

REFERENCE TITLE: county aid; school districts; revisions

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

## **HB 2173**

Introduced by  
Representative Pingerelli

### 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 37-521, 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. COUNTY AID FROM COMMON SCHOOL DISTRICTS NOT WITHIN A HIGH SCHOOL  
11 DISTRICT SHALL BE COMPUTED AS FOLLOWS:

12 1. DETERMINE THE TOTAL EQUALIZATION ASSISTANCE FOR ALL SCHOOL  
13 DISTRICTS IN THE COUNTY AS PROVIDED IN SUBSECTIONS A AND B OF THIS  
14 SECTION.

15 2. DETERMINE THE TOTAL AMOUNT OF MONIES COLLECTED PURSUANT TO  
16 SECTION 15-992, SUBSECTION F.

17 3. DIVIDE THE AMOUNT DETERMINED IN PARAGRAPH 2 OF THIS SUBSECTION  
18 BY THE AMOUNT DETERMINED IN PARAGRAPH 1 OF THIS SUBSECTION.

19 4. MULTIPLY THE AMOUNT DETERMINED IN SUBSECTIONS A AND B OF THIS  
20 SECTION BY THE QUOTIENT DETERMINED IN PARAGRAPH 3 OF THIS SUBSECTION FOR  
21 EACH SCHOOL DISTRICT.

22 5. THE AMOUNT DETERMINED IN PARAGRAPH 4 OF THIS SUBSECTION SHALL BE  
23 THE COUNTY AID FROM COMMON SCHOOL DISTRICTS NOT WITHIN A HIGH SCHOOL  
24 DISTRICT FOR A SCHOOL DISTRICT.

25 ~~E.~~ D. State aid for equalization assistance for education for a  
26 school district shall be the equalization assistance for education for a  
27 school district as provided in subsections A and B of this section,  
28 REDUCED BY THE AMOUNT CALCULATED PURSUANT TO SUBSECTION C, PARAGRAPH 5 OF  
29 THIS SECTION.

30 ~~D.~~ E. Equalization assistance for education shall be paid from  
31 appropriations for that purpose to the school districts as provided in  
32 section 15-973.

33 ~~E.~~ F. A school district shall report expenditures on approved  
34 career and technical education and vocational education programs in the  
35 annual financial report according to uniform guidelines prescribed by the  
36 uniform system of financial records and in order to facilitate compliance  
37 with sections 15-255 and 15-904.

38 ~~F.~~ G. The additional weight for state aid purposes given to  
39 special education as provided in section 15-943 shall be given to school  
40 districts only if special education programs comply with chapter 7,  
41 article 4 of this title and the conditions and standards prescribed by the  
42 superintendent of public instruction pursuant to rules of the state board  
43 of education for pupil identification and placement pursuant to sections  
44 15-766 and 15-767.

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

7           ~~H.~~ I. The total amount of state monies that may be spent in any  
8 fiscal year for state equalization assistance shall not exceed the amount  
9 appropriated or authorized by section 35-173 for that purpose. This  
10 section does not impose a duty on an officer, agent or employee of this  
11 state to discharge a responsibility or create any right in a person or  
12 group if the discharge or right would require an expenditure of state  
13 monies in excess of the expenditure authorized by legislative  
14 appropriation for that specific purpose.

15           Sec. 2. Repeal

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

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

20           15-992. School district tax levy; additional tax in districts  
21                                   ineligible for equalization assistance; definition

22           A. The board of supervisors of each county, at the time of levying  
23 other taxes, shall annually levy school district taxes on the property in  
24 any school district in which additional amounts are required, which shall  
25 be at rates prescribed in this section. A delinquency factor for  
26 estimated uncollected taxes may not be included in the computation of the  
27 primary tax rate for school district taxes. Local property taxes may not  
28 be levied for any deficit in the classroom site fund. The taxes shall be  
29 added to and collected in the same manner as other county taxes on the  
30 property within the school district. The amount of the school district  
31 taxes levied on the property in a particular school district shall be paid  
32 into the school fund of that school district.

