

House Engrossed

county aid; school districts; revisions

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

# HOUSE BILL 2173

AN ACT

AMENDING SECTION 15-971, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2022, CHAPTER 317, SECTION 13; REPEALING SECTION 15-971, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2022, CHAPTER 285, SECTION 9; AMENDING SECTIONS 15-992 AND 42-17151, ARIZONA REVISED STATUTES; RELATING TO EDUCATION FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-971, Arizona Revised Statutes, as amended by  
3 Laws 2022, chapter 317, section 13, is amended to read:

4 15-971. Determination of equalization assistance payments  
5 from county and state funds for school districts

6 A. Equalization assistance for education is computed by determining  
7 the total of the following:

8 1. The lesser of a school district's revenue control limit or  
9 district support level as determined in section 15-947 ~~or 15-951~~.

10 2. District additional assistance of a school district as  
11 determined in section ~~15-951 or~~ 15-961.

12 B. From the total of the amounts determined in subsection A of this  
13 section subtract:

14 1. The amount that would be produced by levying the applicable  
15 qualifying tax rate determined pursuant to section 41-1276 for a high  
16 school district or a common school district within a high school district  
17 that does not offer instruction in high school subjects as provided in  
18 section 15-447.

19 2. The amount that would be produced by levying the applicable  
20 qualifying tax rate determined pursuant to section 41-1276 for a unified  
21 school district, a common school district not within a high school  
22 district or a common school district within a high school district that  
23 offers instruction in high school subjects as provided in section 15-447.  
24 The qualifying tax rate shall be applied in the following manner:

25 (a) For the purposes of the amount determined in subsection A,  
26 paragraph 1 of this section:

27 (i) Determine separately the percentage that the weighted student  
28 count in preschool programs for children with disabilities, kindergarten  
29 programs and grades one through eight and the weighted student count in  
30 grades nine through twelve is to the weighted student count determined in  
31 subtotal A as provided in section 15-943, paragraph 2, subdivision (a).

32 (ii) Apply the percentages determined in item (i) of this  
33 subdivision to the amount determined in subsection A, paragraph 1 of this  
34 section.

35 (b) For the purposes of the amounts determined in subsection A,  
36 paragraph 2 of this section, determine separately the amount of the  
37 district additional assistance attributable to the student count in  
38 preschool programs for children with disabilities, kindergarten programs  
39 and grades one through eight and grades nine through twelve.

40 (c) From the amounts determined in subdivisions (a) and (b) of this  
41 paragraph, subtract the levy that would be produced by the current  
42 qualifying tax rate for a high school district or a common school district  
43 within a high school district that does not offer instruction in high  
44 school subjects as provided in section 15-447. If the qualifying tax rate  
45 generates a levy that is in excess of the total determined in subsection A

1 of this section, the school district is not eligible for equalization  
2 assistance. For the purposes of this subsection, "assessed valuation"  
3 includes the values used to determine voluntary contributions collected  
4 pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article  
5 8 and the assessed value of all property subject to the government  
6 property lease excise tax pursuant to title 42, chapter 6, article 5.

7 3. The amount that would be produced by levying a qualifying tax  
8 rate in a career technical education district, which shall be \$.05 per  
9 \$100 assessed valuation unless the legislature sets a lower rate by law.

10 C. State aid for equalization assistance for education for a school  
11 district shall be the equalization assistance for education for a school  
12 district as provided in subsections A and B of this section.

13 D. Equalization assistance for education shall be paid from  
14 appropriations for that purpose to the school districts as provided in  
15 section 15-973.

16 E. A school district shall report expenditures on approved career  
17 and technical education and vocational education programs in the annual  
18 financial report according to uniform guidelines prescribed by the uniform  
19 system of financial records and in order to facilitate compliance with  
20 sections 15-255 and 15-904.

21 F. The additional weight for state aid purposes given to special  
22 education as provided in section 15-943 shall be given to school districts  
23 only if special education programs comply with chapter 7, article 4 of  
24 this title and the conditions and standards prescribed by the  
25 superintendent of public instruction pursuant to rules of the state board  
26 of education for pupil identification and placement pursuant to sections  
27 15-766 and 15-767.

