



BOARD OF SUPERVISORS AGENDA ITEM REPORT

Requested Board Meeting Date: 8/19/2024

*= Mandatory, Information must be provided

Click or tap the boxes to enter text. If not applicable, indicate "N/A".

***Title:**

Direction to Pima County Treasurer to transmit taxes collected for elementary only school districts to Arizona State Treasurer

***Introduction/Background:**

In April 2024 the Arizona State Legislature amended ARS §15-992, changing the way taxes are levied and distributed for high school students from elementary only districts not within a high school and provided for the distribution of monies collected from the 2023 tax year levies.

***Discussion:**

Starting in the 2023 tax year, a new levy on elementary only districts was introduced to replace the previous practice of tuition payments to neighboring districts for high school students. Three districts in Pima County were impacted in tax year 2023. This new levy caused confusion due to its novelty and the absence of clear statutory structures, such as a maximum limit, integration into the school formula, and explicit statutory direction for the allocation of the collected revenue. As originally enacted, the taxes collected from the new levies were to be distributed through county equalization payments administered by the county school superintendent's office. However, as the legislature had previously ended the county wide equalization levy in the FY 2021-22 budget, that mechanism no longer existed. HB 2173 was passed and signed with an emergency clause during the 2024 legislative session correcting some of the issues surrounding the original legislation. Among them was a provision that requires county boards of supervisors to direct county treasurers to transmit monies collected for the 2023 tax year to the State Treasurer.

***Conclusion:**

As of July 31, 2024, The Pima County Treasurer's Office had collected \$2,948,620.35 of the \$3,015,710 levied pursuant to A.R.S. §15-992 (F) for tax year 2023. Those monies accrued \$68,027.56 in interest. Per A.R.S §35-327(F) the interest can be transferred to the counties general fund.

***Recommendation:**

Direct the Pima County Treasurer to transmit the taxes collected to the Arizona State Treasurer and transfer the accrued interest to the County's general fund.

***Fiscal Impact:**

None

***Board of Supervisor District:**

1 2 3 4 5 All

Department: Pima County Treasurer

Telephone: 520-724-8775

Contact: Chris Ackerley

Telephone: *Click or tap here to enter text.*

Department Director Signature: *[Handwritten Signature]* Date: 8/2/24
Deputy County Administrator Signature: *[Handwritten Signature]* Date: 8/7/2024
County Administrator Signature: _____ Date: _____

RESOLUTION NO. 2024 - _____

**A RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA,
RELATING TO TAXES LEVIED IN COMMON SCHOOL DISTRICTS NOT WITHIN A
HIGH SCHOOL DISTRICT, DIRECTING THE PIMA COUNTY TREASURER TO
DISTRIBUTE FUNDS**

WHEREAS, Arizona Revised Statutes §15-992(F) was amended by Laws 2022, Chapter 285, Section 11 to direct each county board of supervisors to levy an additional tax in each common school district not within a high school district based on certain criteria for the 2023 tax year; and

WHEREAS, the Pima County Board of Supervisors levied an additional tax on the following school districts in the specified amounts:

- 1) Continental Elementary School District No. 39; \$2,012,006
- 2) Altar Valley Elementary School District No. 51; \$979,656
- 3) Redington Elementary School District No. 44; \$24,048; and

WHEREAS, the Pima County Treasurer has collected taxes pursuant to the referenced levies in the amount of \$2,948,620.35 as of July 31, 2024; and

WHEREAS, the Arizona Legislature passed HB 2173 with an emergency clause and The Governor signed HB 2173 on April 10, 2024; and

WHEREAS, HB 2173 section 6 directs each county board of supervisors that levied an additional tax pursuant to section 15-992, subsection F, Arizona Revised Statutes, as added by Laws 2022, chapter 285, section 11, in the 2023 tax year to direct the county treasurer to transmit any unexpended and unencumbered monies that were collected pursuant to section 15-992, subsection F, in the 2023 tax year to the State Treasurer for deposit in the state general fund to aid in school financial assistance; and

WHEREAS, Arizona Revised Statutes §35-327(F) directs interest earned between the time of collection and other statutory requirements on monies collected for involuntary pool participants to revert to the general fund of the collection entity; and

WHEREAS, the interest earned on the taxes collected pursuant to the referenced levies amounts to \$68,027.56 as of July 31, 2024; and

WHEREAS, the Pima County Treasurer will continue to collect monies pursuant to the referenced levies as delinquent taxes are paid.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

SECTION 1. The Pima County Treasurer shall remit \$2,948,620.35 to the State Treasurer for deposit in the state general fund to aid in school financial assistance.

