

**STATE APPEAL BOARD**

In Re:	Story County	)	
	Budget Appeal	)	Order
		)	
	FY 2001-2002	)	April 30, 2001

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**BEFORE STATE AUDITOR, RICHARD D. JOHNSON; 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 26, 2001. The hearing was before a panel consisting of Ronald J. Amosson, Executive Secretary to the State Appeal Board and presiding officer; Gretchen C. Page, Investment Officer I, Office of the State Treasurer; and Kevin J. Borchert, Professional Development Director, Office of the State Auditor.

The spokespersons for the petitioners were Dave Deyoe, farmer, and David Struthers, farmer. Rod Reynolds, Assistant County Attorney, and Jane Halliburton, Chair of the Board of Supervisors, represented the 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 Story County's fiscal year (FY) 2002 budget as described herein.

**PROCEDURAL HISTORY**

The FY2002 Story County proposed budget summary was published in the Daily Tribune (Ames), the Nevada Journal, and the Tri-County Times all on March 1, 2001. Public workshops had been held January 10 through 17 with the departmental budgets analyzed line item by line item, and the budget was adopted on March 12, 2001.

A petition protesting the certified FY2002 Story County budget was filed with the Story County Auditor on March 23, 2001, and was received by the State Appeal Board on March 29, 2001. On the petition document, the petitioners objected to the following:

1. A deposit in the amount of \$46,176 of local option sales tax revenues (LOST) made to the General Fund as shown in the FY2000 annual report.
2. The payment of law enforcement, animal shelter, and land use expenditures out of the Rural Services Fund.

Their reason for the first objection from the petition document is that the State Appeal Board has consistently ruled that LOST, which are designated on the ballot to be allocated in the unincorporated area, should be deposited in the Rural Services Fund.

Their reason for the second objection from the petition document is the county's public safety department, animal shelter, and land use programs are primarily intended to benefit all county residents, not just rural residents; therefore, the expenditures should be paid from the General Fund.

## **DISCUSSION**

The petitioners and the representatives of Story County provided various written summaries and exhibits in support of their positions. A summary of this information is as follows:

### **PETITIONERS**

Mr. Struthers gave the petitioners' opening statement, in which he identified the petitioners' requests to the State Appeal Board.

1. Credit \$46,176 in LOST to the Rural Services Fund that was improperly credited to the General Fund in the recently filed FY2000 annual report and credit it to the Rural Services Fund ending balance in the FY2002 budget.
2. Tax and pay for law enforcement, animal shelter and land use expenditures out of the General Fund and reduce rural services levy by \$1,917,687.
3. Mr. Deyoe stated that if the county believes that law enforcement is primarily a rural county service, it should be consistent and deposit civil processes, weapons permits, restitution, and the sale of seized property revenues into the Rural Services Fund. The petitioners ask that if the State Appeal Board chooses not to declare the services to be general county services, they ask that it move these budgeted revenues to the Rural Services Fund and reduce the rural county services property tax levy by \$121,300.

The petitioners explained their appeal in greater detail and a summary is as follows:

### **Local Options Sales Tax**

- FY1999-2000 was the first year Story County deposited its LOST allocation in the Rural Services Fund. The County Annual Financial Report for FY1999-2000 was filed with the Department of Management last year, indicates that Story County credited the General Fund with \$46,176 that was subject to a June 25, 1999 State Appeal Board order to deposit all LOST revenues in the Rural Services Fund.

