County Expenditure Limits

PRIMER

What are expenditure limits?

Limits on how much *local revenue* counties, cities and towns can spend in a given fiscal year according to Article IX, § 20 of the Arizona Constitution.

Local revenues include almost all of the monies received by a county, with exemptions including revenue from or for:

- Debt
- Investment income
- State payments to counties included in the state spending limit
- Aid, grants, etc. from the federal government
- HURF funding in excess of FY80 HURF funds
- Spending on voter-approved capital improvements

Due to these exclusions and the use of voter approved taxing districts, the expenditure limit only applied to an average of 46% of FY22 total county spending.

How are expenditure limits calculated?

Expenditure limits are calculated using the actual FY 1980 local revenues spent in each county as a base limit, which is adjusted annually for inflation and population changes.

How can expenditure limits be modified?

Counties can permanently change their base limit with approval from the majority of voters at a general election.

Counties can also request a one-time expenditure limit override from voters at a special election.

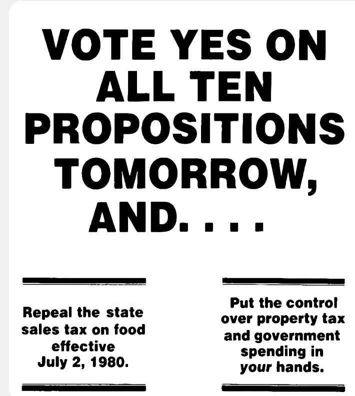
The legislature can adopt a concurrent resolution with a 2/3rds majority to select metrics for population or inflation.

In the event of a disaster declared by the governor, the board can exceed their limit with a 2/3rds vote to cover any disaster-related spending.

Since 2000, Coconino County, Greenlee County, La Paz County, Navajo County and Yavapai County have successfully increased their base limit.

History of Expenditure Limits

In 1980, the state legislature held a special session to draft tax reform legislation to be sent to the voters in June of 1980 in an attempt to preempt a November proposition fashioned after Prop. 13 in California.



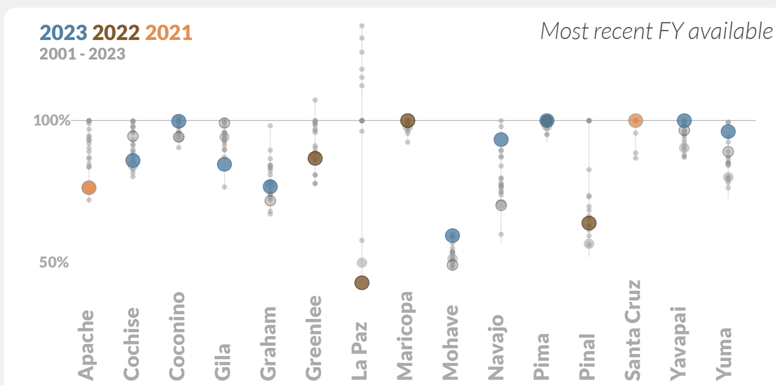
> *Lack of effective limitation on local spending has resulted in dramatic increases in budgets which are responsible for the ever increasing local tax burden...*

1980 Legislative Council Arguments Favoring Prop. 108

On June 3, **voters approved all ten propositions**, among which was a constitutional amendment to create local expenditure limitations (80% in support). The November proposition failed to receive a majority of voter support.

Percent of Expenditure Limit Utilized

County cost drivers have strained county budgets, putting pressure on county expenditure limits.



What happens if the expenditure limit is exceeded?

Counties are required to submit annual reports to the Auditor General's Office to demonstrate compliance with the county's expenditure limit. If the Auditor General (OAG) determines that a county has exceeded their expenditure limit without following any of the paths to modify the limit as outlined above, the following occurs:

- The OAG will hold a hearing to determine if the county did exceed their expenditure limitation.
- The county's primary property tax levy limit for the next fiscal year is reduced by the amount that exceeded the expenditure limit.[1,2]
- Future calculations of the primary levy limit are not affected by the one-time penalty.

[1]*A.R.S. § 41-1279.07(H)*
[2]*A.R.S. § 42-17051(C)*

County Expenditure Limits OVERVIEW

What are expenditure limits?

The county expenditure limits are constitutional limits on how much *local revenues* counties can spend in a given fiscal year. This is generally the amount of *local revenues* expended in FY 1980, adjusted for population and inflation. These limits were amended into the state constitution in 1980, along with a number of other modifications to state and local government finance, including county levy limits.

Most of the provisions governing expenditure limits are found in Article IX, § 20 of the Arizona Constitution. This section outlines the process for calculating expenditure limits, defines *local revenues*, and establishes the ways counties can modify or temporarily exceed expenditure limits.

Local revenues[1] generally includes all revenues received by a county except for enumerated exemptions which include[2]:

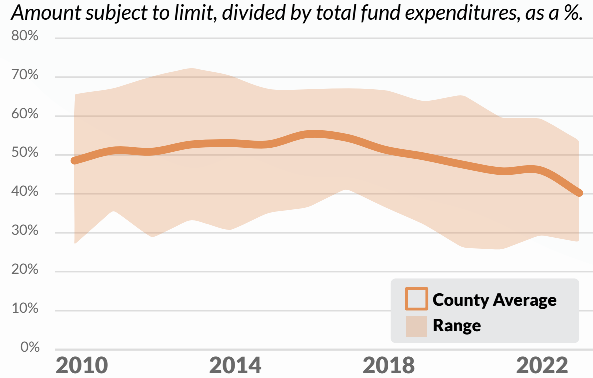
- Debt proceeds
- Debt service requirements
- Dividends, interest, and gains on the sale or redemption of investment securities
- Trustee or custodian
- Grants and aid from the federal government
- Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes
- Amounts received from the State of Arizona
- Quasi-external interfund transactions
- Amounts accumulated for the purchase for land, buildings, or improvements
- Highway user revenues in excess of those received in fiscal year 1979-80
- Contracts with other political subdivisions
- Refunds, reimbursements, and other recoveries
- Amounts received for distribution to school districts
- Prior years carryforward
- Qualifying capital improvement expenditures repaid in accordance with Arizona Revised Statutes §41-1279.07

In general, spending by separate legal entities that may be included in a county's annual comprehensive financial report are not included in the county's expenditure limit. This often includes voter-approved special districts (jail districts, public health services districts, etc.) for specific purposes who's governing board is the board of supervisors. For this reason, many counties' total expenditure and the amount of spending counted towards the expenditure limit can differ dramatically.

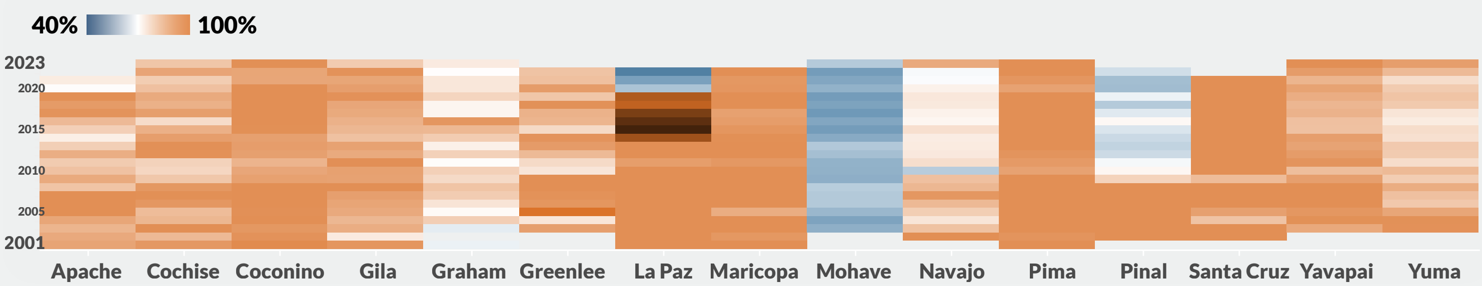
You can find data on historical county expenditure limits, and amounts subject to the expenditure limit, in the expenditure section of the County Encyclopedia.

