

Staff Paper 313

**Analysis of Senate Joint Resolution 1 (SJR1):
Proposed Amendments
to the Iowa Constitution for Limiting
State General Fund Expenditures and Tax Revenues ***

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*** This report is designed to foster discussion among citizens, leaders and policy makers regarding a public issue of concern to Iowans. Iowa State University seeks to provide accurate research-based information on relevant issues and does not necessarily endorse or oppose any proposals that may be analyzed. The analysis provided herein was initiated after requests for information on the impacts of the proposals were expressed by leaders representing a coalition of more than twenty statewide interests. It is important to note that NO external support was received from any special interest groups for conducting this analysis. The methods and data used were judged to be valid, given the author's training and expertise in the area. The goal of the project is to identify the potential unintended consequences regarding the probable impacts of the proposals and to provide objective information to assist leaders and citizens in making reasonable judgements. The author acknowledges and appreciates several helpful suggestions received from external reviewers identified for their legal and fiscal expertise. The author accepts full responsibility for all content and any errors or omissions.**

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IOWA STATE UNIVERSITY IS AN EQUAL OPPORTUNITY EMPLOYER.

**Analysis of Senate Joint Resolution 1 (SJR1): Proposed Amendments
to the Iowa Constitution for Limiting State General Fund Expenditures and Tax Revenues.**

Analysis Summary:

- 1. Potential shift in the executive/legislative balance of power and potential conflict with other provisions of the Iowa Constitution.**
- 2. Process to access “rainy day” funds under SJR 1 appears to be substantively different from current Iowa Code.**
- 3. Iowa’s current financial position is more attributable to state sales and use tax increase than 99 percent expenditure rule.**
- 4. The proposed Amendment and existing statutory 99 percent expenditure rule remain untested by circumstances other than robust economic conditions.**
- 5. Allocation of any surplus revenues to the GAAP Reduction Account is dropped.**
- 6. A minority of 21 votes in the Senate may defeat a question involving a tax increase. Reduced flexibility for state government response during cycle of political economy.**
- 7. Probable consequences of the 60 percent voting rule include reductions in spending growth for functions of state government, state aid to local government and increases in property taxes and other local taxes.**
- 8. Among the surrounding states, only South Dakota imposes a supermajority requirement for increasing taxes. No supermajority requirements are imposed in 36 states; only, 11 states apply a supermajority requirement to all state taxes.**
- 9. Incentive for developing special purpose funds and for earmarking state revenues.**
- 10. Iowa’s tax burden relatively flat over four decades. Dramatic increases not likely. Appears to be lack of compelling arguments for proposed amendment over status quo statutory policies already in effect.**

Analysis of Senate Joint Resolution 1 (SJR1): Proposed Amendments to the Iowa Constitution for Limiting State General Fund Expenditures and Tax Revenues.

Senate Joint Resolution 1 (SJR1) would place two proposed Constitutional Amendments before the voters of Iowa. The first amendment proposal would add a General Fund Expenditure Limit (GFEL) to the Constitution. The second proposed amendment would require a 60 percent majority of members from each house in the General Assembly to increase state income, sales or new state taxes. Therefore, a key purpose of the proposed amendments is to impose a constitutional limit on state general fund spending and state taxes.

A “yes” vote for each proposal implies that the voter favors adding the proposed amendments to the Iowa Constitution.

A “no” vote for each proposal implies that the voter favors continuation of the current statutory spending limits and voting rules.

Part A. An Analysis of SJR 1, Section 1: “The 99 Percent Expenditure Rule.” Senate Joint Resolution #1, Section 1 proposes to establish a Constitutional General Fund Expenditure Limit (GFEL) equal to 99 percent of the adjusted revenue estimate presented by the state government revenue estimating conference established by the General Assembly. Detailed comparisons of the proposed amendments with existing statutes enacted since 1992 are presented in Table 1. Analysis of ten key findings along with supportive information are presented below.

1. If passed, SJR 1 represents a potential shift in the executive/legislative balance of power and may conflict with other existing provisions of the Iowa Constitution. Existing Iowa Code 8.56 states that “an appropriation shall not be made from the cash reserve fund which would cause the fund's balance to be less than three percent of the adjusted revenue estimate for the year for which the appropriation is made unless the bill or joint resolution is approved by vote of at least three-fifths of the members of both chambers of the general assembly and is signed by the governor.”

