

REFERENCE TITLE: expenditure limitation; school districts; repeal.

State of Arizona
House of Representatives
Fifty-fifth Legislature
Second Regular Session
2022

HB 2335

Introduced by

Representatives Pawlik: Abraham, Andrade, Blackwater-Nygren, Bolding, Butler, Cano, Chávez, Dalessandro, DeGrazia, Epstein, Espinoza, Fernandez B, Hernandez A, Hernandez D, Hernandez M, Jermaine, Liguori, Longdon, Mathis, Meza, Powers Hannley, Quiñonez, Salman, Schwiebert, Sierra, Solorio, Tsosie

AN ACT

AMENDING SECTION 12-262, ARIZONA REVISED STATUTES; REPEALING SECTION 15-911, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-1285, 17-266, 22-117, 41-563, 42-5010 AND 42-5010.01, ARIZONA REVISED STATUTES; RELATING TO EXPENDITURE LIMITATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 12-262, Arizona Revised Statutes, is amended to
3 read:

4 12-262. Submission of plan; use of monies; report

5 A. The presiding judge of the superior court in each county
6 desiring to improve, maintain or expand juvenile probation services, or
7 to achieve or maintain the average adult probation case supervision
8 requirement prescribed in section 12-251, may prepare a plan in
9 accordance with guidelines issued by the supreme court. The plan shall be
10 submitted to the state supreme court. The supreme court guidelines shall
11 require that the plan include:

12 1. That ~~funds~~ **MONIES** received under this article ~~shall~~
13 primarily for ~~payment of~~ **PAYING** salaries of probation officers supervising
14 adults or juveniles on probation to the superior, justice or municipal
15 court.

16 2. That the ~~funds~~ **MONIES** provided by ~~the~~ **THIS** state for this
17 purpose ~~will~~ be used to supplement county funds provided for probation
18 services.

19 3. The proposed budget necessary to implement the plan, including
20 the amount currently budgeted for that county's probation program.

21 B. If a county is subject to section 12-269, the following apply:

22 1. Beginning in fiscal year 2006-2007, the county's contribution to
23 the hospitalization and medical care of the indigent sick, to the
24 nonfederal portion of providing long-term care and for the administrative
25 costs of implementing sections 36-2901.01 and 36-2901.04 shall be reduced
26 pursuant to section 11-292, subsection Q.

27 2. The economic estimates commission shall increase the county's
28 base expenditure limit beginning in the fiscal year that the county
29 assumes funding responsibility pursuant to section 41-563, subsection
30 ~~D~~ C.

31 C. The supreme court shall report to the joint legislative budget
32 committee all amounts provided to any county pursuant to this article for
33 adult probation services or juvenile probation services.

34 Sec. 2. Repeal

35 Section ~~15-911~~, Arizona Revised Statutes, is repealed.

36 Sec. 3. Subject to the requirements of article IV, part 1,
37 section 1, Constitution of Arizona, section 15-1285, Arizona Revised
38 Statutes, is amended to read:

39 15-1285. Budgetary, expenditure or revenue control limits;
40 exemption

41 Notwithstanding any other law, monies received by school districts
42 and career technical education districts pursuant to this chapter:

43 ~~1. Are not considered local revenues for the purposes of article~~
44 ~~IX, section 21, Arizona constitution.~~

1 ~~2.~~ are exempt from any budgetary, expenditure or revenue control
2 limit that would limit the ability of school districts or career technical
3 education districts to accept or expend those monies.

