

REFERENCE TITLE: municipal fire departments; defunding; prohibition

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HB 2943

Introduced by
Representatives Hernandez A: Hernandez C

AN ACT

AMENDING TITLE 9, CHAPTER 4, ARTICLE 8, ARIZONA REVISED STATUTES, BY
ADDING SECTION 9-500.52; AMENDING SECTIONS 42-5029 AND 43-206, ARIZONA
REVISED STATUTES; RELATING TO FIRE DEPARTMENTS.

(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 9-500.52, to read:

4 9-500.52. Fire department; budget decrease; prohibition;
5 applicability; definition

6 A. A CITY OR TOWN MAY NOT REDUCE THE ANNUAL OPERATING BUDGET FOR A
7 FIRE DEPARTMENT BY ANY AMOUNT BELOW THE PREVIOUS YEAR'S BUDGET.

8 B. IF A CITY OR TOWN REDUCES THE ANNUAL OPERATING BUDGET FOR A FIRE
9 DEPARTMENT, THE CITY OR TOWN SHALL NOTIFY THE STATE TREASURER OF THE
10 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 FIRE DEPARTMENT PURSUANT
13 TO SECTION 42-5029, SUBSECTION M AND SECTION 43-206, SUBSECTION G. THE
14 STATE TREASURER SHALL CONTINUE TO WITHHOLD STATE SHARED MONIES UNTIL
15 NOTIFICATION FROM THE CITY OR TOWN THAT THE REDUCTION IN THE FIRE
16 DEPARTMENT'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 FIRE DEPARTMENT AT THE SAME AMOUNT AS THE PREVIOUS YEAR.

20 D. FOR THE PURPOSES OF THIS SECTION, "FIRE DEPARTMENT" MEANS A
21 MUNICIPAL FIRE DEPARTMENT.

22 Sec. 2. Section 42-5029, Arizona Revised Statutes, is amended to
23 read:

24 42-5029. Remission and distribution of monies; withholding;
25 definitions

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

- 29 1. Payments of estimated tax under section 42-5014, subsection D.
30 2. Revenues collected pursuant to section 42-5070.

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

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

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

38 6. Revenues collected pursuant to section 42-5061 from a remote
39 seller.

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

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

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

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

1. Pay twenty-five percent to the various incorporated municipalities in this state in proportion to their population to be used by the municipalities for any municipal purpose, except a municipality shall use monies paid from revenues separately accounted for pursuant to subsection A, paragraph 6 of this section and paid pursuant to this paragraph for public safety before any other municipal purpose.

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

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

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

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

- (a) Average the following proportions:

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

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

1 distribution base monies collected under this article, section 42-5164,
2 subsection B and section 42-5205, subsection B throughout this state for
3 the calendar month.

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

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

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

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

25 (c) The firearms safety and ranges fund established by section
26 17-273, \$50,000 derived from the taxes collected from the retail
27 classification pursuant to section 42-5061 for the current 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
44 service shall not exceed a principal amount of eight hundred million
45 dollars exclusive of refunding bonds and other refinancing obligations.

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

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

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

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

- (a) In fiscal year 2001-2002, \$15,305,900.
- (b) In fiscal year 2002-2003, \$31,530,100.
- (c) In fiscal year 2003-2004, \$48,727,700.
- (d) In fiscal year 2004-2005, \$66,957,200.
- (e) In fiscal year 2005-2006 and each fiscal year thereafter, \$86,280,500.

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

7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, no more than seven million dollars may be appropriated by

1 the legislature each fiscal year to the department of education to be used
2 for accountability purposes as described in section 15-241 and title 15,
3 chapter 9, article 8.

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

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

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

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

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

21 (c) Forty per cent shall be allocated for maintenance and operation
22 purposes.