28 G. In addition to state general fund appropriations, all amounts  
29 received pursuant to section 37-521, subsection B, paragraph 3, section  
30 42-5029, subsection E, paragraph 5 and section 42-5029.02, subsection A,  
31 paragraph 5 and from any other source for the purposes of this section are  
32 appropriated for state aid to schools as provided in this section.

33 H. The total amount of state monies that may be spent in any fiscal  
34 year for state equalization assistance shall not exceed the amount  
35 appropriated or authorized by section 35-173 for that purpose. This  
36 section does not impose a duty on an officer, agent or employee of this  
37 state to discharge a responsibility or create any right in a person or  
38 group if the discharge or right would require an expenditure of state  
39 monies in excess of the expenditure authorized by legislative  
40 appropriation for that specific purpose.

41 Sec. 2. Repeal

42 Section 15-971, Arizona Revised Statutes, as amended by Laws 2022,  
43 chapter 285, section 9, is repealed.

1           Sec. 3. Section 15-992, Arizona Revised Statutes, is amended to  
2 read:

3           15-992. School district tax levy; additional tax in districts  
4                   ineligible for equalization assistance; definition

5           A. The board of supervisors of each county, at the time of levying  
6 other taxes, shall annually levy school district taxes on the property in  
7 any school district in which additional amounts are required, which shall  
8 be at rates prescribed in this section. A delinquency factor for  
9 estimated uncollected taxes may not be included in the computation of the  
10 primary tax rate for school district taxes. Local property taxes may not  
11 be levied for any deficit in the classroom site fund. The taxes shall be  
12 added to and collected in the same manner as other county taxes on the  
13 property within the school district. The amount of the school district  
14 taxes levied on the property in a particular school district shall be paid  
15 into the school fund of that school district.

16           B. At the same time of levying taxes as provided in subsection A of  
17 this section, the county board of supervisors shall annually levy an  
18 additional tax in each school district that is not eligible for  
19 equalization assistance as provided in section 15-971 in an amount  
20 determined as follows:

21           1. Determine the levy that would be produced by fifty percent of  
22 the applicable qualifying tax rate, prescribed in section 15-971,  
23 subsection B, per \$100 assessed valuation.

24           2. Subtract the ~~amount~~ AMOUNTS determined in section 15-971,  
25 subsection A AND SUBSECTION F OF THIS SECTION from the levy determined in  
26 paragraph 1 of this subsection. This difference is the additional amount  
27 levied or collected as voluntary contributions pursuant to title 48,  
28 chapter 1, article 8, except that if the difference is zero or is a  
29 negative number, there shall be no levy.

30           C. Monies collected pursuant to ~~subsection~~ SUBSECTIONS B AND F of  
31 this section shall be transmitted to the state treasurer for deposit in  
32 the state general fund to aid in school financial assistance.

33           D. The additional tax prescribed in subsection B of this section is  
34 considered to be primary property tax for purposes of section 15-972,  
35 subsection B, except that this state is not required to make the payments  
36 prescribed in section 15-972, subsection H for these reductions in taxes.

37           E. The tax levy prescribed in subsection A of this section shall be  
38 a rate equal to the applicable qualifying tax rate or rates as prescribed  
39 in section 15-971, subsection B or a rate that would result in a levy that  
40 equals the school district equalization assistance base prescribed in  
41 section 15-971 subtracted by any amount received pursuant to section  
42 15-905, subsections K, O and P per \$100 of assessed valuation used for  
43 primary property taxes, whichever is less.

44           F. At the same time of levying taxes as provided in subsection A of  
45 this section, the county board of supervisors shall annually levy an

1 additional tax in each common school district not within a high school  
2 district that is equal to the LESSER OF:

3 1. A RATE THAT IS EQUAL TO THE APPLICABLE QUALIFYING TAX RATE OR  
4 RATES AS PRESCRIBED IN SECTION 15-971, SUBSECTION B.

