

House Study Bill 165 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON HEIN)

A BILL FOR

1 An Act establishing budget limitations for counties and cities
2 and including applicability provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 23A.2, subsection 10, paragraph h, Code
2 2019, is amended to read as follows:

3 h. The performance of an activity listed in [section 331.424](#),
4 Code 2019, as a service ~~for~~ which a ~~supplemental levy~~ county
5 ~~may be certified~~ include in its budget.

6 Sec. 2. Section 28M.5, subsection 2, Code 2019, is amended
7 to read as follows:

8 2. If a regional transit district budget allocates
9 revenue responsibilities to the board of supervisors of a
10 participating county, the amount of the regional transit
11 district levy that is the responsibility of the participating
12 county shall be deducted from the maximum ~~rates~~ amount of taxes
13 authorized to be levied by the county pursuant to section
14 331.423, ~~subsections 1 and 2~~ subsection 3, paragraphs "b"
15 and "c", as applicable, unless the county meets its revenue
16 responsibilities as allocated in the budget from other
17 available revenue sources. However, for a regional transit
18 district that includes a county with a population of less than
19 three hundred thousand, the amount of the regional transit
20 district levy that is the responsibility of such participating
21 county shall be deducted from the maximum ~~rate~~ amount of taxes
22 authorized to be levied by the county pursuant to section
23 331.423, ~~subsection 3,~~ paragraph "b".

24 Sec. 3. Section 29C.17, subsection 2, paragraph a, Code
25 2019, is amended to read as follows:

26 a. A countywide ~~special~~ supplemental levy pursuant to
27 section 331.424, subsection 1.

28 Sec. 4. Section 123.38, subsection 2, paragraph b, Code
29 2019, is amended to read as follows:

30 b. For purposes of [this subsection](#), any portion of license
31 or permit fees used for the purposes authorized in section
32 331.424, subsection 1, paragraph "a", subparagraphs (1) and
33 (2), Code 2019, and in [section 331.424A](#), shall not be deemed
34 received either by the division or by a local authority.

35 Sec. 5. Section 218.99, Code 2019, is amended to read as

1 follows:

2 **218.99 Counties to be notified of patients' personal**
3 **accounts.**

4 The administrator in control of a state institution shall
5 direct the business manager of each institution under the
6 administrator's jurisdiction ~~which is mentioned in section~~
7 ~~331.424, subsection 1, paragraph "a", subparagraphs (1) and~~
8 ~~(2), and~~ for which services are paid under [section 331.424A](#),
9 to quarterly inform the county of residence of any patient or
10 resident who has an amount in excess of two hundred dollars on
11 account in the patients' personal deposit fund and the amount
12 on deposit. The administrators shall direct the business
13 manager to further notify the county of residence at least
14 fifteen days before the release of funds in excess of two
15 hundred dollars or upon the death of the patient or resident.
16 If the patient or resident has no residency in this state or
17 the person's residency is unknown, notice shall be made to the
18 director of human services and the administrator in control of
19 the institution involved.

20 Sec. 6. Section 331.263, subsection 2, Code 2019, is amended
21 to read as follows:

22 2. The governing body of the community commonwealth
23 shall have the authority to levy county taxes and shall
24 have the authority to levy city taxes to the extent the
25 city tax levy authority is transferred by the charter to
26 the community commonwealth. A city participating in the
27 community commonwealth shall transfer a portion of the
28 city's tax levy authorized under [section 384.1](#) or [384.12](#),
29 whichever is applicable, to the governing body of the community
30 commonwealth. The maximum ~~rates~~ amount of taxes authorized to
31 be levied under ~~sections~~ section 384.1 and the maximum amount
32 of taxes authorized to be levied under section 384.12 by a city
33 participating in the community commonwealth shall be reduced
34 by an amount equal to the rates of the same or similar taxes
35 levied in the city by the governing body of the community

1 commonwealth.

