

REFERENCE TITLE: telecommunications companies; property tax valuation

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
First Regular Session  
2007

## HB 2624

Introduced by  
Representatives Biggs: Brown, Meza

### AN ACT

AMENDING SECTIONS 15-445, 15-448 AND 15-459, ARIZONA REVISED STATUTES; AMENDING SECTION 15-481, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2006, CHAPTER 44, SECTION 2 AND CHAPTER 217, SECTION 4; REPEALING SECTION 15-481, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2006, CHAPTER 354, SECTION 12; AMENDING SECTIONS 35-454, 42-11127, 42-12001, 42-12101, 42-13054, 42-13055, 43-1078 AND 43-1166, ARIZONA REVISED STATUTES; BLENDING MULTIPLE ENACTMENTS; RELATING TO PROPERTY TAX VALUATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 15-445, Arizona Revised Statutes, is amended to  
3 read:  
4 15-445. Residents of unorganized territory; school district  
5 elections; establishment of school district  
6 A. The county school superintendent, on receiving notification from  
7 the state school superintendent pursuant to section 15-825.02, subsection B,  
8 shall do all of the following before calling an election:  
9 1. Establish the boundaries of the proposed unified school district,  
10 taking into consideration communities of interest and excluding Indian  
11 reservations and other federal lands where reasonable to do so. During the  
12 period that the county school superintendent is considering the new school  
13 district boundaries, the county school superintendent shall conduct at least  
14 two public meetings at which public testimony is heard and questions are  
15 answered.  
16 2. Identify adjacent school districts that accept at least twenty-five  
17 per cent of their open enrollment or certificate of educational convenience  
18 students from the unorganized territory and that are willing to accept the  
19 unorganized territory into the existing school district.  
20 3. Prepare a pamphlet and a ballot question that includes the proposed  
21 boundaries and identifies existing adjacent school districts that are willing  
22 to accept the unorganized territory into the existing school district. The  
23 pamphlet shall be mailed to each household with one or more qualified  
24 electors. The pamphlet and ballot shall require the voters within the  
25 boundaries proposed by the county school superintendent to select either  
26 establishing a new unified school district within the boundaries proposed or  
27 joining an existing adjacent school district. The pamphlet and ballot shall  
28 include the full cash value, the assessed valuation and the estimated amount  
29 of the primary property taxes and the estimated amount of the secondary  
30 property taxes under each of the ballot options for each of the following:  
31 (a) An owner occupied residence whose assessed valuation is the  
32 average assessed valuation of property classified as class three, as  
33 prescribed by section 42-12003 for the current year in the school district.  
34 (b) An owner occupied residence whose assessed valuation is one-half  
35 of the assessed valuation of the residence in subdivision (a).  
36 (c) An owner occupied residence whose assessed valuation is twice the  
37 assessed valuation of the residence in subdivision (a).  
38 (d) A business whose assessed valuation is the average of the assessed  
39 valuation of property classified as class one, as prescribed by section  
40 42-12001, paragraphs ~~12 and~~ 13 AND 14 for the current year in the school  
41 district.  
42 B. The county school superintendent shall schedule the election on the  
43 next available general election date allowed by law.  
44 C. After a canvass of the vote and a determination by the county  
45 school superintendent that a majority of the voters approves the

1 establishment of a new unified school district, the county school  
2 superintendent shall notify the state board of education that the school  
3 district is established and that the new unified school district will become  
4 operational at the beginning of the next school year. The county school  
5 superintendent shall appoint the initial governing board of the new unified  
6 school district.

7 D. If the newly established unified school district is not able to  
8 provide a complete academic program to the students within the school  
9 district, the newly established unified school district may transport the  
10 students to an adjacent school district pursuant to section 15-824.

11 E. On a canvass of the vote and a determination by the county school  
12 superintendent that a majority of the voters approves joining an existing  
13 adjacent school district, the county school superintendent shall notify the  
14 existing school district of the following:

15 1. That the boundaries of the school district shall be revised to  
16 include the property identified in the boundaries established by the county  
17 school superintendent.

18 2. That the school district shall provide the same educational  
19 services that are currently provided to students who reside in current  
20 boundaries of the school district to all students within the revised  
21 boundaries at the beginning of the next school year.

22 F. A school district that is formed pursuant to this section is not  
23 eligible for the small school adjustment prescribed in section 15-949, the  
24 small school district weight prescribed in section 15-943 or the small  
25 isolated school district weight prescribed in section 15-943.

26 Sec. 2. Section 15-448, Arizona Revised Statutes, is amended to read:  
27 15-448. Formation of unified school district; board membership;  
28 budget

29 A. One or more common school districts and a high school district with  
30 coterminous or overlapping boundaries may establish a unified school district  
31 pursuant to this section. Unification of a common school district and a high  
32 school district is not authorized by this section if any of the high school  
33 facilities owned by the new unified school district would not be located  
34 within its boundaries.

35 B. Formation of a unified school district shall be by resolutions  
36 approved by the governing boards of the unifying school districts and  
37 certification of approval by such governing boards to the county school  
38 superintendent of the county or counties in which such individual school  
39 districts are located. A common school district and high school district  
40 that unify pursuant to this section shall not exclude from the same  
41 unification a common school district that has overlapping boundaries with the  
42 high school district and that wishes to unify. The formation of a unified  
43 school district shall become effective on July 1 of the next fiscal year  
44 following the certification of the county school superintendent. An election  
45 shall not be required to form a unified school district pursuant to this

1 section. At least ninety days before the governing boards vote on the  
2 resolutions prescribed in this subsection, the governing boards shall mail a  
3 pamphlet to each household with one or more qualified electors that shall  
4 list the full cash value, the assessed valuation and the estimated amount of  
5 the primary property taxes and the estimated amount of the secondary property  
6 taxes under the proposed unification for each of the following:

7 1. An owner occupied residence whose assessed valuation is the average  
8 assessed valuation of property classified as class three, as prescribed by  
9 section 42-12003 for the current year in the school district.

10 2. An owner occupied residence whose assessed valuation is one-half of  
11 the assessed valuation of the residence in paragraph 1 of this subsection.

12 3. An owner occupied residence whose assessed valuation is twice the  
13 assessed valuation of the residence in paragraph 1 of this subsection.

14 4. A business whose assessed valuation is the average of the assessed  
15 valuation of property classified as class one, as prescribed by section  
16 42-12001, paragraphs ~~12 and~~ 13 AND 14 for the current year in the school  
17 district.

18 C. The boundaries of the unified school district shall be the  
19 boundaries of the former common school district or districts that unify. The  
20 boundaries of the common school district or districts that are not unifying  
21 remain unchanged. The county school superintendent, immediately upon receipt  
22 of the approved resolutions prescribed by subsection B of this section, shall  
23 file with the board of supervisors, the county assessor and the  
24 superintendent of public instruction a transcript of the boundaries of the  
25 unified school district. The boundaries shown in the transcript shall become  
26 the legal boundaries of the school districts on July 1 of the next fiscal  
27 year.

28 D. On formation of the unified school district, the governing board  
29 consists of the members of the former school district governing boards and  
30 the members shall hold office until January 1 following the first general  
31 election after formation of the district.

32 E. Beginning on January 1 following the first general election after  
33 formation of the unified school district, the governing board shall have five  
34 members. At the first general election after the formation of the district,  
35 members shall be elected in the following manner:

36 1. The three candidates receiving the highest, the second highest and  
37 the third highest number of votes shall be elected to four year terms.

38 2. The two candidates receiving the fourth and fifth highest number of  
39 votes shall be elected to two year terms. Thereafter all offices shall have  
40 four year terms.

41 F. The new unified school district may appoint a resident of the  
42 remaining common school district to serve as a nonvoting member of the  
43 governing board to represent the interests of the high school pupils who  
44 reside in the remaining common school district and who attend school in the  
45 unified school district.