4 Sec. 4. Section 17-266, Arizona Revised Statutes, is amended to
5 read:

6 17-266. Construction by employees or force account

7 Notwithstanding sections 41-2535 and 41-2572, the commission may
8 build, alter, repair, improve or demolish a structure or other improvement
9 by employees or force account if the project cost does not exceed
10 ~~thirty-five thousand dollars~~ \$35,000. This exemption does not apply to an
11 office or residence building or to storage facilities for equipment and
12 supplies. In fiscal year 1986-1987, and each fiscal year thereafter, the
13 maximum project cost for which construction by employees or force account
14 is authorized shall be adjusted by the annual percentage change in the GDP
15 price deflator as defined in section 41-563, ~~subsection E.~~

16 Sec. 5. Section 22-117, Arizona Revised Statutes, is amended to
17 read:

18 22-117. Payment of compensation and expenses

19 A. Justices of the peace shall be allowed by the board of
20 supervisors, as a county charge, the following:

- 21 1. Space.
- 22 2. Equipment.
- 23 3. Supplies.

24 B. In a county with a population of less than one million five
25 hundred thousand persons, the state shall pay 19.25 ~~per cent~~ PERCENT of
26 the compensation and ~~employee-related~~ EMPLOYEE-RELATED expenditures of a
27 justice of the peace, and the county shall pay 80.75 ~~per cent~~ PERCENT of
28 the compensation and ~~employee-related~~ EMPLOYEE-RELATED expenditures of a
29 justice of the peace, except that the county shall pay the full amount of
30 the employer contribution of the state retirement system or plan or any
31 county health plan.

32 C. If a county is subject to subsection B of this section, the
33 state treasurer shall remit the compensation and ~~employee-related~~
34 EMPLOYEE-RELATED expenditures payable by the state to the county
35 treasurer, and the county shall disburse the ~~funds~~ MONIES to the justice
36 of the peace.

37 D. In a county with a population of one million five hundred
38 thousand persons or more, the county shall pay one hundred ~~per cent~~
39 PERCENT of the compensation and employee related expenditures of a justice
40 of the peace.

41 E. If a county is subject to subsection D of this section, the
42 following apply:

- 43 1. The county's contribution to the hospitalization and medical
44 care of the indigent sick and for the administrative costs of implementing
45 sections 36-2901.01 and 36-2901.04 shall be reduced pursuant to section

1 11-292, subsection R, in an amount that is equal to the difference between
2 the total costs that the county paid pursuant to subsection D of this
3 section and the amount that the county would have paid if the county were
4 subject to subsection B of this section.

5 2. Pursuant to section 41-563, subsection ~~B~~ C, the economic
6 estimates commission shall increase the county's base expenditure limit in
7 an amount that is equal to the difference between the total costs that the
8 county paid pursuant to subsection D of this section and the amount that
9 the county would have paid if the county were subject to subsection B of
10 this section.

11 F. The total amount that may be expended in any fiscal year by the
12 state treasurer for justice of the peace compensation and employee related
13 expenditures reimbursement shall not exceed the amount appropriated in the
14 general appropriation act for this purpose, together with additional
15 amounts appropriated by any special legislative appropriation for justices
16 of the peace.

17 Sec. 6. Section 41-563, Arizona Revised Statutes, is amended to
18 read:

19 41-563. Expenditure limitations; determination by the
20 commission; definitions

21 A. For political subdivisions, the commission shall:

22 1. Determine the base limit level of political subdivisions for
23 each political subdivision subject to an expenditure limitation pursuant
24 to article IX, section 20, Constitution of Arizona. For the purposes of
25 this subsection and subsection ~~B~~ C of this section, ~~the~~ "base limit" of
26 each political subdivision means the amount of actual payments of local
27 revenues by such political subdivision in fiscal year 1979-1980 as used to
28 determine the expenditure limitation pursuant to paragraph 4 of this
29 subsection.

30 2. Determine and report to the governing board of each political
31 subdivision subject to an expenditure limitation pursuant to article IX,
32 section 20, Constitution of Arizona, ~~prior to~~ BEFORE February 1 of each
33 year, the following:

34 (a) The total of the estimated population of each such political
35 subdivision as of July 1 of the prior year and the estimated population of
36 any areas annexed by such political subdivisions thereafter, based on the
37 population estimates developed by the ~~department of economic security~~
38 OFFICE OF ECONOMIC OPPORTUNITY. The population of any areas annexed
39 thereafter must be estimated as of July 1 of the prior year.

