

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 183
HOUSE BILL 2197

AN ACT

AMENDING SECTIONS 48-805.02 AND 48-807, ARIZONA REVISED STATUTES; RELATING TO
FIRE DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 48-805.02, Arizona Revised Statutes, is amended to
3 read:
4 48-805.02. Fire district annual budget; levy; requirements
5 A. A fire district shall prepare an annual budget that contains
6 detailed estimated expenditures for each fiscal year and that clearly shows
7 salaries payable to employees of the district. The budget summary shall be
8 posted in three public places and a complete copy of the budget shall be
9 published on the district's official website for twenty days before a public
10 hearing at a meeting called by the board to adopt the budget. Copies of the
11 budget shall also be available to members of the public on written request to
12 the district. Following the public hearing, the district board shall adopt a
13 budget. A complete copy of the adopted budget shall be posted in a prominent
14 location on the district's official website within seven business days after
15 final adoption and shall be retained on the website for at least sixty
16 months. For any fire district that does not maintain an official website,
17 the fire district may comply with this subsection by posting on a website of
18 an association of fire districts in this state.
19 B. Not more than ten days after the organization of a fire district
20 and not later than August 1 of each year thereafter, the chairman of the
21 district board shall submit to the county board of supervisors a budget
22 estimate that contains certifications by item and that specifies the amount
23 of money required for the maintenance and operation of the district for the
24 ensuing year.
25 C. Based on the budget submitted by the district, the board of
26 supervisors shall levy the tax as prescribed in section 48-807,
27 subsection ~~E~~ F.
28 D. Every budget adopted by a fire district shall include the
29 following:
30 1. A certification by the chairman and clerk of the district board as
31 to both of the following:
32 (a) That the district has not incurred any debt or liability in excess
33 of taxes levied and to be collected and the money actually available and
34 unencumbered at that time in the district general fund, except for those
35 liabilities as prescribed in section 48-805, subsection B, paragraph 2 and
36 sections 48-806 and 48-807.
37 (b) That the district complies with subsection F of this section.
38 2. For each of the items listed in the budget summary approved
39 pursuant to subsection A of this section, the district shall estimate the
40 revenue or expense for the next two fiscal years. Estimates shall be based
41 on the average increase or decrease of the item for the previous two fiscal
42 years unless more certain information is available to the district.
43 Estimates shall include any applicable levy or rate limitations.
44 3. If a district's total estimate of expenses exceeds its total
45 estimate of revenues for any fiscal year, the district shall undertake a
46 study of merger, consolidation or joint operating alternatives. The study

1 required by this paragraph shall be presented to the fire district board in a
2 special public meeting called for the sole purpose of evaluating the study.
3 The study shall include an identification of districts available for merger,
4 consolidation or joint operations, an analysis of the level of service and
5 cost of service that may be provided to the residents of a merged,
6 consolidated or jointly operated district as compared to the level and cost
7 of service to the residents of the districts without any merger,
8 consolidation or joint operations.

9 E. For any district that amends its budget after its initial adoption,
10 the district board shall hold at least two hearings on the revision of the
11 budget and the revised budget must be considered and adopted in a special
12 meeting that is called for the adoption of the revised budget. The special
13 meeting must be held one week after the consideration of the revision of the
14 budget at a regularly scheduled meeting of the board of directors of the
15 district. This subsection does not apply to a district organized pursuant to
16 article 3 of this chapter.

17 F. When a fire district has adopted a budget and the board of
18 supervisors has levied a fire district tax as provided in subsection C of
19 this section and the district has insufficient monies in its general fund
20 with the county treasurer to operate the district, the chairman of the fire
21 district board of directors, on or after August 1 of each year, may draw
22 warrants for the purposes prescribed in section 48-805 on the county
23 treasurer, payable on November 1 of that year or on April 1 of the succeeding
24 year. The aggregate amounts of the warrants may not exceed ninety percent of
25 the taxes levied by the county for the district's current fiscal year. If
26 the treasurer cannot pay a warrant for lack of monies in the fire district
27 general fund, the warrant shall be endorsed, be registered, bear interest and
28 be redeemed as provided by law for county warrants, except that the warrants
29 are payable only from the fire district general fund.

30 G. Any audit, report or review of a fire district made pursuant to
31 section 48-253 shall be presented to the district board by the auditor
32 telephonically or in another live electronic format during a public meeting
33 of the board or, as directed by the board, in person at a public meeting of
34 the board. The district board shall take formal action at the public meeting
35 to review and receive the audit, report or review. The audit, report or
36 review shall include an attestation by the auditor of the district as to all
37 of the following:

38 1. That the district has not incurred any debt or liability in excess
39 of taxes levied and to be collected and the monies actually available and
40 unencumbered at that time in the district general fund except for those
41 liabilities as prescribed in section 48-805, subsection B, paragraph 2 and
42 sections 48-806 and 48-807.

