

LOCAL GOVERNMENT

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SENATE FILE 31

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Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the limitation on property taxes for cities  
2 and counties and providing for the Act's applicability.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 31 LOCAL GOVERNMENT

1 Section 1. Section 23A.2, subsection 10, paragraph h, Code  
2 2001, is amended by striking the paragraph.

3 Sec. 2. Section 25B.2, subsection 3, Code 2001, is amended  
4 by striking the subsection.

5 Sec. 3. Section 25B.3, subsection 1, Code 2001, is amended  
6 to read as follows:

7 1. "Political subdivision" means a city, county, township,  
8 community college, area education agency, or school district.

9 Sec. 4. NEW SECTION. 25B.5A UNFUNDED STATE MANDATES --  
10 EFFECT.

11 1. If, on or after July 1, 2001, a state mandate is  
12 enacted by the general assembly, or otherwise imposed, on a  
13 political subdivision and the state mandate requires a  
14 political subdivision to engage in any new activity, to  
15 provide a new service, or to provide any service beyond that  
16 required by any law enacted prior to July 1, 2001, and the  
17 state does not appropriate moneys to fully fund the cost of  
18 the state mandate as identified pursuant to section 25B.5,  
19 subsections 1 and 2, the political subdivision is not required  
20 to perform the activity or provide the service and the  
21 political subdivision shall not be subject to any liabilities  
22 imposed by the state or the imposition of any fines or  
23 penalties for the failure to comply with the state mandate.  
24 However, this subsection does not apply to any requirement  
25 imposed on a political subdivision relating to public employee  
26 retirement systems under chapters 97B, 410, and 411 or to the  
27 enforcement of chapter 321J or the Iowa criminal code pursuant  
28 to chapters 701 to 728.

29 2. For the purposes of subsection 1, any requirement  
30 originating from the federal government and administered,  
31 implemented, or enacted by the state, or any allocation of  
32 federal moneys conditioned upon the enactment of state law or  
33 rule, is not a state mandate.

34 Sec. 5. Section 123.38, unnumbered paragraph 2, Code 2001,  
35 is amended to read as follows:

1 Any licensee or permittee, or the licensee's or permittee's  
2 executor or administrator, or any person duly appointed by the  
3 court to take charge of and administer the property or assets  
4 of the licensee or permittee for the benefit of the licensee's  
5 or permittee's creditors, may voluntarily surrender a license  
6 or permit to the division. When a license or permit is  
7 surrendered the division shall notify the local authority, and  
8 the division or the local authority shall refund to the person  
9 surrendering the license or permit, a proportionate amount of  
10 the fee received by the division or the local authority for  
11 the license or permit as follows: if a license or permit is  
12 surrendered during the first three months of the period for  
13 which it was issued, the refund shall be three-fourths of the  
14 amount of the fee; if surrendered more than three months but  
15 not more than six months after issuance, the refund shall be  
16 one-half of the amount of the fee; if surrendered more than  
17 six months but not more than nine months after issuance, the  
18 refund shall be one-fourth of the amount of the fee. No  
19 refund shall be made, however, for any special liquor permit,  
20 nor for a liquor control license, wine permit, or beer permit  
21 surrendered more than nine months after issuance. For  
22 purposes of this paragraph, any portion of license or permit  
23 fees used for the purposes authorized in section 331.424,  
24 ~~subsection 1, paragraphs "a" and "b", and in section 331.424A,~~  
25 shall not be deemed received either by the division or by a  
26 local authority. No refund shall be made to any licensee or  
27 permittee, upon the surrender of the license or permit, if  
28 there is at the time of surrender, a complaint filed with the  
29 division or local authority, charging the licensee or  
30 permittee with a violation of this chapter. If upon a hearing  
31 on a complaint the license or permit is not revoked or  
32 suspended, then the licensee or permittee is eligible, upon  
33 surrender of the license or permit, to receive a refund as  
34 provided in this section; but if the license or permit is  
35 revoked or suspended upon hearing the licensee or permittee is

1 not eligible for the refund of any portion of the license or  
2 permit fee.

3 Sec. 6. Section 218.99, Code 2001, is amended to read as  
4 follows:

5 218.99 COUNTIES TO BE NOTIFIED OF PATIENTS' PERSONAL  
6 ACCOUNTS.

7 The administrator in control of a state institution shall  
8 direct the business manager of each institution under the  
9 administrator's jurisdiction ~~which-is-mentioned-in-section~~  
10 ~~331-424, subsection 1, paragraphs "a" and "b",~~ and for which  
11 services are paid under section 331.424A, to quarterly inform  
12 the county of legal settlement's entity designated to perform  
13 the county's single entry point process of any patient or  
14 resident who has an amount in excess of two hundred dollars on  
15 account in the patients' personal deposit fund and the amount  
16 on deposit. The administrators shall direct the business  
17 manager to further notify the entity designated to perform the  
18 county's single entry point process at least fifteen days  
19 before the release of funds in excess of two hundred dollars  
20 or upon the death of the patient or resident. If the patient  
21 or resident has no county of legal settlement, notice shall be  
22 made to the director of human services and the administrator  
23 in control of the institution involved.

