

REFERENCE TITLE: **community college expenditure limits; recalculation**

State of Arizona
House of Representatives
Fifty-second Legislature
First Regular Session
2015

HB 2442

Introduced by
Representative Olson

AN ACT

AMENDING SECTIONS 41-563 AND 41-1279.07, ARIZONA REVISED STATUTES; RELATING TO COMMUNITY COLLEGE DISTRICT EXPENDITURE LIMITATIONS.

(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, is amended to
3 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~~ OFFICE
22 OF EMPLOYMENT AND POPULATION STATISTICS. The population of any areas annexed
23 thereafter must be estimated as of July 1 of 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~~ THAT has a population closest
5 to the population of the new county as of July 1 for the fiscal year
6 preceding the fiscal year for which the expenditure limit is being
7 determined.

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

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

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

21 (b) Method two:

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

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

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

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

1 9. If the citizens of a political subdivision approve an increase or
2 decrease in the expenditure limitation as provided in article IX, section 20,
3 subsection (6), Constitution of Arizona, the base limit of a political
4 subdivision shall be adjusted by the commission such that the expenditure
5 limitation of the political subdivision for the fiscal year following
6 approval reflects the approved increase or decrease.

7 B. For community college districts the commission shall:

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

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

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

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

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

24 (d) The modified expenditure limitation as prescribed in section
25 15-1471, if applicable.

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

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

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

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

35 (d) The modified expenditure limitation as prescribed in section
36 15-1471, if applicable.

37 4. Determine the expenditure limitation for each community college
38 district, as follows:

39 (a) Determine the student population of each community college
40 district for fiscal year 1979-1980 using the definition of full-time
41 equivalent student in section 15-1401 in 1979-1980, except that if a
42 redefinition of full-time equivalent student changes the number of semester
43 credit units per semester from fifteen units, the student population for the
44 1979-1980 base year shall be recalculated using the new number of units.

1 (b) Determine the estimated student population of each community
2 college district for the fiscal year for which the expenditure limitation is
3 being determined using the definition of full-time equivalent student in
4 section 15-1401.

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

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

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

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

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

20 5. AFTER THE CLOSE OF EACH FISCAL YEAR AND BEFORE THE FOLLOWING
21 DECEMBER 1, RECALCULATE THE EXPENDITURE LIMITATION FOR EACH COMMUNITY COLLEGE
22 DISTRICT ACCORDING TO PARAGRAPHS 3 AND 4 OF THIS SUBSECTION USING THE OCTOBER
23 FULL-TIME EQUIVALENT STUDENT REPORT PRODUCED BY THE AUDITOR GENERAL.

24 ~~5-~~ 6. In the event of an annexation, THE creation of a new community
25 college district or a consolidation or change in the boundaries of a
26 community college district, the base limit of a community college district
27 shall be adjusted by the commission according to the following guidelines:

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

37 (b) In the case of an annexation, consolidation or change in the
38 boundaries of a community college district, the base limit of a community
39 college district shall be adjusted by the commission to reflect the change by
40 increasing the base limit of the community college district gaining the newly
41 included territory and decreasing the base limit of the community college
42 district losing the territory.

43 (c) If an existing community college district consolidates with a
44 contiguous county not part of a community college district, the commission
45 shall:

1 (i) Increase the base limit of the existing community college district
2 by an amount equal to the amount of revenue ~~which~~ THAT would have been
3 generated by applying the primary property tax rate of the existing community
4 college district in the immediately prior year to the limited assessed
5 valuation of the contiguous county in the immediately prior year.

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

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

22 C. For school districts the commission shall:

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

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

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

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

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

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

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

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

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

1 4. Determine the aggregate expenditure limitation for all school
2 districts as follows:
3 (a) Determine the aggregate student population of all school districts
4 for the school year 1978-1979.
5 (b) Determine the total student population of all school districts for
6 the current year.
7 (c) Divide the aggregate student population determined in subdivision
8 (b) of this paragraph by the aggregate student population in subdivision (a)
9 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 aggregate expenditure
14 limitation is 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 by the quotient determined in subdivision (c) of this paragraph and multiply
20 the resulting product by the quotient determined in subdivision (f) of this
21 paragraph.
22 D. In the case of a transfer of all or any part of the cost of
23 providing a governmental function, pursuant to article IX, section 20,
24 subsection (4), Constitution of Arizona, or article IX, section 21,
25 subsection (5), Constitution of Arizona, the base limit of political
26 subdivisions, community college districts or school districts, whichever is
27 applicable, shall be adjusted by the commission to reflect the transfer by
28 increasing the base limit of the political subdivision, community college
29 district or school district to which the cost is transferred and decreasing
30 the base limit of the political subdivision, community college district or
31 school district from which the cost is transferred by the amount of the cost
32 of the transferred governmental function.
33 E. For the purposes of this section:
34 1. "Commission" means the economic estimates commission.
35 2. "GDP price deflator" means the average of the four implicit price
36 deflators for the gross domestic product reported by the United States
37 department of commerce for the four quarters of the calendar year.
38 3. "Political subdivision" means any county, city, including any
39 charter city, or town.
40 4. "Population" shall be defined pursuant to article IX, section 20,
41 subsection (3), paragraph (f), Constitution of Arizona.
42 5. "Student population" shall be defined pursuant to article IX,
43 section 21, subsection (4), paragraph (e), Constitution of Arizona.

