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SENATE FILE 226
BY COMMITTEE ON LOCAL GOVERNMENT

(SUCCESSOR TO SF 31)

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, allowing a property tax levy to fund state
3 mandates, limiting the property tax exemption for pollution
4 control property, and providing for the Act's applicability.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 226

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

3 Sec. 2. Section 24.27, Code 2001, is amended to read as
4 follows:

5 24.27 PROTEST TO BUDGET.

6 Not later than March 25 or April 25 if the municipality is
7 a school district, a number of persons in any municipality
8 equal to one-fourth of one percent of those voting for the
9 office of governor, at the last general election in the
10 municipality, but the number shall not be less than ten, and
11 the number need not be more than one hundred persons, who are
12 affected by any proposed budget, expenditure or tax levy, or
13 by any item thereof, may appeal from any decision of the
14 certifying board or the levying board by filing with the
15 county auditor of the county in which the municipal
16 corporation is located, a written protest setting forth their
17 objections to the budget, expenditure or tax levy, or to one
18 or more items thereof, and the grounds for their objections.
19 To be a valid protest at least one objector whose name appears
20 upon the written protest must have attended the budget hearing
21 scheduled pursuant to section 24.9. However, this requirement
22 shall not apply if an objector is protesting an item in the
23 budget that was changed or amended after the budget hearing.

24 If a budget is certified after March 15 or April 15 in the
25 case of a school district, all appeal time limits shall be
26 extended to correspond to allowances for a timely filing.
27 Upon the filing of a protest, the county auditor shall
28 immediately prepare a true and complete copy of the written
29 protest, together with the budget, proposed tax levy or
30 expenditure to which objections are made, and shall transmit
31 them forthwith to the state board, and shall also send a copy
32 of the protest to the certifying board or to the levying
33 board, as the case may be.

34 Sec. 3. Section 24.28, Code 2001, is amended to read as
35 follows:

1 24.28 HEARING ON PROTEST.

2 The state board, within a reasonable time, shall fix a date
3 for an initial hearing on the protest and may designate a
4 deputy to hold the hearing, which shall be held in the county
5 or in one of the counties in which the municipality is
6 located. Notice of the time and place of the hearing shall be
7 given by certified mail to the appropriate officials of the
8 local government and to the first ten property owners whose
9 names appear upon the protest, at least five days before the
10 date fixed for the hearing. At all hearings, the burden shall
11 be upon the objectors with reference to any proposed item in
12 the budget which was included in the budget of the previous
13 year and which the objectors propose should be reduced or
14 excluded; but the burden shall be upon the certifying board or
15 the levying board, as the case may be, to show that any new
16 item in the budget, or any increase in any item in the budget,
17 is necessary, reasonable, and in the interest of the public
18 welfare. The budget appeal shall be limited to the specific
19 issues raised by the objectors in the written protest unless
20 an item being protested at the appeal hearing was the result
21 of a change or amendment to the budget after the budget
22 hearing.

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

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

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

29 Sec. 6. NEW SECTION. 25B.5A UNFUNDED STATE MANDATES --
30 EFFECT.

31 If, on or after July 1, 2001, a state mandate is enacted by
32 the general assembly, or otherwise imposed, on a political
33 subdivision and the state mandate requires a political
34 subdivision to engage in any new activity, to provide a new
35 service, or to provide any service beyond that required by any

1 law enacted prior to July 1, 2001, and the state does not
2 appropriate moneys to fully fund the cost of the state mandate
3 as identified pursuant to section 25B.5, subsections 1 and 2,
4 the political subdivision is not required to perform the
5 activity or provide the service and the political subdivision
6 shall not be subject to any liabilities imposed by the state
7 or the imposition of any fines or penalties for the failure to
8 comply with the state mandate.

9 Sec. 7. Section 123.38, unnumbered paragraph 2, Code 2001,
10 is amended to read as follows:

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

1 local authority. No refund shall be made to any licensee or
2 permittee, upon the surrender of the license or permit, if
3 there is at the time of surrender, a complaint filed with the
4 division or local authority, charging the licensee or
5 permittee with a violation of this chapter. If upon a hearing
6 on a complaint the license or permit is not revoked or
7 suspended, then the licensee or permittee is eligible, upon
8 surrender of the license or permit, to receive a refund as
9 provided in this section; but if the license or permit is
10 revoked or suspended upon hearing the licensee or permittee is
11 not eligible for the refund of any portion of the license or
12 permit fee.

13 Sec. 8. Section 218.99, Code 2001, is amended to read as
14 follows:

15 218.99 COUNTIES TO BE NOTIFIED OF PATIENTS' PERSONAL
16 ACCOUNTS.

