



2023 GENERAL ASSEMBLY LEGISLATIVE BRIEFING

PRESENTED BY:

L&L Murphy Consulting & Grant Consulting
Larry Murphy, Lobbyist
Gary Grant, Lobbyist

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L&L Murphy Consulting, Associates

And

Grant Consulting, LLC

URBAN COUNTY COALITION

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Gary Grant
Grant Consulting
319-721-5977
Email: gary@grantconsultingllc.com

Larry Murphy
L&L Murphy Associates, Consulting
Office 319.283.4143 / Cell 319.361.3824
Email: larry@llmurphy.com



2023 Legislative Priorities - FINAL

The Urban County Coalition is a coalition of the five largest counties in eastern Iowa. We are committed to preserving local control and decision-making authority to give our constituents the greatest control and accountability over their governments. We believe that Thomas Jefferson was correct when he said, “The government closest to the people, serves the people best.”

Local Option Sales Tax and the Iowa Water and Land Legacy Fund: The current proposals to activate the 3/8th of one cent sales tax to fund the Iowa Water and Land Legacy trust fund are not the approach we support to fund the IWLL trust fund. Currently most jurisdictions across Iowa have, by voter referendum, approved a local option sales tax. Approval of this tax has provided local voters with an important revenue stream to fund initiatives ranging from property tax relief to road spending. Current proposals to convert this to a statewide sales tax and impose the local option sales tax in every jurisdiction is what has been proposed. This would trigger a constitutional amendment and require the allocation of 3/8th of a cent to the Iowa Water and Land Legacy trust fund (IWLL). While the Urban County Coalition has historically supported funding the Iowa Water and Land Legacy fund, the method proposed is not what we believe Iowans voted for when this passed more than a decade ago.

Our first concern is that voters across Iowa who have voted to utilize the local option sales tax have approved revenue purpose statements (RPS). Those that may have a RPS that expire or may have reauthorized the LOST and the new RPS does not take effect until after January 1, 2023, will have their RPS voided and be required to either adopt a new RPS by city or county resolution, or spend the revenue in accordance with a state formula. In our opinion, this shows a clear disregard for the will of the voters who have voted to pay a tax to accomplish locally vital initiatives. Current proposals also sunset this provision in 2035 after which no jurisdiction will have the authority to take a LOST proposal to a vote, denying voters the opportunity to determine whether they want to choose to undertake large community projects or provide property tax relief, or increase spending on road projects.

This approach would also leave a shortfall in the sales tax pool that would have to be “backfilled” with state general funds. We are not confident that any backfill on monies going to local governments would continue for very long. Any such commitment to local government has a shelf life of two years until the next election when future General Assemblies can “not-withstand” the commitment for other statewide priorities. Future General Assemblies are not bound by commitments of previous General Assemblies.

Property Taxes: Local governments are focused on making sure that our constituents get the services they demand for the best value. We are happy to engage in discussions on how to

efficiently manage tax dollars while maintaining services taxpayers expect. Issues like unfunded mandates and user fees that have not kept pace with actual costs, and therefore must be supplemented with property tax dollars, make this a complicated discussion. In addition, we encourage the legislature to remember that the elimination of the mental health levy was offset by the elimination of the backfill from the commercial property tax reduction. We also believe this discussion should include a recognition that local governments are largely entirely reliant on property taxes to fund the services our constituents expect. **We do believe that any discussions of real reform of property taxes in Iowa must be holistic in nature and must include reviewing all taxing entities and not just cities and counties.**

Mental Health Funding: We appreciate that the Legislature has taken a major step toward sustainable funding for both the children and adult mental health systems. We would encourage them to make sure that they keep in mind several challenges that remain and **continue to follow the process outlined in SF 619 when the State assumed mental health funding:**

- Workforce continues to be a significant challenge for service providers. We appreciate the legislature's allocation of \$14 million for HCBC waiver providers, but we believe that Medicaid rates will continue to present providers with difficulties in recruiting and retaining an adequate workforce and should be examined to determine if those rates reflect current employee recruitment challenges faced by providers.
- Now that there are several Access Centers open across the state, we would encourage the legislature to allow ambulances to transport people directly to access centers and be eligible for reimbursement from Medicaid.
- Allow regions to maintain a fund balance that is adequate (10%) to make sure payments to providers are made on time.
- Allowing access centers to bill for treating substance abuse cases that come from outside of the county.

