

House Engrossed

school districts; leases; housing development

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HOUSE BILL 2383

AN ACT

AMENDING SECTIONS 15-1102, 15-1105, 42-11104 AND 42-11133, ARIZONA REVISED STATUTES; RELATING TO SCHOOL PROPERTIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-1102, Arizona Revised Statutes, is amended to
3 read:

4 15-1102. Disposition of proceeds from sale or lease of school
5 property; school plant monies; payment of bonded
6 indebtedness; definition

7 A. The governing board, or the superintendent or chief
8 administrative officer with the approval of the governing board: ~~;~~

9 1. May ~~expend~~ SPEND the proceeds from the sale ~~or lease~~ of school
10 property for the payment of any outstanding bonded indebtedness of the
11 school district or for the reduction of school district taxes.

12 2. SHALL SPEND THE PROCEEDS FROM THE LEASE OF SCHOOL PROPERTY FOR
13 THE PAYMENT OF ANY OUTSTANDING BONDED INDEBTEDNESS OF THE SCHOOL DISTRICT
14 OR FOR THE REDUCTION OF SCHOOL DISTRICT TAXES.

15 B. A common school district or a high school district that has an
16 outstanding bonded indebtedness of seven percent of the current year's
17 assessed valuation or less or a unified school district that has an
18 outstanding bonded indebtedness of fourteen percent of the current year's
19 assessed valuation or less may ~~expend~~ SPEND the proceeds from the sale ~~or~~
20 ~~lease~~ of school property as follows:

21 1. The total sum of the proceeds from the sale of school property
22 executed before July 1, 2016, ~~for~~ OR the total sum of the proceeds from
23 the sale of property to a school ~~or the total sum of the proceeds from the~~
24 ~~lease of school property to persons or entities other than schools for~~
25 ~~more than one year:~~

26 (a) May be ~~expended~~ SPENT for maintenance and operation in an
27 amount that does not exceed fifteen percent of the revenue control limit
28 for that year as provided in section 15-947, subsection A in any year.

29 (b) May be ~~expended~~ SPENT for capital outlay in any amount.

30 2. From and after June 30, 2016, proceeds from the sale of school
31 property that exceed ~~one hundred thousand dollars~~ \$100,000 per sales
32 transaction to persons or entities other than schools may not be ~~expended~~
33 SPENT for maintenance and operation and may be ~~expended~~ SPENT for capital
34 outlay in any amount.

35 C. A common school district or a high school district that has an
36 outstanding bonded indebtedness of greater than seven percent of the
37 current year's assessed valuation or a unified school district that has an
38 outstanding bonded indebtedness of greater than fourteen percent of the
39 current year's assessed valuation may ~~expend~~ SPEND the proceeds from the
40 ~~lease or~~ sale of school property as follows:

41 1. For the total sum of the proceeds from the sale of school
42 property executed before July 1, 2016, ~~or~~ OR for the total sum of the
43 proceeds from the sale of property to a school ~~or for the total sum of the~~
44 ~~proceeds from the lease of school property to persons or entities other~~
45 ~~than schools for more than one year:~~

1 (a) Up to twenty-five percent of the sales proceeds may be ~~expended~~
2 SPENT for maintenance and operation in an amount that does not exceed
3 fifteen percent of the revenue control limit for that year as provided in
4 section 15-947, subsection A in any year.

5 (b) The sales ~~or lease~~ proceeds may be ~~expended~~ SPENT for capital
6 outlay in any amount.

7 2. From and after June 30, 2016, for proceeds from the sale of
8 school property that exceed ~~one hundred thousand dollars~~ \$100,000 per
9 sales transaction to persons or entities other than schools:

10 (a) The sales proceeds may not be ~~expended~~ SPENT for maintenance
11 and operation.

12 (b) THE SCHOOL DISTRICT SHALL USE at least thirty-eight percent of
13 the sales proceeds ~~shall be used~~ for the payment of any outstanding bonded
14 indebtedness of the school district or for the reduction of school
15 district taxes.

16 (c) The remainder of the sales proceeds that are not obligated
17 pursuant to subdivision (b) of this paragraph may be ~~expended~~ SPENT for
18 capital outlay in any amount.

19 D. The governing board, or the superintendent or chief
20 administrative officer with the approval of the governing board, shall
21 promptly deposit monies received for and derived from the sale or lease of
22 school property with the county treasurer who shall establish a school
23 plant fund. Monies placed to the credit of the school plant fund may be
24 expended as provided in this section. The school plant fund is a
25 continuing fund that is not subject to reversion.