In contrast, SJR1 Section 1.5. indicates that any surplus equal to ten percent or less of the adjusted revenue estimate of the fiscal year may be included in the adjusted revenue estimate for the following fiscal year if approved in a bill receiving the affirmative votes of at least three-fifths of the members of each house of the General Assembly. The phrase “and is signed by the governor” is dropped from the SJR1 language. Section 1.7 further indicates the Governor shall submit and the General Assembly shall pass a budget which does not exceed the state general fund expenditure limitation. Section 1.8 indicates the Governor shall not submit and the General Assembly shall not pass a budget which in order to balance assumes reversion of any part of the total of the appropriations included in the budget.

Article 3, Section 15 of the existing Iowa Constitution specifically states that “every bill” which shall have passed the general assembly shall be presented to the governor and that his veto may

only be overridden by a 2/3s majority of the members of both houses. In addition, the Constitution specifically states that the governor may approve appropriations bills in whole or in part. Finally, the Constitution specifically implies that appropriation bills are to be enacted into law in the same manner as provided for other bills. SJR1, Section 1.5 requires a 60 percent majority vote of both houses to expend surplus funds when the end-of-year surplus is less than 10 percent of adjusted revenue estimate and drops the Governor's signature requirement compared to current statutes.

Article 3, SEC. 15. "...Executive approval--veto--item veto by governor. SEC. 16. Every bill which shall have passed the general assembly, shall, before it becomes a law, be presented to the governor. If he approve, he shall sign it; but if not, he shall return it with his objections, to the house in which it originated, which shall enter the same upon their journal, and proceed to reconsider it; if, after such reconsideration, it again pass both houses, by yeas and nays, by a 2/3s majority (67 percent) of the members of each house, it shall become a law, notwithstanding the governor's objections. If any bill shall not be returned within three days after it shall have been presented to him, Sunday excepted, the same shall be a law in like manner as if he had signed it, unless the general assembly, by adjournment, prevent such return. Any bill submitted to the governor for his approval during the last three days of a session of the general assembly, shall be deposited by him in the office of the secretary of state, within thirty days after the adjournment, with his approval, if approved by him, and with his objections, if he disapproves thereof.

The governor may approve appropriation bills in whole or in part, and may disapprove any item of an appropriation bill; and the part approved shall become a law. Any item of an appropriation bill disapproved by the governor shall be returned, with his objections, to the house in which it originated, or shall be deposited by him in the office of the secretary of state in the case of an appropriation bill submitted to the governor for his approval during the last three days of a session of the general assembly, and the procedure in each case shall be the same as provided for other bills. Any such item of an appropriation bill may be enacted into law notwithstanding the governor's objections, in the same manner as provided for other bills."

Some Constitutional scholars may argue that use of reserve funds constitutes a legislative action subject to the checks and balances of the Constitution as provided for "all appropriations and other bills" and would still require the governor's signature.

Other Constitutional scholars may argue that if passed SJR1 will allow the General Assembly to access emergency reserve funds without the governor's request or approval. If so, the General Assembly would be using the Constitutional Amendment process which requires no Gubernatorial signature to create a legislative process that requires no gubernatorial signature.

The potentially conflicting provisions raise important constitutional issues regarding the balance of power and checks and balances between legislative and executive branches of state government.

Should the General Assembly be allowed to expend emergency reserve funds without the Governor's approval? The issue may or may not be settled without a court challenge and final interpretations by the Iowa Supreme Court.

2. The process to access “rainy day” funds under SJR 1 appears to be substantively different from accessing “rainy day” funds under the current Iowa Code. SJR 1 increases the size of surplus subject to a 3/5s vote of both Houses of the General Assembly from a 3 percent surplus (contained in existing statutes) to a 10 percent surplus (as proposed in SJR 1 for the Iowa Constitution). Surplus is defined in SJR1 as the cumulative excess of revenues and other financing sources over expenditures and other uses for the general fund at the end of the fiscal year. According to one interpretation, the surplus includes the Cash Reserve and Iowa Economic Emergency Funds outlined in existing statutes.