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

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

42 H. On receiving a certificate of default from the greater Arizona
43 development authority pursuant to section 41-2257 or 41-2258 and to the
44 extent not otherwise expressly prohibited by law, the state treasurer
45 shall withhold from the next succeeding distribution of monies pursuant to

1 this section due to the defaulting political subdivision the amount
2 specified in the certificate of default and immediately deposit the amount
3 withheld in the greater Arizona development authority revolving fund. The
4 state treasurer shall continue to withhold and deposit the monies until
5 the greater Arizona development authority certifies to the state treasurer
6 that the default has been cured. In no event may the state treasurer
7 withhold any amount that the defaulting political subdivision certifies to
8 the state treasurer and the authority as being necessary to make any
9 required deposits then due for the payment of principal and interest on
10 bonds of the political subdivision that were issued before the date of the
11 loan repayment agreement or bonds and that have been secured by a pledge
12 of distributions made pursuant to this section.

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

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

34 K. On notice from the auditor general pursuant to section 9-626,
35 subsection D, the state treasurer shall withhold from the distribution of
36 monies pursuant to this section to the affected city the amount computed
37 pursuant to section 9-626, subsection D. The state treasurer shall
38 continue to withhold monies pursuant to this subsection until the entire
39 amount specified in the notice has been withheld. The state treasurer
40 shall credit any monies withheld pursuant to this subsection to the state
41 general fund as provided by subsection D, paragraph 4 of this section.

42 L. Except as otherwise provided by this subsection, on notice from
43 the attorney general pursuant to section 41-194.01, subsection B,
44 paragraph 1 that an ordinance, regulation, order or other official action
45 adopted or taken by the governing body of a county, city or town violates

1 state law or the Constitution of Arizona, the state treasurer shall
 2 withhold the distribution of monies pursuant to this section to the
 3 affected county, city or town and shall continue to withhold monies
 4 pursuant to this subsection until the attorney general certifies to the
 5 state treasurer that the violation has been resolved. The state treasurer
 6 shall redistribute the monies withheld pursuant to this subsection among
 7 all other counties, cities and towns in proportion to their population as
 8 provided by subsection D of this section. The state treasurer shall not
 9 withhold any amount that the county, city or town certifies to the
 10 attorney general and the state treasurer as being necessary to make any
 11 required deposits or payments for debt service on bonds or other long-term
 12 obligations of the county, city or town that were issued or incurred
 13 before committing the violation.

14 M. EXCEPT AS OTHERWISE PROVIDED BY THIS SUBSECTION, ON NOTICE FROM
 15 THE GOVERNING BODY OF A CITY OR TOWN THAT AN OFFICIAL ACTION THAT WAS
 16 ADOPTED OR TAKEN BY THE GOVERNING BODY OF THE CITY OR TOWN REDUCES A FIRE
 17 DEPARTMENT'S BUDGET FROM THE PREVIOUS YEAR'S BUDGET PURSUANT TO SECTION
 18 9-500.52, THE STATE TREASURER SHALL WITHHOLD THE DISTRIBUTION OF MONIES
 19 PURSUANT TO THIS SECTION IN AN AMOUNT EQUAL TO THE REDUCTION TO THE FIRE
 20 DEPARTMENT'S BUDGET TO THE AFFECTED CITY OR TOWN AND SHALL CONTINUE TO
 21 WITHHOLD MONIES PURSUANT TO THIS SUBSECTION UNTIL THE GOVERNING BODY OF
 22 THE CITY OR TOWN NOTIFIES THE STATE TREASURER THAT THE REDUCTION HAS BEEN
 23 RESTORED. THE STATE TREASURER SHALL NOT WITHHOLD ANY AMOUNT THAT THE CITY
 24 OR TOWN CERTIFIES AS BEING NECESSARY TO MAKE ANY REQUIRED DEPOSITS OR
 25 PAYMENTS FOR DEBT SERVICE ON BONDS OR OTHER LONG-TERM OBLIGATIONS OF THE
 26 CITY OR TOWN THAT WERE ISSUED OR INCURRED BEFORE THE REDUCTION IN THE FIRE
 27 DEPARTMENT'S BUDGET. THIS SUBSECTION DOES NOT APPLY TO A REDUCTION IN
 28 BUDGET PURSUANT TO SECTION 9-500.52, SUBSECTION C.

