

*Sponsorship has changed since the bill was introduced

REFERENCE TITLE: law enforcement; defunding; prohibition

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

HB 2120

*Introduced by
Representatives Marshall: Bliss, Hendrix

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

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

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

25 42-5029. Remission and distribution of monies; withholding;
26 definitions

27 A. The department shall deposit, pursuant to sections 35-146 and
28 35-147, all revenues collected under this article and articles 4, 5 and 8
29 of this chapter pursuant to section 42-1116, separately accounting for:

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

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

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

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

37 5. Revenues collected pursuant to section 42-5010.01 and section
38 42-5155, subsection E.

39 B. The department shall credit payments of estimated tax to an
40 estimated tax clearing account and each month shall transfer all monies in
41 the estimated tax clearing account to a fund designated as the transaction
42 privilege and severance tax clearing account. The department shall credit
43 all other payments to the transaction privilege and severance tax clearing
44 account, separately accounting for the monies designated as distribution

1 base under sections 42-5010, 42-5164 and 42-5205. Each month the
2 department shall report to the state treasurer the amount of monies
3 collected pursuant to this article and articles 4, 5 and 8 of this
4 chapter.

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

10 D. Of the monies designated as distribution base, the department
11 shall:

12 1. Pay twenty-five percent to the various incorporated
13 municipalities in this state in proportion to their population to be used
14 by the municipalities for any municipal purpose.

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

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

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

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

27 (a) Average the following proportions:

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

40 (ii) The proportion that the distribution base monies collected
41 during the calendar month in each county under this article, section
42 42-5164, subsection B and section 42-5205, subsection B bear to the total
43 distribution base monies collected under this article, section 42-5164,

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

3 (b) If the proportion computed under subdivision (a) of this
4 paragraph for any county is greater than the proportion computed under
5 paragraph 2 of this subsection, the department shall compute the
6 difference between the amount distributed to that county under paragraph 2
7 of this subsection and the amount that would have been distributed under
8 paragraph 2 of this subsection using the proportion computed under
9 subdivision (a) of this paragraph and shall pay that difference to the
10 county from the amount available for distribution under this paragraph.
11 Any monies remaining after all payments under this subdivision shall be
12 distributed among the counties according to the proportions computed under
13 paragraph 2 of this subsection.

14 4. After any distributions required by sections 42-5030,
15 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making
16 any transfer to the water quality assurance revolving fund as required by
17 section 49-282, subsection B, credit the remainder of the monies
18 designated as distribution base to the state general fund. From this
19 amount the legislature shall annually appropriate to:

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

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

24 (c) The firearms safety and ranges fund established by section
25 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected
26 from the retail classification pursuant to section 42-5061 for the current
27 fiscal year.

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

37 1. If there are outstanding state school facilities revenue bonds
38 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
39 amount that is necessary to pay the fiscal year's debt service on
40 outstanding state school improvement revenue bonds for the current fiscal
41 year shall be transferred each month to the school improvement revenue
42 bond debt service fund established by section 15-2084. The total amount
43 of bonds for which these monies may be allocated for the payment of debt

1 service shall not exceed a principal amount of eight hundred million
2 dollars exclusive of refunding bonds and other refinancing obligations.

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

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

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

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

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

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

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

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

36 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
37 \$86,280,500.

38 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
39 this subsection, seven million eight hundred thousand dollars is
40 appropriated each fiscal year, to be paid in monthly installments, to the
41 department of education to be used for school safety as provided in
42 section 15-154 and two hundred thousand dollars is appropriated each
43 fiscal year, to be paid in monthly installments to the department of

1 education to be used for the character education matching grant program as
2 provided in section 15-154.01.

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

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

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

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

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

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

25 (c) Forty per cent shall be allocated for maintenance and operation
26 purposes.

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

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

1 continue until the total amount, including interest and costs, has been
2 recovered.

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

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

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

40 K. On notice from the auditor general pursuant to section 9-626,
41 subsection D, the state treasurer shall withhold from the distribution of
42 monies pursuant to this section to the affected city the amount computed
43 pursuant to section 9-626, subsection D. The state treasurer shall
44 continue to withhold monies pursuant to this subsection until the entire

1 amount specified in the notice has been withheld. The state treasurer
2 shall credit any monies withheld pursuant to this subsection to the state
3 general fund as provided by subsection D, paragraph 4 of this section.