Second, SJR1 requires that an identified surplus can only be transferred to the adjusted revenue estimate for the following fiscal year. This potentially raises a timing issue related to accessing Iowa's rainy day funds in case of an emergency during the current fiscal year.

Third, SJR1 drops the statutory restriction currently in the Iowa Code that appropriations from the rainy day funds may only be used for emergency purposes. Thus, SJR 1 Constitutionally imposes a substantive process change for which there is no track record of experience.

SJR 1 requires a 3/5 majority vote of the House and Senate to include surplus funds in the adjusted revenue estimate for the following year if the surplus is 10 percent or less of the adjusted revenue estimate.

Iowa Code 8.55; 8.56; 8.57 requires a 3/5s vote of both houses, plus the Governor's signature to use Cash Reserve Funds if the Cash Reserve Fund is below a minimum of 3 percent of the adjusted revenue estimate. The Iowa Economic Emergency Fund (IEEF) may contain up to a maximum of 5 percent of the adjusted revenue estimate. The IEEF may only be used for emergencies and is subject only to a majority vote of both houses and Governor's signature.

3. State government's strong financial position is more attributable to the 1992 sales and use tax increase than the 99 percent expenditure rule. To suggest Iowa's fiscal position is a primary result of the 99 percent expenditure rule is largely false and misleading. After two Special Legislative Sessions in 1992, a package of measures were passed to eliminate the state's \$409 million dollar GAAP deficit. A 99 percent appropriation rule and a set of “rainy day” funds were enacted along with a 1 percent statewide sales and use tax increase that generated an estimated \$270 million of additional annual state revenues. If the 1992 sales and use tax increase had not been implemented as part of the deficit reduction package, Iowa would have collected about \$1.7 billion less in state tax revenues during the past six years.

Had the 99 percent appropriation rule been enacted without the 1 percent statewide sale and use tax increase, the state revenue base would have been about 8 percent smaller during each of the past six years. Larger spending cuts would have been required to balance the state budget. If one assumes that the required one percent budgeted surplus would have represented the total appropriation allocation to the “rainy day” funds and GAAP deficit reduction fund as outlined in the Iowa Code 8.55;8.56;8.57, Iowa state government would have fully funded the Cash Reserve Fund during the past six years, but it would still be paying off the GAAP deficit and would not yet have accumulated any funds in the Iowa Economic Emergency Fund. Under this scenario, the state tax reductions experienced in recent years would not likely have occurred.

4. The proposed Constitutional Amendment and existing statutory 99 percent expenditure rule remain untested by circumstances other than robust economic conditions.

Since 1992, Iowa’s financial position has benefited from the second longest national economic expansion of the 20th Century. For example, if a recession were to have occurred, state government revenues could have been reduced by \$500 million during the last six year period.

If the Constitution is amended and the new budgetary process does not work well, the formal amendment process must be repeated to make any readjustments in the Constitution. The amendment process requires two votes by successive General Assemblies on an identical bill with passage by voters in a statewide election before the Constitution can be re-adjusted. The process would minimally require 18 months but more typically would take longer. Some amendments have taken longer than a decade for approval. Alternatively, existing statutes can be revised during any General Assembly or special session by passage of both Houses by majority vote and signature by the Governor.

5. SJR 1. Section 5 drops the allocation of any surplus revenues to the GAAP Reduction Account as required in the existing Iowa Code. The 1992 GAAP budget deficit has been eliminated and the presumption in SJR 1 is that GAAP deficits and accrued revenues will never reappear. Technically, a GAAP deficit may still occur if reserve funds are depleted in a year before revenues fail to meet 99 percent of the revenue conference estimate. However, the Governor is required by Iowa Code 8.31 to reduce all appropriation allotments so that there is no overdraft of deficit in any state fund at the end of a fiscal year.

