

1. Mental Health and Disability Services

PROBLEM: Addressing long-term, sustainable funding has been an issue since Iowa moved to a regional based mental health and disability services (MH/DS) delivery system. This need has only increased as 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. This situation has been complicated further by the tremendous demand for basic core mental health services as a result of the COVID-19 pandemic. Finally, as mental health access centers begin to provide services, we have seen implementation challenges that need to be addressed to make sure all parties are best served.

SOLUTION: ISACS recommends that the 2021 Legislature:

1. Provide the needed funding to counties/regions to ensure stability in the MH/DS delivery system due to the increased demand as a result of the COVID-19 pandemic and state mandates 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 of \$47.28 to fund new services.
3. If the above remedies to the lack of funding are not advanced, counties/regions should be allowed flexibility in the implementation of recent mandates and not be penalized if circumstances prevent implementation of those services. Specifically, the recent mandates are those related to the following:
 - a. New services for complex mental health needs.
 - b. The second set of services for children's mental health: crisis stabilization residential beds, inpatient, and crisis stabilization community-based services.
4. The requirement that counties can only carry forward a fund balance of 40% should be delayed or eliminated.
5. Review current Iowa statutes and administrative rules pertaining to access centers to ensure they meet the needs of the patient, mental health region, and county law enforcement. In addition, there should be an exploration of ways to streamline the involuntary commitment process to address this as well.

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/

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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 significant need to provide adequate, sustainable, and 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.

4. Broadband Expansion

PROBLEM: High-speed broadband internet service is not readily available in many parts of rural Iowa and even in some urban areas. Broadband access is required to grow existing and to attract new business and industry, keep people connected, and provide for the education of Iowa's children.

SOLUTION: ISACS encourages continued efforts for broadband expansion, but it must be achieved without inhibiting local control of decision making and zoning ordinances.

5. Emergency Medical Services

PROBLEM: Emergency Medical Services (EMS) are insufficient in many parts of the state due to a lack of a stable funding mechanism, leaving rural residents lacking vital services in a time of need.

SOLUTION: ISACS recommends the passage of legislation intended to provide better coverage and adequate funding of EMS in the unincorporated areas by allowing boards of supervisors to declare EMS an essential service and put in place an ad valorem property tax to fund the operations.

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.