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

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

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

38 1. "Community college district":

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

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

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

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

3 (b) The proportion that the distribution base monies collected
4 during the calendar month in each county under this article, section
5 42-5164, subsection B and section 42-5205, subsection B bear to the total
6 distribution base monies collected under this article, section 42-5164,
7 subsection B and section 42-5205, subsection B throughout the state for
8 the calendar month.

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

11 (a) Average the following proportions:

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

24 (ii) The proportion that the distribution base monies collected
25 during the calendar month in each county under this article, section
26 42-5164, subsection B and section 42-5205, subsection B bear to the total
27 distribution base monies collected under this article, section 42-5164,
28 subsection B and section 42-5205, subsection B throughout this state for
29 the calendar month.

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

41 4. After any distributions required by sections 42-5030,
42 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making
43 any transfer to the water quality assurance revolving fund as required by
44 section 49-282, subsection B, credit the remainder of the monies

1 designated as distribution base to the state general fund. From this
2 amount the legislature shall annually appropriate to:

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

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

7 (c) The firearms safety and ranges fund established by section
8 17-273, \$50,000 derived from the taxes collected from the retail
9 classification pursuant to section 42-5061 for the current fiscal year.

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

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

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

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

39 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
40 this subsection, one-twelfth of the amount a community college that is
41 owned, operated or chartered by a qualifying Indian tribe on its own
42 Indian reservation would receive pursuant to section 15-1472, subsection
43 D, paragraph 2 if it were a community college district shall be
44 distributed each month to the treasurer or other designated depository of

1 a qualifying Indian tribe. Monies distributed pursuant to this paragraph
2 are for the exclusive purpose of providing support to one or more
3 community colleges owned, operated or chartered by a qualifying Indian
4 tribe and shall be used in a manner consistent with section 15-1472,
5 subsection B. For the purposes of this paragraph, "qualifying Indian
6 tribe" has the same meaning as defined in section 42-5031.01,
7 subsection D.

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

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

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

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

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

17 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
18 \$86,280,500.

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

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

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

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

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

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

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

5 (c) Forty per cent shall be allocated for maintenance and operation
6 purposes.

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

10 G. Notwithstanding subsection D of this section, if a court of
11 competent jurisdiction finally determines that tax monies distributed
12 under this section were illegally collected under this article or articles
13 5 and 8 of this chapter and orders the monies to be refunded to the
14 taxpayer, the department shall compute the amount of such monies that was
15 distributed to each city, town and county under this section. Each
16 city's, town's and county's proportionate share of the costs shall be
17 based on the amount of the original tax payment each municipality and
18 county received. Each month the state treasurer shall reduce the amount
19 otherwise distributable to the city, town and county under this section by
20 1/36 of the total amount to be recovered from the city, town or county
21 until the total amount has been recovered, but the monthly reduction for
22 any city, town or county shall not exceed ten percent of the full monthly
23 distribution to that entity. The reduction shall begin for the first
24 calendar month after the final disposition of the case and shall continue
25 until the total amount, including interest and costs, has been recovered.

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

42 I. Except as provided by sections 42-5033 and 42-5033.01, the
43 population of a county, city or town as determined by the most recent
44 United States decennial census plus any revisions to the decennial census

1 certified by the United States bureau of the census shall be used as the
 2 basis for apportioning monies pursuant to subsection D of this section.

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

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

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

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

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

18 1. "Community college district":

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

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

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

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

27 ~~43-206.~~ Urban revenue sharing fund; allocation; distribution;
28 withholding; definition

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

41 B. Each city or town shall share in the urban revenue sharing fund
42 in the proportion that the population of each bears to the population of
43 all. Except as provided by sections 42-5033 and 42-5033.01, the
44 population of a city or town as determined by the most recent United

1 States decennial census plus any revisions to the decennial census
2 certified by the United States CENSUS bureau ~~of the census~~ shall be used
3 as the basis for apportioning monies pursuant to this subsection.

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

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

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

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

43 G. EXCEPT AS OTHERWISE PROVIDED BY THIS SUBSECTION, ON NOTICE FROM
44 THE GOVERNING BODY OF A CITY OR TOWN THAT AN OFFICIAL ACTION THAT WAS

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

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

17 Sec. 5. Effective date

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