5 2. A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS THE countywide  
6 average per pupil equalization base for high school pupils multiplied by  
7 the ~~number~~ STUDENT COUNT AS DEFINED IN SECTION 15-901 of resident high  
8 school pupils in the common school district not within a high school  
9 district during the prior school year. ~~The monies collected pursuant to~~  
10 ~~this subsection shall be added to county aid for equalization assistance~~  
11 ~~for education pursuant to section 15-971, subsection C.~~ On or before July  
12 1 of each year, the department of education shall provide each county  
13 board of supervisors with the countywide average per pupil equalization  
14 base for high school pupils, the ~~number~~ STUDENT COUNT AS DEFINED IN  
15 SECTION 15-901 of resident high school pupils in the common school  
16 district not within a high school district during the prior school year  
17 and any other information requested by the county board of supervisors for  
18 the purposes of levying the tax prescribed in this subsection.

19 G. At the time of levying taxes as provided in subsection E of this  
20 section, the county school superintendent shall annually validate any  
21 additional primary school district tax levy amount requests from each  
22 school district and levy the sum of the following amounts:

23 1. A rate that would result in a levy that equals the difference  
24 between the transportation revenue control limit as determined in section  
25 15-946 and the transportation support level as determined in section  
26 15-945 or a lesser amount.

27 2. A rate that would result in a levy that equals any amount  
28 pursuant to section 15-910.

29 3. A rate that would result in a levy that equals any amount for  
30 tuition loss as determined in section 15-954.

31 4. A rate that would result in a levy that equals any amount for  
32 the small school adjustment as determined in section 15-949.

33 5. A rate that would result in a levy that equals any amount for  
34 liabilities in excess of the school district budget pursuant to section  
35 15-907.

36 6. A rate that would result in a levy that equals any amount for  
37 adjacent ways pursuant to section 15-995.

38 7. A rate that would result in a levy that equals the amount not  
39 captured by the qualifying tax rate as a result of property subject to the  
40 government property lease excise tax pursuant to title 42, chapter 6,  
41 article 5 as calculated in section 15-971, subsection B, paragraph 2.

42 8. Following the recommendation of the county school superintendent  
43 and on approval by the county board of supervisors, for a school district  
44 that is not eligible for state aid, a rate that would result in a levy  
45 that equals any legal amount not levied in the current year as a result of

1 underestimated average daily membership in the current year or as a result  
2 of a judgment in accordance with section 42-16213.

3 9. A rate that would result in a levy that equals any amount  
4 pursuant to a qualifying dropout prevention program that was originally  
5 established by law in 1987.

6 10. On the recommendation of the county school superintendent and  
7 on approval by the county board of supervisors before adoption of tax  
8 rates pursuant to section 42-17151, a rate that would result in a levy  
9 that equals any separately stated cash deficit from the prior fiscal year  
10 resulting from an anticipated or actual deviation in the property tax  
11 roll, including resolutions or judgments pursuant to title 42, chapter 16,  
12 articles 5 and 6.

13 H. For the purposes of this section, "assessed valuation" includes  
14 the values used to determine voluntary contributions collected pursuant to  
15 title 9, chapter 4, article 3 and title 48, chapter 1, article 8.

16 Sec. 4. Section 42-17151, Arizona Revised Statutes, is amended to  
17 read:

18 42-17151. County, municipal, community college and school tax  
19 levy

20 A. On or before the third Monday in August each year, the governing  
21 body of each county, city, town, community college district and school  
22 district shall:

23 1. Fix, levy and assess the amount to be raised from primary  
24 property taxation and secondary property taxation. This amount, plus all  
25 other sources of revenue, as estimated, and restricted and unrestricted  
26 unencumbered balances from the preceding fiscal year, shall equal the  
27 total of amounts proposed to be spent in the budget for the current fiscal  
28 year.

29 2. Designate the amounts to be levied for each purpose appearing in  
30 the adopted budget.

31 3. Fix and determine a primary property tax rate and a secondary  
32 property tax rate, each rounded to four decimal places on each ~~one hundred~~  
33 ~~dollars~~ \$100 of taxable property shown by the finally equalized valuations  
34 of property, ~~less~~ MINUS exemptions, that appear on the tax rolls for the  
35 fiscal year, as determined by the assessor on or before February 10 of the  
36 tax year pursuant to section 42-17052, and that when extended on those  
37 valuations will produce, in the aggregate, the entire amount to be raised  
38 by direct taxation for that year. Amounts levied for debt service on  
39 bonds payable from the secondary tax are and shall be considered special  
40 revenues of the county, city, town or district, shall be kept in a  
41 special, segregated fund, are not and shall not be general property taxes  
42 and may not be used for any other purpose of the county, city, town or  
43 district.