1 G. For the first year of operation, the unified school district  
2 governing board shall prepare a consolidated budget based on the student  
3 counts from the school districts comprising the unified school district,  
4 except that for purposes of determining budget amounts and equalization  
5 assistance, the student count for the former high school district shall not  
6 include the prior year average daily membership attributable to high school  
7 pupils from a common school district that was part of the former high school  
8 district but is not part of the unified school district. The unified school  
9 district shall charge the remaining common school district tuition for these  
10 pupils as provided in subsection J of this section and shall not include such  
11 pupils for the purpose of making any adjustment for rapid decline in student  
12 count pursuant to section 15-942. The unified school district may budget for  
13 unification assistance pursuant to section 15-912.01.

14 H. The governing board of the unified school district shall prepare  
15 policies, curricula and budgets for the district. These policies shall  
16 require that:

17 1. The base compensation of each certificated teacher for the first  
18 year of operation of the new unified school district shall not be lower than  
19 the certificated teacher's base compensation for the prior year in the  
20 previously existing school districts.

21 2. The certificated teacher's years of employment in the previously  
22 existing school districts shall be included in determining the teacher's  
23 certificated years of employment in the new unified school district.

24 I. Upon formation of a unified school district any existing override  
25 authorization of the former high school district and the former common school  
26 district or districts shall continue until expiration based on the revenue  
27 control limit of the school district or districts that had override  
28 authorization prior to unification. The unified school district may request  
29 new override authorization for the budget year as provided in section 15-481  
30 based on the combined revenue control limit of the new district after  
31 unification. If the unified school district's request for override  
32 authorization is approved, it will replace any existing override for the  
33 budget year.

34 J. The unified school district shall admit high school pupils who  
35 reside in a common school district that was located within the boundaries of  
36 the former high school district. Tuition shall be paid to the unified school  
37 district by the common school district in which such pupils reside. Such  
38 tuition amount shall be calculated in accordance with section 15-824, subject  
39 to the following modifications:

40 1. If the former high school district had outstanding bonded  
41 indebtedness at the time of unification, the combined tuition for the group  
42 of high school pupils who reside in each common school district shall include  
43 a debt service amount for the former high school district's outstanding  
44 bonded indebtedness that is determined as follows:

1 (a) Divide the total secondary assessed valuation of the common school  
2 district in which the group of pupils reside by the total secondary assessed  
3 valuation of the former high school district. For the purposes of this  
4 subdivision, "secondary assessed valuation" means secondary assessed  
5 valuation for the tax year prior to the year when the unification occurs and  
6 includes the values used to determine voluntary contributions collected  
7 pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article 8.

8 (b) Multiply the quotient obtained in subdivision (a) by the unified  
9 school district's annual debt service expenditure.

10 2. The debt service portion of such tuition payments calculated  
11 pursuant to paragraph 1 of this subsection shall be used exclusively for debt  
12 service of the outstanding bonded indebtedness of the former high school  
13 district. When such indebtedness is fully extinguished, the debt service  
14 portion of a pupil's tuition shall be determined in accordance with paragraph  
15 3 of this subsection.

16 3. If the former high school district had no outstanding bonded  
17 indebtedness at the time of unification, the tuition calculation shall  
18 include the actual school district expenditures for the portion of any debt  
19 service of the unified school district that pertains to any construction or  
20 renovation of high school facilities divided by the school district's student  
21 count for the high school portion of the school district.

22 4. The unified school district shall not include in the tuition  
23 calculation any debt service that pertains to any construction or renovation  
24 of school facilities for preschool through grade eight.

25 5. Notwithstanding section 15-951, subsection H, the revenue control  
26 limit of the common school district shall include the full amount of the debt  
27 service portion of the tuition calculated pursuant to this subsection.

28 K. All assets and liabilities of the unifying school districts shall  
29 be transferred and assumed by the new unified school district. Any existing  
30 bonded indebtedness of a common school district or a high school district  
31 unifying pursuant to this section shall be assumed by the new unified school  
32 district and shall be regarded as an indebtedness of the new unified school  
33 district for the purpose of determining the debt incurring authority of the  
34 district. Taxes for the payment of such bonded indebtedness shall be levied  
35 on all taxable property in the new unified school district, but nothing in  
36 this subsection shall be construed to relieve from liability to taxation for  
37 the payment of all taxable property of the former high school district if  
38 necessary to prevent a default in the payment of any bonded indebtedness of  
39 the former high school district. The residents of a common school district  
40 that does not unify shall not vote in bond or override elections of the  
41 unified school district and shall not be assessed taxes as a result of a bond  
42 or override election of the unified school district.

43 L. If the remaining common school district had authorization for an  
44 override as provided in section 15-481 or 15-482, the override authorization

1 continues for the remaining common school district or districts in the same  
2 manner as before the formation of the unified school district.

3 M. The bonding authorization and bonding limitations continue for the  
4 remaining common school district or districts in the same manner as before  
5 the formation of the unified school district.

6 N. Nothing in this section shall be construed to relieve a school  
7 district formed pursuant to section 15-457 or 15-458 of its liability for any  
8 outstanding bonded indebtedness.

9 O. For school districts that become unified after July 1, 2004 and  
10 where all of the common schools were eligible for the small school district  
11 weight pursuant to section 15-943, paragraph 1, subdivision (a) when  
12 computing their base support level and base revenue control limit before  
13 unification, the unified school district may continue to use the small school  
14 district weight as follows:

15 1. Annually determine the common school student count and the weighted  
16 student count pursuant to section 15-943, paragraph 1, subdivision (a) for  
17 each common school district before unification.

18 2. Calculate the sum of the common school districts' student counts  
19 and weighted student counts determined in paragraph 1 of this subsection.

20 3. Divide the sum of the weighted student counts by the sum of the  
21 student counts determined in paragraph 2 of this subsection.

22 4. The amount determined in paragraph 3 of this subsection shall be  
23 the weight for the common schools in the unified school district.

24 P. A unified school district may calculate its revenue control limit  
25 and district support level by using subsection O of this section as follows:

26 1. Determine the number of individual school districts that existed  
27 before unification into a single school district.

28 2. Multiply the amount determined in paragraph 1 of this subsection by  
29 six hundred.

30 3. Multiply the amount determined in paragraph 2 of this subsection by  
31 0.80.

32 4. If the amount determined in paragraph 3 of this subsection exceeds  
33 the student count of the unified school district, the unified school district  
34 is eligible to use subsection O of this section.

35 Q. Subsections O and P of this section shall remain in effect until  
36 the aggregate student count of the common school districts before unification  
37 exceeds the aggregate number of students of the common school districts  
38 before unification authorized to utilize section 15-943, paragraph 1,  
39 subdivision (a).

40 Sec. 3. Section 15-459, Arizona Revised Statutes, is amended to read:

41 15-459. Consolidation of districts; petition; election; notice;  
42 report; ballots; canvass of votes; governing board

43 A. On the request of the governing boards of two or more school  
44 districts in the same county or in adjacent counties or on receipt of  
45 petitions bearing the signatures of ten per cent or more of the number of

1 qualified electors who voted in whichever of the last two general elections  
2 resulted in the higher number of ballots cast and who reside in each of two  
3 or more school districts in the same county or in adjacent counties to  
4 consolidate the school districts or parts of the districts, the county school  
5 superintendent of each of the counties affected, within ten days, shall call  
6 an election to determine the question on consolidation.

7 B. Consolidations allowed pursuant to subsection A of this section  
8 include:

9 1. To change the boundaries of a school district to include any part  
10 of an adjacent school district.

11 2. If all the common school districts within the boundaries of an  
12 existing union high school district desire to consolidate into one common  
13 school district.

14 3. If two or more adjacent school districts of like character, either  
15 common, high or unified school districts, desire to consolidate into one  
16 common, high or unified school district.

17 4. If a common school district that is not a part of a union high  
18 school district desires to consolidate with an adjacent unified school  
19 district.