26 E. Proceeds from sales by condemnation or sales under threat of
27 condemnation may be deposited with the county treasurer for deposit in the
28 condemnation fund or the school plant fund of the school district. The
29 condemnation fund is a continuing fund that is not subject to reversion,
30 except that after ten years any unspent monies shall be placed in the
31 school plant fund to be used as prescribed in this section. The governing
32 board, or the superintendent or chief administrative officer with the
33 approval of the governing board, may apply the proceeds in the
34 condemnation fund to:

35 1. The payment of any outstanding bonded indebtedness of the school
36 district that is payable from the levy of taxes on property within the
37 school district.

38 2. Construct, acquire, improve, repair or furnish school facilities
39 or sites after notice and a hearing.

40 F. Proceeds from a right-of-way settlement shall be deposited with
41 the county treasurer for deposit in the condemnation fund of the school
42 district. The governing board, or the superintendent or chief
43 administrative officer with the approval of the governing board, shall
44 apply those proceeds in the condemnation fund to construct, acquire,

1 improve, repair or furnish school facilities or sites after notice and a
2 hearing.

3 G. The restrictions prescribed in subsections B and C of this
4 section do not apply to the proceeds from:

- 5 ~~1. Leases of school property to other schools.~~
6 ~~2. Leases of school property for less than one year.~~
7 ~~3. sales of school property of less than one hundred thousand~~
8 ~~dollars \$100,000 per transaction.~~

9 ~~H. A lease of school property for less than one year that includes~~
10 ~~an automatic lease renewal resulting in a total lease duration that~~
11 ~~exceeds one year is considered a lease for more than one year for the~~
12 ~~purposes of this section.~~

13 ~~I. H.~~ H. For the purposes of this section, "capital outlay" means
14 unrestricted capital outlay as prescribed in section 15-903, subsection C.

15 Sec. 2. Section 15-1105, Arizona Revised Statutes, is amended to
16 read:

17 15-1105. Lease of school property; immunity; fee schedule;
18 use of monies; tax exemption; definitions

19 A. The SCHOOL DISTRICT governing board, or the superintendent or
20 chief administrative officer with the approval of the governing board, may
21 lease school property, including school buildings, grounds, buses and
22 equipment, to any person, group or organization for any lawful purpose,
23 including ANY recreational, educational, political, economic, artistic,
24 moral, scientific, social, religious or other civic or governmental
25 purpose in the interest of the community, including extended day resource
26 programs. The governing board, superintendent or chief administrative
27 officer shall charge a reasonable use fee for the lease of the school
28 property, which may include goods contributed or services rendered by the
29 person, group or organization to the school district.

30 B. The governing board, or the superintendent or chief
31 administrative officer with the approval of the governing board, may
32 ~~permit~~ ALLOW the uncompensated use of school buildings, grounds, buses,
33 equipment and other school property by any ~~school-related~~ SCHOOL-RELATED
34 group, including student political organizations, or by any organization
35 whose membership is open to the public and whose activities promote the
36 educational function of the school district as determined in good faith by
37 the school district's governing board, or the superintendent or chief
38 administrative officer with the approval of the governing board, including
39 extended day resource programs, except as provided in section 15-511.

40 C. A school district and its employees, including the governing
41 board, superintendent or chief administrative officer, are immune from
42 civil liability with respect to all decisions made and actions taken to
43 allow the lease or use of school property, unless the school district or
44 its employees are guilty of gross negligence or intentional misconduct.

1 This subsection does not limit any other immunity provisions that are
2 prescribed by law.

3 D. A person, group or organization that is otherwise eligible to
4 lease school property shall not be denied use of or charged differentiated
5 fees for school property on the basis of the person's, group's or
6 organization's beliefs, expression of beliefs or exercise of the rights of
7 association that are protected under the laws of this state, the
8 Constitution of Arizona, the laws of the United States ~~or~~ AND the United
9 States Constitution.

10 E. The governing board shall annually approve a fee schedule for
11 the lease of school property. The fee schedule shall include a
12 designation of the persons, groups or organizations that ~~shall~~ have
13 uncompensated use of the school property, ~~and~~ and a procedure for determining
14 the value of goods and services being provided as compensation for the use
15 of school property. The governing board, superintendent or chief
16 administrative officer shall require proof of liability insurance for such
17 use or lease of school property.

