

*Sponsorship has changed since the bill was introduced

House Engrossed

law enforcement; defunding; prohibition

State of Arizona
House of Representatives
Fifty-sixth Legislature
Second Regular Session
2024

HOUSE BILL 2120

AN ACT

AMENDING TITLE 9, CHAPTER 4, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 9-500.50; AMENDING SECTION 42-5029, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 411, SECTION 2; AMENDING SECTION 42-5029, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2023, CHAPTER 204, SECTION 6; AMENDING SECTION 43-206, ARIZONA REVISED STATUTES; RELATING TO LAW ENFORCEMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 9, chapter 4, article 8, Arizona Revised Statutes,
3 is amended by adding section 9-500.50, to read:

4 9-500.50. Law enforcement; budget decrease; prohibition;
5 applicability; definition

6 A. A CITY OR TOWN MAY NOT REDUCE THE ANNUAL OPERATING BUDGET FOR A
7 LAW ENFORCEMENT AGENCY BY ANY AMOUNT BELOW THE PREVIOUS YEAR'S BUDGET.

8 B. IF A CITY OR TOWN REDUCES THE ANNUAL OPERATING BUDGET FOR A LAW
9 ENFORCEMENT AGENCY, THE CITY OR TOWN SHALL NOTIFY THE STATE TREASURER OF
10 THE REDUCTION. THE STATE TREASURER SHALL THEN WITHHOLD ANY STATE SHARED
11 MONIES FROM THE CITY OR TOWN IN AN AMOUNT EQUAL TO THE AMOUNT OF THE
12 REDUCTION OF THE ANNUAL OPERATING BUDGET FOR THE LAW ENFORCEMENT AGENCY
13 PURSUANT TO SECTION 42-5029, SUBSECTION M AND SECTION 43-206,
14 SUBSECTION G. THE STATE TREASURER SHALL CONTINUE TO WITHHOLD STATE SHARED
15 MONIES UNTIL NOTIFICATION FROM THE CITY OR TOWN THAT THE REDUCTION IN THE
16 LAW ENFORCEMENT AGENCY'S BUDGET HAS BEEN RESTORED.

17 C. THE REQUIREMENTS OF THIS SECTION DO NOT APPLY IF ANY OF THE
18 FOLLOWING APPLIES:

19 1. THE CITY OR TOWN DOES NOT HAVE THE MONIES REQUIRED TO CONTINUE
20 THE ANNUAL OPERATING BUDGET FOR A LAW ENFORCEMENT AGENCY AT THE SAME
21 AMOUNT AS THE PREVIOUS YEAR.

22 2. THE ANNUAL OPERATING BUDGETS FOR ALL DEPARTMENTS AND AGENCIES IN
23 THE CITY OR TOWN HAVE BEEN REDUCED AT THE SAME OR A GREATER AMOUNT AS THE
24 REDUCTION IN THE LAW ENFORCEMENT AGENCY'S ANNUAL OPERATING BUDGET.

25 3. THE CITY OR TOWN HAS NOT EXPERIENCED POPULATION GROWTH.

26 4. THE CITY OR TOWN APPROVED A TEMPORARY INCREASE IN THE LAW
27 ENFORCEMENT AGENCY'S ANNUAL OPERATING BUDGET THE PREVIOUS YEAR FOR A
28 ONETIME EXPENSE OR CAPITAL OUTLAY AND THE CITY OR TOWN RESTORES THE LAW
29 ENFORCEMENT AGENCY'S ANNUAL OPERATING BUDGET TO THE SAME AMOUNT AS BEFORE
30 THE TEMPORARY INCREASE.

31 D. IF THE CITY OR TOWN REDUCES THE CITY'S OR TOWN'S ANNUAL
32 OPERATING BUDGET PURSUANT TO SUBSECTION C OF THIS SECTION, THE CITY OR
33 TOWN SHALL REDUCE ALL OTHER DEPARTMENTS' OR AGENCIES' ANNUAL OPERATING
34 BUDGETS IN THE CITY OR TOWN BY AT LEAST FIFTY PERCENT OR AT THE SAME
35 AMOUNT AS THE LAW ENFORCEMENT AGENCY'S ANNUAL OPERATING BUDGET. THE CITY
36 OR TOWN MAY NOT REDUCE THE ANNUAL OPERATING BUDGET FOR A LAW ENFORCEMENT
37 AGENCY FIRST.

38 E. FOR THE PURPOSES OF THIS SECTION, "LAW ENFORCEMENT AGENCY" MEANS
39 A MUNICIPAL POLICE DEPARTMENT.

1 subsection B and section 42-5205, subsection B throughout the state for
2 the calendar month.

3 3. Pay an additional 2.43 percent to the counties in this state as
4 follows:

5 (a) Average the following proportions:

6 (i) The proportion that the assessed valuation used to determine
7 secondary property taxes of each county, after deducting that part of the
8 assessed valuation that is exempt from taxation at the beginning of the
9 month for which the amount is to be paid, bears to the total assessed
10 valuations used to determine secondary property taxes of all the counties
11 after deducting that portion of the assessed valuations that is exempt
12 from taxation at the beginning of the month for which the amount is to be
13 paid. Property of a city or town that is not within or contiguous to the
14 municipal corporate boundaries and from which water is or may be withdrawn
15 or diverted and transported for use on other property is considered to be
16 taxable property in the county for purposes of determining assessed
17 valuation in the county under this item.