24 Sec. 7. Section 331.301, subsection 12, Code 2001, is  
25 amended to read as follows:

26 12. The board of supervisors may credit funds to a reserve  
27 for the purposes authorized by subsection 11 of this section;  
28 ~~section-331-424, subsection 1, paragraph "f",~~ and section  
29 331.441, subsection 2, paragraph "b". Moneys credited to the  
30 reserve, and interest earned on such moneys, shall remain in  
31 the reserve until expended for purposes authorized by  
32 subsection 11 of this section; ~~section-331-424, subsection 1,~~  
33 ~~paragraph "f",~~ or section 331.441, subsection 2, paragraph  
34 "b".

35 Sec. 8. Section 331.325, Code 2001, is amended to read as

1 follows:

2 331.325 CONTROL AND MAINTENANCE OF PIONEER CEMETERIES --  
3 CEMETERY COMMISSION.

4 1. As used in this section, "pioneer cemetery" means a  
5 cemetery where there have been six or fewer burials in the  
6 preceding fifty years.

7 2. Each county board of supervisors may adopt an ordinance  
8 assuming jurisdiction and control of pioneer cemeteries in the  
9 county. The board shall exercise the powers and duties of  
10 township trustees relating to the maintenance and repair of  
11 cemeteries in the county as provided in sections 359.28  
12 through 359.41 except that the board shall not certify a tax  
13 levy pursuant to section 359.30 or 359.33 and except that the  
14 maintenance and repair of all cemeteries under the  
15 jurisdiction of the county including pioneer cemeteries shall  
16 be paid from the county-general cemetery fund. The  
17 maintenance and improvement program for a pioneer cemetery may  
18 include restoration and management of native prairie grasses  
19 and wildflowers.

20 3. In lieu of management of the cemeteries, the board of  
21 supervisors may create, by ordinance, a cemetery commission to  
22 assume jurisdiction and management of the pioneer cemeteries  
23 in the county. The ordinance shall delineate the number of  
24 commissioners, the appointing authority, the term of office,  
25 officers, employees, organizational matters, rules of  
26 procedure, compensation and expenses, and other matters deemed  
27 pertinent by the board. The board may delegate any power and  
28 duties relating to cemeteries which may otherwise be exercised  
29 by township trustees pursuant to sections 359.28 through  
30 359.41 to the cemetery commission except the commission shall  
31 not certify a tax levy pursuant to section 359.30 or 359.33  
32 and except that the expenses of the cemetery commission shall  
33 be paid from the county-general cemetery fund.

34 4. Notwithstanding sections 359.30 and 359.33, the costs  
35 of management, repair, and maintenance of pioneer cemeteries

1 shall be paid from the county-general cemetery fund.

2 Sec. 9. Section 331.421, subsections 1 and 10, Code 2001,  
3 are amended by striking the subsections.

4 Sec. 10. Section 331.421, Code 2001, is amended by adding  
5 the following new subsection:

6 NEW SUBSECTION. 7A. "Item" means a specified program,  
7 individual, or detailed expenditure within a fund whether it  
8 is a budgeted expenditure or an appropriation.

9 Sec. 11. Section 331.423, Code 2001, is amended by  
10 striking the section and inserting in lieu thereof the  
11 following:

12 331.423 PROPERTY TAX DOLLARS -- MAXIMUMS.

13 1. Annually, the board shall determine separate property  
14 tax levy limits to pay for general county services and rural  
15 county services in accordance with this section. The property  
16 tax levies separately certified for general county services  
17 and rural county services in accordance with section 331.434  
18 shall not exceed the amount determined under this section.

19 2. For purposes of this section and section 331.423A:

20 a. "Annual price index" means the change, computed to two  
21 decimal places, between the preliminary price index for the  
22 third quarter of the calendar year preceding the calendar year  
23 in which the fiscal year starts and the revised price index  
24 for the third quarter of the previous calendar year as  
25 published in the same issue in which such preliminary price  
26 index is first published. The price index used shall be the  
27 state and local government chain-type price index used in the  
28 quantity and price indexes for gross domestic product as  
29 published by the United States department of commerce. The  
30 annual price index shall not be less than zero and shall not  
31 exceed four hundredths. The change shall then be added to one  
32 to create a multiplier for the annual price index.

33 b. "Boundary adjustment" means annexation, severance,  
34 incorporation, or discontinuance as those terms are defined in  
35 section 368.1.

1 c. "Budget year" is the fiscal year beginning during the  
2 calendar year in which a budget is first certified.

