

History of the Expenditure Limit

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History of Constitutional Provisions

Article X § 20 Expenditure limitation; adjustments; reporting

Added by Prop. 108 Laws 1980 2nd SS, SCR 1001 Sec. 9

Approved at June 3, 1980 Special Election

For: 206,817 Against: 40,595; Passed in all 14 counties¹

Amended the Arizona Constitution, Article IX, by adding Section 20 to establish expenditure limitations for counties, cities, and towns.

1980 Legislative Council Analysis ²

Proposition 108 would amend the Arizona Constitution to limit expenditures of counties, cities and towns. Each county, city or town could only expend the same amount of "local revenues" as it expended in fiscal year 1979-1980, adjusted to reflect:

1. Population changes.
2. Cost of living changes.
3. Cost transferring of government programs to or from a county, city or town.
4. Annexation or other change in boundary or creation of a new county, city or town.

The definition of "local revenues" would detail which revenues are subject to the expenditure limitation. "Cost of living" and "population" are defined, but different indexes of the cost of living and of population could be adopted by concurrent resolution of the Legislature by a two-thirds vote of the members of both houses. Such resolution does not require approval by the Governor and is not subject to referendum by the people.

Expenditures in excess of the limitation would be allowed only in the following cases:

1. If the Governor declares a disaster or emergency, the governing board of a county, city or town could by a vote of two-thirds of its members authorize expenditures exceeding the limitation in the same or the succeeding fiscal year. After the emergency monies are spent, the normal expenditure limitation would apply.
2. In case of an emergency or disaster not declared by the Governor, the governing board of a county, city or town could by a vote of 70% of its members authorize excess expenditures if either:
 - a) Expenditures are reduced below the normal limit in the next fiscal year by the amount of the excess expenditure.
 - b) The voters approve the excess expenditure.

In either case, the authorized excess expenditures could be spent in the fiscal year of the emergency or the next fiscal year. After the emergency monies are spent, the normal expenditure limitation would apply.

3. Upon a vote of two-thirds of the governing board of a county, city or town and approval by the voters. The approval would be for a specific amount of money to be spent in the next fiscal year. After the excess monies are spent, the normal expenditure limitation would apply.

The base of the expenditure limit could be permanently adjusted by a vote of two-thirds of the governing board of a county, city or town and a ratifying vote of the people or by an election upon an initiative.

A city or town could adopt an alternative expenditure limitation for four years by a vote of two-thirds of the city or town council and a ratifying vote of the people or by an election upon an initiative. The impact of the proposed alternative expenditure limitation would be explained in publicity pamphlets distributed prior to the election. After four years, the normal expenditure limitation would apply unless another alternative expenditure limitation were adopted for another four years. If an alternative expenditure limitation had been adopted, tax levies in excess of the levy limitation could not be authorized.

If an alternative expenditure limitation were rejected at an election, another election on this issue could not be held for two years. If an alternative expenditure limit is adopted at an election, an over-ride election may not be held during the period such limitation is in effect.

Special districts would not be subject to the constitutional expenditure limitation, but the Legislature could prescribe such a

¹ 1980 Special Election Canvass

² 1980 Special Election Publicity Pamphlet, pg. 64. Arguments for and against Prop. 108 on pg. 66.

History of Constitutional Provisions

limitation by law. The Legislature would also be required to provide for uniform reporting to assure compliance with the expenditure limitation requirements and to provide sanctions and penalties for failure to comply.

The expenditure limitations would not take effect until after the next election for governing board members.

Prop. 102 Laws 1986, SCR 1017 – Defeated

Failed at the November 4, 1986 General Election

For: 338,397 Against: 451,749; Failed in 13 of 15 counties³

Would have permitted the approval of a permanent base adjustment at any general election, not just at the same election of the governing body.

Prop. 104 - Laws 1992, HCR 2012

Approved at November 3, 1992 General Election

For: 732,030 Against: 601,700; Passed in 13 of 15 counties⁴

Permitted permanent base adjustments at any general election or nonpartisan election held for nomination or election of governing board. Rather than only at regularly scheduled elections for the nomination or election of the governing board.

Note: CSA Executive Director, Jerry Orrick, submitted only public comment in publicity pamphlet. Indicated that both CSA and Arizona Tax Research Association (ATRA) supported the measure.⁵

³ 1986 General Election Canvass

⁴ 1992 General Election Canvass

⁵ 1992 General Election Publicity Pamphlet

History of Relevant Statutes

ARS 41-563 Expenditure limitations; determination by the commission; definitions

Added by Laws 1980, 2nd SS, Ch. 8 Sec. 32, 33, 36 (SB 1001)

Taxation, expenditures, and indebtedness; limitations

Provided the EEC with authority to set expenditure limits for political subdivisions. Required that preliminary expenditure limits be provided to political subdivisions by February 1st of each year, and final limits by April 1st.

Established the calculations for determining the inflation and population factors. Provided for definitions of GNP price deflator and population.

