



# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature  
First Regular Session

House: WM DP 10-0-0-0

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**HB 2317: community facilities districts**  
**Sponsor: Representative Toma, LD 22**  
**Caucus & COW**

## **Overview**

Changes the way general obligation bond funds of a district can be utilized. Creates reconciliation provisions for district board compositions created after August 9, 2017 and before the effective date of this bill.

## **History**

Current law dictates that a district will be governed by a board of five members, with two additional members, ex officio, who are initially designated by the owner who owns the largest amount of private land and appointed by the governing body and will provide a process for the designation of the two additional members, if applicable ([A.R.S. § 48-702](#)).

Current law states that any fees or other charges paid for the application when forming a district in excess of actual costs in the formation of such district will be used by the municipality or county for the sole purpose to support formation and administration of the district ([A.R.S. § 48-708](#)).

Current law states that the district board will prescribe denominations of bonds, maturities, interest payment dates and interest rates, fixed or variable and will not exceed the maximum rate in the notice or resolution of the board. Bonds may be sold above or below par and if bonds are sold below par then the aggregate amount of discount and interest that would have been payable on those bonds at the maximum rate set by the bond resolution ([A.R.S. § 48-722](#)).

## **Provisions**

1. Defines *Net Premium*. (Sec. 1)
2. Requires the resolution ordering the formation of a district to include the names of the initial appointed district board members and their terms of office. (Sec. 5)
3. Requires the election notice to state that a general plan is on file with the clerk of the district or the clerk of the municipality or county that adopted the resolution ordering the formation of the district. (Sec. 6)
4. Stipulates that any fees or other charges paid by the applicant before the formation of the district that exceed the actual costs of forming the district will be transferred from the municipality or county to the district and shall only be used to support the formation or administration of the district. (Sec. 7)

5. Requires that any ad valorem tax levied and collected shall not exceed the net amount necessary to meet the annual payments of principal, interest, including projected principal and interest on new debt, a reasonable delinquency factor, any shortages in a prior year levy and any applicable expenses and fees. (Sec. 11)
6. States that the levy shall be the net of all cash in excess of 10% of the annual payments of principal, premium, if any, and interest in the current fiscal year from the previous year remaining in the fund or funds. (Sec. 11)
7. Limits the use of general obligation bonds that are sold above par, to the following purposes:
  - a) Pay all costs incurred in issuing the general obligation bonds; or
  - b) Deposit in a debt service fund for the sole purpose to pay interest on the issue of general obligation bonds. (Sec. 13)
8. States general obligation bonds that are used for anything other than this purpose, and the district has general obligation bond voter authorization and available capacity under its debt limitations, then the amount of net premium used for that purpose shall reduce, in an equal amount, the available aggregate indebtedness capacity of the district and the principal amount authorized at the general obligation bond election from which the issue of general obligation bonds is being sold. (Sec. 13)
9. States that any net premium that is used as prescribed in this subsection shall be amortized for all debt limitation purposes on a pro rata basis each year by multiplying the net premium used by a percentage equal to the percentage of the total principal amount of the general obligation bond issue that matures that year. (Sec. 13)
10. States districts that are formed after August 9th, 2017 the following apply:
  - a) At any time after a receipt of a petition signed by the owners of the most privately-owned land within the boundaries of the district, the district board may adopt a resolution to reconcile the board composition by permanently removing the two additional appointed district board members and their position.
  - b) On removal of the two additional district board members and their positions the district shall be governed by a board that consists of the governing body of the municipality or county. (Sec. 15)
11. Includes an emergency clause. (Sec. 16)
12. Contains technical and conforming changes.

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