17 The administrator in control of a state institution shall
18 direct the business manager of each institution under the
19 administrator's jurisdiction ~~which-is-mentioned-in-section~~
20 ~~331-4247-subsection-17-paragraphs-"a"-and-"b"~~, and for which
21 services are paid under section 331.424A, to quarterly inform
22 the county of legal settlement's entity designated to perform
23 the county's single entry point process of any patient or
24 resident who has an amount in excess of two hundred dollars on
25 account in the patients' personal deposit fund and the amount
26 on deposit. The administrators shall direct the business
27 manager to further notify the entity designated to perform the
28 county's single entry point process at least fifteen days
29 before the release of funds in excess of two hundred dollars
30 or upon the death of the patient or resident. If the patient
31 or resident has no county of legal settlement, notice shall be
32 made to the director of human services and the administrator
33 in control of the institution involved.

34 Sec. 9. Section 331.301, subsection 12, Code 2001, is
35 amended to read as follows:

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

10 Sec. 10. Section 331.325, Code 2001, is amended to read as
11 follows:

12 331.325 CONTROL AND MAINTENANCE OF PIONEER CEMETERIES --
13 CEMETERY COMMISSION.

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

17 2. Each county board of supervisors may adopt an ordinance
18 assuming jurisdiction and control of pioneer cemeteries in the
19 county. The board shall exercise the powers and duties of
20 township trustees relating to the maintenance and repair of
21 cemeteries in the county as provided in sections 359.28
22 through 359.41 except that the board shall not certify a tax
23 levy pursuant to section 359.30 or 359.33 and except that the
24 maintenance and repair of all cemeteries under the
25 jurisdiction of the county including pioneer cemeteries shall
26 be paid from the ~~county-general~~ cemetary fund. The
27 maintenance and improvement program for a pioneer cemetery may
28 include restoration and management of native prairie grasses
29 and wildflowers.

30 3. In lieu of management of the cemeteries, the board of
31 supervisors may create, by ordinance, a cemetery commission to
32 assume jurisdiction and management of the pioneer cemeteries
33 in the county. The ordinance shall delineate the number of
34 commissioners, the appointing authority, the term of office,
35 officers, employees, organizational matters, rules of

1 procedure, compensation and expenses, and other matters deemed
2 pertinent by the board. The board may delegate any power and
3 duties relating to cemeteries which may otherwise be exercised
4 by township trustees pursuant to sections 359.28 through
5 359.41 to the cemetery commission except the commission shall
6 not certify a tax levy pursuant to section 359.30 or 359.33
7 and except that the expenses of the cemetery commission shall
8 be paid from the ~~county-general~~ cemetery fund.

9 4. Notwithstanding sections 359.30 and 359.33, the costs
10 of management, repair, and maintenance of pioneer cemeteries
11 shall be paid from the ~~county-general~~ cemetery fund.

12 Sec. 11. Section 331.421, subsections 1 and 10, Code 2001,
13 are amended by striking the subsections.

14 Sec. 12. Section 331.421, Code 2001, is amended by adding
15 the following new subsection:

16 NEW SUBSECTION. 7A. "Item" means a budgeted expenditure,
17 appropriation, or cash reserve from a fund for a service area,
18 program, program element, or purpose.

19 Sec. 13. Section 331.423, Code 2001, is amended by
20 striking the section and inserting in lieu thereof the
21 following:

22 331.423 PROPERTY TAX DOLLARS -- MAXIMUMS.

23 1. Annually, the board shall determine separate property
24 tax levy limits to pay for general county services and rural
25 county services in accordance with this section. The property
26 tax levies separately certified for general county services
27 and rural county services in accordance with section 331.434
28 shall not exceed the amount determined under this section.

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

30 a. "Average annual price index" means the change, computed
31 to four decimal places, between the preliminary price index
32 for the third quarter of the calendar year preceding the
33 calendar year in which the fiscal year starts and the revised
34 price index for the third quarter of the previous calendar
35 year as published in the same issue in which such preliminary

1 price index is first published, repeated for each of the four
2 preceding calendar years. The sum of the changes for the five
3 years shall be divided by five to obtain a five-year average.
4 This average shall not be less than negative four hundredths
5 and not more than six hundredths. The price index used shall
6 be the state and local government chain-type price index used
7 in the quantity and price indexes for gross domestic product
8 as published by the United States department of commerce. The
9 change shall then be added to one to create a multiplier for
10 the annual price index.

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

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

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

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

20 f. "Net new valuation taxes" means the amount of property
21 tax dollars equal to the tentative maximum general rate for
22 purposes of the general fund, or the tentative maximum rural
23 rate for purposes of the rural services fund, times the
24 increase from the previous fiscal year in taxable valuation
25 due to the following:

26 (1) Net new construction.

27 (2) Additions or improvements to existing structures.

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

30 (4) Net boundary adjustment.

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

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

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

10 h. "Tentative maximum general rate" means the amount
11 calculated in subsection 3, paragraph "b", subparagraph (1),
12 divided by the net taxable valuation in the county. For
13 purposes of this paragraph, "net taxable valuation" is the
14 amount of taxable valuation in the county minus the amount of
15 taxable valuation used to calculate net new valuation taxes.