2 Sec. 7. Section 331.301, subsection 12, Code 2019, is
3 amended to read as follows:

4 12. The board of supervisors may credit funds to a reserve
5 for the purposes authorized by **subsection 11 of this section**;
6 ~~section 331.424, subsection 1, paragraph "a", subparagraph~~
7 ~~(5)~~; and **section 331.441, subsection 2, paragraph "b"**. Moneys
8 credited to the reserve, and interest earned on such moneys,
9 shall remain in the reserve until expended for purposes
10 authorized by **subsection 11 of this section**; ~~section 331.424,~~
11 ~~subsection 1, paragraph "a", subparagraph (5)~~; or section
12 331.441, subsection 2, paragraph "b".

13 Sec. 8. Section 331.421, subsections 1 and 10, Code 2019,
14 are amended by striking the subsections.

15 Sec. 9. Section 331.421, Code 2019, is amended by adding the
16 following new subsection:

17 NEW SUBSECTION. 7A. "*Item*" means, in accordance
18 with protests under chapter 24, a budgeted expenditure,
19 appropriation, or cash reserve from a fund for a service area,
20 program, program element, or purpose.

21 Sec. 10. Section 331.422, unnumbered paragraph 1, Code
22 2019, is amended to read as follows:

23 Subject to **this section** and sections 331.423 through ~~331.426~~
24 331.424C or as otherwise provided by state law, the board of
25 each county shall certify property taxes annually at its March
26 session to be levied for county purposes as follows:

27 Sec. 11. Section 331.423, Code 2019, is amended by striking
28 the section and inserting in lieu thereof the following:

29 **331.423 Property tax dollars — maximums.**

30 1. Annually, the board shall determine separate property
31 tax levy limits to pay for general county services and rural
32 county services in accordance with this section. The property
33 tax levies separately certified for general county services and
34 rural county services under section 331.434 shall not raise
35 property tax dollars that exceed the amount determined under

1 this section.

2 2. For purposes of this section, unless the context
3 otherwise requires:

4 a. "*Annual growth factor*" means an index, expressed as
5 a percentage, determined by the department of management by
6 January 1 of the calendar year in which the budget year begins.
7 In determining the annual growth factor, the department shall
8 calculate the percentage change in the median family income
9 in midwest census region between the two most recent calendar
10 years for which information is available. The department shall
11 then add that percentage change to one hundred percent. In no
12 case, however, shall the annual growth factor be less than one
13 hundred percent.

14 b. "*Boundary adjustment*" means annexation, severance,
15 incorporation, or discontinuance as those terms are defined in
16 section 368.1.

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

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

21 e. "*Net new valuation taxes*" means the amount of property
22 tax dollars equal to the current fiscal year's levy rate in
23 the county for general county services or for rural county
24 services, as applicable, multiplied by the increase from the
25 current fiscal year to the budget year in taxable valuation due
26 to the following:

27 (1) Net new construction, excluding all incremental
28 valuation that is released in any one year from either a
29 division of revenue under section 260E.4 or an urban renewal
30 area for which taxes were being divided under section 403.19 if
31 the property for the valuation being released remains subject
32 to the division of revenue under section 260E.4 or remains part
33 of the urban renewal area that is subject to a division of
34 revenue under section 403.19.

35 (2) Additions or improvements to existing structures.

1 (3) Remodeling of existing structures for which a building
2 permit is required.

3 (4) Net boundary adjustment.

4 (5) A municipality no longer dividing tax revenues in an
5 urban renewal area as provided in section 403.19 or a community
6 college no longer dividing revenues as provided in section
7 260E.4.

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

11 3. *a.* For the fiscal year beginning July 1, 2020, and
12 subsequent fiscal years, the maximum amount of property tax
13 dollars which may be certified for levy by a county for general
14 county services and rural county services shall be the maximum
15 property tax dollars calculated under paragraphs "b" and "c",
16 respectively.

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

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

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

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

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

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

30 4. *a.* For purposes of calculating maximum property tax
31 dollars for general county services for the fiscal year
32 beginning July 1, 2020, only, the term "*current fiscal year's*
33 *maximum property tax dollars*" shall mean the total amount of
34 property tax dollars certified by the county for general county
35 services for the fiscal year beginning July 1, 2019.