Expenditures subject to the expenditure limit make up about half of total county spending

Amount subject to limit, divided by total fund expenditures, as a %.



Percent of Expenditure Limit Utilized



How are expenditure limits calculated?

The constitution and A.R.S. § 41-563 require the Economic Estimates Commission (EEC) to provide a preliminary expenditure limit for the upcoming fiscal year to counties by February 1st, and a final expenditure limit by April 1st.[3] This is done by adjusting the *base limit* for each county by changes in inflation and population since 1978. The most recent expenditure limit calculations can be found by clicking here.

Base Limit X Population Factor X Inflation Factor

Originally, the *base limit* for each county was the actual amount of *local revenues* expended in FY 1979-80. However, since the creation of the expenditure limit, voters in several counties have modified the county's *base limit*. Additionally, the legislature has authorized modifications to the *base limit* as a result of transfers of government functions. For more information on past legislative changes to county *base limits*, click here.

For most counties the *population factor* is set by the EEC utilizing the annual population estimates generated by the Arizona Office of Economic Opportunity. However, A.R.S. § 41-563.05 requires the EEC to utilize an alternative population estimate, which considers international border crossings, for counties (with a population under 200,000) that border a foreign country. To calculate the *population factor*, the county's population as of July 1 of the prior year is compared to the population of the county as of July 1, 1978.[4]

Currently, the EEC utilizes the GDP price deflator for the calendar year preceding the applicable fiscal year to calculate the *inflation factor*. The constitution provides the legislature the authority to establish different population[5] or inflation[6] metrics through the approval of a concurrent resolution with a two-thirds majority.

How are expenditure limits reported?

Annually, counties are required to file their expenditure limit with the Auditor General 9 months after the close of the fiscal year, by March 31st. A.R.S. § 41-1279.07 outlines the Auditor General's responsibilities and includes the requirements of the Uniform Expenditure Reporting System (UERS).

The most recent Annual Expenditure Limitation Report (AELR) forms, which includes templates and instructions, can be found here. Additionally, the Auditor General publishes FAQs that cover a variety of topics related to expenditure limits and the AELR.

A.R.S. § 41-1279.07 (E) requires the county to designate a CFO who is authorized to sign the AELR by July 31 of each fiscal year. You can find the CFO designation form here.

What are the penalties for exceeding the expenditure limit?

Article IX, § 20 (8) provides the legislature with the authority to establish sanctions and penalties for exceeding the expenditure limit. A.R.S. § 41-1279.07 (I) establishes the penalties for counties that exceed their expenditure limit. Statute requires the Auditor General to hold a hearing to determine if a county has exceeded their expenditure limit. If it is determined that it was exceeded, **the county is required to reduce the county's primary property tax levy limit[7] by the amount of the exceedance**.

In the past, the legislature has periodically modified the penalty for certain counties that have exceeded the expenditure limit. You can find the recent legislative modifications of expenditure limit penalties for counties here.

How can expenditure limits be modified or legally exceeded?

The constitution provides counties with ways to modify or exceed their expenditure limits on a one-time or permanent basis, largely through voter approved propositions. Unlike municipalities, counties do not have the ability to establish an alternative expenditure limit.

Permanent Base Adjustment

Counties can make permanent changes to their expenditure limits through voter-approved permanent base adjustments. Article IX, § 20 (6) of the constitution requires that these elections be conducted at regularly scheduled general elections and A.R.S. § 41-563.03 outlines requirements for the elections, including publishing a publicity pamphlet which must be approved by the Auditor General.

Through 2023, five counties have successfully pursued and had voters approve these changes. Additional detail on county permanent base adjustments, including proposition takeaways and materials, can be found here. Resources available to counties pursuing permanent base adjustments can be found here.

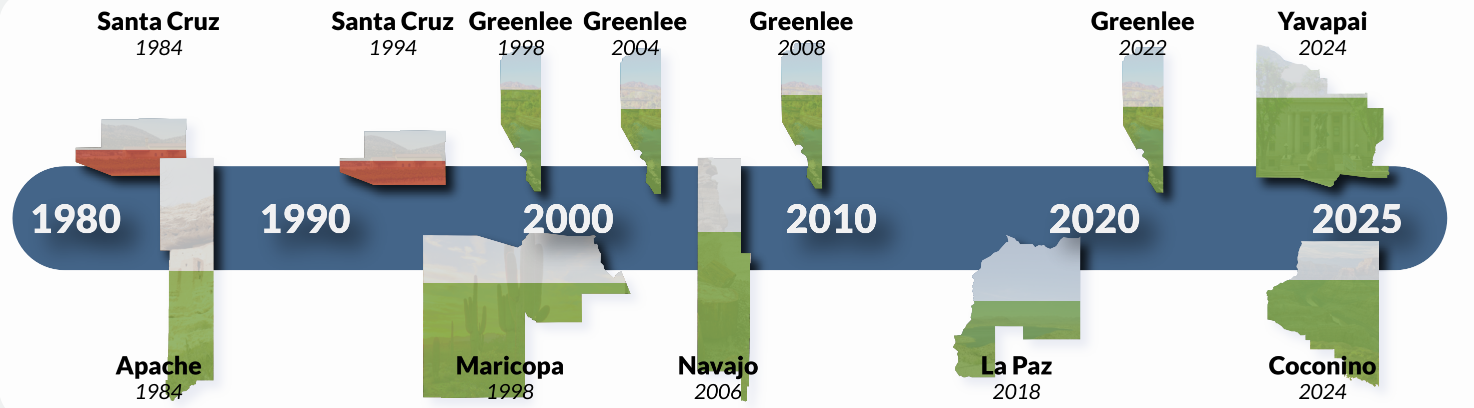
Single – Year Exceedance

Counties can also make single-year adjustments through voter approval or by the BOS for disaster-related expenditures. Article IX, § 20 (2)(c) allows counties to go to the ballot in May or November to authorize a specific, one-time exceedance of the expenditure limit in the subsequent fiscal year. Requirements for that election are outlined in A.R.S. § 41-563.02.

Article IX, § 20 (2)(a) and (b) also provide counties with the ability to exceed expenditures in the event of a natural or man-made disaster. With a 2/3rds majority, the BOS may authorize expenditures directly necessitated to respond to a disaster declared by the governor. If a disaster is not declared by the governor, 70% of the board may authorize excess expenditures but the subsequent year's expenditure limit will be reduced by the amount of excess. Alternatively, the board can refer the excess expenditures to the voters for approval, with no penalty in the next fiscal year.

County Permanent Base Adjustments 1980 - 2024

Filled bars represent election results; green indicates prop. passed, red that prop. failed.



Legislative Changes

In general, the legislature has limited authority to modify expenditure limits. Article IX § 20 (2)(b) and (f) give the legislature the ability to modify the metric used to calculate the inflation and population factors through a concurrent resolution approved by a 2/3rds majority. Additionally, pursuant to Article IX § 20 (4) the EEC is required to adjust base limits for the subsequent transfer of the cost of providing a governmental function, as prescribed by law.

You can find a summary of recent legislative changes to the expenditure limit here. Additionally, the legislature is responsible for establishing the penalty for counties that exceed the expenditure limit.