40 (b) The estimated change in the GDP price deflator used to
41 determine the expenditure limitation for the following fiscal year over
42 the GDP price deflator used to determine the expenditure limitation for
43 the current fiscal year.

44 (c) The estimated expenditure limitation for each such political
45 subdivision for the following fiscal year.

1 3. Determine and report to the governing board of each political
2 subdivision subject to an expenditure limitation pursuant to article IX,
3 section 20, Constitution of Arizona, ~~prior to~~ BEFORE April 1 of each year,
4 the following:

5 (a) The total of the population of each such political subdivision
6 as of July 1 of the prior year and the population of any areas annexed by
7 such political subdivisions thereafter. The population of any areas
8 annexed thereafter must be estimated as of July 1 of the prior year.

9 (b) The estimated change in the GDP price deflator used to
10 determine the expenditure limitation for the following fiscal year over
11 the GDP price deflator used to determine the expenditure limitation for
12 the current fiscal year.

13 (c) The expenditure limitation for each such political subdivision
14 for the following fiscal year.

15 4. Determine the expenditure limitation for each political
16 subdivision subject to an expenditure limitation pursuant to article IX,
17 section 20, Constitution of Arizona, as follows:

18 (a) Determine the population of the political subdivision as of
19 July 1, 1978.

20 (b) Determine the total population of the political subdivision as
21 required by paragraph 3, subdivision (a) of this subsection.

22 (c) Divide the population determined in subdivision (b) of this
23 paragraph by the population determined in subdivision (a) of this
24 paragraph.

25 (d) Determine the estimated or actual GDP price deflator for the
26 1978 calendar year.

27 (e) Determine the estimated GDP price deflator for the calendar
28 year immediately preceding the fiscal year for which the expenditure
29 limitation is being determined.

30 (f) Divide the GDP price deflator determined in subdivision (e) of
31 this paragraph by the GDP price deflator determined in subdivision (d) of
32 this paragraph.

33 (g) Multiply the amount determined in paragraph 1 of this
34 subsection for the political subdivision by the quotient determined in
35 subdivision (c) of this paragraph and multiply the resulting product by
36 the quotient determined in subdivision (f) of this paragraph.

37 5. If any annexation, consolidation or change in the boundaries of
38 a political subdivision occurs after the determination and report required
39 by paragraph 3 of this subsection but before July 1 of the current year,
40 the commission, as promptly as feasible, shall redetermine the total
41 population, calculated in paragraph 4, subdivision (b) of this subsection,
42 of the political subdivisions affected by the annexation, consolidation or
43 change in boundaries. The commission shall determine respective amended
44 expenditure limitations based on the amended population, which shall be
45 promptly reported to the governing board of each of the affected political

1 subdivisions. The political subdivisions affected shall use the revised
2 expenditure limitation if it is received before the annual financial
3 statement and estimate of expenses is prepared as required by section
4 42-17101.

5 6. In the event of the creation of a new city or town, the base
6 limit of the new city or town shall be determined by multiplying the
7 average amount of actual fiscal year 1979-1980 per capita payments of
8 local revenues for all cities and towns within the county in which the new
9 city or town is located by the population of the new city or town.

10 7. In the event of the division of a county into two or more new
11 counties, determine the expenditure limitation for each of the new
12 counties or the consolidation of counties, pursuant to article IX, section
13 20, Constitution of Arizona, using one of the following two methods. The
14 board of supervisors of each new county ~~upon~~ ON the affirmative vote of
15 two-thirds of the members of the board of supervisors, on or before
16 February 1 following the county's establishment, shall adopt one of the
17 expenditure limitations determined:

18 (a) Method one:

19 (i) Determine the existing county ~~which~~ THAT has a population
20 closest to the population of the new county as of July 1 for the fiscal
21 year preceding the fiscal year for which the expenditure limit is being
22 determined.