20 5. If two or more common school districts desire to consolidate into  
21 one school district and unify the consolidated district with a union high  
22 school district to form one unified school district.

23 C. Notice of the election to determine consolidation of school  
24 districts shall be posted in not less than three public places in each of the  
25 school districts proposed to be consolidated at least twenty-five days before  
26 the election.

27 D. The county school superintendent shall prepare and the governing  
28 board shall distribute a report on the proposed boundary changes in a manner  
29 similar to that prescribed in section 15-481, subsection B. The report shall  
30 contain the following information:

31 1. The date of the election.

32 2. The polling places and times they are open.

33 3. The full cash value, the assessed valuation and the estimated  
34 amount of the primary property taxes and the estimated amount of the  
35 secondary property taxes under the proposed boundary changes for each of the  
36 following:

37 (a) An owner occupied residence whose assessed valuation is the  
38 average assessed valuation of property classified as class three, as  
39 prescribed by section 42-12003 for the current year in the school district.

40 (b) An owner occupied residence whose assessed valuation is one-half  
41 of the assessed valuation of the residence in subdivision (a) of this  
42 paragraph.

43 (c) An owner occupied residence whose assessed valuation is twice the  
44 assessed valuation of the residence in subdivision (a) of this paragraph.

1 (d) A business whose assessed valuation is the average of the assessed  
2 valuation of property classified as class one, as prescribed by section  
3 42-12001, paragraphs ~~12 and~~ 13 AND 14 for the current year in the school  
4 district.

5 4. A consolidation plan to include:

6 (a) The proposed boundary changes.

7 (b) The impact of the proposed boundary changes, including where  
8 pupils will attend school, changes in pupil transportation services, changes  
9 in availability of special education services, changes in pupil-teacher ratio  
10 and operational costs.

11 (c) If subsection P of this section applies to one or more of the  
12 existing school districts, a detailed description of desegregation funding  
13 and expenses for the resulting school district as set forth in subsection P  
14 of this section.

15 (d) Any other information the county school superintendent deems  
16 appropriate to include.

17 E. Ballots shall be prepared by the county school superintendent,  
18 shall be delivered to the inspector at least forty-eight hours before the  
19 opening of the polls as prescribed in section 16-509 and shall contain the  
20 information prescribed in subsection D, paragraph 3 of this section and the  
21 following statement: "Consolidation includes the assumption of liability by  
22 the resulting school district for all indebtedness of existing school  
23 districts or those parts of school districts proposed for consolidation. Do  
24 you support consolidation under the specified provisions of the consolidation  
25 plan? Yes ( ) No ( )." If the election is to simultaneously consolidate  
26 and unify two or more common school districts, the ballot shall contain: "Do  
27 you support the consolidation of the (insert names of common school  
28 districts) and the subsequent unification of the consolidated districts with  
29 the (insert name of union high school district) to form one unified school  
30 district under the consolidation and unification plan? Yes ( ) No ( )."

31 F. The county school superintendent shall hold the election during the  
32 fiscal year preceding the fiscal year consolidation is proposed to be  
33 effective on a date prescribed by section 16-204. The election shall be held  
34 in the manner and electors shall possess qualifications as prescribed for the  
35 election of governing board members. The results of the election shall be  
36 reported to the county school superintendent.

37 G. The county school superintendent and the chairman of the board of  
38 supervisors, on the seventh day after the election, shall canvass the  
39 vote. If a majority of the votes cast in each district favors consolidation,  
40 the districts are consolidated and become one district from and after June 30  
41 next following the election. If parts of two or more school districts are  
42 proposed to be consolidated, a majority of the voters in the part of a school  
43 district or districts not affected by the proposed consolidation and a  
44 majority of the voters in the part of the school district or districts  
45 proposed for consolidation must approve the consolidation.

1           H. If a school district provides only financing for pupils who are  
2 instructed by another school district in the same county or in an adjacent  
3 county, the school district or any part of the school district may be  
4 consolidated with the school district providing the instructional program as  
5 follows:

6           1. The governing board of the financing school district approves the  
7 consolidation or ten per cent of the qualified electors residing in the  
8 school district, or that part of the school district proposed for  
9 consolidation, petitions the county school superintendent to call an election  
10 to approve the proposed consolidation.

11           2. The governing board of the school district providing instruction  
12 approves the consolidation.

13           3. At an election called by the county school superintendent of each  
14 of the counties affected, a majority of the persons voting in the school  
15 district, or that part of the school district providing financing, approves  
16 the proposed consolidation and a majority of the persons voting in the  
17 district providing instruction approves the proposed consolidation.

18           I. Elections held as provided in subsection H of this section shall be  
19 conducted in the same manner as elections prescribed in subsections C through  
20 G of this section and shall be held concurrently as prescribed in section  
21 15-458.

22           J. If the consolidated district includes territory located in two or  
23 more counties, the county of jurisdiction is the county in which the largest  
24 number of qualified electors of the consolidated school district resides,  
25 except that if all of the existing school buildings are in one county, that  
26 county is the county of jurisdiction. The county school superintendent of  
27 the jurisdictional county shall perform all duties for and with respect to  
28 the consolidated school district as required to be performed by county school  
29 superintendents. The board of supervisors of the jurisdictional county shall  
30 perform all duties for and with respect to the consolidated school district  
31 as required to be performed by boards of supervisors, except that school  
32 district taxes to be levied on property in the portion of the consolidated  
33 school district lying in another county shall be levied by the board of  
34 supervisors of the other county or counties and on receipt shall be  
35 transferred to the county of jurisdiction. All school buildings located  
36 within the consolidated school district, together with all equipment and  
37 furnishings, become the property of the consolidated school district. Any  
38 assumed indebtedness is an indebtedness of the consolidated school district  
39 for the purpose of determining the debt incurring authority of the  
40 consolidated school district.

41           K. Sections 15-457, 15-975 and 15-997 apply to school districts which  
42 are consolidated as provided in subsection H of this section.

43           L. Consolidation pursuant to this section is not allowed if the  
44 resulting school district would have a student count for the current year of

1 more than ten per cent of the total student count of all school districts in  
2 this state.

3 M. The governing board shall prepare policies, curricula and budgets  
4 for the new school district. These policies shall require that:

5 1. The base salary and benefits of each employee for the first year of  
6 operation of the new school district shall not be lower than the employee's  
7 base salary and benefits for the prior year in the previously existing school  
8 district.

9 2. The employee's years of employment in the previously existing  
10 school district shall be included in determining the employee's years of  
11 employment in the new school district. An employee who was entitled to  
12 continuing employment contract status in the previously existing school  
13 district is entitled to continuing employment contract status in the new  
14 school district.

15 3. Notwithstanding paragraphs 1 and 2 of this subsection and pursuant  
16 to section 15-544, nothing in this section shall be construed to restrict the  
17 ability of the governing board to implement a reduction in force or to scale  
18 back salaries of certified teachers, administrators or noncertificated  
19 employees for reasons of economy or to improve the efficient conduct of  
20 schools within the district following a school district consolidation.

21 N. If all of the districts to be consolidated have authorization for  
22 an override as provided in section 15-481 that would have continued after the  
23 consolidation, the override authorization continues for the new district and  
24 expires at the time that the earliest override would have expired.

25 O. If one or more, but not all, of the districts to be consolidated  
26 have authorization for an override as provided in section 15-481 that would  
27 have continued after the consolidation, the override authorization shall only  
28 apply to the schools included under the terms of the prior override  
29 authorization. Consolidation of school districts does not consolidate or  
30 pool the liability to be taxed for the override, and only property that was  
31 located within the boundaries of the district that approved the override  
32 prior to consolidation is to pay taxes to support the override. This  
33 subsection also applies if all of the districts to be consolidated have  
34 authorization for overrides, but the authorizations are pursuant to different  
35 subsections of section 15-481 or the override amounts are not the same  
36 percentage of the revenue control limit.