Outlined provisions relating to expenditure limits of new political subdivisions, or in the case of annexations.

Outlined requirement to reduced subsequent year's expenditure limit if a governing body chose to exceed the expenditure limit for a disaster not declared by the governor, as provided in article IX § 20 subsection (2)(b)(i).

Provided for recalculation of base limits if the voters approved an adjustment to the expenditure limit of a political subdivision.

Laws 1981 Ch. 317 Sec. 8

taxation

Removed language related to the modification of a political subdivisions expenditure limit in the case of annexation.

Laws 1982, Ch. 264 Sec. 1

state government-expenditure limitations; financial reports; offenses; financial estimates and summaries

Replaced provisions that provided a formula to calculate a voter approved expenditure limit adjustment and directed the EEC to calculate the appropriate adjustment.

Removed specific formula to calculate changes to the expenditure limit that came from transfers of government functions. Directed the commission to adjust the limits to reflect the transfer.

Laws 1983 Ch. 162 Sec. 1

political subdivisions of state; annexations adjustments by economic estimates commission; population determinations

Added provisions for adjusting the expenditure limit of a political subdivision as a result of annexation, consolidation or change in boundaries. If, after the final limit is reported to the political subdivision but prior to July 1 the boundaries of the subdivision change, required the EEC to "as promptly as feasible" redetermine the expenditure limit based on the amended population.

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History of Relevant Statutes

Required political subdivision to utilize revised expenditure limit if received prior to tentative budget adoption.

Amended 41-1954 to require the department to estimate the population of newly annexed areas of a political subdivision and deliver them to the EEC as promptly as is feasible.

Laws 1983 Ch. 292 Sec. 1

political subdivisions; new-base expenditure limitation

Added provisions relating to establishing expenditure limits in the case of the division of a county into two or more new counties. Made clarifying changes for existing statute related to the creation of new political subdivisions to only apply to cities and towns.

If the division of a county occurs, the new counties must elect one of the following methods to calculate their expenditure limit by a 2/3rds vote of the governing board:

1. Determine the per capita expenditure limit for the county with the closest population as of July 1 [as of the first full fiscal year after the creation of the new county]. Apply that per capita by the population [July 1 of the applicable fiscal year] of the new county.
2. Determine the per capita expenditure limit for the old county for the last full fiscal year prior to the creation of the new county. Apply that per capita by the population [July 1 of the applicable fiscal year] of the new county.

Directed the EEC to determine the base expenditure limit based on the method selected by the governing body.

Laws 1986 Ch. 115 Sec. 4

counties and county seats-new-formation; determination; names

Technical changes to the language added by Laws 1983, Ch. 292 relating to the establishment of an expenditure limit in the case of a county division. Outlined that the provisions added by Laws 1983, Ch. 292 also apply in the case of the consolidation of two or more counties.

Required that the board of supervisors (BOS) select the method of determining the new county's expenditure limit prior to February 1 following the establishment of the county.

Clarified that the expenditure limit calculated pursuant to method selected by the BOS is the expenditure limit for the first full fiscal year following its establishment.

Note: Included legislative intent language that the legislation was intended to modify the statutes regarding the division of counties to ensure that the new counties would be a viable fiscal unit of government.

Laws 1993 Ch. 112 Sec. 15

gross domestic product implicit price deflator

Replaced references to gross national product (GNP) with gross domestic product (GDP).

History of Relevant Statutes

Technical Changes

Laws 1981, Ch. 1 Sec. 20

Education code

Technical changes.

Laws 1981, Ch. 300 Sec. 3

Technical changes.

Laws 1998 Ch. 1 Sec. 115

tax code recodification-statutory conformity and correction

Technical change. Changed the reference to a political subdivision's tentative budget to reference the tentative budget adopted pursuant to in 42-17101 in the section governing the modification of a subdivision's expenditure limit when its boundaries change.

Non-County Changes

Laws 1986 Ch. 322 Sec. 3

community colleges; county reimbursement levies; expenditure limitation override or modification

Made conforming changes regarding the addition of 15-1471 related to modified community college expenditure limitations.

Laws 1988 Ch. 349 Sec. 4

education; community college districts

Added requirements for modifying a community college's expenditure limit if the district consolidates with a contiguous county with no community college district.

Required that the base limit be increased by the amount of revenue that would have been levied from the contiguous county using the primary property tax rate of the existing community college district in the year prior.

Required that the base limit of the contiguous county be lowered by the amount of reimbursement pursuant to 15-469 (B) (1) unless the amount in the prior year was paid by the state pursuant to 15-1469.01.

Note: Done for Arizona Western College after the split of Yuma County into Yuma and La Paz Counties.

Laws 1989 Ch. 241 Sec. 1

community college districts; expenditure limitations; student population

Provided that if the number of units defining a full-time equivalent student is changed from 15 that the base year expenditure limit be recalculated using the new definition.

Laws 1991, Ch. 205 Sec. 1

community college districts; expenditure limitations

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History of Relevant Statutes

Provided for a process to modify community college expenditure limits in the case of a service boundary change.

