HB 2173: county aid; school districts; revisions
Sponsor: Representative Pingerelli, LD 28
Committee on Education

Overview

Makes several revisions relating to county aid and tax levy calculations for a common school district not within a high school district (Type 03 district).

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 minimum qualifying tax rate (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

County Aid (Retroactive to July 1, 2023)

1. Details the formula to compute county aid from Type 03 districts. (Sec. 1)

2. Reduces a school district's equalization assistance by the amount of county aid from Type 03 districts calculated according to the county aid formula. (Sec. 1)

3. Repeals duplicative statute relating to the determination of equalization assistance payments from county and state funds for school districts. (Sec. 2)

☐ Prop 105 (45 votes)   ☐ Prop 108 (40 votes)   ☐ Emergency (40 votes)   ☐ Fiscal Note

MQTR and Additional Tax in Type 03 Districts
(Retroactive to Tax Years Beginning January 1, 2024)
4. 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)

5. Sets the levy for the additional tax in each Type 03 district at the lesser of:
    a) a rate equal to the applicable QTR; or
    b) a rate that would result in a levy that equals 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. (Sec. 3)

6. Clarifies that monies collected from the additional tax in Type 03 districts are county aid and must be distributed to school districts within the county. (Sec. 3)

Property Tax Modifications for Eligible School Districts
7. Instructs a county BOS, if the county BOS levies the MQTR in an eligible school district in TY 2023, to reduce the tax levy in each eligible school district for TY 2024 by the lesser of the amount levied pursuant to the:
    a) MQTR formula in TY 2023; or
    b) additional tax in Type 03 districts in TY 2023. (Sec. 5)

8. Defines *eligible school district* as a Type 03 district not eligible for equalization assistance. (Sec. 5)

9. Repeals the requirement for a county BOS to reduce the property tax levies of eligible school districts as outlined on January 1, 2028. (Sec. 5)

Miscellaneous
10. Makes technical and conforming changes. (Sec. 1, 3, 4)