1 Sec. 2. Section 41-1279.07, Arizona Revised Statutes, is amended to
2 read:

3 41-1279.07. Uniform expenditure reporting system; reports by
4 counties, community college districts, cities and
5 towns; certification and attestation; assistance
6 by auditor general; violation; classification

7 A. The auditor general shall prescribe a uniform expenditure reporting
8 system for all political subdivisions subject to the constitutional
9 expenditure limitations prescribed by article IX, sections 20 and 21,
10 Constitution of Arizona. The system shall include:

11 1. For counties:

12 (a) An annual expenditure limitation report that includes at least the
13 following information:

14 (i) The expenditure limitation established for the reporting fiscal
15 year by the economic estimates commission.

16 (ii) Total expenditures, by fund, for the reporting fiscal year.

17 (iii) Total exclusions from local revenues, as defined by article IX,
18 section 20, Constitution of Arizona, by fund, for the reporting fiscal year.

19 (iv) Total amounts, by fund, of expenditures subject to the
20 expenditure limitation for the reporting fiscal year.

21 (b) Annual financial statements prepared in accordance with generally
22 accepted accounting principles.

23 (c) A reconciliation of the total expenditures reported within the
24 financial statements to the total expenditures stated within the expenditure
25 limitation report.

26 2. For community college districts:

27 (a) An annual budgeted expenditure limitation report that includes at
28 least the following information:

29 (i) The expenditure limitation established for the reporting fiscal
30 year by the economic estimates commission **AS DETERMINED PURSUANT TO SECTION**
31 **41-563, SUBSECTION B, PARAGRAPH 5.**

32 (ii) Total budgeted expenditures, by fund, for the reporting fiscal
33 year.

34 (iii) Total exclusions from local revenues, as defined by article IX,
35 section 21, Constitution of Arizona, by fund, for the reporting fiscal year.

36 (iv) Total amounts, by fund, of budgeted expenditures subject to the
37 expenditure limitation for the reporting fiscal year.

38 (b) Annual financial statements prepared in accordance with generally
39 accepted accounting principles.

40 (c) A reconciliation of the total expenditures reported within the
41 financial statements to the total expenditures reported within the
42 expenditure limitation report.

43 3. For cities and towns:

44 (a) An annual expenditure limitation report that includes at least the
45 following information:

1 (i) The expenditure limitation established for the reporting fiscal
2 year by the economic estimates commission and, if applicable, the voter
3 approved alternative expenditure limitation.

4 (ii) Total expenditures, by fund, for the reporting fiscal year.

5 (iii) Total exclusions from local revenues, as defined by article IX,
6 section 20, Constitution of Arizona, by fund, for the reporting fiscal year
7 or, if applicable, the total exclusions from the voter approved alternative
8 expenditure limitation.

9 (iv) Total amounts, by fund, of expenditures subject to the
10 expenditure limitation for the reporting fiscal year.

11 (b) Financial statements prepared in accordance with generally
12 accepted accounting principles.

13 (c) A reconciliation of the total expenditures reported within the
14 financial statements to the total expenditures reported within the
15 expenditure limitation report.

16 B. The auditor general shall provide detailed instructions for
17 completion and submission of the reports described in subsection A of this
18 section. The auditor general shall prescribe definitions for terms utilized
19 in and the form of the reports described in subsection A of this section. The
20 reports described in subsection A of this section are required of counties
21 and community college districts beginning with fiscal year 1981-1982. The
22 reports described in subsection A of this section are required of cities and
23 towns beginning with the fiscal year the political subdivision is subject to
24 the expenditure limitation. The annual reporting requirements also apply to
25 political subdivisions subject to an alternative expenditure limitation
26 enacted pursuant to article IX, section 20, subsection (9), Constitution of
27 Arizona.

