



**ARIZONA STATE SENATE**  
*Fifty-Sixth Legislature, Second Regular Session*

**AMENDED**

FACT SHEET FOR H.B. 2173

county aid; school districts; revisions

Purpose

An emergency measure that modifies property tax levy calculations for a common school district not within a high school district (Type 03 district). Transmits monies collected from the Type 03 district additional tax levy in TY 2023 to the State Treasurer for deposit in the state General Fund to aid in school financial assistance.

Background

[Laws 2022, Chapter 285](#) eliminates the requirement for a Type 03 district to pay tuition for high school pupils who reside in the Type 03 district and attend another school district. Students who reside in a Type 03 district and attend another school district for high school are enrolled in the school district of the student's attendance for the purposes of: 1) determining student count and apportionment of state aid; and 2) providing a free and appropriate education under the federal Individuals with Disabilities Education Act ([A.R.S. § 15-824](#)).

A county board of supervisors (BOS) must annually levy, at the time of levying other taxes, an additional tax in each Type 03 district equal to the product of: 1) the countywide average per pupil equalization base for high school pupils; and 2) the number of the district's resident high school pupils during the prior school year. Monies collected by the property tax must be added to county aid for equalization assistance and distributed to school districts in the same manner as the state equalization tax rate.

Statute determines that a school district is not eligible for equalization assistance if the school district's equalization base exceeds the amount levied by the applicable qualifying tax rate (QTR). In each school district not eligible for equalization assistance, a county BOS must annually levy an additional tax referred to as the MQTR. The MQTR levy amount is determined based on the difference between the levy that would be produced by 50 percent of the school district's applicable QTR and its equalization base ([A.R.S. § 15-992](#)).

There is no anticipated fiscal impact to the state General Fund (state GF) associated with this legislation.

Provisions

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

1. Modifies the MQTR levy amount in a school district not eligible for equalization assistance by subtracting the amount levied by the additional tax in Type 03 districts.

2. Replaces the requirement to levy an additional tax in a Type 03 district 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 school year, with a requirement to levy an additional tax in a Type 03 district that is equal to the lesser of:
  - a) a rate that is equal to the applicable QTR; or
  - b) a rate that would result in a levy that equals the statewide average per pupil funding for high school pupils multiplied by the student count of resident high school pupils in the Type 03 district during the prior school year.
3. Redirects monies collected from the additional tax levied in Type 03 districts from county aid for equalization assistance to the State Treasurer for deposit in the state GF to aid in school financial assistance.
4. Requires the ADE to annually provide each county BOS with the statewide average per pupil funding for high school pupils and the student count, rather than number of, high school pupils in the Type 03 district during the prior school year.
5. Requires ADE, by July 1 of each year, to annually provide each Type 03 district with the student count of resident high school pupils in the Type 03 district during the prior school year.
6. Defines *per pupil funding*, for the purposes of the Type 03 district additional tax levy, as the weighted student count group A weight amount calculated for grades 9 through 12, multiplied by the sum of:
  - a) the district additional assistance prescribed for a school district with a student count of 600 or more in grades 9 through 12; and
  - b) the statutory base level amount.

***School District Primary Property Tax Cap***

7. Excludes the MQTR and additional tax in Type 03 districts from the criteria that the Property Tax Oversight Commission uses to determine whether a school district's primary property tax rate exceeds the prescribed maximum permissible primary property tax rate.

***TY 2023 Type 03 District Additional Tax Monies***

8. Requires each county BOS that levied the Type 03 district additional tax in TY 2023 to transmit any unexpended and unencumbered monies collected by the additional tax in TY 2023 to the State Treasurer for deposit in the state General Fund to aid in school financial assistance.
9. Repeals the requirement for a county BOS to transmit Type 03 district additional tax monies as outlined on January 1, 2027.

***Miscellaneous***

10. Allows ADE, in FYs 2025 and 2026, to use the most recent data from ADE's annual open enrollment report to provide the information a county BOS requires to levy the additional tax in a Type 03 district.
11. Resolves conflicting statutes retroactive to July 1, 2023.

12. Makes technical and conforming changes.

13. Becomes effective on signature of the Governor, if the emergency clause is enacted, with retroactive provisions as noted.

Amendment Adopted by Committee of the Whole

1. Adds an emergency clause.
2. Sets the county BOS additional tax levy for Type 03 districts to a rate equal to the lesser of:
  - a) a rate that is equal to the applicable QTR; or
  - b) a rate that would result in a levy that equals the statewide average per pupil funding, rather than the countywide average per pupil equalization base, for high school pupils multiplied by the student count of resident high school pupils during the prior school year.
3. Removes the requirements for each county BOS that levied the MQTR in TY 2023 in a Type 03 district to reduce the tax levy in each Type 03 district and distribute the unexpended and unencumbered monies to each Type 03 district as specified.
4. Requires each county BOS that levied the additional tax in a Type 03 district to direct the county treasurer to transmit unexpended and unencumbered monies collected by the additional tax in TY 2023 as outlined.
5. Outlines and modifies the information that ADE must annually provide to each county BOS and Type 03 district for the purposes of the additional tax levy in Type 03 districts.
6. Defines *per pupil funding*.
7. Makes technical changes.

House Action

Senate Action

ED	1/30/24	DPA	10-0-0-0
3 <sup>rd</sup> Read	2/22/24		58-0-1-0-1

ED	3/13/24	DP	6-0-1
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Prepared by Senate Research  
 March 28, 2024  
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