1 *b.* For purposes of calculating maximum property tax dollars
2 for rural county services for the fiscal year beginning July
3 1, 2020, only, the term "*current fiscal year's maximum property*
4 *tax dollars*" shall mean the total amount of property tax dollars
5 certified by the county for rural county services for the
6 fiscal year beginning July 1, 2019.

7 5. Property taxes certified for mental health and
8 disabilities services in section 331.424A, the emergency
9 services fund in section 331.424C, the debt service fund in
10 section 331.430, any capital projects fund established by the
11 county for deposit of bond, loan, or note proceeds, and any
12 temporary increase approved pursuant to section 331.424, are
13 not included in the maximum amount of property tax dollars that
14 may be certified for a budget year under subsection 3.

15 6. The department of management, in consultation with the
16 county finance committee, shall adopt rules to administer this
17 section. The department shall prescribe forms to be used by
18 counties when making calculations required by this section.

19 Sec. 12. NEW SECTION. **331.423A Ending fund balance.**

20 1. *a.* Budgeted ending fund balances for a budget year
21 in excess of twenty-five percent of budgeted expenditures in
22 either the general fund or rural services fund for that budget
23 year shall be explicitly reserved or designated for a specific
24 purpose.

25 *b.* A county is encouraged, but not required, to reduce
26 budgeted, unreserved, or undesignated ending fund balances for
27 the budget year to an amount equal to approximately twenty-five
28 percent of budgeted expenditures and transfers from the general
29 fund and rural services fund for that budget year unless a
30 decision is certified by the state appeal board ordering a
31 reduction in the ending fund balance of any of those funds.

32 *c.* In a protest to the county budget under section 331.436,
33 the county shall have the burden of proving that the budgeted
34 balances in excess of twenty-five percent are reasonably likely
35 to be appropriated for the explicitly reserved or designated

1 specific purpose. The excess budgeted balance for the specific
2 purpose shall be considered an increase in an item in the
3 budget for purposes of section 24.28.

4 2. a. For a county that has, as of June 30, 2019, reduced
5 its actual ending fund balance to less than twenty-five
6 percent of actual expenditures, additional property taxes may
7 be computed and levied as provided in this subsection. The
8 additional property tax levy amount is an amount not to exceed
9 twenty-five percent of actual expenditures from the general
10 fund and rural services fund for the fiscal year beginning July
11 1, 2018, minus the combined ending fund balances for those
12 funds for that year.

13 b. The amount of the additional property taxes shall be
14 apportioned between the general fund and the rural services
15 fund. However, the amount apportioned for general county
16 services and for rural county services shall not exceed for
17 each fund twenty-five percent of actual expenditures for the
18 fiscal year beginning July 1, 2018.

19 c. All or a portion of additional property tax dollars
20 may be levied for the purpose of increasing cash reserves
21 for general county services and rural county services in the
22 budget year. The additional property tax dollars authorized
23 under this subsection but not levied may be carried forward as
24 unused ending fund balance taxing authority until and for the
25 fiscal year beginning July 1, 2025. The amount carried forward
26 shall not exceed twenty-five percent of the maximum amount of
27 property tax dollars available in the current fiscal year.
28 Additionally, property taxes that are levied as unused ending
29 fund balance taxing authority under this subsection may be the
30 subject of a protest under section 331.436, and the amount
31 will be considered an increase in an item in the budget for
32 purposes of section 24.28. The amount of additional property
33 taxes levied under this subsection shall not be included in the
34 computation of the maximum amount of property tax dollars which
35 may be certified and levied under section 331.423.

1 Sec. 13. Section 331.424, Code 2019, is amended by striking
2 the section and inserting in lieu thereof the following:

3 **331.424 Authority to levy beyond maximum property tax**
4 **dollars.**

5 1. *a.* The board may annually certify additions to the
6 maximum amount of property tax dollars to be levied if the
7 board publishes the notice of the proposed action, including a
8 statement of the amount and purpose of the proposed additions,
9 and the time and place of a public meeting at which the board
10 proposes to take action on the proposal. At the meeting,
11 the board shall receive oral or written objections from any
12 resident or property owner of the county. After all objections
13 have been received and considered, the board may, following
14 twenty days after the meeting and subject to paragraph "b", take
15 action on the proposal or abandon the proposal.

