

STATE APPEAL BOARD

In Re:	Ringgold County Agricultural Extension District Budget Appeal FY 2014))))	Order April 30, 2013
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BEFORE THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, DAVID ROEDERER; STATE AUDITOR DAVID A. VAUDT; 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 23, 2013. The hearing was before a panel consisting of Mr. Luke Donahue, 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) 2014 budget as described herein.

PROCEDURAL HISTORY

The FY2014 Ringgold County Agricultural Extension District's proposed budget summary was published in the Mount Ayr Record-News. The budget was adopted at a public meeting held on March 6, 2013.

A petition protesting the certified FY2014 Ringgold County Agricultural Extension District budget was filed with the Ringgold County Auditor on March 25, 2013 and was received by the State Appeal Board on March 27, 2013. The petitioners' objections and their reasons listed on the petition document are as follows:

- Objection number one stated the FY2014 adopted budget represents a 12.9% increase in property taxes to fund a 19.9% increase in personnel costs.
- Objection number two stated the carryover balance represents 64% of tax revenues.
- Objection number three states the Iowa Department of Management (IDOM) Form 676 ADOPTED BUDGET SUMMARY provides no actual budget balance.

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

DISCUSSION

The petitioner and the representatives of 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. Mr. Kilgore referenced 5A, a document handed out at the meeting which was a restatement of his objections as included in the submitted petition, and he also referenced Exhibit 5, the Agricultural Extension District budget detail sheets from Exhibits previously submitted during the budget appeal hearing held for the Ringgold County Hospital earlier on April 23, 2013.

- Objection number one stated the FY2014 adopted budget represents a 12.9% increase in property taxes to fund a 19.9% increase in personnel costs.
- Objection number two stated the carryover balance represents 64% of tax revenues.
- Objection number three states the Iowa Department of Management (IDOM) Form 676 ADOPTED BUDGET SUMMARY provides no actual budget balance.

He also indicated the following concerns:

- Referencing Exhibit 5, Mr. Kilgore stated there is a difference between the numbers in the treasurer's report and the actual numbers listed in the budget.
- Mr. Kilgore also expressed concerns with the large increase in personnel costs.
- He questioned whether the Agricultural Extension District had an election to use the \$0.30 levy rate.

RINGGOLD COUNTY AGRICULTURAL EXTENSION DISTRICT RESPONSE

Mr. Chris Easton, 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 Agricultural Extension District Exhibit 1.

- Mr. Eaton stated, as a board of 9 unpaid, publicly elected officials, they 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 Agricultural Extension District currently has one full-time and one half-time position and the District is required to pay IPERS, Medicare and Social Security taxes. He stated the Agricultural Extension District Council (Council) budgeted for a wage increase of 5%, or \$2,450 this year, with the corresponding increase in benefits and taxes.

He stated the Council has undertaken efforts to contain personnel costs, such as reduced office hours and reduced overtime. He indicated grants the Council was receiving for Families programming, which paid a portion of salary and benefits are no longer available.

Mr. Eaton said the full-time County Youth Coordinator/Office Manager and the part-time Program Coordinator have reached over 4,932 individuals over the past year, including 139 4-H youth in grades K-12, 644 program participants and 4,288 clientele interactions, including phone calls, walk-in clients and email questions.

Mr. Eaton indicated the Council budgeted to hire an outside bookkeeper to ensure segregation of duties and increased transparency and accountability for the Council and the public.

- In response to Objection 2, Mr. Eaton stated the Council is fiscally conservative with tax asking and carryover and seek to invest tax dollars in programs providing public value.

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.

Mr. Eaton indicated budgeted expenditures in FY2014 are not to exceed \$131,488 and the ending fund balance of \$52,480 represents approximately 40% of total expenditures. He stated the carryover balance includes property taxes, grants and contracts, program fees and contributions. He stated the Council feels a decrease in the carryover at this time would inhibit the ability to keep the office fully operational until tax dollars are received in late September. He stated only \$5,256 in tax dollars were received in 2012 between July 1 and September 15.

