

REFERENCE TITLE: expenditure limitation; school districts; repeal

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SB 1695

Introduced by
Senators Diaz: Bravo, Fernandez, Gonzales, Hatathlie, Kuby, Miranda,
Ortiz, Sears

AN ACT

AMENDING SECTION 12-262, ARIZONA REVISED STATUTES; REPEALING SECTION 15-911, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-1285, 17-266, 22-117, 41-563, 42-5010 AND 42-5010.01, ARIZONA REVISED STATUTES; RELATING TO EXPENDITURE LIMITATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 12-262, Arizona Revised Statutes, is amended to
3 read:

4 12-262. Submission of plan; use of monies; report

5 A. The presiding judge of the superior court in each county
6 desiring to improve, maintain or expand juvenile probation services, or
7 to achieve or maintain the average adult probation case supervision
8 requirement prescribed in section 12-251, may prepare a plan in
9 accordance with guidelines issued by the supreme court. The plan shall be
10 submitted to the state supreme court. The supreme court guidelines shall
11 require that the plan include:

12 1. That ~~funds~~ MONIES received under this article ~~shall~~
13 primarily for ~~payment of~~ PAYING salaries of probation officers supervising
14 adults or juveniles on probation to the superior, justice or municipal
15 court.

16 2. That the ~~funds~~ MONIES provided by ~~the~~ THIS state for this
17 purpose ~~will~~ be used to supplement county funds provided for probation
18 services.

19 3. The proposed budget necessary to implement the plan, including
20 the amount currently budgeted for that county's probation program.

21 B. If a county is subject to section 12-269, the following apply:

22 1. Beginning in fiscal year 2006-2007, the county's contribution to
23 the hospitalization and medical care of the indigent sick, to the
24 nonfederal portion of providing long-term care and for the administrative
25 costs of implementing sections 36-2901.01 and 36-2901.04 shall be reduced
26 pursuant to section 11-292, subsection Q.

27 2. The economic estimates commission shall increase the county's
28 base expenditure limit beginning in the fiscal year that the county
29 assumes funding responsibility pursuant to section 41-563, subsection
30 ~~D~~ C.

31 C. The supreme court shall report to the joint legislative budget
32 committee all amounts provided to any county pursuant to this article for
33 adult probation services or juvenile probation services.

34 Sec. 2. Repeal

35 Section 15-911, Arizona Revised Statutes, is repealed.

36 Sec. 3. Subject to the requirements of article IV, part 1,
37 section 1, Constitution of Arizona, section 15-1285, Arizona Revised
38 Statutes, is amended to read:

39 15-1285. Budgetary, expenditure or revenue control limits;
40 exemption

41 Notwithstanding any other law, monies received by school districts
42 and career technical education districts pursuant to this chapter:

43 ~~1. Are not considered local revenues for the purposes of article~~
44 ~~IX, section 21, Arizona constitution.~~

1 ~~2-~~ are exempt from any budgetary, expenditure or revenue control
2 limit that would limit the ability of school districts or career technical
3 education districts to accept or expend those monies.

4 Sec. 4. Section 17-266, Arizona Revised Statutes, is amended to
5 read:

6 17-266. Construction by employees or force account

7 Notwithstanding sections 41-2535 and 41-2572, the commission may
8 build, alter, repair, improve or demolish a structure or other improvement
9 by employees or force account if the project cost does not exceed
10 ~~thirty-five thousand dollars~~ \$35,000. This exemption does not apply to an
11 office or residence building or to storage facilities for equipment and
12 supplies. In fiscal year 1986-1987, and each fiscal year thereafter, the
13 maximum project cost for which construction by employees or force account
14 is authorized shall be adjusted by the annual percentage change in the GDP
15 price deflator as defined in section 41-563, ~~subsection E.~~

16 Sec. 5. Section 22-117, Arizona Revised Statutes, is amended to
17 read:

18 22-117. Payment of compensation and expenses

19 A. Justices of the peace shall be allowed by the board of
20 supervisors, as a county charge, the following:

- 21 1. Space.
- 22 2. Equipment.
- 23 3. Supplies.