Endnotes

1 Full list of constitutional exemptions from local revenues can be found in Article IX, § 20 (3)(d)(i)-(xiv)
2 List from Part II, County ELR Forms & Instructions produced by the Auditor General for FY 2022. https://www.azauditor.gov/reports-publications/counties/manuals-memorandums
3 ARS § 41-563 (2) & (3); Article IX, § 20 (1), Arizona Constitution
4 ARS § 41-563 (3) & (4)
5 Article IX, § 20 (3)(f)(ii), Arizona Constitution
6 Article IX, § 20 (3)(b)(ii), Arizona Constitution
7 A.R.S. § 42-17051

History of County Expenditure Limit Adjustments

SUMMARY

Frequent Education Talking Points

The proposition...

Will not increase taxes.

Allows county to spend revenue it already has.

Highlighted:

Areas of county government constrained by spending limit.

Factors causing expenditure limit pressure outside of the county's control (if applicable).

Campaign Characteristics

Color and year correspond to county campaign listed on timeline

Convened a citizen committee or strategically recruited community leaders.

24 24 22 18 08 06

Involved non-supervisor county elected officials in the education effort.

24 24 22 18 08 06

Conducted public hearings/meetings to educate on the proposition.

24 24 22 18 08 06

Developed education materials for voters, separate from publicity pamphlet.

24 24 22 18 08 06

Presented detailed plan for new expenditure authority to voters.

24 24 22 18 08 06

Direct outreach through local news sources (interviews, op-eds, letters to the editor).

24 24 22 18 08 06

County staff (typically Manager/Administrator) managed education campaign.

24 24 22 18 08 06

County Expenditure Limit Adjustments

2024 ✓ Coconino County — 73% in favor — +75% *capacity*

2024 ✓ Yavapai County — 63% in favor — +71% *capacity*

2022 ✓ Greenlee County — 59% in favor — +82% *capacity*

2018 ✓ La Paz County — 54% in favor — +139% *capacity*

2018 One-time Voter Approved Override

Legislative waiver of penalties FY14 - FY18

2008 ✓ Greenlee County — 64% in favor — +48% *capacity*

2006 ✓ Navajo County — 69% in favor — +33% *capacity*

2004 ✓ Greenlee County — 58% in favor — +18% *capacity*

2003 Legislative penalty waiver for FY04 - FY05

1998 ✓ Greenlee County — 70% in favor — +25% *capacity*

1998 ✓ Maricopa County — 70% in favor — +11% *capacity*

1994 ✗ Santa Cruz County — 44% in favor — +23% *capacity*

1984 ✓ Apache County — 54% in favor — +55% *capacity*

1984 One-time Voter Approved Override FY85

1981 Voter Approved Override, FY83 to FY84

1984 ✗ Santa Cruz County — 45% in favor — +34% *capacity*

1984 Legislative waiver of penalty for FY83

History of County **Expenditure Limit Adjustments**

PERMANENT BASE ADJUSTMENTS

Overview

The Arizona Constitution allows counties to make permanent changes to their expenditure limits through voter-approved permanent base adjustments. Through 2023, five counties have successfully pursued and had voters approve these changes. The Constitution requires that these elections be conducted at regularly scheduled general elections and statute outlines requirements for the elections, including publishing a publicity pamphlet which must be approved by the Auditor General.

The following provides information on the permanent base adjustments pursued by counties from 1984 forward. Details were collected through various sources including interviews with county supervisors and staff, election materials, local newspapers, and meeting minutes. The following are included for each election, if available:

- key takeaways from county education efforts
- local context during the election
- county created education materials
- election materials & publicity pamphlets
- election results
- magnitude of the adjustments
- news coverage of proposition

You can also find an overview of the resources available to counties considering conducting a permanent base adjustment here.

Summary of County Permanent Base Adjustment Election Results

County	Election Year	Effective Fiscal Year	Increase in Limit	Increase in Base Limit	% Increase	Election Results
Coconino	2024	FY 2026	$61,141,568	$7,700,000	75%	**Y:46,071 (72.9%)** N:17,134 (27.1%) *Voter Turnout: 78%*
Yavapai	2024	FY 2026	$121,138,726	$7,900,000	71%	**Y:84,287 (62.8%)** N:49,900 (37.2%) *Voter Turnout: 86%*
Greenlee	2022	FY 2024	$11,884,478	$4,000,000	82%	**Y:1,388 (58.6%)** N:979 (41.4%) *Voter turnout: 53%*
La Paz	2018	FY 2020	$18,599,763	$3,000,000	139%	**F:2,590 (53.5%)** N:2,248 (46.5%) *Voter Turnout 51%*
Greenlee	2008	FY 2010	$3,100,000	$1,600,000	48%	**Y:1,697 (64.1%)** N:949 (35.9%) *Voter turnout: 68%*
Navajo	2006	FY 2008	$10,400,000	$1,873,732	33%	**Y:17,442 (69.5%)** N:7,649 (30.5%) *Voter Turnout 47%*
Greenlee	2004	FY 2006	$988,474	$512,445	18%	**Y:1,614 (57.9%)** N:1,172 (42.1%) *Voter turnout: 69%*
Greenlee	1998	FY 2000	$980,000	$542,908	25%	**Y:1,643 (69.6%)** N:716 (30.4%) *Voter Turnout: 54%*
Maricopa	1998	FY 2000	$68,500,000	$16,500,000	11%	**Y:334,905 (70%)** N:141,607 (30%)
Santa Cruz	1994	FY 1996	$1,916,000	$600,000	23%	Y:2,764(44%) **N:3,453 (56%)**
Apache	1984	FY 1986	$2,231,649	$1,435,948[1]	55%	**Y:5,690 (54%)** N:4,887 (46%) *Voter Turnout 58%*
Santa Cruz	1984	FY 1986	$1,166,764	--[2]	34%	Y:2,026 (45%) **N:2,466 (55%)** *Voter Turnout 73%*

Coconino County

November 5, 2024 General Election

Increase in Limit: **$61,141,568 (75%)**
Passed Yes - 46,071 (72.9%) No – 17,134 (27.1%)[3] *Voter turnout: 78%*

Education Effort - Key Takeaways

- Focused on necessary investments in key county services including: public works, public safety, emergency response, health and human services, parks and recreation, and the justice system.
- Conducted substantial outreach to voters, county elected officials and staff were deployed across the county.
- No outside groups for or against proposition, county ran education effort.
- Had long planning horizon and dedicated team from across departments that met weekly to discuss progress, check-in.
- County elected officials did radio spots, press releases, attended meetings; county pushed education materials out through social media.

Determining Permanent Base Adjustment Amount & Timing

- Board wanted an amount that would provide at least a 20-year solution.
- Staff determined that 75% adjustment would provide 20 years of capacity.

Local Context

- County had been at expenditure limit for more than 20 years and needed to bond to stay under limit.
- County voters approved road excise tax in 2014, but didn't adjust expenditure limit at same election.
- County sheriff was retiring, had great reputation in community and contributed to outreach campaign.

Key Education Points

- Get the facts - it's not a tax
- Sustain county services
- Can't spend the road tax recently approved by voters
- Costs is northern Arizona increase faster than national inflation
- Think back to 1980 and how different everything was -- that is when this limit was set
- Limit doesn't account for tourism population and impact on county costs

Summary of interview with county staff.

