A BETTER PATH

FORWARD

The Iowans for Tax Relief Foundation Magazine
February 2025

ITR FOUNDATION

IOWANS FOR TAX RELIEF
FOUNDATION

A Better Path Forward
The ITR Foundation Magazine
February 2025
Volume 3, Issue 1

Address:
ITR Foundation
PO Box 39
Waukee, IA 50263

Phone:
515-895-3725

Email:
info@itrfoundation.org

@ITRFoundation

A BETTER PATH
FORWARD

Contents

Iowa's Property Tax Crisis: Focus on Spending 3
Cities Hike Property Taxes Despite Restrictions..... 4-5
Stop High Property Taxes; Cap Local Government Spending..... 6
Property Taxes Impact Economic Growth 7
Where Do Iowa's Property Taxes Go? 8
Welcoming Iowa's New Flat Tax 9
Property Tax Relief Shouldn't Play Favorites 10

Federalism: A Cornerstone of American Governance

What is Federalism? 11
State Legislatures are the Cavalry of the Republic 12
Practical Impact on Iowa Lawmaking 13
Iowa Leadership Outperforms Federal Overreach 14
State-based Solutions..... 15

The Course Ahead

Iowans know the value of hard work, fiscal responsibility, and personal freedom. Yet, as property tax burdens rise and government spending expands, our state faces challenges that demand bold, conservative solutions. In this issue, we examine Iowa's property tax problem and show how some local governments continue to raise taxes despite new restrictions. We also explore the economic impact of these policies and why true property tax relief must be fair for all.

Chris Ingstad
President

Beyond property taxes, we highlight Iowa's shift to a flat tax—a landmark reform that simplifies the tax code and fosters economic growth. We also celebrate the state's leadership in rejecting federal overreach and embracing state-based solutions that uphold the principles of federalism. At a time when Washington fails to deliver, our state legislature stands as the cavalry of the republic, proving that real solutions start at the state level.

Iowa's success is no accident—it is the result of principled leadership and policies that prioritize taxpayers over bureaucracy. Through thoughtful analysis and data-driven insights, this issue equips readers with the knowledge needed to advocate for a stronger, more prosperous Iowa. The fight for economic freedom and responsible governance continues, and it starts with informed citizens.

Let's continue to champion policies that put taxpayers first and government second.

Iowa's Property Tax Crisis: Focus on Spending

By John Hendrickson and Vance Ginn, Ph.D.

The root cause of rising taxes isn't increasing property values; it's excessive government spending. Local governments have expanded their budgets without considering taxpayers' ability to pay.

Property taxes are crushing taxpayers nationwide, and Iowa is no exception. In the past two decades, Iowa's property taxes have surged by more than 110%, with local governments collecting over $7 billion in Fiscal Year 2025—a 7% increase from the previous year. This explosive growth far outpaces population growth and inflation, leaving taxpayers struggling to keep their homes and businesses, particularly those on fixed incomes.

The root cause of these rising taxes isn't increasing property values; it's excessive government spending. Local governments have expanded their budgets without considering taxpayers' ability to pay. This disconnect has created a scenario where property owners feel they are merely renting from the government, with the constant threat of being priced out of their homes.

Governor Kim Reynolds has set a high standard for fiscal discipline at the state level. Her leadership in cutting income taxes and tying state spending growth to population and inflation has strengthened Iowa's economy and provided much-needed tax relief. But local governments aren't following the same playbook. Without similar spending restraints, they continue to shift the tax burden onto property owners.

The situation in Texas offers a cautionary example. The state allocated $12.7 billion in surplus funds to reduce school district maintenance and operations (M&O) property taxes. While this provided some relief, the benefits were undermined by excessive local government spending, loopholes in levy limits, and a reliance on raising the homestead exemption to $100,000 rather than reducing tax rates. Texans are still among the country's most heavily taxed property owners because structural spending issues remain unresolved.

The lesson is clear: Temporary fixes like exemptions or one-time infusions of surplus funds will not solve the property tax crisis unless paired with strict spending controls.

States like Utah and Colorado have shown that lasting relief is possible by focusing on spending discipline.

States like Utah and Colorado have shown that lasting relief is possible by focusing on spending discipline. Utah's Truth-in-Taxation law requires local governments to hold public hearings and justify proposed tax increases, ensuring transparency and accountability. Colorado's Taxpayer Bill of Rights (TABOR) limits budget growth to the combined rate of population and inflation, creating a sustainable framework for fiscal responsibility.

Iowa needs bold reforms that address the spending side of the equation. Levy limits, such as a maximum of a 2% increase per year, must be imposed without loopholes or exemptions. More importantly, local government spending should reflect the successful approach taken at the state level under Governor Reynolds. This ensures that taxpayers are not continually squeezed to fund bloated budgets.

The rise in property taxes represents a fundamental failure to adhere to sound economic principles. Taxes should not outpace the private sector that funds them, and government spending should reflect taxpayers' ability to pay. High property taxes discourage investment, suppress economic growth, and impose a recurring financial burden on property owners that functions as an unrealized capital gains tax.

Iowa must prioritize spending limitations, transparency, and rate reductions to address this crisis. Aligning local government practices with the principles championed by Governor Reynolds at the state level will ensure that property ownership is a source of stability and pride, not financial anxiety.

