

2015 Legislative Policy Statement

A. What is the legislative proposal?

Request that the Legislature refer a change to the Arizona Constitution to the voters to modify Article 9, Section 20, expenditure limitation; adjustments; reporting that would exclude capital expenditures from determining the applicable expenditure limitation for counties, cities and towns. Specifically stated, add section (3)(c) as follows: (C) “Capital Expenditure” means any money spent on equipment, land, buildings, furniture, vehicles, and other capital assets. Renumber existing subsections c and d to d and e respectively. Add new section (3)(xv) as follows: (xv) Any amounts spent on capital expenditures.

B. Describe the problem and explain how the proposal solves it.

The expenditure limitation requirement of the Constitution prevents local governmental entities from overspending their budgets and protects taxpayers from dramatic increases in budget (and corresponding property tax increases). Unfortunately, as currently written, it prevents Counties from expending funds wisely for major capital expenditures. Specifically stated, in order to fund a major capital project such as a building, which will surely result in exceeding the County’s expenditure limitation using current revenues, the only way that counties can accomplish it is to borrow money using devices such as certificates of participation and paying interest on it. Counties that watch their revenues and expenditures wisely instead may be able to accumulate cash reserves (a necessity due to the delay in receiving new property tax revenue each year) and pay cash for the capital expenditure. Ultimately the taxpayers will pay less money for the expenditure, which will occur anyway, and funds will be expended more wisely. Simply stated, it is better government to budget wisely, pay cash for significant expenditures, rather than getting into an endless cycle of borrowing money and having to pay it back with interest.

C. What is the fiscal impact to the state or county budgets of this proposal?

If the expenditure is needed, it will happen. If a county can avoid paying long-term interest on such expenditures, it will have a positive benefit on both the budget and stabilizing long-term property tax rates.

D. What is the preliminary analysis of the political environment and stakeholders’ and affiliates’ comments? The political environment will be difficult. First, it is an amendment to the Arizona Constitution, which can only occur by a vote of the people of Arizona. While the proposal makes sense, and is an unintended consequence of the expenditure limitation statute, nevertheless, getting the Legislature to loosen the reigns of tight control over spending by counties will be a difficult task. Furthermore, it will be a difficult concept for the public to understand and will take a significant amount of education for the people to vote favorably for the proposal. Nevertheless, it is a worthy proposal.

E. Who is the primary county contact information for the proposal (name, phone, email and other relevant information)?

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