3 d. "Current fiscal year" is the fiscal year ending during  
4 the calendar year in which a budget is first certified.

5 e. "Local sales and services taxes" means local sales and  
6 services taxes imposed under the authority of chapter 422B.

7 f. "Net new valuation taxes" means the amount of property  
8 tax dollars equal to the tentative maximum general rate for  
9 purposes of the general fund, or the tentative maximum rural  
10 rate for purposes of the rural services fund, times the  
11 increase from the previous fiscal year in taxable valuation  
12 due to the following:

13 (1) Net new construction.

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, to the  
20 extent that the incremental valuation released is due to new  
21 construction or revaluation on property newly constructed  
22 after the division of revenue begins.

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

26 g. "Property tax replacement dollars" means revenues  
27 received under sections 427B.17 through 427B.19D, revenues  
28 received under chapter 437A, subchapter II, and amounts  
29 appropriated by the general assembly for property tax relief  
30 first enacted for fiscal years beginning on or after July 1,  
31 2001.

32 h. "Tentative maximum general rate" means the amount  
33 calculated in subsection 3, paragraph "b", subparagraph (1),  
34 divided by the net taxable valuation in the county. For  
35 purposes of this paragraph, "net taxable valuation" is the

1 amount of taxable valuation in the county minus the amount of  
2 taxable valuation used to calculate net new valuation taxes.

3 i. "Tentative maximum rural rate" means the amount  
4 calculated in subsection 3, paragraph "c", subparagraph (1),  
5 divided by the net taxable valuation in the unincorporated  
6 area of the county. For purposes of this paragraph, "net  
7 taxable valuation" is the amount of taxable valuation in the  
8 unincorporated area of the county minus the amount of taxable  
9 valuation in the unincorporated area of the county used to  
10 calculate net new valuation taxes.

11 j. "Unused taxing authority" means the maximum amount of  
12 property tax dollars calculated under subsection 3 for a  
13 fiscal year minus the amount actually levied under this  
14 section in that fiscal year. Unused taxing authority may be  
15 carried forward to the following fiscal year. However, the  
16 amount of unused taxing authority which may be carried forward  
17 shall not exceed twenty-five percent of the maximum amount of  
18 property tax dollars available in the current fiscal year.

19 3. a. Effective for the fiscal year beginning July 1,  
20 2002, the maximum amount of property tax dollars levied which  
21 may be certified by a county for general county services and  
22 rural county services shall be the tentative maximum property  
23 tax dollars calculated under paragraphs "b" and "c",  
24 respectively, and adjusted by the amounts in paragraphs "d",  
25 "e", and "f".

26 b. The tentative maximum property tax dollars for general  
27 county services is an amount equal to the sum of the  
28 following:

29 (1) The current fiscal year's tentative maximum property  
30 tax dollars for general county services minus the unused  
31 taxing authority carried forward from the previous fiscal year  
32 times the annual price index.

33 (2) The amount of net new valuation taxes.

34 (3) The amount of unused taxing authority carried forward  
35 from the previous fiscal year.

1 c. The tentative maximum property tax dollars for rural  
2 county services is an amount equal to the sum of the  
3 following:

4 (1) The current fiscal year's tentative maximum property  
5 tax dollars for rural county services minus the unused taxing  
6 authority carried forward from the previous fiscal year times  
7 the annual price index.

8 (2) The amount of net new valuation taxes.

9 (3) The amount of unused taxing authority carried forward  
10 from the previous fiscal year.

11 d. Subtract the amount of property tax replacement dollars  
12 to be received for the budget year that will be deposited in  
13 the general fund or the rural services fund, as applicable.

14 e. Subtract the amount of local sales and services taxes  
15 for property tax relief estimated by the department of revenue  
16 and finance to be received for the budget year that will be  
17 deposited in the general fund or the rural services fund, as  
18 applicable.

19 f. Subtract the amount of local sales and services taxes  
20 received for property tax relief in the previous fiscal year  
21 for the county general fund and rural services fund, and add  
22 the amount of local sales and services taxes that was budgeted  
23 for property tax relief for each of those funds in that fiscal  
24 year.

25 4. The department of management shall adopt rules to  
26 administer this section and section 331.423A after  
27 consultation with the county finance committee.

28 Sec. 12. NEW SECTION. 331.423A BASE YEAR PROPERTY TAX  
29 DOLLARS.

30 1. For purposes of calculating maximum property tax  
31 dollars under section 331.423, the tentative maximum property  
32 tax dollars for the fiscal year beginning July 1, 2000, for  
33 general county services shall be calculated as provided in  
34 this subsection.