Tax and spending are two sides of the same coin. If Iowa's local governments continue their current trajectory, taxpayers will remain trapped in a cycle of rising property taxes. It's time for local leaders to follow Governor Reynolds' example and embrace fiscal discipline to create a fairer, more prosperous future for all Iowans.

Cities Hike Property Taxes Despite Restrictions

By Sarah Curry, DBA

Cities collectively increased property taxes on their residents by nearly $115 million, even with the restrictions set forth in the property tax reform law.

Iowa is home to 940 incorporated cities, and their property taxes increased approximately 7% in total over last year's collections. That percentage represents almost $115 million more taken from residents in just one year, even with restrictions set forth in 2023's property tax reform law (HF718).

What Did The Law Restrict?

Similar to the restrictions placed on counties, the state's recent property tax legislation groups cities into three tiers: Assessment Growth Below 3%, Assessment Growth Between 3-6%, and Assessment Growth Above 6%. Those cities with growth less than 3% were not subject to any restrictions.

What Did Cities Do?

Out of the 934 cities evaluated from fiscal year 2024 (FY24) to FY25, 320 were not impacted by statutory restrictions at all, including 206 cities that experienced negative valuation growth. 147 cities faced the 2% limitation, and 467 faced the 3% limitation, including more than 300 cities with valuations that grew by more than 10%.

Outside The Restriction

Even with restrictions in place on so many cities, how did property taxes grow so much? The general fund levy is only a part of the picture. Cities have access to various other property tax levies that are not subject to statutory limitations. Many of these levies, such as those designated for debt service, insurance, and employee benefits, fall outside the restrictions set by HF718.

The city of Des Moines serves as a good example of the broader statewide situation. After a 2% statutory limitation, the city's maximum general fund levy on property was only permitted to increase 2%. This might suggest relief for taxpayers, but in reality, total property taxes in Des Moines rose from $148.5 million in FY24 to $155.3 million in FY25—a 4.6% overall increase. The increase was driven by other property tax levies that are not subject to growth restrictions, including a 40% increase for the insurance levy and an increase of more than 10% for the employee benefits levy.

Good Intentions With Underwhelming Results

From FY24 to FY25, 161 cities reduced property taxes year-over-year, while another 27 held property taxes at the same level. That means, of the 934 cities evaluated, 746 (80%) chose to increase property taxes on their residents. Recent property tax reform legislation was a valiant attempt to rein in local government spending, but clearly, local governments are still finding too many avenues to increase their spending and pile onto the property tax burden.

This situation serves as a reminder to Iowa lawmakers of the late economist Milton Friedman's cautionary words: "One of the great mistakes is to judge policies and programs by their intentions rather than their results." State legislators should implement a policy that effectively limits total local government spending. After all, without excessive spending, there is no need for excessive taxation.

FY2024 to FY2025 Valuation and Tax Growth of Iowa Cities

LIMITATIONS	CITIES LIMITED	AVERAGE PROPERTY TAX PERCENT INCREASE	PROPERTY TAX DOLLAR INCREASE
NONE	320	3.0%	$14,828,020
2.0%	147	6.4%	$35,093,010
3.0%	467	13.8%	$65,003,866

To learn more about what your city did, go to itrfoundation.org/what-did-cities-do/

City of Des Moines Property Tax Comparison for FY2024 to FY2025

PROPERTY TAX LEVY	2024 PROPERTY TAX DOLLARS	2024 RATE	2025 PROPERTY TAX DOLLARS	2025 RATE	PERCENT DOLLAR CHANGE	PERCENT RATE CHANGE
General Fund	$70,100,182	$8.10	$71,556,888	$7.94	2.1%	-2.0%
Liability, Property & Self Insurance Costs	$2,509,760	$0.29	$3,515,237	$0.39	40.1%	34.5%
Police & Fire Retirement	$15,945,195	$1.84	$16,458,432	$1.83	3.2%	-0.9%
FICA & IPERS	$8,440,235	$0.98	$8,068,958	$0.90	-4.4%	-8.2%
Other Employee Benefits	$22,001,851	$2.54	$24,300,857	$2.70	10.4%	6.1%
Debt Service Levy	$28,061,222	$2.86	$30,028,262	$2.86	7.0%	0.0%
Total Property Taxes	$148,515,945	$16.61	$155,348,335	$16.61	4.6%	0.0%

Moving Forward

In 2024, the passage of SF2442 loosened statutory restrictions, giving local governments greater opportunities to raise property taxes—a step in the wrong direction. Collectively, cities have increased property tax revenue from $997.25 million in FY10 to $1.75 billion in FY25, a staggering 75% increase over 15 years. Policymakers should ask themselves: how many Iowans have seen a 75% increase in their paychecks for doing the same jobs during that time?

While cutting spending may seem challenging to local policymakers, making tough decisions is a core part of their responsibility. Reform efforts can no longer only target select revenue streams or allow exceptions. Iowans need a strict cap on how much property tax local governments can spend annually.

A 2% hard cap on the total property taxes a local government can collect is the most viable solution to curb tax growth. This straightforward limit would allow cities to adjust their budgets while staying within their means—just as Iowans do year after year. Such a policy aligns with sustainable growth and reflects taxpayers' ability to pay. Without a strict, comprehensive cap on property tax revenue, cities will continue unchecked taxation and spending.