23 (ii) Determine the per capita expenditure limit for the existing
24 county determined in item (i) of this subdivision based on the amount
25 determined in paragraph 3, subdivision (c) of this subsection for the
26 first full fiscal year following the establishment of the new county
27 government.

28 (iii) Multiply the per capita amount determined in item (ii) of
29 this subdivision by the population of the new county as of July 1 in the
30 fiscal year in which the new county government is established. The amount
31 ~~thus~~ determined is the expenditure limit for the new county for the first
32 full fiscal year following its establishment.

33 (iv) Determine a base limit for the new county ~~which~~ THAT will
34 yield the new expenditure limit determined in item (iii) of this
35 subdivision for the first full fiscal year following the establishment of
36 the new county government.

37 (b) Method two:

38 (i) Determine the per capita expenditure limit of the old county or
39 counties for the last full fiscal year ~~prior to~~ BEFORE the establishment
40 of the new county government based ~~upon~~ ON the amount determined in
41 paragraph 3, subdivision (c) of this subsection.

1 (ii) Multiply the per capita amount determined in item (i) of this
2 subdivision by the population of the new county as of July 1 in the fiscal
3 year in which the new county government is established. The amount ~~thus~~
4 determined is the expenditure limit for the new county for the first full
5 fiscal year following its establishment.

6 (iii) Determine a base limit for the new county ~~which~~ THAT will
7 yield the new expenditure limit determined in item (ii) of this
8 subdivision for the first full fiscal year following the establishment of
9 the new county government.

10 8. If the governing board of a political subdivision authorizes
11 expenditures in excess of the expenditure limitation determined pursuant
12 to paragraph 4 of this subsection as provided in article IX, section 20,
13 subsection (2), paragraph (b), subdivision (i), Constitution of Arizona,
14 the expenditure limitation for ~~such~~ THAT political subdivision for the
15 following fiscal year shall be reduced by the amount of expenditures in
16 excess of the limitation, unless the governing board has held an election
17 as provided in article IX, section 20, subsection (2), paragraph (b),
18 subdivision (ii), Constitution of Arizona, and the excess expenditure has
19 been approved by a majority of the qualified electors voting in such AN
20 election.

21 9. If the citizens of a political subdivision approve an increase
22 or decrease in the expenditure limitation as provided in article IX,
23 section 20, subsection (6), Constitution of Arizona, the base limit of a
24 political subdivision shall be adjusted by the commission ~~such~~ SO that the
25 expenditure limitation of the political subdivision for the fiscal year
26 following approval reflects the approved increase or decrease.

27 B. For community college districts, the commission shall:

28 1. Determine the base limit of each community college district
29 subject to an expenditure limitation pursuant to article IX, section 21,
30 Constitution of Arizona. For the purposes of this subsection and
31 subsection ~~B~~ C of this section, ~~the~~ "base limit" of each community
32 college district means the amount of expenditures of local revenues in
33 fiscal year 1979-1980 as used to determine the expenditure limitation
34 pursuant to paragraph 4 of this subsection.

35 2. Determine and report to the governing board of each community
36 college district, ~~prior to~~ BEFORE February 1 of each year, the following:

37 (a) The estimated student population, ~~utilizing~~ USING the procedure
38 prescribed in section 15-1466.01, of each community college district for
39 the following fiscal year.

40 (b) The estimated change in the GDP price deflator as prescribed in
41 subsection A, paragraph 2, subdivision (b) of this section.

42 (c) The expenditure limitation for each community college district
43 for the following fiscal year.

44 (d) The modified expenditure limitation as prescribed in section
45 15-1471, if applicable.

1 3. Determine and report to the governing board of each community
2 college district, ~~prior to~~ BEFORE April 1 of each year, the following:

3 (a) The student population, ~~utilizing~~ USING the procedure
4 prescribed in section 15-1466.01, of each community college district for
5 the following fiscal year.

6 (b) The estimated change in the GDP price deflator as prescribed in
7 subsection A, paragraph 2, subdivision (b) of this section.