SECTION 2. The Pima County Treasurer shall transfer \$68,027.56 to the county general fund.

SECTION 3. The Pima County Treasurer shall remit to the State Treasurer any monies collected after July 31, 2024 from the taxes levied pursuant to Arizona Revised Statutes §15-992(F) in the 2023 tax year on the same schedule as those collected pursuant to Arizona Revised Statutes §15-992(B) and (F) in the 2024 and future tax years.

Passed and adopted this 19th day of August, 2024.

Adelita S. Grijalva, Chair
Pima County Board of Supervisors

ATTEST:

APPROVED AS TO FORM:

Melissa Manriquez
Clerk of the Board



Deputy County Attorney

Senate Engrossed House Bill

county aid; school districts; revisions

State of Arizona
House of Representatives
Fifty-sixth Legislature
Second Regular Session
2024

CHAPTER 134

HOUSE BILL 2173

AN ACT

AMENDING SECTION 15-971, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2022, CHAPTER 317, SECTION 13; REPEALING SECTION 15-971, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2022, CHAPTER 285, SECTION 9; AMENDING SECTIONS 15-992 AND 42-17151, ARIZONA REVISED STATUTES; RELATING TO EDUCATION FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-971, Arizona Revised Statutes, as amended by
3 Laws 2022, chapter 317, section 13, is amended to read:

4 15-971. Determination of equalization assistance payments
5 from county and state funds for school districts

6 A. Equalization assistance for education is computed by determining
7 the total of the following:

8 1. The lesser of a school district's revenue control limit or
9 district support level as determined in section 15-947 ~~or 15-951~~.

10 2. District additional assistance of a school district as
11 determined in section ~~15-951 or~~ 15-961.

12 B. From the total of the amounts determined in subsection A of this
13 section subtract:

14 1. The amount that would be produced by levying the applicable
15 qualifying tax rate determined pursuant to section 41-1276 for a high
16 school district or a common school district within a high school district
17 that does not offer instruction in high school subjects as provided in
18 section 15-447.

19 2. The amount that would be produced by levying the applicable
20 qualifying tax rate determined pursuant to section 41-1276 for a unified
21 school district, a common school district not within a high school
22 district or a common school district within a high school district that
23 offers instruction in high school subjects as provided in section 15-447.
24 The qualifying tax rate shall be applied in the following manner:

25 (a) For the purposes of the amount determined in subsection A,
26 paragraph 1 of this section:

27 (i) Determine separately the percentage that the weighted student
28 count in preschool programs for children with disabilities, kindergarten
29 programs and grades one through eight and the weighted student count in
30 grades nine through twelve is to the weighted student count determined in
31 subtotal A as provided in section 15-943, paragraph 2, subdivision (a).

32 (ii) Apply the percentages determined in item (i) of this
33 subdivision to the amount determined in subsection A, paragraph 1 of this
34 section.

35 (b) For the purposes of the amounts determined in subsection A,
36 paragraph 2 of this section, determine separately the amount of the
37 district additional assistance attributable to the student count in
38 preschool programs for children with disabilities, kindergarten programs
39 and grades one through eight and grades nine through twelve.

40 (c) From the amounts determined in subdivisions (a) and (b) of this
41 paragraph, subtract the levy that would be produced by the current
42 qualifying tax rate for a high school district or a common school district
43 within a high school district that does not offer instruction in high
44 school subjects as provided in section 15-447. If the qualifying tax rate
45 generates a levy that is in excess of the total determined in subsection A

1 of this section, the school district is not eligible for equalization
2 assistance. For the purposes of this subsection, "assessed valuation"
3 includes the values used to determine voluntary contributions collected
4 pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article
5 8 and the assessed value of all property subject to the government
6 property lease excise tax pursuant to title 42, chapter 6, article 5.

7 3. The amount that would be produced by levying a qualifying tax
8 rate in a career technical education district, which shall be \$.05 per
9 \$100 assessed valuation unless the legislature sets a lower rate by law.

10 C. State aid for equalization assistance for education for a school
11 district shall be the equalization assistance for education for a school
12 district as provided in subsections A and B of this section.

13 D. Equalization assistance for education shall be paid from
14 appropriations for that purpose to the school districts as provided in
15 section 15-973.

16 E. A school district shall report expenditures on approved career
17 and technical education and vocational education programs in the annual
18 financial report according to uniform guidelines prescribed by the uniform
19 system of financial records and in order to facilitate compliance with
20 sections 15-255 and 15-904.