24 B. In a county with a population of less than one million five
25 hundred thousand persons, the state shall pay forty percent of the
26 compensation and employee-related expenditures of a justice of the peace,
27 and the county shall pay sixty percent of the compensation and
28 employee-related expenditures of a justice of the peace, except that the
29 county shall pay the full amount of the employer contribution of the state
30 retirement system or plan or any county health plan.

31 C. If a county is subject to subsection B of this section, the
32 state treasurer shall remit the compensation and employee-related
33 expenditures payable by the state to the county treasurer, and the county
34 shall disburse the monies to the justice of the peace.

35 D. In a county with a population of one million five hundred
36 thousand persons or more, the county shall pay one hundred percent of the
37 compensation and employee-related expenditures of a justice of the peace.

38 E. If a county is subject to subsection D of this section, the
39 following apply:

- 40 1. The county's contribution to the hospitalization and medical
41 care of the indigent sick and for the administrative costs of implementing
42 sections 36-2901.01 and 36-2901.04 shall be reduced pursuant to section
43 11-292, subsection R in an amount that is equal to the difference between
44 the total costs that the county paid pursuant to subsection D of this

1 section and the amount that the county would have paid if the county were
2 subject to subsection B of this section.

3 2. Pursuant to section 41-563, subsection ~~D~~ C, the economic
4 estimates commission shall increase the county's base expenditure limit in
5 an amount that is equal to the difference between the total costs that the
6 county paid pursuant to subsection D of this section and the amount that
7 the county would have paid if the county were subject to subsection B of
8 this section.

9 F. The total amount that may be expended in any fiscal year by the
10 state treasurer for justice of the peace compensation and employee related
11 expenditures reimbursement shall not exceed the amount appropriated in the
12 general appropriation act for this purpose, together with additional
13 amounts appropriated by any special legislative appropriation for justices
14 of the peace.

15 Sec. 6. Section 41-563, Arizona Revised Statutes, is amended to
16 read:

17 41-563. Expenditure limitations; determination by the
18 commission; definitions

19 A. For political subdivisions, the commission shall:

20 1. Determine the base limit level of political subdivisions for
21 each political subdivision subject to an expenditure limitation pursuant
22 to article IX, section 20, Constitution of Arizona. For the purposes of
23 this subsection and subsection ~~D~~ C of this section, ~~the~~ "base limit" of
24 each political subdivision means the amount of actual payments of local
25 revenues by such political subdivision in fiscal year 1979-1980 as used to
26 determine the expenditure limitation pursuant to paragraph 4 of this
27 subsection.

28 2. Determine and report to the governing board of each political
29 subdivision subject to an expenditure limitation pursuant to article IX,
30 section 20, Constitution of Arizona, ~~prior to~~ BEFORE February 1 of each
31 year, the following:

32 (a) The total of the estimated population of each such political
33 subdivision as of July 1 of the prior year and the estimated population of
34 any areas annexed by such political subdivisions thereafter, based on the
35 population estimates developed by the ~~department of economic~~
36 ~~security~~ OFFICE OF ECONOMIC OPPORTUNITY. The population of any areas
37 annexed thereafter must be estimated as of July 1 of the prior year.

38 (b) The estimated change in the GDP price deflator used to
39 determine the expenditure limitation for the following fiscal year over
40 the GDP price deflator used to determine the expenditure limitation for
41 the current fiscal year.

42 (c) The estimated expenditure limitation for each such political
43 subdivision for the following fiscal year.

44 3. Determine and report to the governing board of each political
45 subdivision subject to an expenditure limitation pursuant to article IX,

1 section 20, Constitution of Arizona, ~~prior to~~ BEFORE April 1 of each year,
2 the following:

3 (a) The total of the population of each such political subdivision
4 as of July 1 of the prior year and the population of any areas annexed by
5 such political subdivisions thereafter. The population of any areas
6 annexed thereafter must be estimated as of July 1 of the prior year.

