

REFERENCE TITLE: school districts; expenditure limitation

State of Arizona  
House of Representatives  
Fifty-seventh Legislature  
First Regular Session  
2025

## **HB 2507**

Introduced by  
Representatives Sandoval: Abeytia, Austin, Blattman, Cavero, Contreras P,  
Garcia, Liguori, Márquez, Mathis, Peshlakai, Simacek, Stahl Hamilton,  
Tsosie, Volk; Senator Miranda

AN ACT

AMENDING SECTION 41-563, ARIZONA REVISED STATUTES; RELATING TO 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  
8 each political subdivision subject to an expenditure limitation pursuant  
9 to article IX, section 20, Constitution of Arizona. For the purposes of  
10 this subsection and subsection D of this section, ~~the~~ "base limit" of each  
11 political subdivision means the amount of actual payments of local  
12 revenues by such political subdivision 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 political  
16 subdivision subject to an expenditure limitation pursuant to article IX,  
17 section 20, Constitution of Arizona, ~~prior to~~ BEFORE February 1 of each  
18 year, the following:

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

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

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

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

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

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

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

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

4           (a) Determine the population of the political subdivision as of  
5 July 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  
10 paragraph.

11           (d) Determine the estimated or actual GDP price deflator for the  
12 1978 calendar year.

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

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

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

23           5. If any annexation, consolidation or change in the boundaries of  
24 a political subdivision occurs after the determination and report required  
25 by paragraph 3 of this subsection but before July 1 of the current year,  
26 the commission, as promptly as feasible, shall redetermine the total  
27 population, calculated in paragraph 4, subdivision (b) of this subsection,  
28 of the political subdivisions affected by the annexation, consolidation or  
29 change in boundaries. The commission shall determine respective amended  
30 expenditure limitations based on the amended population, which shall be  
31 promptly reported to the governing board of each of the affected political  
32 subdivisions. The political subdivisions affected shall use the revised  
33 expenditure limitation if it is received before the annual financial  
34 statement and estimate of expenses is prepared as required by section  
35 42-17101.

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

41           7. In the event of the division of a county into two or more new  
42 counties, determine the expenditure limitation for each of the new  
43 counties or the consolidation of counties, pursuant to article IX, section  
44 20, Constitution of Arizona, using one of the following two methods. The  
45 board of supervisors of each new county ~~shall~~ ON the affirmative vote of

1 two-thirds of the members of the board of supervisors, on or before  
2 February 1 following the county's establishment, shall adopt one of the  
3 expenditure limitations determined:

4 (a) Method one:

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

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

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

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

23 (b) Method two:

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

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

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

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

1 been approved by a majority of the qualified electors voting in such  
2 election.

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

9 B. For community college districts, the commission shall:

10 1. Determine the base limit of each community college district  
11 subject to an expenditure limitation pursuant to article IX, section 21,  
12 Constitution of Arizona. For the purposes of this subsection and  
13 subsection D of this section, ~~the~~ "base limit" of each community college  
14 district means the amount of expenditures of local revenues in fiscal year  
15 1979-1980 as used to determine the expenditure limitation pursuant to  
16 paragraph 4 of this subsection.

17 2. Determine and report to the governing board of each community  
18 college district ~~prior to~~ BEFORE February 1 of each year the following:

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

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

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

26 (d) The modified expenditure limitation as prescribed in section  
27 15-1471, if applicable.

28 3. Determine and report to the governing board of each community  
29 college district ~~prior to~~ BEFORE April 1 of each year the following:

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

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

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

37 (d) The modified expenditure limitation as prescribed in section  
38 15-1471, if applicable.

39 4. Determine the expenditure limitation for each community college  
40 district, as follows:

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

1 population for the 1979-1980 base year shall be recalculated using the new  
2 number of units.

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

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

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

12 (e) Determine the estimated GDP price deflator for the calendar  
13 year immediately preceding the fiscal year for which the 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  
19 subsection for the community college district by the quotient determined  
20 in subdivision (c) of this paragraph and multiply the resulting product by  
21 the quotient determined in subdivision (f) of this paragraph.

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

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

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

41 (c) If an existing community college district consolidates with a  
42 contiguous county THAT IS not part of a community college district, the  
43 commission shall:

44 (i) Increase the base limit of the existing community college  
45 district by an amount equal to the amount of revenue ~~which~~ THAT would have

1 been generated by applying the primary property tax rate of the existing  
2 community college district in the immediately prior year to the limited  
3 assessed valuation of the contiguous county in the immediately prior year.

4 (ii) Decrease the base limit of the contiguous county by the amount  
5 of reimbursement prescribed by section 15-1469, subsection B, paragraph 1,  
6 paid by such county in the 1979-1980 base year, except that ~~no~~ A decrease  
7 shall NOT be made to the base limit of such county if the reimbursement  
8 prescribed by section 15-1469, subsection B, paragraph 1 in the  
9 immediately prior year was paid by ~~the~~ THIS state pursuant to section  
10 15-1469.01.

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

21 C. For school districts, the commission shall:

22 1. Determine the base limit of school districts subject to the  
23 expenditure limitation prescribed by article IX, section 21, subsection  
24 (2), Constitution of Arizona. For the purposes of this subsection and  
25 subsection D of this section, "base limit" means the total amount of  
26 expenditures of local revenues of all school districts in fiscal year  
27 ~~1979-1980~~ 2025-2026 as used to determine the expenditure limitation  
28 pursuant to paragraph 4 of this subsection.

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

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

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

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

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

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

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

43 (c) The aggregate expenditure limitation for all school districts  
44 for 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  
4 districts for the school year ~~1978-1979~~ 2024-2025.

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

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

10          (d) Determine the estimated or actual GDP price deflator for the  
11 ~~1978~~ 2024 calendar year.

12          (e) Determine the estimated GDP price deflator for the calendar  
13 year immediately preceding the fiscal year for which the aggregate  
14 expenditure 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  
19 subsection by the quotient determined in subdivision (c) of this paragraph  
20 and multiply the resulting product by the quotient determined in  
21 subdivision (f) of this 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) OR SUBSECTION (6), PARAGRAPH (a), Constitution of Arizona,  
26 the base limit of political subdivisions, community college districts or  
27 school districts, whichever is applicable, shall be adjusted by the  
28 commission to reflect the transfer by increasing the base limit of the  
29 political subdivision, community college district or school district to  
30 which the cost is transferred and decreasing the base limit of the  
31 political subdivision, community college district or school district from  
32 which the cost is transferred by the amount of the cost of the transferred  
33 governmental function.

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  
37 price deflators for the gross domestic product reported by the United  
38 States 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  
42 20, subsection (3), paragraph (f), Constitution of Arizona.



1           5. "Student population":

2           (a) FOR SCHOOL DISTRICTS, MEANS THE WEIGHTED STUDENT COUNT AS  
3 PROVIDED BY ARTICLE IX, SECTION 21, SUBSECTION (4), PARAGRAPH (e),  
4 CONSTITUTION OF ARIZONA AND DETERMINED PURSUANT TO SECTION 15-943.

5           (b) FOR COMMUNITY COLLEGE DISTRICTS, shall be defined pursuant to  
6 article IX, section 21, subsection (4), paragraph (e), Constitution of  
7 Arizona.

8           Sec. 2. Conditional enactment

9           This act does not become effective unless the Constitution of  
10 Arizona is amended by vote of the people at the next general election by  
11 passage of House Concurrent Resolution \_\_\_\_, fifty-seventh legislature,  
12 first regular session, relating to expenditure limitation.