21 F. The additional weight for state aid purposes given to special
22 education as provided in section 15-943 shall be given to school districts
23 only if special education programs comply with chapter 7, article 4 of
24 this title and the conditions and standards prescribed by the
25 superintendent of public instruction pursuant to rules of the state board
26 of education for pupil identification and placement pursuant to sections
27 15-766 and 15-767.

28 G. In addition to state general fund appropriations, all amounts
29 received pursuant to section 37-521, subsection B, paragraph 3, section
30 42-5029, subsection E, paragraph 5 and section 42-5029.02, subsection A,
31 paragraph 5 and from any other source for the purposes of this section are
32 appropriated for state aid to schools as provided in this section.

33 H. The total amount of state monies that may be spent in any fiscal
34 year for state equalization assistance shall not exceed the amount
35 appropriated or authorized by section 35-173 for that purpose. This
36 section does not impose a duty on an officer, agent or employee of this
37 state to discharge a responsibility or create any right in a person or
38 group if the discharge or right would require an expenditure of state
39 monies in excess of the expenditure authorized by legislative
40 appropriation for that specific purpose.

41 Sec. 2. Repeal

42 Section 15-971, Arizona Revised Statutes, as amended by Laws 2022,
43 chapter 285, section 9, is repealed.

1 Sec. 3. Section 15-992, Arizona Revised Statutes, is amended to
2 read:

3 15-992. School district tax levy; additional tax in districts
4 ineligible for equalization assistance; definition

5 A. The board of supervisors of each county, at the time of levying
6 other taxes, shall annually levy school district taxes on the property in
7 any school district in which additional amounts are required, which shall
8 be at rates prescribed in this section. A delinquency factor for
9 estimated uncollected taxes may not be included in the computation of the
10 primary tax rate for school district taxes. Local property taxes may not
11 be levied for any deficit in the classroom site fund. The taxes shall be
12 added to and collected in the same manner as other county taxes on the
13 property within the school district. The amount of the school district
14 taxes levied on the property in a particular school district shall be paid
15 into the school fund of that school district.

16 B. At the same time of levying taxes as provided in subsection A of
17 this section, the county board of supervisors shall annually levy an
18 additional tax in each school district that is not eligible for
19 equalization assistance as provided in section 15-971 in an amount
20 determined as follows:

21 1. Determine the levy that would be produced by fifty percent of
22 the applicable qualifying tax rate, prescribed in section 15-971,
23 subsection B, per \$100 assessed valuation.

24 2. Subtract the ~~amount~~ AMOUNTS determined in section 15-971,
25 subsection A **AND SUBSECTION F OF THIS SECTION** from the levy determined in
26 paragraph 1 of this subsection. This difference is the additional amount
27 levied or collected as voluntary contributions pursuant to title 48,
28 chapter 1, article 8, except that if the difference is zero or is a
29 negative number, there shall be no levy.

30 C. Monies collected pursuant to ~~subsection~~ **SUBSECTIONS B AND F** of
31 this section shall be transmitted to the state treasurer for deposit in
32 the state general fund to aid in school financial assistance.

33 D. The additional tax prescribed in subsection B of this section is
34 considered to be primary property tax for purposes of section 15-972,
35 subsection B, except that this state is not required to make the payments
36 prescribed in section 15-972, subsection H for these reductions in taxes.

37 E. The tax levy prescribed in subsection A of this section shall be
38 a rate equal to the applicable qualifying tax rate or rates as prescribed
39 in section 15-971, subsection B or a rate that would result in a levy that
40 equals the school district equalization assistance base prescribed in
41 section 15-971 subtracted by any amount received pursuant to section
42 15-905, subsections K, O and P per \$100 of assessed valuation used for
43 primary property taxes, whichever is less.

44 F. At the same time of levying taxes as provided in subsection A of
45 this section, the county board of supervisors shall annually levy an

1 additional tax in each common school district not within a high school
2 district that is equal to the LESSER OF:

3 1. A RATE THAT IS EQUAL TO THE APPLICABLE QUALIFYING TAX RATE OR
4 RATES AS PRESCRIBED IN SECTION 15-971, SUBSECTION B.

