

STATE APPEAL BOARD

In Re:	Crawford County Budget Appeal FY 2003-2004))))	Order April 30, 2003
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BEFORE STATE AUDITOR DAVID A. VAUDT; STATE TREASURER MICHAEL L. FITZGERALD; AND THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, CYNTHIA P. EISENHAUER:

A hearing on the above captioned matter was held pursuant to the provisions of Section 331.436 and Chapter 24 of the Code of Iowa on April 9, 2003. The hearing was before a panel consisting of Stephen Larson, Executive Officer IV and presiding Hearing Officer, Office of the State Treasurer; Jim Nervig, County Budget Director, Department of Management; and Kevin J. Borchert, Professional Development Director, Office of the State Auditor.

The primary spokespersons for the petitioners were Jerry Stull and Judy Gronau. Mark Segebart and Thomas Gustafson represented Crawford County.

Upon consideration of the specific objections raised by the petitioners, the testimony presented to the hearing panel at the public hearing, the additional information submitted to the hearing panel both before and after the hearing, and after a public meeting to consider the matter, the State Appeal Board has voted to sustain the Crawford County FY2004 budget as described herein.

PROCEDURAL HISTORY

The FY2004 Crawford County proposed budget summary was published in the Manilla Times and the Schleswig Leader on February 27, 2003 and the Denison Bulletin on February 28, 2003, and the budget was adopted on March 11, 2003.

A petition protesting the certified FY2004 Crawford County budget was filed with the Crawford County Board of Supervisors on March 25, 2003 and was received by the State Appeal Board on March 28, 2003.

A summary of the petitioners' objections and the reasons for the objections that were listed on the petition document follows.

The petitioners objected to the County childcare center. The Board of Supervisors have not approved, through a motion, to operate a childcare center, County property taxes have increased because of childcare center wages and benefits and the expenditure for the childcare center is a budgeted line item.

Additionally, on the petition the petitioners' listed reasons related to the operation of the childcare center, the Public Health Department of Crawford County is managing the childcare center, childcare center spending is out of control and budget targets related to the childcare center have not been met.

DISCUSSION

The petitioners and the representatives of Crawford County provided various written summaries, exhibits and verbal commentary in support of their positions. A summary of this information presented at the public hearing is as follows:

PETITIONERS

Mr. Jerry Stull and Ms. Judy Gronau represented the petitioners. In their presentations, they provided information and requested that the State Appeal Board remove from the Crawford County budget all expenditures related to the operation of the childcare center. The petitioners made the following requests:

1. The County not operate this childcare center, but that a non-profit organization should operate the facility so taxpayers are not taking on the burden.
2. Strike the \$93,000 from the FY2004 budget, except for the \$8,000 originally projected as the annual County cost for the childcare center.

In their explanations, the petitioners stated that Crawford County held a public meeting in February of 2000. At this meeting, the childcare center was voted on and that the vote was two for and two against. However, after much discussion, a Supervisor changed his vote and the result was that the motion was approved. The Board of Supervisors then had discussions regarding the operations of the childcare center and it was decided that the health center should be in charge of the childcare center. As a result of this action, the County is now paying three full-time employees and 15 part-time employees with wages and benefits.

Other explanations stated by the petitioners are as follows:

- The public perception now is that the \$8,000 was just enough to cover the expense of the building, and more funds will be needed to operate the childcare center.
- The County started a line item in the budget for the childcare center to have an in and out account for their daily operations. It was stated that, at times, there would be more going out than coming in, as there would be receipts to come in. Later, it was discovered that they had spent \$50,000 to \$60,000, which was more than was taken in. A Board member explained that there was more than that much equipment in the building that the County would own if the childcare center had to fold.
- During the FY2004 budget hearing, the Board of Supervisors asked all departments to cut expenses, but the childcare center budget was not cut.
- To the petitioner's knowledge, the County running a childcare center has never been widely known and in their view the employees of the childcare center should not be County employees. In fact, the childcare center should be removed from the County budget.