Laws 1992, Ch. 345 Sec. 10

education-post-secondary education; community college finance

Technical change modifying the reference to the statute that was repealed and replaced with new language for calculating the student population for community college districts.

Laws 2010 Ch. 318 Sec. 23

schools; ADM calculation

For school districts, removed the requirement that the total student population be calculated using the procedure in 15-902 (A), which was repealed by the bill.

ARS 41-563.01 Notification of vote by governing board

Added by Laws 1980, 2nd SS Ch. 8 Sec. 32

taxation; expenditures, and indebtedness - limitations

Required a governing board to do the following if they are voting to authorize expenditures in excess of their expenditure limit or to propose an alternative expenditure limit:

- Hold two public hearings on the proposed action.
 - o Notice the hearings once a week, for at least two consecutive weeks in a newspaper of general circulation.
- Immediately after the second public hearing, convene a special meeting and vote on the proposal.
- Following the vote publish a notice that includes:
 - o A record of the vote.
 - o If approved, the amount of excess expenditures authorized.
 - o If approved, the purpose of the excess expenditures and the source of revenues to be used.

ARS 41-563.02 Elections for expenditure in excess of the expenditure limitation

Added by Laws 1980, 2nd SS Ch. 8 Sec. 32

taxation; expenditures, and indebtedness - limitations

Outlined requirements for elections called by the governing board to authorize expenditures in excess of the expenditure limit as the result of a disaster or for a single-year override. Required governing board to prepare and print a publicity pamphlet and distribute it between 10 and 30 days prior to the election at the political subdivision's expense.

Required the pamphlet to include:

- Date of the election.

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History of Relevant Statutes

- Polling places and hours of operation.
- Title and text of measure.
- Number and ballot text of the measure.
- Amount of expenditures that exceed their expenditure limit.
- Purpose of additional expenditures, revenues used to finance expenditures.
- Statement that if measure is rejected by voters, the governing board is required to reduce expenditures to be below the existing expenditure limit – only for elections called pursuant to article 9, sec. 20 (2) (b) [override for emergency not declared by governor].
- Arguments for and against the measure – only required for elections called pursuant to article 9, sec. 20 (2) (c) [single-year override].
 - o Required the governing body to prepare an argument for the measure.
 - o Required arguments be submitted to the governing body at least 30 days prior to the election.
 - o Prohibited the governing body from charging for paper or printing costs.

Required, for elections pursuant to article 9, Sec. 20 (2) that the ballot include:

- Number and title of the measure.
- Statement that the excess expenditure has been referred to the ballot by the governing body of the political subdivision.
- A descriptive title, capped at 50 words, prepared by the clerk of the board.

Required that special elections called pursuant to article 9, sec. 20 (2) be conducted on the third Tuesday in May and conducted in the manner prescribed for general elections in title 16.

For elections to exceed the expenditure limit as a result of a disaster pursuant to article 9, sec. 20 (2) (b), if the disaster occurs within 90 days prior to a regular or special election, the election called shall be made at the subsequent regular or special election.

Laws 1988, Ch. 213 Sec. 2

public finance-bonds-call for election and expenditure limitation

Required that the governing body separately budget for the expenditures approved pursuant to the election for an override of the expenditure limit. Stipulated that the expenditures above the limit may only be for purposes stated in the publicity pamphlet.

Contained an emergency clause.

ARS 41-563.03 Proposals for permanent adjustment of expenditure limitation and alternative expenditure limitations; review by auditor general; form of ballot

Added by Laws 1980, 2nd SS Ch. 8 Sec. 32

taxation; expenditures, and indebtedness - limitations

Initially titled “Initiatives for permanent adjustment of expenditure limitation and alternative expenditure limitations”

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History of Relevant Statutes

Required that initiatives follow the requirements to title 19, ch. 1, article 4.

For adjustments made pursuant to article 9, sec. 20 (6) required a publicity pamphlet to include provisions prescribed in 19-123 and the following:

- Date of the election.
- Polling places and hours of operation.
- Summary of the adjustment to the expenditure limit, as reviewed by legislative council.
- Summary of revenues to finance adjustment or to be reduced, as reviewed by legislative council.
- Statement of purposes for adjusting the expenditure limit.
- Summary analysis.
- Detailed analysis.

Required that the filers of the initiative petition or the governing board (if they are proposing the adjustment to the expenditure limit) submit a **detailed and summary analysis** to legislative council at least 60 days prior to the election.

Required legislative council to review the analysis and summary, correct errors and submit it to the governing board within 15 working days. Also required legislative council to notify the filer of any revisions within 15 working days. Prohibited any modification to the analysis or summary.

Required the clerk of the board/council to maintain a copy of the analysis and provide it to any registered voter of the political subdivision Required the **detailed analysis** to include:

- Specific area(s) for adjusted expenditures.
- Specific amounts of estimated revenue by source and assumptions used to estimate the revenue.