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

30 1. "Community college district":

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

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

36 2. "FIRE DEPARTMENT" MEANS A MUNICIPAL FIRE DEPARTMENT.

37 Sec. 3. Section 43-206, Arizona Revised Statutes, is amended to
 38 read:

39 43-206. Urban revenue sharing fund; allocation; distribution;
 40 withholding; definition

41 A. The urban revenue sharing fund is established. Through fiscal
 42 year 2022-2023, the fund consists of an amount equal to fifteen percent of
 43 the net proceeds of the state income taxes for the fiscal year two years
 44 preceding the current fiscal year. Beginning in fiscal year 2023-2024,
 45 the fund consists of an amount equal to eighteen percent of the net

1 proceeds of the state income taxes for the fiscal year two years preceding
2 the current fiscal year. The fund shall be distributed to incorporated
3 cities and towns as provided in this section, except that a city or town
4 shall receive at least an amount equal to what a city or town with a
5 population of fifteen hundred or more persons would receive. The transfer
6 of net proceeds prescribed by section 49-282, subsection B does not affect
7 the calculation of net proceeds prescribed by this subsection.

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

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

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

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

38 F. Except as otherwise provided by this subsection, on notice from
39 the attorney general pursuant to section 41-194.01, subsection B,
40 paragraph 1 that an ordinance, regulation, order or other official action
41 adopted or taken by the governing body of a city or town violates state
42 law or the Constitution of Arizona, the state treasurer shall withhold the
43 distribution of monies pursuant to this section to the affected city or
44 town and shall continue to withhold monies pursuant to this subsection
45 until the attorney general certifies to the state treasurer that the

1 violation has been resolved. The state treasurer shall redistribute the
2 monies withheld pursuant to this subsection among all other cities and
3 towns in proportion to their population as provided by subsection B of
4 this section. The state treasurer shall not withhold any amount that the
5 city or town certifies to the attorney general and the state treasurer as
6 being necessary to make any required deposits or payments for debt service
7 on bonds or other long-term obligations of the city or town that were
8 issued or incurred before committing the violation.

9 G. EXCEPT AS OTHERWISE PROVIDED BY THIS SUBSECTION, ON NOTICE FROM
10 THE GOVERNING BODY OF A CITY OR TOWN THAT AN OFFICIAL ACTION THAT WAS
11 ADOPTED OR TAKEN BY THE GOVERNING BODY OF A CITY OR TOWN REDUCES A FIRE
12 DEPARTMENT'S BUDGET FROM THE PREVIOUS YEAR'S BUDGET PURSUANT TO SECTION
13 9-500.52, THE STATE TREASURER SHALL WITHHOLD THE DISTRIBUTION OF MONIES
14 PURSUANT TO THIS SECTION IN AN AMOUNT EQUAL TO THE REDUCTION TO THE FIRE
15 DEPARTMENT'S BUDGET TO THE AFFECTED CITY OR TOWN AND SHALL CONTINUE TO
16 WITHHOLD MONIES PURSUANT TO THIS SUBSECTION UNTIL THE GOVERNING BODY OF
17 THE CITY OR TOWN NOTIFIES THE STATE TREASURER THAT THE REDUCTION HAS BEEN
18 RESTORED. THE STATE TREASURER SHALL NOT WITHHOLD ANY AMOUNT THAT THE CITY
19 OR TOWN CERTIFIES AS BEING NECESSARY TO MAKE ANY REQUIRED DEPOSITS OR
20 PAYMENTS FOR DEBT SERVICE ON BONDS OR OTHER LONG-TERM OBLIGATIONS OF THE
21 CITY OR TOWN THAT WERE ISSUED OR INCURRED BEFORE THE REDUCTION IN THE FIRE
22 DEPARTMENT'S BUDGET. THIS SUBSECTION DOES NOT APPLY TO A REDUCTION IN
23 BUDGET PURSUANT TO SECTION 9-500.52, SUBSECTION C.

24 H. FOR THE PURPOSES OF THIS SECTION, "FIRE DEPARTMENT" MEANS A
25 MUNICIPAL FIRE DEPARTMENT.