18 (ii) The proportion that the distribution base monies collected
19 during the calendar month in each county under this article, section
20 42-5164, subsection B and section 42-5205, subsection B bear to the total
21 distribution base monies collected under this article, section 42-5164,
22 subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state
23 for the calendar month.

24 (b) If the proportion computed under subdivision (a) of this
25 paragraph for any county is greater than the proportion computed under
26 paragraph 2 of this subsection, the department shall compute the
27 difference between the amount distributed to that county under paragraph 2
28 of this subsection and the amount that would have been distributed under
29 paragraph 2 of this subsection using the proportion computed under
30 subdivision (a) of this paragraph and shall pay that difference to the
31 county from the amount available for distribution under this paragraph.
32 Any monies remaining after all payments under this subdivision shall be
33 distributed among the counties according to the proportions computed under
34 paragraph 2 of this subsection.

35 4. After any distributions required by sections 42-5030,
36 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making
37 any transfer to the water quality assurance revolving fund as required by
38 section 49-282, subsection B, credit the remainder of the monies
39 designated as distribution base to the state general fund. From this
40 amount the legislature shall annually appropriate to:

41 (a) The department of revenue sufficient monies to administer and
42 enforce this article and articles 5 and 8 of this chapter.

43 (b) The department of economic security monies to be used for the
44 purposes stated in title 46, chapter 1.

45 (c) The firearms safety and ranges fund established by section

1 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected
2 from the retail classification pursuant to section 42-5061 for the current
3 fiscal year.

4 E. If approved by the qualified electors voting at a statewide
5 general election, all monies collected pursuant to section 42-5010,
6 subsection G and section 42-5155, subsection D shall be distributed each
7 fiscal year pursuant to this subsection. The monies distributed pursuant
8 to this subsection are in addition to any other appropriation, transfer or
9 other allocation of public or private monies from any other source and
10 shall not supplant, replace or cause a reduction in other school district,
11 charter school, university or community college funding sources. The
12 monies shall be distributed as follows:

13 1. If there are outstanding state school facilities revenue bonds
14 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
15 amount that is necessary to pay the fiscal year's debt service on
16 outstanding state school improvement revenue bonds for the current fiscal
17 year shall be transferred each month to the school improvement revenue
18 bond debt service fund established by section 15-2084. The total amount
19 of bonds for which these monies may be allocated for the payment of debt
20 service shall not exceed a principal amount of eight hundred million
21 dollars exclusive of refunding bonds and other refinancing obligations.

22 2. After any transfer of monies pursuant to paragraph 1 of this
23 subsection, twelve per cent of the remaining monies collected during the
24 preceding month shall be transferred to the technology and research
25 initiative fund established by section 15-1648 to be distributed among the
26 universities for the purpose of investment in technology and
27 research-based initiatives.

28 3. After the transfer of monies pursuant to paragraph 1 of this
29 subsection, three per cent of the remaining monies collected during the
30 preceding month shall be transferred to the workforce development account
31 established in each community college district pursuant to section 15-1472
32 for the purpose of investment in workforce development programs.

33 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
34 this subsection, one-twelfth of the amount a community college that is
35 owned, operated or chartered by a qualifying Indian tribe on its own
36 Indian reservation would receive pursuant to section 15-1472, subsection
37 D, paragraph 2 if it were a community college district shall be
38 distributed each month to the treasurer or other designated depository of
39 a qualifying Indian tribe. Monies distributed pursuant to this paragraph
40 are for the exclusive purpose of providing support to one or more
41 community colleges owned, operated or chartered by a qualifying Indian
42 tribe and shall be used in a manner consistent with section 15-1472,
43 subsection B. For the purposes of this paragraph, "qualifying Indian
44 tribe" has the same meaning as defined in section 42-5031.01,
45 subsection D.

1 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of
2 this subsection, one-twelfth of the following amounts shall be transferred
3 each month to the department of education for the increased cost of basic
4 state aid under section 15-971 due to added school days and associated
5 teacher salary increases enacted in 2000:

6 (a) In fiscal year 2001-2002, \$15,305,900.

7 (b) In fiscal year 2002-2003, \$31,530,100.

8 (c) In fiscal year 2003-2004, \$48,727,700.

9 (d) In fiscal year 2004-2005, \$66,957,200.

10 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
11 \$86,280,500.

12 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
13 this subsection, seven million eight hundred thousand dollars is
14 appropriated each fiscal year, to be paid in monthly installments, to the
15 department of education to be used for school safety as provided in
16 section 15-154 and two hundred thousand dollars is appropriated each
17 fiscal year, to be paid in monthly installments to the department of
18 education to be used for the character education matching grant program as
19 provided in section 15-154.01.