35 a. The tentative maximum amount of property tax dollars

1 for general county services for taxes payable in the fiscal  
2 year beginning July 1, 2000, shall be an amount equal to the  
3 sum of the following, divided by three, and adjusted by the  
4 amounts in paragraph "b":

5 (1) The sum of the amount of property taxes levied for  
6 general county services and the amount of property tax  
7 replacement dollars received and the amount of local sales and  
8 services tax revenues received as property tax relief and  
9 deposited in the general fund, all for the fiscal year  
10 beginning July 1, 1997, times one and sixty-nine thousandths.

11 (2) The sum of the amount of property taxes levied for  
12 general county services and the amount of property tax  
13 replacement dollars received and the amount of local sales and  
14 services tax revenues received as property tax relief and  
15 deposited in the general fund, all for the fiscal year  
16 beginning July 1, 1998, times one and forty-eight thousandths.

17 (3) The sum of the amount of property taxes levied for  
18 general county services and the amount of property tax  
19 replacement dollars received and the amount of local sales and  
20 services tax revenues received as property tax relief and  
21 deposited in the general fund, all for the fiscal year  
22 beginning July 1, 1999, times one and twenty-six thousandths.

23 b. The amount in paragraph "a" shall be adjusted by  
24 subtracting the amount of the ending fund balance differential  
25 for general county services as provided in this paragraph.  
26 The ending fund balance differential for general county  
27 services is the difference between the general fund's ending  
28 balance for the fiscal year beginning July 1, 1999, and the  
29 general fund's ending balance for the fiscal year beginning  
30 July 1, 1996, divided by three.

31 2. For purposes of calculating maximum property tax  
32 dollars under section 331.423, the tentative maximum property  
33 tax dollars for the fiscal year beginning July 1, 2000, for  
34 rural county services shall be calculated as provided in this  
35 subsection.

1 a. The tentative maximum amount of property tax dollars  
2 for rural county services for taxes payable in the fiscal year  
3 beginning July 1, 2000, shall be an amount equal to the sum of  
4 the following, divided by three, and adjusted by the amounts  
5 in paragraph "b":

6 (1) The sum of the amount of property taxes levied for  
7 rural county services and the amount of property tax  
8 replacement dollars received and the amount of local sales and  
9 services tax revenues received as property tax relief and  
10 deposited in the rural services fund, all for the fiscal year  
11 beginning July 1, 1997, times one and sixty-nine thousandths.

12 (2) The sum of the amount of property taxes levied for  
13 rural county services and the amount of property tax  
14 replacement dollars received and the amount of local sales and  
15 services tax revenues received as property tax relief and  
16 deposited in the rural services fund, all for the fiscal year  
17 beginning July 1, 1998, times one and forty-eight thousandths.

18 (3) The sum of the amount of property taxes levied for  
19 rural county services and the amount of property tax  
20 replacement dollars received and the amount of local sales and  
21 services tax revenues received as property tax relief and  
22 deposited in the rural services fund, all for the fiscal year  
23 beginning July 1, 1999, times one and twenty-six thousandths.

24 b. The amount in paragraph "a" shall be adjusted by  
25 subtracting the amount of the ending fund balance differential  
26 for rural county services as provided in this paragraph. The  
27 ending fund balance differential for rural county services is  
28 the difference between the rural services fund's ending  
29 balance for the fiscal year beginning July 1, 1999, and the  
30 rural services fund's ending balance for the fiscal year  
31 beginning July 1, 1996, divided by three.

32 3. a. The tentative maximum amount of property tax  
33 dollars for general county services for taxes payable in the  
34 fiscal year beginning July 1, 2001, is an amount equal to the  
35 amount computed in subsection 1 times the annual price index

1 plus the amount of net new valuation taxes.

2 b. The tentative maximum amount of property tax dollars  
3 for rural county services for taxes payable in the fiscal year  
4 beginning July 1, 2001, is an amount equal to the amount  
5 computed in subsection 2 times the annual price index plus the  
6 amount of net new valuation taxes.

7 4. Each county shall calculate its tentative maximum  
8 property tax dollars under this section on forms prescribed by  
9 the department of management.

10 Sec. 13. NEW SECTION. 331.423B ENDING FUND BALANCE.

11 1. Budgeted ending fund balances for a fiscal year in  
12 excess of twenty-five percent of budgeted expenditures in  
13 either the general services fund or rural county services fund  
14 for that fiscal year shall be explicitly reserved or  
15 designated for a specific purpose and specifically described  
16 in the certified budget. The description shall include the  
17 projected date that the expenditures will be appropriated for  
18 the specific purpose. In a protest to the county budget under  
19 section 331.436, the county shall have the burden of proving  
20 that the budgeted balances in excess of twenty-five percent  
21 are reasonably likely to be appropriated for the explicitly  
22 reserved or designated specific purpose by the date identified  
23 in the certified budget. The excess budgeted balance for the  
24 specific purpose shall be considered an increase in an item in  
25 the budget for purposes of section 24.28.