Unfunded and Underfunded Mandates: We encourage the Legislature to act to reduce the instances of cost shifting identified below to eliminate the burdens they place on property taxpayers. The two areas that have the largest impact on local property taxes are colocation of state offices (DHS) and courthouse maintenance and security. We would encourage the General Assembly to conduct an interim study to update its study done a decade ago. Those two issues (Colocation and Security Expenses) are detailed below.

There are others as well that are delineated on the following page.

- **Housing State Offices at Local Taxpayer Expense** – Currently urban counties are forced to house a variety of state agencies (DHS and the Courts, for example) and receive little or no reimbursement from the State. In addition, counties are forced to pay for expenses such as postage and office supplies and equipment at local property taxpayer's expense. We request that the State no longer require that counties subsidize the local office expenses of state agencies. We would encourage the Legislature to pay particular attention to the document storage requirements of the Iowa Department of Human Services.
- **Courthouse Security and Expenses** - Like the housing of state agencies, local property taxpayers are bearing the entire burden of upgrading, modifying, or even replacing aging

courthouses. There is a court expense added to virtually every criminal or civil action but none of this money goes to pay actual courthouse expenses. There needs to be an update of the 1984 compromise when the state absorbed the court system from county governments but left the expenses of the court system on local property taxpayers. With the advent of the 9-1-1 requirements on local government plus the need for security for the court system two decades ago, the state needs to share in these costs. We request the state allocate a portion of these funds to counties for courthouse maintenance and security. This is also an area where the state imposes costs on local governments by not moving the agencies to a paperless document storage program like it has other state agencies.

- **Publishing Costs** – Reduce publishing costs to local governments for publishing meeting and legal notices on-line and require only a summary to be published in local print outlets. Additionally, allow counties to publish in only one local newspaper. We would also encourage the Legislature to provide a clearer definition of proceedings (for example, does proceedings mean the entire verbatim transcript of the meeting or does it mean a summary transcript of the meeting). *At one time, when there were many local newspapers with circulation throughout the county, it might have made sense to require multiple outlets for official documents. But now with the loss of many smaller newspapers, consolidation of existing ones with larger circulation and many being owned by out of state newspaper corporations, it makes sense to reduce the number of outlets required for public notices.*
- **Paper Document Storage** - We request that the State make significant investments in the courts system and the Department of Human Services to increase their document digitization efforts and review all state requirements that deal with the retention of documents.
- **Public Service Fees** - The Legislature needs to help local governments find a mechanism that makes fees more accurately reflect the cost of providing the services. Last year, the Legislature agreed to raise the fee for food inspection services but there are others that are currently still subsidized by property taxpayers. For example, the medical examiners fee for cremation permits has been set at \$75, to reflect the cost of that service; the fee should be adjusted to at least \$100 (The actual cost of providing these permits can be as high as \$150).
- **EMS Services** - We appreciate that the Legislature provided a mechanism for local authorities to help fund these services, but the State has still provided zero funding. We believe that now that local taxpayers and the federal government have “skin in the game;” the State needs to provide a program whereby local funds can be matched by state funds to provide these services. This program is too vital to the life and health of Iowans to remain an unfunded mandate.
- **Medicaid reimbursement to county-owned facilities:** Counties that still have county hospitals are not receiving the state set rate for RCF services. The MCO’s are paying the lower negotiated rate (80%). The counties in the UCC that are providing these services did not negotiate this lower rate and in the absence of a negotiated rate the MCO’s should be required to pay the state negotiated rate. The current system of managed care has failed, and the Legislature must address the issue by finding other sustainable options.

Funding Place Making programs: We applaud the Governor for allocating \$100 million for Place Making projects in her Destination Iowa program. We believe that this is a critical recognition that the workforce shortage problem will take a multifaceted approach to attracting and retaining talent to Iowa. We encourage the Legislature to continue to leverage the significant community investments being made and better fund the several programs (Community Attraction and Tourism program, Enhance Iowa, Great Places, Downtown Revitalization Fund) Iowa currently has in place to encourage local communities to improve and expand quality of life investments in Iowa.

