

2018 Legislative Recommendations

This document was approved by the Iowa State Association of County Supervisors (ISACS) membership during the ISACS Business Meeting at the 2017 Iowa State Association of Counties (ISAC) Annual Conference.

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HOME RULE STATEMENT

The Iowa State Association of County Supervisors strongly believe in and support the State of Iowa's County Home Rule Constitutional Amendment, amendment 37, passed by the citizens of Iowa on Nov. 7, 1978 and now found in Chapter 331 of the Iowa Code:

Counties home rule. Article III, Sec. 39A.: Counties or joint county/municipal corporation governments are granted home rule power and authority, not inconsistent with the laws of the general assembly, to determine their local affairs and government, except that they shall not have power to levy any tax unless expressly authorized by the general assembly...

The proposition or rule of law that a county or joint county-municipal corporation government possesses and can exercise only those powers granted in express words is not a part of the law of this state.

Iowa Code 331.301: A county may, except as expressly limited by the Constitution of the State of Iowa, and if not Inconsistent with the laws of the general assembly, exercise any power and perform any function it deems appropriate to protect and preserve the rights, privileges, and property of the county or its residents, and to preserve and improve the peace, safety, health, welfare, comfort, and convenience to its residents.

STATE MANDATE STATEMENT

The Iowa State Association of County Supervisors supports the State Mandates Act contained in Chapter 25B of the Iowa Code. State mandates relating to activities of counties and state programs or services performed by counties should be funded as outlined in this chapter. Unfunded and underfunded mandates place an undue burden on property taxpayers that should be the obligation of state taxpayers or those paying a fee for service. The Iowa Legislature should make every effort to respect the spirit of the State Mandates Act and ensure that any state mandate placed on a county is fully funded.

2018 Legislative Objectives

1. Tax Reform

PROBLEM: Property Tax reform legislation that was passed in the 2013 legislative session is providing property tax relief for several classifications and subsets of property, but changing the assessment methodology for certain property has unduly reduced the future revenue of local governments. While the new business property tax credit and legislatively imposed rollback are funded in large part by state dollars, changes to the taxable value of multi-residential and telecommunications property will have a detrimental effect on future property tax revenues. Additionally, capping backfill funding and reducing the assessment growth limitation percentage will only further threaten the future revenue of local governments, and by extension, the services they provide to the taxpayers. In the absence of true reform, Iowa's property tax system is still in need of equity among classes and stability for local governments.

SOLUTION: Comprehensive property tax reform should continue to be a primary goal of the Legislature in 2018 and the years ahead. ISACS supports property tax reform that stabilizes the tax base, resolves unfair discrepancies within the current tax base, improves accountability in the budgeting processes of local governments, and imposes a reasonable limitation on city and county property taxes while maintaining local control for citizens and their elected representatives. The legislature should fully fund the property tax credits and rollback replacement claims, and should consider an appropriation to help local governments deal with the reduction in revenue due to the changes to the assessment methodology for multi-residential and telecommunications property. There are six steps that the Iowa Legislature could take that would improve the system and address the tax burden of local property owners:

1. As the state determines how to manage its funding priorities, the legislature must understand that funding taken from local government will result either in significant cuts in services or increased property taxes. Any proposal brought forth that reduces the percentage at which property is assessed should be revenue neutral or provide the necessary level of funding to replace the loss in local government property tax dollars. Funding for services that the county is required to provide should be equal to the cost of services.
2. Legislation should be passed to decouple agricultural buildings from agricultural land, and to value agricultural buildings at their full market value. Agricultural buildings account for about \$1.5 billion, or 5.1% of agricultural taxable value. However, the value generated from agricultural buildings is automatically subtracted from the value generated for agricultural land by the productivity formula. The result is that the construction of any new agricultural building adds zero net value to Iowa's property tax base. This situation is doubly problematic because large-scale livestock operations and grain facilities impose significant additional costs on counties, such as for road maintenance, without expanding the tax base to help pay for those costs.
3. Legislation should decouple residential and agricultural property for purposes of the assessment growth limitation. The practice of limiting the growth of both classes to the lower level of the two, which began in the late 1970s to address rapidly rising residential values, is outdated and contributes to the growing disparity between residential property and commercial/industrial property. Each class of property should rise or fall, subject to the assessment growth limitation, on its own market factors.
4. The assessment growth limitation should also have a lower limit. While there is currently a ceiling, there is no floor to limit the decline of taxable property value in adverse markets. By setting a limit on the devaluation in a given year, the property tax revenue stream would be protected from sharp declines in property valuation. While the assessed value would decline with the market, the taxable value would not be rolled back as much with lower limits in place.