Part B. Analysis of SJR 1, Section 2: “The 60 Percent Voting Rule.” SJR1, Section 2 proposes to establish a new Article VIII requiring a 3/5s majority for tax law changes. A bill containing provisions for enacting, amending or repealing the state income tax or enacting, amending, or repealing the state sales and use taxes, in which the aggregate fiscal impact of these provisions relating to those taxes results in a net increase in state tax revenues, as determined by the General Assembly, shall require the affirmative votes of at least 3/5s of the whole membership of each house of the General Assembly for passage. A bill that establishes a new state tax to be imposed by the state shall require the affirmative votes of at least 3/5s of the whole membership of each house of the general assembly for passage. This section does not apply to income tax or sales and use taxes imposed at the option of local government.

6. The 60 percent voting rule allows a minority of 21 votes in the Senate to defeat a question involving a tax increase. A probable consequence is reduced flexibility for a state government response during cycles in Iowa's political economy. SJR 1 would increase the ability of a well financed, well organized vocal minority to potentially determine the outcome of tax questions. Political scientists have long identified the notion that it is easier for a minority in the political process to kill a bill in comparison to developing a majority support for gaining passage. The minority control ratio represents the minimum number of votes required to defeat a proposal in relation to the minimum number of votes for passage.

Under current rules, a majority vote is defined as 50 percent plus one in both houses of the General Assembly. Therefore a minimum of 77 votes is required for bill passage in both houses. However, a bill can be defeated by either house. The minimum for bill defeat is 25 votes in the Senate. Therefore the minority control ratio is 32.5 percent, indicating a vote for passage is worth about 1/3 of the relative worth of a vote for bill defeat under majority voting rules.

Under the SJR1, a minimum of 90 votes would be required for passage in both houses of the General Assembly to pass bills involving a tax increase. However, only 21 votes in the Senate would be required to defeat such a bill. The minority control ratio declines to 23.3 percent, indicating a vote for passage is worth less than 1/4 of the relative worth of a vote for bill defeat.

The minority control ratio analysis shows that even under majority voting principles, a minority can effectively limit the outcomes of the political process. Furthermore if the voting requirements increase from a simple majority to a 60 percent supermajority, the minority control ratio declines from nearly 1/3 to less than 1/4. Thus, a smaller minority is required to effectively limit the outcomes of the political process.

In relation to the total votes available in the General Assembly, 21 Senatorial votes represents 14 percent of the full General Assembly membership and 41 House votes represent 27.3 percent of the full General Assembly membership. Thus, substantially less than 40 percent of the full General Assembly membership is needed to defeat bills that would impose a net tax increase.

The ability of a small minority to influence the political process may be of particular concern under the following special circumstances in which the proposed amendments would allow the decisions of one General Assembly to arbitrarily constrain decisions of a future General Assembly and reduce the flexibility of state government responses during cycles in Iowa's political economy.

Example 1. Tax reductions may be implemented during a pre-election campaign only to be followed by state revenue shortfalls in the post election period. Under SJR 1, a minority of 40 percent of the members in one house in the General Assembly could prevent access to cash reserves as well as prevent an increase in state sales, income or other state taxes. If this process is repeated over time, political election cycles effectively ratchet down state spending.

Example 2. Tax reductions may be implemented during a strong economy only to be followed by state revenue shortfalls in an economic downturn. Under SJR 1, a 40 % minority of one house in the General Assembly could prevent access to cash reserves as well as prevent an increase in state sales, income or other state taxes. If this process is repeated over time, economic cycles effectively ratchet down state spending.

The scenarios above stand in contrast to actual set of Iowa budget policies used in 1992 to reduce Iowa's \$409 million GAAP budget deficit. As previously examined, if spending controls had been enacted without a 1 cent state sales tax increase in 1992, ceteris paribus, Iowa would still be paying off the GAAP deficit and Iowans likely would not have enjoyed recent tax cuts.

7. Over time, the probable consequences of the 60 percent voting rule include reductions in spending growth for functions of state government, state aid to local government as well as increases in property taxes and other local taxes. Approximately half of the state general fund is currently allocated for local government assistance and property tax relief. Property taxes represent the largest single source of local tax revenues and the largest single source of state and local revenues combined. If a significant downturn in the state economy were to occur, the odds increase for reductions in local government aid for schools, cities and counties and for increases in property taxes and other local taxes--to the degree that a 60 percent voting rule effectively ratchets down state government revenues and expenditures compared to the existing policy.