16 *b.* If at any time within twenty days after the meeting under
17 paragraph "a", a petition is filed with the county auditor
18 signed by eligible electors of the county equal in number to
19 the lesser of two thousand or twenty percent of the persons
20 in the county who voted for the office of president of the
21 United States at the last preceding general election that
22 had such office on the ballot, asking that the question of
23 levying an additional amount be submitted to the registered
24 voters of the county, the board shall either by resolution
25 declare the proposal to be abandoned or shall direct the county
26 commissioner of elections to call a special election upon the
27 question.

28 2. The special election, if called, is subject to the
29 following:

30 *a.* The board must give at least thirty-two days' notice to
31 the county commissioner of elections that the special election
32 is to be held. In no case, however, shall a notice be given to
33 the county commissioner of elections after December 31 for an
34 election on a proposition to exceed the statutory limits during
35 the fiscal year beginning in the next calendar year.

1 *b.* The proposition submitted to voters may propose authority
2 for the board to certify additions to the maximum amount
3 of property tax dollars for up to two fiscal years. The
4 proposition is approved if it receives a favorable majority of
5 the votes cast on the proposition.

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

8 Vote "yes" or "no" on the following:

9 Shall the county of levy for an additional \$... each
10 year for ... years beginning July 1,, in excess of the
11 statutory limits otherwise applicable for the (general county
12 services or rural services) fund?

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

16 *e.* Notice of the special election shall be published at
17 least once in a newspaper as specified in section 331.305 prior
18 to the date of the special election. The notice shall appear
19 as early as practicable after the board has voted to submit
20 a proposition to the voters to levy additional property tax
21 dollars.

22 3. Registered voters in the county may vote on the
23 proposition to increase property taxes for the general fund
24 in excess of the statutory limit. Registered voters residing
25 outside the corporate limits of a city within the county may
26 vote on the proposition to increase property taxes for the
27 rural services fund in excess of the statutory limit.

28 4. The amount of additional property tax dollars certified
29 under this section shall not be included in the computation
30 of the maximum amount of property tax dollars which may be
31 certified and levied under section 331.423.

32 Sec. 14. Section 331.424A, subsection 6, Code 2019, is
33 amended to read as follows:

34 6. For each fiscal year, the county shall certify a levy
35 for payment of services. For each fiscal year, county revenues

1 from taxes imposed by the county credited to the county
2 services fund shall not exceed an amount equal to the county
3 budgeted amount for the fiscal year. A levy certified under
4 this section is not subject to ~~the appeal provisions of section~~
5 ~~331.426~~ or to any other provision in law authorizing a county
6 to exceed, increase, or appeal a property tax levy limit.

7 Sec. 15. Section 331.427, subsection 3, paragraph 1, Code
8 2019, is amended to read as follows:

9 1. Services listed in [section 331.424, subsection 1, Code](#)
10 [2019](#), and [section 331.554](#).

11 Sec. 16. Section 331.428, subsection 2, paragraph d, Code
12 2019, is amended to read as follows:

13 d. Services listed under [section 331.424, subsection 2, Code](#)
14 [2019](#).

15 Sec. 17. Section 331.429, subsection 1, paragraphs a and b,
16 Code 2019, are amended to read as follows:

17 a. Transfers from the general fund not to exceed in any year
18 the dollar equivalent of a tax of sixteen and seven-eighths
19 cents per thousand dollars of assessed value on all taxable
20 property in the county multiplied by the ratio of current
21 taxes actually collected and apportioned for the general ~~basie~~
22 county services levy to the total general ~~basie~~ county services
23 levy for the current year, and an amount equivalent to the
24 moneys derived by the general fund from military service tax
25 credits under [chapter 426A](#), manufactured or mobile home taxes
26 under [section 435.22](#), and delinquent taxes for prior years
27 collected and apportioned to the general ~~basie~~ county services
28 fund in the current year, multiplied by the ratio of sixteen
29 and seven-eighths cents to three dollars and fifty cents.
30 The limit on transfers in this paragraph applies only to
31 property tax revenue and is not a limit on transfers of revenue
32 generated from sources other than property taxes.