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

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

41           2. Subtract the ~~amount~~ AMOUNTS determined in section 15-971,  
42 subsection A AND SUBSECTION F OF THIS SECTION from the levy determined in  
43 paragraph 1 of this subsection. This difference is the additional amount  
44 levied or collected as voluntary contributions pursuant to title 48,

1 chapter 1, article 8, except that if the difference is zero or is a  
2 negative number, there shall be no levy.

3 C. Monies collected pursuant to subsection B of this section shall  
4 be transmitted to the state treasurer for deposit in the state general  
5 fund to aid in school financial assistance.

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

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

17 F. At the same time of levying taxes as provided in subsection A of  
18 this section, the county board of supervisors shall annually levy an  
19 additional tax in each common school district not within a high school  
20 district that is equal to the LESSER OF:

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

23 2. A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS THE countywide  
24 average per pupil equalization base for high school pupils multiplied by  
25 the number of resident high school pupils in the common school district  
26 not within a high school district during the prior school year. ~~The~~

27 ~~monies collected pursuant to this subsection shall be added to county aid~~  
28 ~~for equalization assistance for education pursuant to section 15-971,~~  
29 ~~subsection C.~~ On or before July 1 of each year, the department of

30 education shall provide each county board of supervisors with the  
31 countywide average per pupil equalization base for high school pupils, the  
32 number of resident high school pupils in the common school district not  
33 within a high school district during the prior school year and any other  
34 information requested by the county board of supervisors for the purposes  
35 of levying the tax prescribed in this subsection.

36 G. MONIES COLLECTED PURSUANT TO SUBSECTION F OF THIS SECTION ARE  
37 COUNTY AID FROM COMMON SCHOOL DISTRICTS NOT WITHIN A HIGH SCHOOL DISTRICT  
38 AS DESCRIBED IN SECTION 15-971, SUBSECTION C AND SHALL BE DISTRIBUTED TO  
39 SCHOOL DISTRICTS WITHIN THE COUNTY.

40 ~~G.~~ H. At the time of levying taxes as provided in subsection E of  
41 this section, the county school superintendent shall annually validate any  
42 additional primary school district tax levy amount requests from each  
43 school district and levy the sum of the following amounts:

44 1. A rate that would result in a levy that equals the difference  
45 between the transportation revenue control limit as determined in section

1 15-946 and the transportation support level as determined in section  
2 15-945 or a lesser amount.

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

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

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

9 5. A rate that would result in a levy that equals any amount for  
10 liabilities in excess of the school district budget pursuant to section  
11 15-907.

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

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

18 8. Following the recommendation of the county school superintendent  
19 and on approval by the county board of supervisors, for a school district  
20 that is not eligible for state aid, a rate that would result in a levy  
21 that equals any legal amount not levied in the current year as a result of  
22 underestimated average daily membership in the current year or as a result  
23 of a judgment in accordance with section 42-16213.

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

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

34 ~~H.~~ I. For the purposes of this section, "assessed valuation"  
35 includes the values used to determine voluntary contributions collected  
36 pursuant to title 9, chapter 4, article 3 and title 48, chapter 1,  
37 article 8.

38 Sec. 4. Section 37-521, Arizona Revised Statutes, is amended to  
39 read:

40 37-521. Permanent state school fund; composition; use

41 A. After any appropriation pursuant to section 37-527, the  
42 permanent state school fund shall consist of:

43 1. The proceeds of all lands granted to this state by the United  
44 States for the support of common schools.