County Bonding: The UCC appreciates the Legislature adding the ability to make disaster recovery and mitigation an essential county purpose. We believe that in matters of public finance, counties should be treated in the same manner as cities. The UCC supports allowing counties the same flexibility in bonding for certain projects that the cities currently are allowed. We also ask that the limit be raised to a consistent level with cities, currently \$5 million. In addition, the definitions of essential county purposes have not been updated to address new challenges faced by counties. We ask that the following category be added to essential county purposes: Courthouse Improvements and Upgrades. In addition, we request the Legislature consider allowing counties to establish a fund to address the rapid deterioration of our rural roads where funds can be earmarked for infrastructure adversely affected by rainfall, flooding, and other weather events. With the increased costs of construction materials and the increase in the amount of precipitation being experienced in recent years, it is not possible to keep up with maintenance of rural gravel roads and small bridges with the current funding systems. Cities currently have the authority to establish a capital improvement fund for projects like these on a pay as you go basis. Counties need to have a similar authority to make sure that when large expenditures are necessary, strategies can be developed to minimize the effect on taxpayers.

Additional Issues

Eminent Domain: We believe that the use of eminent domain should be reserved for public entities and only for projects with a demonstrable public good.

Iowa Public Employees Retirement System: Iowa has one of the most solvent and well-funded public retirement systems in the United States. It has maintained that status with conservative investment policies and conservative growth projection. IPERS is an important and effective recruiting tool to help government agencies attract talented workers. We encourage the Legislature to carefully consider the long-term implications to that viability before any changes are made to the current system. Additionally, we would request that the State remove the increases in IPERS contributions from the growth limitations outlined in the 2019 Property Tax Reform Bill. Local governments have no control over this and to make it subject to the growth limitations is a burden to local governments.

Water Quality: We support the funding of the Iowa Water and Land Legacy fund established by constitutional amendment as passed by two thirds of Iowa voters. The UCC would be opposed to any efforts to change the formula to anything other than that which was overwhelmingly approved by voters. We would also ask the Legislature to look closely at local partnerships that have been

established and are having a positive effect. These efforts, including watershed management authorities, should be given the resources they need to make sure the work they are doing can continue.

Dangerous Drug Use: The UCC encourages the General Assembly to continue to seek additional measures that mitigate and curb the abuse of opioids and other injection-drugs. We appreciate the action the Legislature took to enhance the Iowa Prescription Management Program, a key part of any strategy employed to reduce the abuse of prescription drugs. Opioid-related deaths in Iowa are down, the use of opioids and the abuse of prescription drugs still impacts Iowa families. In addition, we urge the Legislature to work with law enforcement and public health groups to make sure that Iowa's drug paraphernalia laws are compatible with best practices with regards to evidence-based harm reduction strategies. One example is that fentanyl test strips can be an important tool in harm reduction strategies and should not be considered drug paraphernalia. The UCC also continues to encourage the Legislature to fund the drug courts.

Tax Credits: Tax credits play a major role in rebuilding communities. While we understand that these programs should be used judiciously, we believe that the current tax credit programs work (such as the Historic Tax Credit, the Endow Iowa Tax Credit, and the Renewable Energy Tax Credit). Any policy that proposes to change the way these credits currently work should be carefully balanced against the economic/tourism value if implemented.

Tax Increment Financing: We understand that this is an important tool (and one of the few) left to local governments to encourage economic development. We request that the Legislature treat county governments in a similar manner to school districts -- namely consider a mechanism to replace revenue lost from TIF districts when they are established in counties. Should changes be considered, we ask that the Legislature make counties more active partners in the use of TIFs.

Payment in Lieu of Taxes: We request that the State consider clarifying the statute governing PILT and make it mandatory that when PILT agreement is reached that the payment is distributed among all the taxing jurisdictions based on the levy structure in place at the time of the agreement.

REAP: We encourage the Legislature and the Governor to continue the program and fully fund the program at the \$20 million level. By not adequately funding the REAP program, the Legislature is forcing local communities to look towards conservation bonding, with its property tax implications, as well as other avenues to fund projects already supported by voters.

Emergency Management Agency Funding: The current funding formula does not adequately address the needs of the urban counties in Iowa. The UCC encourages the Legislature to eliminate the funding cap on urban counties. We also encourage the State to pass through 80 percent of the federal funding it receives to counties.