8 (c) The expenditure limitation for each community college district
9 for the following fiscal year.

10 (d) The modified expenditure limitation as prescribed in section
11 15-1471, if applicable.

12 4. Determine the expenditure limitation for each community college
13 district, as follows:

14 (a) Determine the student population of each community college
15 district for fiscal year 1979-1980 using the definition of full-time
16 equivalent student in section 15-1401 in 1979-1980, except that if a
17 redefinition of full-time equivalent student changes the number of
18 semester credit units per semester from fifteen units, the student
19 population for the 1979-1980 base year shall be recalculated using the new
20 number of units.

21 (b) Determine the estimated student population of each community
22 college district for the fiscal year for which the expenditure limitation
23 is being determined using the definition of full-time equivalent student
24 in section 15-1401.

25 (c) Divide the student population determined in subdivision (b) of
26 this paragraph by the student population determined in subdivision (a) of
27 this paragraph.

28 (d) Determine the estimated or actual GDP price deflator for the
29 1978 calendar year.

30 (e) Determine the estimated GDP price deflator for the calendar
31 year immediately preceding the fiscal year for which the expenditure
32 limitation is being determined.

33 (f) Divide the GDP price deflator determined in subdivision (e) of
34 this paragraph by the GDP price deflator determined in subdivision (d) of
35 this paragraph.

36 (g) Multiply the amount determined in paragraph 1 of this
37 subsection for the community college district by the quotient determined
38 in subdivision (c) of this paragraph and multiply the resulting product by
39 the quotient determined in subdivision (f) of this paragraph.

40 5. In the event of an annexation, creation of a new community
41 college district or a consolidation or change in the boundaries of a
42 community college district, the base limit of a community college district
43 shall be adjusted by the commission according to the following guidelines:

1 (a) In the event of the creation of a new community college
2 district, the base limit of the community college district shall be
3 determined by multiplying the average amount of 1979-1980 per capita
4 expenditures of local revenues for all community college districts within
5 ~~the~~ THIS state by the student population of the new community college
6 district. The expenditure limit of the county in which the new community
7 college district is located shall be reduced by the amount paid to other
8 community college districts for tuition in the fiscal year preceding the
9 fiscal year in which the new community college district is created.

10 (b) In the case of an annexation, consolidation or change in the
11 boundaries of a community college district, the base limit of a community
12 college district shall be adjusted by the commission to reflect the change
13 by increasing the base limit of the community college district gaining the
14 newly included territory and decreasing the base limit of the community
15 college district losing the territory.

16 (c) If an existing community college district consolidates with a
17 contiguous county ~~THAT IS~~ not part of a community college district, the
18 commission shall:

19 (i) Increase the base limit of the existing community college
20 district by an amount equal to the amount of revenue ~~which~~ THAT would have
21 been generated by applying the primary property tax rate of the existing
22 community college district in the immediately prior year to the limited
23 assessed valuation of the contiguous county in the immediately prior year.

24 (ii) Decrease the base limit of the contiguous county by the amount
25 of reimbursement prescribed by section 15-1469, subsection B, paragraph 1,
26 paid by ~~such~~ THAT county in the 1979-1980 base year, except that ~~no~~ A
27 decrease shall NOT be made to the base limit of ~~such~~ THAT county if the
28 reimbursement prescribed by section 15-1469, subsection B, paragraph 1 in
29 the immediately prior year was paid by the state pursuant to section
30 15-1469.01.

31 (d) In the case of a decrease in service boundaries of a community
32 college district, the base limit of the community college district shall
33 be reduced by the commission to reflect the amount attributable to the
34 service area in fiscal year 1979-1980, and the base student population of
35 the community college district shall be reduced by the commission to
36 reflect fiscal year 1979-1980 student population attributable to the
37 service area. The adjusted base limit and the adjusted fiscal year
38 1979-1980 student population shall be used in determining the expenditure
39 limitation for the community college district in the first year in which
40 the service boundaries are diminished and in each subsequent year.