- 1           2. All property ~~which~~ THAT accrues to this state by escheat or  
2 forfeiture.
- 3           3. All property donated for the benefit of the common schools,  
4 unless the terms of the donation otherwise provide.
- 5           4. All unclaimed shares and dividends of any corporation  
6 incorporated under the laws of this state.
- 7           5. The proceeds of sale of timber, mineral, gravel or other natural  
8 products or property from school lands and state lands other than those  
9 granted for specific purposes.
- 10          6. The residue of the lands granted for payment of the bonds and  
11 accrued interest issued by Maricopa, Pima, Yavapai and Coconino counties,  
12 after the purpose of the grant has been satisfied, and the five percent of  
13 the proceeds of sales of public lands lying within this state sold by the  
14 United States subsequent to admission of this state into the union, as  
15 granted by the enabling act.
- 16          B. The fund shall be and remain a perpetual fund, and distributions  
17 from the fund pursuant to article X, section 7, Constitution of Arizona,  
18 plus monies derived from the rental of the lands and property, interest  
19 and accrued rent for that year credited pursuant to section 37-295 and  
20 interest paid on installment sales, shall be used as follows:
- 21           1. If there are outstanding state school facilities revenue bonds  
22 pursuant to title 41, chapter 56, article 6, outstanding qualified zone  
23 academy bonds pursuant to title 41, chapter 56, article 7 or outstanding  
24 state school trust revenue bonds issued to correct existing deficiencies,  
25 the state treasurer and the state land department shall annually transfer  
26 to the ~~state~~ school facilities revenue bond debt service fund established  
27 ~~in~~ PURSUANT TO section 41-5754, the ~~state~~ school improvement revenue bond  
28 debt service fund established ~~in~~ PURSUANT TO section 41-5784 and the state  
29 school trust revenue bond debt service fund the amount that is necessary  
30 to pay that fiscal year's debt service on outstanding state school  
31 facilities revenue bonds, qualified zone academy bonds and state school  
32 trust revenue bonds, before transferring amounts for any other uses.
- 33           2. If there are no outstanding state school facilities revenue  
34 bonds pursuant to title 41, chapter 56, article 6 or if the amount of  
35 monies available under this subsection exceeds the amount required under  
36 paragraph 1 of this subsection, the monies are subject to legislative  
37 appropriation to the new school facilities fund established by section  
38 41-5741.
- 39           3. If the amount of monies available under this subsection exceeds  
40 the amount required under paragraphs 1 and 2 of this subsection, the  
41 legislature may annually appropriate an amount to be used as provided in  
42 section 15-971, subsection ~~G~~ H, except that the amount appropriated may  
43 not exceed the amount appropriated from the permanent state school fund  
44 and from the rent and interest paid on installment sales for this purpose  
45 in fiscal year 2000-2001.

1           4. Notwithstanding paragraphs 1, 2 and 3 of this subsection, from  
2 and after June 30, 2001, any expendable earnings under this subsection  
3 that exceed the fiscal year 2000-2001 expendable earnings shall be  
4 deposited in the classroom site fund established by section 15-977.

5           Sec. 5. Property tax reduction; 2024 tax year; delayed  
6                           repeal; definition

7           A. If a county board of supervisors levies an additional tax  
8 pursuant to section 15-992, subsection B, Arizona Revised Statutes, as  
9 amended by this act, in one or more eligible school districts in the 2023  
10 tax year, the board of supervisors shall reduce the tax levy in each  
11 eligible school district for the 2024 tax year by the lesser of:

12           1. The amount levied pursuant to section 15-992, subsection B,  
13 Arizona Revised Statutes, as amended by this act, in the 2023 tax year.

14           2. The amount levied pursuant to section 15-992, subsection F,  
15 Arizona Revised Statutes, as amended by this act, in the 2023 tax year.

16           B. This section is repealed from and after December 31, 2027.

17           C. For the purposes of this section, "eligible school district"  
18 means a district that is both:

19           1. Not eligible for equalization assistance as provided in section  
20 15-971, Arizona Revised Statutes, as amended by this act.

21           2. A common school district not within a high school district.

22           Sec. 6. Retroactivity

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

25           1. Section 15-971, Arizona Revised Statutes, as amended by Laws  
26 2022, chapter 317, section 13 and this act.

27           2. Section 15-971, Arizona Revised Statutes, as amended by Laws  
28 2022, chapter 285, section 9 and repealed by this act.

29           3. Section 37-521, Arizona Revised Statutes, as amended by this  
30 act.

31           B. Section 15-992, Arizona Revised Statutes, as amended by this  
32 act, applies retroactively to tax years beginning from and after December  
33 31, 2023.