5 2. A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS THE ~~countywide~~
6 STATEWIDE average per pupil ~~equalization base~~ FUNDING for high school
7 pupils multiplied by the ~~number~~ STUDENT COUNT AS DEFINED IN SECTION 15-901
8 of resident high school pupils in the common school district not within a
9 high school district during the prior school year. ~~The monies collected~~
10 ~~pursuant to this subsection shall be added to county aid for equalization~~
11 ~~assistance for education pursuant to section 15-971, subsection C.~~ ON OR
12 BEFORE JULY 1 OF EACH YEAR, THE DEPARTMENT OF EDUCATION SHALL PROVIDE EACH
13 COMMON SCHOOL DISTRICT NOT WITHIN A HIGH SCHOOL DISTRICT WITH THE STUDENT
14 COUNT AS DEFINED IN SECTION 15-901 OF RESIDENT HIGH SCHOOL PUPILS IN THE
15 DISTRICT DURING THE PRIOR SCHOOL YEAR. On or before July 1 of each year,
16 the department of education shall provide each county board of supervisors
17 with the ~~countywide~~ STATEWIDE average per pupil ~~equalization base~~ FUNDING
18 for high school pupils, the ~~number~~ STUDENT COUNT AS DEFINED IN SECTION
19 15-901 of resident high school pupils in the common school district not
20 within a high school district during the prior school year and any other
21 information requested by the county board of supervisors for the purposes
22 of levying the tax prescribed in this subsection. FOR THE PURPOSES OF
23 THIS PARAGRAPH, "PER PUPIL FUNDING" MEANS THE AMOUNT CALCULATED PURSUANT
24 TO SECTION 15-943, PARAGRAPH 2, SUBDIVISION (a) FOR GRADES NINE THROUGH
25 TWELVE MULTIPLIED BY THE SUM OF THE FOLLOWING:

26 (a) DISTRICT ADDITIONAL ASSISTANCE PURSUANT TO SECTION 15-961,
27 SUBSECTIONS A, B AND C FOR A SCHOOL DISTRICT WITH A STUDENT COUNT OF SIX
28 HUNDRED OR MORE IN GRADES NINE THROUGH TWELVE.

29 (b) THE BASE LEVEL AMOUNT PRESCRIBED BY SECTION 15-901.

30 G. At the time of levying taxes as provided in subsection E of this
31 section, the county school superintendent shall annually validate any
32 additional primary school district tax levy amount requests from each
33 school district and levy the sum of the following amounts:

34 1. A rate that would result in a levy that equals the difference
35 between the transportation revenue control limit as determined in section
36 15-946 and the transportation support level as determined in section
37 15-945 or a lesser amount.

38 2. A rate that would result in a levy that equals any amount
39 pursuant to section 15-910.

40 3. A rate that would result in a levy that equals any amount for
41 tuition loss as determined in section 15-954.

42 4. A rate that would result in a levy that equals any amount for
43 the small school adjustment as determined in section 15-949.

1 5. A rate that would result in a levy that equals any amount for
2 liabilities in excess of the school district budget pursuant to section
3 15-907.

4 6. A rate that would result in a levy that equals any amount for
5 adjacent ways pursuant to section 15-995.

6 7. A rate that would result in a levy that equals the amount not
7 captured by the qualifying tax rate as a result of property subject to the
8 government property lease excise tax pursuant to title 42, chapter 6,
9 article 5 as calculated in section 15-971, subsection B, paragraph 2.

10 8. Following the recommendation of the county school superintendent
11 and on approval by the county board of supervisors, for a school district
12 that is not eligible for state aid, a rate that would result in a levy
13 that equals any legal amount not levied in the current year as a result of
14 underestimated average daily membership in the current year or as a result
15 of a judgment in accordance with section 42-16213.

16 9. A rate that would result in a levy that equals any amount
17 pursuant to a qualifying dropout prevention program that was originally
18 established by law in 1987.

19 10. On the recommendation of the county school superintendent and
20 on approval by the county board of supervisors before adoption of tax
21 rates pursuant to section 42-17151, a rate that would result in a levy
22 that equals any separately stated cash deficit from the prior fiscal year
23 resulting from an anticipated or actual deviation in the property tax
24 roll, including resolutions or judgments pursuant to title 42, chapter 16,
25 articles 5 and 6.

26 H. For the purposes of this section, "assessed valuation" includes
27 the values used to determine voluntary contributions collected pursuant to
28 title 9, chapter 4, article 3 and title 48, chapter 1, article 8.

29 Sec. 4. Section 42-17151, Arizona Revised Statutes, is amended to
30 read:

31 42-17151. County, municipal, community college and school tax
32 levy

33 A. On or before the third Monday in August each year, the governing
34 body of each county, city, town, community college district and school
35 district shall:

36 1. Fix, levy and assess the amount to be raised from primary
37 property taxation and secondary property taxation. This amount, plus all
38 other sources of revenue, as estimated, and restricted and unrestricted
39 unencumbered balances from the preceding fiscal year, shall equal the
40 total of amounts proposed to be spent in the budget for the current fiscal
41 year.

42 2. Designate the amounts to be levied for each purpose appearing in
43 the adopted budget.