If a significant downturn in the state economy were to occur, the odds also increase for direct spending reductions in state government functions such as higher education, community college and K-12 education support programs, human services, corrections, judicial systems, veterans affairs, natural resources, agriculture and economic development compared to the existing policy. Devolution of many federal public assistance programs to the state and local level has created new roles for state and local governments in serving as automatic economic stabilizers during economic downturns. During economic downturns, tax revenues tend to decline while public assistance expenditures increase. If SJR 1, Section 2 is added to the Constitution, state flexibility to perform an economic stabilization role is reduced. In turn, the reduction in state flexibility may potentially shift more of the economic stabilization burden onto local government. While SJR1 would not prevent a state tax increase, it would tend to insulate taxpayers from the impacts of an economic downturn.

8. Of states contiguous to Iowa, only South Dakota imposes a supermajority requirement for increasing taxes. No supermajority requirements are imposed in 36 states; 14 states have imposed a supermajority requirement on some tax increases; Only, 11 states apply the requirement to all state taxes. Michigan applies the supermajority requirement only to state imposed property tax increases. Florida applies the requirement only to increases in corporate income taxes. Arkansas was the first state to apply a supermajority restriction in 1934 and applies the limitation to all state taxes except sales and alcohol taxes. The states imposing supermajority requirements on all taxes include Arizona, California, Colorado,

Delaware, Louisiana, Mississippi, Nevada, Oklahoma, Oregon, South Dakota, and Washington (See Table 2).

State rankings of state and local government fiscal performance indicators provide a mixed picture. Michigan and Florida are excluded for the reasons indicated above.

State and Local Taxes per capita: Six of the 12 supermajority states ranked in the upper half of all states in terms of 1998 state and local taxes per capita. Six ranked in the lower half (Governing Magazine Supplement, 1999). However, eight of the supermajority states ranked in the bottom half of states in terms of state and local taxes as a percent of personal income, while four states ranked in the upper half (Tax Foundation).

State share of state and local spending: In eight supermajority states, the state share of combined state and local general spending was above the national average of 43 percent, while the state share was below the national average in four states. Delaware was the state with the highest state share at 63 percent. Iowa is near the national average at 44.6 percent. (Governing Magazine Supplement, 1999)

Education Spending per capita: Eight of 12 states ranked in the lower half of all states for education spending per capita. Only four states ranked in the upper half. Iowa currently ranks 16th in total education spending per capita but ranks 30th in K-12 spending per capita (Governing Magazine Supplement, 1999).

Personal income growth 1997/1994: Seven of the 12 supermajority states ranked in the top half of states for personal income growth. However five ranked in the lower half of the states for personal income growth (Governing Magazine Supplement, 1999).

State and Local Debt per Capita: Seven of the 12 supermajority states ranked in the top half of states in terms of state and local public debt per capita. Five states ranked in the lower half of states. (Governing Magazine Supplement, 1999).

Property Taxes Per Capita: Eight of the 12 supermajority states ranked in the bottom half of the states in terms of property taxes per capita. Four states ranked in the top half. (Governing Magazine Supplement, 1999). Half of the 12 states have implemented the supermajority voting requirement only recently, therefore any effects in regards to increasing public debt and/or property taxes are likely to be limited (Table 2).

Simple comparative analyses of state rankings are hazardous due to variability in a number of factors. A review of more extensive research nationally has failed to establish any strong link between state tax and expenditure limitations or states with lower tax levels and higher economic performance or growth patterns over time (Federal Bank of Chicago, 1996; Isserman, 1994; Howard, 1990). Minnesota for example, has higher taxes, higher public service levels and higher growth.

Iowa's experience with a 60 percent voting rule has been limited to public bond elections for local units of government (Iowa Code 75.1; 296.6). While public bond elections represent a political process that is different from the General Assembly, the bond election process suggests two probable consequences from a 60 percent majority voting rule. First, the time and costs for approval are increased when local units of government repeatedly resubmit bond issues to gain the necessary 60 percent majority. Second, facilities and public infrastructure such as schools and jails potentially become more obsolete and substandard over time due in part to the 60 percent majority requirement. Recent assessments of school and jail facilities in Iowa suggest that health and safety violations may remain unaddressed in part because of the inability to pass local public bonds under the 60 percent voting rule as required in Iowa Code 75.1; 296.6. (Note that some bond votes involving jails and other public facilities are not subject to a 60 percent voting rule).