37 P. Notwithstanding section 15-457, consolidation of school districts  
38 does not consolidate or pool the liability of the former school districts  
39 into the resulting school district. Outstanding indebtedness incurred by a  
40 school district before consolidation shall be repaid without interruption  
41 according to existing debt schedules as determined by the county board of  
42 supervisors. If a school district consolidates after July 1, 2004, the new  
43 school district may pay tuition to the district of attendance when a pupil is  
44 precluded by distance or lack of transportation from attending school in the  
45 district of a pupil's residence.

1 Q. If one or more of the previously existing school districts was  
2 authorized to budget for expenses of complying with or continuing to  
3 implement activities that were required or permitted by court order of  
4 desegregation or administrative agreement with the United States department  
5 of education office for civil rights directed toward remediating alleged or  
6 proven racial discrimination pursuant to section 15-910, this authorization  
7 does not expire on the effective date of consolidation but only applies to  
8 schools included in the court order or administrative agreement.

9 R. If one or more of the previously existing school districts was  
10 participating in a career ladder program pursuant to chapter 9, article 1.1  
11 of this title before consolidation, notwithstanding any other law the state  
12 board shall expedite the processing of and may approve an updated application  
13 for program reapproval that incorporates the geographic boundaries of the  
14 resulting school district and the inclusion of the additional staff in the  
15 career ladder program.

16 S. If the formation of a new consolidated and unified school district  
17 is authorized, the terms of the governing board members of the common and  
18 union high school districts do not expire on the effective date of the  
19 unification. The governing board members of the previously existing school  
20 districts shall serve as provided in section 15-430, except that the power of  
21 the governing board members of the previously existing school districts  
22 acting as the governing board of the unified school district is limited to  
23 the maintenance and operation of the previously existing school districts and  
24 compliance with the consolidation and unification plan.

25 Sec. 4. Section 15-481, Arizona Revised Statutes, as amended by Laws  
26 2006, chapter 44, section 2 and chapter 217, section 4, is amended to read:  
27 15-481. Override election; budget increases; notice; ballot;  
28 effect

29 A. If ~~the~~ A proposed budget of a school district exceeds the aggregate  
30 budget limit for the budget year, **AT LEAST NINETY DAYS BEFORE THE PROPOSED**  
31 **ELECTION** the governing board shall order an override election to be held ~~not~~  
32 ~~less than ninety days from the date of the order~~ **ON THE FIRST TUESDAY**  
33 **FOLLOWING THE FIRST MONDAY IN NOVEMBER AS PRESCRIBED BY SECTION 16-204,**  
34 **SUBSECTION B, PARAGRAPH 1, SUBDIVISION (d)** for the purpose of presenting the  
35 proposed budget to the qualified electors of the school district who shall by  
36 a majority of those voting either affirm or reject the budget. In addition,  
37 the governing board shall prepare an alternate budget which does not include  
38 an increase in the budget of more than the amount permitted as provided in  
39 section 15-905. If the qualified electors approve the proposed budget, the  
40 governing board of the school district shall follow the procedures prescribed  
41 in section 15-905 for adopting a budget that includes the authorized  
42 increase. If the qualified electors disapprove the proposed budget, the  
43 governing board shall follow the procedures prescribed in section 15-905 for  
44 adopting a budget that does not include the proposed increase or the portion

1 of the proposed increase that exceeds the amount authorized by a previously  
2 approved budget increase as prescribed in subsection P of this section.

3 B. The county school superintendent shall prepare an informational  
4 report on the proposed increase in the budget and a sample ballot and, at  
5 least forty days prior to the election, shall transmit the report and the  
6 sample ballot to the governing board of the school district. The governing  
7 board, upon receipt of the report and the ballot, shall mail or distribute  
8 the report and the ballot to the households in which qualified electors  
9 reside within the school district at least thirty-five days prior to the  
10 election. Any distribution of material concerning the proposed increase in  
11 the budget shall not be conducted by children enrolled in the school  
12 district. The report shall contain the following information:

13 1. The date of the election.

14 2. The voter's polling place and the times it is open.

15 3. The proposed total increase in the budget which exceeds the amount  
16 permitted pursuant to section 15-905.

17 4. The total amount of the current year's budget, the total amount of  
18 the proposed budget and the total amount of the alternate budget.

19 5. If the override is for a period of more than one year, a statement  
20 indicating the number of years the proposed increase in the budget would be  
21 in effect and the percentage of the school district's revenue control limit  
22 that the district is requesting for the future years.

23 6. The proposed total amount of revenues which will fund the increase  
24 in the budget and the amount which will be obtained from a levy of taxes upon  
25 the taxable property within the school district for the first year for which  
26 the budget increase was adopted.

27 7. The proposed amount of revenues which will fund the increase in the  
28 budget and which will be obtained from other than a levy of taxes upon the  
29 taxable property within the school district for the first year for which the  
30 budget increase was adopted.

31 8. The dollar amount and the purpose for which the proposed increase  
32 in the budget is to be expended for the first year for which the budget  
33 increase was adopted.

34 9. At least two arguments, if submitted, but no more than ten  
35 arguments for and two arguments, if submitted, but no more than ten arguments  
36 against the proposed increase in the budget. The arguments shall be in a  
37 form prescribed by the county school superintendent and each argument shall  
38 not exceed two hundred words. Arguments for the proposed increase in the  
39 budget shall be provided in writing and signed by the governing board. If  
40 submitted, additional arguments in favor of the proposed increase in the  
41 budget shall be provided in writing and signed by those in favor. Arguments  
42 against the proposed increase in the budget shall be provided in writing and  
43 signed by those in opposition. The names of those persons other than the  
44 governing board or superintendent submitting written arguments shall not be  
45 included in the report without their specific permission, but shall be made

1 available only upon request to the county school superintendent. The county  
2 school superintendent shall review all factual statements contained in the  
3 written arguments and correct any inaccurate statements of fact. The  
4 superintendent shall not review and correct any portion of the written  
5 arguments which are identified as statements of the author's opinion. The  
6 county school superintendent shall make the written arguments available to  
7 the public as provided in title 39, chapter 1, article 2. A deadline for  
8 submitting arguments to be included in the informational report shall be set  
9 by the county school superintendent.

10 10. A statement that the alternate budget shall be adopted by the  
11 governing board if the proposed budget is not adopted by the qualified  
12 electors of the school district.

13 11. The full cash value, the assessed valuation, **THE FIRST YEAR TAX**  
14 **RATE FOR THE PROPOSED OVERRIDE** and the estimated amount of the secondary  
15 property taxes if the proposed budget is adopted for each of the following:

16 (a) An owner-occupied residence whose assessed valuation is the  
17 average assessed valuation of property classified as class three, as  
18 prescribed by section 42-12003 for the current year in the school district.

19 (b) An owner-occupied residence whose assessed valuation is one-half  
20 of the assessed valuation of the residence in subdivision (a) of this  
21 paragraph.

22 (c) An owner-occupied residence whose assessed valuation is twice the  
23 assessed valuation of the residence in subdivision (a) of this paragraph.

24 (d) A business whose assessed valuation is the average of the assessed  
25 valuation of property classified as class one, as prescribed by section  
26 42-12001, paragraphs ~~12 and~~ 13 **AND 14** for the current year in the school  
27 district.

28 12. If the election is conducted pursuant to subsection L or M of this  
29 section, the following information:

30 (a) An executive summary of the school district's most recent capital  
31 improvement plan submitted to the school facilities board.

32 (b) A complete list of each proposed capital improvement that will be  
33 funded with the budget increase and a description of the proposed cost of  
34 each improvement, including a separate aggregation of capital improvements  
35 for administrative purposes as defined by the school facilities board.

36 (c) The tax rate associated with each of the proposed capital  
37 improvements and the estimated cost of each capital improvement for the owner  
38 of a single family home that is valued at eighty thousand dollars.