Contained similar requirements for cities and towns for the adoption of an alternative expenditure limit pursuant to article 9, sec. 20 (9).

Required the auditor general and the economic estimates commission to cooperate with legislative council in the review of the detailed and summary analysis.

For elections where more than one permanent base limit or alternative expenditure limitation modifications are being voted on the ballots be in a form that allows for voters to vote on each individual adjustment.

Laws 1988 Ch. 227 Ch. 1

economic estimates commission-proposed alternative expenditure limitations -review by auditor general

Replaced references to legislative council with the auditor general. Provided the auditor general with the authority to request additional information from the group submitting the detailed analysis to clarify or correct the submitted materials.

Required the governing body to transmit a copy of the pamphlet to the auditor general before the election.

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History of Relevant Statutes

Required the clerk of the board or city/town clerk to immediately notify the auditor general and economic estimates commission of the results of the election.

Allowed the auditor general to request legal assistance from legislative council while providing for their duties under this section.

Laws 1990 Ch. 57 Sec. 10

legislative council-sunset provisions

Removed the language allowing the auditor general to request legal assistance from legislative council.

ARS 41-563.05 Alternative population estimate; border counties

Added by Laws 1997 HCR 2013 Sec. 1

a concurrent resolution amending title 41, chapter 3, article 5, arizona revised statutes, by adding section 41-563.05; relating to county expenditure limitation computation.

Required the Economic Estimates Commission to use an alternative population calculation for counties bordering a foreign country with less than 200,000 persons.

Established an alternative population formula equal to the annual population estimate determined by DES, plus $\frac{1}{4}$ of the daily average number of persons who lawfully crossed the international border into and out of the county. Requires that the border crossing figure be for the calendar year prior to the start of the fiscal year and be according to the statistics from the US Customs Service.

Clarified that this population calculation is only for the purposes of the expenditure limit.

Laws 2002 SCR 1007

county expenditure limitation; population estimate

Increased the amount of border crossings considered for the alternative population estimate from $\frac{1}{4}$ of the daily average number of persons to $\frac{1}{2}$.

Applied FY 2004 forward.

ARS 41-1279.07 Uniform expenditure reporting system; reports by counties, community college districts, cities and towns; certification and attestation; assistance by auditor general; attorney general investigation; violation; classification

Added by Laws 1981, Ch. 317 Sec. 11

taxation

Required the Auditor General (OAG) to prescribe a uniform expenditure reporting system (UERS) for all political subdivisions in Article 9, Sec. 20 and 21.

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History of Relevant Statutes

Required that the UERS for counties include:

1. Annual Expenditure Limit Report (ELR) which must include:
 - a. The EEC calculated expenditure limit.
 - b. Total expenditures, by fund.
 - c. Total exclusions from local revenues, by fund.
 - d. Total expenditures subject to the expenditure limit, by fund.
2. Annual financial statements.
3. Reconciliation between the annual financial statements and the ELR.

Required the OAG to provide detailed instructions and definitions for the UERS. Dictated that UERS reports are required for counties and community colleges starting in FY 1982.

Required that UERS reports be submitted within four months of the close of the fiscal year. Allowed the OAG to provide up to a 120-day extension upon written request if there were extenuating circumstances.

Required the OAG or a CPA to attest to the ELR and financial statements.

Required political subdivisions to provide the name of the CFO designated to submit the ELR to the OAG by July 31 of each year. Required the CFO to certify the accuracy of the ELR. Outlines that it was a class 1 misdemeanor if a CFO refused to file or intentionally filed erroneous reports for the UERS after July 1, 1982.

Allowed the OAG to help individuals responsible for attesting to ELR.

Established penalties for exceeding the political subdivision's expenditure limit without authorization. The penalty for counties was withholding and redistribution of a portion of the county's shared TPT distribution. Required the OAG to hold a hearing and notify the state treasurer to withhold an amount based on the following:

<i>Exceedance Amount</i>	<i>Penalty</i>
Less than 5% of expenditure limit	Amount of exceedance
Less than 5%, but second consecutive exceedance	3X amount of exceedance
5-10% of expenditure limit	3X amount of exceedance
10% or more of expenditure limit	Lesser of: - 5X amount of exceedance - 1/3rd of Shared TPT distribution

Session law required the OAG to submit a report on the implementation of the UERS.

Laws 1982 Ch. 264 Sec. 2

state government – expenditure limitations; financial reports; offenses; financial estimates and summaries

Changed the date for the start of penalties for chief fiscal officers who refuse to file UERS reports from July 1, 1982 to July 1, 1983.

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History of Relevant Statutes

Modified language related to the fiscal year that penalties would be imposed on local governments from “subsequent to July 1, 1982” to “for fiscal year 1982-1983 or any subsequent fiscal year”.

Enacted with an emergency clause.

