

STATE APPROPRIATIONS LIMIT

The Arizona Constitution restricts the appropriation of certain state revenues to no more than 7.41% of Arizona personal income. The applicable revenues are primarily tax and fee collections that may be deposited to either the General Fund or dedicated funds. A.R.S. § 41-1273 requires our office to determine how state spending compares to the appropriations limit. Due by February 15, this report is to cover the spending for the prior year, the current year, and next year.

The FY 2008 calculation is based on actual appropriations. FY 2009 represents enacted appropriations, including the 1st special session adjustments. FY 2010 reflects the projected appropriations in the JLBC Baseline. Since the FY 2010 Baseline has a projected \$3.0 billion General Fund shortfall, this level of appropriations will be adjusted prior to enactment.

Our calculations are as follows:

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
	(dollars in billions)		
Arizona Personal Income	\$217.20	\$224.00	\$223.10
Appropriations Limit (7.41% of Arizona Personal Income)	\$16.09	\$16.60	\$16.53
Spending subject to the Limit	\$13.64	\$13.65	\$14.65
Spending as a % of Personal Income	6.28%	6.10%	6.57%

FY 2009 Arizona Personal Income is projected to be \$224.0 billion. With a 7.41% limit, the spending cap is \$16.60 billion. In comparison, the FY 2009 spending level subject to the limit is \$13.65 billion, or 6.10% of personal income. The FY 2009 estimate includes an appropriation of \$728 million for Urban Revenue Sharing. These funds are not normally appropriated, but prior year legislation has structured this funding as an appropriation for FY 2009 only.

Under the FY 2010 JLBC Baseline, the combination of General Fund and all other fund spending is \$14.65 billion, or 6.57% of personal income.

In general, the revenues subject to the appropriations limit consist of (1) taxes, (2) university collections, and (3) licenses, fees and permits. These revenues may be either general or earmarked for special purposes. The appropriation of certain other state revenues is not subject to the limit. These revenues include (1) interest and dividends, (2) receipts from sales, rentals and consideration for services, (3) federal grants, (4) donations and gifts, and (5) amounts received by the state in the capacity of trustee, custodian or agent.

The Arizona Constitution requires the Economic Estimates Commission (EEC) to determine the estimate of total personal income used to compute the appropriations limit. The FY 2009 limit is based upon the March 2008 EEC calculation, while the January 2009 report is used for the FY 2010 limit. The EEC is composed of three members: the Director of the Department of Revenue and two members who are knowledgeable in the field of

economics - one appointed by the Speaker of the House and one by the President of the Senate.

On the reverse side of this sheet, there is a numerical history of the appropriations limit. To save paper, we have not attached a copy of our detailed calculations. If you would like a full copy of the report or have any other questions, please contact our office.



HISTORY OF APPROPRIATIONS LIMIT

Fiscal Year	Personal Income (Billions)	Statutory Limit %	Approp. Limit (Billions)	Actual Approp. (Billions)	Actual Appr. As % of PI %
1980	\$20.65	7.00%	\$1.446	\$1.437	6.96%
1981	24.70	7.00	1.729	1.718	6.96
1982	28.50	7.00	1.995	1.903	6.68
1983	31.60	7.18	2.270	1.918	6.07
1984	33.50	7.18	2.410	2.187	6.53
1985	37.00	7.18	2.656	2.414	6.52
1986	41.30	7.18	2.965	2.752	6.66
1987	45.40	7.18	3.260	3.068	6.76
1988	49.30	7.18	3.540	3.370	6.84
1989	53.00	7.18	3.800	3.676	6.94
1990	57.60	7.18	4.136	3.781	6.56
1991	62.60	7.18	4.495	4.156	6.64
1992	66.30	7.23	4.793	4.372	6.60
1993	69.10	7.23	4.996	4.524	6.55
1994	72.50	7.23	5.242	4.758	6.56
1995	80.42	7.23	5.814	5.424	6.74
1996	88.00	7.23	6.362	5.606	6.37
1997	94.90	7.23	6.861	6.086	6.41
1998	102.70	7.23	7.425	6.396	6.23
1999	113.00	7.41	8.373	7.144	6.32
2000	120.00	7.41	8.892	7.486	6.24
2001	127.60	7.41	9.455	7.969	6.25
2002	142.80	7.41	10.581	8.063	5.65
2003	147.90	7.41	10.959	7.962	5.38
2004	154.90	7.41	11.478	8.892	5.74
2005	166.20	7.41	12.315	10.636	6.40
2006	180.00	7.41	13.338	12.126	6.74
2007	202.00	7.41	14.968	13.961	6.91
2008	217.20	7.41	16.095	13.645	6.28
2009	224.00	7.41	16.598	13.654	6.10
2010	223.10	7.41	16.532	14.649	6.57

**ANNUAL AND CUMULATIVE GROWTH OF
PERSONAL INCOME AND ACTUAL APPROPRIATIONS**

Fiscal Year	Annual % Growth in Pers. Income	Annual % Growth in Actual Appr.
1981	19.61%	19.55%
1982	15.38	10.77
1983	10.88	0.79
1984	6.01	14.03
1985	10.45	10.38
1986	11.62	14.00
1987	9.93	11.48
1988	8.59	9.84
1989	7.51	9.08
1990	8.68	2.86
1991	8.68	9.92
1992	5.91	5.20
1993	4.22	3.48
1994	4.92	5.17
1995	10.92	14.00
1996	9.43	3.36
1997	7.84	8.56
1998	8.22	5.09
1999	10.03	11.69
2000	6.19	4.79
2001	6.33	6.45
2002	11.91	1.18
2003	3.57	(1.25)
2004	4.73	11.68
2005	7.30	19.61
2006	8.30	14.01
2007	12.22	15.13
2008	7.52	(2.26)
2009	3.13	0.07
2010	(0.40)	7.29