39 C. For the purpose of this section, the school district may use its  
40 staff, equipment, materials, buildings or other resources only to distribute  
41 the informational report at the school district office or at public hearings  
42 and to produce such information as required in subsection B of this section,  
43 provided that nothing in this subsection shall preclude school districts from  
44 holding or participating in any public hearings at which testimony is given  
45 by at least one person for the proposed increase and one person against the

1 proposed increase. ANY WRITTEN INFORMATION PROVIDED BY THE DISTRICT  
2 PERTAINING TO THE OVERRIDE ELECTION SHALL INCLUDE FINANCIAL INFORMATION  
3 SHOWING THE ESTIMATED FIRST YEAR TAX RATE FOR THE PROPOSED BUDGET OVERRIDE  
4 AMOUNT.

5 D. IF ANY AMOUNT OF THE PROPOSED INCREASE WILL BE FUNDED BY A LEVY OF  
6 TAXES IN THE DISTRICT, THE ELECTION PRESCRIBED IN SUBSECTION A OF THIS  
7 SECTION SHALL BE HELD ON THE FIRST TUESDAY FOLLOWING THE FIRST MONDAY IN  
8 NOVEMBER AS PRESCRIBED BY SECTION 16-204, SUBSECTION B, PARAGRAPH 1,  
9 SUBDIVISION (d). IF THE PROPOSED INCREASE WILL BE FULLY FUNDED BY REVENUES  
10 FROM OTHER THAN A LEVY OF TAXES the elections prescribed in subsection A of  
11 this section shall be held on ~~a~~ ANY date prescribed by section 16-204. ~~and~~  
12 THE ELECTIONS shall be conducted as nearly as practicable in the manner  
13 prescribed in article 1 of this chapter, sections 15-422 through 15-424 and  
14 section 15-426, relating to special elections, except that:

15 1. The notices required pursuant to section 15-403 shall be posted not  
16 less than twenty-five days before the election.

17 2. Ballots shall be counted pursuant to title 16, chapter 4,  
18 article 10.

19 E. If the election is to exceed the revenue control limit and if the  
20 proposed increase will be fully funded by a levy of taxes upon the taxable  
21 property within the school district, the ballot shall contain the words  
22 "budget increase, yes" and "budget increase, no", and the voter shall signify  
23 his desired choice. The ballot shall also contain the amount of the proposed  
24 increase of the proposed budget over the alternate budget, a statement that  
25 the amount of the proposed increase will be based on a percentage of the  
26 school district's revenue control limit in future years, if applicable, as  
27 provided in subsection P of this section and the following statement:

28 Any budget increase authorized by this election shall be  
29 entirely funded by a levy of taxes upon the taxable property  
30 within this school district for the year for which adopted and  
31 for \_\_\_ subsequent years, shall not be realized from monies  
32 furnished by the state and shall not be subject to the  
33 limitation on taxes specified in article IX, section 18,  
34 Constitution of Arizona. Based on an estimate of assessed  
35 valuation used for secondary property tax purposes, TO FUND the  
36 proposed increase in the school district's budget ~~over that~~  
37 ~~allowed by law~~ would ~~result in~~ REQUIRE an estimated ~~increase in~~  
38 ~~the school district's~~ tax rate of \_\_\_\_\_ dollar per one  
39 hundred dollars of assessed valuation used for secondary  
40 property tax purposes and is in addition to the school  
41 district's tax rate which will be levied to fund the school  
42 district's revenue control limit allowed by law.

43 F. If the election is to exceed the revenue control limit and if the  
44 proposed increase will be fully funded by revenues from other than a levy of  
45 taxes upon the taxable property within the school district, the ballot shall

1 contain the words "budget increase, yes" and "budget increase, no", and the  
 2 voter shall signify the voter's desired choice. The ballot shall also  
 3 contain:

4 1. The amount of the proposed increase of the proposed budget over the  
 5 alternate budget.

6 2. A statement that the amount of the proposed increase will be based  
 7 on a percentage of the school district's revenue control limit in future  
 8 years, if applicable, as provided in subsection P of this section.

9 3. The following statement:  
 10 Any budget increase authorized by this election shall be  
 11 entirely funded by this school district with revenues from other  
 12 than a levy of taxes on the taxable property within the school  
 13 district for the year for which adopted and for \_\_\_\_\_  
 14 subsequent years and shall not be realized from monies furnished  
 15 by the state.

16 G. Except as provided in subsection H of this section, the maximum  
 17 budget increase which may be requested and authorized as provided in  
 18 subsection E or F of this section or the combination of subsections E and F  
 19 of this section is ten per cent of the revenue control limit as provided in  
 20 section 15-947, subsection A for the budget year.

21 H. Special budget override provisions for school districts with a  
 22 student count of less than one hundred fifty-four in kindergarten programs  
 23 and grades one through eight or with a student count of less than one hundred  
 24 seventy-six in grades nine through twelve are as follows:

25 1. The maximum budget increase that may be requested and authorized as  
 26 provided in subsections E and F of this section is the greater of the amount  
 27 prescribed in subsection G of this section or a limit computed as follows:

28 (a) For common or unified districts with a student count of less than  
 29 one hundred fifty-four in kindergarten programs and grades one through eight,  
 30 the limit computed as prescribed in item (i) or (ii) of this subdivision,  
 31 whichever is appropriate:

32 (i)

	Small School	Support Level Weight		Phase Down
Student	Student	for Small Isolated		Reduction
<u>Count</u>	<u>Count Limit</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
_____	- <u>125</u>	x 1.358 + (0.0005 x	x \$ _____	= \$ _____
		(500 - Student Count))		
	Phase Down	Phase Down	Small Isolated	
	<u>Base</u>	<u>Reduction Factor</u>	<u>School District</u>	
	\$150,000	- \$ _____	<u>Elementary Limit</u>	
			= \$ _____	

1 (ii)

2 Small School Support Level Weight Phase Down

3 Student Student for Small Reduction

4 Count Count Limit School Districts Base Level Factor

5 \_\_\_\_\_ - 125 x 1.278 + (0.0003 x x \$ \_\_\_\_\_ = \$ \_\_\_\_\_

6 (500 - Student Count))

7 Small

8 Phase Down Phase Down School District

9 Base Reduction Factor Elementary Limit

10 \$150,000 - \$ \_\_\_\_\_ = \$ \_\_\_\_\_

11 (b) For unified or union high school districts with a student count of

12 less than one hundred seventy-six in grades nine through twelve, the limit

13 computed as prescribed in item (i) or (ii) of this subdivision, whichever is

14 appropriate:

15 (i)

16 Small School Support Level Weight Phase Down

17 Student Student for Small Isolated Reduction

18 Count Count Limit School Districts Base Level Factor

19 \_\_\_\_\_ - 100 x 1.468 + (0.0005 x x \$ \_\_\_\_\_ = \$ \_\_\_\_\_

20 (500 - Student Count))

21 Small Isolated

22 Phase Down Phase Down District

23 Base Reduction Factor Secondary Limit

24 \$350,000 - \$ \_\_\_\_\_ = \$ \_\_\_\_\_

25 (ii)

26 Small School Support Level Weight Phase Down

27 Student Student for Small Reduction

28 Count Count Limit School Districts Base Level Factor

29 \_\_\_\_\_ - 100 x 1.398 + (0.0004 x x \$ \_\_\_\_\_ = \$ \_\_\_\_\_

30 (500 - Student Count))

31 Small

32 Phase Down Phase Down School District

33 Base Reduction Factor Secondary Limit

34 \$350,000 - \$ \_\_\_\_\_ = \$ \_\_\_\_\_

35 (c) If both subdivisions (a) and (b) of this paragraph apply to a

36 unified school district, its limit for the purposes of this paragraph is the

37 combination of its elementary limit and its secondary limit.

