

20. Expenditure limitation; adjustments; reporting

Section 20. (1) The economic estimates commission shall determine and publish prior to April 1 of each year the expenditure limitation for the following fiscal year for each county, city and town. The expenditure limitations shall be determined by adjusting the amount of actual payments of local revenues for each such political subdivision for fiscal year 1979-1980 to reflect the changes in the population of each political subdivision and the cost of living. The governing board of any political subdivision shall not authorize expenditures of local revenues in excess of the limitation prescribed in this section, except as provided in subsections (2), (6) and (9) of this section.

(2) Expenditures in excess of the limitations determined pursuant to subsection (1) of this section may be authorized as follows:

(a) Upon affirmative vote of two-thirds of the members of the governing board for expenditures directly necessitated by a natural or man-made disaster declared by the governor. Any expenditures in excess of the expenditure limitation, as authorized by this paragraph, shall not affect the determination of the expenditure limitation pursuant to subsection (1) of this section in any subsequent years. Any expenditures authorized pursuant to this paragraph shall be made either in the fiscal year in which the disaster is declared or in the succeeding fiscal year.

(b) Upon the affirmative vote of seventy per cent of the members of the governing board for expenditures directly necessitated by a natural or man-made disaster not declared by the governor, subject to the following:

(i) The governing board reducing expenditures below the expenditure limitation determined pursuant to subsection (1) of this section by the amount of the excess expenditure for the fiscal year following a fiscal year in which excess expenditures were made pursuant to this paragraph; or

(ii) Approval of the excess expenditure by a majority of the qualified electors voting either at a special election held by the governing board or at a regularly scheduled election for the nomination or election of the members of the governing board, in the manner provided by law. If the excess expenditure is not approved by a majority of the qualified electors voting, the governing board shall for the fiscal year which immediately follows the fiscal year in which the excess expenditures are made, reduce expenditures below the expenditure limitation determined pursuant to subsection (1) of this section by the amount of the excess expenditures. Any expenditures in excess of the expenditure limitation, as authorized by this paragraph, shall not affect the determination of the expenditure limitation pursuant to subsection (1) of this section in any subsequent years. Any expenditures pursuant to this paragraph shall be made either in the fiscal year in which the disaster occurs or in the succeeding fiscal year.

(c) Upon affirmative vote of at least two-thirds of the members of the governing board and approval by a majority of the qualified electors voting either at a special election held by the governing board in a manner prescribed by law, or at a regularly scheduled election for the nomination or election of the members of the governing board. Such approval by a majority of the qualified electors voting shall be for a specific amount in excess of the expenditure limitation, and such approval must occur prior to the fiscal year in which the expenditure limitation is to be exceeded. Any expenditures in excess of the expenditure limitation, as authorized by this subdivision, shall not affect the determination of the expenditure limitation pursuant to subsection (1) of this section, in subsequent years.

(3) As used in this section:

(a) "Base limit" means the amount of actual payments of local revenues for fiscal year 1979-1980 as used to determine the expenditure limitation pursuant to subsection (1) of this section.

(b) "Cost of living" means either:

(i) The price of goods and services as measured by the implicit price deflator for the gross national product or its successor as reported by the United States department of commerce or its successor agency.

(ii) A different measure or index of the cost of living adopted at the direction of the legislature, by concurrent resolution, upon affirmative vote of two-thirds of the membership of each house of the legislature. Such measure or index shall apply for subsequent fiscal years, except it shall not apply for the fiscal year following the adoption of such measure or index if the measure or index is adopted after March 1 of the preceding fiscal year.

(c) "Expenditure" means any authorization for the payment of local revenues.

(d) "Local revenues" includes all monies, revenues, funds, fees, fines, penalties, tuitions, property and receipts of any kind whatsoever received by or for the account of a political subdivision or any of its agencies, departments, offices, boards, commissions, authorities, councils and institutions, except:

(i) Any amounts or property received from the issuance or incurrence of bonds or other lawful long-term obligations issued or incurred for a specific purpose, or collected or segregated to make payments or deposits required by a contract concerning such bonds or obligations. For the purpose of this subdivision long-term obligations shall not include warrants issued in the ordinary course of operation or registered for payment, by a political subdivision.

