

*Permanent Base
Adjustments
and
One-Time Overrides*

History & Background

- Property taxes were increasing at a greater rate than were personal incomes.
- Sections 20 and 21 added to Article IX of the Arizona Constitution and ARS §41-1279.07 adopted to limit local government spending.
- Based on base year (79-80) expenditures, revised annually for population changes and inflation.



Applicability

- Effective date for Cities/Towns and Counties: fiscal year after first regularly scheduled election of governing board/ Board of Supervisor members after July 1, 1980

- EEC Provides Expenditure Limitations
 - Preliminary by February 1
 - Final by April 1
 - Changes (Annexations and PBAs)



Permanent Adjustments of the Base Limit

- Must be approved by the voters
- No limitation on amount of adjustment
- Analyses of proposal must be approved by the Auditor General
- Effective the fiscal year following voter approval and THEREAFTER



One-Time Overrides

- Must be for a SPECIFIC AMOUNT
- Must be approved by the voters
- Does NOT require Auditor General review
- Is NOT an alternative expenditure limitation



Alternative Expenditure Limitations (Home Rules)

- Applies to cities and towns only
- Must be approved by the voters
- No restriction on method of calculation
- Analyses of proposal must be approved by the Auditor General
- Effective for four fiscal years beginning with fiscal year after voter approval

Elections/Timing

- Permanent Base Adjustment
 - Regularly scheduled general election OR nonpartisan election for nomination or election of governing board members

- One-Time Override
 - Regularly scheduled election for nomination or election of governing board members OR special election on the third Tuesday in May



Permanent Base Adjustment

- Resolution
- Detailed Analysis
- Summary Analysis

Sample documents published by the
League of Arizona Cities and Towns at:

<http://www.azleague.org/index.cfm?fuseaction=resources.main>



Resolution

- Used to adopt and specify the terms of the Permanent Base Adjustment—the \$ amount of the increase to the BASE YEAR'S expenditures the entity is seeking
- Requires a 2/3 vote
- Must be adopted by the City/Town Council and signed by the Mayor, or Board of Supervisors and Chairman, prior to review



RESOLUTION # _____

A RESOLUTION PROPOSING A PERMANENT ADJUSTMENT TO THE 1979-80 BASE EXPENDITURE LIMITATION OF THE CITY/TOWN OF _____.

WHEREAS, THE ARIZONA STATE CONSTITUTION PERMITS THE SUBMISSION TO THE VOTERS OF A CITY OR TOWN OF A PERMANENT ADJUSTMENT TO THE BASE EXPENDITURE LIMITATION; AND

WHEREAS, THE CITY/TOWN COUNCIL OF _____ HAS DETERMINED THAT A PERMANENT BASE ADJUSTMENT IS NECESSARY FOR THE CITY/TOWN OF _____.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY/TOWN COUNCIL OF _____ THAT THE FOLLOWING PERMANENT BASE ADJUSTMENT BE SUBMITTED TO THE VOTERS OF THE CITY/TOWN OF _____.

SHALL THE EXPENDITURE BASE OF THE CITY/TOWN OF _____ BE PERMANENTLY ADJUSTED BY \$ _____?

PASSED AND ADOPTED BY THE CITY/TOWN COUNCIL OF _____, THIS ____ DAY OF _____, 20__.

Mayor

ATTEST: _____
City/Town Clerk

APPROVED AS TO FORM: _____
City/Town Attorney

Permanent Base Adjustment Calculations

limit BEFORE adjustment

Fiscal Year	Prior Fiscal Year Population	/	1978 Population	=	Population Factor
2012-2013		/		=	

Amounts should Match

Fiscal Year	ORIGINAL 1979-80 Base Limit	x	Population Factor	x	Inflation Factor	=	Projected State Imposed
2012-2013		x		x		=	

Amounts should Match

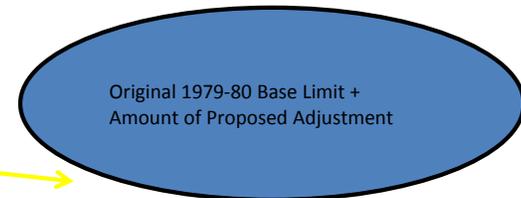
Amounts should Match

limit AFTER adjustment

Fiscal Year	NEW PROPOSED 1979-80 Base Limit	x	Population Factor	x	Inflation Factor	=	Projected State Imposed
2012-2013		x		x		=	

Sources

State's Population Statistic Unit
Economic Estimates Commission
AZ Department of Revenue (If doing PBA for FY 13, use figure for CY11)



Detailed Analysis

➤ Contains:

- Resolution #
- Amount of proposed adjustment to the 1979/80 base limit
- Areas of expenditure adjustments
- The impact on the expenditure limitation
- Estimated revenue amounts
- Assumptions used to estimate revenue



Summary Analysis

➤ Contains:

- Amount of proposed adjustment to the 1979/80 base limit
- The impact on the expenditure limitation
- Purposes for which the additional expenditures will be used
- Sources of estimated revenues to be used to finance the adjustment



Detailed Analysis

- \$ Amount of Adjustment to Base
 - Agree to Resolution
 - Agree to Summary Analysis
- Description of Expenditure Purposes
 - Specific/Informative
 - Agree to Summary Analysis



Detailed Analysis

- Increase in Limitation and Estimated Limit
 - Correct and Agree to Summary Analysis
- Estimated Revenue Amounts
 - By Source
 - Sufficient for Increase in Limit
- Revenue Assumptions
- General information (League Packet)



PERMANENT BASE ADJUSTMENT DETAILED ANALYSIS

Pursuant to the Arizona State Constitution, the City/Town of _____ as authorized by resolution # _____ passed on _____ will seek voter approval to permanently adjust the expenditure base of the City/Town as determined by the Economic Estimates Commission.

With voter approval, the City/Town will permanently increase the 1979-80 expenditure base of the City/Town by _____ beginning in fiscal year 2012-2013 and utilize the additional expenditure authority for all local budgetary purposes including _____.

If approved, the additional expenditures authorized will be funded from revenue obtained from federal, state and local sources. In 2012-2013, the City/Town's expenditure limitation will increase by \$ _____, from \$ _____ to \$ _____. In Fiscal Year 2012-2013, \$ _____ of the revenue required to fund the additional authorized expenditures will be obtained from federal sources while \$ _____ will be acquired through state sources and the remaining \$ _____ will be funded through local revenue sources. (The City/Town property tax shall be limited to the amount prescribed in the Arizona State Constitution.) All dollar figures in this analysis are estimates only.

Assumptions

In determining the revenue sources to fund the authorized additional expenditures, it is assumed that the federal, state and local revenues received by the City/Town will continue to be available and increase as they have for the past _____ years. In the past _____ years, federal revenue has increased by approximately _____% each year while state revenue has increased by approximately _____% and local revenue has increased by approximately _____% each year. (Although federal and state funding has decreased over the past _____ year(s), there is still sufficient revenue from federal, state and local sources to fund this permanent base adjustment.)

Summary Analysis

- Amount of Adjustment to Base
 - Agree to Resolution
 - Agree to Detailed Analysis
- Increase in Limitation and Estimated Limit
 - Agree to Detailed Analysis
- Description of Expenditure Purposes
 - Specific/Informative
 - Agree to Detailed Analysis



PERMANENT BASE ADJUSTMENT SUMMARY ANALYSIS

Pursuant to the Arizona State Constitution, the City/Town of _____ seeks voter approval to permanently adjust the expenditure base of the City/Town as determined by the Economic Estimates Commission. If approved by the voters, the City/Town's 1979-80 base expenditure limitation will be increased by \$ _____ adjusted each future year for population and inflation growth since 1979-80.

With voter approval, in 2012-2013 the City/Town's expenditure limitation will increase by \$ _____, from \$ _____ to \$ _____. The City/Town will utilize the additional expenditure authority for any local budgetary purposes including _____. (The dollar figures in this statement are estimates only.)

If approved, the additional authorized expenditures will be funded from revenues obtained from federal, state and local sources.

Publicity Pamphlet

- MUST submit copy to Auditor General
- RECOMMEND submitting DRAFT copy to Auditor General for COMMENT
- Should include:
 - Official Title, Descriptive Title and # by which the limitation will be designated
 - True copy of the title and text of the proposed limitation to be voted upon (Resolution)
 - Summary Analysis approved by our Office
 - Arguments for and against



Election Results

- The Auditor General's Office and the Economic Estimates Commission must be notified of the election's outcome immediately.
 - Official canvass of the election results or the resolution adopting the official results



One-Time Overrides

1st Steps

A.R.S. §41-563.01

- Board must hold 2 public hearings
- Notices of hearings must be published in a newspaper of general circulation
- Board votes
- After vote, must publish record of the vote and, if approved:
 - Amount of excess expenditures
 - Purpose(s) of excess expenditures
 - Sources of revenues used to finance expenditures



Publicity Pamphlet

A.R.S. §41-563.02

- Distribute 10-30 days prior to election
 - 1 copy to y of each registered household

- Should include:
 - Official Title, Descriptive Title and # by which the limitation will be designated
 - True copy of the title and text of the measure to be voted upon
 - Amount of excess expenditure
 - Purpose(s) of expenditure(s) and source(s) of revenue(s)
 - Arguments for and against



Election Results

- If the one-time override is approved, the entity should submit to our office:
 - Copy of publicity pamphlet
 - Election results

Expenditures in excess of the limitation, those that are made with regard to the approved override amount, can only be made for purposes stated in the publicity pamphlet



Resources

➤ Information on our Web site:

http://www.azauditor.gov/Reports/Cities_Towns/Cities_Towns.htm

- UERS Manual (pdf)
- Memos
- Forms
- FAQs



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More Questions?

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