

STATE APPEAL BOARD

In Re:	Ringgold County Agricultural Extension District Budget Appeal FY 2015))))	Order April 28, 2014
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BEFORE THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, DAVID ROEDERER; STATE AUDITOR MARY MOSIMAN; AND STATE TREASURER MICHAEL L. FITZGERALD.

A hearing on the above captioned matter was held pursuant to the provisions of Chapter 24 of the Code of Iowa on April 10, 2014. The hearing was before a panel consisting of Mr. Luke Donahe, Investment Officer, Office of the State Treasurer and presiding Hearing Officer; Ms. Carrie Johnson, Property Valuation and County Budget Administrator, Department of Management; and Ms. Suzanne Dahlstrom, Manager, Office of the State Auditor.

The primary spokesperson for the petitioners was Mr. Kevin Kilgore. The primary spokesperson for the Ringgold County Agricultural Extension District was Mr. Chris Eaton, Chair of the Agricultural Extension District Council.

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 Ringgold County Agricultural Extension District fiscal year (FY) 2015 budget as described herein.

PROCEDURAL HISTORY

The FY2015 Ringgold County Agricultural Extension District's proposed budget summary was published in the Mount Ayr Record-News on February 20, 2014. The budget was adopted at a public meeting held on March 5, 2014.

A petition protesting the certified FY2015 Ringgold County Agricultural Extension District budget was filed with the Ringgold County Auditor on March 25, 2014 and was received by the State Appeal Board on March 26, 2014. The petitioners' objections and their reasons listed on the petition document are as follows:

- Objection number one stated the FY2015 adopted budget represents a 2% increase in property taxes to fund a 6.9% increase in personnel costs.
- Objection number two stated the carryover balance represents 94% of tax revenues.
- Objection number three stated the Iowa Department of Management (IDOM) Form 676 ADOPTED BUDGET SUMMARY provides no actual budget balance.

- Objection number four stated the beginning and ending fund balances do not match, nor do budgeted and re-estimated totals.

The petitioners asked for the Agricultural Extension levy to be reduced to a rate necessary to effect a 25% fund carryover balance.

DISCUSSION

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

PETITIONERS

Mr. Kevin Kilgore represented the petitioners. He began his presentation by referencing Petitioners' Exhibit 7, his opening statement, distributed at the hearing. Mr. Kilgore asserted the opening remarks were intended to apply to all budget protest hearings held on April 10, 2014, including the Ringgold County Agricultural Extension District, the Ringgold County E911 Service Board, the Ringgold County Emergency Management Commission, the Ringgold County Hospital and the Ringgold County Assessor. He stated he recently received communication from the State Appeal Board declining to hear the Ringgold County and Sun Valley Rural Improvement District budget protests.

Mr. Kilgore stated all protests carry the same message as previous ones, which is petitioners-on behalf of what he believes are the majority of the citizens in Ringgold County-believe the interests of the taxpayers in Ringgold County will be best served by minimizing the costs of government-limiting budget growth-in order to minimize property tax increases. He stated each of the budgets illustrate a different facet of tax overburden by a local government entity and, E911 excepted because its tax base is a telephone surcharge, all continue a spend-tax-spend-tax cycle of increased property taxes to pay for increased permanent annual expenditures. He asserted the spend-tax cycle is independent of the fiscal health of the economy or the ability of taxpayers to pay and annual double-digit percentage increases in personnel costs are hidden from the public view by a process which allows unprotested government spending to increase every year. Total taxable valuation is made to increase every year, the same levy rate generates more money and the budget of the governmental entity grows to fit the difference. He stated the budgets fail to meet any objective standard of "necessary, reasonable, and in the interests of public welfare" as required by Iowa Code Section 24.28 and the budgets overspend and overtax again and they object again.

Mr. Kilgore also stated the burden is on the certifying or levying officials (as opposed to staff) to show any new item in the budget, or any increase in any item thereof, is necessary, reasonable, and in the interest of the public welfare. Mr. Kilgore interpreted this to mean any employee of a board is excluded from defending a budget at a public hearing. He requested any employees designated as spokespersons be disqualified.