33 b. Transfers from the rural services fund not to exceed in
34 any year the dollar equivalent of a tax of three dollars and
35 three-eighths cents per thousand dollars of assessed value on

1 all taxable property not located within the corporate limits
2 of a city in the county multiplied by the ratio of current
3 taxes actually collected and apportioned for the rural county
4 services ~~basic~~ levy to the total rural county services ~~basic~~
5 levy for the current year and an amount equivalent to the
6 moneys derived by the rural services fund from military service
7 tax credits under chapter 426A, manufactured or mobile home
8 taxes under section 435.22, and delinquent taxes for prior
9 years collected and apportioned to the rural county services
10 ~~basic~~ fund in the current year, multiplied by the ratio of
11 three dollars and three-eighths cents to three dollars and
12 ninety-five cents. The limit on transfers in this paragraph
13 applies only to property tax revenue and is not a limit on
14 transfers of revenue generated from sources other than property
15 taxes.

16 Sec. 18. Section 331.434, unnumbered paragraph 1, Code
17 2019, is amended to read as follows:

18 Annually, the board of each county, subject to section
19 331.403, subsection 4, sections 331.423 through ~~331.426~~
20 331.424C, and other applicable state law, shall prepare and
21 adopt a budget, certify taxes, and provide appropriations as
22 follows:

23 Sec. 19. Section 331.435, unnumbered paragraph 1, Code
24 2019, is amended to read as follows:

25 The board may amend the adopted county budget, subject to
26 sections 331.423 through ~~331.426~~ 331.424C and other applicable
27 state law, to permit increases in any class of proposed
28 expenditures contained in the budget summary published under
29 section 331.434, subsection 3.

30 Sec. 20. Section 373.10, Code 2019, is amended to read as
31 follows:

32 **373.10 Taxing authority.**

33 The metropolitan council shall have the authority to
34 levy city taxes to the extent the city tax levy authority
35 is transferred by the charter to the metropolitan council.

1 A member city shall transfer a portion of the city's tax
2 levy authorized under [section 384.1](#) or [384.12](#), whichever is
3 applicable, to the metropolitan council. The maximum ~~rates~~
4 amount of taxes authorized to be levied under ~~sections~~ section
5 384.1 and the taxes authorized to be levied under section
6 384.12 by a member city shall be reduced by an amount equal to
7 the rates of the same or similar taxes levied in the city by the
8 metropolitan council.

9 Sec. 21. Section 384.1, Code 2019, is amended by striking
10 the section and inserting in lieu thereof the following:

11 **384.1 Property tax dollars — maximum.**

12 1. A city shall certify taxes to be levied by the city
13 on all taxable property within the city limits, for all city
14 government purposes. Annually, the city council may certify
15 a basic levy for city government purposes, subject to the
16 limitation on property tax dollars provided in this section.

17 2. For purposes of this section, unless the context
18 otherwise requires:

19 *a. "Annual growth factor"* means an index, expressed as
20 a percentage, determined by the department of management by
21 January 1 of the calendar year in which the budget year begins.
22 In determining the annual growth factor, the department shall
23 calculate the percentage change in the median family income
24 in midwest census region between the two most recent calendar
25 years for which information is available. The department shall
26 then add that percentage change to one hundred percent. In no
27 case, however, shall the annual growth factor be less than one
28 hundred percent.

29 *b. "Boundary adjustment"* means annexation, severance,
30 incorporation, or discontinuance as those terms are defined in
31 section 368.1.

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

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

1 e. "Net new valuation taxes" means the amount of property
2 tax dollars equal to the current fiscal year's levy rate in the
3 city for the general fund multiplied by the increase from the
4 current fiscal year to the budget year in taxable valuation due
5 to the following:

6 (1) Net new construction, excluding all incremental
7 valuation that is released in any one year from either a
8 division of revenue under section 260E.4 or an urban renewal
9 area for which taxes were being divided under section 403.19 if
10 the property for the valuation being released remains subject
11 to the division of revenue under section 260E.4 or remains part
12 of the urban renewal area that is subject to a division of
13 revenue under section 403.19.