County Education Materials

Publicity Pamphlet 2024; *Resolution No. 2024-11, adopted February 20, 2024.*

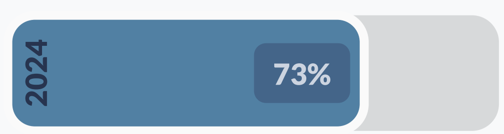
County Materials:
- Brochure: Sustain County Services
- Frequently Asked Questions
- County Website: A Breakdown of County Services
- County Website: Prop. 482 Information Page
- County Instagram Posts

County Meetings:
- First Presentation to Board of Supervisors December 19, 2023
- Second Presentation of Expenditure Limit January 9, 2024
- Expenditure Limit Resolution Approval February 20, 2024

News Coverage

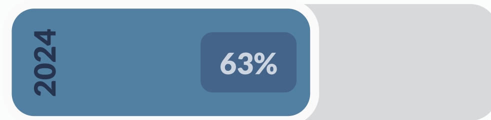
- Coconino supervisors approve $7.7 million expenditure limit increase for November ballot, Feb. 23, 2024
- Coconino County seeks support for Prop 482 expenditure limit, Sept. 10, 2024
- Prop 482 Allows County to Sustain Current Level of Public Services, Oct. 2, 2024
- Little opposition surfaces in Coconino County's push for Proposition 482 approval, Oct. 17, 2024
- 2024 Election: Guide to northern Arizona local and county propositions, Oct. 24, 2024

Election Results



Yavapai County

Election Results



November 5, 2024 General Election

Increase in Limit: **$121,138,726 (71%)**

Passed Yes - 84,287 (62.8%) No – 49,900 (37.2%)[4] *Voter turnout: 86%*

Education Effort - Key Takeaways

- Some elected official, heavy staff involvement in educating at existing community events.
- There were two Political Action Committees (PAC) supporting the PBA, including social media messaging, radio spots and signage.
- Direct outreach, social media was viewed as most effective.
- Community leaders were very supportive of county's effort.
- Voters understood how different the context is currently compared to 1980, growth in the community.

Determining Permanent Base Adjustment Amount & Timing

- Did not want to have to go for another PBA for at least 10 years.
- County financial forecasts indicated $7.9M adjustment would provide approx. 10-12 years of capacity.
- Wanted to be on-par with similar county PBA propositions on the ballot (Coconino County $7.7M base adjustment).
- County leadership change prior to 2022 election prevented county from pursuing base adjustment at that time.

Local Context

- Had condensed timeline between the primary and general election to craft and execute education effort.
- County elected officials on ballot in primary and general, most unopposed in general election.
- Supervisors had good understanding of expenditure limit and the challenges from operating close to it.
- Had opened new criminal justice center, caused increase in necessary ongoing spending.
- Prior to call for expenditure limit, county had to delay millions in planned road projects, pension debt reduction.
- County utilizes portion of GF excise tax to fund road maintenance.

Key Education Points

- Limit is keeping the county from being a good steward of previous taxpayer investments in roads, capital assets.
- Limit is a loss of local control, compared PBA to local municipal home rule elections.
- Need for additional deputies to patrol rural areas of the county.
- Growth in the county is demanding the need for additional services, infrastructure across the county.
- Extrodinary service requires extrodinary public servants, which requires financial investments in employees.

Summary of interview with county staff.

County Education Materials

Publicity Pamphlet 2024; *Resolution No. 2129, adopted June 19, 2024.*

County Materials:

- Explanation of Prop. 479
- Proposition FAQs

County Working Documents

- County Working Process Timeline
- County Financial Summary

News Coverage

- Support Proposition 479: A Smart Choice for Yavapai County's Future, Sept. 11, 2024 [Sheriff Op. Ed]
- Yavapai County to Mail Publicity Pamphlet for Proposition 479: A Permanent Adjustment to County Expenditure Limit, Sept. 27, 2024
- Two local propositions up for decision by Prescott, Yavapai County voters Nov. 2, 2024
- Yavapai County's proposal to increase annual spending limit appears on track for voter approval, Nov. 5, 2024

Greenlee County

November 8, 2022 General Election

Increase in Limit: **$11,884,478 (82%)**

Passed Yes - 1,388 (58.6%) No - 979 *(41.4%)*[5] *Voter turnout: 53%*

Education Effort - Key Takeaways

- Set campaign strategy based on local context in the community.
- Relied on trust in supervisors, ran minimal education effort.
- Targeted non-supervisor general election.
- Other elected officials very aware of impact of expenditure limit challenges, but minimal additional education or interest.

Local Context

- 2020 Census reduced county expenditure limit.
- Long history of being at expenditure limit, using debt financing for expenditure limit purposes.
- Personal/name recognition of supervisors in districts 75%+.

November 4, 2008 General Election

Increase in Limit: **$3,100,000 (48%)**

Passed Yes - 1,697 (64.1%) No – 949 *(35.9%) Voter turnout: 68%*[6]

Education Effort - Key Takeaways

- Conducted meetings in each community in the county, turnout was minimal. Meetings held after primary election but before early ballots were sent out.
- Published letters to the editor (in '98, '04 & '08 elections).

Local Context

- Small prior adjustments meant the county was still at expenditure limit, board approved seeking larger increase in 2008.

November 2, 2004 General Election

Increase in Limit: **$988,474 (18%)**

Passed Yes - 1,614 (57.9%) No – 1,172 *(42.1%)*[7] *Voter turnout: 69%*

Education Effort - Key Takeaways

- Focused on clarifying that this was not a tax increase, that it would allow county to spend monies already available.
- Conducted public hearings across county, chose not to engage 3rd party fundraising or campaign based on experience in levy limit election.
- Board prioritized keeping the adjustment under $1.0 million.

Local Context

- County received prospective legislative waiver of penalty in FY04 and FY05 to get to the new limit in FY06.
- County had voters override primary levy limit in 2001, 2003.
- 2000 Census reduced county's expenditure limit.

November 3, 1998 General Election

Increase in Limit: **$980,000 (25%)**

Passed For – 1,643 (69.6%) No – 716 *(30.4%) Voter Turnout: 54%*[8]

Education Effort - Key Takeaways

- Conducted meetings in each community in the county, turnout was good.
- Emphasized the need to issue debt, pay interest to stay under limit.

Local Context

- County had exceeded in FY96 & FY97, paid penalty in early 2000s.
- Board prioritized keeping the adjustment under $1.0 million.

Key Education Points

- Prop. 400 will not raise taxes.
- Improve management of county finances, reduce need to issue debt & pay interest.
- Can't expand requested services, like additional community parks, without expenditure limit adjustment.
- Census caused expenditure limit to *decrease.*

Summary of interview with county managers.

County Education Materials

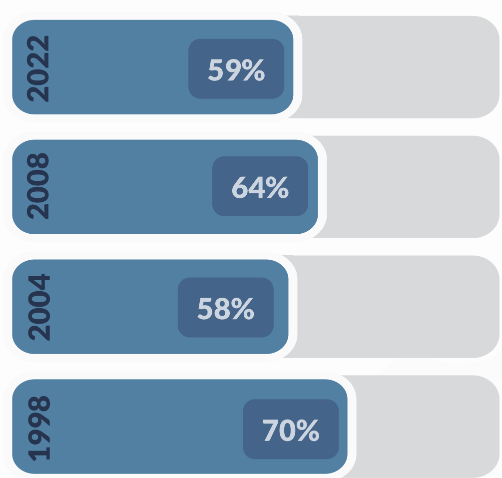
Publicity Pamphlets:

- 2022; *Resolution No. 22-06-08, adopted June 21, 2022.*
- 2004; *Resolution No. 04-08-01, adopted August 2, 2004*

Supervisor Op-Eds (2022):

- *Prop. 400 will give Greenlee local control over spending*
- *Greenlee County Supervisors speak in favor of Prop. 400 regarding spending limitations*
- *Approval of Prop. 400 will not raise your taxes*

Election Results



News Coverage

County wants to increase expenditure limitation, October 27, 1998

La Paz County

November 6, 2018 General Election

Increase in Limit: **$18,599,763 (139%)**

Passed Yes - 2,590 (53.5%) No – 2,248 (46.5%)[9] *Voter turnout: 51%*

Education Effort - Key Takeaways

- Convened a citizen committee to vet propositions, messaging. Comprised of community leaders from each supervisorial district.
- Committee members used own resources to set out materials, make signs to promote proposition's passage.
- County supervisors and staff conducted educational meetings throughout the county for both the one-time override and permanent adjustment.
- Engaged influential local news/radio to share education points, in addition to public meetings.