20 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of
21 this subsection, no more than seven million dollars may be appropriated by
22 the legislature each fiscal year to the department of education to be used
23 for accountability purposes as described in section 15-241 and title 15,
24 chapter 9, article 8.

25 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of
26 this subsection, one million five hundred thousand dollars is appropriated
27 each fiscal year, to be paid in monthly installments, to the failing
28 schools tutoring fund established by section 15-241.

29 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of
30 this subsection, twenty-five million dollars shall be transferred each
31 fiscal year to the state general fund to reimburse the general fund for
32 the cost of the income tax credit allowed by section 43-1072.01.

33 10. After the payment of monies pursuant to paragraphs 1 through 9
34 of this subsection, the remaining monies collected during the preceding
35 month shall be transferred to the classroom site fund established by
36 section 15-977. The monies shall be allocated as follows in the manner
37 prescribed by section 15-977:

38 (a) Forty per cent shall be allocated for teacher compensation
39 based on performance.

40 (b) Twenty per cent shall be allocated for increases in teacher
41 base compensation and employee related expenses.

42 (c) Forty per cent shall be allocated for maintenance and operation
43 purposes.

44 F. The department shall credit the remainder of the monies in the
45 transaction privilege and severance tax clearing account to the state

1 general fund, subject to any distribution required by section 42-5030.01.

2 G. Notwithstanding subsection D of this section, if a court of
3 competent jurisdiction finally determines that tax monies distributed
4 under this section were illegally collected under this article or articles
5 5 and 8 of this chapter and orders the monies to be refunded to the
6 taxpayer, the department shall compute the amount of such monies that was
7 distributed to each city, town and county under this section. Each
8 city's, town's and county's proportionate share of the costs shall be
9 based on the amount of the original tax payment each municipality and
10 county received. Each month the state treasurer shall reduce the amount
11 otherwise distributable to the city, town and county under this section by
12 ~~one thirty-sixth~~ 1/36 of the total amount to be recovered from the city,
13 town or county until the total amount has been recovered, but the monthly
14 reduction for any city, town or county shall not exceed ten percent of the
15 full monthly distribution to that entity. The reduction shall begin for
16 the first calendar month after the final disposition of the case and shall
17 continue until the total amount, including interest and costs, has been
18 recovered.

19 H. On receiving a certificate of default from the greater Arizona
20 development authority pursuant to section 41-2257 or 41-2258 and to the
21 extent not otherwise expressly prohibited by law, the state treasurer
22 shall withhold from the next succeeding distribution of monies pursuant to
23 this section due to the defaulting political subdivision the amount
24 specified in the certificate of default and immediately deposit the amount
25 withheld in the greater Arizona development authority revolving fund. The
26 state treasurer shall continue to withhold and deposit the monies until
27 the greater Arizona development authority certifies to the state treasurer
28 that the default has been cured. ~~In no event may~~ The state treasurer MAY
29 NOT withhold any amount that the defaulting political subdivision
30 certifies to the state treasurer and the authority as being necessary to
31 make any required deposits then due for the payment of principal and
32 interest on bonds of the political subdivision that were issued before the
33 date of the loan repayment agreement or bonds and that have been secured
34 by a pledge of distributions made pursuant to this section.

35 I. Except as provided by sections 42-5033 and 42-5033.01, the
36 population of a county, city or town as determined by the most recent
37 United States decennial census plus any revisions to the decennial census
38 certified by the United States bureau of the census shall be used as the
39 basis for apportioning monies pursuant to subsection D of this section.

40 J. Except as otherwise provided by this subsection, on notice from
41 the department of revenue pursuant to section 42-6010, subsection B, the
42 state treasurer shall withhold from the distribution of monies pursuant to
43 this section to the affected city or town the amount of the penalty for
44 business location municipal tax incentives provided by the city or town to
45 a business entity that locates a retail business facility in the city or

1 town. The state treasurer shall continue to withhold monies pursuant to
2 this subsection until the entire amount of the penalty has been withheld.
3 The state treasurer shall credit any monies withheld pursuant to this
4 subsection to the state general fund as provided by subsection D,
5 paragraph 4 of this section. The state treasurer shall not withhold any
6 amount that the city or town certifies to the department of revenue and
7 the state treasurer as being necessary to make any required deposits or
8 payments for debt service on bonds or other long-term obligations of the
9 city or town that were issued or incurred before the location incentives
10 provided by the city or town.

11 K. On notice from the auditor general pursuant to section 9-626,
12 subsection D, the state treasurer shall withhold from the distribution of
13 monies pursuant to this section to the affected city the amount computed
14 pursuant to section 9-626, subsection D. The state treasurer shall
15 continue to withhold monies pursuant to this subsection until the entire
16 amount specified in the notice has been withheld. The state treasurer
17 shall credit any monies withheld pursuant to this subsection to the state
18 general fund as provided by subsection D, paragraph 4 of this section.