26 2. For the fiscal year beginning July 1, 2002, the maximum  
27 amount of property tax dollars limits separately established  
28 in section 331.423 for general county services and rural  
29 county services may be increased pursuant to this subsection.  
30 The amount of the dollar increase is equal to twenty-five  
31 percent of the combined budgeted expenditures for the general  
32 fund and rural services fund minus the actual combined ending  
33 balances of the general fund and the rural services fund for  
34 the fiscal year beginning July 1, 2000. The amount of the  
35 dollars increase for general county services and rural county

1 services shall be divided between the general fund and rural  
2 services fund in proportion to the amount of actual  
3 expenditures for general county services and for rural county  
4 services for the fiscal year beginning July 1, 2000. The  
5 balance of the increased limit may be successively carried  
6 forward as unused taxing authority until and for the fiscal  
7 year beginning July 1, 2007. Additionally, property taxes  
8 that are levied as unused taxing authority under this  
9 subsection may be the subject of a protest under section  
10 331.436 and the amount will be considered an increase in an  
11 item in the budget for purposes of section 24.28.

12 Sec. 14. Section 331.424, Code 2001, is amended by  
13 striking the section and inserting in lieu thereof the  
14 following:

15 331.424 AUTHORITY TO LEVY BEYOND MAXIMUM PROPERTY TAX  
16 DOLLARS.

17 1. The board may certify additions to the maximum amount  
18 of property tax dollars to be levied for a period of time not  
19 to exceed two years if the proposition has been submitted at a  
20 special election and received a favorable majority of the  
21 votes cast on the proposition. However, a county shall not  
22 proceed under this section if the additional property tax  
23 dollars being sought are to fund a general county purpose or  
24 an essential county purpose for which general obligation bonds  
25 may be issued under section 331.442 or 331.443.

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

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

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

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

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

35 Shall the county of \_\_\_\_\_ levy for an additional \$ \_\_\_\_\_

1 each year for \_\_\_ years beginning July 1, \_\_\_\_\_, in excess of  
2 the statutory limits otherwise applicable for the (general  
3 county services or rural services) fund?"

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

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

12 3. Registered voters in the county may vote on the  
13 proposition to increase property taxes for the general fund in  
14 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 Sec. 15. Section 331.424B, Code 2001, is amended to read  
19 as follows:

20 331.424B CEMETERY LEVY.

21 The board may levy annually a tax not to exceed six and  
22 three-fourths cents per thousand dollars of the assessed value  
23 of all taxable property in the county to repair and maintain  
24 all cemeteries under the jurisdiction of the board including  
25 pioneer cemeteries and to pay other expenses of the board or  
26 the cemetery commission as provided in section 331.325. The  
27 proceeds of the tax levy shall be credited to the county  
28 general cemetery fund. ~~Sections-444-25A-and-444-25B-do-not~~  
29 ~~apply-to-the-property-tax-levied-or-expended-for-cemeteries~~  
30 ~~pursuant-to-section-331-325-~~

31 Sec. 16. Section 331.427, subsection 2, paragraph 1, Code  
32 2001, is amended to read as follows:

33 1. Services listed in ~~section-331-424,-subsection-1,-and~~  
34 section 331.554.

35 Sec. 17. Section 331.428, subsection 2, paragraph d, Code

1 2001, is amended by striking the paragraph.

2 Sec. 18. Section 331.429, subsection 1, Code 2001, is  
3 amended by adding the following new paragraph:

4 NEW PARAGRAPH. f. Notwithstanding paragraphs "a" and "b",  
5 transfers from the general fund or rural services fund in  
6 accordance with this paragraph. The board may transfer  
7 additional funds from the general fund or rural services fund  
8 in excess of the amounts in paragraphs "a" and "b" if the  
9 proposition has been submitted at a special election and  
10 received a favorable majority of the votes cast on the  
11 proposition. The board shall direct the county commissioner  
12 of elections to submit the proposition at an election. The  
13 board must give at least thirty days' notice to the county  
14 commissioner of elections that the special election is to be  
15 held. For a transfer from the general fund, registered voters  
16 of the county may vote on the proposition. For a transfer  
17 from the rural services fund, registered voters of the county  
18 residing outside the corporate limits of a city within the  
19 county may vote on the proposition. The proposition to be  
20 submitted shall be substantially in the following form:

21 "Vote "yes" or "no" on the following question:

22 Shall the county of \_\_\_\_\_ transfer an additional \$ \_\_\_\_\_  
23 each year for two years beginning July 1, \_\_\_\_\_, from the  
24 (general fund or rural services fund) to the secondary road  
25 fund?"

26 If a majority of the votes cast are in favor of the  
27 proposition, the board shall certify the results of the  
28 election to the department of management and transfer the  
29 approved amount to the secondary road fund in the appropriate  
30 fiscal year.