Petitioners' Exhibit 7 also included a number of issues Mr. Kilgore summarized. The first issue was his belief three of the five budgets discussed represent overtaxing in lieu of reducing excess carryover balances and the other two represent expenditure growth so a 25% fund balance is neither budgeted nor maintained. The second issue he listed is taxing for FICA and

IPERS separately from the basic tax levy is only available to county government but the blocks for separate taxes incorrectly appear on both the Hospital and Assessor forms. The third issue he listed is the statutes for Tort Liability/Other Insurance have been interpreted to include employee health insurance, which has allowed compensation to increase by approximately 40% beyond the allowable basic tax levy. The fourth issue Mr. Kilgore identified is FICA and IPERS are required to be paid to those who receive "remuneration" from public monies, a requirement attached to "salary" but not clearly visible as paid for "personnel" expenditures or "personnel costs" or even "salaries and benefits". For the fifth issue, Mr. Kilgore contended expenditure increases between proposed/certified budgets and re-estimated budgets without an amendment is a violation of Iowa Code 24.9 and went on to state in his sixth issue he believes programming changes in several computer systems which account for public monies are necessary, especially in interfacing/reconciliation/preservation of records.

Mr. Kilgore went on to focus exclusively on the Agricultural Extension District protest and referenced Petitioners' Exhibit 1, which included the Agricultural Extension District budget detail sheets from FY2013, FY2014 and FY2015.

- Objection number one stated the FY2015 adopted budget represents a 2% increase in property tax to fund a 6.9% increase in personnel costs. The FY2015 budget represents a one year 8.7% increase in expenditures and a two year 13.9% increase in property taxes to fund a 23% increase in personnel costs.
- Objection number two stated the carryover balance represents 94% of tax revenues.
- Objection number three stated the Iowa Department of Management (IDOM) Form A674 provides no actual budget balance.
- Objection number four stated beginning and ending fund balances do not match, nor do budgeted and re-estimated totals. Estimated beginning carryover balance for FY2015 is \$26,261 larger than the estimated ending balance for FY2014. FY2013 reported actual property tax (\$70,836) are \$6,173 less than taxed for (\$76,973).

RINGGOLD COUNTY AGRICULTURAL EXTENSION DISTRICT RESPONSE

Mr. Chris Eaton, Chair of the Council of the Agricultural Extension District served as the primary spokesperson for the Agricultural Extension District. In the response to the petition, he expanded upon the written remarks submitted prior to the hearing in the Agricultural Extension District's Exhibit 1.

- Mr. Eaton stated the Board members, 9 unpaid, publicly elected officials take their responsibility for conservatively managing taxpayer dollars while abiding by County Agricultural Extension Law, Iowa Code Chapter 176A, very seriously.

Mr. Eaton's written comments and statements presented the following responses to the petitioners' objections:

- In response to Objection 1, Mr. Eaton stated the increase in the Property Taxes levied from FY2014 to FY2015 is \$1,566. This increase is due to the increased valuations. There has been no increase in the tax asking rate in the past ten years. Personnel costs increased in the areas of travel costs to service the entire

county and to attend training for staff and wages which is \$4,536. He indicated they feel this is a reasonable increase.

- In response to Objection 2, Mr. Eaton stated the Council is fiscally conservative with tax asking and carryover. Mr. Eaton referenced Iowa Code Section 176A.8(13), which allows the Agricultural Extension District to carryover unexpended fund balance into the next year so funds will be available to conduct programming until such time monies received from taxes are collected by the County Treasurer. The statute limits the carryover amount to one half of the amount expended from the fund in the previous year. Since FY2004, a carryover of tax dollars has only occurred four times, with the highest carryover amount of \$3,755 in FY10. They anticipate tax dollar carryover to be \$0 for FY2014.
- In response to Objection 3 and Objection 4, Mr. Eaton stated the Council is required to use the IDOM budget forms and they are aware the Iowa State University Extension and Outreach continues to work closely with IDOM to ensure transparency and accountability of the system. He stated the Council meetings are open to the public according to the Open Meetings Law and all are welcome to attend. He added notice was published of the public budget hearing, but no public was in attendance.

In closing, he thanked those who have supported the Agricultural Extension District and indicated they have reached over 5,000 individuals.

PETITIONERS' REBUTTAL

In his rebuttal to the Agricultural Extension District, Mr. Kilgore referenced the Petitioners' Exhibit 1A distributed at the hearing. He indicated the Council presentation is specifically addressed as the "upside" of the 25% budget carryover balance determination for local government budgets designed to preclude overspending and overtaxing. He stated the issue is not whether or not unexpended funds can be carried over rather than revert to the accounts of the funding authority, but rather a "color of money" issue. He said, conceptually, those organizations with multiple funding streams which include property tax are limited in annual operating costs to the maximum amount which can be generated by the property tax and the 25% carryover balance functions to provide "cash flow" for the new fiscal year until first half taxes are collected. Business endeavors excluded, he said there is no ability in the government accounting systems to separate those monies available to any given governmental authority by the source of the funds and it does not logically follow a property tax levy should be at the maximum allowed when a carryover balance beyond 25% of the revenue which can be generated from that levy is held in the carryover account.