38 (d) If only subdivision (a) or (b) of this paragraph applies to a

39 unified school district, the district's limit for the purposes of this

40 paragraph is the sum of the limit computed as provided in subdivision (a) or

41 (b) of this paragraph plus ten per cent of the revenue control limit

42 attributable to those grade levels that do not meet the eligibility

43 requirements of this subsection. If a school district budgets monies outside

44 the revenue control limit pursuant to section 15-949, subsection E, the

45 district's limit for the purposes of this paragraph is only the ten per cent

1 of the revenue control limit attributable to those grade levels that are not  
2 included under section 15-949, subsection E. For the purposes of this  
3 subdivision, the revenue control limit is separated into elementary and  
4 secondary components based on the weighted student count as provided in  
5 section 15-971, subsection B, paragraph 2, subdivision (a).

6 2. If a school district utilizes the provisions of this subsection to  
7 request an override of more than one year, the ballot shall include an  
8 estimate of the amount of the proposed increase in the future years in place  
9 of the statement that the amount of the proposed increase will be based on a  
10 percentage of the school district's revenue control limit in future years, as  
11 prescribed in subsections E and F of this section.

12 3. Notwithstanding subsection P of this section, the maximum period of  
13 an override authorized pursuant to this subsection is five years.

14 4. Subsection P, paragraphs 1 and 2 of this section do not apply to  
15 overrides authorized pursuant to this subsection.

16 I. If the election is to exceed the revenue control limit as provided  
17 in section 15-482 and if the proposed increase will be fully funded by a levy  
18 of taxes on the taxable property within the school district, the ballot shall  
19 contain the words "budget increase, yes" and "budget increase, no", and the  
20 voter shall signify the voter's desired choice. The ballot shall also  
21 contain the amount of the proposed increase of the budget over the alternate  
22 budget, a statement that the amount of the proposed increase will be based on  
23 a percentage of the school district's revenue control limit in future years,  
24 if applicable, as provided in subsection Q of this section, and the following  
25 statement:

26 Any budget increase authorized by this election shall be  
27 entirely funded by a levy of taxes on the taxable property  
28 within this school district for the year for which adopted and  
29 for \_\_\_\_\_ subsequent years, shall not be realized from monies  
30 furnished by the state and shall not be subject to the  
31 limitation on taxes specified in article IX, section 18,  
32 Constitution of Arizona. Based on an estimate of assessed  
33 valuation used for secondary property tax purposes, ~~the portion~~  
34 ~~of TO FUND~~ the proposed increase in the school district's budget  
35 ~~over that allowed by law~~ which will be funded by a levy of taxes  
36 upon the taxable property within this school district would  
37 ~~result in~~ REQUIRE an estimated ~~increase in the school district's~~  
38 tax rate of \_\_\_\_\_ dollar per one hundred dollars of  
39 assessed valuation used for secondary property tax purposes and  
40 is in addition to the school district's tax rate that will be  
41 levied to fund the school district's revenue control limit  
42 allowed by law.

43 J. If the election is to exceed the revenue control limit as provided  
44 in section 15-482 and if the proposed increase will be fully funded by  
45 revenues other than a levy of taxes on the taxable property within the school

1 district, the ballot shall contain the words "budget increase, yes" and  
2 "budget increase, no", and the voter shall signify the voter's desired  
3 choice. The ballot shall also contain the amount of the proposed increase of  
4 the proposed budget over the alternate budget, a statement that the amount of  
5 the proposed increase will be based on a percentage of the school district's  
6 revenue control limit in future years, if applicable, as provided in  
7 subsection Q of this section and the following statement:

8 Any budget increase authorized by this election shall be  
9 entirely funded by this school district with revenues from other  
10 than a levy of taxes on the taxable property within the school  
11 district for the year for which adopted and for \_\_\_\_\_ subsequent  
12 years and shall not be realized from monies furnished by the  
13 state.

14 K. The maximum budget increase that may be requested and authorized as  
15 provided in subsection I or J of this section, or a combination of both of  
16 these subsections, is five per cent of the revenue control limit as provided  
17 in section 15-947, subsection A for the budget year. For a unified school  
18 district, a common school district not within a high school district or a  
19 common school district within a high school district that offers instruction  
20 in high school subjects as provided in section 15-447, five per cent of the  
21 revenue control limit means five per cent of the revenue control limit  
22 attributable to the weighted student count in preschool programs for children  
23 with disabilities, kindergarten programs and grades one through eight as  
24 provided in section 15-971, subsection B.

25 L. If the election is to exceed the capital outlay revenue limit and  
26 if the proposed increase will be fully funded by a levy of taxes upon the  
27 taxable property within the school district, the ballot shall contain the  
28 words "budget increase, yes" and "budget increase, no", and the voter shall  
29 signify the voter's desired choice. An election held pursuant to this  
30 subsection shall be held on the first Tuesday after the first Monday of  
31 November. The ballot shall also contain the amount of the proposed increase  
32 of the proposed budget over the alternate budget and the following statement:

33 Any budget increase authorized by this election shall be  
34 entirely funded by a levy of taxes upon the taxable property  
35 within this school district for the year in which adopted and  
36 for \_\_\_\_\_ subsequent years, shall not be realized from monies  
37 furnished by the state and shall not be subject to the  
38 limitation on taxes specified in article IX, section 18,  
39 Constitution of Arizona. Based on an estimate of assessed  
40 valuation used for secondary property tax purposes, **TO FUND** the  
41 proposed increase in the school district's budget ~~over that~~  
42 ~~allowed by law~~ would ~~result in~~ **REQUIRE** an estimated ~~increase in~~  
43 ~~the school district's~~ tax rate of \_\_\_\_\_ dollar per one  
44 hundred dollars of assessed valuation used for secondary  
45 property tax purposes and is in addition to the school

1 district's tax rate which will be levied to fund the school  
2 district's capital outlay revenue limit allowed by law.

3 M. If the election is to exceed the capital outlay revenue limit and  
4 if the proposed increase will be fully funded by revenues from other than a  
5 levy of taxes upon the taxable property within the school district, the  
6 ballot shall contain the words "budget increase, yes" and "budget increase,  
7 no", and the voter shall signify the voter's desired choice. An election  
8 held pursuant to this subsection shall be held on the first Tuesday after the  
9 first Monday of November. The ballot shall also contain the amount of the  
10 proposed increase of the proposed budget over the alternate budget and the  
11 following statement:

12 Any budget increase authorized by this election shall be  
13 entirely funded by this school district with revenues from other  
14 than a levy of taxes on the taxable property within the school  
15 district for the year in which adopted and for \_\_\_\_\_ subsequent  
16 years and shall not be realized from monies furnished by the  
17 state.

18 N. If the election is to exceed a combination of the revenue control  
19 limit as provided in subsection E or F of this section, the revenue control  
20 limit as provided in subsection I or J of this section or the capital outlay  
21 revenue limit as provided in subsection L or M of this section, the ballot  
22 shall be prepared so that the voters may vote on each proposed increase  
23 separately and shall contain statements required in the same manner as if  
24 each proposed increase were submitted separately.

25 O. If the election provides for a levy of taxes on the taxable  
26 property within the school district, at least thirty days prior to the  
27 election, the department of revenue shall provide the school district  
28 governing board and the county school superintendent with an estimate of the  
29 school district's assessed valuation used for secondary property tax purposes  
30 for the ensuing fiscal year. The governing board and the county school  
31 superintendent shall use this estimate to translate the amount of the  
32 proposed dollar increase in the budget of the school district over that  
33 allowed by law into a tax rate figure.

