

The Iowa Fund

An amendment to the Constitution of the State of Iowa and enacting legislation to be approved by the Iowa General Assembly.

Part I: The Iowa Fund Amendment

A Joint Resolution proposing an amendment to the Constitution of the State of Iowa establishing The Iowa Fund, a permanent sovereign wealth fund, and providing for the sunset of state taxation.

1 Section 1. The following amendment to the Constitution of the
2 State of Iowa is proposed:

3

4 Article XIII, New Section.

5

6 1. There is hereby established a permanent sovereign wealth
7 fund, to be known as The Iowa Fund, into which all revenues of
8 the State shall be deposited.

9

10 2. The principal of The Iowa Fund shall be inviolate. Earnings
11 may be appropriated for public purposes as provided herein.

12

13 3. The Iowa Fund shall be managed by an Advisory Board of
14 Fiduciaries comprised of seven members who are Registered
15 Investment Advisors, Stockbrokers, or Registered Representatives,
16 each a Citizen of Iowa, appointed by the Treasurer of State
17 with Senate approval, serving staggered six-year terms.

18

19 4. Beginning in Fiscal Year 1, all General Fund appropriations
20 shall be reduced by five percent. Property taxes and income
21 taxes shall continue to operate as provided by law until
22 abolished in Fiscal Year 3 and Fiscal Year 5 respectively.

23

24 5. The statewide sales and services tax shall be imposed at
25 eight percent with no exemptions until such time as The Iowa
26 Fund's annual earnings, averaged over three fiscal years, equal
27 or exceed two hundred percent of certified budgetary needs.
28 In the fiscal year following such certification, the sales and
29 services tax shall be reduced to seven percent, and each
30 subsequent fiscal year reduced by one percentage point until
31 reaching zero.

32

33 6. The sunset schedule shall freeze in any fiscal year in which
34 The Iowa Fund balance falls below two hundred percent of
35 certified budgetary needs. If the sales and services tax has
36 reached zero and The Iowa Fund balance falls below such

1 threshold, the tax shall resume at a rate deemed appropriate to
2 meet the fiscal emergency, and a new sunset schedule shall
3 commence thereafter.

4

5 7. Upon abolition of the sales and services tax, all other
6 forms of state taxation shall likewise be abolished, and the
7 earnings of The Iowa Fund shall constitute the sole source of
8 revenue for the State of Iowa and its political subdivisions.

9

10 8. An "Iowa Citizen" is defined as a full-time resident
11 domiciled in Iowa for at least 183 consecutive days, including
12 children in the legal custody of such Citizens for at least 183
13 days.

14

15 9. Once The Iowa Fund's annual earnings, averaged over three
16 fiscal years, equal or exceed certified budgetary needs, five
17 percent of such earnings shall be appropriated annually for per
18 capita dividends to Iowa Citizens, subject to a maximum of
19 twenty thousand dollars per Citizen per year. Any excess
20 dividend funds shall be rolled back into The Iowa Fund.

21

22 10. The Treasurer of State shall, on the first working day
23 after July 1 each year, communicate publicly:

24 a. The Iowa Fund balance;

25 b. Returns on investment for the preceding twelve months;

26 c. Whether the dividend trigger has been met;

27 d. Whether the sales and services tax step-down trigger has
28 been met;

29 e. Projections for both triggers for the upcoming fiscal
30 year.

31 f. Dividends shall be paid annually on October 1, or the closest
32 working day thereto.

33

34 11. The maximum bonding capacity of the State shall be twenty
35 billion dollars, secured by The Iowa Fund, provided that no
36 issuance of bonds shall exceed fifty percent of revenues and
37 proceeds in any fiscal year.

Part II: The Iowa Fund Implementation Act

AN ACT to implement The Iowa Fund constitutional amendment, provide for revenue allocation, fiduciary governance, and dividend distribution.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. SHORT TITLE. This Act shall be known as the Iowa
2 Fund Implementation Act.

3

4 Sec. 2. DEPOSITS. All state revenues shall be deposited into
5 The Iowa Fund. The Department of Revenue shall remit receipts
6 daily.

7

8 Sec. 3. FIDUCIARY BOARD.

9 1. The Advisory Board of Fiduciaries shall adopt investment
10 policies consistent with prudent investor standards.

11 2. Members must be Registered Investment Advisors, Stockbrokers,
12 or Registered Representatives, and Iowa Citizens.

13 3. Compensation shall be set by statute.

14 4. The Board shall report annually to the Governor and
15 Legislature.

16

17 Sec. 4. TAX SUNSET IMPLEMENTATION.

18 1. Property taxes and income taxes shall continue to operate
19 under current law until abolished in Fiscal Year 3 and Fiscal
20 Year 5 respectively.

21 2. The Department of Revenue shall certify the sufficiency of
22 The Iowa Fund earnings annually, using a three-year average.
23 3. Upon certification that earnings equal or exceed two hundred
24 percent of budgetary needs, the Treasurer shall order the phased
25 reduction of the sales and services tax as provided in the
26 Constitution.

27 4. The sunset schedule shall freeze if The Iowa Fund balance
28 falls below two hundred percent of budgetary needs. If the tax
29 has reached zero and the balance falls below such threshold,
30 the tax shall resume at a rate deemed appropriate to meet the
31 fiscal emergency, and a new sunset schedule shall commence.

32 5. Upon abolition of the sales and services tax, all other
33 forms of state taxation shall likewise be abolished.