Iowans cannot bear the burden of property tax increases that outpace inflation. Residents are already taxed by multiple local entities—schools, counties, and community colleges—which causes bills to grow faster than their incomes. Policymakers must ensure that any cap on taxes and spending remains firm, resisting carveouts that could dilute its effectiveness.

Stop High Property Taxes; Cap Local Government Spending

By John Hendrickson and Matt Everson

Spending, regardless of the tax, drives taxation. Applying a strict 2% property tax cap on the growth of property taxes would force local governments to restrain spending.

Iowans are growing frustrated with high property taxes. In the last few election cycles, election officials from both political parties have remarked that a top concern Iowans have shared consistently has been high property taxes. During the last session, the Legislature passed a comprehensive property tax reform measure that made some important reforms, but it failed to address the cause of the problem: local government spending. Without limiting local government spending, any future property tax reform will fail to provide relief, only exacerbating the problem.

Since 2004, property taxes in Iowa have increased close to 110%, surpassing the growth of population and inflation. Local governments will consume more than $6 billion in property taxes this fiscal year alone. Even with the so-called "limits" placed on cities and counties by the recent property tax reform law, local governments continue to increase their spending.

High property taxes impact all Iowans. Too often, the focus is on homeowners, but property taxes also impact small businesses. In addition, property taxes have a substantial impact on economic growth. The Tax Foundation's 2025 State Tax Competitiveness Index ranks Iowa 20th overall, which is a substantial improvement. In 2020, Iowa ranked 44th in the Tax Foundation's rankings, and the reason for the vast improvement is the historic income tax reforms that Gov. Kim Reynolds and the Legislature implemented.

The budgets of too many local governments are growing beyond the taxpayer's ability to pay. A 2% property tax cap would not only provide property tax relief but also encourage economic growth.

Iowa has set a benchmark in income tax reform. The state once had some of the nation's highest income tax rates, with the top individual rate near 9% and the corporate rate at 12%, the highest in the country. Starting in 2025, Iowa's tax code will be comprised of a single flat rate of 3.8%. The corporate tax rate, currently 7.1%, will continue to be gradually reduced until it reaches a flat rate of 5.5%.

If Iowa had a 2% property tax cap this year, it would have saved taxpayers $250 million.

Reynolds and the Legislature were able to achieve these historic income tax reforms as a result of conservative budgeting, which allowed rates to be reduced.

Spending, regardless of the tax, drives taxation. One of the reasons past property tax reforms have failed to provide meaningful relief is that they all have neglected to address the direct cause, that is, local government spending.

Local governments should follow the example of Reynolds and the Legislature by reducing their spending and then lowering property tax rates.

Addressing spending is never easy, which is why policymakers should consider a levy limit or a local government budget limit. Most states have some form of property tax levy limit. Applying a strict 2% property tax cap on the growth of property taxes would force local governments to restrain spending. If Iowa had a 2% property tax cap this year, it would have saved taxpayers $250 million.

Iowans are demanding property tax relief, and the budgets of too many local governments are growing beyond the taxpayer's ability to pay. This is why a 2% property tax cap would not only provide property tax relief but also encourage economic growth.

Property Taxes Impact Economic Growth

By John Hendrickson and John Mozena

The state's notorious property taxes are getting in the way of broader economic prosperity in Iowa and should be lowered for everyone instead of just a select group of economic development projects.

Iowa's elected officials constantly tell us that state and local governments need to offer economic development, tax abatements and other incentives to remain "competitive" in the business site selection process. Unfortunately, they don't seem to be able to follow that argument to its logical conclusion: High tax rates, especially the state's notorious property taxes, are getting in the way of broader economic prosperity in Iowa and should be lowered for everyone instead of just a select group of economic development projects.

Property taxes are especially corrosive for economic growth because of the way they discourage long-term capital investments. If a company has a billion dollars to spend on building a factory, it makes good business sense for it not to make that investment in a place where the government will tax away a higher percentage of that factory's value every year through high property taxes.

That's one of the big problems holding back Iowa's economic prosperity right now. Since 2004, property taxes in Iowa have more than doubled, which far surpasses the growth of population and inflation. Local governments will consume more than $6 billion in property taxes this fiscal year alone. By comparison, that's enough to run the entire state government of South Dakota.

These high property tax rates matter to businesses, which consistently rank tax rates higher than state or local incentive programs when they're surveyed about what factors go into their decisions on where to locate factories, headquarters, and other facilities. Elected officials obviously understand this, because they're quick to offer various incentives and credits to cushion the impact for favored or high-profile companies.

Iowa's skyrocketing property tax rates make the state a less attractive place for businesses and families.

One fundamental problem with this model is that it shifts the tax burden onto other taxpayers. Existing residents and business owners are left paying higher property tax bills than they otherwise would have had to subsidize economic incentive programs.

The other option is to cut public services. Local governments must balance their budgets, and a dollar that is lost to a subsidized office building or stadium is a dollar that cannot be spent on public services like police and fire departments, roads, sewers, parks, or libraries.

Rather than excusing a few high-profile businesses from paying the same taxes as everyone else, Iowa should reject corporate welfare and instead cut everyone's property taxes.

Making Iowa a more affordable place for everyone to live, work, grow a business and raise a family will be a strong incentive for widespread and sustainable economic growth. At the state level, Governor Kim Reynolds and the legislature have already demonstrated this by reducing the income tax rate. It is time for local governments to address high property tax burdens.