Local Context

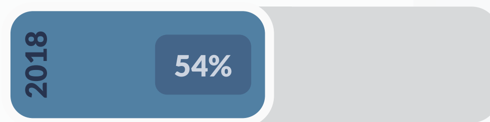
- County was in fiscal crisis, had recently discovered it had exceeded limit for five consecutive years. Received penalty relief from legislature.
- County had one-time override election in May 2018. Voter education effort carried forward from that through the general election.
- Transparency from 2017 fiscal crisis helped built trust in the county.
- One of the towns in the county is under home rule, citizens familiar with home rule concepts and elections.

Key Education Points

- Proposition will not increase taxes.
- County already has the revenues, but can't spend them.
- Without increase, county will have to cut services.
  - Largely services that support key tourism sector like parks, golf course.
- Comparison to successful town home-rule elections.

Summary of interview with county supervisor.

Election Results



County Education Materials

Publicity Pamphlet 2018; *Resolution No. 2018-11, adopted June 25, 2018.*

County Materials:

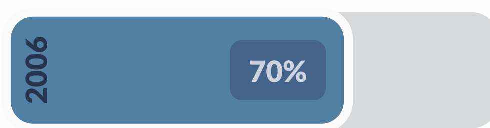
- Supervisor Talking Points
- Education Campaign Flyer

News Coverage

- County budget meeting on expenditure limit issues, Jan. 17, 2018
- Understanding the spending limit increase, April 8, 2018
- Interview with Supervisor Minor, Oct. 2, 2018
- County education campaign meeting, Oct. 17, 2018
- Election results, Nov. 14, 2018

Navajo County

Election Results



November 7, 2006 General Election

Increase in Limit: **$10,400,000 (33%)**[10]

Passed Yes - 17,442 (69.5%) No – 7,649 (30.5%) *Voter Turnout 47.0%*

Key Education Points

- Prop. 400 will NOT increase the property tax limitation.
- Prop. 400 will only allow the county to spend revenues that are already available.
- Navajo County's elected officials all agree that the current expenditure limit is not sufficient to provide basic, essential public services.
- Prop. 400 would allow Navajo County to address important county service priorities - public safety, transportation, access to services, quality workforce.

County Education Materials

- Fact sheet (July 18, 2006)
- Fact sheet (August 8, 2006)
- County presentation to voters

News Coverage

- Spending limit challenges county budget, June 6, 2006
- Overview of county challenges, July 27, 2006
- Staff turnover creates challenges for county, Aug. 24, 2006
- Letter to the editor to vote yes on Prop. 400, Oct. 26, 2006
- Election results summary, Nov. 10, 2006

Maricopa County

November 3, 1998 General Election

Increase in Limit: **$68,500,000 (11%)**[18]

Passed For – 334,905 *(70%)* No – 141,607 *(30%)*[19]

Key Education Points

- New spending will be for maintenance and operation of county's jails.
- County cannot operate jails built with excise tax authority without expenditure limit adjustment.
- Described overcrowding of jails, cost savings measures already taken.

Local Context

- Adjustment was run with Prop. 400 to allow the county to levy 0.2% excise tax for county jails. Amount of adjustment allowed county to expend resources from the excise tax.
- Created strong public, private coalition of support for both propositions.
- 1997 citizen committee created package for voters to consider, but excise tax authority required legislative approval.
- Prop. 400, authorizing the county jail excise tax, passed with 69% in support.

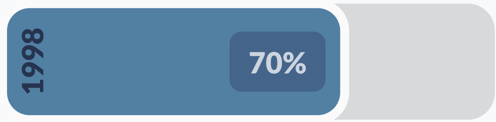
County Materials

- 1998 Resolution; Summary & Detailed Analysis

News Coverage

- AZ Republic voting recommendations
- AZ Republic Editorial: County Jails Desperately Need "Yes" Vote
- Taxpayers' group favors levy to build county jails
- Coalition makeup: Support and opposition
- Sales tax increase would build jails
- Sheriff, Chairman letter to voters

Election Results



Santa Cruz County

November 8, 1994 General Election

Approximate Increase in Limit: **$1,916,000 (23%)**[11]

Failed For – 2,764 *(44%)* No – 3,453 (56%)[12]

Key Education Points

- Cost drivers from state, federal and local mandates are outpacing expenditure limit growth.
- Referenced specific investments made in community organizations that may be cut without additional expenditure limit capacity.
- County's tax rate is significantly lower than the levy limit, and lower than it was in the 1980s.
- County's expenditure limit base was erroneously set and the official population doesn't account for border crossings[13].

November 6, 1984 General Election

Increase in Limit: **$1,166,764 (34%)**

Failed For – 2,026 *(45%)* No – 2,466 *(55%)*[14]

Voter Turnout 73%[15]

Arguments for Prop. 202

- Proposition 202 will not increase taxes.
- Without increase, county won't be able to spend revenue it receives or keep up with increased services required by law.
- Without passage, county won't be able to manage its functions in an orderly manner.
- Base limit did not include all expenditures for that fiscal year, since federal funds were used to pay for county general fund obligations that have since been absorbed by the general fund.

Arguments against Prop. 202

- Local governments should cut budgets to stay within the spending limit.

Local Context

- County had attempted to go for a permanent base adjustment at a special election in 1982, but Legislative Council indicated they questioned the legality of that election.

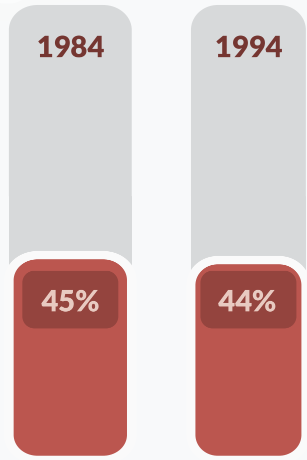
County Education Materials

1994 Draft Publicity Pamphlet and letter to Auditor General [16]

- Supervisor Letter to Voters
- Proposition FAQs
- County Financial Background Slides

1984 Publicity Pamphlet[17]

Election Results



Apache County

November 6, 1984 General Election

Increase in Limit: **$2,231,649 (55%)**

Passed For – 5,690 *(54%)* No – 4,887 *(46%)*[20]

Voter Turnout 57.6%[21]

Arguments for Prop. 202

- Prop. 202 will not increase your taxes.
- Without an increase, county will not be able to spend revenue it recieves.
- County will not be able to keep up with increased mandatory services.
- Certain revenues that were excludable in 1980 have declined.

Arguments against Prop. 202

- Local governments should cut budgets to stay within the spending limit.

Local Context

- County had asked voters for a permanent base adjustment in non-general election in 1981. Legislative Council determined override only lasted for 2 years.
- Voters approved one-time override in May 1984.