CRAWFORD COUNTY RESPONSE

Mr. Segebart and Mr. Gustafson were the primary spokespersons for Crawford County. A summary of the county response is as follows:

County officials responded that the Board of Supervisors carefully watches all funds, especially the General Basic Fund, which is used to fund nearly every department in the County and is limited to a \$3.50 per thousand maximum levy. Also, the County's General Basic Fund ending balance grew every year from FY1992 through FY2000 and the Board of Supervisors have set a target of maintaining a minimum fund balance of \$2,000,000 for the General Basic Fund. In response to why balances are declining, part is because of increases in insurance premiums, lower interest rates which have resulted in a loss of \$210,000 in interest per year compared to FY2001, less revenue received than originally projected during the budget process and the growth in taxable valuation has been small.

The proposed property taxes for FY2004, will increase by \$96,383 in the General Basic Fund and \$124,866 in the General Supplemental Fund. However, the levy rate will remain at the maximum levy of \$3.50. Additional taxes levied in the General Supplemental Fund will increase due to the other tax valuations and a \$0.15/\$1,000 increase in the levy rate.

On the proposed childcare center budget, this line item has been a part of the County budget for three years. For fiscal year 2004, the County's proposed childcare center budget is \$30,000 from the County General Basic Fund to operate and \$63,270 from outside sources, other than fees. The Board of Supervisors has continued to support the childcare center because of the financial support made by community businesses, service organizations, banks, and private citizens. The Community Development Block Grant requires that grant recipients, the County, to show good faith in establishing a day care center. This requires a five-year effort on the County's part or the grant must be repaid.

The Crawford County response also included information regarding the number of children served by the childcare center, hours of operations, the budget process and hearings and explanations addressing the petitioners objections and reasons for those objections. In closing, the County asks the State Appeal Board to deny the petitioners' request on the basis that the County has complied with requirements of the law, used local discretion in establishing their certified expenditure levels and that the expenditures for the childcare center are necessary, reasonable and in the interest of the public welfare.

FINDINGS OF FACT

1. Section 24.27 of the Iowa Code provides persons who are affected by any proposed budget, expenditure or levy, or by an item thereof, may appeal. The petitioners met the requirements and pursuant to Sections 24.28 and 24.29 a hearing was scheduled and conducted.
2. The County operates under the "Home Rule" amendment to the Iowa Constitution. Under "Home Rule", the County can operate in any manner that it deems to be necessary and in the best interest of its citizens as long as the Code of Iowa does not prohibit such actions. Therefore, since law or statute does not prohibit the operation of a childcare center, the County is within its powers to choose to fund such an endeavor. Furthermore, it is a local decision as to what level, if any, that the County chooses to fund a childcare center.

3. The County has budgeted \$30,000 from the General Basic Fund towards the operation of the childcare center for FY2004 and has budgeted \$63,270 of revenues from outside sources, other than fees, although the County indicated that it did not have specific sources of funding identified to account for the entire \$63,270. The budget process is based on estimates and judgements at the time the budget is constructed. The State Appeal Board does recommend that the County's budgets be based on the best estimate available as to what receipts will be received and what disbursements will be made.

CONCLUSIONS OF LAW

The State Appeal Board has jurisdiction over the parties and the subject matter of this appeal, pursuant to Iowa Code Sections 24.28 and 331.436.


BASIS OF DECISION


Chapter 24.28 states in part, "The burden of proof shall be upon the certifying board or the levying board, as the case may be, to show that any new item in the budget, or any increase in any item in the budget, is necessary, reasonable, and in the interest of the public welfare". The FY2004 Crawford County budgeted tax asking for support of the childcare center was \$30,000. Since this was a new line item in the FY2004 budget the burden of proof is on Crawford County. Crawford County has demonstrated that the budget line item for the childcare center is necessary, reasonable, and in the interest of the public welfare.

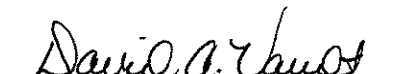
ORDER

Based on the information provided by the parties involved, historical budgetary data of Crawford County and the Iowa Code, the State Appeal Board sustains the FY2004 Crawford County Budget as adopted.

STATE APPEAL BOARD


Cynthia P. Eisenhauer
Chairperson


Michael L. Fitzgerald
Vice Chairperson


David A. Vaudt
Member

4-30-03
Date