

REFERENCE TITLE: political subdivisions; economic estimate commission

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SB 1463

Introduced by
Senators Cajero Bedford, Gallardo, Landrum Taylor; Representative Wheeler:
Senators Schapira, Sinema; Representatives Gonzales, Saldate

AN ACT

AMENDING SECTION 41-563, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2010,
CHAPTER 318, SECTION 23; RELATING TO THE ECONOMICS ESTIMATES COMMISSION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 41-563, Arizona Revised Statutes, as amended by
3 Laws 2010, chapter 318, section 23, is amended to read:

4 41-563. Expenditure limitations: determination by the
5 commission: definitions

6 A. For political subdivisions the commission shall:

7 1. Determine the base limit level of political subdivisions for each
8 political subdivision subject to an expenditure limitation pursuant to
9 article IX, section 20, Constitution of Arizona. For the purposes of this
10 subsection and subsection D of this section, the "base limit" of each
11 political subdivision means the amount of actual payments of local revenues
12 by such political subdivision in fiscal year 1979-1980 as used to determine
13 the expenditure limitation pursuant to paragraph 4 of this subsection.

14 2. Determine and report to the governing board of each political
15 subdivision subject to an expenditure limitation pursuant to article IX,
16 section 20, Constitution of Arizona, prior to February 1 of each year, the
17 following:

18 (a) The total of the estimated population of each such political
19 subdivision as of July 1 of the prior year and the estimated population of
20 any areas annexed by such political subdivisions thereafter, based on the
21 population estimates developed by the department of economic security. The
22 population of any areas annexed thereafter must be estimated as of July 1 of
23 the prior year.

24 (b) The estimated change in the GDP price deflator used to determine
25 the expenditure limitation for the following fiscal year over the GDP price
26 deflator used to determine the expenditure limitation for the current fiscal
27 year.

28 (c) The estimated expenditure limitation for each such political
29 subdivision for the following fiscal year.

30 3. Determine and report to the governing board of each political
31 subdivision subject to an expenditure limitation pursuant to article IX,
32 section 20, Constitution of Arizona, prior to April 1 of each year, the
33 following:

34 (a) The total of the population of each such political subdivision as
35 of July 1 of the prior year and the population of any areas annexed by such
36 political subdivisions thereafter. The population of any areas annexed
37 thereafter must be estimated as of July 1 of the prior year.

38 (b) The estimated change in the GDP price deflator used to determine
39 the expenditure limitation for the following fiscal year over the GDP price
40 deflator used to determine the expenditure limitation for the current fiscal
41 year.

42 (c) The expenditure limitation for each such political subdivision for
43 the following fiscal year.

1 4. Determine the expenditure limitation for each political subdivision
2 subject to an expenditure limitation pursuant to article IX, section 20,
3 Constitution of Arizona, as follows:

4 (a) Determine the population of the political subdivision as of July
5 1, 1978.

6 (b) Determine the total population of the political subdivision as
7 required by paragraph 3, subdivision (a) of this subsection.

8 (c) Divide the population determined in subdivision (b) of this
9 paragraph by the population determined in subdivision (a) of this paragraph.

10 (d) Determine the estimated or actual GDP price deflator for the 1978
11 calendar year.

12 (e) Determine the estimated GDP price deflator for the calendar year
13 immediately preceding the fiscal year for which the expenditure limitation is
14 being determined.

15 (f) Divide the GDP price deflator determined in subdivision (e) of
16 this paragraph by the GDP price deflator determined in subdivision (d) of
17 this paragraph.

18 (g) Multiply the amount determined in paragraph 1 of this subsection
19 for the political subdivision by the quotient determined in subdivision (c)
20 of this paragraph and multiply the resulting product by the quotient
21 determined in subdivision (f) of this paragraph.

22 5. If any annexation, consolidation or change in the boundaries of a
23 political subdivision occurs after the determination and report required by
24 paragraph 3 of this subsection but before July 1 of the current year, the
25 commission, as promptly as feasible, shall redetermine the total population,
26 calculated in paragraph 4, subdivision (b) of this subsection, of the
27 political subdivisions affected by the annexation, consolidation or change in
28 boundaries. The commission shall determine respective amended expenditure
29 limitations based on the amended population, which shall be promptly reported
30 to the governing board of each of the affected political subdivisions. The
31 political subdivisions affected shall use the revised expenditure limitation
32 if it is received before the annual financial statement and estimate of
33 expenses is prepared as required by section 42-17101.