14 (2) Additions or improvements to existing structures.

15 (3) Remodeling of existing structures for which a building
16 permit is required.

17 (4) Net boundary adjustment.

18 (5) A municipality no longer dividing tax revenues in an
19 urban renewal area as provided in section 403.19 or a community
20 college no longer dividing revenues as provided in section
21 260E.4.

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

25 3. a. For the fiscal year beginning July 1, 2020, and
26 subsequent fiscal years, the maximum amount of property
27 tax dollars which may be certified for levy by a city for
28 the general fund shall be the maximum property tax dollars
29 calculated under paragraph "b".

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

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

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

1 4. For purposes of calculating maximum property tax dollars
2 for the city general fund for the fiscal year beginning July
3 1, 2020, only, the term "*current fiscal year's maximum property*
4 *tax dollars*" shall mean the total amount of property tax dollars
5 certified by the city for the city's general fund for the
6 fiscal year beginning July 1, 2019.

7 5. Property taxes certified for deposit in the debt service
8 fund in section 384.4, trust and agency funds in section
9 384.6, capital improvements reserve fund in section 384.7,
10 the emergency fund in section 384.8, any capital projects
11 fund established by the city for deposit of bond, loan, or
12 note proceeds, any temporary increase approved pursuant to
13 section 384.12A, property taxes collected from a voted levy in
14 section 384.12, and property taxes levied under section 384.12,
15 subsection 17, are not counted against the maximum amount of
16 property tax dollars that may be certified for a fiscal year
17 under subsection 3.

18 6. Notwithstanding the maximum amount of taxes a city
19 may certify for levy, the tax levied by a city on tracts of
20 land and improvements on the tracts of land used and assessed
21 for agricultural or horticultural purposes shall not exceed
22 three dollars and three-eighths cents per thousand dollars
23 of assessed value in any year. Improvements located on such
24 tracts of land and not used for agricultural or horticultural
25 purposes and all residential dwellings are subject to the same
26 rate of tax levied by the city on all other taxable property
27 within the city.

28 7. The department of management, in consultation with the
29 city finance committee, shall adopt rules to administer this
30 section. The department shall prescribe forms to be used by
31 cities when making calculations required by this section.

32 **Sec. 22. NEW SECTION. 384.1A Ending fund balance.**

33 1. a. Budgeted ending fund balances for a budget year in
34 excess of twenty-five percent of budgeted expenditures from the
35 general fund for that budget year shall be explicitly reserved

1 or designated for a specific purpose.

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

9 *c.* In a protest to the city budget under section 384.19,
10 the city shall have the burden of proving that the budgeted
11 balances in excess of twenty-five percent are reasonably likely
12 to be appropriated for the explicitly reserved or designated
13 specific purpose. The excess budgeted balance for the specific
14 purpose shall be considered an increase in an item in the
15 budget for purposes of section 24.28.

16 2. *a.* For a city that has, as of June 30, 2019, reduced its
17 ending fund balance to less than twenty-five percent of actual
18 expenditures, additional property taxes may be computed and
19 levied as provided in this subsection. The additional property
20 tax levy amount is an amount not to exceed the difference
21 between twenty-five percent of actual expenditures for city
22 government purposes for the fiscal year beginning July 1, 2018,
23 minus the ending fund balance for that year.

24 *b.* All or a portion of additional property tax dollars
25 may be levied for the purpose of increasing cash reserves for
26 city government purposes in the budget year. The additional
27 property tax dollars authorized under this subsection but not
28 levied may be carried forward as unused ending fund balance
29 taxing authority until and for the fiscal year beginning
30 July 1, 2025. The amount carried forward shall not exceed
31 twenty-five percent of the maximum amount of property tax
32 dollars available in the current fiscal year. Additionally,
33 property taxes that are levied as unused ending fund balance
34 taxing authority under this subsection may be the subject of a
35 protest under section 384.19, and the amount will be considered

1 an increase in an item in the budget for purposes of section
2 24.28. The amount of additional property tax dollars levied
3 under this subsection shall not be included in the computation
4 of the maximum amount of property tax dollars which may be
5 certified and levied under section 384.1.