Early Voting: The UCC requests that the Legislature reinstate the ability to conduct elections to the locally elected officials who by law are empowered to conduct elections. Many of the changes recently enacted by the General Assembly have made it more difficult for both the voters to cast votes, and more difficult for local officials who are charged to conduct elections by state law.

Manufactured Housing Communities: Manufactured and mobile home communities are critical to the affordable housing infrastructure in rural Iowa. Counties have seen a dramatic increase in the purchase of these communities by out-of-state companies. While we appreciate the legislature beginning to address this problem recently, we believe that the state should continue its work to make sure that residents of manufactured housing communities enjoy similar protections to those offered by Iowa's landlord/tenant laws.

Alternative Project Delivery: We believe that the Iowa General Assembly should consider allowing alternative methods of project delivery when it is the best interest of the property taxpayer to do so.

Wage Theft: Wage theft continues to be a problem in Iowa and is exacerbated by having only two investigators for the entire state. The lack of investigators results in delays of investigations and correcting the issues. As a result, the affected workers become reliant on county and state general assistance programs. In addition, a loss of withholding tax revenues at the state and federal levels, as well as the weakening of the ability of families to support themselves occurs. We ask that the State hire more wage claim investigators to enforce the wage theft laws and eliminate the \$6,500 cap on wage claims.



2023 Legislative Overview for Urban County Coalition

The Iowa General Assembly concluded the first of its two annual sessions, but an overwhelming majority in both chambers and a Republican Governor, along with one third of the 150 legislators being new and a very aggressive agenda on numerous issues provided for what many are calling a historic session.

Redistricting and the 2022 elections allowed Senate Republicans to expand its majority by four seats in the Senate (36 Republicans versus 14 Democrats). The House Republicans expanded its majority by four seats (64 Republicans to the Democrats' 36 seats.)

With those majorities, Governor Kim Reynolds, fresh off another successful election victory and Speaker Pat Grassley in the House and Senator Jack Whitver in the Senate attempted a multi-phase agenda, any two of their priorities, in past years, being a full session's agenda. But instead, starting in Week #2, major property tax bills were introduced in each chamber, the Governor worked to pass a landmark private Education Saving Account bill for private schools along with major education regulatory change for schools. The pace continued like that through the remaining four months of the session.

Below is a summary of legislation that passed.

HF 718 - Property Tax bill - A bill for an act relating to local government property taxes, financial authority, operations, and budgets, modifying certain transit funding, property tax credits and exemptions, and appropriations, requiring certain information related to property taxation to be provided to property owners and taxpayers, modifying provisions relating to fees for driver's licenses and non-operator's identification cards, modifying provisions relating to certain writing fees, modifying certain bonding procedures, making penalties applicable, and including effective date, applicability, and retroactive applicability provisions. (Formerly HF 1.) Effective date: 05/04/2023, 07/01/2023, 07/01/2024. Applicability date: 01/01/2023, 07/01/2023, 07/01/2024.

Property Tax Reform Agreement

Division I—County Property Taxes and Budgets

See Division II (same thing happens here for counties as does for cities in Division II).

General Basic County Levy (\$3.50)/Rural Basic County Levy (\$3.95).

Levies not impacted: pioneer cemetery, debt service, EMS, LE, flood and erosion, natural disaster.

Division II—City Property Taxes and Budgets

Creates a new general maximum levy by combining levies with current general levy.

Takes whatever you are currently levying for your \$8.10. (counties \$3.50/3.95)

Adds whatever you are currently levying in most voted-in levies—15 in total (memorial building, civic center, emergency, etc.) This is your new combined maximum general levy.

Levies not impacted: municipal transit, aviation authority, insurance premiums, local emergency management, EMS, liability, debt service, IPERS, LE, police/fire retirement, and ag land.

Then the bill then sets taxable value growth triggers to adjust the property tax rate down.

If taxable valuation grows 6% or more -> growth rate is reduced by 3% and the levy is recalculated

If taxable valuation grows 3 to 5.99% -> growth rate is reduced by 2% and the levy is recalculated

If taxable valuation grows less than 3% -> no recalculation

The levy growth recalculation will occur for the FY 25-28 budgets. Divisions I and II sunset. After the 2028 budget.

Division III—Public Education and Recreation Tax Levy (PERL)

PERL restriction – No new (only). Current levies are grandfathered in.