19 L. Except as otherwise provided by this subsection, on notice from
20 the attorney general pursuant to section 41-194.01, subsection B,
21 paragraph 1 that an ordinance, regulation, order or other official action
22 adopted or taken by the governing body of a county, city or town violates
23 state law or the Constitution of Arizona, the state treasurer shall
24 withhold the distribution of monies pursuant to this section to the
25 affected county, city or town and shall continue to withhold monies
26 pursuant to this subsection until the attorney general certifies to the
27 state treasurer that the violation has been resolved. The state treasurer
28 shall redistribute the monies withheld pursuant to this subsection among
29 all other counties, cities and towns in proportion to their population as
30 provided by subsection D of this section. The state treasurer shall not
31 withhold any amount that the county, city or town certifies to the
32 attorney general and the state treasurer as being necessary to make any
33 required deposits or payments for debt service on bonds or other long-term
34 obligations of the county, city or town that were issued or incurred
35 before committing the violation.

36 M. EXCEPT AS OTHERWISE PROVIDED BY THIS SUBSECTION, ON NOTICE FROM
37 THE GOVERNING BODY OF A CITY OR TOWN THAT AN OFFICIAL ACTION THAT WAS
38 ADOPTED OR TAKEN BY THE GOVERNING BODY OF THE CITY OR TOWN REDUCES A LAW
39 ENFORCEMENT AGENCY'S BUDGET FROM THE PREVIOUS YEAR'S BUDGET PURSUANT TO
40 SECTION 9-500.50, THE STATE TREASURER SHALL WITHHOLD THE DISTRIBUTION OF
41 MONIES PURSUANT TO THIS SECTION IN AN AMOUNT EQUAL TO THE REDUCTION TO THE
42 LAW ENFORCEMENT AGENCY'S BUDGET TO THE AFFECTED CITY OR TOWN AND SHALL
43 CONTINUE TO WITHHOLD MONIES PURSUANT TO THIS SUBSECTION UNTIL THE
44 GOVERNING BODY OF THE CITY OR TOWN NOTIFIES THE STATE TREASURER THAT THE
45 REDUCTION HAS BEEN RESTORED. THE STATE TREASURER SHALL NOT WITHHOLD ANY

1 AMOUNT THAT THE CITY OR TOWN CERTIFIES AS BEING NECESSARY TO MAKE ANY
2 REQUIRED DEPOSITS OR PAYMENTS FOR DEBT SERVICE ON BONDS OR OTHER LONG-TERM
3 OBLIGATIONS OF THE CITY OR TOWN THAT WERE ISSUED OR INCURRED BEFORE THE
4 REDUCTION IN THE LAW ENFORCEMENT AGENCY'S BUDGET. THIS SUBSECTION DOES
5 NOT APPLY TO A REDUCTION IN BUDGET PURSUANT TO SECTION 9-500.50,
6 SUBSECTION C.

7 ~~M.~~ N. For the purposes of this section: ~~;~~

8 1. "Community college district":

9 (a) Means a community college district that is established pursuant
10 to sections 15-1402 and 15-1403 and that is a political subdivision of
11 this state. ~~and;~~

12 (b) Unless otherwise specified, includes a community college
13 tuition financing district established pursuant to section 15-1409.

14 2. "LAW ENFORCEMENT AGENCY" MEANS A MUNICIPAL POLICE DEPARTMENT.

15 Sec. 3. Section 42-5029, Arizona Revised Statutes, as amended by
16 Laws 2023, chapter 204, section 6, is amended to read:

17 42-5029. Remission and distribution of monies; withholding;
18 definitions

19 A. The department shall deposit, pursuant to sections 35-146 and
20 35-147, all revenues collected under this article and articles 4, 5 and 8
21 of this chapter pursuant to section 42-1116, separately accounting for:

22 1. Payments of estimated tax under section 42-5014, subsection D.

23 2. Revenues collected pursuant to section 42-5070.

24 3. Revenues collected under this article and article 5 of this
25 chapter from and after June 30, 2000 from sources located on Indian
26 reservations in this state.

27 4. Revenues collected pursuant to section 42-5010, subsection G and
28 section 42-5155, subsection D.

29 5. Revenues collected pursuant to section 42-5010.01 and section
30 42-5155, subsection E.

31 6. Revenues collected pursuant to section 42-5061 from a remote
32 seller.

33 B. The department shall credit payments of estimated tax to an
34 estimated tax clearing account and each month shall transfer all monies in
35 the estimated tax clearing account to a fund designated as the transaction
36 privilege and severance tax clearing account. The department shall credit
37 all other payments to the transaction privilege and severance tax clearing
38 account, separately accounting for the monies designated as distribution
39 base under sections 42-5010, 42-5164 and 42-5205. Each month the
40 department shall report to the state treasurer the amount of monies
41 collected pursuant to this article and articles 4, 5 and 8 of this
42 chapter.

43 C. On notification by the department, the state treasurer shall
44 distribute the monies deposited in the transaction privilege and severance
45 tax clearing account in the manner prescribed by this section and by

1 sections 42-5164 and 42-5205, after deducting warrants drawn against the
2 account pursuant to sections 42-1118 and 42-1254.