16 i. "Tentative maximum rural rate" means the amount
17 calculated in subsection 3, paragraph "c", subparagraph (1),
18 divided by the net taxable valuation in the unincorporated
19 area of the county. For purposes of this paragraph, "net
20 taxable valuation" is the amount of taxable valuation in the
21 unincorporated area of the county minus the amount of taxable
22 valuation in the unincorporated area of the county used to
23 calculate net new valuation taxes.

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

32 3. a. Effective for the fiscal year beginning July 1,
33 2002, the maximum amount of property tax dollars levied which
34 may be certified by a county for general county services and
35 rural county services shall be the tentative maximum property

1 tax dollars calculated under paragraphs "b" and "c",
2 respectively, and adjusted by the amounts in paragraphs "d",
3 "e", and "f".

4 b. The tentative maximum property tax dollars for general
5 county services is an amount equal to the sum of the
6 following:

7 (1) The current fiscal year's maximum property tax dollars
8 for general county services minus the unused taxing authority
9 carried forward from the previous fiscal year times the annual
10 price index.

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

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

14 c. The tentative maximum property tax dollars for rural
15 county services is an amount equal to the sum of the
16 following:

17 (1) The current fiscal year's maximum property tax dollars
18 for rural county services minus the unused taxing authority
19 carried forward from the previous fiscal year times the annual
20 price index.

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

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

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

27 e. Subtract the amount of local sales and services taxes
28 for property tax relief estimated by the department of revenue
29 and finance to be received for the budget year that will be
30 deposited in the general fund or the rural services fund, as
31 applicable.

32 f. Subtract the amount of local sales and services taxes
33 received for property tax relief in the previous fiscal year
34 for the county general fund and rural services fund, and add
35 the amount of local sales and services taxes that was budgeted

1 for property tax relief for each of those funds in that fiscal
2 year.

3 4. Property taxes certified for deposit in the mental
4 health, mental retardation, and developmental disabilities
5 services fund in section 331.424A, the cemetery fund in
6 section 331.424B, and the debt service fund in section
7 331.430, any capital projects fund established by the county
8 for deposit of bond, loan, or note proceeds, and any temporary
9 increase approved pursuant to section 331.424 are not counted
10 against the maximum amount of property tax dollars that may be
11 certified for a fiscal year under subsection 3.

12 5. The department of management shall adopt rules to
13 administer this section and section 331.423A after
14 consultation with the county finance committee.

15 Sec. 14. NEW SECTION. 331.423A BASE YEAR PROPERTY TAX
16 DOLLARS.

17 1. For purposes of calculating maximum property tax
18 dollars under section 331.423, the tentative maximum property
19 tax dollars for the fiscal year beginning July 1, 2000, for
20 general county services shall be calculated as provided in
21 this subsection.

22 a. The tentative maximum amount of property tax dollars
23 for general county services for taxes payable in the fiscal
24 year beginning July 1, 2000, shall be an amount equal to the
25 sum of the following, divided by three, and adjusted by the
26 amounts in paragraph "b":

27 (1) The sum of the amount of property taxes levied for
28 general county services and the amount of property tax
29 replacement dollars received and the amount of local sales and
30 services tax revenues received as property tax relief and
31 deposited in the general fund, all for the fiscal year
32 beginning July 1, 1997, times one and one hundred ten
33 thousandths.

34 (2) The sum of the amount of property taxes levied for
35 general county services and the amount of property tax

1 replacement dollars received and the amount of local sales and
2 services tax revenues received as property tax relief and
3 deposited in the general fund, all for the fiscal year
4 beginning July 1, 1998, times one and eighty-nine thousandths.

5 (3) 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, 1999, times one and sixty-seven thousandths.

11 b. The amount computed under the formula in paragraph "a"
12 shall be adjusted by subtracting the amount of the ending fund
13 balance differential for general county services as provided
14 in this paragraph. The ending fund balance differential for
15 general county services is the difference between the general
16 fund's ending balance for the fiscal year beginning July 1,
17 1999, and the general fund's ending balance for the fiscal
18 year beginning July 1, 1996, divided by three.

19 2. For purposes of calculating maximum property tax
20 dollars under section 331.423, the tentative maximum property
21 tax dollars for the fiscal year beginning July 1, 2000, for
22 rural county services shall be calculated as provided in this
23 subsection.

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

29 (1) The sum of the amount of property taxes levied for
30 rural county services and the amount of property tax
31 replacement dollars received and the amount of local sales and
32 services tax revenues received as property tax relief and
33 deposited in the rural services fund, all for the fiscal year
34 beginning July 1, 1997, times one and sixty-nine thousandths.