43 2. That the district complies with subsection F of this section.

44 3. Whether the audit, report or review disclosed any information
45 contrary to the certification made as prescribed by subsection D, paragraph 1
46 of this section.

1 Sec. 2. Section 48-807, Arizona Revised Statutes, is amended to read:
2 48-807. County fire district assistance tax; annual budget;
3 override

4 A. The board of supervisors of a county shall levy, at the time of
5 levying other property taxes, a county fire district assistance tax on the
6 taxable property in the county of not more than ten cents per one hundred
7 dollars of assessed valuation. The tax levy provided for in this subsection
8 shall be a levy of secondary property taxes and shall not be subject to title
9 42, chapter 17, article 2. The county treasurer shall pay to each fire
10 district, including a fire district formed pursuant to section 48-851, in the
11 county from the proceeds of the tax an amount equal to twenty percent of the
12 property tax levy adopted by the district for the fiscal year in which the
13 tax will be levied, except that:

14 1. The amount of assistance from the county to a fire district shall
15 be reduced as follows:

16 (a) Through the fiscal year that ends June 30, 2012, by the dollar
17 amount that the fire district receives from the fire district assistance tax
18 that exceeds three hundred thousand dollars from and after June 30 of each
19 fiscal year.

20 (b) Beginning with the fiscal year that starts July 1, 2012, by the
21 dollar amount that the fire district receives from the fire district
22 assistance tax that exceeds four hundred thousand dollars from and after
23 June 30 of each fiscal year, without regard to whether the district is
24 located in more than one county.

25 (c) Except as provided in paragraph 2 of this subsection, if the total
26 amount to be paid to all districts in the county under this paragraph exceeds
27 the amount to be raised by the levy of ten cents per one hundred dollars
28 assessed valuation, then the county treasurer shall pay an amount less than
29 twenty percent of the property tax levy of each district. The amount to be
30 paid by the county treasurer to each district shall be determined by
31 multiplying the proceeds of the county fire district assistance tax against
32 the proportion that twenty percent of the property tax levy of each district
33 bears to the total of twenty percent of the property tax levies of all fire
34 districts in the county.

35 2. For fiscal years beginning from and after July 1, 1992, the amount
36 of assistance from the county to a fire district shall not be less than the
37 assistance provided from and after June 30, 1991 through June 30, 1992, if,
38 for the fiscal year in which the tax will be levied, the district levies a
39 tax, in addition to any tax levied under section 48-806, of three dollars per
40 one hundred dollars of assessed valuation and the assessed valuation is at
41 least ninety percent of the assessed valuation for the 1991 tax year. This
42 paragraph does not apply to fire districts subject to paragraph 1,
43 subdivision (a) or (b) of this subsection.

44 B. For the purpose of subsection A of this section, the property tax
45 levy of the fire district shall include in lieu contributions pursuant to
46 chapter 1, article 8 of this title but shall not include property tax levies

1 to be applied to the payment of principal and interest on bonds issued
2 pursuant to section 48-806.

3 C. Beginning with the fiscal year that starts July 1, ~~2012~~ 2016, a
4 consolidated district shall not receive more than ~~four hundred thousand~~
5 ~~dollars~~ THE MAXIMUM ALLOWABLE AMOUNT in fire district assistance tax monies
6 AS PRESCRIBED IN SUBSECTION D OF THIS SECTION, without regard to whether the
7 consolidated district is located in more than one county.

8 D. Beginning with the fiscal year that starts July 1, ~~2012~~ 2016, ~~if~~
9 FOR ANY two or more fire districts THAT merge OR CONSOLIDATE to form a
10 consolidated district ~~and the total of the amounts received by each fire~~
11 ~~district from the fire district assistance tax is less than four hundred~~
12 ~~thousand dollars~~ ON OR AFTER JULY 1, 2014, the consolidated district may
13 continue to receive monies ~~until its receipts total four hundred thousand~~
14 ~~dollars~~, IN AN AMOUNT NOT TO EXCEED THE SUM OF THE AVERAGE OF THE AMOUNT OF
15 FIRE DISTRICT ASSISTANCE TAX MONIES RECEIVED BY EACH OF THE CONSOLIDATING OR
16 MERGING DISTRICTS IN THE FIVE FISCAL YEARS IMMEDIATELY PRECEDING THE MERGER
17 OR CONSOLIDATION as prescribed in subsection A of this section, without
18 regard to whether the consolidated district is located in more than one
19 county.

