

\*Sponsorship has changed since the bill was introduced

Senate Engrossed House Bill

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. IF THE CITY OR TOWN REDUCES THE CITY'S OR  
22 TOWN'S ANNUAL OPERATING BUDGET PURSUANT TO THIS SUBSECTION, THE CITY OR  
23 TOWN SHALL REDUCE ALL OTHER DEPARTMENTS' OR AGENCIES' ANNUAL OPERATING  
24 BUDGETS IN THE CITY OR TOWN FIRST AND MAY NOT REDUCE THE ANNUAL OPERATING  
25 BUDGET FOR A LAW ENFORCEMENT AGENCY IN AN AMOUNT GREATER THAN THE  
26 REDUCTION TO ALL OTHER MUNICIPAL DEPARTMENTS' OR AGENCIES' ANNUAL  
27 OPERATING BUDGETS.

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

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

32 4. THE CITY OR TOWN APPROVED A TEMPORARY INCREASE IN THE LAW  
33 ENFORCEMENT AGENCY'S ANNUAL OPERATING BUDGET THE PREVIOUS YEAR FOR A  
34 ONETIME EXPENSE OR CAPITAL OUTLAY AND THE CITY OR TOWN RESTORES THE LAW  
35 ENFORCEMENT AGENCY'S ANNUAL OPERATING BUDGET TO THE SAME AMOUNT AS BEFORE  
36 THE TEMPORARY INCREASE.

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

39 Sec. 2. Section 42-5029, Arizona Revised Statutes, as amended by  
40 Laws 2021, chapter 411, section 2, is amended to read:

41 42-5029. Remission and distribution of monies; withholding;  
42 definitions

43 A. The department shall deposit, pursuant to sections 35-146 and  
44 35-147, all revenues collected under this article and articles 4, 5 and 8  
45 of this chapter pursuant to section 42-1116, separately accounting for:

- 1           1. Payments of estimated tax under section 42-5014, subsection D.  
2           2. Revenues collected pursuant to section 42-5070.  
3           3. Revenues collected under this article and article 5 of this  
4 chapter from and after June 30, 2000 from sources located on Indian  
5 reservations in this state.  
6           4. Revenues collected pursuant to section 42-5010, subsection G and  
7 section 42-5155, subsection D.  
8           5. Revenues collected pursuant to section 42-5010.01 and section  
9 42-5155, subsection E.  
10          B. The department shall credit payments of estimated tax to an  
11 estimated tax clearing account and each month shall transfer all monies in  
12 the estimated tax clearing account to a fund designated as the transaction  
13 privilege and severance tax clearing account. The department shall credit  
14 all other payments to the transaction privilege and severance tax clearing  
15 account, separately accounting for the monies designated as distribution  
16 base under sections 42-5010, 42-5164 and 42-5205. Each month the  
17 department shall report to the state treasurer the amount of monies  
18 collected pursuant to this article and articles 4, 5 and 8 of this  
19 chapter.  
20          C. On notification by the department, the state treasurer shall  
21 distribute the monies deposited in the transaction privilege and severance  
22 tax clearing account in the manner prescribed by this section and by  
23 sections 42-5164 and 42-5205, after deducting warrants drawn against the  
24 account pursuant to sections 42-1118 and 42-1254.  
25          D. Of the monies designated as distribution base, the department  
26 shall:  
27           1. Pay twenty-five percent to the various incorporated  
28 municipalities in this state in proportion to their population to be used  
29 by the municipalities for any municipal purpose.  
30           2. Pay 38.08 percent to the counties in this state by averaging the  
31 following proportions:  
32           (a) The proportion that the population of each county bears to the  
33 total state population.  
34           (b) The proportion that the distribution base monies collected  
35 during the calendar month in each county under this article, section  
36 42-5164, subsection B and section 42-5205, subsection B bear to the total  
37 distribution base monies collected under this article, section 42-5164,  
38 subsection B and section 42-5205, subsection B throughout the state for  
39 the calendar month.  
40           3. Pay an additional 2.43 percent to the counties in this state as  
41 follows:  
42           (a) Average the following proportions:  
43           (i) The proportion that the assessed valuation used to determine  
44 secondary property taxes of each county, after deducting that part of the  
45 assessed valuation that is exempt from taxation at the beginning of the

1 month for which the amount is to be paid, bears to the total assessed  
2 valuations used to determine secondary property taxes of all the counties  
3 after deducting that portion of the assessed valuations that is exempt  
4 from taxation at the beginning of the month for which the amount is to be  
5 paid. Property of a city or town that is not within or contiguous to the  
6 municipal corporate boundaries and from which water is or may be withdrawn  
7 or diverted and transported for use on other property is considered to be  
8 taxable property in the county for purposes of determining assessed  
9 valuation in the county under this item.