Division IV—County Sheriff Fee Report

County Sheriff Fee Report eliminated.

Division V—Homestead Property Tax Credit

New 65 and over Exemption (not income restricted and in addition to regular homestead credit)

2024 – \$3,250 • 2025 – \$6,500

Division VI—Military Service Property Tax Exemption and Credit

Military service credit is currently an exemption that gets paid for in part by the state through a credit. This division increases the exemption amount for veterans and eliminates the state funding for the credit. \$1,852 (credit) becomes a \$4,000 (exemption).

Division VII—Property Tax Benefits and Incentives

Requires minimum assessment agreements on commercial abatements.

Prospectively eliminates residential abatement just on the school levy (404-Urban Revitalization Areas) Does not affect TIF, RIZ, etc.

Division VIII—Transit Funding

DART – allows for funding using increased franchise fees.

Division IX—County Auditor Valuation Reports

Requires an annual report to DOM that distinguishes valuations within a tax jurisdiction. Identify new growth vs. organic growth due to assessment increases.

Division X—Local Government Budgets and Taxpayer Statements

For cities, counties, and school districts it sets up a new hearing within the budget process for information mailed to the taxpayer. These entities will have to deliver to property owners a standardized statement and show percentages of the budget each represents.

Budget deadlines are extended to April 30.

Division XI—Driver's Licenses and Nonoperator's Identification Cards

\$10 optional county convenience fee for DLs or IDs for non-county residents.

Division XII—Writing Fees

\$2 mandatory fee for title or transferring title of snowmobiles, ATVs, boats.

Division XIII—Bond Elections

Moves all elections for bonding to the general election date (every November). Notice is to be sent to taxpayers.

Division XIV—County and City Financing

Debt Thresholds: Increases bonding threshold by 30%. (Can do more expensive projects without a vote). In addition, for general obligation bonds, it will index values.

Enrolled bills - Passed both chambers and signed by the Governor.

HF 270 - A bill for an act relating to certain deadlines relating to the informal review and protest of property assessments in counties declared to be a disaster area or that are the subject of a disaster emergency proclamation. (Formerly HSB 94.) Effective date: 07/01/2023

HF 318 - A bill for an act relating to certain filing deadlines for property tax credits available to certain elderly, disabled, and low-income persons and credits for manufactured or mobile home taxes and including effective date and applicability provisions. (Formerly HSB 93.) Applicability date: 07/01/2023

HF 634 - A bill for an act relating to persons certified to conduct time-of-transfer inspections of private sewage disposal systems and providing penalties. (Formerly HSB 194.) Effective date: 07/01/2023

SF 153 - A bill for an act relating to single-trip permits for vehicles of excessive size and weight during special or emergency situations. (Formerly SSB 1061.) Effective date: 07/01/2023.

SF 154 - A bill for an act exempting hydroexcavation equipment from certain size, weight, load, and permit requirements on highways. (Formerly SSB 1030.) Effective date: 07/01/2023.

SF 181 - A bill for an act relating to property taxes and income taxes by modifying the calculation of assessment limitations for certain property, amending provisions relating to certain tax withholding requirements and tax credits, and including effective date and retroactive applicability provisions. (Formerly SSB 1056.) Effective date: 02/20/2023. Applicability date: 01/01/2022, 01/01/2023.

SF 518 - A bill for an act relating to electronic registration renewal of off-road utility vehicles. (Formerly SF 427.) Effective date: 07/01/2023.

SF 519 - A bill for an act relating to electronic registration renewal of off-road utility vehicles. (Formerly SF 427.) Effective date: 07/01/2023.

SF 527 - A bill for an act relating to vehicles of excessive size and weight, including highways and streets upon which movement of such vehicles is permitted and warning lights on such vehicles. (Formerly SSB 1187.) Effective date: 07/01/2023.

Bills of interest that did not pass but are alive for next session.

HF 674 - Treasure's Bill. Passed the House and there is a companion bill in the Senate.

SF 455 - Passed the senate, four amendments filed in the House and referred back to Local Government Committee on May 4th.

SF 380 - Treasures Bill, Ways and Means subcommittee recommends amendment and passage March 7th.

SF 570 - Emergency Management Agency Funding. Ways and Means committee report, approving bill March 20th.