



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-sixth Legislature
Second Regular Session

House: ED DPA 10-0-0-0

HB 2173: county aid; school districts; revisions

Sponsor: Representative Pingerelli, LD 28

House Engrossed

Overview

Revises statutes relating to tax levy calculations for a common school district not within a high school district (Type 03 district). Details property tax reductions in TY 2024 for Type 03 districts that levied the minimum qualifying tax rate (MQTR) in TY 2023.

History

[Laws 2022, Chapter 285](#) eliminates the requirement for a Type 03 district (that is not a transporting school district) to pay tuition for high school pupils who reside in the Type 03 district but attend another school district. Currently, students who reside in a Type 03 district but attend another school district for high school are deemed to be enrolled in the school district of the student's attendance for the purposes of determining student count and apportionment of state aid ([A.R.S. § 15-824](#)).

Each county board of supervisors (BOS), when levying school district property taxes, must annually levy an additional tax in each Type 03 district. This additional tax is levied in an amount equal to the countywide average per pupil equalization base for high school pupils multiplied by the number of resident high school pupils in the Type 03 district during the prior year. Monies collected by this levy are added to county aid for equalization assistance and distributed to school districts in the county according to the school finance formula.

A school district that fully funds its equalization base through monies generated by its local qualifying tax rate (QTR) is not eligible to receive state equalization assistance. In these school districts, an additional property tax may be levied, commonly referred to as the MQTR. The MQTR is determined based on the difference between the levy that would be produced by 50% of the school district's applicable QTR and its equalization base ([A.R.S. § 15-992](#)).

Provisions

MQTR and Additional Tax in Type 03 Districts (Retroactive to Tax Years Beginning January 1, 2024)

1. Modifies the amount levied by the MQTR in a school district not eligible for equalization assistance by subtracting the amount levied by the additional tax in a Type 03 district. (Sec. 3, 7)
2. Sets the levy for the additional tax in each Type 03 district at the lesser of a rate that:
 - a) is equal to the applicable QTR; or
 - b) would result in a levy that equals the countywide average per pupil equalization base for high school pupils multiplied by the student count, rather than number, of the Type 03 district's resident high school pupils during the prior school year. (Sec. 3, 7)

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
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3. Redirects the monies collected from the additional tax in a Type 03 district from county aid for equalization assistance to the state General Fund. (Sec. 3, 7)

School District Tax Levy Cap

4. Excludes the MQTR and additional tax in a Type 03 district from the criteria used by the Property Tax Oversight Commission (PTOC) to determine if a school district primary property tax rate exceeds the maximum permissible statutory primary property tax rate. (Sec. 4)

Type 03 District Property Tax Reductions (Session Law)

5. Directs each county BOS that levied the MQTR in TY 2023 in one or more Type 03 districts to:
 - a) reduce the tax levy in each Type 03 district in TY 2024 by an amount determined by the county BOS and approved by PTOC; and
 - b) direct the county treasurer to distribute any unexpended and unencumbered monies that were collected pursuant to the MQTR in TY 2023 to each Type 03 district to offset the reductions determined by the county BOS and approved by PTOC. (Sec. 6)
6. Repeals the property tax reduction requirements on January 1, 2027. (Sec. 6)

Miscellaneous

7. As session law, authorizes the Arizona Department of Education, in FYs 2025 and 2026, to use the most recent data from the statutory open enrollment report to provide the information required for the additional tax in a Type 03 district to a county BOS. (Sec. 5)
8. Makes technical and conforming changes, retroactive to July 1, 2023, by
 - a) deleting obsolete references to repealed statute relating to school finance calculations for a Type 03 district; and
 - b) repealing duplicative statute relating to the determination of equalization assistance payments from county and state funds for school districts. (Sec. 1, 2, 7)
9. Makes technical and conforming changes. (Sec. 3, 4)