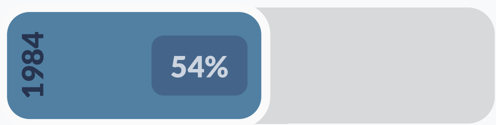
County Publicity Pamphlet

1984 Letter to Legislative Council & Draft Publicity Pamphlet

1981 Special Election Publicity Pamphlet

- *Determined after the fact to violate requirements for permanent base adjustments to be held at a general election. Limited to two year override of the expenditure limit.*

Election Results



Overview

The Constitution grants the authority to set the penalty for exceeding the expenditure limit to the Legislature. The current penalty for a county exceeding their expenditure limit is established in A.R.S. §41-1279.07. **This statute requires that a county reduce their primary levy limit in the subsequent year by the amount the county exceeded their expenditure limit.** Prior to the penalty being imposed, statute requires that the Auditor General's Office hold a public hearing to determine whether or not the county exceeded the expenditure limit without authorization.

In prior years, the legislature has chosen to modify or waive the penalty by enacting legislation to change it for specific jurisdictions in certain fiscal years. Below is a summary of the legislation that has modified the penalty for counties that exceeded their expenditure limits.

Santa Cruz County

Laws 1984, Ch. 335 Sec. 7

H: 28-0-2 **S**: 55-0-5[23]

SB 1067 factored sales tax

Waived penalty for FY 1983. At the time, the penalty was to have state shared sales tax withheld.

Note: Amended onto unrelated tax bill in House committee.

FY 2001 GDP Price Deflator Adjustment

Laws 2000, Ch. 351 Sec 2 **H**: 54-0-6 **S**: 22-3-5[24]

HB 2563 county expenditure limits; disproportionate share (Daniels)

Set the penalty for exceeding the expenditure limit in FY 2001 at $100 if the total amount subject to the expenditure limit did not exceed the expenditure limit for FY 2000 adjusted for population and using a 3% inflation factor. Applied to municipalities, counties and community college districts.

Directed the Economic Estimates Commission to meet with interested parties to determine if a new inflation index was needed for calculating expenditure limits.

Note: Of the 9 counties CSA has FY 2001 expenditure limit reports for, only Coconino County utilized this provision.

Greenlee County

Laws 2003, Ch. 178 Sec. 1 **H**: 45-15-0 **S**: 19-10-1[22]

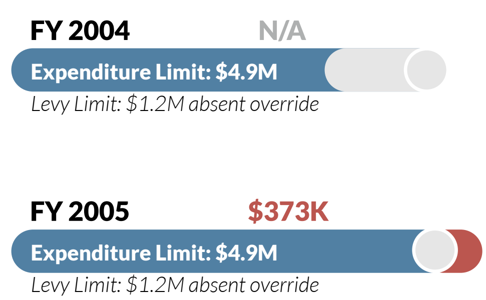
HB 2315 expenditure limitation; Greenlee county (Konopnicki)

Set the penalty at not more than $100 for Greenlee County in FY 2004 and FY 2005.

For: Greenlee County, CSA
County in financial challenge, going to voters for levy limit override, expenditure limit will impact override.

Against: ATRA
Against the prospective increase. Argued for the county to go to the voters for prospective increase.

Exceedance Amounts[25]



La Paz County

Laws 2018, Ch. 325 Sec. 1 — **H**: 31-29-0 **S**: 21-8-1[26]

HB 2653 expenditure limitation; waiver of penalties (Cobb) ; SB 1535 expenditure limitation; waiver of penalties (Yarbrough)
HB 2290 expenditure limitation; waiver of penalties (Cobb) [vetoed]

Waived penalty established by A.R.S. §41-1279.07 (H) for FY 2014, FY 2015, FY 2016, FY 2017 and FY 2018. Prohibited the county from seeking a penalty waiver for a minimum of five years from and after the effective date of the act. Amended in Senate Finance to require annual reporting to the legislature and governor regarding county audits and ELRs. Retroactive to July 1, 2013.

For: La Paz County, CSA, CSA LPC Members
County in fiscal crisis, uncovered over expenditures. Plan to balance books, go out to voters for one-time override and permanent base adjustment.

Against: None registered.

Note: County & CSA briefed ATRA & other stakeholders extensively. HB 2290 vetoed on unrelated matter.

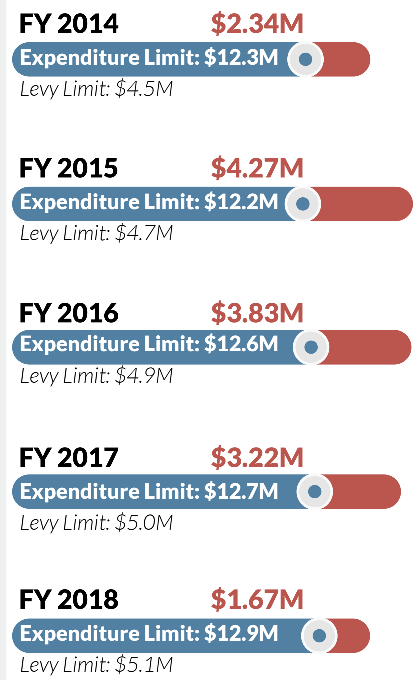
Laws 2016, Ch. 125 Sec. 16 — **H**: 36-24-0 **S**: 17-13-0[27]

HB 2708 revenue; budget reconciliation; 2016-2017 (Montenegro); SB 1539 revenue; budget reconciliation; 2016-2017 (Biggs)

Waived penalty established by A.R.S. §41-1279.07 (H) for FY 2014, FY 2015, and FY 2016 for expenditures related to a contract with Los Angeles County to improve incinerator ash for disposal.

Note: Included in FY 2017 budget package. No testimony or organizations registered to speak. CSA supported effort.

Exceedance Amounts[28]



Endnotes

1 Calculated using difference between base limits reported in FY 1985 and FY 1986 Economic Estimates Commission Expenditure Limits: Counties for Apache County.
2 Base limit adjustment not provided in election materials.
3 Coconino County November 5, 2024 General Election Results.
4 Yavapai County November 5, 2024 General Election Results.
5 Greenlee County November 8, 2022 General Election Results.
6 Greenlee County November 4, 2008 General Election Results; [Times Counted/Registered Voters]
7 Greenlee County November 2, 2004 General Election Results
8 Greenlee County November 3, 1998 General Election Results.
9 La Paz County November 6, 2018 General Election Results.
10 Base limit adjustment of $1.87 million. Amount estimated based on rounded different between final expenditure limit for Navajo County in FY 2007 and FY 2008, $ 31,579,973 and $41,935,535, respectively.
11 Base limit adjustment of $600,000. Amount estimated using inflation and population factors from FY 1994 final county expenditure limits for Santa Cruz (2.0050, 1.5923, respectively). Percentage increase calculated using FY 1994 base limit for Santa Cruz of $2,563,099.
12 Election Results, Arizona Daily Star, Thursday, November 10, 1994.
13 In 1997, the legislature modified the expenditure limit calculation to include a portion of border crossings for border counties with a population under 200,000
14 Most incumbent sheriffs, supervisors are re-elected, Arizona Daily Star, Thursday, November 8, 1984.
15 Arizona November 6, 1984 General Election Results.
16 Copies of 1994 materials retrieved from CSA archives.
17 Copy of publicity pamphlet retrieved from CSA archives.
18 Maricopa County Detailed Analysis, as submitted to the Auditor General's Office.
19 1998 Election Results, Arizona Republic, Wednesday November 4, 1998.
20 Apache County November 6, 1984 General Election Results.
21 Arizona November 6, 1984 General Election Results.
22 Third read vote in House and Senate. Retrieved from bill history on azleg.gov.
23 Final read vote in House and Senate. Retrieved from Senate Bill History for SB 1067 from AZ Memory Project.
24 Final read vote in House and Senate. Retrieved from bill history on azleg.gov.
25 Data retrieved from La Paz County Expenditure Limit Reports for applicable fiscal year. Levy Limit retrieved from Schedule B of county budget documents for applicable fiscal year.
26 Third read vote in the House and Senate. Retrieved from bill history on azleg.gov.
27 Third read vote in House and Senate.
28 Data retrieved from La Paz County Expenditure Limit Reports for applicable fiscal year. Levy Limit retrieved from Schedule B of county budget documents for applicable fiscal year.

