

County Revenue

Where do counties get their money?

Iowa's counties have several revenue sources, including: property taxes; other county taxes such as utility excise taxes and local option sales taxes (LOST); state aid including road use taxes and state reimbursement of property tax credits; federal government revenue sharing and grants; user fees; licenses and permits; and other charges. Among those sources, property taxes account for the largest portion of county revenue, at about 43%. Intergovernmental revenue, in the form of state or federal aid, is a close second, accounting for almost 42% of county revenues. Utility excise tax revenue and LOST revenue combine to provide just over 5% of county revenues, while the remaining 10% comes from other miscellaneous sources.

While these aggregate figures provide a decent guideline, individual county revenue sources may vary dramatically. Only about two-thirds of Iowa counties levy a LOST, for example. The remaining counties, therefore, do not generate any revenue from a local option sales tax. Additionally, urban counties tend to be more dependent on property taxes as a revenue source than do rural counties. This is likely because property values are often higher in metropolitan areas than in rural areas. Because property taxes are such an important factor in county finances, and because most citizens have to deal with them, this brochure goes into a little more detail about that revenue stream.

Information for this publication taken from "Evolution of County Government in Iowa" by State of Iowa Office for Planning and Programming; "New Directions for County Government" by Iowa Advisory Commission on Intergovernmental Relations.

Property Taxes

Property taxes are imposed by local governments, including cities, schools and counties, against most real property in Iowa. Real property mainly consists of land, buildings, other structures, and improvements to land such as fences or paving. Some property, such as that owned by religious organizations, non-profit groups or the government, or property that is being used for specific purposes, such as forest preservation, can be either totally or partially exempt from property tax. Nearly all private citizens, however, pay property taxes either directly (by owning a home) or indirectly (by renting an apartment). The amount of property tax levied against a certain property depends primarily on two factors – the assessed value of the property and the tax rates established by the various local governments.

For tax purposes, all property is divided into classifications. The primary classifications of property are agricultural, commercial, industrial and residential. In 2003, homeowners paid about 42% of all property taxes; farmers paid about 32%; and business owners (commercial and industrial property) paid about 22% of all property taxes. The remaining 4% was paid by owners of utility property, railroads, or other minor classifications of property. In total, property owners paid just under \$650 million in property taxes to county governments in fiscal year 2003 (July 1, 2002 thru June 30, 2003). Property owners paid just over \$3 billion in property taxes to all local governments combined.

The revenues generated by property taxes help to pay for public schools, city streets, county roads, police and fire protection, and many other services. Although counties are responsible for collecting all property taxes, the largest portion of property tax revenues goes to school districts. In fact, county governments receive less than a quarter of all the property taxes they collect.

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County Finances

Revenues & Expenditures for Iowa Counties

Prepared by the:

Iowa State Association of Counties

County Finances

The reorganization of county finances was accomplished by the Iowa Legislature in 1983. All existing funds were combined into a minimum of four funds: General Fund, Rural Services Fund, Secondary Road Fund, and Debt Service Fund. Previously, some funds had levy limits and were controlled to some degree by the county board of supervisors. Other funds created by state mandates had no levy limits. The counties had no control over the cost of such funds. If a county desired to increase a levy limit or transfer money from one fund to another, it was required to go through a tedious process of voter approval by referendum or State Appeal Board approval.

Under the current system, all countywide levy funds are consolidated under the General Fund. For unincorporated areas, funds are consolidated under the Rural Services Fund. Thus, the current system simplifies the budgetary process and provides more control to the county in managing its own resources. A county can transfer funds or change levy rates without seeking voter approval or permission from the State Appeal Board. Thus, the current system, in addition to greatly simplifying the budgetary process, provides more control to the county in managing its own resources.

The finances of counties are affected by many different factors. Some of the variation results from decisions made by county officials. Some are due to factors outside the control of the elected officials such as state mandates, a county's size, the economic status of its residents, or the proximity of similar services provided elsewhere. The amount of revenue available for a county is influenced by rising or falling property values, the use of fee-based services, intergovernmental grants for projects, and many other interrelated factors.

County Expenditures

What do counties spend their money on?

There are eight major areas in which counties spend their revenue to provide services. The descriptions below include the percent of total expenditures by service area for fiscal year 2004 and an example of what services may be provided in each area. The type of service and extent to which each is provided varies among counties. Additionally, the examples given do not constitute an exhaustive list. The eight service areas are:

- Roads and Transportation (22.87%) – road maintenance and construction, mass transit
- Mental Health, Mental Retardation and Developmental Disabilities (18.51%) – services to persons with mental illnesses, mental health facilities
- Public Safety and Legal Services (18.32%) – law enforcement, jails, court proceedings
- Non-Program Expenditures (10.69%) – debt service and capital projects
- Administration (10.25%) – policy and administrative services, insurance
- Physical Health and Social Services (10.02%) – chemical dependency programs, services to the poor, veterans, and children and families
- Environment and Education (6.05%) – conservation, animal control, economic development
- Governmental Services to Residents (3.3%) – elections and other state administrative services

County expenses may be affected by the demographic, geographic, historical or political landscape of a given county. Large swings in expenditures may reflect increased demands caused by extraordinary weather events or physical structure expenditures (county jail, courthouse, etc.). Expenditures are also affected by public safety events or large-scale investigations of criminal activity. Some factors have a continuing effect on county finances, while others might be one-time events. Mental health services, road maintenance and public safety are by far the most expensive services that counties provide to citizens. Together, they account for about 60% of all county expenses. In addition, increasing state and federal mandates are giving counties responsibility for providing more public services. Citizens are expecting more and better services from their counties, yet they are also requesting lower property taxes. All of these factors put intense pressure on county officials to provide exceptional services at a low cost to taxpayers.