## **Shifting of Expenditures to the Rural Services Fund**

- Story County paid for part of the law enforcement program expenditures, all of the land use expenditures and animal shelter expenditures from the Rural Services Fund. The petitioners believe this practice is contrary to provisions of Iowa law because these services are general county services, not rural county services. They believe that the illegal transfers to the Rural Services Fund total \$1,917,687 or \$198.48 for every person living in the unincorporated area of Story County.
- Approximately 89% of the sheriff patrol and investigation costs through the General and Rural Services Fund are paid by 25% of the county's valuation where 11% of the population lives.
- Story County is budgeted to receive approximately \$1.6 million in LOST revenues next year. \$960,000 should be used for property tax relief in the unincorporated area. In addition to shifting \$960,000 worth of programs to the Rural Services Fund, the county shifted an additional \$957,687 of expenditures to the Rural Services Fund for a total of \$1,917,687. This LOST revenue should be returned to the rural taxpayers in the form of property tax relief.
- Law enforcement, animal shelter and land use are all general county services, not rural county services and should be paid for out the General Fund. The petitioners believe that these expenditures are primarily intended to benefit all county residents. Everyone in the county should share the tax burden for providing these services to the county residents and not unfairly burden one segment of the population. The petitioners cited several examples of reasons why these services are general county services.

## **STORY COUNTY RESPONSE**

### **County Response to Objection #1**

- The objection is moot. Two receipts received after the date of the decision by the State Appeal Board totaling \$168,901 were deposited in the General Fund. At the March 13, 2001 hearing, the Story County Board of Supervisors authorized the transfer of \$168,901 from the General Fund to the Rural Services Fund and this amount was moved on March 15, 2001.

### **County Response to Objection #2**

- This objection has repeatedly been rejected. The State Appeal Board ruled against the protesters last year on the same issue stating that the county properly paid for public safety, land use, and animal shelter from the Rural Services Fund.
- Story County then presented specific examples and exhibits of why land use, animal shelter, and law enforcement are primarily rural county services.

- Story County believes they have demonstrated that paying for law enforcement, land use, and animal shelter from the Rural Services Fund are necessary, reasonable, and in the best interest of the public welfare and ask that the State Appeal Board sustain the FY2002 budget.

### **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 and 331.436.

### **BASIS OF DECISIONS**

#### **Transfer of LOST to the Rural Services Fund**

On March 15, 2001, the Story County Auditor transferred \$168,901 from the General Fund to the Rural Services Fund. The County and the petitioners agree that the issue of LOST revenues (\$46,176) deposited into the General Fund has been resolved.

#### **Funding of Expenditures out of the General and Rural Services Funds**

##### **Public Safety**

This issue is currently under litigation; therefore, this matter is left for the courts to decide.

However, with respect to the second issue, the State Appeal Board believes that the civil processes, weapons, restitution, and the sale of seized property revenues should be deposited in the fund associated with the matching expenditures. For the revenue sources identified, the General Fund appears to be the fund from which these expenditures were made; therefore, the revenues should remain in that fund.

##### **Land Use**

The planning and zoning department is primarily responsible for planning and zoning administration of the unincorporated area of the county. The county has no jurisdictional authority over any incorporated areas of the county for this activity.

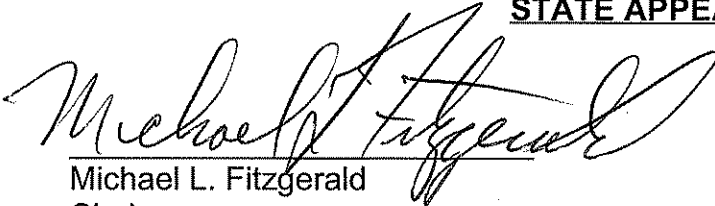
##### **Animal Shelter**

The animal shelter is primarily responsible for animal shelter services of the unincorporated area of the county. The county has no jurisdictional authority over any incorporated areas of the county for this activity.

**ORDER**

Based on the information provided by the parties involved and the review of historical data of Story County, the State Appeal Board sustains the FY2002 Story County Budget as adopted.

**STATE APPEAL BOARD**



Michael L. Fitzgerald  
Chairperson

- Absent -

Richard D. Johnson  
Vice Chairperson



Cynthia P. Eisenhauer  
Member

April 30, 2001  
Date