The practical solution to accomplish this would be to implement a 2 percent property tax cap, which would limit cities and counties to increasing property taxes to 2 percent each year. Implementing this would hardly put local governments in the poorhouse, as it would only keep $250 million in new property taxes out of the hands of governments that already have $6 billion to work with. It also might make them think twice about throwing taxpayer dollars at a constant stream of stadiums, entertainment venues, industrial parks and other speculative "build it and they will come" projects that rarely deliver the promised "multiplier effect" results for local economies.

Iowa's skyrocketing property tax rates make the state a less attractive place for businesses and families. It's time to build on the historic progress Iowa has made in lowering its income tax rate and extend that same logic and mindset to reining in the state's runaway property taxes.

Where Do Iowa's Property Taxes Go?

By Sarah Curry, DBA

For the first time in state history, local governments collected over $7 billion in property taxes.

In fiscal year 2025, Iowa property taxpayers reached an unprecedented milestone. For the first time in state history, local governments collected over $7 billion in property taxes during the fiscal year. This landmark was driven by a 6.79% increase in property tax collections compared to the previous year, marking a significant jump in the state's tax burden.

Who Receives the Largest Share?

Iowa's K-12 school districts have historically claimed the largest portion of property taxes among local governments. In fiscal year 2025, schools account for approximately 40% of all property tax revenue. Cities follow with 30%, and counties take 22%.

While their shares are smaller, community colleges, county hospitals, and county assessors still collect notable amounts, representing a significant impact on Iowa taxpayers. The smallest portions of property tax revenue go to townships and agricultural extensions.

How We Arrived Here

Over nearly five decades under the current property tax system, Iowa's tax collections have surged by $6.3 billion—a staggering 643% increase from 1977 to 2025. For perspective, inflation (CPI) rose by just 421% over the same period.

Looking ahead, there's little indication this upward trend will reverse. Historical data reveals only two instances in the last 50 years where total property tax collections in Iowa decreased from one year to the next: in 1987-1988 and again in 1996-1997.

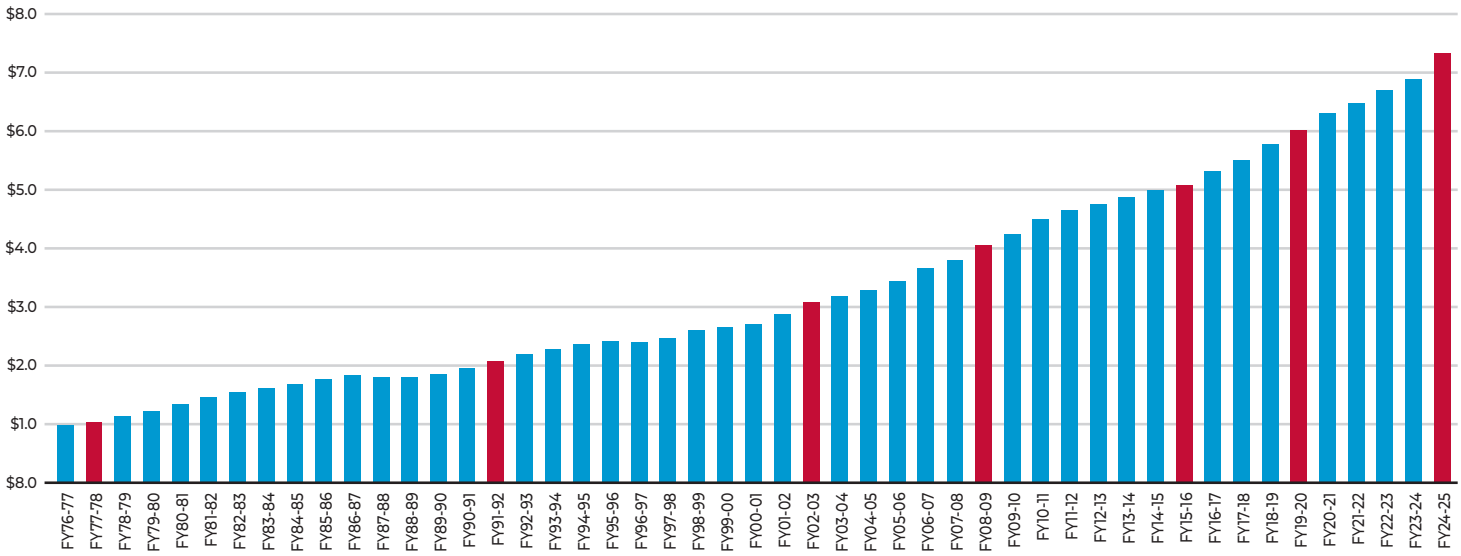
The timeline to hit billion-dollar milestones in property tax revenue has also accelerated dramatically. It took 14 years for the state to go from $1 billion to $2 billion in collections, but more recently, these milestones are being reached in just three to four years.

Rising Property Tax Challenges

Understanding Iowa's property tax landscape is crucial, particularly for policymakers, as taxpayers face increasing financial demands to support local government operations. The rapid growth in collections—outpacing inflation over decades—raises critical questions because the current trend of tax increases is not sustainable. Lawmakers in Des Moines will need to address the challenge of balancing public needs with the financial burden on taxpayers at the local level. Continuous evaluation of spending priorities will be vital to curbing unsustainable property tax growth and safeguarding the financial well-being of future generations.