31 Sec. 19. Section 384.1, Code 2001, is amended by striking  
32 the section and inserting in lieu thereof the following:

33 384.1 PROPERTY TAX DOLLARS -- MAXIMUMS.

34 1. A city shall certify taxes to be levied by the city on  
35 all taxable property within the city limits, for all city

1 government purposes. Annually, the city council may certify  
2 basic levies for city government purposes, subject to the  
3 limitation on property tax dollars provided in this section.

4 2. For purposes of this section:

5 a. "Annual price index" means the change, computed to two  
6 decimal places, between the preliminary price index for the  
7 third quarter of the calendar year preceding the calendar year  
8 in which the fiscal year starts and the revised price index  
9 for the third quarter of the previous calendar year prior to  
10 that as published in the same issue in which such preliminary  
11 price index is first published. The price index used shall be  
12 the state and local government chain-type price index used in  
13 the quantity and price indexes for gross domestic product as  
14 published by the United States department of commerce. The  
15 annual price index shall not be less than zero and shall not  
16 exceed four hundredths. The change shall then be added to one  
17 to create a multiplier for the annual price index.

18 b. "Boundary adjustment" means annexation, severance,  
19 incorporation, or discontinuance as those terms are defined in  
20 section 368.1.

21 c. "Budget year" is the fiscal year beginning during the  
22 calendar year in which a budget is certified.

23 d. "Current fiscal year" is the fiscal year ending during  
24 the calendar year in which a budget is certified.

25 e. "Local sales and services taxes" means local sales and  
26 services taxes imposed under the authority of chapter 422B.

27 f. "Net new valuation taxes" means the amount of property  
28 tax dollars equal to the tentative maximum general rate for  
29 city government purposes times the increase from the previous  
30 year in taxable valuation due to the following:

- 31 (1) Net new construction.
- 32 (2) Additions or improvements to existing structures.
- 33 (3) Remodeling of existing structures for which a building  
34 permit is required.
- 35 (4) Net boundary adjustment.

1 (5) A municipality no longer dividing tax revenues in an  
2 urban renewal area as provided in section 403.19, to the  
3 extent that the incremental valuation released is due to new  
4 construction or revaluation on property newly constructed  
5 after the division of revenue begins.

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

9 g. "Property tax replacement dollars" means revenues  
10 received under sections 427B.17 through 427B.19D, revenues  
11 received under chapter 437A, subchapter II, and amounts  
12 appropriated by the general assembly for property tax relief  
13 first enacted for fiscal years beginning on or after July 1,  
14 2001.

15 h. "Tentative maximum general rate" means the amount  
16 calculated in subsection 3, paragraph "b", subparagraph (1),  
17 divided by the net taxable valuation in the city. For  
18 purposes of this paragraph, "net taxable valuation" is the  
19 amount of taxable valuation in the city minus the amount of  
20 taxable valuation in the city used to calculate net new  
21 valuation taxes.

22 i. "Unused taxing authority" means the maximum amount of  
23 property tax dollars calculated under subsection 3 for a  
24 fiscal year minus the amount actually levied under this  
25 section in that fiscal year. Unused taxing authority may be  
26 carried forward to the following fiscal year. However, the  
27 amount of unused taxing authority which may be carried forward  
28 shall not exceed twenty-five percent of the maximum amount of  
29 property tax dollars available in the current fiscal year.

30 3. a. Effective for the fiscal year beginning July 1,  
31 2002, the maximum amount of property tax dollars which may be  
32 certified by a city for city government purposes shall be the  
33 tentative maximum property tax dollars calculated under  
34 paragraph "b", and adjusted by the amounts in paragraphs "c",  
35 "d", and "e".

1 b. The tentative maximum property tax dollars for city  
2 government purposes is an amount equal to the sum of the  
3 following:

4 (1) The current fiscal year's tentative maximum property  
5 tax dollars for city government purposes minus the unused  
6 taxing authority carried forward from the previous fiscal year  
7 times the annual price index.

8 (2) The amount of net new valuation taxes.

9 (3) The amount of unused taxing authority carried forward  
10 from the previous fiscal year.

11 c. Subtract the amount of property tax replacement dollars  
12 to be received for the budget year that will be deposited in  
13 the city general fund.

14 d. Subtract the amount of local sales and services taxes  
15 for property tax relief estimated by the department of revenue  
16 and finance to be received for the fiscal year for which the  
17 maximum property tax dollars are being calculated that will be  
18 deposited in the city general fund.

19 e. Subtract the amount of local sales and services taxes  
20 received for property tax relief in the previous fiscal year  
21 for the city general fund, and add the amount of local sales  
22 and services taxes that was budgeted for property tax relief  
23 for the city general fund in that fiscal year.

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

34 5. The department of management shall adopt rules to  
35 administer this section and section 384.1A after consultation

1 with the city finance committee.

