



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

**AMENDED**  
FACT SHEET FOR H.B. 2120

law enforcement; defunding; prohibition

Purpose

Prohibits a city or town from reducing the annual operating budget for a law enforcement agency by any amount below the previous year's budget. Requires the State Treasurer, upon receipt of notification that the city or town reduced the annual operating budget for a law enforcement agency, to withhold any state shared monies from the city or town in an amount equal to the amount of the reduction of the annual operating budget for the law enforcement agency.

Background

The transaction privilege tax (TPT) is a gross receipts tax levied by the State of Arizona on certain persons for the privilege of conducting business in the state. The TPT is currently imposed under retail, transporting, utilities, telecommunications, publication, job printing, pipeline, private car line, commercial lease, transient lodging, personal property rental, mining, amusement, restaurant, prime contracting and online lodging marketplace. TPT revenues are shared with the state's counties and cities through a system of statutorily prescribed formulas. Monies in the distribution base are allocated on a monthly bases as follows: 1) 25 percent is paid to cities in proportion to the cities population based on the last U.S. decennial census, special census or the most recent annual population estimates by the U.S. Census Bureau; 2) 40.51 percent is paid to the counties; and 3) the remaining 34.49 percent is retained by the state and is used to make various allocations and appropriations specified by statute.

The Urban Revenue Sharing Fund (URS) provides that a percentage of income tax revenues be shared with incorporated cities and towns in the State of Arizona. The individual income tax represents 31.2 percent of total General Fund revenue collections in FY 2023. The distribution is based on the most recent population estimates of each city and town made annually by the U.S. Census Bureau. In FY 24 the URS is set to distribute 18 percent of the individual income tax collections ([JLBC](#)).

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

Provisions

1. Prohibits a city or town from reducing the annual operating budget for a law enforcement agency by any amount below the previous year's budget.
2. Requires the city or town, if the city or town reduces the annual operating budget for a law enforcement agency, to notify the State Treasurer of the reduction.

3. Requires the State Treasurer, upon receipt of such notification, to withhold any state shared monies from the city or town in an amount equal to the amount of the reduction of the annual operating budget for the law enforcement agency.
4. Requires the State Treasurer to continue to withhold state shared monies until notification from the city or town that the reduction in the law enforcement agency's budget has been restored.
5. Provides exemptions for a city or town if:
  - a) the city or town does not have the monies required to continue the annual operating budget for a law enforcement agency at the same amount as the previous year;
  - b) the annual operating budgets for all city or town departments or agencies have also been reduced by the same or greater amount as the reduction in the law enforcement agency's annual operating budget;
  - c) the city or town has not experienced population growth; or
  - d) the city or town approved a temporary increase in the law enforcement agency's annual operating budget the previous year for a onetime expense or capital outlay and the city or town restored the law enforcement agency's annual operating budget to the same amount as before the temporary increase.
6. Requires the city or town, if the city or town reduces the city's or town's annual operating budget in a manner that qualifies for the outlined exemptions, to reduce all other departments' or agencies' annual operating budgets in the city or town first, and prohibits the city or town from reducing the annual operating budget for a law enforcement agency in an amount greater than the reduction to all other municipal departments' or agencies' annual operating budgets.
7. Prohibits the State Treasurer from withholding any amount that the city or town certifies as being necessary to make any required deposits or payments for debt service on bonds or other long-term obligations of the city or town that were issued or incurred before the reduction in the law enforcement agency's budget.
8. Defines *law enforcement agency* as a municipal police department.
9. Makes technical and conforming changes.
10. Becomes effective on the general effective date.

Amendments Adopted by Committee

- Prohibits a city or town from reducing the annual operating budget for a law enforcement agency in an amount greater than the reduction to all other municipal departments' or agencies' annual operating budgets, rather than requiring the city or town to reduce all other departments' or agencies' operating budgets by at least 50 percent or at the same amount as the law enforcement agency's annual operating budget.

House Action

MAPS            2/12/24    DP            8-7-0-0  
3<sup>rd</sup> Read        2/27/24                    35-23-1-0-1

Senate Action

MAPS   3/13/24    DPA    5-2-0