Laws 1986 Ch. 112 Sec. 1

tax levys and proceed allocations-compliance with expenditure reporting system and expenditure limitations

Changed the penalty for counties from an amount withheld from their state shared TPT (which escalated depending on the magnitude of the exceedance) to a reduction in the subsequent year’s levy limit pursuant to 42-301 (J). Left the municipal and community college penalty the same.

Repealed the version of the section added by Laws 1985, Ch. 298 Sec. 9.

Laws 2010 Ch. 69 Sec. 1

city; town; county; expenditure limitation

Created a statutory determination that a municipality or county has not exceeded their expenditure limit. Requires that the expenditure be for capital improvements and be made from utility revenues or excise taxes levied for a specific purpose. Additionally requires that the expenditure be repaid with the proceeds of bonds or other lawful long-term obligations prior to the OAG hearing to determine if they exceeded their expenditure limit.

Note: Described in House Committee (2/1) and Senate Committee (3/22) as a fix for timing issues when jurisdictions use local excise tax revenues to start projects that are ultimately funded by bond revenue. Sponsor cited the Yuma community. Unclear if city or county.

Laws 2015 Ch. 268 Sec. 4

political subdivisions; financial audit reports

Extended the timeframe for political subdivisions to submit their expenditure limitation report to the auditor general from 4 to 9 months. Removed language allowing the auditor general to extend the deadline.

Note: Local government representatives signed in neutral, Arizona Tax Research Association (ATRA) signed in support.

Technical Changes

Laws 1985 Ch. 298 Sec. 9

taxation – corrections bill

Modified the reference to section of county state shared TPT to be withheld in the case of an expenditure limit exceedance from 42-1342 [repealed in Sec. 11] to 42-1341, subsection C, paragraph 2 [added in Sec. 26 to be the county’s state shared TPT distribution]. Technical change as bill also made substantial changes to state shared TPT statutes.

Made clarifying changes.

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History of Relevant Statutes

Repealed by Laws 1986 Ch. 112 (see below).

Laws 1985 Ch. 366 Sec. 2

tax administration-bonds; statutes of limitation; refunds; credits; exemptions; deductions; audits; valuation; appeals-procedure; collection; disposition; department of revenue and tax advisory council-powers and duties

Technical change.

Laws 1986 Ch. 322 Sec. 4

community colleges-county reimbursement levies; expenditure limitation override or modification

Amended the version amended by Laws 1985, Ch. 366, Sec. 2

Laws 1987 Ch. 357 Sec. 13

corrections bill

Amended the version enacted by Laws 1986, Ch. 112 Sec. 1. Small technical change.

Repealed the version enacted by Laws 1986, Ch. 322 Sec. 4

Laws 1998 Ch. 1 Sec. 120

tax code recodification – statutory conformity and correction

Technical conforming change.

Laws 2015 Ch. 323 Sec. 4

counties; municipalities; budgets

Made same changes as Laws 2015, Ch. 268.

Select Legislative Changes to County Expenditure Limits

This section provides the legislative history for several policy items where the legislature chose to adjust county expenditure limits through permanent or session law changes. Please note, this section does not include all of the statutory changes for the particular item, only those that dealt with changes or modifications to county expenditure limits.

State Cost Shifts

Throughout the 2000s and 2010s, the state shifted several costs to county governments to help balance the state budget. As a part of several of those cost shifts, the state exempted payments from the expenditure limit, either through permanent or session law. Counties removed these from applicable expenditures in the *reconciliation* portion of the Uniform Expenditure Reported System (UERS).

ADJC Cost Shift

Laws 2015, Ch. 17 Sec. 13

Added § [41-2832](#) which required counties to pay an annual fee to the Arizona Department of Juvenile Corrections. Provided that the annual county contributions were excluded from the county expenditure limit.

ADOR Cost Shift

Laws 2015, Ch. 10 Sec. 7

Added § 42-5041 which require counties, cities, towns, COGs, and RTAs to pay an annual fee to the Arizona Department of Revenue. Provided that contributions from counties, cities, and towns are excluded from applicable expenditure limits. This fee was repealed in Laws 2021, Ch. 411 Sec. 3.

Restoration to Competency Payments

The state requires counties to pay for costs associated with restoration to competency (RTC) treatment at the Arizona State Hospital (ASH). As session law, each budget since FY2010 has excluded these payments from county expenditure limits.

Prior to 2019 the county payments were outlined in session law that required the county to reimburse the Department of Health Services. Those reimbursement costs were the only portion of county RTC costs that were excluded from the expenditure limit.

In Laws 2019, Ch. 270, Sec. 1 the state permanently shifted the cost of restoration to competency at ASH to counties through A.R.S. § 13-4512. Since 2019, the session law language has excluded all county payments made pursuant to A.R.S. § 13-4512 from the expenditure limit.

