

# 2020 Legislative Recommendations

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## Contacts

**Jamie Cashman**  
ISAC Government Relations  
Manager  
515.210.9845  
[jcashman@iowacounties.org](mailto:jcashman@iowacounties.org)

**Lucas Beenken**  
ISAC Public Policy  
Specialist  
5515.408.1780  
[lbeenken@iowacounties.org](mailto:lbeenken@iowacounties.org)

## Legislative Committee Members

Mark Campbell (Chair), Webster County  
Bob Beck, Des Moines County  
Scott Belt, Pottawattamie County  
Matt Greiner, Davis County  
Tom Heidenwirth, Butler County

Ann McDonough, Dubuque County  
Don Shonka, Buchanan County  
Dan Skelton, Clay County  
Dawn Smith, Cedar County  
Carol Vinton, Mills County

Committee Staff:  
Jamie Cashman and Lucas Beenken

## 2020 Legislative Statements

### HOME RULE

The Iowa State Association of County Supervisors strongly believes in and supports the state of Iowa's County Home Rule Constitutional Amendment, amendment 37, passed by the citizens of Iowa on November 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 MANDATES

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.

### FUNDING OF LOCAL SERVICES

The Iowa State Association of County Supervisors believes county governments provide high-quality, vital services that the residents of Iowa rely on and desire. Counties utilize a combination of property taxes, local option sales taxes, fees for service, intergovernmental transfers, and other sources of revenue to fund these services. The Iowa Legislature should prioritize modernizing fees for service counties are authorized to collect and consider other means by which local revenue can be generated in order to maintain local services.

## 2020 Legislative Objectives

### 1. Mental Health and Disability Services

**PROBLEM:** Addressing long-term, sustainable funding has long been an issue since Iowa moved to a regional based mental health and disability services (MH/DS) delivery system. When the current MH/DS Property Tax Levy Caps were established, they were based on the core services mandated to MH/DS Regions at the time. Over the last two legislative sessions, new services for addressing complex mental health needs and services for children have now been mandated on the regions without any financial support from the state or giving the counties/regions the necessary ability to fund these services on their own.

**SOLUTION:** ISACS recommends that the 2020 Legislature:

1. Provide the needed funding to counties/regions to ensure stability in the mental health delivery system due to the increased demand for additional services.
2. If no essential revenue is provided from the state, counties should be allowed to exceed their current maximum per capita levy up to \$47.28 to fund new services.
3. If the above remedies are not advanced, an increase in the sales tax should be considered to fund MH/DS that must be constitutionally protected based on a distribution formula that is equitable for all counties in Iowa.

### 2. 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 properties 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 2020 and the years ahead. The Iowa State Association of County Supervisors (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 the commercial and industrial property tax replacement claims (backfill) 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 five 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. The backfill should be fully funded to make up for the reduced taxable value of commercial and industrial property. If the legislature insists on reducing or phasing-out the backfill, it must be done in a responsible manner that does not result in significant property tax increases or cuts to vital services. Funding for services that the county is required to provide should be equal to the cost of services.

2. Legislation should be passed to phase-in a decoupling of 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 and disability services currently covered by property taxes. The remainder of the increased revenue could be used to provide income tax relief.

### 3. Water Quality and Quantity Management

**PROBLEM:** There continues to be a need to provide adequate, sustainable, dedicated state financial resources to address the statewide concerns related to Iowa's water quality management issues. Specifically, the Natural Resources and Outdoor Recreational Trust Fund has not been appropriated any funding since its inception in 2010. In addition, there remains on-going issues that must be addressed in 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 one cent in support of the Natural Resources and Outdoor Recreation Trust Fund, or I-WiLL, to which it is commonly referred.
2. The maintenance 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.
3. The passage of legislation that would support and encourage public sector entities, such as counties, to be directly involved in water mitigation projects that would involve county conservation boards, engineers, and supervisors.

## **Alternative Project Delivery**

ISACS is strongly in favor of allowing counties to utilize alternative project delivery contract methods such as design-build and construction manager-at-risk in the development of public improvement projects.