20 E. FOR A CONSOLIDATED DISTRICT THAT IS FORMED IN ANY FISCAL YEAR
21 BEGINNING JULY 1, 2014 OR LATER AND THAT IS RECEIVING FIRE DISTRICT
22 ASSISTANCE TAX MONIES THAT ARE REDUCED AS PRESCRIBED IN SUBSECTION A,
23 PARAGRAPH 1, SUBDIVISION (c) OF THIS SECTION, IF THE TOTAL AMOUNT OF FIRE
24 DISTRICT ASSISTANCE TAX MONIES THAT WOULD BE PAID TO ALL DISTRICTS IN THE
25 COUNTY PURSUANT TO SUBSECTION A OF THIS SECTION IS LESS THAN THE AMOUNT OF
26 MONIES THAT WOULD BE RAISED BY THE LEVY OF TEN CENTS PER ONE HUNDRED DOLLARS
27 ASSESSED VALUATION, THE TREASURER SHALL PAY THE CONSOLIDATED DISTRICT THE
28 AMOUNT OF FIRE DISTRICT ASSISTANCE TAX MONIES PRESCRIBED BY SUBSECTION A OF
29 THIS SECTION THAT WOULD HAVE BEEN PAID TO THE DISTRICTS AT THE TIME THE
30 DISTRICTS MERGED OR CONSOLIDATED.

31 ~~E-~~ F. The board, based on the budget submitted by the district, shall
32 levy, in addition to any tax levied as provided in section 48-806, a tax not
33 to exceed three dollars twenty-five cents per one hundred dollars of assessed
34 valuation, or the amount of the levy in the preceding tax year multiplied by
35 1.08, whichever levy is less, and minus any amounts required to reduce the
36 levy pursuant to subsection ~~H-~~ I of this section, against all property
37 situated within the district boundaries and appearing on the last assessment
38 roll. The levy shall be made and the taxes collected in the manner, at the
39 time and by the officers provided by law for the collection of general county
40 taxes.

41 ~~F-~~ G. The qualified electors of the district, voting in an election
42 as prescribed by subsection ~~G-~~ H of this section, may authorize the board to
43 levy a tax exceeding the limits prescribed by subsection ~~E-~~ F of this section
44 under one, but not both, of the following options:

45 1. The electors may authorize a permanent override allowing annual
46 levies without reference to the levy in the preceding tax year, but remaining

1 subject to the tax rate limit of three dollars twenty-five cents per one
2 hundred dollars of assessed valuation. An election for the purposes of this
3 paragraph must be held at a regularly scheduled general election held on the
4 first Tuesday following the first Monday in November as prescribed by section
5 16-204, subsection F.

6 2. If the net assessed valuation of all property in the district
7 declines by a combined total of twenty percent or more over two consecutive
8 valuation years, the electors voting at the next regularly scheduled general
9 election held on the first Tuesday following the first Monday in November as
10 prescribed by section 16-204, subsection F may authorize an override for five
11 consecutive tax years allowing annual levies that are exempt from the tax
12 rate limit of three dollars twenty-five cents, but subject to an annual levy
13 limit of the amount of the levy in the preceding tax year multiplied by
14 1.05. After the fifth tax year, the district is again subject to the limits
15 prescribed by subsection ~~E~~ F of this section, computed by multiplying the
16 levy beginning in the year preceding the override by 1.08 for each year
17 through the current tax year.

18 ~~G~~ H. The call for an override election held for the purposes of
19 subsection ~~F~~ G of this section must state:

20 1. The purpose for requesting additional secondary property tax
21 revenue for the district.

22 2. If the voters approve the levy:

23 (a) The maximum dollar amount of secondary property tax that may be
24 collected in the first year compared to the existing maximum secondary
25 property tax levy prescribed in subsection ~~E~~ F of this section.

26 (b) The estimated secondary property tax rate to fund the proposed
27 levy under subdivision (a) of this paragraph in the first tax year compared
28 to the secondary property tax rate levied in the current year.

29 ~~H~~ I. If the district annexes additional territory, the limit under
30 subsection ~~E~~ F of this section shall be adjusted by applying the district's
31 tax rate to the assessed valuation of the annexed property in the preceding
32 tax year. If districts are merged or consolidated under this chapter, the
33 limitation under this subsection in the first year after the districts are
34 merged or consolidated is the total of the levies of the merged or
35 consolidated districts in the preceding tax year multiplied by 1.08 or the
36 amount of the levies allowed by the maximum rate prescribed by
37 subsection ~~E~~ F of this section, whichever is less.