28 C. The reports described in subsection A of this section must be filed
29 with the auditor general within four months after the close of each fiscal
30 year. Upon written request, the auditor general may grant up to a one
31 hundred twenty day extension, if extenuating circumstances exist that prevent
32 submission of the reports within the required four-month period.

33 D. The auditor general or a certified public accountant or public
34 accountant performing the annual audit required pursuant to sections
35 41-1279.21 and 9-481 shall attest to the expenditure limitation reports and
36 financial statements for counties, community college districts and cities.
37 The certified public accountant or public accountant performing the annual or
38 biennial audit required pursuant to section 9-481 shall attest to the
39 expenditure limitation reports and financial statements for towns.

40 E. Each political subdivision shall provide to the auditor general by
41 July 31 each year the name of the chief fiscal officer designated by the
42 governing board of the political subdivision to submit the current fiscal
43 year's expenditure limitation report. The political subdivision shall notify
44 the auditor general of any changes of individuals designated to file the

1 required reports. The designated chief fiscal officer shall certify to the
2 accuracy of the annual expenditure limitation report.

3 F. The auditor general shall prescribe forms for the uniform reporting
4 system and may provide assistance to individuals, certified public
5 accountants or public accountants responsible for attesting to the
6 expenditure limitation reports and financial statements.

7 G. A chief fiscal officer, designated pursuant to subsection E of this
8 section, who subsequent to July 1, 1983 refuses to file the reports required
9 by this section within the prescribed time periods or who intentionally files
10 erroneous reports is guilty of a class 1 misdemeanor. A city or town
11 exceeding the expenditure limitation prescribed or authorized pursuant to
12 article IX, section 20, Constitution of Arizona, for any fiscal year, without
13 authorization pursuant to such section, shall have the amount specified in
14 subsection H of this section of its allocations of the state income tax,
15 distributed pursuant to section 43-206, withheld and redistributed to other
16 cities and towns in the same manner as determined pursuant to that section,
17 except that the population of the city or town exceeding the expenditure
18 limitation shall not be included in the computation, and the city or town
19 exceeding the expenditure limitation shall not be entitled to share in the
20 redistribution. A community college district exceeding the expenditure
21 limitation prescribed pursuant to article IX, section 21, Constitution of
22 Arizona, for any fiscal year, without authorization pursuant to such section
23 or section 15-1471, shall have the amount specified in subsection H of this
24 section of its allocations of state aid, distributed pursuant to section
25 15-1466, withheld.

26 H. The auditor general shall hold a hearing to determine if any
27 political subdivision has exceeded the expenditure limitations prescribed
28 pursuant to article IX, sections 20 and 21, Constitution of Arizona. If a
29 county has exceeded the expenditure limitations prescribed pursuant to
30 article IX, section 20, Constitution of Arizona, without authorization
31 pursuant to that section, the auditor general shall notify the board of
32 supervisors of the county to reduce the allowable levy of primary property
33 taxes of the county pursuant to section 42-17051, subsection C. If any
34 political subdivision other than a county has exceeded the expenditure
35 limitations prescribed pursuant to article IX, sections 20 and 21,
36 Constitution of Arizona, without authorization, the auditor general shall
37 notify the state treasurer to withhold a portion of the political
38 subdivision's allocations of the revenues described in subsection G of this
39 section for the fiscal year subsequent to the auditor general's hearing as
40 follows:

41 1. If the excess expenditures are less than five ~~per-cent~~ PERCENT of
42 the limitation, an amount equal to the excess expenditures.

43 2. If the excess expenditures are equal to or greater than five ~~per~~
44 ~~cent~~ PERCENT but less than ten ~~per-cent~~ PERCENT of the limitation, or are
45 less than five ~~per-cent~~ PERCENT of the limitation but it is at least the

1 second consecutive instance of excess expenditures, an amount equal to triple
2 the excess expenditures.

3 3. If the excess expenditures are equal to or greater than ten ~~per~~
4 ~~cent~~ PERCENT of the limitation, an amount equal to five times the excess
5 expenditures or one-third of the allocation of the revenues described in
6 subsection G of this section, whichever is less.

7 I. A county, city or town is not deemed to have exceeded the
8 expenditure limitation if the county, city or town makes expenditures for
9 capital improvements from utility revenues pursuant to title 9, chapter 5,
10 article 3 or from excise taxes levied by the county, city or town for a
11 specific purpose and the county, city or town repays the expenditure from the
12 proceeds of bonds or other lawful long-term obligations before the hearing
13 required by subsection H of this section.