

# ARIZONA STATE SENATE

## RESEARCH STAFF



TO: MEMBERS OF THE SENATE  
EDUCATION COMMITTEE

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DATE: March 18, 2022

SUBJECT: Strike everything amendment to H.B. 2124, relating to tuition; elimination; common school districts

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### Purpose

Effective July 1, 2023, deems a high school pupil who resides in a common school district not within a high school district (Type 3 district) to be enrolled in the school district of attendance (district of attendance), rather than requiring the Type 3 district to pay tuition as outlined to the pupil's district of attendance. Requires a county board of supervisors (county BOS) to levy a tax in a Type 3 district equal to the countywide average per pupil equalization base for high school pupils which must distributed in the same manner as the state equalization tax rate (SETR) levy.

### Background

A high school pupil who resides in a Type 3 district (Type 3 district high school pupil) is deemed to be enrolled in the district of residence, which pays tuition to the pupil's district of attendance. A school district governing board must admit a high school pupil from another school district if the pupil is a Type 3 high school pupil, subject to a 350-pupil limit with exceptions. The district of attendance may charge tuition in an amount up to the product of the: 1) average daily membership (ADM) of the district of attendance generated by pupils from the Type 3 district in the prior year; and 2) current year cost per student count for the district of attendance, including transportation charges if the district transports the pupil.

For a Type 3 high school pupil, *costs per student count* is the sum of the actual expenditures for the high school portion of the school district attended for each of the following, and divided by the district's high school student count: 1) the regular education program subsection of the maintenance and operation (M&O) section in the budget; 2) the capital outlay section of the budget, excluding transportation expenditures if no transportation is provided and building site acquisition expenditures; and 3) debt service. A school district's M&O and capital outlay budget section include the budget year's equalization base and any other authorized amounts, which may include amounts approved by a budget override election, for compliance with a court order of desegregation and bond issues to pay tuition costs. Depending on the number of pupils for which the Type 3 district pays tuition, the per pupil debt service portion of tuition may not exceed \$750, \$800 or the actual cost per student (A.R.S. §§ [15-824](#); [15-947](#); and [15-951](#)).

The school funding formula provides for school districts to receive funding from local revenues and Basic State Aid (BSA) in an amount known as the equalization base. The equalization base is equal to the sum of the base support level (BSL), district additional assistance (DAA) and transportation funding ([A.R.S. § Title 15, Chapter 9](#)). A Type 3 district's equalization base excludes high school pupils from ADM and includes the tuition payable for the students, except for debt service amounts in excess of \$150, \$200 or the actual cost per pupil depending on the number of pupils ([A.R.S. § 15-951](#)). A Type 3 district may issue bonds and establish a primary property tax to fund any part of tuition that is excluded from equalization base calculations ([A.R.S. § 15-910](#)).

If the BSA costs for including Type 3 district high school students in the ADM of their district of attendance differs from the tuition costs BSA covers for the high school students, there may be a fiscal impact to the state General Fund.

Provisions

***Budget Calculations (Effective July 1, 2023)***

1. Deems the enrollment of a Type 3 district high school pupil to be in the school district of the pupil's attendance, rather than the school district of the pupil's residence.
2. Removes the requirement that tuition be charged for each pupil attending another school district from a:
  - a) Type 3 district;
  - b) a school district that provides only financing for pupils instructed by another school district; and
  - c) a unified school district that does not offer instruction in the pupil's grade.
3. Removes the authorization for a school district governing board to budget for the bond issues portion of tuition costs charged for pupils attending another school district and removes the specification that the authorization is limited for a Type 3 district to tuition excluded from the revenue control limit.
4. Repeals the authorizations for a Type 3 district that was authorized by the electors to establish a unified school district (Type 3 district authorized to establish a unified district) to:
  - a) continue calculating its budget and equalization assistance as a Type 3 district until a high school is built;
  - b) continue calculating its budget and equalization assistance as a Type 3 district for up to five years after the first operation of the new high school, if the district is newly-formed as a unified school district and phasing in instruction for grades 9 through 12; and
  - c) retroactively adjust its FYs 2021 and 2022 budgets.
5. Repeals the prescribed alternate equalization base calculations for Type 3 districts that:
  - a) exclude high school pupils from a district's BSL, DAA, transportation support level and transportation revenue control limit;
  - b) include the tuition payable for high school pupils, except as outlined, in the district's base support level; and
  - c) provides 50 percent of the per pupil DAA for each high school pupil the district transports, if any.
6. Removes, from the budget format's M&O section, the category for the bond issues portion of tuition costs.

***Tax Levy (Effective July 1, 2023)***

7. Requires a county BOS to annually levy, at the time of levying other taxes, an additional tax in each Type 3 district equal to the product of the:
  - a) countywide average per pupil equalization base for high school pupils; and
  - b) number of the districts resident high school pupils during the prior school year.

8. Requires the monies collected by the additional tax to be added to county aid for equalization assistance and distributed in the same manner as the SETR levy.
9. Requires the Arizona Department of Education (ADE) to annually, by July 1, provide each county BOS with the:
  - a) countywide average per pupil equalization base for high school pupils;
  - b) number of resident high school pupils in the common school district not within a high school district during the prior school year; and
  - c) any other information the county BOS requests for the purposes of levying the tax.

*Extension to Calculate as a Type 3 District (Effective on the general effective date)*

10. Allows a Type 3 district authorized to establish a unified district to continue calculating its budget and equalization assistance as a Type 3 district until a high school is built, rather than the earlier of 15 years or until a high school is built.
11. Allows a Type 3 district authorized to establish a unified district to retroactively adjust its FY 2022 budget.

*Miscellaneous*

12. Directs, effective July 1, 2023, the ADE, in FYs 2024 through 2026, to accept and review requests for grant monies from the Extraordinary Special Education Needs Fund from school districts offering high school services that demonstrate a substantial and negative financial impact associated with accepting students with special education needs who previously had been paid through tuition and now are accepted via open enrollment.
13. Requires, effective July 1, 2023, ADE to award grant monies to school districts satisfying the requirements.
14. Makes technical and conforming changes.
15. Becomes effective on the general effective date, with a delayed effective date as noted.