38 ~~I~~ J. The district shall maintain any property tax revenues collected
39 in excess of the sum of the amounts of taxes collectible pursuant to section
40 42-17054 and the allowable levy determined under subsection ~~E~~ F of this
41 section in a separate fund and used to reduce the property tax levy in the
42 following tax year.

43 ~~J~~ K. The levy limit under this section is considered to be increased
44 each year to the maximum limit permissible under subsection ~~E~~ F of this
45 section regardless of whether the district actually levies taxes up to the
46 maximum permissible amount in that year.

1 ~~K~~. L. The county treasurer shall keep the money received from taxes
2 levied pursuant to subsection ~~E~~ F of this section in a separate fund known
3 as the "fire district general fund" of the district for which collected. Any
4 surplus remaining in the fire district general fund at the end of the fiscal
5 year shall be credited to the fire district general fund of the district for
6 which it was collected for the succeeding fiscal year and after subtraction
7 of accounts payable and encumbrances, shall be used to reduce the property
8 tax levy in the following tax year.

9 ~~L~~. M. A fire district may maintain separate accounts with a financial
10 institution that is authorized to do business in this state for the purpose
11 of operating a payroll account or for holding special revenues or ambulance
12 revenues, or both, as necessary to fulfill the district's fiduciary
13 responsibilities.

14 ~~M~~. N. A fire district, through the county treasurer, shall establish
15 the relevant governmental funds necessary for the proper management and
16 fiscal accountability of district monies from property taxes, grants,
17 contributions and donations, as defined by the government accounting
18 standards board. Unless the monies received are legally restricted by
19 contract, agreement or law, those monies may be transferred between fund
20 accounts according to the original or amended budget of the fire district.

21 ~~N~~. O. A fire district shall reconcile all balance sheet accounts for
22 accounts for each calendar month of the fiscal year within thirty days after
23 the end of that calendar month. The fire district board shall review the
24 reconciled balance sheet accounts monthly, except that for a fire district
25 that is governed by a three-member board, the board may review the reconciled
26 balance sheet accounts every two months.

27 ~~O~~. P. A fire district shall produce monthly financial reports to
28 include a register of checks, warrants and deposits, a statement of financial
29 activities and a statement of net assets for each calendar month. A fire
30 district shall produce a cash flow projection report for each fiscal year.
31 The cash flow projection report shall be updated monthly with the actual
32 revenues and expenditures from the preceding month. Each month, the fire
33 district board shall review the financial reports, the updated cash flow
34 projections report and all month-end fund statements and reports of the
35 preceding month to include those reports provided by the county treasurer and
36 each of the financial institutions in which the district maintains an
37 account, except that for a fire district that is governed by a three-member
38 board, the board may review the reports and statements prescribed by this
39 subsection every two months. Any financial report or cash flow projection
40 report that would indicate that the district is likely to violate section
41 48-805.02, subsection D, paragraph 1 or that would indicate an adverse impact
42 on the ongoing operations or liquidity of the district shall be reported by
43 the fire district board chairman in writing and delivered by certified mail
44 to the county treasurer and the county board of supervisors within ten days
45 after the discovery.

1 ~~P.~~ Q. Notwithstanding section 11-605, a fire district may register
2 warrants only if separate accounts are maintained by the county treasurer for
3 each governmental fund of a fire district. Warrants may only be registered
4 on the maintenance and operation account, the unrestricted capital outlay
5 account and the special revenue account, and only if the total cash balance
6 of all three accounts is insufficient to pay the warrants and after any
7 revolving line of credit has been expended as prescribed in section 11-635.

8 ~~Q.~~ R. When a fire district has adopted a budget and the board of
9 supervisors has levied a fire district tax as provided in subsection ~~E~~ F of
10 this section and the district has insufficient money in its general fund with
11 the county treasurer to operate the district, the chairman of the board, on
12 or after August 1 of each year, may draw warrants for the purposes prescribed
13 in section 48-805 on the county treasurer, payable on November 1 of that year
14 or on April 1 of the succeeding year. The aggregate amounts of the warrants
15 may not exceed ninety percent of the taxes levied by the county for the
16 district's current fiscal year. If the treasurer cannot pay a warrant for
17 lack of funds in the fire district general fund, the warrant shall be
18 endorsed, be registered, bear interest and be redeemed as provided by law for
19 county warrants, except that the warrants are payable only from the fire
20 district general fund.

21 Sec. 3. Retroactivity

22 This act applies retroactively to from and after June 30, 2016.

APPROVED BY THE GOVERNOR MAY 11, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 11, 2016.