5. The state sales and use tax should be increased by up to one cent. The first 3/8 of a cent is dedicated to the Natural Resources and Outdoor Recreation Trust Fund, leaving additional sales tax revenue that can be used to fund mental health services currently covered by property taxes. The remainder of the increased revenue could be used to provide income tax relief.
6. The legislature should allow local governments to diversify their revenue sources. One progressive tax alternative to explore is a local option income tax surcharge that could be imposed by counties to generate additional revenues.

2. Water Quality Management

PROBLEM: It has been well documented by numerous sources that there is a need to provide adequate, sustainable, dedicated state financial resources to address the state-wide concerns related to Iowa's "Water Quality Management" issues. Specific concerns relate to the unacceptable high level of nitrates and phosphorus that are entering our water system. In addition, there are on-going issues that must be addressed in our efforts to minimize future losses caused by flooding through effective flood mitigation programs.

SOLUTION: ISACS recommends the following:

1. The passage of a state-wide sales tax increase of at least 3/8s of a penny in support of the "Natural Resources & Outdoor Recreation Trust Fund", or "I-WILL", as it is commonly referred to.
2. The maintaining of the distribution formula found in Iowa Code Chapter 461, outlined by the Iowa Legislature in support of the 2010 vote by Iowans on the Constitutional Amendment.
 - 23% of the moneys will be allocated to a "Natural Resources" account, created in the "trust fund" to be used by the Iowa Department of Natural Resources
 - 20% of the moneys are to go to a "soil conservation and protection" account created in the "trust fund" to be used by the Department of Agriculture and Land Stewardship for "soil conservation and water protection"
 - 14% of the moneys are to be used for watershed protection
 - 13% of the moneys are to fund the "Iowa Resource Enhancement and Protection" (REAP) Fund
 - 13% of the moneys are to be used for local conservation partnerships
 - 10% of the moneys are to be used for land-based trails
 - 7% of the moneys are to be used for lake restoration
3. The identification of additional financial resources to be used to address the "Water Quality Management" issues. Specifically, ISACS would:
 - Encourage significant funding for, and, the aggressive implementation of a "Revolving Loan" program so that critical funds could be used for multiple projects throughout the years ahead.
 - Encourage a significant amount of funding be utilized to assist cities and towns in their efforts to upgrade their water treatment facilities.
4. The implementation of, and funding for, a network of state-wide "Watershed Authorities", through the effective use of 28E agreements. These "Watershed Authorities" could provide coordination of efforts in specific areas/regions of the State.
5. The passage of legislation that would support and encourage public sector entities, such as counties, to be directly involved in "water mitigation" projects that could involve County Conservation Boards, etc.

3. Tax Increment Financing

PROBLEM: Although ISACS supports the intent of legislation designed to encourage economic development, such as Tax Increment Financing (TIF) projects, the overall financial impact on counties can be significant. Several steps can be taken to improve TIF without significantly affecting its use as an economic development tool.

SOLUTION: ISACS supports legislation that:

1. Limits all TIF districts to a certain number of years; this should apply even to TIFs designated for eliminating urban slum or blight and TIFs designated for economic development and created prior to January 1, 1995.
2. Reestablishes the base year or advances to the current valuation level anytime there is a renewal of a TIF district and/or project or anytime the boundaries of the TIF district are modified.
3. Establishes a limit of less than 100% for the division of revenue with the remainder apportioned to the other taxing jurisdictions.
4. Requires a fiscal impact statement be prepared by the entity requesting the TIF prior to final approval.
5. Applies the rollback proportionately to both the base and the incremental valuation in a TIF district.
6. Prohibits the use of TIF revenue for public buildings that would not normally generate property tax revenue.
7. Prohibits tax abatement in TIF and RIZ districts.
8. Provides for formal “oversight” at the State level of the use of the TIF process.

4. Mental Health and Disability Services

PROBLEM: While progress was made during the 2017 session at addressing mental health funding specifically levy equity for counties within mental health regions, challenges remain at providing sufficient resources for core plus services that are being forced upon the regions by the Iowa Department of Human Services. In addition, Iowa still faces shortages in the number of “psychiatric beds” and mental health professionals serving an increasing number of Iowans with severe mental illness.

SOLUTION: ISACS recommends that the Legislature:

1. The 2018 Iowa Legislature should provide for adequate levels of MH/DS services outside of the correctional system. These services would include the necessary number of “psychiatric beds” in our mental health facilities and hospitals to address “acute care” needs. In addition, the Iowa Legislature should address the severe lack of mental health professionals in Iowa especially in our rural areas.
2. The 2018 Iowa Legislature should provide sufficient funding for the effective implementation of a “Children’s Mental Health/Disability Services” program.

