

FINAL REPORT

LOCAL FUNDING AND BUDGETING STUDY COMMITTEE

House Concurrent Resolutions 29 and 68, Senate Joint Resolution 5, and Senate Concurrent Resolutions 50 and 56 introduced during the First Session of the Sixty-fifth General Assembly requested that the Legislative Council establish a study of city and county finances, the compensation of county officers and the revision of statutes relating to county government to facilitate home rule, and make recommendations to the Second Session of the Sixty-fifth General Assembly. In response to these resolutions, the Legislative Council created a Local Funding and Budgeting Study Committee and appointed the following ten legislative members and five nonlegislative members:

Senator James E. Briles
Senator James Gallagher
Senator James Griffin, Sr.
Senator Ralph Potter
Senator Bass Van Gilst
Representative Ed Bittle
Representative John B. Brunow
Representative Robert A. Krause*
Representative David M. Stanley
Representative Delwyn Stromer
Ms. Roberta Burkhead, Dallas County Auditor
Mr. Wencil Kadrlík, Garner City Councilman
Mr. A. E. Minner, City Clerk, Marshalltown
Mr. Charles Stroud, Former Budget Director, City of Des Moines
Mr. Warren Wood, Administrative Assistant, Scott County
Board of Supervisors

*Representative Russell Wyckoff was appointed in October, 1973 to replace Representative Robert A. Krause who was called to active military service.

During the 1973 interim, the Local Funding and Budgeting Study Committee held six meetings. At the first meeting Representative Delwyn Stromer was elected Chairman and Senator Bass Van Gilst was elected Vice Chairman. The Study Committee agreed to the appointment of the five nonlegislative members and requested Mr. Francis Larew, Office of State Comptroller, to act as special consultant to the Study Committee.

At its first meeting on August 21, 1973, the Study Committee received testimony from the Iowa State Association of Counties and the League of Iowa Municipalities as to their recommendations for study priorities. The Iowa State Association of Counties recommended that the Study Committee develop a method of determining the compensation of county officers at the local level of government rather than by periodic decisions of the General Assembly, provide home rule for counties subject only to constitutional limitations, and

provide for the revision of county funding and accounting systems. The League of Iowa Municipalities recommended that the Study Committee reevaluate the need for changing the fiscal year for political subdivisions of the state as provided in Acts of the Sixty-fourth General Assembly, 1972 Session, chapter 1020, and if the fiscal year change is to be continued, to identify and correct technical problems and errors in the Act to facilitate its implementation, recommend the adoption of nonproperty tax sources of funding for cities, and reevaluate the type and level of governmental services which should be funded by the various political subdivisions of the state.

At its second and third meetings on August 30-31 and September 18-19, 1973, the Study Committee heard testimony from Dr. Norman Julius, Professor of Economics, Iowa State University of Science and Technology, State Comptroller Marvin Selden, Cletus Ward, Office of Auditor of State, invited county and city officers, representatives of taxpayers associations, representatives of farm organizations, and individual taxpayers concerning the funding, budgeting, and auditing systems of local governments. Following the four days of testimony, the Study Committee agreed that its primary study objectives should be as follows:

1. Review Acts of the Sixty-fourth General Assembly, 1972 Session, chapter 1020 and prepare amendments to correct any technical errors and problems affecting its implementation.
2. Draft legislation to create a county compensation board to determine the compensation of elected county officers.
3. Draft legislation to consolidate county funds and fund levies, to create a county finance committee to guide counties in developing a program performance budgeting system, and to provide for a limitation on budget expenditures to replace mill levy restrictions.

To facilitate the study and preparation of legislation to accomplish the study objectives, Chairman Stromer appointed three subcommittees as follows:

1. Subcommittee on Fiscal Year Act Amendments, Representative Ed Bittle, Chairman.
2. Subcommittee on County Compensation, Senator James Briles, Chairman.
3. Subcommittee on County Funds Consolidation, Senator James W. Griffin, Sr., Chairman.

During its final three meetings, the Study Committee discussed the draft proposals recommended by its Subcommittees, considered amendments to the drafts, and heard testimony from interested persons.

