

**STATE APPEAL BOARD**

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MAY 30 2002

In Re: Iowa County Agricultural ) Order  
Extension District Budget Appeal )  
 )  
FY 2002-2003 ) May 23, 2002

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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 29, 2002. The hearing was before a panel consisting of Stephen Larson, Executive Officer III 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 spokespersons for the petitioners were Linda Yoder and Barb Banes. Victor Rathje, Robert Scoville, and Russell Collingwood represented the Iowa County Agricultural Extension District.

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 in part and reduce in part the Iowa County Agricultural Extension District's fiscal year (FY) 2003 budget as described herein.

**PROCEDURAL HISTORY**

The FY2003 Iowa County Agricultural Extension District proposed budget summary was published in the Waynesburg Journal Tribune on February 28, 2002. The budget was adopted on March 11, 2002.

A petition protesting the certified FY2003 Iowa County Agricultural Extension District budget was filed with the Iowa County Auditor on March 22, 2002, and was received by the State Appeal Board on March 25, 2002. On the petition document, the petitioners objected to the following:

1. The proposed FY2003 budget increase of \$1,244.
2. The proposed tax levy to pay for unemployment compensation in the amount of \$11,200.

Their reason for the first objection, from the petition document, is that the Extension Council did not consider an alternate budget proposed by Connie Fultz and Iona Mattison. The Extension Council's total budgeted expenditures in the County Agricultural Extension's Education Fund are \$113,766, and the petitioners' alternative budget was \$112,522. The petitioners' alternative budget would result in a savings of \$1,244 or 1.1 percent.

Their reason for the second objection, from the petition document, is that because of the locked-in annual tax levy of \$75,000 and due to the termination of Mattison and Fultz, the Extension Council chose not to cover the unemployment compensation in their FY2003 Education Fund budget. They chose to levy additional property taxes to pay unemployment compensation of \$11,200. The petitioners feel that the Extension Council should cover those expenses out of the estimated ending fund balance of the Education Fund of \$13,651 rather than burden the taxpayers.

### **DISCUSSION**

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

#### **PETITIONERS**

Linda Yoder and Barb Banes gave the petitioners' opening statement, in which they identified the petitioners' requests to the State Appeal Board. In their request, they urged the State Appeal Board recommend the Council use the FY2003 budget proposed by Mattison and Fultz. Second, they urged the State Appeal Board to reject the Council's tax levy to pay for Mattison and Fultz's unemployment compensation.

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

On January 9, 2002, Steve DeHoogh, Iowa County Extension Education Director, informed Iona Mattison and Connie Fultz the Council was considering combining their two positions into one. In a Council meeting that day, Mattison and Fultz proposed to the Council that they were willing to forgo a raise, cancel their optional health insurance, and cancel hiring a summer intern. These actions would have resulted in a \$7,743 savings for the FY2003 budget over the Extension Council's Financial Committee's initial budget proposal. The Financial Committee's proposed budget included 3% raises for Mattison and Fultz and a 20% health insurance increase that would have left a projected reserve balance of just over \$4,000.

On February 11, 2002 at the Extension Council meeting, seven Iowa County citizens attended in support of keeping the two positions. Mattison and Fultz again offered their alternative budget. After this discussion, a motion was passed to combine the two positions into one. After this motion passed, the seven citizens left and the Council

continued through the agenda voting to terminate Mattison and Fultz. There was nothing listed on the agenda that pertained to any terminations. The petitioners believe that this discussion and motion occurred in violation of the Iowa Open Meetings Law as no prior notice of termination was listed on the agenda.

On February 12, 2002, Mattison and Fultz were terminated. On March 11, 2002, over 25 citizens attended the budget meeting to protest the firings and to appeal the Council's FY2003 budget. The Council did not consider Mattison and Fultz's proposed alternative budget.

On February 24, 2002, the Extension Council held a meeting to determine how to recoup the unemployment compensation that would be paid to Mattison and Fultz. The Council voted and passed a motion to levy \$11,200 for the Unemployment Compensation Fund. This action would raise the tax levy from .10941 per \$1000 of taxable valuations to .12070 per \$1000 of taxable valuations. The Extension Council should have paid into the State Unemployment Compensation Fund as Linn and Johnson County Extensions have done. There is no need to burden the property tax payers with an additional levy and the Council should use their reserve to cover Mattison and Fultz's unemployment as they have already gained additional savings by not paying wages or benefits for a new employee from March 12 to present.