7 (b) The estimated change in the GDP price deflator used to
8 determine the expenditure limitation for the following fiscal year over
9 the GDP price deflator used to determine the expenditure limitation for
10 the current fiscal year.

11 (c) The expenditure limitation for each such political subdivision
12 for the following fiscal year.

13 4. Determine the expenditure limitation for each political
14 subdivision subject to an expenditure limitation pursuant to article IX,
15 section 20, Constitution of Arizona, as follows:

16 (a) Determine the population of the political subdivision as of
17 July 1, 1978.

18 (b) Determine the total population of the political subdivision as
19 required by paragraph 3, subdivision (a) of this subsection.

20 (c) Divide the population determined in subdivision (b) of this
21 paragraph by the population determined in subdivision (a) of this
22 paragraph.

23 (d) Determine the estimated or actual GDP price deflator for the
24 1978 calendar year.

25 (e) Determine the estimated GDP price deflator for the calendar
26 year immediately preceding the fiscal year for which the expenditure
27 limitation is being determined.

28 (f) Divide the GDP price deflator determined in subdivision (e) of
29 this paragraph by the GDP price deflator determined in subdivision (d) of
30 this paragraph.

31 (g) Multiply the amount determined in paragraph 1 of this
32 subsection for the political subdivision by the quotient determined in
33 subdivision (c) of this paragraph and multiply the resulting product by
34 the quotient determined in subdivision (f) of this paragraph.

35 5. If any annexation, consolidation or change in the boundaries of
36 a political subdivision occurs after the determination and report required
37 by paragraph 3 of this subsection but before July 1 of the current year,
38 the commission, as promptly as feasible, shall redetermine the total
39 population, calculated in paragraph 4, subdivision (b) of this subsection,
40 of the political subdivisions affected by the annexation, consolidation or
41 change in boundaries. The commission shall determine respective amended
42 expenditure limitations based on the amended population, which shall be
43 promptly reported to the governing board of each of the affected political
44 subdivisions. The political subdivisions affected shall use the revised
45 expenditure limitation if it is received before the annual financial

1 statement and estimate of expenses is prepared as required by section
2 42-17101.

3 6. In the event of the creation of a new city or town, the base
4 limit of the new city or town shall be determined by multiplying the
5 average amount of actual fiscal year 1979-1980 per capita payments of
6 local revenues for all cities and towns within the county in which the new
7 city or town is located by the population of the new city or town.

8 7. In the event of the division of a county into two or more new
9 counties, determine the expenditure limitation for each of the new
10 counties or the consolidation of counties, pursuant to article IX, section
11 20, Constitution of Arizona, using one of the following two methods. The
12 board of supervisors of each new county ~~upon~~ ON the affirmative vote of
13 two-thirds of the members of the board of supervisors, on or before
14 February 1 following the county's establishment, shall adopt one of the
15 expenditure limitations determined:

16 (a) Method one:

17 (i) Determine the existing county ~~which~~ THAT has a population
18 closest to the population of the new county as of July 1 for the fiscal
19 year preceding the fiscal year for which the expenditure limit is being
20 determined.

21 (ii) Determine the per capita expenditure limit for the existing
22 county determined in item (i) of this subdivision based on the amount
23 determined in paragraph 3, subdivision (c) of this subsection for the
24 first full fiscal year following the establishment of the new county
25 government.

26 (iii) Multiply the per capita amount determined in item (ii) of
27 this subdivision by the population of the new county as of July 1 in the
28 fiscal year in which the new county government is established. The amount
29 ~~thus~~ determined is the expenditure limit for the new county for the first
30 full fiscal year following its establishment.

31 (iv) Determine a base limit for the new county ~~which~~ THAT will
32 yield the new expenditure limit determined in item (iii) of this
33 subdivision for the first full fiscal year following the establishment of
34 the new county government.

35 (b) Method two:

36 (i) Determine the per capita expenditure limit of the old county or
37 counties for the last full fiscal year ~~prior to~~ BEFORE the establishment
38 of the new county government based ~~upon~~ ON the amount determined in
39 paragraph 3, subdivision (c) of this subsection.

