if the state
2 general fund expenditure limitation is calculated based upon
3 the net revenue estimate and the general assembly holds an
4 extraordinary session prior to the completion of the fiscal
5 year to which the net revenue estimate applies and before
6 or during the extraordinary session the revenue estimating
7 conference determines a lesser revenue estimate for the current
8 fiscal year, such lesser estimate shall be used for calculating
9 the net revenue estimate for the general fund.

10 *e.* "New revenue" means moneys which are received by the
11 general fund due to increased tax rates or fees or newly
12 created taxes or fees over and above those moneys which are
13 received due to state taxes or fees which are in effect as
14 of January 1 following the most recent meeting of the state
15 revenue estimating conference. "New revenue" also includes
16 moneys received by the general fund due to new transfers over
17 and above those moneys received by the general fund due to
18 transfers which are in effect as of January 1 following the
19 most recent meeting of the state revenue estimating conference.
20 Except for transfers provided for by law, the state revenue
21 estimating conference shall determine whether transfers to the
22 general fund are to be considered as new revenue in determining
23 the state general fund expenditure limitation.

24 *f.* "Surplus" means the cumulative excess of revenue and
25 other financing sources over expenditures and other financing
26 uses for the general fund at the end of a fiscal year.

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

31 3. Except as otherwise provided in this section, the state
32 general fund expenditure limitation for a fiscal year shall be
33 the lesser of the following amounts:

34 *a.* Ninety-nine percent of the adjusted revenue estimate for
35 the general fund for the following fiscal year.

1 *b.* One hundred four percent of the current fiscal year net
2 revenue estimate for the general fund.

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

6 5. If a new revenue source is proposed, the budget revenue
7 projection used for that new revenue source for the period
8 beginning on the effective date of the new revenue source and
9 ending in the fiscal year in which the source is included in
10 the adjusted revenue estimate or the net revenue estimate,
11 as applicable, shall be ninety-five percent of the amount
12 remaining after subtracting estimated refunds payable from the
13 projected revenue from that source. If a new revenue source
14 is established and implemented, the original state general
15 fund expenditure limitation amount provided for in subsection
16 3 shall be recalculated to include ninety-five percent of the
17 estimated revenue from that source that is attributed to the
18 revenue estimate used to calculate the original limitation
19 amount.

20 6. *a.* Unless provided otherwise in accordance with
21 paragraph "*b*", if there is a surplus existing at the end of a
22 fiscal year which exceeds ten percent of the revenue estimate
23 used to establish the state general fund expenditure limitation
24 for that fiscal year and the actual net revenue for the general
25 fund exceeds such revenue estimate for that fiscal year, the
26 surplus shall be transferred to a taxpayers trust fund. Except
27 for temporary cash flow purposes, moneys in the taxpayers trust
28 fund shall only be used in accordance with appropriations
29 or transfers made by the general assembly for purposes of
30 providing tax relief.

31 *b.* A portion of the surplus equal to ten percent or less
32 of the revenue estimate used to establish the state general
33 fund expenditure limitation for the following fiscal year or
34 a greater portion may be included in such revenue estimate if
35 approved in a bill receiving the affirmative votes of at least

1 two-thirds of the members elected to each house of the general
2 assembly. The state general fund expenditure limitation shall
3 be recalculated accordingly.

4 7. If a bill or joint resolution provides for a new
5 enactment of revenue or appropriations bonding authority, or
6 an expansion of existing revenue or appropriations bonding
7 authority, which bonds are funded in whole or in part from
8 revenue from the general fund or from another portion of the
9 state treasury, the bill or joint resolution shall not become
10 law unless approved by the affirmative votes of at least
11 two-thirds of the members elected to each house of the general
12 assembly. In addition, the state general fund expenditure
13 limitation for the initial or subsequent fiscal year to
14 which the bill or joint resolution applies shall include any
15 appropriations of such revenue for the fiscal year.

16 8. The scope of the state general fund expenditure
17 limitation calculated in accordance with this section shall not
18 include federal funds, donations, constitutionally dedicated
19 moneys, and moneys expended from a state retirement system.

20 9. The governor shall submit and the general assembly shall
21 pass a budget which does not exceed the state general fund
22 expenditure limitation. The governor shall not approve or
23 disapprove appropriation bills or items of appropriation bills
24 passed by the general assembly in a manner that would cause
25 the final budget approved by the governor to exceed the state
26 general fund expenditure limitation.

27 10. The governor shall not submit and the general assembly
28 shall not pass a budget which in order to balance assumes
29 reversion of any part of the total of the appropriations
30 included in the budget.

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

34 12. The general assembly shall enact laws to implement this
35 section.