3 D. Of the monies designated as distribution base, the department
4 shall:

5 1. Pay twenty-five percent to the various incorporated
6 municipalities in this state in proportion to their population to be used
7 by the municipalities for any municipal purpose, except a municipality
8 shall use monies paid from revenues separately accounted for pursuant to
9 subsection A, paragraph 6 of this section and paid pursuant to this
10 paragraph for public safety before any other municipal purpose.

11 2. Pay 38.08 percent to the counties in this state by averaging the
12 following proportions:

13 (a) The proportion that the population of each county bears to the
14 total state population.

15 (b) The proportion that the distribution base monies collected
16 during the calendar month in each county under this article, section
17 42-5164, subsection B and section 42-5205, subsection B bear to the total
18 distribution base monies collected under this article, section 42-5164,
19 subsection B and section 42-5205, subsection B throughout the state for
20 the calendar month.

21 3. Pay an additional 2.43 percent to the counties in this state as
22 follows:

23 (a) Average the following proportions:

24 (i) The proportion that the assessed valuation used to determine
25 secondary property taxes of each county, after deducting that part of the
26 assessed valuation that is exempt from taxation at the beginning of the
27 month for which the amount is to be paid, bears to the total assessed
28 valuations used to determine secondary property taxes of all the counties
29 after deducting that portion of the assessed valuations that is exempt
30 from taxation at the beginning of the month for which the amount is to be
31 paid. Property of a city or town that is not within or contiguous to the
32 municipal corporate boundaries and from which water is or may be withdrawn
33 or diverted and transported for use on other property is considered to be
34 taxable property in the county for purposes of determining assessed
35 valuation in the county under this item.

36 (ii) The proportion that the distribution base monies collected
37 during the calendar month in each county under this article, section
38 42-5164, subsection B and section 42-5205, subsection B bear to the total
39 distribution base monies collected under this article, section 42-5164,
40 subsection B and section 42-5205, subsection B throughout this state for
41 the calendar month.

42 (b) If the proportion computed under subdivision (a) of this
43 paragraph for any county is greater than the proportion computed under
44 paragraph 2 of this subsection, the department shall compute the
45 difference between the amount distributed to that county under paragraph 2

1 of this subsection and the amount that would have been distributed under
2 paragraph 2 of this subsection using the proportion computed under
3 subdivision (a) of this paragraph and shall pay that difference to the
4 county from the amount available for distribution under this paragraph.
5 Any monies remaining after all payments under this subdivision shall be
6 distributed among the counties according to the proportions computed under
7 paragraph 2 of this subsection.

8 4. After any distributions required by sections 42-5030,
9 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making
10 any transfer to the water quality assurance revolving fund as required by
11 section 49-282, subsection B, credit the remainder of the monies
12 designated as distribution base to the state general fund. From this
13 amount the legislature shall annually appropriate to:

14 (a) The department of revenue, ~~—~~ sufficient monies to administer and
15 enforce this article and articles 5 and 8 of this chapter.

16 (b) The department of economic security, ~~—~~ monies to be used for the
17 purposes stated in title 46, chapter 1.

18 (c) The firearms safety and ranges fund established by section
19 17-273, ~~—~~ \$50,000 derived from the taxes collected from the retail
20 classification pursuant to section 42-5061 for the current fiscal year.

21 E. If approved by the qualified electors voting at a statewide
22 general election, all monies collected pursuant to section 42-5010,
23 subsection G and section 42-5155, subsection D shall be distributed each
24 fiscal year pursuant to this subsection. The monies distributed pursuant
25 to this subsection are in addition to any other appropriation, transfer or
26 other allocation of public or private monies from any other source and
27 shall not supplant, replace or cause a reduction in other school district,
28 charter school, university or community college funding sources. The
29 monies shall be distributed as follows:

30 1. If there are outstanding state school facilities revenue bonds
31 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
32 amount that is necessary to pay the fiscal year's debt service on
33 outstanding state school improvement revenue bonds for the current fiscal
34 year shall be transferred each month to the school improvement revenue
35 bond debt service fund established by section 15-2084. The total amount
36 of bonds for which these monies may be allocated for the payment of debt
37 service shall not exceed a principal amount of eight hundred million
38 dollars exclusive of refunding bonds and other refinancing obligations.

39 2. After any transfer of monies pursuant to paragraph 1 of this
40 subsection, twelve per cent of the remaining monies collected during the
41 preceding month shall be transferred to the technology and research
42 initiative fund established by section 15-1648 to be distributed among the
43 universities for the purpose of investment in technology and
44 research-based initiatives.

1 3. After the transfer of monies pursuant to paragraph 1 of this
2 subsection, three per cent of the remaining monies collected during the
3 preceding month shall be transferred to the workforce development account
4 established in each community college district pursuant to section 15-1472
5 for the purpose of investment in workforce development programs.

6 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
7 this subsection, one-twelfth of the amount a community college that is
8 owned, operated or chartered by a qualifying Indian tribe on its own
9 Indian reservation would receive pursuant to section 15-1472, subsection
10 D, paragraph 2 if it were a community college district shall be
11 distributed each month to the treasurer or other designated depository of
12 a qualifying Indian tribe. Monies distributed pursuant to this paragraph
13 are for the exclusive purpose of providing support to one or more
14 community colleges owned, operated or chartered by a qualifying Indian
15 tribe and shall be used in a manner consistent with section 15-1472,
16 subsection B. For the purposes of this paragraph, "qualifying Indian
17 tribe" has the same meaning as defined in section 42-5031.01,
18 subsection D.

