

JLBC Fiscal Note

BILL # HB 2672

SPONSOR: Hernandez C

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TITLE: small school adjustment; overrides; revisions

STATUS: Introduced

Description

The Introduced version of HB 2672 would allow school districts with total student counts in grades 1-12 between 125 and 200 to adopt a budget in excess of their General Budget Limit (GBL) without an election by percentages specified in the bill. If a district adopts such a budget and then reports a student count of 200 or more in a subsequent year, the district may continue to exceed their GBL by 125%, subject to voter approval.

Estimated Impact

We estimate the bill would not have a direct impact on General Fund spending for public school basic state aid formula costs. To the extent that any increased primary property tax levies authorized by the bill result in primary property taxes exceeding the 1% constitutional cap, the bill may impact the costs of property tax rebate monies paid to homeowners.

We further estimate that in FY 2027, the bill would allow up to 5 districts to exceed their GBL by 200%, up to 3 to exceed their GBL by 175%, and up to 3 to exceed their GBL by 150%. To the extent these 11 districts would choose to levy primary property taxes in excess of their GBL, the bill would increase available resources for those districts.

Analysis

Our estimate assumes the following:

- 1) The bill would allow districts to exceed their GBL by the following percentages if they report prior year unweighted ADM in grades 1-12 in the following ranges:
 - 200%, for a district with a student count of at least 125, and less than 150.
 - 175%, for a district with a student count of at least 150, and less than 175.
 - 150%, for a district with a student count of at least 175, and less than 200.
- 2) For FY 2027, FY 2026 final unweighted ADM will be used to calculate eligibility for the adjustment under the bill. For the purposes of this analysis, we use January 2026 payment data from ADE to approximate FY 2026 final unweighted ADM. We have modified this data (which aggregates grades K-8) by reducing K-8 counts by estimated kindergarten unweighted ADM based on FY 2025 actual enrollment data.
- 3) Using this data, we estimate the following districts would qualify in FY 2027 (*see Table 1*).

Table 1		
Districts Eligible to Exceed GBL in FY 2027 under HB 2672		
200% in Excess of GBL	175% in Excess of GBL	150% in Excess of GBL
Cedar Unified District	Cochise Cty. Accommodation District ^{1/}	Antelope Union High School District
Coconino Cty. Accommodation District ^{1/}	Peach Springs Unified District	Mary C. O'Brien Accommodation District ^{1/}
Mcnary Elementary District	Solomon Elementary District	Wellton Elementary District
Picacho Elementary District		
Seligman Unified District		
^{1/} Accommodation schools are operated by their respective county boards of supervisors and do not have independent authority to levy taxes. Such districts may budget for a small school adjustment, which is then funded by the county using available resources. We assume a similar funding structure for the adjustment authorized under the bill.		

- 4) To the extent all 11 districts levy additional primary property taxes in FY 2027 to exceed their GBL, these districts would generate additional resources. We cannot estimate in advance the amount each district may levy, as we do not yet have access to districts' FY 2027 GBL calculations.
- 5) Under current law, a district may levy a small school adjustment if the district's prior year unweighted ADM is less than 125 for grades K-8 or less than 100 for grades 9-12. Districts that have previously levied the small school adjustment but have since exceeded the ADM thresholds may continue to levy a reduced small school adjustment. Such a district may be able to levy a greater amount in excess of their GBL under the calculations in this bill than would otherwise be allowed under the small school adjustment calculation, depending on their unweighted ADM and the size of their GBL.