41 ~~C. For school districts the commission shall:~~

42 ~~1. Determine the base limit of school districts subject to the~~
43 ~~expenditure limitation prescribed by article IX, section 21, subsection~~
44 ~~(2), Constitution of Arizona. For the purposes of this subsection and~~
45 ~~subsection D of this section, "base limit" means the total amount of~~

1 ~~expenditures of local revenues of all school districts in fiscal year~~
2 ~~1979-1980 as used to determine the expenditure limitation pursuant to~~
3 ~~paragraph 4 of this subsection.~~

4 ~~2. Determine and report to the legislature prior to March 1 of each~~
5 ~~year the following:~~

6 ~~(a) The estimated total student population of all school districts~~
7 ~~for the current year.~~

8 ~~(b) The estimated change in the GDP price deflator as prescribed in~~
9 ~~subsection A, paragraph 2, subdivision (b) of this section.~~

10 ~~(c) The estimated aggregate expenditure limitation for all school~~
11 ~~districts for the following fiscal year.~~

12 ~~3. Determine and report to the legislature, prior to May 1 of each~~
13 ~~year, the following:~~

14 ~~(a) The total student population of all school districts for the~~
15 ~~current year.~~

16 ~~(b) The estimated change in the GDP price deflator as prescribed in~~
17 ~~subsection A, paragraph 2, subdivision (b) of this section.~~

18 ~~(c) The aggregate expenditure limitation for all school districts~~
19 ~~for the following fiscal year.~~

20 ~~4. Determine the aggregate expenditure limitation for all school~~
21 ~~districts as follows:~~

22 ~~(a) Determine the aggregate student population of all school~~
23 ~~districts for the school year 1978-1979.~~

24 ~~(b) Determine the total student population of all school districts~~
25 ~~for the current year.~~

26 ~~(c) Divide the aggregate student population determined in~~
27 ~~subdivision (b) of this paragraph by the aggregate student population in~~
28 ~~subdivision (a) of this paragraph.~~

29 ~~(d) Determine the estimated or actual GDP price deflator for the~~
30 ~~1978 calendar year.~~

31 ~~(e) Determine the estimated GDP price deflator for the calendar~~
32 ~~year immediately preceding the fiscal year for which the aggregate~~
33 ~~expenditure limitation is being determined.~~

34 ~~(f) Divide the GDP price deflator determined in subdivision (e) of~~
35 ~~this paragraph by the GDP price deflator determined in subdivision (d) of~~
36 ~~this paragraph.~~

37 ~~(g) Multiply the amount determined in paragraph 1 of this~~
38 ~~subsection by the quotient determined in subdivision (c) of this paragraph~~
39 ~~and multiply the resulting product by the quotient determined in~~
40 ~~subdivision (f) of this paragraph.~~

41 ~~D. C.~~ C. In the case of a transfer of all or any part of the cost of
42 providing a governmental function, pursuant to article IX, section 20,
43 subsection (4), Constitution of Arizona, or article IX, section 21,
44 subsection ~~(5)~~ (3), Constitution of Arizona, the COMMISSION SHALL ADJUST
45 THE base limit of political subdivisions, OR community college districts

1 ~~or school districts~~, whichever is applicable, ~~shall be adjusted by the~~
2 ~~commission~~ to reflect the transfer by increasing the base limit of the
3 political subdivision, ~~OR~~ community college district ~~or school district~~
4 to which the cost is transferred and decreasing the base limit of the
5 political subdivision, ~~OR~~ community college district ~~or school district~~
6 from which the cost is transferred by the amount of the cost of the
7 transferred governmental function.

8 ~~F.~~ D. For the purposes of this section:

9 1. "Commission" means the economic estimates commission.

10 2. "GDP price deflator" means the average of the four implicit
11 price deflators for the gross domestic product reported by the United
12 States department of commerce for the four quarters of the calendar year.

13 3. "Political subdivision" means any county, city, including any
14 charter city, or town.

