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CONSTITUTIONAL AGGREGATE EXPENDITURE LIMIT FOR K-12 SCHOOL DISTRICTS

Overview

During the summer of 1980, a series of ten amendments to the Arizona Constitution were presented to the voters. All of these amendments were approved. One of the amendments provided an expenditure limitation for cities, towns, and counties. If cities, towns, and counties need to expend above the limitation, they must have voter approval. Another amendment, approved by the voters, imposed expenditure limitations on community colleges and school districts. Expenditure increases under this limitation were based on changes in population and the cost of living. The limitation for community colleges was similar to the limit for cities, towns, and counties in that the limitation was placed on individual units. Unlike these limitations, which are calculated on an individual basis, the spending limitation for school districts applies to the aggregate expenditure of all districts. It is a restriction on *total* spending by all districts rather than a restriction on individual school districts. Charter school students and charter school expenditures are not included in the constitutional expenditure limit.

What Is Included in the Constitutional Limit?

The constitutional aggregate expenditure limit includes the majority of expenditures by school districts. This limitation covers most maintenance and operation expenditures and capital outlay. Most expenditures for federal grants, capital levy, and debt service are exempt from the limitation. However, state special projects (except construction grants) and federal impact aid (P.L. 874 funds) are included under the limitation.

How Does the Limitation Work?

The constitutional aggregate expenditure limitation allows expenditures to grow based upon changes in inflation and in the state's student population. Allowable budgeted expenditures change each year based upon increases/decreases in numbers of students and changes in inflation as measured by the GNP price deflator.

The 1981-82 school year was the first year of impact for the constitutional limitation. The limitation was based upon 1979-80 adopted budgets with a two-year increase for changes in inflation and in numbers of students.

The constitutional limit was exceeded in the 1986-87 year by approximately \$14 million. However, on November 4, 1986, the voters of the state approved a 10 percent increase in the constitutional limit. In 2000 Arizona voters of the state approved Proposition 301 (Education 2000). This proposition allocated additional sales tax and state trust revenues to increase educational expenditures by Arizona schools. This increased revenue was subject to the constitutional limit. This increase caused the constitutional limit to be exceeded for the 2001-2002 school year. However, the legislature approved action to exceed the limit for the 2001-2002 school year.

On November 5, 2002, Arizona voters approved Proposition 104 which exempted Prop 301 sales tax revenue and state trust revenues from the constitutional limit for future years.

WHAT HAPPENS IF CONSTITUTIONAL LIMITATION IS EXCEEDED?

The Arizona Constitution does not state what happens if the aggregate limitation is exceeded, except that the constitution does allow for an override of the limit on an annual basis by a two-thirds vote of both houses of the legislature. Currently, ARS 15-911 sets forth a procedure to be followed if the aggregate limitation is exceeded. The following steps are to be utilized:

- Step 1. On or before March 1, the legislature could, by a two-thirds majority of both the Senate and the House of Representatives, approve action to exceed the limitation. Approval to exceed the limitation is required on an annual basis.
- Step 2. If the legislature does not authorize action to exceed the limitation, then the State Board of Education is required to notify each school district of the needed budget reductions. The districts must be notified by March 5, and the reduction is equally prorated among all school districts. For example, if the constitutional limitation is exceeded by 2 percent, then each district would be required to reduce its budget by 2 percent to bring expenditures under the limit.