18 F. Except as provided in section 15-1102, monies received for and
19 derived from the use or lease of school property under this section shall
20 be promptly deposited with the county treasurer, who shall credit the
21 deposits to the civic center school fund of the respective school
22 district. Monies placed to the credit of a civic center school fund may
23 be ~~expended~~ SPENT for civic center school purposes by warrants drawn ~~upon~~
24 ON AN order of the school district governing board, or the superintendent
25 or chief administrative officer with the approval of the governing board.
26 The civic center school fund of a school district or multiple school
27 district civic center school program is a continuing fund not subject to
28 reversion, except ~~upon~~ ON termination of a civic center school program.
29 ~~Upon~~ ON termination of a civic center school program, any remaining ~~funds~~
30 ~~shall~~ MONIES revert to the school plant fund of the school district or
31 districts.

32 G. A SCHOOL DISTRICT GOVERNING BOARD MAY LEASE, OR APPROVE THE
33 LEASE, OF SCHOOL PROPERTY TO ANY PERSON FOR A HOUSING DEVELOPMENT PROJECT
34 SUBJECT TO THE REQUIREMENTS PRESCRIBED BY SECTION 15-342, 15-491, 15-789
35 OR 41-5704 OR THIS SECTION.

36 H. PROPERTY AND BUILDINGS THAT ARE LEASED FROM A SCHOOL DISTRICT
37 PURSUANT TO SECTION 15-342, 15-491, 15-789 OR 41-5704 OR THIS SECTION ARE:

38 1. ELIGIBLE FOR A TAX EXEMPTION PURSUANT TO SECTION 42-11104 ONLY
39 IF THE PROPERTY AND BUILDINGS ARE USED FOR EDUCATION PURPOSES.

40 2. NOT ELIGIBLE FOR A TAX EXEMPTION PURSUANT TO SECTION 42-11133.

41 ~~G.~~ I. For the purposes of this section:

42 1. "Educational function" means ~~uses~~ A USE that ~~are~~ IS directly
43 related to the educational mission of the school district as adopted by
44 the school district governing board and includes parent-teacher
45 organizations, youth organizations and school employee organizations.

1 2. "Extended day resource programs" means activities offered on
2 school property before or after school or at times when school is not
3 customarily in session for children who are of the age required for
4 kindergarten programs and grades one through eight. The program may be
5 offered for children who are of the age required for a kindergarten
6 program or for one grade or for any combination of kindergarten programs
7 and grades. Activities may include physical conditioning, tutoring,
8 supervised homework or arts activities.

9 3. "Reasonable use fee" means an amount that is at least equal to
10 the school district's cost for utilities, services, supplies or personnel
11 that the school provides to the lessee pursuant to the terms of the lease.

12 Sec. 3. Section 42-11104, Arizona Revised Statutes, is amended to
13 read:

14 42-11104. Exemption for educational and library property

15 A. Libraries, colleges, school buildings and other buildings that
16 are used for education, with their furniture, libraries and equipment and
17 the land that is appurtenant to and used with them, are exempt from
18 taxation if they are used for education and not used or held for profit.

19 B. Property and buildings are exempt from taxation if leased from:

20 1. A school district pursuant to a lease or lease-purchase
21 agreement under section 15-342, paragraph 9 or 10 **IF THE PROPERTY AND**
22 **BUILDINGS ARE USED FOR EDUCATION PURPOSES.**

23 2. A community college district pursuant to a lease or
24 lease-purchase agreement under section 15-1444.

25 C. Property and buildings, including land, improvements, furniture
26 and equipment, that are owned by a nonprofit organization that is
27 recognized under section 501(c)(3) of the internal revenue code and that
28 operates as:

29 1. A charter school pursuant to section 15-183 are exempt from
30 taxation beginning on the date the nonprofit organization acquires
31 ownership of the property and buildings if the property and buildings are
32 used for education and are not used or held for profit.

33 2. A trap and skeet shooting club that teaches, trains, sponsors,
34 coaches or hosts or sponsors clinics, shooting leagues, competitive
35 tournaments or other events, including hunter and firearm safety classes,
36 are exempt from taxation if the property and buildings are used for
37 education purposes and not used or held for profit.

