

County secondary road fund local effort

The provisions of HR 718 did not consider the effects of reducing property tax levies on areas of the Code of Iowa that require a minimum local effort for the county secondary road fund. Local effort is defined as locally raised revenue transferred by the county auditor to the secondary road fund for each county and may include property taxes, local options sales taxes, county reserves, or other fund sources available to the counties. The provisions of HF 718 are particularly problematic for counties that are currently providing the minimum local effort. Local effort as defined in the attached code sections is a straight percentage of available property tax funding and is not reduced 2% or 3% as provided by the step reductions in HF 718. The current law will put some counties into non-compliance with minimum local effort provisions in the code of Iowa.

309.10 Use of farm-to-market road fund.

2. A county shall not use farm-to-market road funds as described in this section unless the total funds that the county transferred or provided during the prior fiscal year pursuant to section 331.429, subsection 1, paragraphs "a", "b", "d", and "e", are at least seventy-five percent of the sum of the following:

- a. From the general fund of the county, the dollar equivalent of a tax of sixteen and seven-eighths cents per thousand dollars of assessed value on all taxable property in the county.
- b. From the rural services fund of the county, the dollar equivalent of a tax of three dollars and three-eighths of a cent per thousand dollars of assessed value on all taxable property not located within the corporate limits of a city in the county.

312.2 Allocations from fund.

5. a. The treasurer of state, before making any allotments to counties under this section, shall reduce the allotment to a county for the secondary road fund by the amount by which the total funds that the county transferred or provided during the prior fiscal year under section 331.429, subsection 1, paragraphs "a", "b", "d", and "e", are less than seventy-five percent of the sum of the following:
 - (1) From the general fund of the county, the dollar equivalent of a tax of sixteen and seven-eighths cents per thousand dollars of assessed value on all taxable property in the county.
 - (2) From the rural services fund of the county, the dollar equivalent of a tax of three dollars and three-eighths of a cent per thousand dollars of assessed value on all taxable property not located within the corporate limits of a city in the county.
- b. Funds remaining in the secondary road fund of the counties due to a reduction of allocations to counties for failure to maintain a minimum local tax effort shall be reallocated to counties that are not reduced under this subsection pursuant to the allocation provisions of section 312.3, subsection 1, based upon the needs and area of the county. Information necessary to make allocations under this subsection shall be provided by the state department of transportation or the director of the department of management upon request by the treasurer of state.

331.429 Secondary road fund.

1. Except as otherwise provided by state law, county revenues for secondary road services shall be credited to the secondary road fund, including the following:

a. Transfers from the general fund not to exceed in any year the dollar equivalent of a tax of sixteen and seven-eighths cents per thousand dollars of assessed value on all taxable property in the county multiplied by the ratio of current taxes actually collected and apportioned for the general basic levy to the total general basic levy for the current year, and an amount equivalent to the moneys derived by the general fund from military service tax credits under chapter 426A, manufactured or mobile home taxes under section 435.22, and delinquent taxes for prior years collected and apportioned to the general basic fund in the current year, multiplied by the ratio of sixteen and seven-eighths cents to three dollars and fifty cents. The limit on transfers in this paragraph applies only to property tax revenue and is not a limit on transfers of revenue generated from sources other than property taxes.

b. Transfers from the rural services fund not to exceed in any year the dollar equivalent of a tax of three dollars and three-eighths cents per thousand dollars of assessed value on all taxable property not located within the corporate limits of a city in the county multiplied by the ratio of current taxes actually collected and apportioned for the rural services basic levy to the total rural services basic levy for the current year and an amount equivalent to the moneys derived by the rural services fund from military service tax credits under chapter 426A, manufactured or mobile home taxes under section 435.22, and delinquent taxes for prior years collected and apportioned to the rural services basic fund in the current year, multiplied by the ratio of three dollars and three-eighths cents to three dollars and ninety-five cents. The limit on transfers in this paragraph applies only to property tax revenue and is not a limit on transfers of revenue generated from sources other than property taxes.

There are three possible "fixes" to the code language that I can see that would not penalize counties complying with the new HF 718:

- 1) Eliminate the minimum local effort provisions from the code of Iowa.
- 2) If counties are levying less than 100% of allowable local effort, apply HF 718 restrictions on growth only after sections 331.429, 312.2 and 309.10 are satisfied.
- 3) Index minimum local effort provisions of 309.10 and 312.2 by the same formula that is used to limit property tax growth.