Data on School bond votes for the period of 1981 to 1998 indicates that roughly half of the bonds (257 out of 522) passed by more than 60 percent approval, one fourth (130) were defeated even though they received more than a simple 50 percent majority, and one fourth (135) were defeated by receiving less than 50 percent approval (Rebuild Iowa Coalition and supplemental data). Therefore, the outcome of nearly a fourth of the school bond votes were affected by the difference between a 50 and 60 percent voting requirement.

9. Passage of SJR 1 may create an incentive for developing special purpose funds and for earmarking state revenues. The passage of 60 percent voting rule potentially creates an incentive for the General Assembly to earmark revenue sources and to create more special purpose funds that would have balances not considered part of the general fund cash position subject to the GFEL limits. (Note: any special purpose funds which may be created in the future would have to meet the requirements of generally accepted accounting principles (GAAP).

10. Iowa's tax burden has remained relatively flat over four decades. Dramatic increases are not likely. Thus, the evidence appears to lack compelling arguments for the proposed amendment over status quo statutory policies already in effect.

In general, Iowa state and local taxes as a percent of personal income has remained relatively flat during the past four decades. Over this period, Iowa's state and local taxes have varied between 10.5 and 12.5 percent of personal income due primarily in year to year fluctuations in personal income growth. In 1998, Iowa's state and local taxes represented 11.31 percent of personal income, based on information from the Tax Foundation, a national nonpartisan education organization.

Iowa state and local taxes were \$2,924 per capita in 1998 and ranked 27th among 50 states. Iowa's 1998 state and local taxes were 11.31 percent of personal income and ranked 25 among the 50 states. In addition, the Tax Foundation ranked Iowa 39th from the top among the 50 states in terms of total combined federal, state and local taxes as a percent of income. Iowa's total combined tax burden represented 33.65 percent of income compared to the 35.30 percent average for the nation.

These comparisons do not take into account the state tax reductions enacted in 1998 including the doubling of the personal exemption and across the board cut in personal income tax rates of 10 percent. Therefore, the 1999 state tax collection indicators for Iowa are likely to show declines in state taxes per capita and in relation to personal income.

Table 1. Comparison of SJR 1 and Iowa Code 1997 Supplement.

(Bold Underlined text refers to a substantive difference between SJR 1 and the Iowa Code)

Senate Joint Resolution 1 (Constitutional Amendment Proposal)	Existing Statutes
<p>SJR 1 Section 1. New: ARTICLE XIII. General Fund Expenditure Limitation 1. Definitions</p> <p>a. “Adjusted Revenue Estimate” means most recent revenue estimate determined before January 1 or a lesser later revenue estimate before adjournment, adjusted by subtracting estimated refunds payable and <u>adding any surplus defined in subsection 5.</u></p> <p>Establishes a Constitutional Requirement for the General Assembly to establish a revenue estimating conference by law which determines the revenue estimates.</p> <p>b. “General Fund” means principal operating fund of the state which shall be established by the General Assembly by law.</p> <p>c. “New Revenues” means moneys received by the state due to increased tax rates or fees or newly created taxes or fees over an above those in effect on January 1 following the revenue estimating conference.</p> <p>New revenues also include revenues received by the general fund due to transfers which are in effect as of January 1.</p> <p><u>The revenue estimating conference shall determine the eligibility of transfers to the general fund to be considered as new revenue in determining the state General Fund Expenditure Limitation.</u></p>	<p>Iowa Code 8.54 1. Definitions</p> <p>a. “Adjusted Revenue Estimate” means most recent revenue estimate determined before January 1 or a lesser later revenue estimate before adjournment, adjusted by subtracting estimated refunds payable and <u>adding any new revenues which may be considered to be eligible for deposit in the general fund.</u></p> <p><u>Not in Iowa Code</u></p> <p><u>Not in Iowa Code, but refers to Section 8.22A.</u></p> <p>b. “New Revenues” means moneys received by the state due to increased tax rates or fees or newly created taxes or fees over an above those in effect on January 1 following the <u>December</u> revenue estimating conference.</p> <p>New revenues also include revenues received by the general fund due to transfers which are in effect as of January 1 <u>following the December revenue estimating conference.</u></p> <p><u>The department of management shall obtain concurrence from the revenue estimating conference on the eligibility of transfers to the general fund of the state which are to be considered as new revenue in determining the state GFEL.</u></p>
<p>2. State General Fund Expenditure Limitation (GFEL) is created and calculated for each fiscal year beginning on or after July 1 <u>following effective date.</u></p>	<p>8.54.2. State General Fund Expenditure Limitation (GFEL) is created and calculated for each fiscal year beginning on or after July 1, <u>1993.</u></p>
<p>3. The General Fund Expenditure Limit (GFEL) shall be 99 % of the “adjusted revenue estimate.”</p>	<p>3. SAME as Iowa Code</p>