Iowa Property Tax Billion Dollar Thresholds

FY1977 - FY2025



*Red bars indicate the years which broke an additional billion dollar threshold
Source: Iowa Department of Management

Welcoming Iowa's New Flat Tax

By John Hendrickson and Tom Sands

The flat tax represents a significant step toward a simpler, fairer, and more prosperous future, ensuring economic growth and stability for generations to come.

Iowa recently adopted a 3.8% flat income tax, a historic shift benefiting taxpayers and strengthening the economy. Taking effect in January 2025, this reform lets Iowans keep more of their earnings while enhancing the state's competitiveness.

Unlike a progressive tax system, which imposes multiple rates, a flat tax applies a single rate to all taxpayers. Iowa's version retains the standard deduction and refundable credits, ensuring fairness for lower-income households. Critics argue flat taxes favor the wealthy, but Iowa's provisions reduce or eliminate tax burdens for many lower-income residents.

Relief For Middle-Class Earners And Small Businesses

The Iowa Department of Revenue's 2022 report shows middle-class taxpayers face the highest effective tax burdens:

- Those earning $75,000–$99,000 pay an effective rate of 3.8%.
- Those earning $100,000–$249,000 pay 4.2%.

These groups bear 50% of the state's tax liability, and many small businesses fall within these brackets. High rates stifle their ability to grow, hire, and raise wages. By reducing tax burdens, the flat tax provides businesses with greater flexibility while preserving key deductions and credits for lower-income taxpayers.

Simplicity, Predictability, And Transparency

A single-rate tax simplifies filing, saving taxpayers time and reducing confusion. Small business owners, who pay taxes through individual rates, particularly benefit.

Policymakers and the Revenue Estimating Conference can also forecast state revenues more accurately. Progressive tax systems create unpredictability, leading to budgeting challenges. A flat tax minimizes uncertainty, helping businesses plan and invest with confidence.

Moreover, a flat tax prevents political manipulation. Progressive systems allow hidden rate increases through complex brackets and credits. A single-rate tax promotes fairness and transparency, ensuring all taxpayers are treated equally.

Critics argue flat taxes favor the wealthy, but Iowa's provisions reduce or eliminate tax burdens for many lower-income residents.

Economic Growth and Competitive Advantage

The flat tax is a powerful tool for economic growth. High progressive rates discourage productivity, while a low, single rate fosters investment and job creation. Iowa's 3.8% rate makes the state attractive to workers and businesses fleeing high-tax states like Minnesota and Illinois.

With inflation straining households, keeping more earnings means greater financial stability and increased spending, further boosting Iowa's economy.

Protecting the Flat Tax for the Future

Despite its benefits, the flat tax could be repealed by future legislatures. To prevent this, policymakers have passed two key taxpayer protection amendments:

1. Requiring a two-thirds majority vote to raise income taxes.
2. Embedding the flat tax in the state constitution.

Other states, including Colorado, Michigan, Illinois, and Pennsylvania, have constitutionally protected their flat taxes. Iowa should follow suit to prevent a return to high progressive rates and policies like wealth taxes.

Iowa's Leadership In Tax Reform

Iowa is now a national leader in tax reform, balancing conservative budgeting with responsible policymaking. The 3.8% flat tax is among the most transformational policies in the state's history, helping attract new businesses and residents.

As high-tax states continue losing population, Iowa's pro-growth policies stand out. Governor Reynolds has emphasized that tax reform remains ongoing, and policymakers should explore further reductions to keep Iowa competitive.

As 2025 begins, Iowans can celebrate a major step toward a simpler, fairer, and more prosperous future. The flat tax ensures lasting economic growth and stability for generations to come.

Property Tax Relief Shouldn't Play Favorites

By John Hendrickson and Tom Sands

Lowering property taxes is crucial for Iowa's economic growth and competitiveness, but this will only happen if tax relief extends to ALL taxpayers.

High property taxes remain a major concern for Iowans, frequently surfacing in legislative discussions and campaigns. Recently, a candidate proposed eliminating property taxes for senior citizens without reducing public services. While such proposals are politically popular, especially among vocal groups like seniors, targeted tax relief does not necessarily result in sound policy. The most effective approach provides relief to all taxpayers rather than favoring certain groups.

Iowans for Tax Relief Foundation advocates for tax policies based on key principles:

- **Fairness** – The tax code should not favor specific groups.
- **Freedom** – Taxes should not be used for social engineering.
- **Transparency** – A simpler tax structure enhances accountability.
- **Limited Government** – Taxes should fund only essential services.
- **Competitiveness** – The tax code should promote economic growth.

Property taxes are particularly unpopular because they are based on wealth rather than income. A home's assessed value does not reflect an owner's cash flow, making tax burdens unpredictable. While seniors are often cited as being on "fixed incomes," many working families, single parents, recent graduates, and small business owners also struggle with financial constraints, particularly in today's inflationary environment.

The Problem with Targeted Tax Relief

Providing property tax relief only to seniors—or any specific group—simply shifts the tax burden to others rather than solving the problem. The candidate's promise to eliminate senior property taxes while maintaining public services overlooks a key economic principle: "There is no such thing as a free lunch."