Laws 2023, Ch. 139, Sec. 15

Laws 2022, Ch. 314, Sec. 20

Laws 2021, Ch. 409, Sec. 28

Laws 2020, Ch. 54, Sec. 6

Laws 2019, Ch. 270, Sec. 19

Laws 2018, Ch. 284, Sec. 11

Laws 2017, Ch. 309, Sec. 12

Laws 2016, Ch. 122, Sec. 17

Laws 2015, Ch. 14, Sec. 9

Laws 2014, Ch. 11, Sec. 11

Laws 2013 1SS, Ch. 10, Sec. 18

Laws 2012, Ch. 299, Sec. 11

Laws 2011, Ch. 31, Sec. 21

Laws 2010, 7th SS Ch. 10, Sec. 23

Laws 2009, 3rd SS, Ch. 10, Sec. 20

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Select Legislative Changes to County Expenditure Limits

Sexually Violent Persons (SVP)

From 2009 to 2017 session law required counties to reimburse the Department of Health services for a portion of the costs to commit an individual determined to be sexually violent by the court. Also as session law, excluded these payments to the state from the county expenditure limit.

Laws 2017, Ch. 309, Sec. 11
Laws 2016, Ch. 122, Sec. 16
Laws 2015, Ch. 14, Sec. 8
Laws 2014, Ch. 11, Sec. 10
Laws 2013 1SS, Ch. 10, Sec. 17

Laws 2012, Ch. 299, Sec. 10
Laws 2011, Ch. 31, Sec. 20
Laws 2010, 7th SS Ch. 10 Sec. 22
Laws 2009, 3rd SS, Ch. 10, Sec. 32

DUC Pool

From 2007 to 2017 session law excluded mandated \$2.6 million county payments to the state for disproportionate uncompensated care (DUC) from county expenditure limits.

Laws 2017, Ch. 309, Sec. 16
Laws 2016, Ch. 122, Sec. 21
Laws 2015, Ch. 14, Sec. 13
Laws 2014, Ch. 11, Sec. 15
Laws 2013 1SS, Ch. 10, Sec. 22
Laws 2012, Ch. 299, Sec. 16

Laws 2011, Ch. 31, Sec. 27
Laws 2010, 7th SS Ch. 10 Sec. 29
Laws 2009, 3rd SS, Ch. 10, Sec. 25
Laws 2008, Ch. 288, Sec. 16
Laws 2007, Ch. 263, Sec. 23

Mandated Contributions

Laws 2008, Ch. 285, Sec. 47

As session law, required counties, cities, and towns to deposit \$29.7 million into the state general fund. Excluded these payments from the county expenditure limit.

Laws 2008, Ch. 288, Sec. 10

As session law, required Maricopa and Pima Counties to pay \$24.2 million and \$3.8 million, respectively, to the budget neutrality compliance fund (BNCF) at AHCCCS. Excluded these payments from the expenditure limit.

Maricopa County Adult & Juvenile Probation Transfer

Laws 2003, Ch. 263 Sec. 84

Increased the base limit for Maricopa County for FY 2004 and FY 2005 to account for the transfer of funding for adult probation. Directed the EEC to increase the county's base limit by the amount of state aid the county received for various adult probation programs in FY 2003, deflated for population and inflation.

Laws 2005, Ch. 300 Sec. 7

Increased the base limit for Maricopa County for FY 2004 and FY 2005 to account for the transfer of funding for adult probation. Directed the EEC to increase the county's base limit by the amount of state aid the county received for various adult probation programs in FY 2003, deflated for population and inflation.

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Select Legislative Changes to County Expenditure Limits

Laws 2006, Ch. 261 Sec. 3

Amended A.R.S. § 12-262 to require the EEC to permanently increase the Maricopa County's base limit as the result of transferring the funding of adult and juvenile probation from the state to the county. Did not specify a methodology for determining the increase amount.

AHCCCS Transfers

Acute Care

Laws 1981 4th SS, Ch. 1, Sec. 18

State and county expenditure limitations; adjustments

As session law, required that county payments made pursuant to § 11-292 (A) [Acute Care payments] are included under the state appropriations limit and excluded from the county expenditure limit starting in FY 1984.

Prescribed a formula for decreasing the counties' base limit. Reduced the base limit by the new county payment pursuant to § 11-292 (A), deflated to 1980 levels by population and inflation. Also increased the state's appropriation limit.

Arizona Long-Term Care System (ALTCS) Payments

Prior to an Attorney General opinion in 1990 (190-57), the Auditor General advised counties that ALTCS payments made to the state were excluded from the expenditure limit under Laws 1981 4th SS, chapter 1 sec. 18 which provided for exclusion of acute care payments. In response to the AG opinion, in the early 1990s the legislature directed the EEC to remove ALTCS payments from county base limits and move them to the state's appropriation limit, which was made permanent by Laws 1993, Ch. 184.

Laws 1991, Ch. 296 Sec. 4

Sec. 4 County expenditure limitations and state appropriation limitation; adjustment for AHCCCS

Revised the adjustment made by Laws 1981 4th SS, Ch. 1 Sec. 18 for county acute care payments, effective for FY 1992. Required the EEC to exclude the FY 1981 amount budgeted or expended (whichever is less) by the county for long-term care from the amount removed from the counties' expenditure limit for FY 1984. This effectively increased county expenditure limits.