15 4. "Population" shall be defined pursuant to article IX, section
16 20, subsection (3), paragraph (f), Constitution of Arizona.

17 5. "Student population" shall be defined pursuant to article IX,
18 section 21, subsection ~~(4)~~ (2), paragraph ~~(e)~~ (d), Constitution of
19 Arizona.

20 Sec. 7. Subject to the requirements of article IV, part 1,
21 section 1, Constitution of Arizona, section 42-5010, Arizona Revised
22 Statutes, is amended to read:

23 42-5010. Rates; distribution base

24 A. The tax imposed by this article is levied and shall be collected
25 at the following rates:

26 1. Five percent of the tax base as computed for the business of
27 every person engaging or continuing in this state in the following
28 business classifications described in article 2 of this chapter:

29 (a) Transporting classification.

30 (b) Utilities classification.

31 (c) Telecommunications classification.

32 (d) Pipeline classification.

33 (e) Private car line classification.

34 (f) Publication classification.

35 (g) Job printing classification.

36 (h) Prime contracting classification.

37 (i) Amusement classification.

38 (j) Restaurant classification.

39 (k) Personal property rental classification.

40 (l) Retail classification and amounts equal to retail transaction
41 privilege tax due pursuant to section 42-5008.01.

42 2. Five and one-half percent of the tax base as computed for the
43 business of every person engaging or continuing in this state in:

1 (a) The transient lodging classification described in section
2 42-5070.

3 (b) The online lodging marketplace classification described in
4 section 42-5076 who has entered into an agreement with the department to
5 register for, or has otherwise obtained from the department, a license to
6 collect tax pursuant to section 42-5005, subsection L.

7 3. Three and one-eighth percent of the tax base as computed for the
8 business of every person engaging or continuing in this state in the
9 mining classification described in section 42-5072.

10 4. Zero percent of the tax base as computed for the business of
11 every person engaging or continuing in this state in the commercial lease
12 classification described in section 42-5069.

13 B. Except as provided by subsection J of this section, twenty
14 percent of the tax revenues collected at the rate prescribed by subsection
15 A, paragraph 1 of this section from persons on account of engaging in
16 business under the business classifications listed in subsection A,
17 paragraph 1, subdivisions (a) through (h) of this section is designated as
18 distribution base for THE purposes of section 42-5029.

19 C. Forty percent of the tax revenues collected at the rate
20 prescribed by subsection A, paragraph 1 of this section from persons on
21 account of engaging in business under the business classifications listed
22 in subsection A, paragraph 1, subdivisions (i) through (l) of this section
23 is designated as distribution base for THE purposes of section 42-5029.

24 D. Thirty-two percent of the tax revenues collected from persons on
25 account of engaging in business under the business classification listed
26 in subsection A, paragraph 3 of this section is designated as distribution
27 base for THE purposes of section 42-5029.

28 E. Fifty-three and one-third percent of the tax revenues collected
29 from persons on account of engaging in business under the business
30 classification listed in subsection A, paragraph 4 of this section is
31 designated as distribution base for THE purposes of section 42-5029.

32 F. Fifty percent of the tax revenues collected from persons on
33 account of engaging in business under the business classification listed
34 in subsection A, paragraph 2 of this section is designated as distribution
35 base for THE purposes of section 42-5029.

36 G. In addition to the rates prescribed by subsection A of this
37 section, if approved by the qualified electors voting at a statewide
38 general election, an additional rate increment is imposed and shall be
39 collected through June 30, 2021. The taxpayer shall pay taxes pursuant to
40 this subsection at the same time and in the same manner as under
41 subsection A of this section. The department shall separately account for
42 the revenues collected with respect to the rates imposed pursuant to this
43 subsection and the state treasurer shall distribute all of those revenues
44 in the manner prescribed by section 42-5029, subsection E. ~~The rates
45 imposed pursuant to this subsection shall not be considered local revenues~~

1 ~~for purposes of article IX, section 21, Constitution of Arizona.~~ The
2 additional tax rate increment is levied at the rate of six-tenths of one
3 ~~per cent~~ PERCENT of the tax base of every person engaging or continuing in
4 this state in a business classification listed in subsection A, paragraph
5 1 of this section.