40 (ii) Multiply the per capita amount determined in item (i) of this
41 subdivision by the population of the new county as of July 1 in the fiscal
42 year in which the new county government is established. The amount ~~thus~~
43 determined is the expenditure limit for the new county for the first full
44 fiscal year following its establishment.

1 (iii) Determine a base limit for the new county ~~which~~ THAT will
2 yield the new expenditure limit determined in item (ii) of this
3 subdivision for the first full fiscal year following the establishment of
4 the new county government.

5 8. If the governing board of a political subdivision authorizes
6 expenditures in excess of the expenditure limitation determined pursuant
7 to paragraph 4 of this subsection as provided in article IX, section 20,
8 subsection (2), paragraph (b), subdivision (i), Constitution of Arizona,
9 the expenditure limitation for ~~such~~ THAT political subdivision for the
10 following fiscal year shall be reduced by the amount of expenditures in
11 excess of the limitation, unless the governing board has held an election
12 as provided in article IX, section 20, subsection (2), paragraph (b),
13 subdivision (ii), Constitution of Arizona, and the excess expenditure has
14 been approved by a majority of the qualified electors voting in such AN
15 election.

16 9. If the citizens of a political subdivision approve an increase
17 or decrease in the expenditure limitation as provided in article IX,
18 section 20, subsection (6), Constitution of Arizona, the base limit of a
19 political subdivision shall be adjusted by the commission ~~such~~ SO that the
20 expenditure limitation of the political subdivision for the fiscal year
21 following approval reflects the approved increase or decrease.

22 B. For community college districts, the commission shall:

23 1. Determine the base limit of each community college district
24 subject to an expenditure limitation pursuant to article IX, section 21,
25 Constitution of Arizona. For the purposes of this subsection and
26 subsection ~~B~~ C of this section, the "base limit" of each community
27 college district means the amount of expenditures of local revenues in
28 fiscal year 1979-1980 as used to determine the expenditure limitation
29 pursuant to paragraph 4 of this subsection.

30 2. Determine and report to the governing board of each community
31 college district, ~~prior to~~ BEFORE February 1 of each year, the following:

32 (a) The estimated student population, ~~utilizing~~ USING the procedure
33 prescribed in section 15-1466.01, of each community college district for
34 the following fiscal year.

35 (b) The estimated change in the GDP price deflator as prescribed in
36 subsection A, paragraph 2, subdivision (b) of this section.

37 (c) The expenditure limitation for each community college district
38 for the following fiscal year.

39 (d) The modified expenditure limitation as prescribed in section
40 15-1471, if applicable.

41 3. Determine and report to the governing board of each community
42 college district, ~~prior to~~ BEFORE April 1 of each year, the following:

43 (a) The student population, ~~utilizing~~ USING the procedure
44 prescribed in section 15-1466.01, of each community college district for
45 the following fiscal year.

1 (b) The estimated change in the GDP price deflator as prescribed in
2 subsection A, paragraph 2, subdivision (b) of this section.

3 (c) The expenditure limitation for each community college district
4 for the following fiscal year.

5 (d) The modified expenditure limitation as prescribed in section
6 15-1471, if applicable.

7 4. Determine the expenditure limitation for each community college
8 district, as follows:

9 (a) Determine the student population of each community college
10 district for fiscal year 1979-1980 using the definition of full-time
11 equivalent student in section 15-1401 in 1979-1980, except that if a
12 redefinition of full-time equivalent student changes the number of
13 semester credit units per semester from fifteen units, the student
14 population for the 1979-1980 base year shall be recalculated using the new
15 number of units.

16 (b) Determine the estimated student population of each community
17 college district for the fiscal year for which the expenditure limitation
18 is being determined using the definition of full-time equivalent student
19 in section 15-1401.

20 (c) Divide the student population determined in subdivision (b) of
21 this paragraph by the student population determined in subdivision (a) of
22 this paragraph.

