START\_STATUTE41-563.  Expenditure limitations; determination by the commission; definitions

A.  For political subdivisions the commission shall:

1.  Determine the base limit level of political subdivisions for each political subdivision subject to an expenditure limitation pursuant to article IX, section 20, Constitution of Arizona. For the purposes of this subsection and subsection D of this section, the "base limit" of each political subdivision means the amount of actual payments of local revenues by such political subdivision 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 political subdivision subject to an expenditure limitation pursuant to article IX, section 20, Constitution of Arizona, prior to February 1 of each year, the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.  In the event of the division of a county into two or more new counties, determine the expenditure limitation for each of the new counties or the consolidation of counties, pursuant to article IX, section 20, Constitution of Arizona, using one of the following two methods.  The board of supervisors of each new county upon the affirmative vote of two‑thirds of the members of the board of supervisors, on or before February 1 following the county's establishment, shall adopt one of the expenditure limitations determined:

(a)  Method one:

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

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

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

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

(b)  Method two:

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

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

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

8.  If the governing board of a political subdivision authorizes expenditures in excess of the expenditure limitation determined pursuant to paragraph 4 of this subsection as provided in article IX, section 20, subsection (2), paragraph (b), subdivision (i), Constitution of Arizona, the expenditure limitation for such political subdivision for the following fiscal year shall be reduced by the amount of expenditures in 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 February 1 of each year the following:

(a)  The estimated 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.

3.  Determine and report to the governing board of each community college district prior to 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 redefinition of full‑time equivalent student changes the number of semester credit units per semester from fifteen units, the student population for the 1979‑1980 base year shall be recalculated using the new number of units.

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

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

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

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

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

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

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

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

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

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

(i)  Increase the base limit of the existing community college district by an amount equal to the amount of revenue which 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 decrease shall 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 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 as used to determine the expenditure limitation pursuant to paragraph 4 of this subsection.

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

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

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

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

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

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

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

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

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

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

D.  In the case of a transfer of all or any part of the cost of providing a governmental function, pursuant to article IX, section 20, subsection (4), Constitution of Arizona, or article IX, section 21, subsection (5), Constitution of Arizona, the base limit of political subdivisions, community college districts or school districts, whichever is applicable, shall be adjusted by the commission to reflect the transfer by increasing the base limit of the political subdivision, community college district or school district to which the cost is transferred and decreasing the base limit of the political subdivision, community college district or school district from which the cost is transferred by the amount of the cost of the transferred governmental function.

E.  For the purposes of this section:

1.  "Commission" means the economic estimates commission.

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

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

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

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