

Newton's Proposed Franchise Fee: What It Is, Where It Stands, and What Happens August 3

If you live in Newton, you have probably heard the term “franchise fee” tossed around at council meetings, in the newspaper, and on Facebook. Some of you have asked me to explain it plainly. Here is my best attempt to lay out what is being proposed, how we got here, and what comes next.

What Is a Franchise Fee?

A franchise fee is a charge a city places on the utilities that use its streets and rights-of-way. The utility does not absorb it. It passes the charge straight through to you as a line item on your monthly bill. Iowa law allows cities to charge up to 5 percent of a utility's gross revenues inside the city.

Call it a fee if you want. It functions like a tax. Every home, every renter, every senior on a fixed income, every small business, and even tax-exempt organizations like churches and nonprofits would pay it every single month on their gas and electric service.

What Newton Is Proposing

The Newton City Council is considering franchise fees on both of our utility providers: Alliant Energy for electricity and Black Hills Energy for natural gas. The proposal phases in over three years. It starts at 2 percent the first year, rises to 4 percent the second year, and reaches the full 5 percent in year three.

If adopted, the franchise fee would replace the current 1 percent local option sales tax on electric and gas service. So the net effect on your bill grows from roughly 1 percent more in year one to roughly 4 percent more by year three.

The council also attached a three-year review requirement. Let me be clear about what that is and what it is not. It is not a sunset. The fees do not expire after three years. The ordinance simply requires the council to review the franchise fees at the three-year mark. Unless a future council takes action to reduce or repeal them, the fees continue. A review sounds reassuring, but it changes nothing on its own. And I will say this from experience: once a government builds a budget around a revenue stream, it rarely gives it up.

Why now? The council points to changes in Iowa's property tax system that limit how fast city revenue can grow. They see a budget squeeze coming and view the franchise fee as a

way to fill the gap. That is their honest position, and I want to represent it fairly. My response has been just as honest: Newton already carries one of the highest city levy rates in Iowa, and before we reach into taxpayers' pockets for a new revenue stream, I want to see the council wrestle openly with spending priorities and alternatives. Taxation should be a last resort, not a first one.

How an Ordinance Becomes Law: The Three Readings

In Iowa, a city ordinance normally must be approved at three separate council meetings, called readings, before it takes effect. Newton is following that process, and two of the three readings have already happened.

First reading. After public hearings this spring and a pause by the mayor to let the conversation develop, the council took up the ordinance and passed the first reading on a 5 to 1 vote. Council member Mark Hallam was the lone no vote, citing uncertainty about what the Legislature and future assessments will do. The three-year review requirement was added unanimously.

Second reading. At the most recent meeting, the council held the public hearing on the second reading. Many residents showed up and spoke against the new charge. The second reading passed, again with Hallam as the only no vote, though his comments that night sounded almost like an argument in favor. Notably, two council members who voted yes said they are not a confirmed yes for the final vote. Those two votes are still in play.

I will be candid about my frustration with that second meeting. What I heard was not a debate on the substance of the franchise fee. And here is the detail that sticks with me. At that same meeting, the council heard a plan to fund an accelerated paramedic training program for the Fire Department with \$105,000 that was not in the budget. It is a good program, and I support it. But it proves a point. When the need is high enough, this city can find extra dollars. When it comes to sparing taxpayers a new monthly charge, the will to find those dollars has not been there.

Third reading: August 3. The third and final reading is scheduled for the council meeting on Monday, August 3. If it passes, the franchise fee becomes law. If the council changes course, the proposal dies. With two yes votes publicly uncommitted, this is not a done deal.

The Petition: Putting It to a Vote of the People

Here is the newest development, and it matters. A Newton resident has started a petition to require that the franchise fee be put to a vote of the people rather than decided by six council members alone.

This is not a symbolic gesture. It is a right written into Iowa law. Under Iowa Code section 364.2, a franchise ordinance ordinarily cannot take effect unless it is approved by voters at an election. For gas and electric franchises, the council is allowed to skip that election. But if residents file a valid petition, the council loses the ability to waive the vote, and the question must go on the ballot.

The requirements are straightforward. The petition must be signed by eligible electors equal to at least 10 percent of the number of people who voted in Newton's last regular city election. Each signer lists their address and the date they signed. The Jasper County Auditor can confirm the exact signature number required.

Timing is everything. To guarantee an election, the petition needs to be filed before the council finalizes the ordinance and waives the vote. That is why the days between now and August 3 matter so much. Residents in Fort Dodge, Marshalltown, and Burlington have all used this exact process to force elections on franchise fees. In Fort Dodge, when the question finally reached the ballot, voters rejected the fee.

If Newton's petition succeeds, the franchise fee would go before voters at an election rather than taking effect on the council's vote alone. Whatever your view of the fee itself, I think that is healthy. A new monthly charge on every household in town is exactly the kind of decision that deserves the direct consent of the people paying it.

Where I Stand

You know my starting point. This is not the city's money. It is yours. You earned it. Government has legitimate work to do, but every tax takes a bite out of your labor and your liberty, and it should be taken reluctantly, as a last resort, and never casually.

I do not question the sincerity of our council members. I question the starting point. The conversation began with “how do we raise new revenue” instead of “what would we cut or change before asking families for more.” Newton taxpayers deserve that second conversation before they are handed a new line on their utility bill.

What You Can Do

1. **Show up August 3.** The final reading is at the Newton City Council meeting. Public comment matters, and two votes are still undecided.
2. **Contact your council members.** Respectfully share your view before the vote, whichever side you are on.
3. **If you believe this should go to a vote of the people,** connect with the petition effort. Signatures gathered before the final action are the only guarantee of an

election.

However this turns out, I am grateful for every Newton resident who has engaged, asked questions, and shown up. That is self-government working the way it should.