Copies of the minutes of the Study Committee, including written testimony, are available upon request at the Legislative Service Bureau.

RECOMMENDATIONS

The following are the recommendations of the Local Funding and Budgeting Study Committee including a summary of the recommended bill drafts:

1. The Local Funding and Budgeting Study Committee recommends to the Legislative Council for the consideration and enactment by the Sixty-fifth General Assembly, Second Session, a bill for an Act to create a county compensation board, to provide for its powers and responsibilities, and to make an appropriation.

This bill creates a five-member county compensation board in each county consisting of one mayor and one public member selected by a convention of the mayors of all incorporated cities in the county, one member of a board of directors of a school district and one public member selected by a convention of the members of the boards of directors of the school districts in the county, and a member of the board of supervisors selected by the board of supervisors. The members of the county compensation board must be residents of the county and the public members shall not be officers or employees of the federal government, a state government, or a political subdivision of a state government or a member of the immediate family of a public officer or employee.

It is the responsibility of the county compensation board to review the compensation of the elective county officers annually and establish a compensation schedule for such officers for the succeeding fiscal year. The board must publish the compensation schedule along with a comparison of any compensation study submitted by the Legislative Council in a newspaper having general circulation in the county and hold a public hearing before a final compensation schedule is submitted to the board of supervisors for implementation. The first compensation schedule is to be submitted in December, 1975, to be effective for the fiscal year beginning July 1, 1976.

The bill also provides for an appropriation of \$50,000 to the Legislative Council to provide for a study of the compensation of elective county officers and their appointed employees. The study is to be completed and used as a guide by the county compensation boards in determining their compensation schedules for the fiscal year beginning July 1, 1976.

2. The Local Funding and Budgeting Study Committee recommends to the Legislative Council for the consideration and enactment by the Sixtyfifth General Assembly, Second Session, a bill for an Act to amend Acts of the Sixty-fourth General Assembly, 1972 Session, chapter 1020 (Fiscal Year Law).

This bill provides for the following amendments to the Fiscal Year Act:

a. Authorizes the state comptroller to advance from the road use tax fund, the beer and liquor control fund, the municipal assistance fund, state aid to merged areas, state aid for special education, and state foundation aid, to cities, counties, school districts, and merged areas the principal and interest on general obligation bonds when there are not sufficient funds on hand to pay such obligations when due because of a delay in the collection of tax money levied for such payments.

b. Requires the state comptroller to pay interest on late payments to political subdivisions.

c. Changes the date for the certification of budgets by political subdivisions, except school districts, to the county auditor from February 15 to March 15.

d. Changes the effective dates of sections relating to budgeting procedures for political subdivisions from July 1, 1975 to December 1, 1974.

e. Provides an exception to the fifty percent allowable increase in the millage limitations of political subdivisions during the eighteen-month budget period because some political subdivisions which now operate on a calendar year basis have either greater or lesser expenses during the first half of the calendar year and they would be unable to pay such expenses or would have a surplus of money if the millage limitation were increased by exactly fifty percent.

f. Provides that during the extended fiscal year, a tax sale shall be conducted on June 16, 1975.

g. Authorizes the county auditor to levy taxes for the extended fiscal year in three equal installments and clarifies procedures for computing homestead tax credits, military service tax exemptions and personal property tax credits.

h. Repeals the provision for assessment and taxation of new construction during the extended fiscal year.

i. Authorizes the county auditor ten extra days after receipt of budget estimates to compile the budget estimates and estimate the cash and unencumbered balances of each county fund.

j. Restores original dates for the assessment and collection of taxes for weed eradication so that the assessment for weed destruction will take place on December 15 rather than June 15, and taxes will be due in March rather than September.

k. Changes the date for tax sales during the new fiscal year from the first Monday in June to the third Monday in June to remove possible conflicts with primary elections.

1. Changes the date for the delivery of tax lists to the county treasurer from June 30 to July 31.

m. Changes the date when tax payments are due and payable from the first Monday in July to the first Monday in August. Tax payments are delinquent after August 31.

n. Authorizes the establishment of an encumbrance system of accounting by political subdivisions.

o. Changes several dates in the City Code of Iowa to conform to the Fiscal Year Act.