Exception for Bonds from Limitation

- (ii) Any amounts or property received as payment of dividends or interest, or any gain on the sale or redemption of investment securities, the purchase of which is authorized by law.
- (iii) Any amounts or property received by a political subdivision in the capacity of trustee, custodian or agent.
- (iv) Any amounts received as grants and aid of any type received from the federal government or any of its agencies.
- (v) Any amounts received as grants, aid, contributions or gifts of any type except amounts received directly or indirectly in lieu of taxes received directly or indirectly from any private agency or organization or any individual.
- (vi) Any amounts received from the state which are included within the appropriation limitation prescribed in section 17 of this article.
- (vii) Any amounts received pursuant to a transfer during a fiscal year from another agency, department, office, board, commission, authority, council or institution of the same political subdivision which were included as local revenues for such fiscal year or which are excluded from local revenue under other provisions of this section.
- (viii) Any amounts or property accumulated for the purpose of purchasing land, buildings or improvements or constructing buildings or improvements, if such accumulation and purpose have been approved by the voters of the political subdivision.
- (ix) Any amounts received pursuant to section 14 of this article which are greater than the amount received in fiscal year 1979-1980.
- (x) Any amounts received in return for goods or services pursuant to a contract with another political subdivision, school district, community college district or the state, and expended by the other political subdivision, school district, community college district or the state pursuant to the expenditure limitation in effect when the amounts are expended by the other political subdivision, school district, community college district or the state.
- (xi) Any amounts expended for the construction, reconstruction, operation or maintenance of a hospital financially supported by a city or town prior to January 1, 1980.
- (xii) Any amounts or property collected to pay the principal of and interest on any warrants issued by a political subdivision and outstanding as of July 1, 1979.
- (xiii) Any amounts received during a fiscal year as refunds, reimbursements or other recoveries of amounts expended which were applied against the expenditure limitation for such fiscal year or which were excluded from local revenues under other provisions of this subsection.
- (xiv) Any amounts received collected by the counties for distribution to school districts pursuant to state law.
- (e) "Political subdivision" means any county, city or town. This definition applies only to this section and does not otherwise modify the commonly accepted definition of political subdivision.
- (f) "Population" means either:
 - (i) The periodic census conducted by the United States department of commerce or its successor agency, or the annual update of such census by the department of economic security or its successor agency.
 - (ii) A different measure or index of population adopted at the direction of the legislature, by concurrent resolution, upon affirmative vote of two-thirds of the membership of each house of the legislature. Such measure or index shall apply for subsequent fiscal years, except it shall not apply for the fiscal year following the adoption of such measure or index if the measure or index is adopted after March 1 of the preceding fiscal year.
- (4) The economic estimates commission shall adjust the base limit to reflect subsequent transfers of all or any part of the cost of providing a governmental function, in a manner prescribed by law. The adjustment provided for in this subsection shall be used in determining the expenditure limitation pursuant to subsection (1) of this section beginning with the fiscal year immediately following the transfer.
- (5) The economic estimates commission shall adjust the base limit to reflect any subsequent annexation, creation of a new political subdivision, consolidation or change in the boundaries of a political subdivision, in a manner prescribed by law. The adjustment provided for in this subsection shall be used in determining the expenditure limitation pursuant to subsection (1) of this section beginning with the fiscal year immediately following the annexation, creation of a new political subdivision, consolidation or change in the boundaries of a political subdivision.
- (6) Any political subdivision may adjust the base limit by the affirmative vote of two-thirds of the members of the governing board or by initiative, in the manner provided by law, and in either instance by approval of the proposed adjustment by a majority of the qualified electors voting at a regularly scheduled general election or at a nonpartisan election held for the nomination or election of the members of the governing board. The impact of the modification of the expenditure limitation shall appear on the ballot and in publicity pamphlets, as provided by law. Any adjustment, pursuant to this subsection, of the base limit shall be used in determining the expenditure limitation pursuant to subsection (1) of this section beginning with the fiscal year immediately following the approval, as provided by law.
- (7) The legislature shall provide for expenditure limitations for such special districts as it deems necessary.

(8) The legislature shall establish by law a uniform reporting system for all political subdivisions or special districts subject to an expenditure limitation pursuant to this section to insure compliance with this section. The legislature shall establish by law sanctions and penalties for failure to comply with this section.

(9) Subsection (1) of this section does not apply to a city or town which at a regularly scheduled election for the nomination or election of members of the governing board of the city or town adopts an expenditure limitation pursuant to this subsection different from the expenditure limitation prescribed by subsection (1) of this section. The governing board of a city or town may by a two-thirds vote provide for referral of an alternative expenditure limitation or the qualified electors may by initiative, in the manner provided by law, propose an alternative expenditure limitation. In a manner provided by law, the impact of the alternative expenditure limitation shall be compared to the impact of the expenditure limitation prescribed by subsection (1) of this section, and the comparison shall appear on the ballot and in publicity pamphlets. If a majority of the qualified electors voting on such issue vote in favor of the alternative expenditure limitation, such limitation shall apply to the city or town. If more than one alternative expenditure limitation is on the ballot and more than one alternative expenditure limitation is approved by the voters, the alternative expenditure limitation receiving the highest number of votes shall apply to such city or town. If an alternative expenditure limitation is adopted, it shall apply for the four succeeding fiscal years. Following the fourth succeeding fiscal year, the expenditure limitation prescribed by subsection (1) of this section shall become the expenditure limitation for the city or town unless an alternative expenditure limitation is approved as provided in this subsection. If a majority of the qualified electors voting on such issue vote against an alternative expenditure limitation, the expenditure limitation prescribed pursuant to subsection (1) of this section shall apply to the city or town, and no new alternative expenditure limitation may be submitted to the voters for a period of at least two years. If an alternative expenditure limitation is adopted pursuant to this subsection, the city or town may not conduct an override election provided for in section 19, subsection (4) of this article, during the time period in which the alternative expenditure limitation is in effect.

(10) This section does not apply to any political subdivision until the fiscal year immediately following the first regularly scheduled election after July 1, 1980 for the nomination or election of the members of the governing board of such political subdivision, except that a political subdivision, prior to the fiscal year during which the spending limitation would first become effective, may modify the expenditure limitation prescribed pursuant to subsection (1) of this section, by the provisions prescribed by subsections (2) and (6) of this section, or may adopt an alternative expenditure limitation pursuant to subsection (9) of this section.

A county may conduct a special election to exceed the expenditure limitation prescribed pursuant to subsection (1) of this section for the fiscal years 1982-1983 and 1983-1984, on the first Tuesday after the first Monday in November in 1981.

(11) "City", as used in this article, means city or charter city.