19 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of
20 this subsection, one-twelfth of the following amounts shall be transferred
21 each month to the department of education for the increased cost of basic
22 state aid under section 15-971 due to added school days and associated
23 teacher salary increases enacted in 2000:

24 (a) In fiscal year 2001-2002, \$15,305,900.

25 (b) In fiscal year 2002-2003, \$31,530,100.

26 (c) In fiscal year 2003-2004, \$48,727,700.

27 (d) In fiscal year 2004-2005, \$66,957,200.

28 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
29 \$86,280,500.

30 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
31 this subsection, seven million eight hundred thousand dollars is
32 appropriated each fiscal year, to be paid in monthly installments, to the
33 department of education to be used for school safety as provided in
34 section 15-154 and two hundred thousand dollars is appropriated each
35 fiscal year, to be paid in monthly installments to the department of
36 education to be used for the character education matching grant program as
37 provided in section 15-154.01.

38 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of
39 this subsection, no more than seven million dollars may be appropriated by
40 the legislature each fiscal year to the department of education to be used
41 for accountability purposes as described in section 15-241 and title 15,
42 chapter 9, article 8.

43 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of
44 this subsection, one million five hundred thousand dollars is appropriated

1 each fiscal year, to be paid in monthly installments, to the failing
2 schools tutoring fund established by section 15-241.

3 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of
4 this subsection, twenty-five million dollars shall be transferred each
5 fiscal year to the state general fund to reimburse the general fund for
6 the cost of the income tax credit allowed by section 43-1072.01.

7 10. After the payment of monies pursuant to paragraphs 1 through 9
8 of this subsection, the remaining monies collected during the preceding
9 month shall be transferred to the classroom site fund established by
10 section 15-977. The monies shall be allocated as follows in the manner
11 prescribed by section 15-977:

12 (a) Forty per cent shall be allocated for teacher compensation
13 based on performance.

14 (b) Twenty per cent shall be allocated for increases in teacher
15 base compensation and employee related expenses.

16 (c) Forty per cent shall be allocated for maintenance and operation
17 purposes.

18 F. The department shall credit the remainder of the monies in the
19 transaction privilege and severance tax clearing account to the state
20 general fund, subject to any distribution required by section 42-5030.01.

21 G. Notwithstanding subsection D of this section, if a court of
22 competent jurisdiction finally determines that tax monies distributed
23 under this section were illegally collected under this article or articles
24 5 and 8 of this chapter and orders the monies to be refunded to the
25 taxpayer, the department shall compute the amount of such monies that was
26 distributed to each city, town and county under this section. Each
27 city's, town's and county's proportionate share of the costs shall be
28 based on the amount of the original tax payment each municipality and
29 county received. Each month the state treasurer shall reduce the amount
30 otherwise distributable to the city, town and county under this section by
31 1/36 of the total amount to be recovered from the city, town or county
32 until the total amount has been recovered, but the monthly reduction for
33 any city, town or county shall not exceed ten percent of the full monthly
34 distribution to that entity. The reduction shall begin for the first
35 calendar month after the final disposition of the case and shall continue
36 until the total amount, including interest and costs, has been recovered.

37 H. On receiving a certificate of default from the greater Arizona
38 development authority pursuant to section 41-2257 or 41-2258 and to the
39 extent not otherwise expressly prohibited by law, the state treasurer
40 shall withhold from the next succeeding distribution of monies pursuant to
41 this section due to the defaulting political subdivision the amount
42 specified in the certificate of default and immediately deposit the amount
43 withheld in the greater Arizona development authority revolving fund. The
44 state treasurer shall continue to withhold and deposit the monies until
45 the greater Arizona development authority certifies to the state treasurer

1 that the default has been cured. In no event may the state treasurer
2 withhold any amount that the defaulting political subdivision certifies to
3 the state treasurer and the authority as being necessary to make any
4 required deposits then due for the payment of principal and interest on
5 bonds of the political subdivision that were issued before the date of the
6 loan repayment agreement or bonds and that have been secured by a pledge
7 of distributions made pursuant to this section.

8 I. Except as provided by sections 42-5033 and 42-5033.01, the
9 population of a county, city or town as determined by the most recent
10 United States decennial census plus any revisions to the decennial census
11 certified by the United States bureau of the census shall be used as the
12 basis for apportioning monies pursuant to subsection D of this section.