35 (2) The sum of the amount of property taxes levied for

1 rural county services and the amount of property tax
2 replacement dollars received and the amount of local sales and
3 services tax revenues received as property tax relief and
4 deposited in the rural services fund, all for the fiscal year
5 beginning July 1, 1998, times one and forty-eight thousandths.

6 (3) 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, 1999, times one and twenty-six thousandths.

12 b. The amount computed under the formula in paragraph "a"
13 shall be adjusted by subtracting the amount of the ending fund
14 balance differential for rural county services as provided in
15 this paragraph. The ending fund balance differential for
16 rural county services is the difference between the rural
17 services fund's ending balance for the fiscal year beginning
18 July 1, 1999, and the rural services fund's ending balance for
19 the fiscal year beginning July 1, 1996, divided by three.

20 3. a. The tentative maximum amount of property tax
21 dollars for general county services for taxes payable in the
22 fiscal year beginning July 1, 2001, is an amount equal to the
23 amount computed in subsection 1 times the annual price index
24 plus the amount of net new valuation taxes.

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

30 4. a. If the amount of property taxes certified for
31 general county services for the fiscal year beginning July 1,
32 2001, is one hundred four percent or less of the amount
33 certified for the fiscal year beginning July 1, 2000, the
34 amount computed in subsection 3, paragraph "a", shall be
35 multiplied by the change, computed to four decimal places,

1 between the preliminary price index for the fourth quarter of
2 calendar year 2000 and the third quarter of calendar year
3 2000.

4 b. If the amount of property taxes certified for rural
5 county services for the fiscal year beginning July 1, 2001, is
6 one hundred four percent or less of the amount certified for
7 the fiscal year beginning July 1, 2000, the amount computed in
8 subsection 3, paragraph "b", shall be multiplied by the
9 change, computed to four decimal places, between the
10 preliminary price index for the fourth quarter of calendar
11 year 2000 and the third quarter of calendar year 2000.

12 c. For purposes of this subsection, "price index" means as
13 that term is used in section 331.423, subsection 2.

14 5. Each county shall calculate its tentative maximum
15 property tax dollars under this section on forms prescribed by
16 the department of management.

17 Sec. 15. NEW SECTION. 331.423B ENDING FUND BALANCE.

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

33 2. For a county that has, as of June 30, 2001, reduced its
34 ending fund balance to less than twenty-five percent of actual
35 expenditures, additional property taxes may be computed and

1 levied as provided in this subsection. The additional
2 property tax levy amount is an amount not to exceed the
3 difference between twenty-five percent of actual expenditures
4 from the general fund and rural services fund for the fiscal
5 year beginning July 1, 2000, minus the combined ending fund
6 balances for those funds for that year. The amount of the
7 additional property taxes shall be divided between the general
8 fund and the rural services fund in proportion to the amount
9 of actual expenditures for general county services to total
10 actual expenditures for general and rural county services for
11 the fiscal year beginning July 1, 2000, and in proportion to
12 the amount of actual expenditures for rural county services to
13 total actual expenditures for general and rural county
14 services for the fiscal year beginning July 1, 2000. However,
15 the amount apportioned for general county services and for
16 rural county services shall not exceed for each fund twenty-
17 five percent of actual expenditures for the fiscal year
18 beginning July 1, 2000.

19 All or a portion of additional property tax dollars may be
20 levied for the purpose of increasing cash reserves for general
21 county services and rural county services in the budget year.
22 The additional property tax dollars authorized under this
23 subsection but not levied may be carried forward as unused
24 ending fund balance taxing authority until and for the fiscal
25 year beginning July 1, 2007. The amount carried forward, when
26 combined with unused taxing authority shall not exceed twenty-
27 five percent of the maximum amount of property tax dollars
28 available in the current fiscal year. Additionally, property
29 taxes that are levied as unused ending fund balance taxing
30 authority under this subsection may be the subject of a
31 protest under section 331.436 and the amount will be
32 considered an increase in an item in the budget for purposes
33 of section 24.28. The amount of additional property taxes
34 levied under this subsection shall not be included in the
35 computation of the maximum amount of property tax dollars

1 which may be certified and levied under section 331.423.

2 Sec. 16. NEW SECTION. 331.423C UNFUNDED MANDATES FUND.

3 A county may establish an unfunded mandates fund and may
4 certify taxes not to exceed twenty-seven cents per thousand
5 dollars of taxable value each year to be levied for the fund.
6 A county may levy for the fund only to pay for an unfunded
7 state mandate as described in section 25B.5A and identified by
8 the general assembly in the enactment of the unfunded state
9 mandate.

10 The amount of property taxes levied under this section
11 shall not be included in the computation of the maximum amount
12 of property tax dollars which may be certified and levied
13 under section 331.423.

14 Sec. 17. Section 331.424, Code 2001, is amended by
15 striking the section and inserting in lieu thereof the
16 following:

17 331.424 AUTHORITY TO LEVY BEYOND MAXIMUM PROPERTY TAX
18 DOLLARS.

