

REFERENCE TITLE: expenditure limitation; school districts; repeal

State of Arizona  
Senate  
Fifty-sixth Legislature  
First Regular Session  
2023

## **SB 1043**

Introduced by

Senators Marsh: Alston, Burch, Diaz, Epstein, Fernandez, Gabaldón,  
Gonzales, Hernandez, Miranda, Sundareshan, Terán; Representatives  
Blattman, Bravo, Hernandez A, Hernandez C, Hernandez M, Ortiz, Pawlik,  
Schwiebert, Seaman, Stahl Hamilton, Terech

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~~ be used  
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 forty percent of the  
26 compensation and employee-related expenditures of a justice of the peace,  
27 and the county shall pay sixty percent of the compensation and  
28 employee-related expenditures of a justice of the peace, except that the  
29 county shall pay the full amount of the employer contribution of the state  
30 retirement system or plan or any county health plan.

31 C. If a county is subject to subsection B of this section, the  
32 state treasurer shall remit the compensation and employee-related  
33 expenditures payable by the state to the county treasurer, and the county  
34 shall disburse the monies to the justice of the peace.

35 D. In a county with a population of one million five hundred  
36 thousand persons or more, the county shall pay one hundred percent of the  
37 compensation and employee-related expenditures of a justice of the peace.

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

- 40 1. The county's contribution to the hospitalization and medical  
41 care of the indigent sick and for the administrative costs of implementing  
42 sections 36-2901.01 and 36-2901.04 shall be reduced pursuant to section  
43 11-292, subsection R in an amount that is equal to the difference between  
44 the total costs that the county paid pursuant to subsection D of this

1 section and the amount that the county would have paid if the county were  
2 subject to subsection B of this section.

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

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

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

17 41-563. Expenditure limitations; determination by the  
18 commission; definitions

19 A. For political subdivisions, the commission shall:

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

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

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

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

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

44 3. Determine and report to the governing board of each political  
45 subdivision subject to an expenditure limitation pursuant to article IX,

1 section 20, Constitution of Arizona, ~~prior to~~ BEFORE April 1 of each year,  
2 the following:

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

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

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

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

16 (a) Determine the population of the political subdivision as of  
17 July 1, 1978.

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

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

23 (d) Determine the estimated or actual GDP price deflator for the  
24 1978 calendar year.

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

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

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

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

1 statement and estimate of expenses is prepared as required by section  
2 42-17101.

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

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

16 (a) Method one:

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

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

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

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

35 (b) Method two:

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

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

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

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

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

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

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

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

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

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

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

39 (d) The modified expenditure limitation as prescribed in section  
40 15-1471, if applicable.

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

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

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

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

5 (d) The modified expenditure limitation as prescribed in section  
6 15-1471, if applicable.

7 4. Determine the expenditure limitation for each community college  
8 district, as follows:

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

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

20 (c) Divide the student population determined in subdivision (b) of  
21 this paragraph by the student population determined in subdivision (a) of  
22 this paragraph.

23 (d) Determine the estimated or actual GDP price deflator for the  
24 1978 calendar year.

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

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

31 (g) Multiply the amount determined in paragraph 1 of this  
32 subsection for the community college district by the quotient determined  
33 in subdivision (c) of this paragraph and multiply the resulting product by  
34 the quotient determined in subdivision (f) of this paragraph.

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

39 (a) In the event of the creation of a new community college  
40 district, the base limit of the community college district shall be  
41 determined by multiplying the average amount of 1979-1980 per capita  
42 expenditures of local revenues for all community college districts within  
43 ~~the~~ THIS state by the student population of the new community college  
44 district. The expenditure limit of the county in which the new community  
45 college district is located shall be reduced by the amount paid to other



1 community college districts for tuition in the fiscal year preceding the  
2 fiscal year in which the new community college district is created.

3 (b) In the case of an annexation, consolidation or change in the  
4 boundaries of a community college district, the base limit of a community  
5 college district shall be adjusted by the commission to reflect the change  
6 by increasing the base limit of the community college district gaining the  
7 newly included territory and decreasing the base limit of the community  
8 college district losing the territory.