44 3. Fix and determine a primary property tax rate and a secondary
45 property tax rate, each rounded to four decimal places on each ~~one hundred~~

1 ~~dollars~~ \$100 of taxable property shown by the finally equalized valuations
2 of property, ~~less~~ MINUS exemptions, that appear on the tax rolls for the
3 fiscal year, as determined by the assessor on or before February 10 of the
4 tax year pursuant to section 42-17052, and that when extended on those
5 valuations will produce, in the aggregate, the entire amount to be raised
6 by direct taxation for that year. Amounts levied for debt service on
7 bonds payable from the secondary tax are and shall be considered special
8 revenues of the county, city, town or district, shall be kept in a
9 special, segregated fund, are not and shall not be general property taxes
10 and may not be used for any other purpose of the county, city, town or
11 district.

12 B. The governing body of a county, city, town or community college
13 district shall not fix, levy or assess an amount of primary property taxes
14 in excess of the amount permitted by section 42-17051, subsection A,
15 paragraph 7 or section 42-17005 as determined by the property tax
16 oversight commission.

17 C. The governing board of a common school district, a high school
18 district or a unified school district shall not fix, levy or assess a
19 primary property tax rate higher than the current year's rate if the
20 district meets both of the following criteria, as determined by the
21 property tax oversight commission:

22 1. The total primary property taxes levied for all taxing
23 jurisdictions on at least one-half of the residential property of the
24 district exceed the limitation described in section 15-972, subsection E.

25 2. The school district primary property tax rate exceeds one
26 hundred fifty ~~per cent~~ PERCENT of the applicable qualifying tax rate
27 pursuant to section 41-1276. FOR THE PURPOSES OF THIS PARAGRAPH, THE
28 SCHOOL DISTRICT PRIMARY PROPERTY TAX RATE DOES NOT INCLUDE THE TAX RATES
29 COMPUTED PURSUANT TO SECTION 15-992, SUBSECTIONS B AND F.

30 D. ~~No~~ NOT later than December 31, the property tax oversight
31 commission shall notify those school districts that meet the criteria
32 described in subsection C of this section and the county school
33 superintendents and boards of supervisors of the counties in which the
34 school districts are located.

35 E. Within three days after the final levies are determined for a
36 county, city, town or community college district, the chief county fiscal
37 officer shall notify the property tax oversight commission of the amount
38 of the primary property tax levied.

39 F. Pursuant to section 15-465.01, subsection E, an accommodation
40 school governing board shall not levy a primary or secondary property tax.
41 The property tax oversight commission shall consider any amount of
42 property tax levied by a county in support of an accommodation school to
43 be part of the county's primary levy for the purposes of determining the
44 county's compliance with subsection B of this section.

1 Sec. 5. Fiscal years 2024-2025 and 2025-2026 calculations
2 In fiscal years 2024-2025 and 2025-2026, the department of education
3 may use the most recent data from the report required by section
4 15-816.01, subsection J, Arizona Revised Statutes, to provide the
5 information required by section 15-992, subsection F, paragraph 2, Arizona
6 Revised Statutes, as amended by this act, to the county boards of
7 supervisors.
8 Sec. 6. School district tax levy; 2023 tax year; transfer;
9 delayed repeal
10 A. Each county board of supervisors that levied an additional tax
11 pursuant to section 15-992, subsection F, Arizona Revised Statutes, as
12 added by Laws 2022, chapter 285, section 11, in the 2023 tax year shall
13 direct the county treasurer to transmit any unexpended and unencumbered
14 monies that were collected pursuant to section 15-992, subsection F,
15 Arizona Revised Statutes, as added by Laws 2022, chapter 285, section 11,
16 in the 2023 tax year to the state treasurer for deposit in the state
17 general fund to aid in school financial assistance.
18 B. This section is repealed from and after December 31, 2026.
19 Sec. 7. Retroactivity
20 A. The following sections apply retroactively to from and after
21 June 30, 2023:
22 1. Section 15-971, Arizona Revised Statutes, as amended by Laws
23 2022, chapter 317, section 13 and this act.
24 2. Section 15-971, Arizona Revised Statutes, as amended by Laws
25 2022, chapter 285, section 9 and repealed by this act.
26 B. Section 15-992, Arizona Revised Statutes, as amended by this
27 act, applies retroactively to tax years beginning from and after December
28 31, 2023.
29 Sec. 8. Emergency
30 This act is an emergency measure that is necessary to preserve the
31 public peace, health or safety and is operative immediately as provided by
32 law.

APPROVED BY THE GOVERNOR APRIL 10, 2024.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 10, 2024.