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

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

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

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

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

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

33 Shall the county of _____ levy for an additional \$ _____
34 each year for ___ years beginning July 1, _____, in excess of
35 the statutory limits otherwise applicable for the (general

1 county services or rural services) fund?"

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

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

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

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

20 Sec. 18. Section 331.424B, Code 2001, is amended to read
21 as follows:

22 331.424B CEMETERY LEVY.

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

33 Sec. 19. Section 331.427, subsection 2, paragraph 1, Code
34 2001, is amended to read as follows:

35 1. Services listed in ~~section-331-4247-subsection-17-and~~

1 section 331.554.

2 Sec. 20. Section 331.428, subsection 2, paragraph d, Code
3 2001, is amended by striking the paragraph.

4 Sec. 21. Section 331.429, subsection 1, Code 2001, is
5 amended by adding the following new paragraph:

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

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

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

28 Notice of the special election shall be published at least
29 once in a newspaper in the manner provided in section 331.305.
30 Notice of the special election shall appear as early as
31 practicable after the board has voted to submit a proposition
32 to the voters to transfer funds from the general fund or rural
33 services fund to the secondary road fund.

34 If a majority of the votes cast are in favor of the
35 proposition, the board shall certify the results of the

1 election to the department of management and transfer the
2 approved amount to the secondary road fund in the appropriate
3 fiscal year.

4 Sec. 22. Section 384.1, Code 2001, is amended by striking
5 the section and inserting in lieu thereof the following:

6 384.1 PROPERTY TAX DOLLARS -- MAXIMUMS.

7 1. A city shall certify taxes to be levied by the city on
8 all taxable property within the city limits, for all city
9 government purposes. Annually, the city council may certify
10 basic levies for city government purposes, subject to the
11 limitation on property tax dollars provided in this section.

12 2. For purposes of this section:

13 a. "Average annual price index" means the change, computed
14 to four decimal places, between the preliminary price index
15 for the third quarter of the calendar year preceding the
16 calendar year in which the fiscal year starts and the revised
17 price index for the third quarter of the previous calendar
18 year prior to that as published in the same issue in which
19 such preliminary price index is first published, repeated for
20 each of the four preceding calendar years. The sum of the
21 changes for the five years shall be divided by five to obtain
22 a five-year average. This average shall not be less than
23 negative four hundredths and not more than six hundredths.

24 The price index used shall be the state and local government
25 chain-type price index used in the quantity and price indexes
26 for gross domestic product as published by the United States
27 department of commerce. The change shall then be added to one
28 to create a multiplier for the annual price index.

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

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

7 (1) Net new construction.

8 (2) Additions or improvements to existing structures.

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

11 (4) Net boundary adjustment.

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

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

20 g. "Property tax replacement dollars" means revenues
21 received under sections 427B.17 through 427B.19D, revenues
22 received under chapter 437A, subchapter II, and amounts
23 appropriated by the general assembly for property tax relief
24 first enacted for fiscal years beginning on or after July 1,
25 2001.

26 h. "Tentative maximum general rate" means the amount
27 calculated in subsection 3, paragraph "b", subparagraph (1),
28 divided by the net taxable valuation in the city. For
29 purposes of this paragraph, "net taxable valuation" is the
30 amount of taxable valuation in the city minus the amount of
31 taxable valuation in the city used to calculate net new
32 valuation taxes.

33 i. "Unused taxing authority" means the maximum amount of
34 property tax dollars calculated under subsection 3 for a
35 fiscal year minus the amount actually levied under this

1 section in that fiscal year. Unused taxing authority may be
2 carried forward to the following fiscal year. However, the
3 amount of unused taxing authority which may be carried forward
4 shall not exceed twenty-five percent of the maximum amount of
5 property tax dollars available in the current fiscal year.

6 3. a. Effective for the fiscal year beginning July 1,
7 2002, the maximum amount of property tax dollars which may be
8 certified by a city for city government purposes shall be the
9 tentative maximum property tax dollars calculated under
10 paragraph "b", and adjusted by the amounts in paragraphs "c",
11 "d", and "e".

12 b. The tentative maximum property tax dollars for city
13 government purposes is an amount equal to the sum of the
14 following:

15 (1) The current fiscal year's maximum property tax dollars
16 for city government purposes minus the unused taxing authority
17 carried forward from the previous fiscal year times the annual
18 price index.

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

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

22 c. Subtract the amount of property tax replacement dollars
23 to be received for the budget year that will be deposited in
24 the city general fund.

25 d. Subtract the amount of local sales and services taxes
26 for property tax relief estimated by the department of revenue
27 and finance to be received for the budget year that will be
28 deposited in the city general fund.

29 e. Subtract the amount of local sales and services taxes
30 received for property tax relief in the previous fiscal year
31 for the city general fund, and add the amount of local sales
32 and services taxes that was budgeted for property tax relief
33 for the city general fund in that fiscal year.