38 3. A residential treatment and education facility are exempt from
39 taxation beginning on the date the nonprofit organization acquires
40 ownership of the property and buildings if the property and buildings are
41 used for education and are not used or held for profit.

42 D. Within ten days after receiving an ~~initial~~ affidavit of
43 eligibility submitted under section 42-11152, **SUBSECTION A, PARAGRAPH 1** by
44 a nonprofit organization described under subsection C of this section, the
45 county assessor, on request, shall issue a receipt for the affidavit.

1 E. A nonprofit organization described under subsection C of this
2 section shall file with the assessor the affidavit required by section
3 42-11152 and evidence of the organization's ~~tax-exempt~~ TAX-EXEMPT status
4 under section 501(c)(3) of the internal revenue code when initially
5 claiming the exemption.

6 F. A nonprofit organization described under subsection C of this
7 section that acquires ownership of property that was previously owned by
8 another nonprofit organization and used primarily for education shall
9 comply with the requirements of section 42-11152 to qualify and establish
10 eligibility for exemption.

11 G. If a nonprofit organization described under subsection C of this
12 section that holds title to property used primarily for education fails to
13 file the affidavit required by section 42-11152 in a timely manner, but
14 otherwise qualifies for exemption, the county board of supervisors, on
15 petition by the organization, shall direct the county treasurer to:

16 1. Refund any property taxes paid by the organization for a tax
17 year if the organization submits a claim for the refund to the county
18 treasurer within one year after the date the taxes were paid. The county
19 treasurer shall pay the claim within thirty days after it is submitted to
20 the treasurer. The county treasurer is entitled to a credit for the
21 refund in the next accounting period with each taxing jurisdiction to
22 which the tax monies may have been transmitted.

23 2. Forgive and strike off from the tax roll any property taxes and
24 accrued interest and penalties that are due but not paid.

25 Sec. 4. Section 42-11133, Arizona Revised Statutes, is amended to
26 read:

27 42-11133. Exemption for affordable housing projects:
28 definition

29 A. Property that is used exclusively for affordable rental housing
30 pursuant to section 42 of the internal revenue code or another recorded
31 restrictive covenant imposed by financing for affordable housing and
32 related facilities ~~are~~ IS exempt from taxation if:

33 1. The property is owned and operated by, or is a wholly owned
34 subsidiary of, a corporation that is qualified pursuant to section
35 501(c)(3) or 501(c)(4) of the internal revenue code or a limited
36 partnership or limited liability company in which the general partner or
37 the managing member, as applicable, is an eligible nonprofit corporation
38 or a single purpose entity that is wholly owned by one or more eligible
39 nonprofit corporations.

40 2. Either of the following applies:

41 (a) The acquisition, rehabilitation, development or operation of
42 the property, or any combination of these factors, is financed with ~~tax~~
43 ~~exempt~~ TAX-EXEMPT mortgage revenue bonds or general obligation bonds or is
44 financed by local, state or federal loans or grants and the amount of rent
45 paid by or on behalf of the occupants does not exceed the amount of rent

1 that is prescribed by deed restrictions or by regulatory agreements
2 pursuant to the property's financing or financial assistance terms.

3 (b) The owner of the property is eligible for and receives tax
4 credits for low-income or moderate-income residential housing established
5 under section 42 of the internal revenue code and the amount of rent paid
6 by or on behalf of the occupants does not exceed the amount that is
7 prescribed by deed restrictions or by regulatory agreements pursuant to
8 the property's financing or financial assistance terms.

9 **3. THE PROPERTY IS NOT LEASED FROM A SCHOOL DISTRICT.**

10 B. To qualify under this section, the owner of the property must:

11 1. For any claim that is filed in any fiscal year, certify and
12 ensure, subject to paragraph 2 of this subsection, that there is an
13 enforceable and verifiable agreement with a public agency, a recorded deed
14 restriction or any other legal document that restricts the use of the
15 property and requires that the rents do not exceed the terms that are
16 prescribed by the financing or financial assistance terms.

17 2. Certify that the monies that would have been necessary to pay
18 the property taxes are used to maintain the affordability of or otherwise
19 reduce the rents of the units that are occupied by eligible low-income
20 households.

21 C. For the purposes of this section, "eligible nonprofit
22 corporation" means a corporation that is qualified pursuant to section
23 501(c)(3) or 501(c)(4) of the internal revenue code and for which one of
24 its exempt purposes includes providing affordable housing.