County Expenditure Limits

RESOURCES
REPORTING

Uniform Expenditure Reporting System (UERS) & Annual Expenditure Limit Report (AELR)

Arizona Auditor General's Office

Templates
AELR Template
CFO Designation Form & Resolution Template

Frequently Asked Questions
Expenditure limitations basics and penalties for exceeding the limitation
Part I—expenditure limitation amounts and adjustments to expenditures subject to the limitation
Part II—exclusions and carryforwards
Reconciliation—Subtractions and additions
Independent accountants' report
Filing requirements

Webinars
Expenditure Limitation Reports—The Basics
ELRs—Reconciliation and Part I
ELRs—Part II

Statutory Deadlines

Feb 1 — *Preliminary Expenditure Limit for upcoming fiscal year reported by EEC.*

March 31 — Prior fiscal year **Annual Expenditure Limit Report** due to Auditor General.

April 1 — *Final Expenditure Limit for upcoming fiscal year reported by EEC.*

July 1 — *Start of Fiscal Year.*

July 31 — Current fiscal year **CFO Designation Form** due to Auditor General.

County Supervisors Association

Relevant Attorney General Opinions
Statutory History of § 41-1279.07 & Legislative Changes to County Expenditure Limits
State Appropriations to Counties - 2018
CFO Budget & Audit Guide -2023

County Expenditure Limits

RESOURCES
ELECTIONS

Elections for Permanent Base Adjustments & One-time Overrides

Arizona Auditor General's Office

Frequently Asked Questions: Voter-Approved Expenditure Limits

Webinar: Permanent Base Adjustments & One-time Overrides; Slides

Statutory Requirements: Permanent Base Adjustments; One-time Overrides

League of Arizona Cities & Towns

Fall 2022 Permanent Base Adjustment Guide

- Includes recommended timelines, template resolution and analysis language.

*Please note that counties may *only* seek permanent base adjustments at **regular general elections** pursuant to the Arizona Constitution, Article IX, §20(6). Any references to primary elections in this guide are for cities and towns only.

Relevant Statutes

Arizona Constitution, **Article IX, §20** (2) & (6)

ARS § 41-563.01 Notification of vote by governing board (Authorizing excess expenditures only)

ARS § 41-563.02 Elections for expenditure in excess of the expenditure limitation (One-time disaster or single-year overrides only)

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

Please note: pursuant to **ARS § 11-410** county efforts related to expenditure limit ballot questions must be neutral and impartial (*AG Opinion R15-002*).

CSA Background Materials

County Expenditure Limit Primer

History of County Permanent Base Adjustments
- Includes county talking points, education materials and key takeaways from past county permanent base adjustment propositions.

Expenditure Limit Data (County Encyclopedia)
- Navigate to the "Expenditure Limit" page.
- Includes historic expenditure limits, and amounts subject to the expenditure limit for all 15 counties.

Expenditure Limit Overview Slide Deck (2022)
- Overview of various expenditure and appropriations limits across Arizona state and local governments.

Constitutional & Statutory History

Relevant Constitutional & Statutory Provisions

Arizona Constitution Article IX § 20

History

Setting Expenditure Limits

A.R.S. § 41-563 Expenditure limitations; determination by the commission; definitions
Statutory history

A.R.S. § 41-563.05 Alternative population estimate; border counties
Statutory history

Overriding or Adjusting Expenditure Limits

A.R.S. § 41-563.01 Notification of vote by governing board
Statutory history

A.R.S. § 41-563.02 Elections for expenditures in excess of expenditure limitation
Statutory history

A.R.S. § 41-563.03 Proposals for permanent adjustment of expenditure limitation and alternative expenditure limitations; review by auditor general; form of ballot
Statutory history

Uniform Expenditure Reporting System & Expenditure Limit Penalties

A.R.S. § 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
Statutory History

Select legislative changes to the expenditure limits

State Cost Shifts – ADJC, ADOR, RTC, SVP, DUC Pool, Mandated Contributions

Maricopa County Adult & Juvenile Probation Transfer

AHCCCS Transfers – Acute Care , ALTCS, Prop. 204 Administration Costs

Disproportionate Share Adjustments

GDP Deflator Changes

Other

Other Expenditure Limit Resources

Link to Chaptered Bills | Return to Table of Contents

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 counties[1]

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.

Link to Chaptered Bills | Return to Table of Contents

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 counties[3]

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 counties [4]

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

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.

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

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, 2^{nd} 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.
  - 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:
  - A record of the vote.
  - If approved, the amount of excess expenditures authorized.
  - 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, 2^{nd} 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.

- 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].
    - Required the governing body to prepare an argument for the measure.
    - Required arguments be submitted to the governing body at least 30 days prior to the election.
    - 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"

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.

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 ¼ 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 ¼ of the daily average number of persons to ½.

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.

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:

Exceedance Amount	***Penalty***
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.

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 (I90-57), the Auditor General advised counties that ALTCS payments made to the state were excluded from the expenditure limit under Laws 1981 4SS, 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

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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Select Legislative Changes to County Expenditure Limits

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

Select Legislative Changes to County Expenditure Limits

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 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.

History of the Expenditure Limit
Attorney General Opinions

Relevant Attorney General Opinions

Since the creation of the expenditure limits in 1980, the Arizona Attorney General has weighed in on a number of issues related to their implementation. Importantly, the AG has issued several opinions that clarify what revenues are included or excluded from the constitutional definition of local revenues.

This document summarizes the AG opinions that are relevant to the expenditure limit from 1980 forward.

I80-204
Related to base limit calculations

Full Opinion Text

Requesting party: J. Elliot Hibbs, Chairman, Economic Estimates Commission, Arizona Dept. of Revenue

Opinion Author: Steve J. Twist, Chief Assistant

Attorney General: Robert K. Corbin

Issue: *"…how the "base limit" for fiscal year 1979-1980 is calculated for cities, towns, counties, and community college districts."*[1]

What we need to determine is what is meant by the phrase, 'actual payments… for fiscal year 1979-1980.'"[2]

Opinion Conclusion: *"Because the EEC is mandated by the Constitution to determine the 'base limit' for counties, cities, towns and community college districts, we think it may take reasonable steps to establish the 'base limit' in the absence of legislation prescribing a specific method of determination. The EEC may choose any method of determination, including the establishment of a cut-off date, which is not inconsistent with the Constitution. 4/ We suggest, however, that you seek legislative clarification on these issues."*[3]

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I86-031
Related to judgments against a jurisdiction

Full Opinion Text

Requesting Party: Douglas R. Norton, Auditor General

Opinion Author: Bob Corbin, Attorney General

Attorney General: Robert K. Corbin

Issue: *"… whether satisfaction of a judgment rendered against a county, city or town would constitute an expenditure of local revenues when determining whether that entity has exceeded the constitutional expenditure 1/ limitation…"*[4]

Opinion Conclusion: *"Generally, if a judgment arises out of a non-collusive tort, its satisfaction does not fall within the expenditure limitation. If the judgment arises out of a contract, it must be considered within the expenditure limitation."*[5]

I86-075
Related to transportation excise taxes

Full Opinion Text

Requesting Parties: Senator Alan Stephens, Representative Doug Todd

Author: Bob Corbin, Attorney General

Attorney General: Robert K. Corbin

Issue: *"… whether revenues from the county transportation excise taxes and the public transportation excise taxes authorized by Laws 1985 (1st Reg. Sess.) Ch. 308 are subject to either the counties' constitutional spending limit or to the counties' statutory budgeting process."*