23 (d) Determine the estimated or actual GDP price deflator for the
24 1978 calendar year.

25 (e) Determine the estimated GDP price deflator for the calendar
26 year immediately preceding the fiscal year for which the expenditure
27 limitation is being determined.

28 (f) Divide the GDP price deflator determined in subdivision (e) of
29 this paragraph by the GDP price deflator determined in subdivision (d) of
30 this paragraph.

31 (g) Multiply the amount determined in paragraph 1 of this
32 subsection for the community college district by the quotient determined
33 in subdivision (c) of this paragraph and multiply the resulting product by
34 the quotient determined in subdivision (f) of this paragraph.

35 5. In the event of an annexation, creation of a new community
36 college district or a consolidation or change in the boundaries of a
37 community college district, the base limit of a community college district
38 shall be adjusted by the commission according to the following guidelines:

39 (a) In the event of the creation of a new community college
40 district, the base limit of the community college district shall be
41 determined by multiplying the average amount of 1979-1980 per capita
42 expenditures of local revenues for all community college districts within
43 ~~the~~ THIS state by the student population of the new community college
44 district. The expenditure limit of the county in which the new community
45 college district is located shall be reduced by the amount paid to other

1 community college districts for tuition in the fiscal year preceding the
2 fiscal year in which the new community college district is created.

3 (b) In the case of an annexation, consolidation or change in the
4 boundaries of a community college district, the base limit of a community
5 college district shall be adjusted by the commission to reflect the change
6 by increasing the base limit of the community college district gaining the
7 newly included territory and decreasing the base limit of the community
8 college district losing the territory.

9 (c) If an existing community college district consolidates with a
10 contiguous county THAT IS not part of a community college district, the
11 commission shall:

12 (i) Increase the base limit of the existing community college
13 district by an amount equal to the amount of revenue which THAT would have
14 been generated by applying the primary property tax rate of the existing
15 community college district in the immediately prior year to the limited
16 assessed valuation of the contiguous county in the immediately prior year.

17 (ii) Decrease the base limit of the contiguous county by the amount
18 of reimbursement prescribed by section 15-1469, subsection B, paragraph 1,
19 paid by such THAT county in the 1979-1980 base year, except that no A
20 decrease shall NOT be made to the base limit of such THAT county if the
21 reimbursement prescribed by section 15-1469, subsection B, paragraph 1 in
22 the immediately prior year was paid by the THIS state pursuant to section
23 15-1469.01.

24 (d) In the case of a decrease in service boundaries of a community
25 college district, the base limit of the community college district shall
26 be reduced by the commission to reflect the amount attributable to the
27 service area in fiscal year 1979-1980, and the base student population of
28 the community college district shall be reduced by the commission to
29 reflect fiscal year 1979-1980 student population attributable to the
30 service area. The adjusted base limit and the adjusted fiscal year
31 1979-1980 student population shall be used in determining the expenditure
32 limitation for the community college district in the first year in which
33 the service boundaries are diminished and in each subsequent year.

34 ~~c. For school districts the commission shall:~~

35 ~~1. Determine the base limit of school districts subject to the~~
36 ~~expenditure limitation prescribed by article IX, section 21, subsection~~
37 ~~(2), Constitution of Arizona. For the purposes of this subsection and~~
38 ~~subsection D of this section, "base limit" means the total amount of~~
39 ~~expenditures of local revenues of all school districts in fiscal year~~
40 ~~1979-1980 as used to determine the expenditure limitation pursuant to~~
41 ~~paragraph 4 of this subsection.~~

42 ~~2. Determine and report to the legislature prior to March 1 of each~~
43 ~~year the following:~~

44 ~~(a) The estimated total student population of all school districts~~
45 ~~for the current year.~~

1 ~~(b) The estimated change in the GDP price deflator as prescribed in~~
2 ~~subsection A, paragraph 2, subdivision (b) of this section.~~

3 ~~(c) The estimated aggregate expenditure limitation for all school~~
4 ~~districts for the following fiscal year.~~

5 ~~3. Determine and report to the legislature, prior to May 1 of each~~
6 ~~year, the following:~~