2018 Actionable Policy Statements

Increase Iowa Sales Tax by up to 1 Cent

In 2010, Iowa voters supported the concept that if the State of Iowa ever increases their sales tax, the first 3/8s of 1 cent would be constitutionally protected for funding of the "Natural Resources & Outdoor Recreation Trust Fund". ISACS supports this approach. In addition, ISACS would encourage the use of additional sales tax revenue over-and-above the 3/8s of 1 cent to be used to provide additional "Water Management" programs AND to fund the state-wide "Mental Health and Disability Services" programs, currently funded through the use of property taxes. This would provide a direct decrease in property taxes throughout the state, provide an ongoing, increasing funding source for MH/DS programs currently offered and new programs that are needed, including a "Children's Mental Health" program. ISACS would support the establishment of a "Mental Health & Disability Services Trust Fund" that is constitutionally protected, similar to the "Natural Resources & Outdoor Trust Fund" and the "Road Use Tax Fund."

Bonding for County Court House Improvements

Iowa law requires counties to provide and maintain space for the state-run court system. Under current law, bonds issued for public buildings are authorized as "essential county purpose" bonds if the cost of the building project does not exceed dollar amounts specified in the Iowa Code. The limits are indexed to county populations and increase incrementally from \$600,000 to \$1.5 million. Essential county purpose bonds issued within these parameters require a 10-day notice to the public and are not subject to reverse referendum. Bonds that exceed the limit are considered general county purpose bonds and must be approved by referendum with 60% of the voters approving. This is keeping some counties from providing and maintaining adequate space for the courts.

ISACS supports legislation that would amend the Iowa Code to base bond amount limitations for public building on the amount of the bonds issued rather than on the total cost of the project.

County Mandates Related to District Court Security

Security within our District Courts has become a very important issue throughout the State of Iowa. Currently there is no consistency throughout the State as to what security measures should be in place. In addition, the current funding process places the financial burden on any security measures taken on the counties.

ISACS supports efforts to enhance security in our District Courts. However, we would like to work with the State Judicial System to develop consistent requirements for each District Court and a funding solution for the security measures required that does not place 100% of the financial burden on counties.

Ongoing Funding for the "Road Use Tax Fund"

While the Iowa State Association of County Supervisors appreciates the increased funding to the "Road Use Tax Fund" provided by passage of SF257 during the 2015 legislation session, we recognize that adequate funding to properly maintain our highways, roads and bridges is a long-term concern. ISACS supports legislation that would include innovate revenue generating ideas beyond simply a tax on fuel, which we have seen, is a declining source of revenue.

Wind Energy Conversion Property Tax Valuation

Iowa Code 427B.26 provides for the special valuation of wind energy conversion property by ordinance by a county board of supervisors or city council. The code dictates that if the ordinance is adopted, the property is assessed at zero percent of the net acquisition cost in year one, increasing five (5) percent per year for

the second through sixth assessment year, and then remaining at thirty (30) percent for the seventh and subsequent assessment years. In addition to the special evaluation, wind energy conversion property is eligible for the industrial property rollback under Iowa Code 441.21 (5)(c) which provides an additional ten (10) percent rollback. The property is also eligible for the Business Property Tax Credit under Iowa Code 426C which provides a credit equal to the difference in taxes levied between the commercial/industrial rollback and the residential rollback up to the credit base valuation. In total, the property owner would be paying taxes on approximately twenty (20) percent of the net acquisition cost.

ISACS supports legislation that will amend Iowa Code 441.21 (5) (c) and Iowa Code 426C to exclude wind energy conversion property that is already being assessed under the special valuation outlined in Iowa Code 427B.26 from property eligible for the industrial rollback and the Business Property Tax Credit.

E911 Emergency Communications Service Surcharge Fund Usage

During the 2016 legislative session, for the second year in a row, utilized money from the “Carryover Operating Surplus” of the E911 emergency communications fund to pay for a state-wide land mobile radio communications platform under an agreement. However, they did not outline any future year funding plans.

ISACS remains opposed to any additional use of the E911 surplus funds being used for this state-wide communications system in future years.

Review of the “Master Matrix” System

The “Master Matrix System” related to the approval of CAFOs within the State of Iowa has not been updated since 2003.

Due to the fact that the Iowa Legislature is the only body authorized to make any modifications to the “Master Matrix” system, ISACS supports an effort on behalf of the Iowa Legislature to sponsor meetings of interested stake-holders to review the current “Master Matrix” and to evaluate recommendations that may enhance the current system.

Local Government Reform

ISACS opposes any state mandated reorganization of local government based on our belief that any such effort should be citizen-driven.