<p>4. The General Fund Expenditure Limit (GFEL) shall be used by Governor in preparation of budget and by General Assembly in budget process.</p> <p>If a new revenue source is proposed, the budget revenue projection included in the adjusted revenue estimate shall be 95 percent of the amount remaining after subtracting estimated refunds payable from the projected revenue source.</p> <p>If a new revenue source is established and implemented, the original GFEL amount provided in subsection 3 shall be readjusted to include 95 % of the estimated revenue from the new source.</p>	<p>4. SAME as Iowa Code</p> <p>SAME as Iowa Code</p> <p>SAME as Iowa Code</p>
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<p><u>5. Any surplus existing at the end of the fiscal year which exceeds ten percent of the adjusted revenue estimate of that fiscal year shall be included in the adjusted revenue estimate for the following year.</u></p> <p><u>Any surplus existing equal to ten percent or less of the adjusted revenue estimate of the fiscal year may be included in the adjusted revenue estimate for the following fiscal year if approved by a bill receiving 3/5s (60%) vote of the whole membership of each house of the general assembly.</u></p> <p><u>Surplus means cumulative excess of revenues and other financing sources over expenditures and other uses for the general fund at the end of the fiscal year.</u></p>	<p><u>5. For fiscal years when Iowa Code 8.55.2 results in moneys being transferred to the general fund, the original state GFEL shall be readjusted to include the moneys which are transferred.</u></p> <p><u>8.55.2. If the Iowa Economic Emergency Fund exceeds 5% of the adjusted revenue estimate for the fiscal year, the moneys in excess of this amount shall be transferred to the general fund.</u></p> <p><u>8.55.3 The moneys in the Iowa Economic Emergency Fund shall only be appropriated by the General Assembly for emergency expenditures.</u></p> <p><u>8.55.4; 8.56.1. Interest and earnings on the balances of the Iowa Economic Emergency Fund and Cash Reserve Fund go into the Rebuild Iowa Infrastructure Fund.</u></p> <p><u>8.56. The maximum Cash Reserve Fund balance is 5% and the minimum is 3%. To go below the minimum requires a 3/5s vote of the members of both houses and the governor's signature. Use of the funds are subject to a specific criteria outlined.</u></p> <p><u>8.57.1; 8.57.3; 8.57.4. Surplus revenues go first to the cash reserves fund, second to a GAAP deficit reduction account, including elimination of the making of any appropriation in an incorrect fiscal year, and then to the Iowa Economic Emergency Fund. "GAAP" means generally accepted accounting principles as established by the governmental accounting standards board.</u></p> <p><u>8.57.5. The Rebuild Iowa Infrastructure Fund shall consist of appropriations made to the fund and transfers of interest, earnings and moneys from other funds as provided by law. The fund shall not be considered part of the balance of the general fund of the state.</u></p>
<p>6. The scope of the expenditure limitation under subsection 3 shall not include federal funds, donations, constitutionally dedicated moneys and moneys in expenditures from a state retirement system.</p>	<p>8.54.6. SAME as Iowa Code</p>

