

ATTACHMENT A

Expenditure Limit Overview

State Spending Limit:

- Also known as “Expenditure Limitation”
- It is a State Constitutional limit approved by voters in 1980 which restricts annual spending limits of cities and towns. The limit applies to all local revenues.
- Limits spending to 1979-80 actual levels adjusted for population growth and inflation. However, original limitation does not account for voter-approved increases (transit, public safety, parks and preserves), regional services (Sky Harbor, wastewater treatment) or Federal/State mandates (clean water, FAA).
- The Constitution includes provisions for exceeding the limit with voter approval.
- The Home Rule Option, also known as an Alternative Expenditure Limitation, must go to voters every four years.

If Home Rule Not Approved:

- The City will exceed the spending limitation and the State will withhold state-shared revenues in a formula-based amount set by statute. The City would need to reduce expenditures by an estimated \$1.5 billion or more annually to comply with the formulaic limit, based on analysis completed from the last expenditure limitation process in 2020.

City of Phoenix Process:

- Since 1980, Phoenix has had ten spending limit options approved by voters.
- Through Home Rule approved by Phoenix voters, the limit has been set at the adopted budget since 1999.
- Each of Phoenix’s prior options have been studied and recommended by a Citizen’s Task Force.
- Voters last approved the Home Rule Option in November 2020.
- Phoenix’s current Home Rule period expires on June 30, 2025.
- Solution must be presented to voters in November 2024 to be effective July 1, 2025.

Citizen Task Force Process:

- To be appointed by Mayor and Council in November 2023.
- Review the revenue and expenditure forecasts prepared by City staff (Feb/Mar 2024).
- Study the potential effects of the Constitutional limit.
- Recommend a solution to Council in April 2024.