

The Iowa League of Cities is opposed to HF 2771 for reasons outlined below. Primary concerns include:

- No provision is made for an adequate revenue base to fund critical city services.
- Tying commercial and industrial properties into the rollback formula might temporarily shift tax burdens onto residential and agricultural property owners, but the long-term effect will be severe revenue restriction and reduction or elimination of basic city services. (No fiscal note was available when this summary was prepared. See projections from the fiscal division of the Legislative Services Agency for a similar bill in 2005 on page 2).
- The bill effectively mandates reductions in funding for parks, libraries and city management by establishing a system guaranteed to result in funding losses and requiring "non property-related services" to be cut first.

Section-by-Section Analysis of HF 2771

Division I – Local Budgets

Sections 1, 2 & 11 – Resolution to Increase Taxes and Limitation on Tax Dollars Certified. Limits cities and counties to the property taxes certified for the previous fiscal year unless a resolution is adopted indicating the board or council plans to increase tax collections. Any decision to increase taxes is already openly discussed in budget hearings. A better approach is to provide a clear explanation to property owners of the property tax decision by changing the form of the published budget as outlined in HSB 727, the joint proposal for property tax reform from the Iowa League of Cities and Iowa State Association of Counties.

Section 3 – Budget protest. Decreases number of signatures necessary to file a county budget protest with the state once the budget has been adopted and certified.

Sections 4 (county), 7 (township) & 10 (city) – Real Property-related Services. When funding losses are experienced by local governments (as will occur as a result of Division II of the bill), these sections require cities, counties and townships to first reduce funding to “services not related to real property” before decreasing funding for “real property-related services,” which for cities are defined to include items such as law enforcement, fire protection, emergency medical services, street lights, water, sewage and sewage disposal, garbage pickup and disposal, landfills, roads, streets and sidewalks, bridges, snow removal, and local emergency management. This provision is apparently intended to prohibit local governments from claiming that these services will be reduced when funding cuts occur. The *Code of Iowa* already mandates provision of some of these services, including fire and law enforcement services which typically comprise 50% or more of a city's general fund budget. We do not specifically agree that these services are "property-related" while all others or not. The bill would require that all services not related to property be reduced before even one of the "property-related services" could be cut. City and county officials are in the best place to determine where reductions should be made, and should not first be required to reduce funding from all non-property-related services before a reduction may occur to a property-related

service. Any provision requiring them to fund services should ensure adequate funding to do so.

Sections 5 and 6: Requires that if township trustees fail to post notice of a meeting, they are not to receive payment for attending the meeting.

Sections 8 & 9 – Tax Abatement for Annexed Land. Requires cities to phase in city property taxes for properties included in an annexation area without the consent of the landowner. Current law gives cities the discretion to offer abatement at an appropriate level, but NO GREATER than that outlined in Section 368.11, subsection 3, paragraph m of the *Code of Iowa*, as an incentive for landowners to consent to annexation. Under the proposal, which requires abatement at a level NO LESS than outlined in the section, the abatement would instead serve as a disincentive to agree to voluntarily annex. Often, property owners on the edge of a community are benefiting from city services without contributing toward them, and this provision would force property owners within the city limits to continue to shoulder costs during the transition as well as higher costs associated with the involuntary annexation process.

Section 12 – Effective date.

Division II – Property Tax Limitation from Rollback Formula Changes

Section 13 - 15 – Ties commercial and industrial properties into the rollback formula which currently ties agricultural and residential properties together. The percentage increase in growth for each of the four classes would be limited to the lowest percentage increase experienced by one of the classes, all of which fall under a top limit of 4%. Applies retroactively to 1/1/06 for assessment years beginning on or after that date. A fiscal analysis by the Fiscal Division of the Legislative Services Agency conducted of HF 847 in 2005 demonstrated that the losses to local government over a ten-year period were projected as follows (see fourth column). We believe similar losses would occur from HSB 766.

<u>Fiscal Yr.</u>	<u>Assess Yr.</u>	<u>Valuation Change (\$B)</u>	<u>Revenue Loss (\$M) City/Cnty/School</u>	<u>State Cost (\$M) Uniform Levy \$5.40</u>
2007	2005	\$1.5	\$51.8	\$8.0
2008	2006	2.3	80.0	12.3
2009	2007	2.7	93.3	14.4
2010	2008	2.4	84.5	12.9
2011	2009	2.7	93.9	14.5
2012	2010	2.3	80.0	12.3
2013	2011	3.8	134.0	20.7
2014	2012	4.9	169.9	26.2
2015	2013	7.3	253.8	39.2
2016	2014	7.6	267.4	41.3

Division III – County Compensation Boards

Sections 16 – 22 – Abolishes county compensation boards and requires county supervisors to set the compensation schedule for county officers. Under current law, supervisors can adjust recommendations from the compensation board but only on an across-the-board percentage basis for an increase or decrease. This provision in the Code is intended to ensure that partisanship does not affect the level of wages set for county elected officials (i.e. fear that a Republican board of supervisors might increase the wages of a Republican auditor while decreasing the wages of the Democratic county attorney).