YEAR	Rural Taxable Valuation with CF	General Taxable Valuation with CF	% age Increase In Rural Valuation	% age Increase In Gen'l basic valuation	Potential Property Tax Revenue **	75% Minimum Local Effort	LOSST Revenue	Property Tax Needed for Min. Local Effort	County Rural Basic Property Tax Total	FY Rural Levy (Per HF 718 after 2024)	Minimum Local Effort (Shortfall) or Excess
2019	\$ 1,142,664,140.00	\$ 4,277,799,532.00	2.901%	4.649%	\$ 4,154,196.08	\$ 3,115,617.06	\$ 2,060,000.00	\$ 1,095,617.06	\$ 1,176,584.00	\$ 1.0296849	
2020	\$ 1,276,249,410.00	\$ 4,471,884,941.00	10.467%	4.340%	\$ 4,588,164.75	\$ 3,441,123.56	\$ 2,060,000.00	\$ 1,381,123.56	\$ 1,450,000.00	\$ 1.1361416	
2021	\$ 1,316,354,846.00	\$ 4,809,074,553.00	3.047%	7.012%	\$ 4,765,532.20	\$ 3,574,149.15	\$ 2,400,000.00	\$ 1,174,149.15	\$ 1,650,000.00	\$ 1.2534614	
2022	\$ 1,348,090,354.00	\$ 4,895,446,374.00	2.355%	1.764%	\$ 4,875,460.01	\$ 3,656,595.01	\$ 2,400,000.00	\$ 1,256,595.01	\$ 1,610,000.00	\$ 1.1942740	
2023	\$ 1,395,536,933.00	\$ 5,069,560,203.00	3.399%	3.434%	\$ 5,047,332.35	\$ 3,785,499.26	\$ 2,400,000.00	\$ 1,385,499.26	\$ 1,610,000.00	\$ 1.1536778	
2024	\$ 1,484,125,729.00	\$ 5,283,087,945.00	5.969%	4.042%	\$ 5,349,463.75	\$ 4,012,097.81	\$ 2,500,000.00	\$ 1,512,097.81	\$ 1,732,500.00	\$ 1.1679539	
*2025	\$ 1,550,099,673.00	\$ 5,573,311,871.00	4.445%	5.493%	\$ 5,596,608.27	\$ 4,197,456.20	\$ 2,525,000.00	\$ 1,672,456.20	\$ 1,774,034.26	\$ 1.1444640	\$ 101,578.05
*2026	\$ 1,611,289,803.40	\$ 5,755,505,227.13	3.947%	3.269%	\$ 5,811,193.25	\$ 4,358,364.94	\$ 2,550,250.00	\$ 1,808,114.94	\$ 1,807,906.08	\$ 1.1220242	\$ (208.86)
*2027	\$ 1,673,979,897.50	\$ 5,942,521,783.94	3.891%	3.249%	\$ 6,031,017.67	\$ 4,523,263.25	\$ 2,575,752.50	\$ 1,947,510.75	\$ 1,841,417.53	\$ 1.1000237	\$ (106,093.23)
*2028	\$ 1,743,263,094.42	\$ 6,139,861,237.46	4.139%	3.321%	\$ 6,272,428.10	\$ 4,704,321.08	\$ 2,601,510.03	\$ 2,102,811.05	\$ 1,880,030.08	\$ 1.0784546	\$ (222,780.97)
*2029	\$ 1,808,466,537.26	\$ 6,336,962,624.59	3.740%	3.210%	\$ 6,501,543.80	\$ 4,876,157.85	\$ 2,627,525.13	\$ 2,248,632.73	\$ 1,912,106.90	\$ 1.0573084	\$ (336,525.83)
*2030	\$ 1,880,338,483.37	\$ 6,544,689,453.32	3.974%	3.278%	\$ 6,752,483.06	\$ 5,064,362.30	\$ 2,653,800.38	\$ 2,410,561.92	\$ 1,949,115.40	\$ 1.0365769	\$ (461,446.52)
*2031	\$ 1,948,208,337.87	\$ 6,752,489,836.92	3.609%	3.175%	\$ 6,991,413.45	\$ 5,243,560.09	\$ 2,680,338.38	\$ 2,563,221.71	\$ 1,979,870.32	\$ 1.0162518	\$ (583,351.39)
*2032	\$ 2,017,471,688.01	\$ 6,965,881,632.03	3.555%	3.160%	\$ 7,235,473.11	\$ 5,426,604.83	\$ 2,707,141.76	\$ 2,719,463.07	\$ 2,010,058.16	\$ 0.9963253	\$ (709,404.91)
*2033	\$ 2,093,525,338.65	\$ 7,190,387,580.99	3.770%	3.223%	\$ 7,501,804.64	\$ 5,626,353.48	\$ 2,734,213.18	\$ 2,892,140.30	\$ 2,044,933.67	\$ 0.9767895	\$ (847,206.63)
*2034	\$ 2,165,702,348.81	\$ 7,415,470,458.42	3.448%	3.190%	\$ 7,756,589.07	\$ 5,817,441.80	\$ 2,761,555.31	\$ 3,055,886.49	\$ 2,073,956.29	\$ 0.9576368	\$ (981,930.20)
*2035	\$ 2,244,797,069.27	\$ 7,652,018,222.17	3.650%	3.190%	\$ 8,039,967.12	\$ 6,025,475.34	\$ 2,789,170.87	\$ 3,236,304.47	\$ 2,107,511.76	\$ 0.9388596	\$ (1,128,792.71)
*2036	\$ 2,384,285,181.35	\$ 7,953,764,168.84	6.216%	3.943%	\$ 8,503,994.32	\$ 6,377,995.74	\$ 2,817,062.58	\$ 3,560,933.16	\$ 2,194,616.74	\$ 0.9204506	\$ (1,366,316.42)
											\$ (6,642,479.62)
*Calculated years under HF718											
** This is the potential revenue at the maximum rural basic and general basic levy.											