# 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.

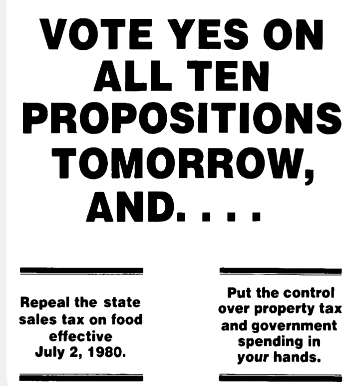
The legislature can adopt a concurrent resolution with a 2/3rds majority to select metrics for population or inflation.

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.



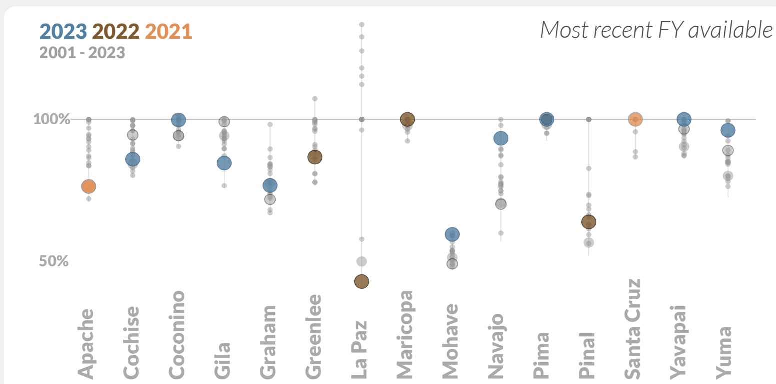

> *Lack of effective limitation on local spending has resulted in dramatic increases in budgets which are responsible for the ever increasing local tax burden...*

*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)*