6 Sec. 23. Section 384.12, subsection 19, Code 2019, is
7 amended by striking the subsection.

8 Sec. 24. NEW SECTION. **384.12A Authority to levy beyond**
9 **maximum property tax dollars.**

10 1. *a.* The city council may annually certify additions
11 to the maximum amount of property tax dollars to be levied
12 if the city council publishes notice of the proposed action,
13 including a statement of the amount and purpose of the proposed
14 additions, and the time and place of a public meeting at which
15 the city council proposes to take action on the proposal.
16 At the meeting, the council shall receive oral or written
17 objections from any resident or property owner of the city.
18 After all objections have been received and considered, the
19 council may, following twenty days after the meeting and
20 subject to paragraph "b", take action on the proposal or abandon
21 the proposal.

22 *b.* If, at any time within twenty days after the meeting
23 under paragraph "a", a petition is filed with the city clerk
24 signed by eligible electors of the city equal in number to the
25 lesser of two thousand or twenty percent of the persons in the
26 city who voted for the office of president of the United States
27 at the last preceding general election that had such office on
28 the ballot, asking that the question of levying an additional
29 amount be submitted to the registered voters of the city, the
30 city council shall either by resolution declare the proposal
31 to be abandoned or shall direct the county commissioner of
32 elections to call a special election upon the question.

33 2. The special election, if called, is subject to the
34 following:

35 *a.* The city council must give at least thirty-two days'

1 notice to the county commissioner of elections that the special
2 election is to be held. In no case, however, shall a notice be
3 given to the county commissioner of elections after December 31
4 for an election on a proposition to exceed the statutory limits
5 during the fiscal year beginning in the next calendar year.

6 *b.* The proposition submitted to voters may propose authority
7 for the city council to certify additions to the maximum amount
8 of property tax dollars for up to two fiscal years. The
9 proposition is approved if it receives a favorable majority of
10 the votes cast on the proposition.

11 *c.* The proposition to be submitted shall be substantially
12 in the following form:

13 Vote "yes" or "no" on the following:

14 Shall the city of levy for an additional \$... each
15 year for ... years beginning next July 1,, in excess of
16 the statutory limits otherwise applicable for the city general
17 fund?

18 *d.* The canvass shall be held beginning at 1:00 p.m. on
19 the second day which is not a holiday following the special
20 election.

21 *e.* Notice of the special election shall be published at
22 least once in a newspaper as specified in section 362.3 prior
23 to the date of the special election. The notice shall appear
24 as early as practicable after the city council has voted to
25 submit a proposition to the voters to levy additional property
26 tax dollars.

27 3. The amount of additional property tax dollars certified
28 under this section shall not be included in the computation
29 of the maximum amount of property tax dollars which may be
30 certified and levied under section 384.1.

31 Sec. 25. Section 384.19, Code 2019, is amended by adding the
32 following new subsection:

33 NEW SUBSECTION. 5. For purposes of a tax protest filed
34 under this section and in accordance with the provisions of
35 chapter 24, "item" means a budgeted expenditure, appropriation,

1 or cash reserve from a fund for a service area, program,
2 program element, or purpose.

3 Sec. 26. Section 386.8, Code 2019, is amended to read as
4 follows:

5 **386.8 Operation tax.**

6 A city may establish a self-supported improvement district
7 operation fund, and may certify taxes not to exceed the
8 rate limitation as established in the ordinance creating the
9 district, or any amendment thereto, each year to be levied
10 for the fund against all of the property in the district,
11 for the purpose of paying the administrative expenses of
12 the district, which may include but are not limited to
13 administrative personnel salaries, a separate administrative
14 office, planning costs including consultation fees, engineering
15 fees, architectural fees, and legal fees and all other expenses
16 reasonably associated with the administration of the district
17 and the fulfilling of the purposes of the district. The taxes
18 levied for this fund may also be used for the purpose of paying
19 maintenance expenses of improvements or self-liquidating
20 improvements for a specified length of time with one or more
21 options to renew if such is clearly stated in the petition
22 which requests the council to authorize construction of the
23 improvement or self-liquidating improvement, whether or not
24 such petition is combined with the petition requesting creation
25 of a district. Parcels of property which are assessed as
26 residential property for property tax purposes are exempt from
27 the tax levied under [this section](#) except residential properties
28 within a duly designated historic district. A tax levied under
29 this section is not subject to the ~~levy~~ limitation in section
30 384.1.