<p>Section 7. The governor shall submit and the general assembly shall pass a budget which does not exceed the state general fund expenditure limitation.</p> <p><u>None</u></p>	<p>7. SAME as Iowa Code</p> <p><u>The governor in submitting the budget and the general assembly in passing the budget, shall not have recurring expenditures in excess of recurring revenues.</u></p>
<p>Section 8. The governor shall not submit and the General Assembly shall not pass a budget which in or der to balance assumes reversion of any part of the total of the appropriations included int he budget.</p>	<p>8. SAME as Iowa Code</p>
<p>Section 9. The state shall use consistent standards, in accordance with generally accepted accounting principles, for all state budgeting and accounting purposes.</p>	<p>Iowa Code 8.53. Different language but SAME REQUIREMENT</p>
<p>Section 10. The General Assembly shall enact laws to implement this section.</p>	<p><u>Not In Existing Iowa Code</u></p>

SJR 1 Section 2. New: ARTICLE XIII. 3/5s Majority for tax Law Changes.	Not in Existing Iowa Code
<p><u>3/5s Majority to Increase Taxes.</u></p> <p><u>Section 1. A bill containing provisions enacting, amending or repealing the state income tax or enacting, amending, or repealing the state sales and use taxes, in which the aggregate fiscal impact of these provisions relating to those taxes results in a net increase in state tax revenues, as determined by the General Assembly, shall require the affirmative votes of at least 3/5s of the whole membership of each house of the General Assembly for passaged.</u></p> <p><u>This section does not apply to income tax or sales and use taxes imposed at the option of local government</u></p>	Not in Existing Iowa Code
<p><u>3/5s Majority to Enact New State Tax. Section 2. A bill that establishes a new state tax to be imposed by the state shall require the affirmative votes of at least 3/5s of the whole membership of each house of the general assembly for passage.</u></p>	Not in Existing Iowa Code
<p><u>Enforcement of 3/5s Majority Requirement Section 3. A lawsuit challenging the proper enactment of a bill pursuant to Section 1 or 2 shall be filed no later than one year following enactment.</u></p> <p><u>Failure to file such lawsuit within the one-year time limit shall negate 3/5s majority requirement as it applies to the bill.</u></p> <p><u>Each bill to which section 1 or 2 applies shall include a separate provision describing the requirements for enactment prescribed by section 1 or 2.</u></p>	<p>Not in Existing Iowa Code</p> <p>Not in Existing Iowa Code</p> <p>Not in Existing Iowa Code</p>
<p><u>Implementation. Section 4. The general assembly shall enact laws to implement sections 1 through 3.</u></p>	Not in Existing Iowa Code

<p><u>Section 3. The foregoing proposed Amendments to the Constitution of the State of Iowa, having been adopted and agreed to by the Seventy-seventh General Assembly, 1998 Session, thereafter duly published and now adopted and agreed to by the Seventy-eighth General Assembly in this joint resolution, shall be submitted to the people of the State of Iowa at a special election called for that purposes to be held on Tuesday, the 29th of June of the year 1999, in the manner required by the Constitution of the State of Iowa and the Laws of the State of Iowa.</u></p>	
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Table 2. Supermajority Requirements and Other Constitutional Restrictions on Legislative Tax Powers

State	Adopted	Referendum or Voter Initiative	Legislative Majority Required	Applies To
Arizona	1992	I	2/3	All taxes
Arkansas	1934	R	3/4	All taxes except sales and alcohol
California	1979	I	2/3	All taxes
Colorado	1992	I	2/3	All taxes *
Delaware	1980	R	3/5	All taxes
Florida	1971	R	3/5	Corporate income tax **
Louisiana	1966	R	2/3	All taxes
Michigan	1994	R	3/4	State property tax
Mississippi	1970	R	3/5	All taxes
Nevada	1996	I	2/3	All taxes
Oklahoma	1992	I	3/4	All taxes
Oregon	1996	R	3/5	All taxes
South Dakota	1978	I	2/3	Sales and income tax
	1996	R	2/3	All taxes
Washington	1993	I	2/3	All taxes ***
<p>--- * Tax increases automatically sunset unless approved by the voters at the next election. ** The constitution limits the corporate income tax rate to 5 percent 3/5 vote needed to increase beyond 5 percent. *** Tax increases producing revenue that do not exceed the spending limit must be approved by 2/3 legislative vote; tax increases that produce revenue over the limit, must be approved by 2/3 legislative majority and by the voters.</p>				

Source: NCSL survey of state fiscal officers, 1996

Selected References:

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