Furthermore, the petitioners believe that the Extension Council did not accurately figure the unemployment compensation for Mattison and Fultz. After speaking with Iowa Workforce Development (IWD), Mattison was under the impression that her benefits would only be \$123 per week instead of \$246 per week due to her part-time employment with the Iowa County Fair. After further conversations with IWD, Mattison learned that her unemployment compensation may only amount to around \$10 per week because she made \$243 at her second part-time job.

The petitioners stated at the hearing that they felt that the real conflict was with people and not the budget and that this was a personnel issue.

### **IOWA COUNTY AGRICULTURAL EXTENSION DISTRICT RESPONSE**

Victor Rathje gave the Extension Council's response and the following is a summary.

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

Chapter 176A.13 of the Code of Iowa enumerates the powers of and duties of the County Agricultural Extension which is to "carry over unexpended county agricultural extension education funds in the next year so that the funds will be available to carry on the program until such time as moneys received from taxes are collected by the county treasurer." Also, the Extension is only able to levy up to \$75,000 per year in the Education Fund as stated in Iowa Code Chapter 176A.10 1a.

The Extension Council wanted to avoid borrowing money to cover expenses since this would not be in the public's best interest. Moreover, there is no tax increase and the Extension District is dangerously low on ending fund balances. There is also not a budget increase in expenses for the FY2003 Education Fund budget in the amount of \$1,244. The FY2002 Education Fund budget showed \$123,525 in expenses. The FY2003 approved Education Fund budget showed \$113,766 in expenses, for a reduction of \$9,759.

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

The unemployment compensation tax levy was not a foreseen expense and is allowed by law to be separately levied. It is in the best interest of the public that the Iowa County Extension District levy for this Unemployment Compensation Fund in this manner for cash flow purposes, since they need an ending fund balance of \$13,000 or more to conduct business. Also the Extension Council anticipates that the full amount levied will not be used as they expect the former employees to become fully employed again. The Extension Council would return any unused unemployment compensation to the Iowa County Treasurer.

The tax levy of \$11,200 was determined by figures the IWD provided to the Extension District. The weekly benefit amount for Fultz was reported at \$185 per week and the weekly benefit amount for Mattison was reported at \$246 per week in February 2002. Based on 26 weeks, the levy was determined to be \$11,200. They did not anticipate any additional salary savings as they started the hiring process for a new employee immediately after Mattison and Fultz's termination.

### **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 176A.10.

### **FINDINGS OF FACT**

The Extension Council has the authority to create a budget and Iowa Code Section 96.31 gives the Extension Council the right to levy for unemployment compensation.

### **BASIS OF DECISIONS**

The termination of Mattison and Fultz were personnel issues, not budget issues. The State Appeal Board has no jurisdiction in these personnel decisions.

The FY2003 adopted budget reflects a decrease in expenditures from the FY2002 budget. Because of the decrease in budgeted expenditures, the burden of proof is with the petitioners, not the Extension Council. The petitioners have not demonstrated that further expenditure reductions are prudent and in the best interest of the public. Also, the projected ending Education Fund balance for FY2003 represented 12% of proposed expenditures.

The Unemployment Compensation Fund tax levy for FY2003 was calculated based on the assumption that Mattison would receive unemployment benefits of \$246 per week for 26 weeks and Fultz would receive benefits of \$185 per week for 26 weeks. Based on information Iowa Workforce Development has provided, it is estimated that Mattison's weekly benefit will only be \$64 per week, resulting in a savings of approximately \$4,730. Even though the termination occurred in February 2002 and the terminated employees began receiving unemployment benefits in FY2002, the cost of the Extension District will be in FY2003 when it must repay Iowa Workforce Development for the benefits disbursed.

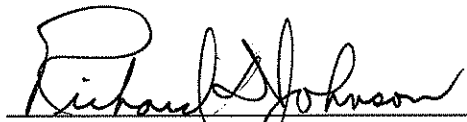
**ORDER**


Based on the information provided by the parties involved and the review of historical data of Iowa County Agricultural Extension District, the State Appeal Board orders the following action:

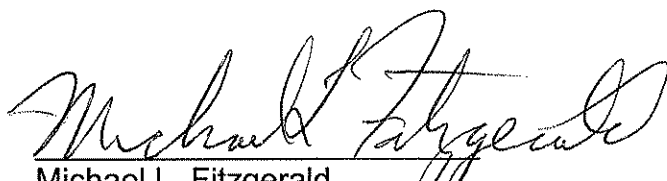
**Unemployment Compensation Fund**

Reduce the Unemployment Compensation Fund utility replacement and property tax levy by \$4,730.

**STATE APPEAL BOARD**

  
Richard D. Johnson  
Chairperson

  
Cynthia P. Eisenhower  
Vice Chairperson

  
Michael L. Fitzgerald  
Member

5/28/02  
Date