Limiting local government spending is the most effective way to ensure meaningful, lasting reform. By prioritizing essential services and reducing unnecessary expenditures, Iowa can provide true tax relief without shifting burdens onto different groups.

The same issue arises with economic incentives and Tax Increment Financing (TIF) abuse. When businesses receive tax incentives to expand, local governments shift the burden to other taxpayers, particularly small businesses. Similarly, waiving property taxes for certain homeowners benefits them while increasing costs for everyone else. These targeted policies fail to address the root issue: excessive taxation due to government overspending.

The Real Solution: Broad-Based Tax Relief

The best tax relief is broad-based, lowering property tax rates for all Iowans. This approach ensures fairness and prevents shifting costs onto other taxpayers. However, meaningful tax reform requires limiting local government spending.

High property taxes often result from excessive local government projects. Many cities operate on the belief that "build it, and they will come," justifying spending on non-essential projects like bike trails, water parks, and sports facilities. While these projects have value, unchecked spending drives up tax burdens.

To lower property taxes and maintain Iowa's economic competitiveness, tax relief must extend to all taxpayers. Limiting local government spending is the most effective way to ensure meaningful, lasting reform. By prioritizing essential services and reducing unnecessary expenditures, Iowa can provide true tax relief without shifting burdens onto different groups.

A fair, transparent, and broad-based property tax system benefits everyone—without political favoritism or economic distortions.

What is Federalism?

By John Hendrickson

Federalism reflects the vision of the nation's founders, who sought to balance the need for a strong national government with the preservation of state sovereignty.

Federalism is a foundational principle of the American system of government. At its core, federalism refers to the division of power between the federal government and the individual states. This concept, embedded in the U.S. Constitution, reflects the vision of the nation's founders who sought to balance the need for a strong national government with the preservation of state sovereignty. Understanding federalism is key to appreciating the framework of American governance and its evolution over time.

The Constitution, drafted in 1787, weaves federalism into its fabric through the separation of powers and checks and balances. Article I, Section 8, outlines the enumerated powers granted to Congress, such as the authority to regulate commerce, coin money, and maintain armed forces. The 10th Amendment, often referred to as the "federalism amendment," reinforces this division by reserving powers not expressly delegated to the federal government to the states or the people. This careful allocation of responsibilities was the result of intense debate and compromise among the delegates at the Constitutional Convention, reflecting their desire to prevent the concentration of power while maintaining national unity.

However, the balance of power between the federal and state governments has shifted significantly over time. The New Deal era of the 1930s, spearheaded by President Franklin D. Roosevelt, marked a turning point. In response to the Great Depression, the federal government expanded its role in areas traditionally managed by states and localities, such as public works projects and social welfare programs. This expansion laid the groundwork for the federal government's involvement in issues like infrastructure development—even extending to matters as localized as bike trails.

Today, federal overreach often limits the autonomy of states and local governments. This encroachment raises questions about the ability of states to innovate and address issues tailored to their unique populations.

Federalism remains a critical constitutional principle that defines the relationship between national and state governments. While its application has evolved, understanding and reaffirming the founders' vision of a balanced division of power is essential to preserving the integrity of America's system of government.

The seeds of federal expansion can be traced back to the early 20th century Progressive Era, notably under President Woodrow Wilson. One pivotal moment was the adoption of the 17th Amendment, which established the direct election of U.S. Senators. While this amendment aimed to enhance democratic representation, it also eroded state governments' influence in federal decision-making, marking a significant shift in the federal-state dynamic.

The implications of these changes are far-reaching. Today, federal overreach often limits the autonomy of states and local governments. This encroachment raises questions about the ability of states to innovate and address issues tailored to their unique populations. For conservatives, reinvigorating federalism involves advocating for a return to the principles enshrined in the 10th Amendment, emphasizing state sovereignty and limiting the scope of federal intervention. Federalism remains a critical constitutional principle that defines the relationship between national and state governments. While its application has evolved, understanding and reaffirming the founders' vision of a balanced division of power is essential to preserving the integrity of America's system of government. By championing federalism, policymakers can ensure that state and local governments retain the authority to address the diverse needs of their citizens effectively.

State Legislatures are the Cavalry of the Republic

By John Hendrickson

In this pivotal moment, federalism offers a pathway to reform, resilience, and renewal. State legislatures must rise to the occasion, embracing their role as the stewards of localized governance and champions of the people's will.

Federalism has long been a cornerstone of the American political system, but its relevance is more pronounced than ever in today's political landscape. The division of power between state and federal governments offers state legislatures an opportunity to lead boldly and address challenges more effectively than Washington. As one speaker at a 2017 conference for Republican legislative leaders observed, state legislatures are "the cavalry" tasked with saving the republic. This sentiment underscores the potential for states to drive meaningful reform, especially under administrations sympathetic to conservative values.

Allowing states to implement such measures empowers them to address their unique needs, demonstrating the effectiveness of localized governance.

One clear area for state leadership is in addressing federal overreach, such as the Biden administration's blocking of work requirements for Medicaid. Although work requirements may sound harsh, data consistently shows that they help individuals transition out of poverty and dependency. Allowing states to implement such measures empowers them to address their unique needs, demonstrating the effectiveness of localized governance.

