



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1663

common school districts; tuition; expenditures

Purpose

Deems a high school pupil who resides in a common school district not within a high school district (Type 03 district) to be enrolled in the school district of residence, rather than the school district of attendance, and requires a Type 03 district to pay tuition as outlined to the pupil's district of attendance. Removes the requirement for a county board of supervisors (county BOS) to levy a tax in a Type 03 district and modifies calculations relating to a Type 03 district's equalization base.

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 (IDEA) ([A.R.S. § 15-824](#)).

A county 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 (SETR) ([A.R.S. § 15-992](#)).

If the costs for excluding Type 03 district high school students in the average daily membership (ADM) of their district of attendance differs from the tuition costs Basic State Aid covers for high school students, there may be a fiscal impact to the state General Fund.

Provisions

Enrollment and Tuition Calculations

1. Deems the enrollment of a Type 03 district high school pupil to be in the school district of the pupil's residence, rather than the school district of the pupil's attendance, for the purposes of determining student count and the apportionment of state aid, rather than determining student count and apportionment of state aid and providing a free and appropriate education under IDEA.
2. Removes the specification that deems a high school pupil who attends a unified school district (unified district) and resides in a Type 03 district located within the boundaries of the former high school district that unified with another common school district as enrolled in the unified district.

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3. Requires tuition to be charged, as prescribed, to a Type 03 district for each pupil:
 - a) admitted to a high school of 350 students or fewer without the presentation of a certificate of educational convenience, if the pupil is a resident of a Type 03 district that does not offer instruction in the student's grade;
 - b) from a school district that provides only financing for pupils instructed by another school district; and
 - c) from a unified district that does not offer instruction in the pupil's grade.
4. Removes the requirement for a school district governing board to admit, to a high school, a pupil who is a resident of a transporting school district (transporting district) that does not offer instruction in the pupil's grade.
5. Determines that the number of Type 03 district high school pupils for whom tuition may be charged is equal to the ADM in the district of attendance from the Type 03 district for the prior fiscal year.
6. Specifies that for the first year in which a Type 03 district stops teaching high school subjects, the district of attendance may charge tuition for the number of pupils that is equal to the ADM for high school pupils in the Type 03 district for the prior fiscal year, which may be adjusted if the Type 03 district increases its revenue control limit.
7. Authorizes a school district governing board to budget for the bond issues portion of tuition costs charged for pupils attending another school district and specifies that, for a Type 03 district, the authorization is limited to tuition that is excluded from the revenue control limit.
8. Specifies that the bond issues portion of the cost of tuition charged is exempt from the revenue control limit of the school district of residence and the primary property tax rate set to fund this amount must not be included in the computation of additional state aid.
9. Requires, if a former high school district that unified with another common school district had outstanding bonded indebtedness at the time of unification, the combined tuition for the high school pupils who reside in a Type 03 district to include a debt service amount for the former high school district's outstanding bonded indebtedness that is equal to the quotient of the total net assess valuation (NAV) of the Type 03 district and the total NAV of the former high school district, multiplied by the unified district's annual debt service expenditure.
10. Requires the debt service portion of tuition payments to be used exclusively for debt service of the outstanding bonding indebtedness of the former high school district.
11. Caps the debt service expenditure amounts that may be included in *costs per student count*, which determines the maximum amount that may be charged for tuition for pupils attending a school district other than that of their residence, at:
 - a) \$750, if the pupil's school district of residence pays tuition for fewer than 750 pupils to other school districts or \$150, if the state pays tuition to a school district for 750 or fewer pupils whose parents are employed by certain state institutions as outlined;
 - b) \$800, if the pupil's school district of residence pays tuition for between 751 and 1,000 pupils to other school districts or \$200, if the state pays tuition to a school district for between 751 and 1,000 pupils whose parents are employed by certain state institutions as outlined; and
 - c) the actual cost per student count if either the school district of residence or the state pays tuition for more than 1,000 pupils to other school districts.

12. Specifies that, if a former high school district that unified with another common school district had no outstanding bonded indebtedness at the time of unification, the tuition for the high school pupils who reside in a Type 03 district:
- a) must include the actual school district expenditures for the portion of any debt service of the unified district that pertains to any construction or renovation of high school facilities divided by the unified district's high school student count; and
 - b) may not include any debt service that pertains to any construction or renovation of school facilities for preschool programs and grades one through eight.

State Aid and Budget Calculations

13. Determines that the revenue control limit of a Type 03 district is equal to the sum of:
- a) the base support level (BSL), excluding pupils admitted to another school district;
 - b) the tuition payable for high school pupils who attend school in another school district, including any transportation charge; and
 - c) the transportation revenue control limit (TRCL) for all pupils who reside in the Type 03 district, except those high school pupils transported by another district.
14. Determines that the revenue control limit of a Type 03 district, for the purposes of a bond or override election or the disposition of proceeds from sale or lease of school property, is equal to the sum of:
- a) the BSL for pupils, excluding pupils admitted to another school district; and
 - b) the TRCL for all pupils who reside in the district, except high school pupils transported by another district.
15. Determines that the district equalization base calculation for a Type 03 district is equal to the sum of:
- a) the BSL, excluding pupils admitted to another school district;
 - b) the tuition payable for high school pupils who attend school in another school district, including any transportation charge; and
 - c) the transportation support level for all pupils who reside in the Type 03 district, excluding high school pupils transported by another school district.
16. Determines, for the purpose of determining eligibility to increase the revenue control limit and district support level, that the student count for a Type 03 district is the student count for pupils in kindergarten programs and grades 1 through 12, including pupils enrolled in another school district.
17. Specifies that, for the purposes of determining budget amounts and equalization assistance for the first year of operation for a unified district, the student count for the former high school district may not include the prior year ADM of high school pupils who reside in a Type 03 district located within the boundaries of the former high school district, but did not join the unified district.
18. Includes, in the budget format's maintenance and operation section, a category for the bond issues portion of tuition costs.
19. Applies the DAA calculation for other districts to a transporting district.

20. Allows a Type 03 district that was authorized by the qualified electors to establish a unified district to:
- a) continue calculating its budget and equalization assistance for 15 years after the election or until a high school is built, whichever occurs first;
 - b) continue calculating its budget and equalization assistance as a Type 3 district for up to five years after the first operation of the new high school, if the district is newly-formed as a unified school district and phasing in instruction for grades 9 through 12; and
 - c) retroactively adjust its FY 2021 budget.

County BOS Tax Levy

21. Removes the following requirements relating to a Type 03 district property tax levy:
- a) the requirement for a county BOS to annually levy an additional property tax in each Type 03 district based on the countywide average per pupil equalization base for high school pupils and the number of the district's resident high school pupils;
 - b) the requirement to add the monies collected by the additional tax to county aid for equalization assistance and distribute the monies in the same manner as the SETR; and
 - c) the requirement for ADE to annually provide each county BOS with information necessary to levy the property tax.
22. Requires each county BOS to:
- a) compute the amount levied for the Type 03 district property tax, if any, for TY 2023; and
 - b) in TY 2024, reduce the tax levy in each Type 03 district by the amount levied in TY 2023.

Miscellaneous

23. Resolves conflicting statutes.
24. Makes technical and conforming changes.
25. Becomes effective on the general effective date.

Prepared by Senate Research

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MH/slp