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

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

5 ARTICLE XIII.

6 TWO-THIRDS MAJORITY FOR TAX LAW CHANGES.

7 **Two-thirds majority to increase taxes.** SECTION 1. A bill
8 containing provisions enacting, amending, or repealing the
9 state income tax or enacting, amending, or repealing the state
10 sales and use taxes, in which the aggregate fiscal impact of
11 those provisions relating to those taxes results in a net
12 increase in state tax revenue, as determined by the general
13 assembly, shall require the affirmative votes of at least
14 two-thirds of the members elected to each house of the general
15 assembly for passage. This section does not apply to income
16 tax or sales and use taxes imposed at the option of a local
17 government.

18 **Two-thirds majority to enact new state tax.** SEC. 2. A bill
19 that establishes a new state tax to be imposed by the state
20 shall require the affirmative votes of at least two-thirds of
21 the members elected to each house of the general assembly for
22 passage.

23 **Enforcement of two-thirds majority requirement.** SEC. 3. A
24 lawsuit challenging the proper enactment of a bill pursuant to
25 section 1 or 2 shall be filed no later than one year following
26 the enactment. Failure to file such a lawsuit within the
27 one-year time limit shall negate the two-thirds majority
28 requirement as it applies to the bill.

29 Each bill to which section 1 or 2 applies shall include a
30 separate provision describing the requirements for enactment
31 prescribed by section 1 or 2.

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

34 Sec. 3. The foregoing proposed amendments to the
35 Constitution of the State of Iowa are referred to the general

1 assembly to be chosen at the next general election for members
2 of the general assembly, and the Secretary of State is directed
3 to cause them to be published for three consecutive months
4 previous to the date of that election as provided by law.

5

EXPLANATION

6 This resolution proposes two amendments within a new Article
7 XIII to the Constitution of the State of Iowa which relate to
8 state budgets and state revenue.

9 The first amendment creates a state general fund expenditure
10 limitation. The amount of the limitation is the lesser of
11 99 percent of the adjusted revenue estimate for the general
12 fund of the state for the following fiscal year or 104 percent
13 of the net revenue estimate for the general fund for the
14 current fiscal year. The amendment defines adjusted revenue
15 estimate and net revenue estimate and requires that the
16 estimates be determined by a revenue estimating conference
17 which is to be created by the general assembly by law. The
18 expenditure limitation is required to be used by the governor
19 in preparation of the governor's budget and by the general
20 assembly in the budget process. The governor is prohibited
21 from approving or disapproving of appropriations in a manner
22 that would cause the final budget approved by the governor to
23 exceed the expenditure limitation.

24 If a new revenue source is established and implemented, 95
25 percent of the estimate of that new revenue shall be included
26 in the revenue estimate used to calculate the expenditure
27 limitation.

28 If there is a surplus existing at the end of a fiscal year
29 which exceeds 10 percent of the revenue estimate used to
30 calculate the expenditure limitation for the fiscal year and
31 the actual net revenue for the general fund for the fiscal
32 year exceeds such revenue estimate for the fiscal year, the
33 surplus is required to be transferred to a taxpayers trust
34 fund. However, any portion of the surplus which is equal
35 to 10 percent or less of the amount of the adjusted revenue

1 estimate for the following fiscal year or a greater portion
2 may be included in the revenue estimate used to calculate the
3 expenditure limitation if inclusion is approved in a bill by at
4 least two-thirds of the members elected to each house of the
5 general assembly. The expenditure limitation is recalculated
6 accordingly.

7 The enactment of a bill or joint resolution providing for new
8 or expanded authority to issue revenue or appropriations bonds
9 funded in whole or in part from revenue from the general fund
10 or from another portion of the state treasury requires a vote
11 of at least two-thirds of the members elected to each house of
12 the general assembly. In addition, the appropriations of such
13 revenue are required to be included in the state general fund
14 expenditure limitation for each applicable fiscal year.

15 The first amendment also requires the state to use generally
16 accepted accounting principles for state budgeting and
17 accounting purposes. The amendment provides that the general
18 assembly shall enact laws to implement the amendment.

19 The second amendment contained in the resolution requires a
20 two-thirds majority vote of the members elected to each house
21 of the general assembly for certain tax law changes. Any bill
22 that enacts, amends, or repeals the state income tax or the
23 state sales and use tax, and which causes, in the aggregate, an
24 increase in state tax revenues, as determined by the general
25 assembly, must be adopted by at least two-thirds of the members
26 elected to each house of the general assembly. A two-thirds
27 majority vote of the members elected to each house of the
28 general assembly is required in order to enact a new state tax
29 to be imposed by the state. A lawsuit challenging enactment
30 of a bill subject to either two-thirds majority passage
31 requirement must be filed no later than one year from the date
32 of enactment of the bill. Finally, the amendment provides
33 that the general assembly shall enact laws to implement the
34 amendment.

35 The resolution, if adopted, will be referred to the next

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1 general assembly. If the next general assembly adopts this
2 resolution, the amendments will be submitted to the voters for
3 their decision on ratification.