2 Sec. 20. NEW SECTION. 384.1A BASE YEAR PROPERTY TAX  
3 DOLLARS.

4 1. For purposes of calculating maximum property tax  
5 dollars under section 384.1, the tentative maximum property  
6 tax dollars for the fiscal year beginning July 1, 2000, for  
7 city government purposes shall be calculated as provided in  
8 this subsection.

9 a. The tentative maximum amount of property tax dollars  
10 for city government purposes for taxes payable in the fiscal  
11 year beginning July 1, 2000, shall be an amount equal to the  
12 sum of the following, divided by three, and adjusted by the  
13 amounts in paragraph "b".

14 (1) The sum of the amount of property taxes levied for  
15 city government purposes and the amount of property tax  
16 replacement dollars received and the amount of local sales and  
17 services tax revenues received as property tax relief  
18 deposited in the city general fund all for the fiscal year  
19 beginning July 1, 1997, times one and sixty-nine thousandths.

20 (2) The sum of the amount of property taxes levied for  
21 city government purposes and the amount of property tax  
22 replacement dollars received and the amount of local sales and  
23 services tax revenues received as property tax relief  
24 deposited in the city general fund all for the fiscal year  
25 beginning July 1, 1998, times one and forty-eight thousandths.

26 (3) The sum of the amount of property taxes levied for  
27 city government purposes and the amount of property tax  
28 replacement dollars received and the amount of local sales and  
29 services tax revenues received as property tax relief  
30 deposited in the city general fund all for the fiscal year  
31 beginning July 1, 1999, times one and twenty-six thousandths.

32 b. The amount in paragraph "a" shall be adjusted by  
33 subtracting the amount of the ending fund balance differential  
34 for city government purposes as provided in this paragraph.  
35 The ending fund balance differential for city government

1 purposes is the difference between the city general fund's  
2 ending balance for the fiscal year beginning July 1, 1999, and  
3 the city general fund's ending balance for the fiscal year  
4 beginning July 1, 1996, divided by three.

5 2. The tentative maximum amount of property tax dollars  
6 for city government purposes for the fiscal year beginning  
7 July 1, 2001, is an amount equal to the amount computed in  
8 subsection 1 times the annual price index plus the amount of  
9 net new valuation taxes.

10 3. Each city shall calculate its base year tentative  
11 maximum property tax dollars and its maximum property tax  
12 dollars under this section on forms prescribed by the  
13 department of management.

14 Sec. 21. NEW SECTION. 384.1B ENDING FUND BALANCE.

15 1. Budgeted ending fund balances for a fiscal year in  
16 excess of twenty-five percent of budgeted expenditures for  
17 that fiscal year shall be explicitly reserved or designated  
18 for a specific purpose and specifically described in the  
19 certified budget. The description shall include the projected  
20 date that the expenditures will be appropriated for the  
21 specific purpose. In a protest to the city budget under  
22 section 384.19, the city shall have the burden of proving that  
23 the budgeted balances in excess of twenty-five percent are  
24 reasonably likely to be appropriated for the explicitly  
25 reserved or designated specific purpose by the date identified  
26 in the certified budget. The excess budgeted balance for the  
27 specific purpose shall be considered an increase in an item in  
28 the budget for purposes of section 24.28.

29 2. For the fiscal year beginning July 1, 2002, the maximum  
30 amount of property tax dollars established in sections 384.1  
31 and 384.1A may be increased pursuant to this subsection. The  
32 amount of the dollar increase is equal to twenty-five percent  
33 of budgeted expenditures minus the actual ending balances for  
34 the fiscal year beginning July 1, 2000. This amount of the  
35 dollar increase may be successively carried forward as unused

1 taxing authority until and for the fiscal year beginning July  
2 1, 2007. Additionally, property taxes that are levied as  
3 unused taxing authority may be the subject of a protest under  
4 section 384.19 and the amount will be considered an increase  
5 in an item in the budget for purposes of section 24.28.

6 Sec. 22. Section 384.12, subsection 20, Code 2001, is  
7 amended by striking the subsection.

8 Sec. 23. NEW SECTION. 384.12A AUTHORITY TO LEVY BEYOND  
9 MAXIMUM PROPERTY TAX DOLLARS.

10 1. The city council may certify additions to the maximum  
11 amount of property tax dollars to be levied for a period of  
12 time not to exceed two years if the proposition has been  
13 submitted at a special election and received a favorable  
14 majority of the votes cast on the proposition. However, a  
15 city shall not proceed under this section if the additional  
16 property tax dollars being sought are to fund a general city  
17 purpose or an essential city purpose for which general  
18 obligation bonds may be issued under section 384.25 or 384.26.

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

20 a. The city council must give at least thirty days' notice  
21 to the county commissioner of elections that the special  
22 election is to be held.