7 ~~(a) The total student population of all school districts for the~~
8 ~~current year.~~

9 ~~(b) The estimated change in the GDP price deflator as prescribed in~~
10 ~~subsection A, paragraph 2, subdivision (b) of this section.~~

11 ~~(c) The aggregate expenditure limitation for all school districts~~
12 ~~for the following fiscal year.~~

13 ~~4. Determine the aggregate expenditure limitation for all school~~
14 ~~districts as follows:~~

15 ~~(a) Determine the aggregate student population of all school~~
16 ~~districts for the school year 1978-1979.~~

17 ~~(b) Determine the total student population of all school districts~~
18 ~~for the current year.~~

19 ~~(c) Divide the aggregate student population determined in~~
20 ~~subdivision (b) of this paragraph by the aggregate student population in~~
21 ~~subdivision (a) of this paragraph.~~

22 ~~(d) Determine the estimated or actual GDP price deflator for the~~
23 ~~1978 calendar year.~~

24 ~~(e) Determine the estimated GDP price deflator for the calendar~~
25 ~~year immediately preceding the fiscal year for which the aggregate~~
26 ~~expenditure limitation is being determined.~~

27 ~~(f) Divide the GDP price deflator determined in subdivision (e) of~~
28 ~~this paragraph by the GDP price deflator determined in subdivision (d) of~~
29 ~~this paragraph.~~

30 ~~(g) Multiply the amount determined in paragraph 1 of this~~
31 ~~subsection by the quotient determined in subdivision (c) of this paragraph~~
32 ~~and multiply the resulting product by the quotient determined in~~
33 ~~subdivision (f) of this paragraph.~~

34 ~~D.~~ **C.** In the case of a transfer of all or any part of the cost of
35 providing a governmental function, pursuant to article IX, section 20,
36 subsection (4), Constitution of Arizona, or article IX, section 21,
37 subsection ~~(5)~~ (3), Constitution of Arizona, the **COMMISSION SHALL ADJUST**
38 **THE** base limit of political subdivisions, ~~OR~~ community college districts
39 ~~or school districts~~, whichever is applicable, ~~shall be adjusted by the~~
40 ~~commission~~ to reflect the transfer by increasing the base limit of the
41 political subdivision, ~~OR~~ community college district ~~or school district~~
42 to which the cost is transferred and decreasing the base limit of the
43 political subdivision, ~~OR~~ community college district ~~or school district~~
44 from which the cost is transferred by the amount of the cost of the
45 transferred governmental function.

1 ~~E~~. D. For the purposes of this section:
2 1. "Commission" means the economic estimates commission.
3 2. "GDP price deflator" means the average of the four implicit
4 price deflators for the gross domestic product reported by the United
5 States department of commerce for the four quarters of the calendar year.
6 3. "Political subdivision" means any county, city, including any
7 charter city, or town.
8 4. "Population" shall be defined pursuant to article IX, section
9 20, subsection (3), paragraph (f), Constitution of Arizona.
10 5. "Student population" shall be defined pursuant to article IX,
11 section 21, subsection ~~(4)~~ (2), paragraph ~~(e)~~ (d), Constitution of
12 Arizona.
13 Sec. 7. Subject to the requirements of article IV, part 1,
14 section 1, Constitution of Arizona, section 42-5010, Arizona Revised
15 Statutes, is amended to read:
16 42-5010. Rates; distribution base
17 A. The tax imposed by this article is levied and shall be collected
18 at the following rates:
19 1. Five percent of the tax base as computed for the business of
20 every person engaging or continuing in this state in the following
21 business classifications described in article 2 of this chapter:
22 (a) Transporting classification.
23 (b) Utilities classification.
24 (c) Telecommunications classification.
25 (d) Pipeline classification.
26 (e) Private car line classification.
27 (f) Publication classification.
28 (g) Job printing classification.
29 (h) Prime contracting classification.
30 (i) Amusement classification.
31 (j) Restaurant classification.
32 (k) Personal property rental classification.
33 (l) Retail classification and amounts equal to retail transaction
34 privilege tax due pursuant to section 42-5008.01.
35 2. Five and one-half percent of the tax base as computed for the
36 business of every person engaging or continuing in this state in:
37 (a) The transient lodging classification described in section
38 42-5070.
39 (b) The online lodging marketplace classification described in
40 section 42-5076 who has entered into an agreement with the department to
41 register for, or has otherwise obtained from the department, a license to
42 collect tax pursuant to section 42-5005, subsection L.
43 3. Three and one-eighth percent of the tax base as computed for the
44 business of every person engaging or continuing in this state in the
45 mining classification described in section 42-5072.