10 (ii) The proportion that the distribution base monies collected  
11 during the calendar month in each county under this article, section  
12 42-5164, subsection B and section 42-5205, subsection B bear to the total  
13 distribution base monies collected under this article, section 42-5164,  
14 subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state  
15 for the calendar month.

16 (b) If the proportion computed under subdivision (a) of this  
17 paragraph for any county is greater than the proportion computed under  
18 paragraph 2 of this subsection, the department shall compute the  
19 difference between the amount distributed to that county under paragraph 2  
20 of this subsection and the amount that would have been distributed under  
21 paragraph 2 of this subsection using the proportion computed under  
22 subdivision (a) of this paragraph and shall pay that difference to the  
23 county from the amount available for distribution under this paragraph.  
24 Any monies remaining after all payments under this subdivision shall be  
25 distributed among the counties according to the proportions computed under  
26 paragraph 2 of this subsection.

27 4. After any distributions required by sections 42-5030,  
28 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making  
29 any transfer to the water quality assurance revolving fund as required by  
30 section 49-282, subsection B, credit the remainder of the monies  
31 designated as distribution base to the state general fund. From this  
32 amount the legislature shall annually appropriate to:

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

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

37 (c) The firearms safety and ranges fund established by section  
38 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected  
39 from the retail classification pursuant to section 42-5061 for the current  
40 fiscal year.

41 E. If approved by the qualified electors voting at a statewide  
42 general election, all monies collected pursuant to section 42-5010,  
43 subsection G and section 42-5155, subsection D shall be distributed each  
44 fiscal year pursuant to this subsection. The monies distributed pursuant  
45 to this subsection are in addition to any other appropriation, transfer or

1 other allocation of public or private monies from any other source and  
2 shall not supplant, replace or cause a reduction in other school district,  
3 charter school, university or community college funding sources. The  
4 monies shall be distributed as follows:

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

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

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

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

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

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

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

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

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

3 (e) In fiscal year 2005-2006 and each fiscal year thereafter,  
4 \$86,280,500.

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

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

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

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

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

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

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

35 (c) Forty per cent shall be allocated for maintenance and operation  
36 purposes.

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

40 G. Notwithstanding subsection D of this section, if a court of  
41 competent jurisdiction finally determines that tax monies distributed  
42 under this section were illegally collected under this article or articles  
43 5 and 8 of this chapter and orders the monies to be refunded to the  
44 taxpayer, the department shall compute the amount of such monies that was  
45 distributed to each city, town and county under this section. Each

1 city's, town's and county's proportionate share of the costs shall be  
2 based on the amount of the original tax payment each municipality and  
3 county received. Each month the state treasurer shall reduce the amount  
4 otherwise distributable to the city, town and county under this section by  
5 ~~one thirty-sixth~~ 1/36 of the total amount to be recovered from the city,  
6 town or county until the total amount has been recovered, but the monthly  
7 reduction for any city, town or county shall not exceed ten percent of the  
8 full monthly distribution to that entity. The reduction shall begin for  
9 the first calendar month after the final disposition of the case and shall  
10 continue until the total amount, including interest and costs, has been  
11 recovered.

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

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

33 J. Except as otherwise provided by this subsection, on notice from  
34 the department of revenue pursuant to section 42-6010, subsection B, the  
35 state treasurer shall withhold from the distribution of monies pursuant to  
36 this section to the affected city or town the amount of the penalty for  
37 business location municipal tax incentives provided by the city or town to  
38 a business entity that locates a retail business facility in the city or  
39 town. The state treasurer shall continue to withhold monies pursuant to  
40 this subsection until the entire amount of the penalty has been withheld.  
41 The state treasurer shall credit any monies withheld pursuant to this  
42 subsection to the state general fund as provided by subsection D,  
43 paragraph 4 of this section. The state treasurer shall not withhold any  
44 amount that the city or town certifies to the department of revenue and  
45 the state treasurer as being necessary to make any required deposits or

1 payments for debt service on bonds or other long-term obligations of the  
2 city or town that were issued or incurred before the location incentives  
3 provided by the city or town.