9 (c) If an existing community college district consolidates with a  
10 contiguous county **THAT IS** not part of a community college district, the  
11 commission shall:

12 (i) Increase the base limit of the existing community college  
13 district by an amount equal to the amount of revenue **which THAT** would have  
14 been generated by applying the primary property tax rate of the existing  
15 community college district in the immediately prior year to the limited  
16 assessed valuation of the contiguous county in the immediately prior year.

17 (ii) Decrease the base limit of the contiguous county by the amount  
18 of reimbursement prescribed by section 15-1469, subsection B, paragraph 1,  
19 paid by **such THAT** county in the 1979-1980 base year, except that ~~no~~ **A**  
20 decrease shall **NOT** be made to the base limit of **such THAT** county if the  
21 reimbursement prescribed by section 15-1469, subsection B, paragraph 1 in  
22 the immediately prior year was paid by **the THIS** state pursuant to section  
23 15-1469.01.

24 (d) In the case of a decrease in service boundaries of a community  
25 college district, the base limit of the community college district shall  
26 be reduced by the commission to reflect the amount attributable to the  
27 service area in fiscal year 1979-1980, and the base student population of  
28 the community college district shall be reduced by the commission to  
29 reflect fiscal year 1979-1980 student population attributable to the  
30 service area. The adjusted base limit and the adjusted fiscal year  
31 1979-1980 student population shall be used in determining the expenditure  
32 limitation for the community college district in the first year in which  
33 the service boundaries are diminished and in each subsequent year.

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

35 ~~1. Determine the base limit of school districts subject to the~~  
36 ~~expenditure limitation prescribed by article IX, section 21, subsection~~  
37 ~~(2), Constitution of Arizona. For the purposes of this subsection and~~  
38 ~~subsection D of this section, "base limit" means the total amount of~~  
39 ~~expenditures of local revenues of all school districts in fiscal year~~  
40 ~~1979-1980 as used to determine the expenditure limitation pursuant to~~  
41 ~~paragraph 4 of this subsection.~~

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

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

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

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

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

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

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

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

13 ~~4. Determine the aggregate expenditure limitation for all school~~  
14 ~~districts as follows:~~

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

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

19 ~~(c) Divide the aggregate student population determined in~~  
20 ~~subdivision (b) of this paragraph by the aggregate student population in~~  
21 ~~subdivision (a) of this paragraph.~~

22 ~~(d) Determine the estimated or actual GDP price deflator for the~~  
23 ~~1978 calendar year.~~

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

27 ~~(f) Divide the GDP price deflator determined in subdivision (e) of~~  
28 ~~this paragraph by the GDP price deflator determined in subdivision (d) of~~  
29 ~~this paragraph.~~

30 ~~(g) Multiply the amount determined in paragraph 1 of this~~  
31 ~~subsection by the quotient determined in subdivision (c) of this paragraph~~  
32 ~~and multiply the resulting product by the quotient determined in~~  
33 ~~subdivision (f) of this paragraph.~~

34 ~~D.~~ **C.** In the case of a transfer of all or any part of the cost of  
35 providing a governmental function, pursuant to article IX, section 20,  
36 subsection (4), Constitution of Arizona, or article IX, section 21,  
37 subsection ~~(5)~~ (3), Constitution of Arizona, the **COMMISSION SHALL ADJUST**  
38 **THE** base limit of political subdivisions, ~~OR~~ community college districts  
39 ~~or school districts~~, whichever is applicable, ~~shall be adjusted by the~~  
40 ~~commission~~ to reflect the transfer by increasing the base limit of the  
41 political subdivision, ~~OR~~ community college district ~~or school district~~  
42 to which the cost is transferred and decreasing the base limit of the  
43 political subdivision, ~~OR~~ community college district ~~or school district~~  
44 from which the cost is transferred by the amount of the cost of the  
45 transferred governmental function.

1 ~~E.~~ D. For the purposes of this section:

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

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

6 3. "Political subdivision" means any county, city, including any  
7 charter city, or town.