Required the auditor general to provide the unaudited amounts that were budgeted or spent for total indigent health care and long-term care for FY 1981 or estimate the amount spent on either program using the statewide average.

EEC Memo – [July 16, 1991](#)

Sec. 5 County expenditure limitations and state appropriation limitation; adjustment for ALTCS; fiscal year 1991-1992

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Required the EEC to decrease county base limits by the amount contributed pursuant to § 11-292 (A) (3) (c) [ALTCS payments] in FY 1990, net of any refunds given to the counties and deflated for population and inflation. Adjustment was effective for FY 1992.

Sec. 6 County expenditure limitations and state appropriation limitation; adjustment for ALTCS; beginning fiscal year 1992-1993

For FY 1993, required the EEC to increase the base limit of each county by the amount it was decreased in FY 1992 pursuant to Sec. 5.

Sec. 7 Delayed repeal

Included a delayed repeal of Laws 1981 4th SS, Ch. 1, Sec. 18 and Sec. 2-6 of the act from and after Dec. 31, 1992.

Laws 1992, Ch. 287

Sec. 9 County expenditure limitations and state appropriation limitation; adjustment for ALTCS; fiscal year 1991-1992 and 1992-1993

Amended Laws 1991, Ch. 296 Sec. 5 to extend the revision of the county base limits through FY 1993.

Sec. 10 County expenditure limitations and state appropriation limitation; adjustment for ALTCS; beginning fiscal year 1993-1994

Amended Laws 1991, Ch. 296 Sec. 6 to make the increase of the county base limits effective FY 1994, instead of FY 1993.

Sec. 11 Delayed Repeal

Amended Laws 1991, Ch. 296 Sec. 7 to make the repeal of Laws 1981 4th SS, Ch. 1, Sec. 18 December 31, 1993, instead of 1992. Removed the delayed repeal of sections 2-6 of Laws 1991, Ch. 296.

Sec. 14 Delayed Repeal

Repealed sections 9-11 from and after December 31, 1993.

Laws 1993 2SS Ch. 6

Sec. 23 County expenditure limitations and state appropriation limitation; adjustment for ALTCS; fiscal year 1991-1992 and 1992-1993

Further amended Laws 1991, Ch. 296 Sec. 5 to extend the revision of the county base limits through FY 1994.

Sec. 24 County expenditure limitations and state appropriation limitation; adjustment for ALTCS; beginning fiscal year 1994-1995

Further amended Laws 1991, Ch. 296 Sec. 6 to make the increase of the county base limits effective FY 1995, instead of FY 1994.

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Sec. 25 Delayed Repeal

Amended Laws 1992, Ch. 287 sec. 14 to move the delayed repeal for sections 9-11 of that act to December 31, 1994, instead of 1993.

Laws 1993 Ch. 184

Sec. 2 County expenditure limitations and state appropriation limitation; adjustment for ALTCS

Permanently removed the deflated FY 1990 ALTCS payments from the base limit for counties by further amending Laws 1991, Ch. 296 section 5. This legislation also provided for the withholding of ALTCS payments from the counties' shared TPT distributions.

Counties now remove ALTCS payments made to the state in the *reconciliation* portion of the AELR.

Sec. 4 Delayed repeal

Repealed Laws 1991 Ch. 296 sections 5-6, as amended, from and after December 31, 1993.

Prop. 204 AHCCCS Administration

From 2007 forward, session law has excluded the payments made by counties for the implementation costs of proposition 204 pursuant to A.R.S. § 11-292 (O) from county expenditure limits.

Laws 2023, Ch. 139, Sec. 14
Laws 2022, Ch. 314, Sec. 19
Laws 2021, Ch. 409, Sec. 27
Laws 2020, Ch. 54, Sec. 5
Laws 2019, Ch. 270, Sec. 18
Laws 2018, Ch. 284, Sec. 15
Laws 2017, Ch. 309, Sec. 17
Laws 2016, Ch. 122, Sec. 23
Laws 2015, Ch. 14, Sec. 14

Laws 2014, Ch. 11, Sec. 16
Laws 2013 1SS, Ch. 10, Sec. 23
Laws 2012, Ch. 299, Sec. 17
Laws 2011, Ch. 31, Sec. 28
Laws 2010, 7th SS Ch. 10 Sec. 30
Laws 2009, 3rd SS, Ch. 10, Sec. 26
Laws 2008, Ch. 288, Sec. 18
Laws 2007, Ch. 263, Sec. 39

Disproportionate Share Adjustments – Maricopa and Pima Only

From 1991 to 2005 the state decreased Maricopa and Pima Counties' base limits as a result of the transfer of funding for disproportionate share health services from the counties to the state & federal governments. The EEC was required to adjust the base limits by the amount of federal funding received by the county, deflated to FY 1980 levels for population and inflation. Additionally, each year, the session law language would reset the counties' expenditure limits to the prior level if the DSH program was eliminated. Unless otherwise noted, the following session laws applied these changes to the noted fiscal years. As available, the relevant memos from the EEC are also included below.