34 4. Property taxes certified for deposit in the debt
35 service fund in section 384.4, trust and agency funds in

1 section 384.6, capital improvements reserve fund in section
2 384.7, the emergency fund in section 384.8, any capital
3 projects fund established by the city for deposit of bond,
4 loan, or note proceeds, any temporary increase approved
5 pursuant to section 384.12A, property taxes collected from a
6 voted levy in section 384.12, and property taxes levied under
7 section 384.12, subsection 18, are not counted against the
8 maximum amount of property tax dollars that may be certified
9 for a fiscal year under subsection 3.

10 5. Notwithstanding the maximum amount of taxes a city may
11 certify for levy, the tax levied by a city on tracts of land
12 and improvements on the tracts of land used and assessed for
13 agricultural or horticultural purposes shall not exceed three
14 dollars and three-eighths cents per thousand dollars of
15 assessed value in any year. Improvements located on such
16 tracts of land and not used for agricultural or horticultural
17 purposes and all residential dwellings are subject to the same
18 rate of tax levied by the city on all other taxable property
19 within the city.

20 6. The department of management shall adopt rules to
21 administer this section and section 384.1A after consultation
22 with the city finance committee.

23 Sec. 23. NEW SECTION. 384.1A BASE YEAR PROPERTY TAX
24 DOLLARS.

25 1. For purposes of calculating maximum property tax
26 dollars under section 384.1, the tentative maximum property
27 tax dollars for the fiscal year beginning July 1, 2000, for
28 city government purposes shall be calculated as provided in
29 this subsection.

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

35 (1) The sum of the amount of property taxes levied for

1 city government purposes and the amount of property tax
2 replacement dollars received and the amount of local sales and
3 services tax revenues received as property tax relief
4 deposited in the city general fund all for the fiscal year
5 beginning July 1, 1997, times one and one hundred ten
6 thousandths.

7 (2) The sum of the amount of property taxes levied for
8 city government purposes and the amount of property tax
9 replacement dollars received and the amount of local sales and
10 services tax revenues received as property tax relief
11 deposited in the city general fund all for the fiscal year
12 beginning July 1, 1998, times one and eighty-nine thousandths.

13 (3) The sum of the amount of property taxes levied for
14 city government purposes and the amount of property tax
15 replacement dollars received and the amount of local sales and
16 services tax revenues received as property tax relief
17 deposited in the city general fund all for the fiscal year
18 beginning July 1, 1999, times one and sixty-seven thousandths.

19 b. The amount computed under the formula in paragraph "a"
20 shall be adjusted by subtracting the amount of the ending fund
21 balance differential for city government purposes as provided
22 in this paragraph. The ending fund balance differential for
23 city government purposes is the difference between the city
24 general fund's ending balance for the fiscal year beginning
25 July 1, 1999, and the city general fund's ending balance for
26 the fiscal year beginning July 1, 1996, divided by three.

27 2. The tentative maximum amount of property tax dollars
28 for city government purposes for the fiscal year beginning
29 July 1, 2001, is an amount equal to the amount computed in
30 subsection 1 times the annual price index plus the amount of
31 net new valuation taxes.

32 3. a. If the amount of property taxes certified for city
33 government purposes for the fiscal year beginning July 1,
34 2001, is one hundred four percent or less of the amount
35 certified for the fiscal year beginning July 1, 2000, the

1 amount computed in subsection 2 shall be multiplied by the
2 change, computed to four decimal places, between the
3 preliminary price index for the fourth quarter of calendar
4 year 2000 and the third quarter of calendar year 2000.

5 b. For purposes of this subsection, "price index" means as
6 that term is used in section 384.1, subsection 2.

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

11 Sec. 24. NEW SECTION. 384.1B ENDING FUND BALANCE.

12 1. Budgeted ending fund balances for a fiscal year in
13 excess of twenty-five percent of budgeted expenditures for
14 that fiscal year shall be explicitly reserved or designated
15 for a specific purpose and specifically described in the
16 certified budget. The description shall include the projected
17 date that the expenditures will be appropriated for the
18 specific purpose. In a protest to the city budget under
19 section 384.19, the city shall have the burden of proving that
20 the budgeted balances in excess of twenty-five percent are
21 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 a city that has, as of June 30, 2001, reduced its
27 ending fund balance to less than twenty-five percent of actual
28 expenditures, additional property taxes may be computed and
29 levied as provided in this subsection. The additional
30 property tax levy amount is an amount not to exceed the
31 difference between twenty-five percent of actual expenditures
32 for city government purposes for the fiscal year beginning
33 July 1, 2000, minus the ending fund balance for that year.

