

BALLOT PROPOSITION #104
School / Community College District Expenditure Limit

Fiscal Impact Summary

Proposition 104 would not affect expenditures from the state-level Classroom Site Fund because those monies are fully disbursed to school districts each year even if school districts may not spend them all.

Local school districts would be affected by Proposition 104. By exempting school districts from their Constitutional expenditure limit, Proposition 104 would permit them to spend all of their Classroom Site Funds each year.

	FISCAL YEAR		
	2003	2004	2005
STATE EXPENDITURES			
Classroom Site Fund	\$-0-	\$-0-	\$-0-

FISCAL ANALYSIS

Description

Proposition 104 would permanently exempt “Education 2000” (“Proposition 301”) funding from the “aggregate expenditure limit” that is prescribed for all school districts collectively by Article IX, section 21 of the State Constitution. This would enable school districts to spend all of their Education 2000 funding each year.

Estimated Impact

Proposition 104 would not affect expenditures from the state-level Education 2000 Classroom Site Fund or from the State General Fund.

Proposition 104 would permanently allow school districts to spend all of their Education 2000 funding each year. Otherwise about \$123 million of their Education 2000 funding would remain in their local-level Classroom Site Fund accounts each year and could not be legally spent.

Analysis

Education 2000 from the November 2000 General Election established a new 0.6 cent sales tax for education starting in FY 2002, which substantially increased funding for public schools. Education 2000, however, did not adjust the “spending limit” (“aggregate expenditure limit”) that exists for school districts pursuant to Article IX, section 21 of the State Constitution. As a result, school districts currently receive more Education 2000 funding than they may legally spend. Proposition 104 would permanently exclude Education 2000 monies from the aggregate expenditure limit, which would enable school districts to spend all of their Education 2000 monies.

The aggregate expenditure limit applies to school districts as a whole and is computed annually by the Economic Estimates Commission. As required by the State Constitution (Article IX, section 21, paragraph 2), the EEC computes the limit each year based on school district expenditures statewide from FY 1980, but adjusted each year thereafter to reflect growth in the number of K-12 pupils in the state, increases in the cost of living, and a generic 10% increase that was approved by voters in

(Continued)

Analysis (Cont'd)

1986. For FY 2002, the EEC calculated that the aggregate expenditure limit for all school districts collectively was \$3,977,125,700. This total does not include monies that already are exempted from the aggregate expenditure limit by the State Constitution, such as revenues generated through voter-approved bond issuances.

Based on school district budgets for FY 2002, the Arizona Department of Education subsequently determined that school districts collectively planned to spend about \$4,100,055,100 in FY 2002. (This total, like the EEC estimated total, excludes monies that already are exempted from the aggregate expenditure limit.) The \$4,100,055,100 "budgeted" total was about \$123 million higher than the \$3,977,125,700 limit computed by the EEC for FY 2002. This meant that the aggregate expenditure limit for the year would not permit school districts to spend about \$123 million of their \$278 million FY 2002 Education 2000 monies. In order to address this issue on a short-term basis, the Legislature enacted HCR 2002 (Third Special Session), which exempted Education 2000 monies from the aggregate expenditure limit for FY 2002. For FY 2003 and subsequent years, the Legislature enacted HCR 2002 (Second Regular Session), which put Proposition 104 on the ballot.

Proposition 104 would address the Education 2000/aggregate expenditure limit problem for FY 2003 and all future years by amending the State Constitution in order to permanently exempt Education 2000 monies from the aggregate expenditure limit. This would include both monies generated for Education 2000 by the new 0.6 cent sales tax and monies generated for Education 2000 from state school trust land revenues. Most K-12 funding for Education 2000 (roughly \$281 million for FY 2002) is generated through the new 0.6 cent sales tax. A small portion, however, (roughly \$2 million) is generated from earnings on state school trust lands. Education 2000 dedicated all growth in revenues from state school trust lands after FY 2001 to the Education 2000 Classroom Site Fund.

Proposition 104 would not affect expenditures from the state-level Classroom Site Fund that was established by Education 2000 because funds in that account are fully disbursed to school districts each year even if school districts may not legally spend them completely. The State General Fund likewise would not be affected by Proposition 104 because Education 2000 monies that remain unspent at the local level do not revert to the State General Fund.

Local Government Impact

See above.

7/18/02

This estimate was prepared by Steve Schimpp (602-542-5491).