3. The Local Funding and Budgeting Study Committee recommends to the Legislative Council for the consideration and enactment of the Sixtyfifth General Assembly, Second Session, a bill for an Act to create a county finance committee, specifying its powers and duties; providing for the consolidation of county funds, and providing for the limitation of certain budget expenditures for counties.

This bill establishes in each county a general fund, a debt service fund, a secondary road fund, a human resources fund, and a restricted trust and agency fund, into which existing county funds, programs and activities are consolidated.

a. The general fund will include all revenues to pay for the general operating expenses of the county, court expenses, conservation, historic and recreational expenses, election and voting machine expenses, public safety expenses, animal care, health and disease eradication expenses, agricultural promotion, fairground and related expenses, insurance expenses, planning, zoning and building code expenses and expenses relating to the acquisition, maintenance, and repair of county buildings.

b. The human resources fund will include all revenue to pay for expenses relating to assistance to the poor and indigent, care, treatment and education of the mentally ill, mentally retarded or mentally and physically handicapped, health care facilities and services, care and education of delinquent or dependent children, and other health and welfare programs.

c. The secondary road fund will include all revenue to pay for expenses relating to the construction, reconstruction and maintenance of secondary roads, road clearing, and the eradication of weeds.

d. The debt service fund will include all revenue to pay for the interest and principal on county bonds, court house bonds, memorial hall bonds and other indebtedness authorized by law.

e. The restricted trust and agency fund will include all revenue collected or received from taxes or other sources for particular, restricted purposes such as gifts, money or property received by the county as a trustee or custodian and money collected or received from the taxation of specific

property or from particular taxing districts within the county to be used for particular purposes such as library services and contracts, flood and erosion control, and the planning and maintenance of sanitary disposal projects.

The bill also creates a seven-member county finance committee consisting of the auditor of state or his designee, the state comptroller or his designee, three elected or appointed county officers selected from three county population categories, one certified public accountant experienced in county accounting and one member who is an elector of the state and who is not an elected or appointed officer or employee of government. The appointive members of the committee are to be appointed by the governor for four-year terms with consent of two-thirds of the senate. The principal powers and duties of the committee are to establish guidelines for program-performance budgeting and accounting and the preparation of capital improvement plans by counties, review and comment on the form of proposed budgets, promulgate rules relating to budget amendments and procedures for transferring moneys between funds, establish a modified allowable growth for a county by reducing its allowable growth by not more than fifty percent of the amount of allowable growth established by law for all counties if, in the committee's judgment, the county costs are unreasonably high in relation to comparable costs of counties of similar size, and establish a modified allowable growth for a county by increasing its allowable growth because of unusual circumstances or emergencies as specified in the bill.

The bill also provides for a limitation on the dollar amount of the proposed expenditures for the budgets of the general fund and the human resources fund in lieu of mill levy limitations. Using the proposed expenditures in the budgets of these two funds for the preceding fiscal year as a base and excluding any proposed expenditures received from federal funds, the proposed expenditures from these two funds for a given fiscal year may not exceed the base year expenditures, plus an amount of allowable growth which is determined by a formula based on the growth of the revenue to the general fund of the state and the growth in the property valuations, plus the unspent balance from the two budgets from the base year. This limited budget system will become effective for the budgets of the two funds for the fiscal year beginning July 1, 1975, using two-thirds of the budgets for the extended fiscal year as the first base year. Thereafter, the base year will be the last preceding fiscal year. As stated under the powers and duties of the county finance committee, the committee may increase or decrease the amount of allowable growth for a county, if in its judgment, an increase or decrease is warranted due to past fiscal policy, unusual circumstances, or emergencies.

CONCLUSION

This concludes the Final Report of the Local Funding and Budgeting Study Committee. The bill drafts recommended by the Study Committee were completed by the Legislative

Service Bureau and submitted to the Second Session of the
Sixty-fifth General Assembly.

Respectfully submitted,

LOCAL FUNDING AND BUDGETING STUDY COMMITTEE
REPRESENTATIVE DELWYN STROMER
Chairman