## **All-Terrain Vehicles on Secondary Roads**

ISACS supports local decision-making regarding the use of all-terrain vehicles (ATVs) on secondary roads. ISACS stands ready to work with the state to develop uniform, statewide rules and guidelines for riders in counties that have authorized ATV use on secondary roads.

## **Bonding for County Courthouse 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.

## **Emergency Medical Services**

ISACS supports legislation intended to provide better coverage and adequate funding of emergency medical services (EMS) in the unincorporated areas. ISACS supports authorization for an ad valorem property tax like the township property tax for fire services. EMS should be considered an essential service, and a dedicated funding mechanism should be authorized.

## **Forest Reserve Property Tax Exemption**

ISACS understands the value of wildlife habitat, water quality, soil preservation, and outdoor recreation provided by property tax exemption for forest reserve land but recognizes there are abuses and misuses of the program and enrolled land still receives public services such as road maintenance and emergency services. ISACS supports exploring a partial rollback of the exemption or a payment-in-lieu-of-taxes, consideration of moving the minimum acres for qualification from two to five acres, and increased tools for enforcement of program rules.

## **Increase Iowa Sales Tax by up to One Cent**

In 2010, Iowa voters supported the concept that if the state of Iowa ever increases its sales tax, the first 3/8s of one cent would be constitutionally protected for funding of the Natural Resources and 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 one cent to be used to provide additional water management programs and to fund the state-wide mental health and disability services (MH/DS) 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 an MH/DS Trust Fund that is constitutionally protected, similar to the Natural Resources and Outdoor Trust Fund and the Road Use Tax Fund.

## **Land Banks**

ISACS supports enabling legislation to authorize the creation of municipal land bank entities. Land banks have proven effective in other states in decreasing the number of blighted and abandoned properties in the region, increasing the access to affordable housing, increasing access to buildings and land to redevelop, increasing tax revenues, and turning community liabilities into assets. Enabling legislation should create a framework to provide the entity with the special powers necessary to have an impact in Iowa and provide a basis for city and county powers, taxation of properties, and tax sales.

## **Local Government Reform**

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

## **Ongoing Funding for the Road Use Tax Fund**

While ISACS appreciates the increased funding to the Road Use Tax Fund provided by passage of SF 257 during the 2015 legislation session, we recognize that adequate funding to properly maintain our highways, roads, and bridges is a long-term concern. More needs to be done to fund the maintenance and repair of our aging infrastructure. ISACS supports legislation that would include innovative revenue generating ideas, such as surcharges, impact fees, development fees, or licensing fees. Current fees should be modernized, and the fuel tax should apply to dyed fuels. ISACS also supports an increase in the per gallon federal fuel tax.

## **Review of the Master Matrix System**

The Master Matrix System related to the approval of confined animal feeding operations (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. As this subject continues to be of growing concern to some county boards of supervisors, ISACS strongly encourages that this review be conducted by 2022. Further, ISACS also calls for the livestock industry to continue to work with supervisors on individual siting proposals and to push for dialogue in counties where this is not taking place.

## **Tax Increment Financing**

ISACS supports tax increment financing (TIF) as an economic development tool for counties and cities, but the overall financial impact of divided revenue can be significant. To improve TIF without significantly impacting its use as an economic development tool, all TIF districts should be limited to a certain number of years, and perpetual TIF districts should be phased-out. The base year should be re-established anytime there is a renewal. ISACS supports the current division of revenue and would oppose the elimination of certain jurisdictions when dividing 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 percent per year for the second through sixth assessment year, and then remaining at 30% for the seventh and subsequent assessment years. In addition to the special valuation, wind energy conversion property approved by the Iowa Utilities Board (IUB) prior to July 1, 2018, is eligible for the industrial property rollback under Iowa Code §441.21 (5)(c) which provides an additional 10% rollback. The property is also eligible for the Business Property Tax Credit (BPTC) 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. Legislation was passed in 2018 to not allow the additional rollback and BPTC for wind energy conversion property approved by the IUB after July 1, 2018. ISACS supports legislation that would amend Iowa Code §§441.21 (5)(c) and 426C to exclude all 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.