1 4. Zero percent of the tax base as computed for the business of
2 every person engaging or continuing in this state in the commercial lease
3 classification described in section 42-5069.

4 B. Except as provided by subsections J and K of this section,
5 twenty percent of the tax revenues collected at the rate prescribed by
6 subsection A, paragraph 1 of this section from persons on account of
7 engaging in business under the business classifications listed in
8 subsection A, paragraph 1, subdivisions (a) through (h) of this section is
9 designated as distribution base for the purposes of section 42-5029.

10 C. Except as provided by subsection K of this section, forty
11 percent of the tax revenues collected at the rate prescribed by subsection
12 A, paragraph 1 of this section from persons on account of engaging in
13 business under the business classifications listed in subsection A,
14 paragraph 1, subdivisions (i) through (l) of this section is designated as
15 distribution base for the purposes of section 42-5029.

16 D. Thirty-two percent of the tax revenues collected from persons on
17 account of engaging in business under the business classification listed
18 in subsection A, paragraph 3 of this section is designated as distribution
19 base for the purposes of section 42-5029.

20 E. Fifty-three and one-third percent of the tax revenues collected
21 from persons on account of engaging in business under the business
22 classification listed in subsection A, paragraph 4 of this section is
23 designated as distribution base for the purposes of section 42-5029.

24 F. Fifty percent of the tax revenues collected from persons on
25 account of engaging in business under the business classification listed
26 in subsection A, paragraph 2 of this section is designated as distribution
27 base for the purposes of section 42-5029.

28 G. In addition to the rates prescribed by subsection A of this
29 section, if approved by the qualified electors voting at a statewide
30 general election, an additional rate increment is imposed and shall be
31 collected through June 30, 2021. The taxpayer shall pay taxes pursuant to
32 this subsection at the same time and in the same manner as under
33 subsection A of this section. The department shall separately account for
34 the revenues collected with respect to the rates imposed pursuant to this
35 subsection and the state treasurer shall distribute all of those revenues
36 in the manner prescribed by section 42-5029, subsection E. ~~The rates~~
37 ~~imposed pursuant to this subsection shall not be considered local revenues~~
38 ~~for purposes of article IX, section 21, Constitution of Arizona.~~ The
39 additional tax rate increment is levied at the rate of six-tenths of one
40 ~~per cent~~ PERCENT of the tax base of every person engaging or continuing in
41 this state in a business classification listed in subsection A, paragraph
42 1 of this section.

43 H. Any increase in the rate of tax that is imposed by this chapter
44 and that is enacted by the legislature or by a vote of the people does not
45 apply with respect to contracts entered into by prime contractors or

1 pursuant to written bids made by prime contractors on or before the
2 effective date of the legislation or the date of the election enacting the
3 increase. To qualify for the exemption under this subsection, the prime
4 contractor must maintain sufficient documentation, in a manner and form
5 prescribed by the department, to verify the date of the contract or
6 written bid.

7 I. For taxpayers that are taxable under this chapter other than
8 prime contractors taxable pursuant to section 42-5075:

9 1. Any increase in the rate of tax that is levied by this article
10 or article 2 of this chapter enacted by the legislature or by a vote of
11 the people does not apply for a period of one hundred twenty days after
12 the date of the tax rate increase to the gross proceeds of sales or gross
13 income from the business of the taxpayer with respect to written contracts
14 entered into before the effective date of the tax rate increase unless the
15 taxpayer has entered into a contract that contains a provision that
16 entitles the taxpayer to recover from the purchaser the amount of the
17 additional tax levied.