This principle extends to other contentious issues, such as property tax reform. Reform-minded legislators must navigate criticism and resistance, often from entrenched interests benefiting from the status quo. Real change requires courage and resilience, especially when state authority challenges federal restrictions or established norms. As seen with Governor Kim Reynolds' decision to reject federal funds for a summer food program, states can and should critically evaluate whether federal programs align with local priorities. Such decisions may draw criticism, but they exemplify the independence and problem-solving capabilities that federalism was designed to promote.

The broader implications of federalism also extend to foundational structures like the Electoral College. Efforts to abolish the Electoral College threaten to dismantle a critical element of the constitutional framework, eroding the balance of power among states and undermining the very principles of federalism. Defending these institutions is essential to preserving the structure of American governance.

State legislatures have been entrusted with significant conservative majorities by voters who demand bold action. This mandate reflects a desire for policies that respect federalism, prioritize local decision-making, and challenge the inefficiencies of centralized government. By leveraging their authority, state leaders can implement solutions that not only address immediate issues but also reinforce the foundational principles of the republic.

By leveraging their authority, state leaders can implement solutions that not only address immediate issues but also reinforce the foundational principles of the republic.

In this pivotal moment, federalism offers a pathway to reform, resilience, and renewal. State legislatures must rise to the occasion, embracing their role as the stewards of localized governance and champions of the people's will. The opportunities are vast, but seizing them requires a steadfast commitment to principles and the courage to confront resistance. In doing so, states can lead the way in restoring the balance of power envisioned by the nation's founders.

Practical Impact on Iowa Lawmaking

By John Hendrickson

The perception that federal bureaucrats in Washington, D.C., know better than state leaders fosters frustration, particularly in states like Iowa, where policymakers believe they are more attuned to their citizens' needs.

Federalism, the division of power between the federal government and the states, profoundly influences the practical aspects of state-level lawmaking. While this system is designed to ensure state sovereignty and allow for localized governance, the reality often involves federal mandates and financial incentives that shape state policy decisions.

One of the most significant ways federalism affects state lawmaking is through the "carrot and stick" approach of federal funding. Federal funds are frequently tied to specific programs and requirements, compelling states to adopt certain policies to access financial resources. For example, the federal government has historically used highway funding to enforce compliance with national speed limits. In the 20th century, states were required to adopt a 55 mph speed limit to receive federal highway funds. Although this requirement has since relaxed, it serves as a clear example of how federal dollars influence state decision-making.

Another prominent area where this dynamic is evident is in health care. Programs like the Children's Health Insurance Program (CHIP) offer substantial federal matching funds for state expenditures, often on a four-to-one or five-to-one basis. While this funding provides significant resources for state programs, it comes with strings attached, such as mandates on program design and operational guidelines. This reliance on federal funding can limit a state's flexibility to address local needs independently.

Federal restrictions often dictate the terms for state implementation of programs, overriding local expertise and preferences hindering them from pursuing innovative or cost-effective solutions tailored to their populations.

These constraints extend to both major policy areas and smaller, granular issues. Federal restrictions often dictate the terms for state implementation of programs, overriding local expertise and preferences. As a result, states may find themselves unable to pursue innovative or cost-effective solutions tailored to their populations. The perception that federal bureaucrats in Washington, D.C., know better than state leaders fosters frustration, particularly in states like Iowa, where policymakers believe they are more attuned to their citizens' needs.

Compounding the issue is the federal government's growing national debt, which poses risks for states reliant on federal funding. With the national debt surpassing $36 trillion, the prospect of federal budget cuts looms large. States must prepare for potential reductions in federal support, which could jeopardize essential programs and services. Proactive planning and financial independence at the state level are crucial to mitigate these risks.

To address these challenges, state policymakers must explore ways to assert greater control over their governance while reducing reliance on federal funds. This could involve advocating for reforms that restore state autonomy or developing self-sustaining programs that are less dependent on federal resources. By embracing the principles of federalism, states can reclaim their ability to craft policies that reflect the unique needs of their populations without undue interference from Washington. Federalism remains a cornerstone of America's governmental framework, but its practical application often reveals a complex interplay of power and dependency. For states, the task is to navigate these dynamics effectively, ensuring that local expertise and innovation are not overshadowed by federal mandates.

Iowa Leadership Outperforms Federal Overreach

By John Hendrickson

It's about restoring accountability and empowering state governments to innovate and address challenges unique to their populations. States have proven their ability to implement effective reforms when given the freedom to do so.

The case for state-level governance over federal intervention is clear: states are more attuned to the unique needs of their citizens and can manage resources more effectively than distant federal bureaucracies. In Iowa, the belief that local decision-making leads to better outcomes is deeply ingrained. While some responsibilities, like national defense, appropriately belong to the federal government, a wide range of issues—education, welfare, and poverty alleviation—demonstrate the effectiveness of state-led solutions.

While some responsibilities, like national defense, appropriately belong to the federal government, a wide range of issues—education, welfare, and poverty alleviation—demonstrate the effectiveness of state-led solutions.

A historical example of federal overreach is President Lyndon B. Johnson's Great Society, which directed billions of dollars toward fighting poverty. Despite its ambitions, the war on poverty largely failed to achieve its goals. In the 1990s, however, the Republican Revolution and the Contract with America shifted welfare responsibility back to the states. Republican governors like John Engler in Michigan and Tommy Thompson in Wisconsin implemented innovative welfare reforms, resulting in reduced welfare rolls and better outcomes for citizens. This shift underscored the states' ability to address complex issues more effectively than the federal government.