- In response to Objection 3, 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.

- Mr. Eaton stated the Council believes the Agricultural Extension District provides valuable programmatic outreach to clientele and provides examples of programs benefiting the community, including 4-H, Annie's Project, IPM and Family Finance programming.
- In closing, he remarked the Agricultural Extension District spends money wisely and have reached over 4,000 individuals. He stated the Council's fund balance is within the law and the Council is charged with providing high quality education to citizens.

PETITIONER'S REBUTTAL

- In his rebuttal to the Agricultural Extension District, Mr. Kilgore referenced the State Appeal Board Administrative Rule stating the petitioners did not need to attend the public hearing to be able to protest. He also stated the reason for the protest is because the District is spending more for salary and benefits than there are tax dollars.
- In closing, Mr. Kilgore indicated the Agricultural Extension District is increasing expenditures due to costs associated with "people" and they are receiving an extra 5% to spend because the taxable value is going up.

MEMBERS OF THE PUBLIC

During the public comment time, several individuals spoke to their own positive personal experience with programs provided by the Agricultural Extension District, including 4H and other educational programs. The Ringgold County Conservation Director expressed her satisfaction with the partnership her office has with the Agricultural Extension office.

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 FY2014 budget reflects \$4,866 more in utility replacement and property tax dollars, or \$4,939 in property tax dollars only, than in FY13.
3. For the FY2014 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 FY2013, but generated \$4,866 more in utility replacement and property tax dollars or \$4,939 in property taxes only, due to increased taxable valuation.
4. In order to levy \$0.30/\$1,000 of taxable valuation, the Agricultural Extension District must hold an election on the matter per the requirements of Iowa Code section 176A.10. In 1996, such an election was held in Ringgold County and the matter passed affirmatively.
5. The Agricultural Extension District saw a revenue decrease of \$102,647 in Contracts and Grants and a corresponding expenditure decrease in its Families line item due to the local Empowerment program no longer being part of its budget.

6. 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 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." The FY2014 ending fund balance for the County Agricultural Extension Education Fund was budgeted at \$52,480. The expenditures of the previous year were \$218,950. Therefore, the FY2014 ending fund balance was approximately 23% of the prior year's expenditures. According to the Agricultural Extension District, it does not typically carry over any tax dollars. Below is the most recent actual fund balance breakdown reported for FY2012:

Tax	\$0.00
Fee	\$54,443.23
Grant	\$10,602.07
<u>Other</u>	<u>\$18,420.24</u>
 Total	 \$83,465.54

7. Expenses decreased by \$87,462 overall. Taking into account the \$102,647 reduction in expenditures due to the loss of the Empowerment program, the expenditure increase due to other factors was \$15,185. The expenditure increases are found in line items related to Personnel /Facility/ Rent/ Mortgage/ Utilities/ Repairs and Office/ Communications/ Legal/ Insurance.
8. According to Iowa Code Section 24.9, "The department of management shall prescribe the form for public hearing notices for use by municipalities."

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 was \$4,866, or \$4,939 in property taxes only, approximately a 6% increase. The majority of the increases in expenditures for the Agricultural Extension District were related to general operational items and increased personnel costs, such as salary, benefits and the hiring of a part-time bookkeeper.

The petitioners did not adequately satisfy the burden of proof requirement to justify a change in the FY2014 budget. The Agricultural Extension District adequately satisfied the burden of proof requirement for the increases in the FY2014 budget.

ORDER

Based on the information provided by the parties involved and the Iowa Code, the State Appeal Board sustains the FY2014 Ringgold County Agricultural Extension District Budget as adopted.

STATE APPEAL BOARD



David Roederer
Chairperson



Michael L. Fitzgerald
Vice Chairperson



David A. Vaudt
Member

4/30/13
Date