

REFERENCE TITLE: school districts; aggregate expenditure limitation.

State of Arizona
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HB 2637

Introduced by
Representatives Sandoval: Abeytia, Aguilar, Austin, Contreras L, Contreras
P, Garcia, Liguori, Luna-Nájera, Márquez, Peshlakai, Simacek, Stahl
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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.

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

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

6 (a) Determine the population of the political subdivision as of
7 July 1, 1978.

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

10 (c) Divide the population determined in subdivision (b) of this
11 paragraph by the population determined in subdivision (a) of this
12 paragraph.

13 (d) Determine the estimated or actual GDP price deflator for the
14 1978 calendar year.

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

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

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

25 5. If any annexation, consolidation or change in the boundaries of
26 a political subdivision occurs after the determination and report required
27 by paragraph 3 of this subsection but before July 1 of the current year,
28 the commission, as promptly as feasible, shall redetermine the total
29 population, calculated in paragraph 4, subdivision (b) of this subsection,
30 of the political subdivisions affected by the annexation, consolidation or
31 change in boundaries. The commission shall determine respective amended
32 expenditure limitations based on the amended population, which shall be
33 promptly reported to the governing board of each of the affected political
34 subdivisions. The political subdivisions affected shall use the revised
35 expenditure limitation if it is received before the annual financial
36 statement and estimate of expenses is prepared as required by section
37 42-17101.

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

43 7. In the event of the division of a county into two or more new
44 counties, determine the expenditure limitation for each of the new
45 counties or the consolidation of counties, pursuant to article IX, section

1 20, Constitution of Arizona, using one of the following two methods. The
2 board of supervisors of each new county ~~upon~~ ON the affirmative vote of
3 two-thirds of the members of the board of supervisors, on or before
4 February 1 following the county's establishment, shall adopt one of the
5 expenditure limitations determined:

6 (a) Method one:

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

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

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

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

25 (b) Method two:

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

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

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

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

as provided in article IX, section 20, subsection (2), paragraph (b), subdivision (ii), Constitution of Arizona, and the excess expenditure has been approved by a majority of the qualified electors voting in such election.

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

B. For community college districts, the commission shall:

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

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

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

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

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

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

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

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

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

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

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

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

(a) Determine the student population of each community college district for fiscal year 1979-1980 using the definition of full-time equivalent student in section 15-1401 in 1979-1980, except that if a

1 redefinition of full-time equivalent student changes the number of
2 semester credit units per semester from fifteen units, the student
3 population for the 1979-1980 base year shall be recalculated using the new
4 number of units.

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

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

12 (d) Determine the estimated or actual GDP price deflator for the
13 1978 calendar year.

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

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

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

24 5. In the event of an annexation, 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
29 district, the base limit of the community college district shall be
30 determined by multiplying the average amount of 1979-1980 per capita
31 expenditures of local revenues for all community college districts within
32 ~~the~~ THIS state by the student population of the new community college
33 district. The expenditure limit of the county in which the new community
34 college district is located shall be reduced by the amount paid to other
35 community college districts for tuition in the fiscal year preceding the
36 fiscal year in which the new community 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
40 by increasing the base limit of the community college district gaining the
41 newly included territory and decreasing the base limit of the community
42 college district losing the territory.

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

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

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

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

C. For school districts, the commission shall:

1. Determine the base limit of school districts subject to the expenditure limitation prescribed by article IX, section 21, subsection (2), Constitution of Arizona. For the purposes of this subsection and subsection D of this section, "base limit" means the total amount of expenditures of local revenues of all school districts in fiscal year ~~1979-1980~~ 2026-2027 as used to determine the expenditure limitation pursuant to paragraph 4 of this subsection.

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

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

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

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

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

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

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

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

5 4. Determine the aggregate expenditure limitation for all school
6 districts as follows:

7 (a) Determine the aggregate student population of all school
8 districts for the school year ~~1978-1979~~ 2025-2026.

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

11 (c) Divide the aggregate student population determined in
12 subdivision (b) of this paragraph by the aggregate student population in
13 subdivision (a) of this paragraph.

14 (d) Determine the estimated or actual GDP price deflator for the
15 ~~1978~~ 2023 calendar year.

16 (e) Determine the estimated GDP price deflator for the calendar
17 year immediately preceding the fiscal year for which the aggregate
18 expenditure limitation is being determined.

19 (f) Divide the GDP price deflator determined in subdivision (e) of
20 this paragraph by the GDP price deflator determined in subdivision (d) of
21 this paragraph.

22 (g) Multiply the amount determined in paragraph 1 of this
23 subsection by the quotient determined in subdivision (c) of this paragraph
24 and multiply the resulting product by the quotient determined in
25 subdivision (f) of this paragraph.

26 D. In the case of a transfer of all or any part of the cost of
27 providing a governmental function, pursuant to article IX, section 20,
28 subsection (4), Constitution of Arizona, or article IX, section 21,
29 subsection (5) OR SUBSECTION (6), PARAGRAPH (a), Constitution of Arizona,
30 the base limit of political subdivisions, community college districts or
31 school districts, whichever is applicable, shall be adjusted by the
32 commission to reflect the transfer by increasing the base limit of the
33 political subdivision, community college district or school district to
34 which the cost is transferred and decreasing the base limit of the
35 political subdivision, community college district or school district from
36 which the cost is transferred by the amount of the cost of the transferred
37 governmental function.

38 E. For the purposes of this section:

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

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

43 3. "Political subdivision" means any county, city, including any
44 charter city, or town.

1 4. "Population" shall be defined pursuant to article IX, section
2 20, subsection (3), paragraph (f), Constitution of Arizona.

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

5 Sec. 2. Economic estimates commission

6 The economic estimates commission shall adjust any necessary
7 calculations to determine the aggregate expenditure limitation for fiscal
8 year 2027-2028 pursuant to section 41-563, Arizona Revised Statutes, as
9 amended by this act.

10 Sec. 3. Conditional enactment: applicability

11 This act does not become effective unless the Constitution of
12 Arizona is amended by vote of the people at the next general election by
13 passage of House Concurrent Resolution ____, fifty-seventh legislature,
14 second regular session, relating to expenditure limitations, and applies
15 to fiscal years beginning from and after June 30, 2027.