Laws 1991 4th SS Ch. 4 Sec. 7
 FY 1992 & FY 1993; EEC Memo – [August 21, 1992](#)

Laws 1992, Ch. 292 Sec. 14 & 15
 FY 1993 & FY 1994

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Laws 1992, Ch. 292 Sec. 12

As session law, required Maricopa and Pima Counties to reimburse the state for DSH payments made by AHCCCS to qualifying county hospitals. Exempted these payments from the county expenditure limit.

Laws 1993 2nd SS Ch. 6 Sec. 32 & 33

FY 1994 & FY 1995; EEC Memo – [June 28, 1994](#); [August 4, 1994](#); [August 11, 1994](#)

Laws 1994 8th SS Ch. 4 Sec. 6 & 7

FY 1995 & FY 1996; EEC Memo – [June 28, 1994](#); [August 4, 1994](#); [August 11, 1994](#)

Laws 1995 1st SS Ch. 5 Sec. 15 & 16

FY 1996 & FY 1997; EEC Memo – [October 24, 1996](#)

Laws 1996 5th SS Ch. 5 Sec. 4 & 5

FY 1997 & FY 1998; EEC Memo – [October 24, 1996](#); [October 10, 1997](#)

Laws 1997 1st SS Ch. 5 Sec. 4 & 5

FY 1998 & FY 1999; EEC Memo – [October 10, 1997](#); [August 13, 1998](#)

Laws 1998 4th S.S. Ch. 5 Sec. 8 & 9

FY 1999 & FY 2000; EEC Memo – [August 13, 1998](#)

Laws 1999, Ch. 176 Sec. 17

FY 2000 & FY 2001

Unlike previous years, this session law did not automatically repeal the reduction in the expenditure limit for the following year. Additionally, authorized the EEC to decrease the base limit for Maricopa and Pima County

for both FY 2000 and FY 2001, rather than a single year.

Laws 2000, Ch. 351 Sec. 1

FY 2000 & FY 2001

Amended laws 1999, Ch. 176 section 17 to require the EEC to use a starting base limit of \$156.6M for Maricopa and \$93.8M for Pima in both FY 2000 and FY 2001.

Laws 2001, Ch. 362 Sec. 2 & 3

FY 2001 & FY 2002

Required the EEC to reduce the base limit for Maricopa and Pima County in FY 2001. Unlike language in Laws 1999, Ch. 176 which adjusted for both FY 2000 and FY 2001, this language only adjusted the limits for FY 2001. Additionally, the bill included previously utilized language that would restore the county base limits to previous levels absent additional action.

Laws 2001, 2nd S.S. Ch. 7, Sec. 19 & 20

FY 2002 & FY 2003

Laws 2002, Ch. 329, Sec. 23 & 24

FY 2003 & FY 2004

Laws 2003, Ch. 265, Sec. 47 & 48

FY 2004 & FY 2005

Laws 2004, Ch. 279, Sec. 10 & 11

FY 2005 & FY 2006

Laws 2005, Ch. 328, Sec. 16 & 17

FY 2006 & FY 2007

GDP Deflator Change

Laws 2000, Ch. 351 Sec. 2

expenditure limitation index; penalties for expenditure limit violations in fiscal year 2000-2001; legislative findings

Included legislative findings that the reduction of the GDP price deflator resulted in FY 2001 expenditure limits that were lower than FY 2000. Modified the penalty for exceeding the

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expenditure limit in FY 2001 to \$100, if a jurisdiction's expenditures were under a certain level. For FY 2001, the level was set at the jurisdiction's FY 2000 expenditure limit, adjusted for population and a 1.03 inflation factor.

Laws 2001, Ch. 362 Sec. 1

Computing municipal, county and community college expenditure limitation; fiscal years 2001-2002 and 2002-2003; penalty

Included legislative findings that the GDP price deflator did not reflect the inflation experienced by local governments. Modified the penalty for exceeding the expenditure limit in FY 2002 and FY 2003 to \$100, if a jurisdiction's expenditures were under a certain level. For FY 2002, the level was set at the jurisdiction's FY 2000 expenditure limit, adjusted for population and a 1.0609 inflation factor. For FY 2003, the same formula was used with a 1.092727 inflation factor.

Other

Laws 1988, Ch. 329 Sec. 1

expenditure limitation adjustment for counties; determination by economic estimates commission

As session law, required the EEC to permanently adjust county expenditures limits for the loss of general revenue sharing monies received pursuant to the state and local fiscal assistance act of 1972 (31 United States Code, sections 6701-6724). Effective for FY 1990 forward.

Directed the EEC to calculate the new base limit by determining what base limit would produce a FY 1987 expenditure limit equal to the county's actual FY 1987 expenditure limit plus the amount of general revenue sharing received in federal fiscal year 1985.