34 6. In the event of the creation of a new city or town, the base limit
35 of the new city or town shall be determined by multiplying the average amount
36 of actual fiscal year 1979-1980 per capita payments of local revenues for all
37 cities and towns within the county in which the new city or town is located
38 by the population of the new city or town.

39 7. In the event of the division of a county into two or more new
40 counties, determine the expenditure limitation for each of the new counties
41 or the consolidation of counties, pursuant to article IX, section 20,
42 Constitution of Arizona, using one of the following two methods. The board
43 of supervisors of each new county upon the affirmative vote of two-thirds of
44 the members of the board of supervisors, on or before February 1 following

1 the county's establishment, shall adopt one of the expenditure limitations
2 determined:

3 (a) Method one:

4 (i) Determine the existing county which has a population closest to
5 the population of the new county as of July 1 for the fiscal year preceding
6 the fiscal year for which the expenditure limit is being determined.

7 (ii) Determine the per capita expenditure limit for the existing
8 county determined in item (i) of this subdivision based on the amount
9 determined in paragraph 3, subdivision (c) of this subsection for the first
10 full fiscal year following the establishment of the new county government.

11 (iii) Multiply the per capita amount determined in item (ii) of this
12 subdivision by the population of the new county as of July 1 in the fiscal
13 year in which the new county government is established. The amount thus
14 determined is the expenditure limit for the new county for the first full
15 fiscal year following its establishment.

16 (iv) Determine a base limit for the new county which will yield the
17 new expenditure limit determined in item (iii) of this subdivision for the
18 first full fiscal year following the establishment of the new county
19 government.

20 (b) Method two:

21 (i) Determine the per capita expenditure limit of the old county or
22 counties for the last full fiscal year prior to the establishment of the new
23 county government based upon the amount determined in paragraph 3,
24 subdivision (c) of this subsection.

25 (ii) Multiply the per capita amount determined in item (i) of this
26 subdivision by the population of the new county as of July 1 in the fiscal
27 year in which the new county government is established. The amount thus
28 determined is the expenditure limit for the new county for the first full
29 fiscal year following its establishment.

30 (iii) Determine a base limit for the new county which will yield the
31 new expenditure limit determined in item (ii) of this subdivision for the
32 first full fiscal year following the establishment of the new county
33 government.

34 8. If the governing board of a political subdivision authorizes
35 expenditures in excess of the expenditure limitation determined pursuant to
36 paragraph 4 of this subsection as provided in article IX, section 20,
37 subsection (2), paragraph (b), subdivision (i), Constitution of Arizona, the
38 expenditure limitation for such political subdivision for the following
39 fiscal year shall be reduced by the amount of expenditures in excess of the
40 limitation, unless the governing board has held an election as provided in
41 article IX, section 20, subsection (2), paragraph (b), subdivision (ii),
42 Constitution of Arizona, and the excess expenditure has been approved by a
43 majority of the qualified electors voting in such election.

44 9. If the citizens of a political subdivision approve an increase or
45 decrease in the expenditure limitation as provided in article IX, section 20,

1 subsection (6), Constitution of Arizona, the base limit of a political
2 subdivision shall be adjusted by the commission such that the expenditure
3 limitation of the political subdivision for the fiscal year following
4 approval reflects the approved increase or decrease.

5 B. For community college districts the commission shall:

6 1. Determine the base limit of each community college district subject
7 to an expenditure limitation pursuant to article IX, section 21, Constitution
8 of Arizona. For the purposes of this subsection and subsection D of this
9 section, the "base limit" of each community college district means the amount
10 of expenditures of local revenues in fiscal year 1979-1980 as used to
11 determine the expenditure limitation pursuant to paragraph 4 of this
12 subsection.

13 2. Determine and report to the governing board of each community
14 college district prior to February 1 of each year the following:

15 (a) The estimated student population, utilizing the procedure
16 prescribed in section 15-1466.01, of each community college district for the
17 following fiscal year.

18 (b) The estimated change in the GDP price deflator as prescribed in
19 subsection A, paragraph 2, subdivision (b) of this section.