6 H. Any increase in the rate of tax that is imposed by this chapter
7 and that is enacted by the legislature or by a vote of the people does not
8 apply with respect to contracts entered into by prime contractors or
9 pursuant to written bids made by prime contractors on or before the
10 effective date of the legislation or the date of the election enacting the
11 increase. To qualify for the exemption under this subsection, the prime
12 contractor must maintain sufficient documentation, in a manner and form
13 prescribed by the department, to verify the date of the contract or
14 written bid.

15 I. For taxpayers THAT ARE taxable under this chapter other than
16 prime contractors taxable pursuant to section 42-5075:

17 1. Any increase in the rate of tax that is levied by this article
18 or article 2 of this chapter enacted by the legislature or by a vote of
19 the people does not apply for a period of one hundred twenty days ~~from~~
20 AFTER the date of the tax rate increase to the gross proceeds of sales or
21 gross income from the business of the taxpayer with respect to written
22 contracts entered into before the effective date of the tax rate increase
23 unless the taxpayer has entered into a contract that contains a provision
24 that entitles the taxpayer to recover from the purchaser the amount of the
25 additional tax levied.

26 2. The provisions of this subsection apply without regard to the
27 accounting method used by the taxpayer to report the taxes imposed under
28 article 2 of this chapter.

29 3. The provisions of this subsection shall not be considered in
30 determining the rate of tax imposed under chapter 6, article 3 of this
31 title.

32 J. Zero percent of the tax revenues that are collected at the rate
33 prescribed by subsection A, paragraph 1 of this section from persons on
34 account of engaging in business under the business classification listed
35 in subsection A, paragraph 1, subdivision (h) of this section, ~~and that~~
36 are subject to any distribution required by section 42-5032.02, ~~is~~
37 designated as distribution base for the purposes of section 42-5029 until
38 the total amount subject to distribution pursuant to section 42-5032.02
39 has reached the maximum amount prescribed by section 42-5032.02,
40 subsection C. Thereafter, twenty percent of the remaining tax revenues is
41 designated as distribution base for the purposes of section 42-5029 as
42 provided by subsection B of this section.

1 Sec. 8. Section 42-5010.01, Arizona Revised Statutes, is amended to
2 read:

3 42-5010.01. Transaction privilege tax; additional rate
4 increment

5 A. From and after June 30, 2021 through June 30, 2041, in addition
6 to the rates prescribed by section 42-5010, subsection A, an additional
7 rate increment is imposed and shall be collected. The additional tax rate
8 increment is levied at the rate of six-tenths of one percent of the tax
9 base of every person engaging or continuing in this state in a business
10 classification listed in section 42-5010, subsection A, paragraph 1.

11 B. The taxpayer shall pay taxes pursuant to this section at the
12 same time and in the same manner as under section 42-5010, subsection A.
13 The department shall separately account for the revenues collected with
14 respect to the rates imposed by this section, and the state treasurer
15 shall distribute all of those revenues in the manner prescribed by section
16 42-5029.02. ~~The rates imposed by this section are not considered local~~
17 ~~revenues for purposes of article IX, section 21, Constitution of Arizona.~~

18 Sec. 9. Conditional exactment; applicability

19 This act does not become effective unless the Constitution of
20 Arizona is amended by a vote of the people at the next general election to
21 repeal the expenditure limitation for school districts and applies to
22 fiscal years beginning from and after June 30, 2023.

23 Sec. 10. Requirements for enactment; three-fourths vote

24 Pursuant to article IV, part 1, section 1, Constitution of Arizona,
25 sections 15-1285 and 42-5010, Arizona Revised Statutes, as amended by this
26 act, are effective only on the affirmative vote of at least three-fourths
27 of the members of each house of the legislature.