34 P. If the voters in a school district vote to adopt a budget in excess  
35 of the revenue control limit as provided in subsection E or F of this  
36 section, any additional increase shall be included in the aggregate budget  
37 limit for each of the years authorized. Any additional increase shall be  
38 excluded from the determination of equalization assistance. The school  
39 district governing board may, however, levy on the assessed valuation used  
40 for secondary property tax purposes of the property in the school district  
41 the additional increase if adopted under subsection E of this section for the  
42 period of one year, two years or five through seven years as authorized. If  
43 an additional increase is approved as provided in subsection F of this  
44 section, the school district governing board may only use revenues derived  
45 from the school district's prior year's maintenance and operation fund ending

1 cash balance to fund the additional increase. If a budget increase was  
 2 previously authorized and will be in effect for the budget year or budget  
 3 year and subsequent years, as provided in subsection E or F of this section,  
 4 the governing board may request a new budget increase as provided in the same  
 5 subsection under which the prior budget increase was adopted which shall not  
 6 exceed the maximum amount permitted under subsection G of this section. If  
 7 the voters in the school district authorize the new budget increase amount,  
 8 the existing budget increase no longer is in effect. If the voters in the  
 9 school district do not authorize the budget increase amount, the existing  
 10 budget increase remains in effect for the time period for which it was  
 11 authorized. The maximum additional increase authorized as provided in  
 12 subsection E or F of this section and the additional increase which is  
 13 included in the aggregate budget limit is based on a percentage of a school  
 14 district's revenue control limit in future years, if the budget increase is  
 15 authorized for more than one year. If the additional increase:

16 1. Is for two years, the proposed increase in the second year is equal  
 17 to the initial proposed percentage increase.

18 2. Is for five years or more, the proposed increase is equal to the  
 19 initial proposed percentage increase in the following years of the proposed  
 20 increase, except that in the next to last year it is two-thirds of the  
 21 initial proposed percentage increase and it is one-third of the initial  
 22 proposed percentage increase in the last year of the proposed increase.

23 Q. If the voters in a school district vote to adopt a budget in excess  
 24 of the revenue control limit as provided in subsection I or J of this  
 25 section, any additional increase shall be included in the aggregate budget  
 26 limit for each of the years authorized. Any additional increase shall be  
 27 excluded from the determination of equalization assistance. The school  
 28 district governing board, however, may levy on the assessed valuation used  
 29 for secondary property tax purposes of the property in the school district  
 30 the additional increase if adopted under subsection I of this section for the  
 31 period of one year, two years or five through seven years as authorized. If  
 32 an additional increase is approved as provided in subsection J of this  
 33 section, the increase may only be budgeted and expended if sufficient monies  
 34 are available in the maintenance and operation fund of the school district.  
 35 If a budget increase was previously authorized and will be in effect for the  
 36 budget year or budget year and subsequent years, as provided in subsection I  
 37 or J of this section, the governing board may request a new budget increase  
 38 as provided in the same subsection under which the prior budget increase was  
 39 adopted that does not exceed the maximum amount permitted under subsection K  
 40 of this section. If the voters in the school district authorize the new  
 41 budget increase amount, the existing budget increase no longer is in  
 42 effect. If the voters in the school district do not authorize the budget  
 43 increase amount, the existing budget increase remains in effect for the time  
 44 period for which it was authorized. The maximum additional increase  
 45 authorized as provided in subsection I or J of this section and the

1 additional increase that is included in the aggregate budget limit is based  
2 on a percentage of a school district's revenue control limit in future years,  
3 if the budget increase is authorized for more than one year. If the  
4 additional increase:

5 1. Is for two years, the proposed increase in the second year is equal  
6 to the initial proposed percentage increase.

7 2. Is for five years or more, the proposed increase is equal to the  
8 initial proposed percentage increase in the following years of the proposed  
9 increase, except that in the next to last year it is two-thirds of the  
10 initial proposed percentage increase and it is one-third of the initial  
11 proposed percentage increase in the last year of the proposed increase.

12 R. If the voters in a school district vote to adopt a budget in excess  
13 of the capital outlay revenue limit as provided in subsection L of this  
14 section, any additional increase shall be included in the aggregate budget  
15 limit for each of the years authorized. The additional increase shall be  
16 excluded from the determination of equalization assistance. The school  
17 district governing board may, however, levy on the assessed valuation used  
18 for secondary property tax purposes of the property in the school district  
19 the additional increase for the period authorized but not to exceed ten  
20 years. For overrides approved by a vote of the qualified electors of the  
21 school district at an election held from and after October 31, 1998, the  
22 period of the additional increase prescribed in this subsection shall not  
23 exceed seven years for any capital override election.

24 S. If the voters in a school district vote to adopt a budget in excess  
25 of the capital outlay revenue limit as provided in subsection M of this  
26 section, any additional increase shall be included in the aggregate budget  
27 limit for each of the years authorized. The additional increase shall be  
28 excluded from the determination of equalization assistance. The school  
29 district governing board may only use revenues derived from the school  
30 district's prior year's maintenance and operation fund ending cash balance  
31 and capital outlay fund ending cash balance to fund the additional increase  
32 for the period authorized but not to exceed ten years. For overrides  
33 approved by a vote of the qualified electors of the school district at an  
34 election held from and after October 31, 1998, the period of the additional  
35 increase prescribed in this subsection shall not exceed seven years for any  
36 capital override election.

37 T. In addition to subsections P and S of this section, from the  
38 maintenance and operation fund and capital outlay fund ending cash balances,  
39 the school district governing board shall first use any available revenues to  
40 reduce its primary tax rate to zero and shall use any remaining revenues to  
41 fund the additional increase authorized as provided in subsections F and M of  
42 this section.

43 U. If the voters in a school district disapprove the proposed budget,  
44 the alternate budget which, except for any budget increase authorized by a  
45 prior election, does not include an increase in the budget in excess of the

1 amount provided in section 15-905 shall be adopted by the governing board as  
2 provided in section 15-905.

3 V. The governing board may request that any override election be  
4 cancelled if any change in chapter 9 of this title changes the amount of the  
5 aggregate budget limit as provided in section 15-905. The request to cancel  
6 the override election shall be made to the county school superintendent at  
7 least ten days prior to the date of the scheduled override election.

8 W. For any election conducted pursuant to subsection L or M of this  
9 section:

10 1. The ballot shall include the following statement in addition to any  
11 other statement required by this section:

12 The capital improvements that are proposed to be funded  
13 through this override election are to exceed the state standards  
14 and are in addition to monies provided by the state.

15 \_\_\_\_\_ school district is proposing to increase its  
16 budget by \$\_\_\_\_\_ to fund capital improvements over and  
17 above those funded by the state. Under the students first  
18 capital funding system, \_\_\_\_\_ school district is entitled to  
19 state monies for building renewal, new construction and  
20 renovation of school buildings in accordance with state law.

21 2. The ballot shall contain the words "budget increase, yes" and  
22 "budget increase, no", and the voter shall signify the voter's desired  
23 choice.

24 3. At least eighty-five days before the election, the school district  
25 shall submit proposed ballot language to the director of the Arizona  
26 legislative council. The director of the Arizona legislative council shall  
27 review the proposed ballot language to determine whether the proposed ballot  
28 language complies with this section. If the director of the Arizona  
29 legislative council determines that the proposed ballot language does not  
30 comply with this section, the director, within ten calendar days of the  
31 receipt of the proposed ballot language, shall notify the school district of  
32 the director's objections and the school district shall resubmit revised  
33 ballot language to the director for approval.

34 X. If the voters approve the budget increase pursuant to subsection L  
35 or M of this section, the school district shall not use the override proceeds  
36 for any purposes other than the proposed capital improvements listed in the  
37 publicity pamphlet, except that up to ten per cent of the override proceeds  
38 may be used for general capital expenses, including cost overruns of proposed  
39 capital improvements.

40 Y. Each school district that currently increases its budget pursuant  
41 to subsection L or M of this section is required to hold a public meeting  
42 each year between September 1 and October 31 at which an update of the  
43 progress of capital improvements financed through the override is discussed  
44 and at which the public is permitted an opportunity to comment. At a  
45 minimum, the update shall include a comparison of the current status and the

1 original projections on the construction of capital improvements, the costs  
2 of capital improvements and the costs of capital improvements in progress or  
3 completed since the prior meeting and the future capital plans of the school  
4 district. The school district shall include in the public meeting a  
5 discussion of the school district's use of state capital aid and  
6 voter-approved bonding in funding capital improvements, if any.