20 (c) The expenditure limitation for each community college district for
21 the following fiscal year.

22 (d) The modified expenditure limitation as prescribed in section
23 15-1471, if applicable.

24 3. Determine and report to the governing board of each community
25 college district prior to April 1 of each year the following:

26 (a) The student population, utilizing the procedure prescribed in
27 section 15-1466.01, of each community college district for the following
28 fiscal year.

29 (b) The estimated change in the GDP price deflator as prescribed in
30 subsection A, paragraph 2, subdivision (b) of this section.

31 (c) The expenditure limitation for each community college district for
32 the following fiscal year.

33 (d) The modified expenditure limitation as prescribed in section
34 15-1471, if applicable.

35 4. Determine the expenditure limitation for each community college
36 district, as follows:

37 (a) Determine the student population of each community college
38 district for fiscal year 1979-1980 using the definition of full-time
39 equivalent student in section 15-1401 in 1979-1980, except that if a
40 redefinition of full-time equivalent student changes the number of semester
41 credit units per semester from fifteen units, the student population for the
42 1979-1980 base year shall be recalculated using the new number of units.

43 (b) Determine the estimated student population of each community
44 college district for the fiscal year for which the expenditure limitation is

1 being determined using the definition of full-time equivalent student in
2 section 15-1401.

3 (c) Divide the student population determined in subdivision (b) of
4 this paragraph by the student population determined in subdivision (a) of
5 this paragraph.

6 (d) Determine the estimated or actual GDP price deflator for the 1978
7 calendar year.

8 (e) Determine the estimated GDP price deflator for the calendar year
9 immediately preceding the fiscal year for which the expenditure limitation is
10 being determined.

11 (f) Divide the GDP price deflator determined in subdivision (e) of
12 this paragraph by the GDP price deflator determined in subdivision (d) of
13 this paragraph.

14 (g) Multiply the amount determined in paragraph 1 of this subsection
15 for the community college district by the quotient determined in subdivision
16 (c) of this paragraph and multiply the resulting product by the quotient
17 determined in subdivision (f) of this paragraph.

18 5. In the event of an annexation, creation of a new community college
19 district or a consolidation or change in the boundaries of a community
20 college district, the base limit of a community college district shall be
21 adjusted by the commission according to the following guidelines:

22 (a) In the event of the creation of a new community college district,
23 the base limit of the community college district shall be determined by
24 multiplying the average amount of 1979-1980 per capita expenditures of local
25 revenues for all community college districts within the state by the student
26 population of the new community college district. The expenditure limit of
27 the county in which the new community college district is located shall be
28 reduced by the amount paid to other community college districts for tuition
29 in the fiscal year preceding the fiscal year in which the new community
30 college district is created.

31 (b) In the case of an annexation, consolidation or change in the
32 boundaries of a community college district, the base limit of a community
33 college district shall be adjusted by the commission to reflect the change by
34 increasing the base limit of the community college district gaining the newly
35 included territory and decreasing the base limit of the community college
36 district losing the territory.

37 (c) If an existing community college district consolidates with a
38 contiguous county not part of a community college district the commission
39 shall:

40 (i) Increase the base limit of the existing community college district
41 by an amount equal to the amount of revenue which would have been generated
42 by applying the primary property tax rate of the existing community college
43 district in the immediately prior year to the limited assessed valuation of
44 the contiguous county in the immediately prior year.

1 (ii) Decrease the base limit of the contiguous county by the amount of
2 reimbursement prescribed by section 15-1469, subsection B, paragraph 1, paid
3 by such county in the 1979-1980 base year, except that no decrease shall be
4 made to the base limit of such county if the reimbursement prescribed by
5 section 15-1469, subsection B, paragraph 1 in the immediately prior year was
6 paid by the state pursuant to section 15-1469.01.

7 (d) In the case of a decrease in service boundaries of a community
8 college district, the base limit of the community college district shall be
9 reduced by the commission to reflect the amount attributable to the service
10 area in fiscal year 1979-1980 and the base student population of the
11 community college district shall be reduced by the commission to reflect
12 fiscal year 1979-1980 student population attributable to the service area.
13 The adjusted base limit and the adjusted fiscal year 1979-1980 student
14 population shall be used in determining the expenditure limitation for the
15 community college district in the first year in which the service boundaries
16 are diminished and in each subsequent year.