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

1 government purposes in the budget year. The additional
2 property tax dollars authorized under this subsection but not
3 levied may be carried forward as unused ending fund balance
4 taxing authority until and for the fiscal year beginning July
5 1, 2007. The amount carried forward, when combined with
6 unused taxing authority shall not exceed twenty-five percent
7 of the maximum amount of property tax dollars available in the
8 current fiscal year. Additionally, property taxes that are
9 levied under this subsection may be the subject of a protest
10 under section 384.19 and the amount will be considered an
11 increase in an item in the budget for purposes of section
12 24.28. The amount of additional property tax dollars levied
13 under this subsection shall not be included in the computation
14 of the maximum amount of property tax dollars which may be
15 certified and levied under section 384.1.

16 Sec. 25. NEW SECTION. 384.1C UNFUNDED MANDATES FUND.

17 A city may establish an unfunded mandates fund and may
18 certify taxes not to exceed twenty-seven cents per thousand
19 dollars of taxable value each year to be levied for the fund.
20 A city may levy for the fund only to pay for an unfunded state
21 mandate as described in section 25B.5A and identified by the
22 general assembly in the enactment of the unfunded state
23 mandate.

24 The amount of additional property tax dollars levied under
25 this subsection shall not be included in the computation of
26 the maximum amount of property tax dollars which may be
27 certified and levied under section 384.1.

28 Sec. 26. Section 384.12, subsection 20, Code 2001, is
29 amended by striking the subsection.

30 Sec. 27. NEW SECTION. 384.12A AUTHORITY TO LEVY BEYOND
31 MAXIMUM PROPERTY TAX DOLLARS.

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

1 majority of the votes cast on the proposition.

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

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

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

8 c. The proposition to be submitted shall be substantially
9 in the following form:

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

11 Shall the city of _____ levy for an additional \$ _____
12 each year for ___ years beginning next July 1, _____, in excess
13 of the statutory limits otherwise applicable for the city
14 general fund?"

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

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

23 3. The amount of additional property tax dollars levied
24 under subsection 2 shall not be included in the computation of
25 the maximum amount of property tax dollars which may be
26 certified and levied under section 384.1.

27 Sec. 28. Section 384.19, Code 2001, is amended by adding
28 the following new unnumbered paragraph:

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

33 Sec. 29. Section 427.1, subsection 19, unnumbered
34 paragraph 8, Code 2001, is amended to read as follows:

35 For the purposes of this subsection "pollution-control

1 property" means personal property or improvements to real
2 property, or any portion thereof, used primarily to control or
3 abate pollution of any air or water of this state or used
4 primarily to enhance the quality of any air or water of this
5 state and "recycling property" means personal property or
6 improvements to real property or any portion of the property,
7 used primarily in the manufacturing process and resulting
8 directly in the conversion of waste plastic, wastepaper
9 products, or waste paperboard, into new raw materials or
10 products composed primarily of recycled material. In the
11 event such property shall also serve other purposes or uses of
12 productive benefit to the owner of the property, only such
13 portion of the assessed valuation thereof as may reasonably be
14 calculated to be necessary for and devoted to the control or
15 abatement of pollution, to the enhancement of the quality of
16 the air or water of this state, or for recycling shall be
17 exempt from taxation under this subsection. "Pollution-
18 control property" and "recycling property" do not include
19 property used for purposes related to the care and feeding of
20 livestock as defined in section 169C.1, except for property
21 which is eligible for a family farm tax credit as provided in
22 chapter 425A.

23 The exemption calculated for pollution control or recycling
24 property used for purposes related to the care and feeding of
25 livestock as defined in section 169C.1, and which is eligible
26 for a family farm tax credit as provided in chapter 425A, is
27 limited to the first one hundred thousand dollars in assessed
28 value.

29 Sec. 30. Sections 331.425 and 331.426, Code 2001, are
30 repealed.

31 Sec. 31. IOWA STATE UNIVERSITY STUDY. It is the intent of
32 the general assembly to provide local governments with the
33 means and flexibility of providing services to its citizens
34 while balancing citizens' concerns about high taxes. It is
35 further the intent of the general assembly to put in place a

1 property tax system that reflects the modern economy.

2 Iowa state university department of economics shall conduct
3 a review of revenue sources available to local governments in
4 Iowa, including taxes, fees, state appropriations, and federal
5 moneys. The department of economics shall also review recent
6 and historical statewide trends in property tax collections
7 and in revenue collections by local governments generally.
8 The review shall be conducted from the standpoint of equity,
9 neutrality, competitiveness, simplicity, stability, and any
10 other factors deemed appropriate and informative by the
11 department. The department may request from any state agency
12 or official the information and assistance needed to perform
13 the review.

14 Iowa state university department of economics shall submit
15 a final report and an executive summary of the final report to
16 the general assembly no later than January 15, 2002. The
17 final report and executive summary shall include
18 recommendations on changes to the property tax system that
19 would result in greater simplification of the system, while
20 maintaining or increasing equity in the system.