18 2. The provisions of this subsection apply without regard to the
19 accounting method used by the taxpayer to report the taxes imposed under
20 article 2 of this chapter.

21 3. The provisions of this subsection shall not be considered in
22 determining the rate of tax imposed under chapter 6, article 3 of this
23 title.

24 J. Zero percent of the tax revenues that are collected at the rate
25 prescribed by subsection A, paragraph 1 of this section from persons on
26 account of engaging in business under the business classification listed
27 in subsection A, paragraph 1, subdivision (h) of this section and that are
28 subject to any distribution required by section 42-5032.02 is designated
29 as distribution base for the purposes of section 42-5029 until the total
30 amount subject to distribution pursuant to section 42-5032.02 has reached
31 the maximum amount prescribed by section 42-5032.02, subsection C.
32 Thereafter, twenty percent of the remaining tax revenues is designated as
33 distribution base for the purposes of section 42-5029 as provided by
34 subsection B of this section.

35 K. Subject to section 48-4238, beginning on October 1, 2025 through
36 December 31, 2055, zero percent of the tax revenues that are collected at
37 the rate prescribed by subsection A, paragraph 1 of this section from
38 persons engaging in business under the business classifications listed in
39 subsection A, paragraph 1, subdivisions (h), (i), (j) and (l) of this
40 section and that are subject to transmittal required by section 42-5032.03
41 is designated as distribution base for the purposes of section 42-5029.
42 Beginning January 1, 2056, twenty percent of the remaining tax revenues
43 collected at the rate prescribed by subsection A, paragraph 1 of this
44 section from persons engaging in business under the business
45 classification listed in subsection A, paragraph 1, subdivision (h) of

1 this section is designated as distribution base for the purposes of
2 section 42-5029 as provided by subsection B of this section and forty
3 percent of the remaining tax revenues collected at the rate prescribed by
4 subsection A, paragraph 1 of this section from persons engaging in
5 business under the business classifications listed in subsection A,
6 paragraph 1, subdivisions (i), (j) and (l) of this section is designated
7 as distribution base for the purposes of section 42-5029 as provided by
8 subsection C of this section.

9 Sec. 8. Section 42-5010.01, Arizona Revised Statutes, is amended to
10 read:

11 42-5010.01. Transaction privilege tax; additional rate
12 increment

13 A. From and after June 30, 2021 through June 30, 2041, in addition
14 to the rates prescribed by section 42-5010, subsection A, an additional
15 rate increment is imposed and shall be collected. The additional tax rate
16 increment is levied at the rate of six-tenths of one percent of the tax
17 base of every person engaging or continuing in this state in a business
18 classification listed in section 42-5010, subsection A, paragraph 1.

19 B. The taxpayer shall pay taxes pursuant to this section at the
20 same time and in the same manner as under section 42-5010, subsection A.
21 The department shall separately account for the revenues collected with
22 respect to the rates imposed by this section, and the state treasurer
23 shall distribute all of those revenues in the manner prescribed by section
24 42-5029.02. ~~The rates imposed by this section are not considered local~~
25 ~~revenues for purposes of article IX, section 21, Constitution of Arizona.~~

26 Sec. 9. Conditional exactment; applicability

27 This act does not become effective unless the Constitution of
28 Arizona is amended by a vote of the people at the next general election by
29 passage of Senate Concurrent Resolution _____, fifty-seventh legislature,
30 second regular session, relating to expenditure limitations and applies to
31 fiscal years beginning from and after June 30, 2027.

32 Sec. 10. Requirements for enactment; three-fourths vote

33 Pursuant to article IV, part 1, section 1, Constitution of Arizona,
34 sections 15-1285 and 42-5010, Arizona Revised Statutes, as amended by this
35 act, are effective only on the affirmative vote of at least three-fourths
36 of the members of each house of the legislature.