17 C. For school districts the commission shall:

18 1. Determine the base limit of school districts subject to the
19 expenditure limitation prescribed by article IX, section 21, subsection (2),
20 Constitution of Arizona. For the purposes of this subsection and subsection
21 D of this section, "base limit" means the total amount of expenditures of
22 local revenues of all school districts in fiscal year 1979-1980 as used to
23 determine the expenditure limitation pursuant to paragraph 4 of this
24 subsection.

25 2. Determine and report to the legislature prior to March 1 of each
26 year the following:

27 (a) The estimated total student population of all school districts for
28 the current year.

29 (b) The estimated change in the GDP price deflator as prescribed in
30 subsection A, paragraph 2, subdivision (b) of this section.

31 (c) The estimated aggregate expenditure limitation for all school
32 districts for the following fiscal year.

33 3. Determine and report to the legislature, prior to May 1 of each
34 year, the following:

35 (a) The total student population of all school districts for the
36 current year.

37 (b) The estimated change in the GDP price deflator as prescribed in
38 subsection A, paragraph 2, subdivision (b) of this section.

39 (c) The aggregate expenditure limitation for all school districts for
40 the following fiscal year.

41 4. Determine the aggregate expenditure limitation for all school
42 districts as follows:

43 (a) Determine the aggregate student population of all school districts
44 for the school year 1978-1979.

1 (b) Determine the total student population of all school districts for
2 the current year.

3 (c) Divide the aggregate student population determined in subdivision
4 (b) of this paragraph by the aggregate student population in subdivision (a)
5 of this paragraph.

6 (d) Determine the estimated or actual GDP price deflator for the 1978
7 calendar year.

8 (e) Determine the estimated GDP price deflator for the calendar year
9 immediately preceding the fiscal year for which the aggregate expenditure
10 limitation is being determined.

11 (f) Divide the GDP price deflator determined in subdivision (e) of
12 this paragraph by the GDP price deflator determined in subdivision (d) of
13 this paragraph.

14 (g) Multiply the amount determined in paragraph 1 of this subsection
15 by the quotient determined in subdivision (c) of this paragraph and multiply
16 the resulting product by the quotient determined in subdivision (f) of this
17 paragraph.

18 D. In the case of a transfer of all or any part of the cost of
19 providing a governmental function, pursuant to article IX, section 20,
20 subsection (4), Constitution of Arizona, or article IX, section 21,
21 subsection (5), Constitution of Arizona, the base limit of political
22 subdivisions, community college districts or school districts, whichever is
23 applicable, shall be adjusted by the commission to reflect the transfer by
24 increasing the base limit of the political subdivision, community college
25 district or school district to which the cost is transferred and decreasing
26 the base limit of the political subdivision, community college district or
27 school district from which the cost is transferred by the amount of the cost
28 of the transferred governmental function. **IN THE CASE OF A TRANSFER OF ALL OR
29 ANY PART OF THE COST OF PROVIDING A GOVERNMENTAL FUNCTION BY THIS STATE TO A
30 POLITICAL SUBDIVISION OF THIS STATE, THE COMMISSION SHALL ADJUST THE BASE
31 LIMIT OF THE POLITICAL SUBDIVISION TO REFLECT THE TRANSFER BY INCREASING THE
32 BASE LIMIT OF THE POLITICAL SUBDIVISION TO WHICH THE COST IS TRANSFERRED
33 PURSUANT TO ARTICLE IX, SECTION 20, SUBSECTION (4), CONSTITUTION OF ARIZONA.**

34 E. For the purposes of this section:

35 1. "Commission" means the economic estimates commission.

36 2. "GDP price deflator" means the average of the four implicit price
37 deflators for the gross domestic product reported by the United States
38 department of commerce for the four quarters of the calendar year.

39 3. "Political subdivision" means any county, city, including any
40 charter city, or town.

41 4. "Population" shall be defined pursuant to article IX, section 20,
42 subsection (3), paragraph (f), Constitution of Arizona.

43 5. "Student population" shall be defined pursuant to article IX,
44 section 21, subsection (4), paragraph (e), Constitution of Arizona.