The Department of Education provides another compelling example of federal inefficiency. Established in 1979, the Department has coincided with a decline in educational outcomes. Critics of federal involvement in education argue that it has created a costly bureaucracy that siphons resources away from classrooms. Opponents of decentralization often claim that eliminating the federal Department of Education would harm students. However, the reality is that federal involvement often imposes unnecessary restrictions and inefficiencies, preventing states from deploying resources in ways that best serve their communities.

Consider the financial aspect: federal education funding is funneled through a bureaucratic system, incurring significant administrative costs before reaching the states. By removing this middle layer, states could utilize these funds more efficiently, directly addressing their educational needs. Iowa, for example, could better leverage its education investments without the strings attached to federal funding. Local leaders and educators, not distant bureaucrats, are best positioned to understand and meet the needs of Iowa's students.

The broader argument against excessive federal involvement goes beyond dollars and cents. It's about restoring accountability and empowering state governments to innovate and address challenges unique to their populations. States have proven their ability to implement effective reforms when given the freedom to do so. The success of welfare reform in the 1990s and the potential for improved educational outcomes today are testaments to the value of state-led governance.

The path forward is clear: reduce federal overreach, return authority to the states, and trust local governments to manage their resources effectively.

The path forward is clear: reduce federal overreach, return authority to the states, and trust local governments to manage their resources effectively. This approach not only respects the principles of federalism but also delivers better outcomes for citizens, proving that states truly know best what their people need.

State-based Solutions

By John Hendrickson

Increased transparency ensures accountability and provides opportunities to push back against unwarranted federal interference. States like Iowa have shown that legislators remain responsive to constituent input, making public awareness a powerful tool for addressing federal overreach.

State-based solutions are critical in addressing federal government overreach and ensuring local governance remains robust and effective. As the federal bureaucracy expands its influence, states must adopt practical measures to safeguard their sovereignty and uphold the principles of federalism.

One effective approach is enhancing transparency in state-level interactions with federal agencies. Often, federal departments issue guidance to state administrative entities, such as departments of education, without legislative oversight. This guidance, which may include new rules or interpretations, can significantly impact state policies. To counter this, states should require administrative departments to share all federal guidance with state legislators. This would allow lawmakers to evaluate whether such directives align with state priorities, are constitutional, or even necessary. Increased transparency ensures accountability and provides opportunities to push back against unwarranted federal interference.

States like Iowa have shown that legislators remain responsive to constituent input, making public awareness a powerful tool for addressing federal overreach.

Another vital strategy is legislative oversight of state matching funds. Many federal programs require states to contribute matching dollars, creating a dependency that often limits state autonomy. Governor Kim Reynolds of Iowa demonstrated leadership in this area by rejecting federal funds for a summer food program, citing redundancy with existing programs and unnecessary overlap. This decision highlights the importance of assessing the true need for federal dollars and recognizing when such funds come with strings that undermine local decision-making. Legislatures can take the lead by scrutinizing these programs to ensure that state resources are used efficiently and without compromising independence.

When states reject unnecessary federal funds or impose stricter oversight on federal programs, it can encourage Congress to reconsider and potentially revise programs that states find burdensome or redundant.

Public access to information about federal restrictions and their implications can also empower both lawmakers and constituents. By publishing details about federal mandates, states can foster greater understanding and public engagement. This transparency allows advocacy groups and constituents to identify programs where federal funding may not be necessary, leading to informed decision-making and potential cost savings. States like Iowa have shown that legislators remain responsive to constituent input, making public awareness a powerful tool for addressing federal overreach.

State-led initiatives can also influence federal reform. When states reject unnecessary federal funds or impose stricter oversight on federal programs, they send a message to Washington, D.C., about the need for reform. This can encourage Congress to reconsider and potentially revise programs that states find burdensome or redundant. By asserting their authority, states can not only protect their own interests but also contribute to a more sustainable federal system.

Ultimately, the founders envisioned a system where states were the primary units of governance, central to the nation's political power. State-based solutions to federal overreach are essential to restoring this balance. By prioritizing transparency, legislative oversight, and public engagement, states can effectively navigate the challenges posed by federal mandates and reaffirm their role in the federal system. These measures not only preserve state sovereignty but also strengthen the principles of federalism for future generations.

IOWANS FOR TAX RELIEF
FOUNDATION
PO BOX 39
WAUKEE, IOWA 50263

itrfoundation.org
@ITRFoundation

Making a Difference Together

Iowa thrives when all levels of government remain accountable, taxes stay low, and freedom is protected. But rising property taxes, unchecked local spending, and federal overreach threaten our state's prosperity. This issue highlights the policies that impact hardworking Iowans—and the solutions that will keep our state strong.

At ITR Foundation, we fight every day to defend conservative principles, educate taxpayers, and hold policymakers accountable. But we can't do it alone. Your support helps us advance bold reforms, expose government overreach, and ensure Iowa remains a national leader in fiscal responsibility.

Join us in this fight. Donate today and invest in a future where Iowa's government serves the people—not the other way around.

ITR Foundation gains strength and you gain influence when we work together!

Please consider making a tax-deductible donation today.

Your support fuels taxpayer victories, keeping Iowa on the path of economic freedom and fiscal responsibility. Scan the QR Code or visit itrfoundation.org/contribute on our website.