Opinion Conclusion: *"For counties of population 1,200,000 or more persons [Maricopa] and for counties of population between 400,000 and 1,200,000 persons [Pima], we conclude that revenues from the transportation excise tax that are deposited to the RARF are not subject to either the counties' expenditure limitation or to the counties' statutory budgeting process. These revenues are exempt because the authorized uses of the funds fall within the exceptions for bond related or highway construction expenditures or because they are collected for a distinct governmental entity, the regional public transportation authority, and not for the county. Revenue from the public transportation excise tax authorized for Maricopa County also is collected for the regional public transportation authority and is therefore exempt.*

For the other counties, the transportation excise tax revenues are 'local revenues' for the county and the city and town recipients of the funds and will be exempt from each entity's expenditure limitation only if the uses to which they are put fall within the exemptions for expenditures for construction or bond related expenses"[6]

I88-017
Related to carry-forward of excludable revenues

Full Opinion Text

Requesting Party: Douglas R. Norton, Auditor General

Opinion Author: Bob Corbin, Attorney General

Attorney General: Robert K. Corbin

Issue: *"… whether a political subdivision may legally carry forward excludable revenues unexpended in the year of receipt for exclusion in later years?"*

Opinion Conclusion: *"These enumerate exceptions, referred to as 'excluded revenues' are not subject to the expenditure limitation. Ariz. Const., Art. IX § 20(3)(d)(i)-(xiv)… Therefore, if the political subdivision is otherwise authorized to carry such funds over into a new fiscal year without reversion, such revenues would retain their character as excluded revenues as long as the source can be identified"*[7]

"We concluded that each year's limitations are independent from one another and a political subdivision may not carry forward the excluded nature of revenues already spent [emphasis added]. *A political subdivision may not change the character of local revenues to excluded revenues by fiction."*[8]

I88-019
Related to the loss of federal funds and transfers of government functions

Full Opinion Text

Requesting Party: Representative Lela Steffey

Opinion Author: Bob Corbin, Attorney General

Attorney General: Robert K. Corbin

Issue: *"… whether the withdrawal of federal funding to Arizona counties, cities, and towns constitutes a transfer of the cost of providing a governmental function pursuant to Ariz. Const., Art. IX,§ 20(4) and, if so, whether A.R.S. S 41-563(D) is applicable."*[9]

Opinion Conclusion: *"We conclude that withdrawal of federal funds does not affect the computation of adjustment of expenditure limitations mandated by Ariz. Const., Art. IX, § 20 and A.R.S. § 41-563(D)."*[10]

"Consequently, while the withdrawal of federal funding to counties, cities, and towns may result in the transfer of the cost of providing a governmental function from excluded funds received from the federal government to the local revenues of the respective Arizona political subdivisions, any such transfer would not require expenditure limitation adjustments because no federal agency would qualify as a political subdivision, 1/ community college district, or school district."[11]

I90-057 Related to county ALTCS expenditures

Full Opinion Text

Requesting Party: Representative Mark Killian; Addendum requested by Douglas Norton, Auditor General

Opinion Author: Bob Corbin, Attorney General

Attorney General: Robert K. Corbin

Issue: *"...whether county expenditures for the Arizona Long Term Care System (ALTCS) are excludable from county expenditure limitations required by article IX, § 20 of the Arizona Constitution."*[12]

Opinion Conclusion: *"Because county ALTCS funds are "local revenues" for purposes of article IX, § 20, we conclude that expenditures of such monies are not excludable from county expenditure limitations."* [13]

"We have reconsidered the opinion and conclude that it should be modified only with respect to the effective date of the opinion. Our opinion continues to be that county ALTCS tax revenues are 'local revenues', for purposes of article IX, § 20 of the Arizona Constitution, and therefor, are not excludable from county expenditure limitations.

However, we are mindful of the severe hardship which this opinion will cause county governments; a hardship made particularly onerous because the opinion was issues after the date of county override elections and after the counties have adopted preliminary budgets in reliance on your earlier advice."[14]

Note: the legislature subsequently provided for the adjustment of county expenditure limits for the transfer of the long-term care program from the counties to the state. Laws 1993, Ch. 184 Sec. 2.

I91-013 Related to county anti-racketeering revolving funds

Full Opinion Text

Requesting Party: Douglas Norton, Auditor General

Opinion Author: Grant Woods, Attorney General

Attorney General: Grant Woods

Issue: *"whether authorized expenditures from a county's anti-racketeering revolving fund are subject to the Arizona Constitution's expenditure limitations. You have also asked whether the state's or a political subdivision's authorized expenditures from a county's anti-racketeering revolving fund are subject to the constitution's expenditure or appropriation limitations."* [15]

Opinion Conclusion: *"Except as discussed below, we conclude that the expenditure or appropriation limits prescribed in the constitution govern expenditures from anti-racketeering revolving funds."* [16]

"First, monetary awards reimbursing a county for prosecution and investigation costs fall within the definition of 'local revenues'," [17]

"The second source of CARF funds result from forfeitures by the county attorney. These CARF additional deposits also fall within the definition of 'local revenues'." [18]

"Third, money may be deposited into a county's CARF by governmental entities other than a county. A.R.S. § 13-2314.03(C). Such money is deposited into the CARF 'for the benefit of the agency or agencies responsible for the enforcement action' … Money held on behalf of another governmental entity falls within the definition of local revenues, but is excluded from the expenditure limitations of the County responsible for the CARF." [19]

I19-004 Related to pension unfunded liability

Full Opinion Text

Requesting Party: Lindsey Perry, Auditor General; Bill Montgomery, Maricopa County Attorney

Opinion Author: Mark Brnovich, Attorney General

Attorney General: Mark Brnovich

Issue: *"Maricopa County pays monies each fiscal year to satisfy the County's duty to pay annual amounts necessary to amortize unfunded liabilities for certain public retirement plans ("Amortization Amounts"). Are the Amortization Amounts excluded from "local revenues" under § 20(3)(d)(i)?"* [20]

Opinion Conclusion: *"No. The Amortization Amounts are not excluded under § 20(3)(d)(i). First, the duty to compensate county employees for their services, whether through salaries or benefits, is not a "bond or other lawful long-term obligation[]." Ariz. Const. Art. 9, § 20(3)(d)(i). The "other lawful long-term obligations" that are excluded from local revenues must be bond-like, and the County must receive "amounts or property" from their issuance or incurrence. Id. Payments for services do not result in the receipt of amounts or property. Second, the County did not voluntarily "incur[]" the Amortization Amounts as "long-term obligations," as the Constitution requires, id.; instead, those liabilities are the result of the statutory requirement that the County contribute to the plans on an annual basis, as well as the performance of the plans' investments, among other things. Third, the payment of the Amortization Amounts is not "required by a contract," id., but rather by "obligations created and mandated by the state." Rochlin v. State, 112 Ariz. 171, 176-77 (1975). Fourth, excluding the Amortization Amounts from local revenues would contravene article 9, § 20's history and purpose."* [21]

Endnotes

1 I80-204, page 1.
2 I80-204, page 2.
3 I80-204, page 4.
4 I86-013, page 1.
5 I86-013, page 1.
6 I86-075 page 14.
7 I88-017 page 2.
8 I88-017 page 2.
9 I88-019 page 1.
10 I88-019 page 1.
11 I88-019 page 3.
12 I90-057 page 1.
13 I90-057 page 1.
14 I90-057 Addendum, page 1.
15 I90-013 page 1.
16 I90-013 page 1.
17 I90-013 page 2.
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19 I90-013 page 3.
20 I19-004 page 1.
21 I19-004 page 2.