13 J. Except as otherwise provided by this subsection, on notice from
14 the department of revenue pursuant to section 42-6010, subsection B, the
15 state treasurer shall withhold from the distribution of monies pursuant to
16 this section to the affected city or town the amount of the penalty for
17 business location municipal tax incentives provided by the city or town to
18 a business entity that locates a retail business facility in the city or
19 town. The state treasurer shall continue to withhold monies pursuant to
20 this subsection until the entire amount of the penalty has been withheld.
21 The state treasurer shall credit any monies withheld pursuant to this
22 subsection to the state general fund as provided by subsection D,
23 paragraph 4 of this section. The state treasurer shall not withhold any
24 amount that the city or town certifies to the department of revenue and
25 the state treasurer as being necessary to make any required deposits or
26 payments for debt service on bonds or other long-term obligations of the
27 city or town that were issued or incurred before the location incentives
28 provided by the city or town.

29 K. On notice from the auditor general pursuant to section 9-626,
30 subsection D, the state treasurer shall withhold from the distribution of
31 monies pursuant to this section to the affected city the amount computed
32 pursuant to section 9-626, subsection D. The state treasurer shall
33 continue to withhold monies pursuant to this subsection until the entire
34 amount specified in the notice has been withheld. The state treasurer
35 shall credit any monies withheld pursuant to this subsection to the state
36 general fund as provided by subsection D, paragraph 4 of this section.

37 L. Except as otherwise provided by this subsection, on notice from
38 the attorney general pursuant to section 41-194.01, subsection B,
39 paragraph 1 that an ordinance, regulation, order or other official action
40 adopted or taken by the governing body of a county, city or town violates
41 state law or the Constitution of Arizona, the state treasurer shall
42 withhold the distribution of monies pursuant to this section to the
43 affected county, city or town and shall continue to withhold monies
44 pursuant to this subsection until the attorney general certifies to the
45 state treasurer that the violation has been resolved. The state treasurer

1 shall redistribute the monies withheld pursuant to this subsection among
2 all other counties, cities and towns in proportion to their population as
3 provided by subsection D of this section. The state treasurer shall not
4 withhold any amount that the county, city or town certifies to the
5 attorney general and the state treasurer as being necessary to make any
6 required deposits or payments for debt service on bonds or other long-term
7 obligations of the county, city or town that were issued or incurred
8 before committing the violation.

9 M. EXCEPT AS OTHERWISE PROVIDED BY THIS SUBSECTION, ON NOTICE FROM
10 THE GOVERNING BODY OF A CITY OR TOWN THAT AN OFFICIAL ACTION THAT WAS
11 ADOPTED OR TAKEN BY THE GOVERNING BODY OF THE CITY OR TOWN REDUCES A LAW
12 ENFORCEMENT AGENCY'S BUDGET FROM THE PREVIOUS YEAR'S BUDGET PURSUANT TO
13 SECTION 9-500.50, THE STATE TREASURER SHALL WITHHOLD THE DISTRIBUTION OF
14 MONIES PURSUANT TO THIS SECTION IN AN AMOUNT EQUAL TO THE REDUCTION TO THE
15 LAW ENFORCEMENT AGENCY'S BUDGET TO THE AFFECTED CITY OR TOWN AND SHALL
16 CONTINUE TO WITHHOLD MONIES PURSUANT TO THIS SUBSECTION UNTIL THE
17 GOVERNING BODY OF THE CITY OR TOWN NOTIFIES THE STATE TREASURER THAT THE
18 REDUCTION HAS BEEN RESTORED. THE STATE TREASURER SHALL NOT WITHHOLD ANY
19 AMOUNT THAT THE CITY OR TOWN CERTIFIES AS BEING NECESSARY TO MAKE ANY
20 REQUIRED DEPOSITS OR PAYMENTS FOR DEBT SERVICE ON BONDS OR OTHER LONG-TERM
21 OBLIGATIONS OF THE CITY OR TOWN THAT WERE ISSUED OR INCURRED BEFORE THE
22 REDUCTION IN THE LAW ENFORCEMENT AGENCY'S BUDGET. THIS SUBSECTION DOES
23 NOT APPLY TO A REDUCTION IN BUDGET PURSUANT TO SECTION 9-500.50,
24 SUBSECTION C.

25 ~~M.~~ N. For the purposes of this section: ~~;~~

26 1. "Community college district":

27 (a) Means a community college district that is established pursuant
28 to sections 15-1402 and 15-1403 and that is a political subdivision of
29 this state. ~~and;~~

30 (b) Unless otherwise specified, includes a community college
31 tuition financing district established pursuant to section 15-1409.

32 2. "LAW ENFORCEMENT AGENCY" MEANS A MUNICIPAL POLICE DEPARTMENT.

33 Sec. 4. Section 43-206, Arizona Revised Statutes, is amended to
34 read:

35 43-206. Urban revenue sharing fund; allocation; distribution;
36 withholding; definition

37 A. The urban revenue sharing fund is established. Through fiscal
38 year 2022-2023, the fund consists of an amount equal to fifteen percent of
39 the net proceeds of the state income taxes for the fiscal year two years
40 preceding the current fiscal year. Beginning in fiscal year 2023-2024,
41 the fund consists of an amount equal to eighteen percent of the net
42 proceeds of the state income taxes for the fiscal year two years preceding
43 the current fiscal year. The fund shall be distributed to incorporated
44 cities and towns as provided in this section, except that a city or town
45 shall receive at least an amount equal to what a city or town with a

1 population of fifteen hundred or more persons would receive. The transfer
2 of net proceeds prescribed by section 49-282, subsection B does not affect
3 the calculation of net proceeds prescribed by this subsection.

