

PROPERTY TAX AMENDMENT TO OMNIBUS APPROPS BILL (HF 697)

IMPACT ON CITY OF DUBUQUE

JUNE 7, 2011

The property tax amendment has three divisions dealing with property tax reform.

First Division of the bill increases State funding to schools through Foundation Aid. This would in effect reduce school property tax rates. The current proposal would allow the Dubuque Community School District to lower property taxes for their Regular Program.

Impact to City of Dubuque: **\$130,000 in estimated annual TIF revenues**

Second Division of the bill introduces a Commercial, Industrial and Railroad Rollback that decreases existing property values by 5% a year until it reaches 75%.

Impact on City of Dubuque: **\$5.4 million per year in annual revenues** by year 5

- The rollback would reduce non-TIF revenues by an average of \$1.1 million a year reaching in excess of \$2.3 million of annual loss by full implementation.
- The TIF impact would amount to an average of \$1.2 million a year reaching in excess of \$2.3 million of annual revenue loss by full implementation.
- The slowing of Residential rollback annual growth from 4% to 2% would mean a loss of \$160,930 in revenues the first year compared to current law. This loss would be compounded each year increasing by a like amount (\$160,930). Ex: second year loss = \$321,860, third year loss = \$482,790...
- TOTAL ANNUAL IMPACT upon fifth year of implementation would be \$5.4 million.
- The City recognizes the backfill provision, however it is unlikely that the amount will be enough to cover all losses in all Iowa cities.

Third Division of the bill limits the amount not the rate of property taxes that can be generated. The new limitation would be on the revenue generated by **both** the General Fund and *Trust and Agency Funds*. Those expenditures would be allowed to grow at an inflationary index rate plus new construction.

Impact on City of Dubuque:

- Essentially, our General Fund has been growing at just below inflation. However, projected health and pension cost are increasing faster than CPI inflation. The City's 411 pension cost, for example, is projected to increase at over \$600,000 per year for 4 years.
- Trust and Agency Funds include healthcare and pension costs. Those costs are projected to increase significantly faster than the overall rate of inflation and as such this proposal would not allow the city to generate sufficient funds to pay for employee benefits moving forward. The city's pension contribution rates are controlled by the State and are projected to increase nearly 20% a year and yet under this proposal we can only generate new revenue at the rate of inflation.
- All of the City's allowable property tax growth would be devoted to these expenses with nothing left for normal salary and other operating cost increases.

Impact to City of Dubuque **Taxpayers** of HF697 if amended:

- If the city were to reduce general operating expenses by \$5.4 million over 100 full time positions would be eliminated - our current general fund supported work force is about 500.
- Of the City's general fund costs, nearly 21% is for public safety and although public safety is our number one priority, we could not reduce expenses to the extent required by property tax amendment HF697 without impacting public safety. Keep in mind that the City of Dubuque has already reduced personnel by 6.6% (39 FTE) since 1981.
- In order to generate \$5.4 million in property taxes the city would need to increase the tax rate by \$2.65 per \$1,000 of taxable valuation assuming taxable valuations in total do not decrease. This proposal will decrease taxable valuations of existing Commercial and Industrial properties. So, if new construction does not offset the loss, the tax rate increase could far exceed the \$2.65 amount.
- If the tax rate were to increase by \$2.65 per \$1,000 in taxable value, a home assessed at \$130,367 would see an increase in taxes by \$160 per year.
- Overall, the impact of property tax amendment HF697 will be to reduce our revenues to a level that will not allow us to provide an acceptable level of service to our residents and businesses. In fact, these changes will make Dubuque less competitive in attracting new jobs.

Although the information noted above relates specifically to Dubuque, the same experiences are occurring in cities throughout the state.

If questions please contact:

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