4 K. On notice from the auditor general pursuant to section 9-626,  
5 subsection D, the state treasurer shall withhold from the distribution of  
6 monies pursuant to this section to the affected city the amount computed  
7 pursuant to section 9-626, subsection D. The state treasurer shall  
8 continue to withhold monies pursuant to this subsection until the entire  
9 amount specified in the notice has been withheld. The state treasurer  
10 shall credit any monies withheld pursuant to this subsection to the state  
11 general fund as provided by subsection D, paragraph 4 of this section.

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

29 M. EXCEPT AS OTHERWISE PROVIDED BY THIS SUBSECTION, ON NOTICE FROM  
30 THE GOVERNING BODY OF A CITY OR TOWN THAT AN OFFICIAL ACTION THAT WAS  
31 ADOPTED OR TAKEN BY THE GOVERNING BODY OF THE CITY OR TOWN REDUCES A LAW  
32 ENFORCEMENT AGENCY'S BUDGET FROM THE PREVIOUS YEAR'S BUDGET PURSUANT TO  
33 SECTION 9-500.50, THE STATE TREASURER SHALL WITHHOLD THE DISTRIBUTION OF  
34 MONIES PURSUANT TO THIS SECTION IN AN AMOUNT EQUAL TO THE REDUCTION TO THE  
35 LAW ENFORCEMENT AGENCY'S BUDGET TO THE AFFECTED CITY OR TOWN AND SHALL  
36 CONTINUE TO WITHHOLD MONIES PURSUANT TO THIS SUBSECTION UNTIL THE  
37 GOVERNING BODY OF THE CITY OR TOWN NOTIFIES THE STATE TREASURER THAT THE  
38 REDUCTION HAS BEEN RESTORED. THE STATE TREASURER SHALL NOT WITHHOLD ANY  
39 AMOUNT THAT THE CITY OR TOWN CERTIFIES AS BEING NECESSARY TO MAKE ANY  
40 REQUIRED DEPOSITS OR PAYMENTS FOR DEBT SERVICE ON BONDS OR OTHER LONG-TERM  
41 OBLIGATIONS OF THE CITY OR TOWN THAT WERE ISSUED OR INCURRED BEFORE THE  
42 REDUCTION IN THE LAW ENFORCEMENT AGENCY'S BUDGET. THIS SUBSECTION DOES  
43 NOT APPLY TO A REDUCTION IN BUDGET PURSUANT TO SECTION 9-500.50,  
44 SUBSECTION C.

1 ~~M.~~ N. For the purposes of this section: ~~—~~

2 1. "Community college district":

3 (a) Means a community college district that is established pursuant  
4 to sections 15-1402 and 15-1403 and that is a political subdivision of  
5 this state. ~~and,~~

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

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

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

11 42-5029. Remission and distribution of monies; withholding;  
12 definitions

13 A. The department shall deposit, pursuant to sections 35-146 and  
14 35-147, all revenues collected under this article and articles 4, 5 and 8  
15 of this chapter pursuant to section 42-1116, separately accounting for:

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

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

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

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

23 5. Revenues collected pursuant to section 42-5010.01 and section  
24 42-5155, subsection E.

25 6. Revenues collected pursuant to section 42-5061 from a remote  
26 seller.

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

37 C. On notification by the department, the state treasurer shall  
38 distribute the monies deposited in the transaction privilege and severance  
39 tax clearing account in the manner prescribed by this section and by  
40 sections 42-5164 and 42-5205, after deducting warrants drawn against the  
41 account pursuant to sections 42-1118 and 42-1254.

42 D. Of the monies designated as distribution base, the department  
43 shall:

44 1. Pay twenty-five percent to the various incorporated  
45 municipalities in this state in proportion to their population to be used

1 by the municipalities for any municipal purpose, except a municipality  
2 shall use monies paid from revenues separately accounted for pursuant to  
3 subsection A, paragraph 6 of this section and paid pursuant to this  
4 paragraph for public safety before any other municipal purpose.

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

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

9 (b) The proportion that the distribution base monies collected  
10 during the calendar month in each county under this article, section  
11 42-5164, subsection B and section 42-5205, subsection B bear to the total  
12 distribution base monies collected under this article, section 42-5164,  
13 subsection B and section 42-5205, subsection B throughout the state for  
14 the calendar month.

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

17 (a) Average the following proportions:

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

30 (ii) The proportion that the distribution base monies collected  
31 during the calendar month in each county under this article, section  
32 42-5164, subsection B and section 42-5205, subsection B bear to the total  
33 distribution base monies collected under this article, section 42-5164,  
34 subsection B and section 42-5205, subsection B throughout this state for  
35 the calendar month.