4 B. Each city or town shall share in the urban revenue sharing fund
5 in the proportion that the population of each bears to the population of
6 all. Except as provided by sections 42-5033 and 42-5033.01, the
7 population of a city or town as determined by the most recent United
8 States decennial census plus any revisions to the decennial census
9 certified by the United States CENSUS bureau ~~of the census~~ shall be used
10 as the basis for apportioning monies pursuant to this subsection.

11 C. The treasurer, on instruction from the department, shall
12 transmit, not later than the tenth day of each month, to each city or town
13 an amount equal to one-twelfth of that city's or town's total entitlement
14 for the current fiscal year from the urban revenue sharing fund as
15 determined by the department.

16 D. A newly incorporated city or town shall share in the urban
17 revenue sharing fund beginning the first month of the first full fiscal
18 year following incorporation.

19 E. On receipt of a certificate of default from the greater Arizona
20 development authority pursuant to section 41-2257 or 41-2258, the state
21 treasurer, to the extent not otherwise expressly prohibited by law, shall
22 withhold from the next succeeding distribution of monies pursuant to this
23 section due to the city or town the amount specified in the certificate of
24 default and immediately deposit the amount withheld in the greater Arizona
25 development authority revolving fund. The state treasurer shall continue
26 to withhold and deposit the monies until the authority certifies to the
27 state treasurer that the default has been cured. The state treasurer may
28 not withhold any amount that is necessary, as certified by the defaulting
29 political subdivision to the state treasurer and the authority, to make
30 any required deposits then due for the payment of principal and interest
31 on bonds of the political subdivision that were issued before the date of
32 the loan repayment agreement or bonds and that have been secured by a
33 pledge of distributions made pursuant to this section.

34 F. Except as otherwise provided by this subsection, on notice from
35 the attorney general pursuant to section 41-194.01, subsection B,
36 paragraph 1 that an ordinance, regulation, order or other official action
37 adopted or taken by the governing body of a city or town violates state
38 law or the Constitution of Arizona, the state treasurer shall withhold the
39 distribution of monies pursuant to this section to the affected city or
40 town and shall continue to withhold monies pursuant to this subsection
41 until the attorney general certifies to the state treasurer that the
42 violation has been resolved. The state treasurer shall redistribute the
43 monies withheld pursuant to this subsection among all other cities and
44 towns in proportion to their population as provided by subsection B of
45 this section. The state treasurer shall not withhold any amount that the

1 city or town certifies to the attorney general and the state treasurer as
2 being necessary to make any required deposits or payments for debt service
3 on bonds or other long-term obligations of the city or town that were
4 issued or incurred before committing the violation.

5 G. EXCEPT AS OTHERWISE PROVIDED BY THIS SUBSECTION, ON NOTICE FROM
6 THE GOVERNING BODY OF A CITY OR TOWN THAT AN OFFICIAL ACTION THAT WAS
7 ADOPTED OR TAKEN BY THE GOVERNING BODY OF A CITY OR TOWN REDUCES A LAW
8 ENFORCEMENT AGENCY'S BUDGET FROM THE PREVIOUS YEAR'S BUDGET PURSUANT TO
9 SECTION 9-500.50, THE STATE TREASURER SHALL WITHHOLD THE DISTRIBUTION OF
10 MONIES PURSUANT TO THIS SECTION IN AN AMOUNT EQUAL TO THE REDUCTION TO THE
11 LAW ENFORCEMENT AGENCY'S BUDGET TO THE AFFECTED CITY OR TOWN AND SHALL
12 CONTINUE TO WITHHOLD MONIES PURSUANT TO THIS SUBSECTION UNTIL THE
13 GOVERNING BODY OF THE CITY OR TOWN NOTIFIES THE STATE TREASURER THAT THE
14 REDUCTION HAS BEEN RESTORED. THE STATE TREASURER SHALL NOT WITHHOLD ANY
15 AMOUNT THAT THE CITY OR TOWN CERTIFIES AS BEING NECESSARY TO MAKE ANY
16 REQUIRED DEPOSITS OR PAYMENTS FOR DEBT SERVICE ON BONDS OR OTHER LONG-TERM
17 OBLIGATIONS OF THE CITY OR TOWN THAT WERE ISSUED OR INCURRED BEFORE THE
18 REDUCTION IN THE LAW ENFORCEMENT AGENCY'S BUDGET. THIS SUBSECTION DOES
19 NOT APPLY TO A REDUCTION IN BUDGET PURSUANT TO SECTION 9-500.50,
20 SUBSECTION C.

21 H. FOR THE PURPOSES OF THIS SECTION, "LAW ENFORCEMENT AGENCY" MEANS
22 A MUNICIPAL POLICE DEPARTMENT.

23 Sec. 5. Effective date

24 Section 42-5029, Arizona Revised Statutes, as amended by Laws 2023,
25 chapter 204, section 6, is effective from and after December 31, 2024.