31 Sec. 27. Section 386.9, Code 2019, is amended to read as
32 follows:

33 **386.9 Capital improvement tax.**

34 A city may establish a capital improvement fund for a
35 district and may certify taxes, not to exceed the rate

1 established by the ordinance creating the district, or any
2 subsequent amendment thereto, each year to be levied for
3 the fund against all of the property in the district, for
4 the purpose of accumulating moneys for the financing or
5 payment of a part or all of the costs of any improvement or
6 self-liquidating improvement. However, parcels of property
7 which are assessed as residential property for property tax
8 purposes are exempt from the tax levied under **this section**
9 except residential properties within a duly designated historic
10 district. A tax levied under **this section** is not subject to
11 the levy limitations in **section 384.1** or **384.7**.

12 Sec. 28. REPEAL. Sections 331.425 and 331.426, Code 2019,
13 are repealed.

14 Sec. 29. APPLICABILITY. This Act applies to fiscal years
15 beginning on or after July 1, 2020.

16 EXPLANATION

17 The inclusion of this explanation does not constitute agreement with
18 the explanation's substance by the members of the general assembly.

19 This bill removes the property tax levy rate limitations on
20 the general and rural funds for counties and on the general
21 fund for cities and substitutes a limitation on the maximum
22 amount of property tax dollars that may be certified for
23 expenditure by a county or city for those funds for fiscal
24 years beginning on or after July 1, 2020. For the fiscal
25 year beginning July 1, 2020, and subsequent fiscal years, the
26 maximum amount of property tax dollars which may be certified
27 for levy shall be an amount equal to the sum of the current
28 fiscal year's total property tax dollars certified by the
29 county or city multiplied by the annual growth factor, as
30 defined in the bill, and the amount of net new valuation taxes,
31 as defined in the bill.

32 The bill also allows counties and cities to annually certify
33 additions to the maximum amount of property tax dollars to
34 be levied following a public meeting, subject to a voter
35 referendum, if requested by petition. The bill specifies

1 the notice and election requirements for such a referendum
2 election. The bill specifies that such additional amounts are
3 not to be included in the computation of the maximum amount of
4 property tax dollars for future budget years.

5 The bill specifies certain requirements for ending fund
6 balances for counties and cities. The bill provides that
7 budgeted ending fund balances in certain specified funds for a
8 budget year in excess of 25 percent of budgeted expenditures
9 shall be explicitly reserved or designated for a specific
10 purpose.

11 Under the bill, counties and cities are encouraged, but
12 not required, to reduce budgeted, unreserved, or undesignated
13 ending fund balances for the budget year to an amount equal to
14 approximately 25 percent of budgeted expenditures and certain
15 transfers for that budget year unless a decision is certified
16 by the state appeal board ordering a reduction in the ending
17 fund balance of any of those funds. The county or city,
18 as applicable, has the burden of proving that the budgeted
19 balances in excess of 25 percent are reasonably likely to be
20 appropriated for the explicitly reserved or designated specific
21 purpose.

22 The bill also allows for additional property taxes to be
23 levied in certain fiscal years for those counties or cities
24 that have, as of June 30, 2019, reduced their actual ending
25 fund balance to less than 25 percent of actual expenditures.
26 Such additional property tax dollars authorized but not levied
27 may be carried forward as unused ending fund balance taxing
28 authority until and for the fiscal year beginning July 1, 2025.
29 However, the amount carried forward shall not exceed 25 percent
30 of the maximum amount of property tax dollars available in the
31 current fiscal year. The amount of such additional property
32 taxes levied shall not, however, be included in the computation
33 of the maximum amount of property tax dollars which may be
34 certified and levied in future budget years.

35 The bill also makes conforming amendments to other

H.F. _____

1 provisions of the Code.

2 The bill applies to fiscal years beginning on or after July

3 1, 2020.