36 (b) If the proportion computed under subdivision (a) of this  
37 paragraph for any county is greater than the proportion computed under  
38 paragraph 2 of this subsection, the department shall compute the  
39 difference between the amount distributed to that county under paragraph 2  
40 of this subsection and the amount that would have been distributed under  
41 paragraph 2 of this subsection using the proportion computed under  
42 subdivision (a) of this paragraph and shall pay that difference to the  
43 county from the amount available for distribution under this paragraph.  
44 Any monies remaining after all payments under this subdivision shall be

1 distributed among the counties according to the proportions computed under  
2 paragraph 2 of this subsection.

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

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

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

13 (c) The firearms safety and ranges fund established by section  
14 17-273, \$50,000 derived from the taxes collected from the retail  
15 classification pursuant to section 42-5061 for the current fiscal year.

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

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

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

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

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

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

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

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

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

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

23           (e) In fiscal year 2005-2006 and each fiscal year thereafter,  
24 \$86,280,500.

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

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

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

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

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

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

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

10          (c) Forty per cent shall be allocated for maintenance and operation  
11 purposes.

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

15          G. Notwithstanding subsection D of this section, if a court of  
16 competent jurisdiction finally determines that tax monies distributed  
17 under this section were illegally collected under this article or articles  
18 5 and 8 of this chapter and orders the monies to be refunded to the  
19 taxpayer, the department shall compute the amount of such monies that was  
20 distributed to each city, town and county under this section. Each  
21 city's, town's and county's proportionate share of the costs shall be  
22 based on the amount of the original tax payment each municipality and  
23 county received. Each month the state treasurer shall reduce the amount  
24 otherwise distributable to the city, town and county under this section by  
25 1/36 of the total amount to be recovered from the city, town or county  
26 until the total amount has been recovered, but the monthly reduction for  
27 any city, town or county shall not exceed ten percent of the full monthly  
28 distribution to that entity. The reduction shall begin for the first  
29 calendar month after the final disposition of the case and shall continue  
30 until the total amount, including interest and costs, has been recovered.

31          H. On receiving a certificate of default from the greater Arizona  
32 development authority pursuant to section 41-2257 or 41-2258 and to the  
33 extent not otherwise expressly prohibited by law, the state treasurer  
34 shall withhold from the next succeeding distribution of monies pursuant to  
35 this section due to the defaulting political subdivision the amount  
36 specified in the certificate of default and immediately deposit the amount  
37 withheld in the greater Arizona development authority revolving fund. The  
38 state treasurer shall continue to withhold and deposit the monies until  
39 the greater Arizona development authority certifies to the state treasurer  
40 that the default has been cured. In no event may the state treasurer  
41 withhold any amount that the defaulting political subdivision certifies to  
42 the state treasurer and the authority as being necessary to make any  
43 required deposits then due for the payment of principal and interest on  
44 bonds of the political subdivision that were issued before the date of the

1 loan repayment agreement or bonds and that have been secured by a pledge  
2 of distributions made pursuant to this section.

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

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

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

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

1 required deposits or payments for debt service on bonds or other long-term  
2 obligations of the county, city or town that were issued or incurred  
3 before committing the violation.

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

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

21 1. "Community college district":

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

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

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

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

30 43-206. Urban revenue sharing fund; allocation; distribution;  
31 withholding; definition

32 A. The urban revenue sharing fund is established. Through fiscal  
33 year 2022-2023, the fund consists of an amount equal to fifteen percent of  
34 the net proceeds of the state income taxes for the fiscal year two years  
35 preceding the current fiscal year. Beginning in fiscal year 2023-2024,  
36 the fund consists of an amount equal to eighteen percent of the net  
37 proceeds of the state income taxes for the fiscal year two years preceding  
38 the current fiscal year. The fund shall be distributed to incorporated  
39 cities and towns as provided in this section, except that a city or town  
40 shall receive at least an amount equal to what a city or town with a  
41 population of fifteen hundred or more persons would receive. The transfer  
42 of net proceeds prescribed by section 49-282, subsection B does not affect  
43 the calculation of net proceeds prescribed by this subsection.

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

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

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

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

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

1 on bonds or other long-term obligations of the city or town that were  
2 issued or incurred before committing the violation.

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

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

21 Sec. 5. Effective date

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