Look Beyond General Fund To Stretch Budget

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The general basic fund produces the most property tax revenue for all Iowa counties. The fund, however, is capped at a rate of $3.50 (except in certain unusual circumstances). As more counties reach that cap, they need to look at alternatives to funding services out of general basic. The two most likely alternatives are the general supplemental fund and the rural fund.

General Supplemental Fund

Let's start with the general supplemental fund. First, the fund can only be used if "the basic levies are insufficient to meet the county's needs…." In other words, you can't use the supplemental levy until the basic levy reaches its cap. The 96 counties at or above $3.50 in the general basic fund have met that requirement. Second, the general supplemental levy can ONLY be used to pay for items specifically listed in Iowa Code §331.424(1). That section lists about 10 items; among the most significant are elections, operation of the courts, certain employee benefits (FICA, IPERS and unemployment, as long as the salaries are associated with general county services), and "any insurance necessary in the operation of the county." The Code language is, for the most part, quite plain and clear. Lastly, it's important to note that the general supplemental fund is limited by use, not by rate. That means that the levy rate can be as high or as low as is necessary to pay for the costs of eligible services.

Services Paid From The Rural Fund

As for the rural fund, there are two ways to know whether or not a service is eligible to be paid for from the rural services fund. First, and easiest, is if the service is explicitly listed in the Iowa Code as a general or rural service. Iowa Code §331.428(2) lists five categories of services – weed management; libraries; landfill operation; FICA, IPERS and unemployment for salaries associated with rural county services; and aviation authorities – as rural. These services are unique in that they "shall not be [paid for] from the general fund." In most cases, that means that they will be paid for from the rural services fund. Two of those services, aviation authorities and employee benefits, may also be paid for from the rural supplemental fund. Like the general, the rural supplemental fund is limited only by use and may only be used when the basic fund has reached its cap. (Eighteen counties are at or above the $3.95 rural basic cap in FY 2006.)

There are also a number of services identified in the Code as general. Iowa Code §331.427(3) lists a number of general services in addition to those eligible for the general supplemental fund under Iowa Code §331.424(1). Expenses for these services, which include those provided by a joint emergency management commission and a county conservation board, "shall not be [paid] from the rural services fund."

The second, often ambiguous, way to determine a service's eligibility to be paid for from the rural fund comes from Iowa Code §331.421(8) – the definition of "rural county services." The Code allows services to be paid for from the rural fund if they "are primarily intended to benefit those persons residing in the county outside of incorporated city areas…." As you can imagine, determining the primary intended benefactor of a service relies on interpretation and is often subject to debate. But the flexibility in that definition allows counties to pay for from the rural fund services that they believe "primarily benefit" rural residents, even if the Code is silent on a specific service. The most visible example of counties interpreting a service as "primarily benefiting" rural residents is uniform patrol. Many counties (56 in FY 2006) now pay a portion of uniform patrol costs from the rural basic fund. Those counties have determined that the having the sheriff's deputies patrol the county is a public safety service that "primarily benefits" the rural areas. In fact, some counties have gone so far as to document statistics – including the amount of time, miles traveled, and citations issued in the rural areas – that help support their claim.

The uniform patrol issue sets a general test, but not a conclusive one, for determining the "primary beneficiary" of a service. If cities in the county provide a service to residents of incorporated areas that is similar to the service the county provides to residents of unincorporated areas, then the county service is probably "primarily intended" to benefit rural residents. In the uniform patrol example, city police departments patrol the city streets, much like county sheriffs' departments patrol the rural areas. Thus, the county service "primarily benefits" rural residents. Other examples of county services that may be similarly provided in cities include sanitation, land use and building controls, and ambulance services. Also, if a county contributes to jointly funding a service with its cities, and the county's contribution is based on the population of the rural areas, then that expense may be eligible to be paid from the rural fund, as long as it isn't expressly prohibited by Code. An important consideration is that expenses and revenues for a service should generally be accounted for in the same fund. For example, if a county is paying for contract law enforcement services from the rural fund, the county should also deposit in the rural fund revenues received under those contracts.

Counties looking to get the most out of their budgets should transfer all eligible expenses to the supplemental funds. And if you're among the 78 counties that have hit the cap in general basic but still have room to spare in rural basic, you may also want to identify services that "primarily benefit" rural residents and transfer expenditures for those services to the rural fund. As always, supervisors should consult their county attorneys when making these important, often controversial, decisions.