8 4. "Population" shall be defined pursuant to article IX, section  
9 20, subsection (3), paragraph (f), Constitution of Arizona.

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

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

16 42-5010. Rates; distribution base

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

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

22 (a) Transporting classification.

23 (b) Utilities classification.

24 (c) Telecommunications classification.

25 (d) Pipeline classification.

26 (e) Private car line classification.

27 (f) Publication classification.

28 (g) Job printing classification.

29 (h) Prime contracting classification.

30 (i) Amusement classification.

31 (j) Restaurant classification.

32 (k) Personal property rental classification.

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

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

37 (a) The transient lodging classification described in section  
38 42-5070.

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

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

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

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

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

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

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

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

27           G. In addition to the rates prescribed by subsection A of this  
28 section, if approved by the qualified electors voting at a statewide  
29 general election, an additional rate increment is imposed and shall be  
30 collected through June 30, 2021. The taxpayer shall pay taxes pursuant to  
31 this subsection at the same time and in the same manner as under  
32 subsection A of this section. The department shall separately account for  
33 the revenues collected with respect to the rates imposed pursuant to this  
34 subsection and the state treasurer shall distribute all of those revenues  
35 in the manner prescribed by section 42-5029, subsection E. ~~The rates~~  
36 ~~imposed pursuant to this subsection shall not be considered local revenues~~  
37 ~~for purposes of article IX, section 21, Constitution of Arizona.~~ The  
38 additional tax rate increment is levied at the rate of six-tenths of one  
39 ~~per cent~~ PERCENT of the tax base of every person engaging or continuing in  
40 this state in a business classification listed in subsection A, paragraph  
41 1 of this section.

42           H. Any increase in the rate of tax that is imposed by this chapter  
43 and that is enacted by the legislature or by a vote of the people does not  
44 apply with respect to contracts entered into by prime contractors or  
45 pursuant to written bids made by prime contractors on or before the

1 effective date of the legislation or the date of the election enacting the  
2 increase. To qualify for the exemption under this subsection, the prime  
3 contractor must maintain sufficient documentation, in a manner and form  
4 prescribed by the department, to verify the date of the contract or  
5 written bid.

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

8 1. Any increase in the rate of tax that is levied by this article  
9 or article 2 of this chapter enacted by the legislature or by a vote of  
10 the people does not apply for a period of one hundred twenty days ~~from~~  
11 **AFTER** the date of the tax rate increase to the gross proceeds of sales or  
12 gross income from the business of the taxpayer with respect to written  
13 contracts entered into before the effective date of the tax rate increase  
14 unless the taxpayer has entered into a contract that contains a provision  
15 that entitles the taxpayer to recover from the purchaser the amount of the  
16 additional tax levied.

17 2. The provisions of this subsection apply without regard to the  
18 accounting method used by the taxpayer to report the taxes imposed under  
19 article 2 of this chapter.

20 3. The provisions of this subsection shall not be considered in  
21 determining the rate of tax imposed under chapter 6, article 3 of this  
22 title.

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

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

36 **42-5010.01. Transaction privilege tax; additional rate**  
37 **increment**

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

44 B. The taxpayer shall pay taxes pursuant to this section at the  
45 same time and in the same manner as under section 42-5010, subsection A.

1 The department shall separately account for the revenues collected with  
2 respect to the rates imposed by this section, and the state treasurer  
3 shall distribute all of those revenues in the manner prescribed by section  
4 42-5029.02. ~~The rates imposed by this section are not considered local~~  
5 ~~revenues for purposes of article IX, section 21, Constitution of Arizona.~~

6 Sec. 9. Conditional exactment; applicability

7 This act does not become effective unless the Constitution of  
8 Arizona is amended by a vote of the people at the next general election by  
9 passage of Senate Concurrent Resolution \_\_\_\_, fifty-sixth legislature,  
10 first regular session, relating to expenditure limitations and applies to  
11 fiscal years beginning from and after June 30, 2025.

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

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