In closing, Mr. Kilgore stated he attended the Agricultural Extension District public hearing on its budget years ago and requested a reduction to no avail. He stated the District's operating expenses are more than what they can tax.

MEMBERS OF THE PUBLIC

No members of the public chose to speak.

FINDINGS OF FACT

1. Iowa Code section 24.27 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 Iowa Code sections 24.28 and 24.29, a hearing was scheduled and conducted.
2. The Ringgold County Agricultural Extension District FY2015 budget reflects \$1,611 more in utility replacement and property tax dollars, or \$1,566 in property tax dollars only, than in FY2014.
3. For the FY2015 budget, the Agricultural Extension District levied the maximum County Agricultural Extension Education Fund tax rate of \$0.30/\$1,000 of taxable valuation. This rate is the same as FY2014, but generated \$1,611 more in utility replacement and property tax dollars, or \$1,566 in property tax only, due to increased taxable valuation.
4. Iowa Code section 176A.8(13) states, in part, the Agricultural Extension District has the power to "...carry over unexpended county agricultural extension education funds into the next year so that funds will be available to carry on the program until such time as moneys received from taxes are collected by the county treasurer. However, the unencumbered funds in the county agricultural extension education fund in excess of one-half the amount expended from the fund in the previous year shall be paid over to the county treasurer." Iowa Code section 176A.8(14) states, in part, the Agricultural Extension District must "...file with the county auditor and...publish in two newspapers of general circulation in the district before August 1 full and detailed reports under oath of all receipts, from whatever source derived, and expenditures of such county agricultural extension education fund showing from whom received, to whom paid and for what purpose for the last fiscal year." When this end of year report is filed, the carryover balance from different fund sources is examined to meet the test in Iowa Code section 176A.8(13). For the Ringgold County Agricultural Extension District, the actual FY2013 carryover balance of property tax dollars was \$0. The same is projected for FY2014. The FY2015 budget anticipates carryover from other sources to be made available for planned increases to 4-H/youth, agriculture and families programming, as well as to prepare for any transitions which may occur.
5. FY2015 budgeted expenses decreased by \$14,073 overall.
6. Mr. Kilgore stated petitioners - on behalf of what he believes are the majority of the citizens in Ringgold County - believe the interests of the taxpayers in Ringgold County will be best served by minimizing the costs of government - limiting budget growth - in order to minimize property tax increases. However, Mr. Kilgore serves as a spokesperson only for himself and those individuals who signed the various budget protest petitions.
7. According to Iowa Code section 24.9, "The department of management shall prescribe the form for public hearing notices for use by municipalities."
8. Comparing the budgeted ending fund balance for a fiscal year estimated during budget preparation with the actual ending fund balance which occurs at the close of the same fiscal year 18 months later will often result in different figures. A variety of factors may result in a change to the actual fund balance as compared to the estimated fund balance arrived at 18 months prior during budget planning and any variance does not invalidate the original budgeted fund balance estimate.

CONCLUSIONS OF LAW

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

BASIS OF DECISION

Iowa Code section 24.28 states, in part, "At all hearings, the burden shall be upon the objectors with reference to any proposed item in the budget which was included in the previous year and which the objectors propose should be reduced or excluded...". The Code continues, "...the burden shall be upon the certifying board or the levying board, as the case may be, to show 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."

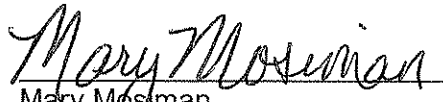
The Ringgold County Agricultural Extension District increase in property tax and utility replacement tax asking is \$1,611, or \$1,566 in property tax only, approximately a 2% increase. FY2015 budgeted expenses decreased \$14,073 overall.

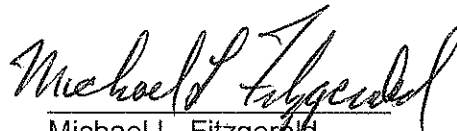
The petitioners did not adequately satisfy the burden of proof requirement to justify a change in the FY2015 budget. The Agricultural Extension District adequately satisfied the burden of proof requirement for the increases in the FY2015 budget.

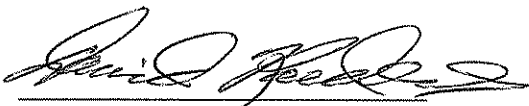
ORDER

Based on the information provided by the parties involved and the Iowa Code, the State Appeal Board sustains the FY2015 Ringgold County Agricultural Extension District budget as adopted.

STATE APPEAL BOARD


Mary Mosiman
Chairperson


Michael L. Fitzgerald
Vice Chairperson


Dave Roederer
Member

4/28/14
Date