21 Sec. 32. APPLICABILITY DATE. This Act applies to the
22 fiscal year beginning July 1, 2002, and all subsequent fiscal
23 years.

24 EXPLANATION

25 This bill relates to the limitation on property taxes for
26 cities and counties by removing the property tax rate
27 limitations on cities and counties and substituting a
28 limitation on property tax dollars, by providing for state
29 funding of certain mandates imposed on political subdivisions,
30 and by amending provisions related to the local budget process
31 and to the pollution control exemption.

32 The bill provides that if a written protest is submitted on
33 a local government budget, at least one of the objectors to
34 the budget must have attended the budget hearing unless the
35 item being protested was changed or amended after the budget

1 hearing. The bill also provides that a budget appeal is
2 limited to the specific issues raised in the written protest
3 unless an item being protested was amended or changed after
4 the budget hearing.

5 The bill provides that if a new state mandate is imposed on
6 or after July 1, 2001, which requires engaging in a new
7 activity, providing a new service, or expanding a service
8 beyond what was required before July 1, 2001, the state
9 mandate must be fully funded. If the state mandate is not
10 fully funded, the affected political subdivisions are not
11 required to comply or implement the state mandate. Also, no
12 fines or penalties may be imposed on a political subdivision
13 for failure to comply or carry out an unfunded state mandate.

14 The bill strikes Code section 25B.2, subsection 3, and
15 rewrites it as a new section outside the intent section of
16 Code chapter 25B. The rewritten section removes a qualifying
17 phrase which limits the circumstances under which a political
18 subdivision may fail to carry out an unfunded state mandate.
19 Community college and area education agency are added to the
20 definition of "political subdivision" as had been provided in
21 Code section 25B.2, subsection 3, which was stricken.

22 The bill creates an unfunded mandate fund limited to 27
23 cents per \$1,000 of taxable value to pay for unfunded
24 mandates.

25 The bill removes the property tax rate limitations on
26 cities and counties and substitutes a limitation on the
27 maximum amount of property tax dollars which may be certified
28 by a city or county.

29 The bill requires each city and county to compute a maximum
30 property tax dollars base based on averages of three fiscal
31 years' worth of tax askings by the city or county multiplied
32 by a growth factor, i.e., price index, for four years.
33 Adjustments are made for ending fund balance differentials
34 between fiscal years 1996-1997 and 1999-2000, amount of
35 property tax replacement dollars received for the three years,

1 and amount of local sales and services taxes received for the
2 three years, if applicable. A further inflationary increase
3 is allowed if a city or county budget was increased by 4
4 percent or less from fiscal year 2000-2001 to fiscal year
5 2001-2002.

6 The bill provides that the base year calculation shall be
7 the maximum property tax base for the fiscal year beginning
8 July 1, 2002, as adjusted by the growth factor. Each year,
9 property tax replacement dollars to be received and local
10 sales and services taxes to be received are subtracted from
11 the amount of property taxes for the fiscal year to reach the
12 maximum amount of property taxes authorized to be levied for
13 the fiscal year. "Property tax replacement dollars" is
14 defined to mean revenues received from the utility delivery,
15 generation, and transmission taxes and the machinery and
16 equipment reimbursements to cities and counties and amounts
17 appropriated by the general assembly as property tax relief.

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

23 The bill provides that property taxes certified for deposit
24 in specified funds created by cities and counties are not
25 counted in the computation of maximum property taxes.

26 The bill allows a city or county to exceed its maximum tax
27 authority for up to two years at a time if approved by the
28 voters at a special election. The bill also allows the
29 secondary road fund levy limits to be exceeded if approved by
30 the voters at a special election.

31 The bill provides that the ending fund balance for the city
32 general fund or for the county general and rural funds shall
33 not exceed 25 percent of the budget for the fiscal year.
34 Through fiscal year 2007-2008, cities and counties may levy
35 unused taxing authority based on the amount of the ending fund

1 balance for fiscal year 2000-2001.

2 The bill repeals the supplemental levy for counties and the
3 sections of the Code that currently allow cities and counties
4 to exceed their levy rate limitations. The bill gives
5 counties authority to establish a cemetery fund and trust and
6 agency funds.

7 The bill amends the pollution control property tax
8 exemption to allow only certain livestock facilities that are
9 also eligible for the family farm property tax credit to
10 receive the exemption. The exemption is limited to the first
11 \$100,000 of assessed value.

12 The bill requires the department of economics at Iowa state
13 university to conduct a review of revenue sources available to
14 local governments. The department is to review recent and
15 historical statewide trends in property tax collections and in
16 revenue collections by local governments generally. The bill
17 requires the department of economics to furnish a report and
18 executive summary to the general assembly no later than
19 January 15, 2002. The report and summary are to include
20 recommendations on changes to the property tax system.

21 The bill applies to fiscal years beginning July 1, 2002,
22 and all subsequent fiscal years.

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