44 B. The governing body of a county, city, town or community college  
45 district shall not fix, levy or assess an amount of primary property taxes

1 in excess of the amount permitted by section 42-17051, subsection A,  
2 paragraph 7 or section 42-17005 as determined by the property tax  
3 oversight commission.

4 C. The governing board of a common school district, a high school  
5 district or a unified school district shall not fix, levy or assess a  
6 primary property tax rate higher than the current year's rate if the  
7 district meets both of the following criteria, as determined by the  
8 property tax oversight commission:

9 1. The total primary property taxes levied for all taxing  
10 jurisdictions on at least one-half of the residential property of the  
11 district exceed the limitation described in section 15-972, subsection E.

12 2. The school district primary property tax rate exceeds one  
13 hundred fifty ~~per cent~~ PERCENT of the applicable qualifying tax rate  
14 pursuant to section 41-1276. FOR THE PURPOSES OF THIS PARAGRAPH, THE  
15 SCHOOL DISTRICT PRIMARY PROPERTY TAX RATE DOES NOT INCLUDE THE TAX RATES  
16 COMPUTED PURSUANT TO SECTION 15-992, SUBSECTIONS B AND F.

17 D. ~~No~~ NOT later than December 31, the property tax oversight  
18 commission shall notify those school districts that meet the criteria  
19 described in subsection C of this section and the county school  
20 superintendents and boards of supervisors of the counties in which the  
21 school districts are located.

22 E. Within three days after the final levies are determined for a  
23 county, city, town or community college district, the chief county fiscal  
24 officer shall notify the property tax oversight commission of the amount  
25 of the primary property tax levied.

26 F. Pursuant to section 15-465.01, subsection E, an accommodation  
27 school governing board shall not levy a primary or secondary property tax.  
28 The property tax oversight commission shall consider any amount of  
29 property tax levied by a county in support of an accommodation school to  
30 be part of the county's primary levy for the purposes of determining the  
31 county's compliance with subsection B of this section.

32 Sec. 5. Fiscal years 2024-2025 and 2025-2026 calculations

33 In fiscal years 2024-2025 and 2025-2026, the department of education  
34 may use the most recent data from the report required by section  
35 15-816.01, subsection J, Arizona Revised Statutes, to provide the  
36 information required by section 15-992, subsection F, paragraph 2, Arizona  
37 Revised Statutes, as amended by this act, to the county boards of  
38 supervisors.

39 Sec. 6. Property tax reduction; 2024 tax year; delayed repeal

40 A. Each county board of supervisors that levied an additional tax  
41 pursuant to section 15-992, subsection B, Arizona Revised Statutes, as  
42 amended by Laws 2022, chapter 285, section 11, in the 2023 tax year in one  
43 or more common school districts not within a high school district shall do  
44 both of the following:

1           1. Reduce the tax levy in each common school district not within a  
2 high school district in the 2024 tax year by an amount determined by the  
3 county board of supervisors and approved by the property tax oversight  
4 commission.

5           2. Direct the county treasurer to distribute any unexpended and  
6 unencumbered monies that were collected pursuant to section 15-992,  
7 subsection B, Arizona Revised Statutes, as amended by Laws 2022, chapter  
8 285, section 11, in the 2023 tax year to each common school district not  
9 within a high school district to offset the reductions prescribed in  
10 paragraph 1 of this subsection.

11           B. This section is repealed from and after December 31, 2026.

12           Sec. 7. Retroactivity

13           A. The following sections apply retroactively to from and after  
14 June 30, 2023:

15           1. Section 15-971, Arizona Revised Statutes, as amended by Laws  
16 2022, chapter 317, section 13 and this act.

17           2. Section 15-971, Arizona Revised Statutes, as amended by Laws  
18 2022, chapter 285, section 9 and repealed by this act.

19           B. Section 15-992, Arizona Revised Statutes, as amended by this  
20 act, applies retroactively to tax years beginning from and after December  
21 31, 2023.