34 6. The Department shall publish the tax rate schedule.

1

2 Sec. 5. DIVIDENDS.

3 1. The Treasurer shall distribute dividends annually to all
4 Iowa Citizens.

5 2. Verification of residency shall be conducted by the
6 Department of Public Safety.

7 3. Children in legal custody of Iowa Citizens shall be
8 included.

9 4. Dividends shall be capped at twenty thousand dollars per
10 Citizen per year. Excess dividend funds shall be rolled back
11 into The Iowa Fund.

12 5. The Treasurer shall announce the annual dividend amount on
13 the first working day after July 1 each year. Dividends shall
14 be paid annually on October 1, or the closest working day
15 thereto.

16

17 Sec. 6. BONDING.

18 1. The State may issue bonds up to twenty billion dollars,
19 secured by The Iowa Fund.

20 2. No issuance of bonds shall exceed fifty percent of revenues
21 and proceeds in any fiscal year.

22 3. Bonds shall be used only for capital projects approved by
23 two-thirds of both houses of the Legislature.

24 4. Debt service shall be paid from The Iowa Fund earnings.

25

26 Sec. 7. AUDITS AND TRANSPARENCY.

27 1. The State Auditor shall conduct annual audits of The Iowa
28 Fund.

29 2. All reports shall be public.

30 3. Misuse of funds shall be subject to felony penalties.

Part III: Draft Ballot Language

Constitutional Amendment Question

Shall the following amendment to the Constitution of the State of Iowa be adopted?

Summary:

This amendment establishes *The Iowa Fund*, a permanent sovereign wealth fund into which all state revenues will be deposited. The principal of the fund shall be inviolate. Earnings will be used to support state and local government operations, provide annual dividends to Iowa Citizens, and secure state bonding authority.

The amendment provides for:

- Governance of the fund by a Board of Fiduciaries composed of Registered Investment Advisors, Stockbrokers, or Registered Representatives.
- Reduction of General Fund appropriations by five percent annually beginning in Fiscal Year 1.
- Continuation of property and income taxes until abolished in Fiscal Year 3 and Fiscal Year 5 respectively.
- Imposition of an eight percent statewide sales and services tax until The Iowa Fund's earnings, averaged over five fiscal years, equal or exceed 200% of certified budgetary needs. Once that threshold is met, the sales tax will be reduced by one percent each year until eliminated.
- A safeguard that freezes the sunset schedule if The Iowa Fund balance falls below 200% of budgetary needs. If the sales tax has reached zero and the balance falls below this threshold, the tax will resume at a rate deemed appropriate to meet the fiscal emergency, and a new sunset schedule will begin.
- Abolition of all other forms of state taxation when the sales and services tax sunsets.
- Distribution of five percent of annual fund earnings as per capita dividends to Iowa Citizens, capped at \$20,000 per person per year, with excess dividend funds rolled back into The Iowa Fund.
- The Treasurer of State shall announce the annual dividend amount on the first working day after July 1 each year, with dividends paid annually on October 1 or the closest working day thereto.
- Authorization of state bonding up to \$20 billion, secured by The Iowa Fund.

Ballot Question:

Shall the Constitution of the State of Iowa be amended to establish The Iowa Fund, provide for the sunset of state taxation once earnings reach 200% of budgetary needs, authorize bonding capacity up to \$20 billion, and provide capped annual dividends to Iowa Citizens announced each July and paid each October?

Yes ☐

No ☐

Part IV: Explanatory Statement

What this amendment does:

This amendment would create *The Iowa Fund*, a permanent state investment fund. All state revenues would be deposited into the fund. The principal of the fund could not be spent, but the earnings would be used to pay for government services, provide annual dividends to Iowa Citizens, and secure state bonding authority.

Taxes:

- Property taxes and income taxes would continue as they do now until abolished in the third and fifth fiscal years after enactment.
- A statewide sales and services tax of 8 percent would be imposed until the fund's earnings, averaged over three fiscal years, equal or exceed 200% of certified budgetary needs. Once that threshold is met, the sales tax would be reduced by one percent each year until eliminated.
- The sunset schedule would freeze if the fund balance falls below 200% of budgetary needs. If the sales tax has reached zero and the balance falls below this threshold, the tax would resume at a rate deemed appropriate to meet the fiscal emergency, and a new sunset schedule would begin.
- When the sales tax is eliminated, all other forms of state taxation would also be abolished.

Governance:

The fund would be managed by a Board of Fiduciaries made up of Registered Investment Advisors, Stockbrokers, or Registered Representatives who are Iowa Citizens.

Dividends:

Once the fund's earnings, averaged over three fiscal years, equal or exceed budgetary needs, five percent of those earnings would be distributed annually as per capita dividends to Iowa Citizens. Dividends would be capped at \$20,000 per person per year, with any excess rolled back into the fund.

- The Treasurer of State would announce the annual dividend amount on the first working day after July 1 each year.
- Dividends would then be paid annually on October 1, or the closest working day thereto.

Transparency:

Each July, the Treasurer of State would publicly communicate:

- The Iowa Fund balance,
- Returns on investment for the preceding twelve months,
- Whether the dividend trigger has been met,
- Whether the sales and services tax step-down trigger has been met, and
- Projections for both triggers for the upcoming fiscal year.

Bonding:

The amendment authorizes the state to issue bonds up to \$20 billion, secured by The Iowa Fund, provided that no issuance of bonds exceeds 50% of revenues and proceeds in any fiscal year.