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

25 c. The proposition to be submitted shall be substantially  
26 in the following form:

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

28 Shall the city of \_\_\_\_\_ levy for an additional \$ \_\_\_\_\_  
29 each year for \_\_\_ years beginning next July 1, \_\_\_\_, in excess  
30 of the statutory limits otherwise applicable for the city  
31 general fund?"

32 d. The canvass shall be held beginning at one p.m. on the  
33 second day which is not a holiday following the special  
34 election.

35 e. Notice of the proposed special election shall be

1 published at least twice in a newspaper as specified in  
2 section 362.3 prior to the date of the special election. The  
3 first notice shall appear as early as practicable after the  
4 city council has voted to seek additional property tax  
5 dollars.

6 Sec. 24. Sections 331.425 and 331.426, Code 2001, are  
7 repealed.

8 Sec. 25. APPLICABILITY DATE. This Act applies to the  
9 fiscal year beginning July 1, 2002, and all subsequent fiscal  
10 years.

11 EXPLANATION

12 This bill relates to the limitation on property taxes for  
13 cities and counties by removing the property tax rate  
14 limitations on cities and counties and substituting a  
15 limitation on property tax dollars and by providing for state  
16 funding of certain mandates imposed on political subdivisions.

17 The bill provides that if a new state mandate is imposed on  
18 or after July 1, 2001, which requires engaging in a new  
19 activity, providing a new service, or expanding a service  
20 beyond what was required before July 1, 2001, the state  
21 mandate must be fully funded. If the state mandate is not  
22 fully funded, the affected political subdivisions are not  
23 required to comply or implement the state mandate. Also, no  
24 fines or penalties may be imposed on a political subdivision  
25 for failure to comply or carry out an unfunded state mandate.

26 However, requirements relating to public employee  
27 retirement systems under Code chapters 97B, 410, and 411, or  
28 to the enforcement of Code chapter 321J or to the criminal  
29 code pursuant to Code chapters 701 to 728, are not considered  
30 state mandates. Also, requirements originating from the  
31 federal government and administered, implemented, or enacted  
32 by state law or rule are not considered state mandates.

33 This bill strikes Code section 25B.2, subsection 3, and  
34 rewrites it as a new section outside the intent section of  
35 Code chapter 25B. The rewritten section removes a qualifying

1 phrase which limits the circumstances under which a political  
2 subdivision may fail to carry out an unfunded state mandate.  
3 Community college and area education agency are added to the  
4 definition of "political subdivision" as had been provided in  
5 Code section 25B.2, subsection 3, which was stricken.

6 The bill removes the property tax rate limitations on  
7 cities and counties and substitutes a limitation on the  
8 maximum amount of property tax dollars which may be certified  
9 by a city or county.

10 The bill requires each city and county to compute a maximum  
11 property tax dollars base based on averages of three fiscal  
12 years' worth of tax askings by the city or county multiplied  
13 by a growth factor, i.e., price index, for each of the three  
14 years. Adjustments are made for ending fund balance  
15 differentials between the three years, amount of property tax  
16 replacement dollars received for the three years, and amount  
17 of local sales and services taxes received for the three  
18 years, if applicable.

19 The bill provides that the base year calculation shall be  
20 the maximum property tax base for the fiscal year beginning  
21 July 1, 2002, as adjusted by the growth factor. Each year,  
22 property tax replacement dollars to be received and local  
23 sales and services taxes to be received are subtracted from  
24 the amount of property taxes for the fiscal year to reach the  
25 maximum amount of property taxes authorized to be levied for  
26 the fiscal year. "Property tax replacement dollars" is  
27 defined to mean revenues received from the utility delivery,  
28 generation, and transmission taxes and the machinery and  
29 equipment reimbursements to cities and counties and amounts  
30 appropriated by the general assembly as property tax relief.

31 The bill provides that a city or county that has not levied  
32 at its maximum for a year may carry forward the unused taxing  
33 authority from year to year in an amount not to exceed 25  
34 percent of the budget for the year. The bill also provides  
35 that taxes from new valuation be added in separately.

1 The bill allows a city or county to exceed its maximum tax  
2 authority for up to two years at a time if approved by the  
3 voters at a special election. The bill also allows the  
4 secondary road fund levy limits to be exceeded if approved by  
5 the voters at a special election.

6 The bill provides that the ending fund balance for the city  
7 general fund or for the county general and rural funds shall  
8 not exceed 25 percent of the budget for the fiscal year.

9 Through fiscal year 07/08, cities and counties may levy unused  
10 taxing authority based on the amount of the ending fund  
11 balance for fiscal year 00/01.

12 The bill repeals the supplemental levy for counties and the  
13 sections of the Code that currently allow cities and counties  
14 to exceed their levy rate limitations. The bill gives  
15 counties authority to establish a cemetery fund and trust and  
16 agency funds.

17 The bill applies to fiscal years beginning July 1, 2002,  
18 and all subsequent fiscal years.

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