7 Z. If a budget in excess of the capital outlay revenue limit was  
8 previously adopted by the voters in a school district and will be in effect  
9 for the budget year or budget year and subsequent years, as provided in  
10 subsection L or M of this section, the governing board may request an  
11 additional budget in excess of the capital outlay revenue limit. If the  
12 voters in a school district authorize the additional budget in excess of the  
13 capital outlay revenue limit, the existing capital outlay revenue limit  
14 budget increase remains in effect.

15 Sec. 5. Repeal

16 Section 15-481, Arizona Revised Statutes, as amended by Laws 2006,  
17 chapter 354, section 12, is repealed.

18 Sec. 6. Section 35-454, Arizona Revised Statutes, is amended to read:

19 35-454. Informational pamphlet for election; review; election;  
20 return; canvass of vote; certificate of election

21 A. The governing body or board of the political subdivision shall:

22 1. Not less than thirty-five days before the bond election mail a copy  
23 of an informational pamphlet to every household within the political  
24 subdivision that contains a registered voter. The pamphlet shall contain  
25 information on the:

26 (a) Amount of the bond authorization.

27 (b) Maximum interest rate of the bonds.

28 (c) Estimated debt retirement schedule for the current amount of bonds  
29 outstanding, showing both principal and interest payments, the current  
30 secondary assessed valuation as reported by the department of revenue or the  
31 county assessor and the current adopted and estimated tax rates. In this  
32 paragraph, "secondary assessed valuation" may include the values used to  
33 determine voluntary contributions collected pursuant to title 9, chapter 4,  
34 article 3 and title 48, chapter 1, article 8.

35 (d) Estimated debt retirement schedule for the proposed bond  
36 authorization, showing both the estimated principal and interest payments and  
37 the estimated average annual tax rate for the proposed bond authorization. In  
38 preparing this information and the information prescribed by subdivision (c),  
39 the projected total annual increase in secondary assessed valuation for any  
40 future year shall not exceed:

41 (i) For the first five years of the estimated debt retirement  
42 schedule, the average of the annual percentage growth for the previous ten  
43 years in the secondary assessed valuation of the political subdivision.

44 (ii) For the remaining years of the estimated debt retirement  
45 schedule, twenty per cent of the average of the annual percentage growth for

1 the previous ten years in the secondary assessed valuation of the political  
2 subdivision.

3 (e) Source of repayment.

4 (f) Estimated issuance costs.

5 (g) Estimated tax impact of debt service for the bonds on an  
6 owner-occupied residence classified as class three pursuant to section  
7 42-12003 and on commercial property classified as class one pursuant to  
8 section 42-12001, paragraph ~~12~~ 13, assuming the assessed valuation of the  
9 property remains constant over the term of the bonds using the same average  
10 annual tax rate as under subdivision (d), as follows:

11 The tax impact over the term of the bonds on an  
12 owner-occupied residence valued by the county assessor at  
13 \$250,000 is estimated to be \$\_\_\_ per year for \_\_\_ years, or \$\_\_\_  
14 total cost.

15 The tax impact over the term of the bonds on commercial  
16 property valued by the county assessor at \$2,500,000 is  
17 estimated to be \$\_\_\_ per year for \_\_\_ years, or \$\_\_\_\_\_ total  
18 cost.

19 (h) In bold faced type, estimated total cost of the proposed bond  
20 authorization, including principal and interest.

21 (i) Current outstanding general obligation debt and constitutional  
22 debt limitation.

23 (j) Purpose for which the bonds are to be issued.

24 (k) Polling location for the addressee.

25 (l) Hours during the day when the polls will be open.

26 (m) Arguments for and against the authorization of one or more of the  
27 bond propositions.

28 2. Submit a copy of the informational pamphlet to the department of  
29 revenue within thirty days after the bond election. The department of  
30 revenue shall maintain copies of the pamphlets.

31 B. The failure of any one or more electors to receive the  
32 informational pamphlet shall not be grounds to invalidate the election. The  
33 election shall conform with the general election laws of the state. The  
34 return of the election held in a county shall be made to the board of  
35 supervisors and, in any other case, to the governing body or board of the  
36 municipal corporation or district within twelve days after the election.

37 C. For any proposed general obligation bond authorization where the  
38 principal and interest will be paid by a levy of property taxes, the ballot  
39 shall contain the phrase "the issuance of these bonds will result in an  
40 annual levy of property taxes sufficient to pay the debt on the bonds". Any  
41 written information provided by the political subdivision pertaining to the  
42 bond election shall include financial information showing the estimated  
43 average tax rate for the proposed bond authorization.

44 D. If the governing body intends to use revenues other than property  
45 taxes to pay the debt on proposed general obligation bonds, the ballot shall

1 contain the phrase "the issuance of these bonds will result in an annual levy  
2 of property taxes sufficient to pay the debt on the bonds, unless the  
3 governing body provides for payment from other sources".

4 E. The board of supervisors, governing body or governing board shall  
5 hold a special meeting within twenty days after the election to canvass the  
6 votes cast and certify the result. The certificate of the result shall be  
7 prima facie evidence of full performance of all conditions and requirements  
8 precedent to holding the election.

9 F. The governing board or body shall file and record in the office of  
10 the county recorder a certificate disclosing the purpose of the election, the  
11 total number of votes cast and the total number of votes for and against  
12 creating the indebtedness, and stating whether or not the indebtedness is  
13 ordered. Upon filing and recording the certificate, the governing board or  
14 body shall carry out the purpose of the election.

15 G. Variations between the estimates required by subsection A and the  
16 actual debt retirement schedules, issuance costs, annual and total costs and  
17 tax rates shall not invalidate either the election or the bonds.

18 Sec. 7. Section 42-11127, Arizona Revised Statutes, is amended to  
19 read:

20 42-11127. Exempt personal property; definition

21 A. Pursuant to article IX, section 2, subsection (6), Constitution of  
22 Arizona, personal property that is class two property pursuant to section  
23 42-12002, paragraph 2, subdivision (a) or (b) that is used for agricultural  
24 purposes or personal property that is class one property pursuant to section  
25 42-12001 that is used in a trade or business as described in section  
26 42-12001, paragraphs 8 through ~~11~~ 12 or ~~13~~ 14 is exempt from taxation up to a  
27 maximum amount of fifty thousand dollars of full cash value for each  
28 taxpayer.

29 B. On or before December 31 each year, the department shall increase  
30 the maximum amount of the exemption for the following tax year based on the  
31 average annual percentage increase, if any, in the GDP price deflator in the  
32 two most recent complete state fiscal years.

33 C. In this section, "GDP price deflator" means the average of the four  
34 implicit price deflators for the gross domestic product reported by the  
35 United States department of commerce or its successor for the four quarters  
36 of the state fiscal year.

37 Sec. 8. Section 42-12001, Arizona Revised Statutes, is amended to  
38 read:

39 42-12001. Class one property

40 For purposes of taxation, class one is established consisting of the  
41 following subclasses:

42 1. Producing mines and mining claims, personal property used on mines  
43 and mining claims, improvements to mines and mining claims and mills and  
44 smelters operated in conjunction with mines and mining claims that are valued  
45 at full cash value pursuant to section 42-14053.

- 1           2. Standing timber that is valued at full cash value.
- 2           3. Real and personal property of gas distribution companies, electric  
3 transmission companies, electric distribution companies, combination gas and  
4 electric transmission and distribution companies, companies engaged in the  
5 generation of electricity and electric cooperatives that are valued at full  
6 cash value pursuant to section 42-14151.
- 7           4. Real and personal property of airport fuel delivery companies that  
8 are valued pursuant to section 42-14503.
- 9           5. Real and personal property that is used by producing oil, gas and  
10 geothermal resource interests that are valued at full cash value pursuant to  
11 section 42-14102.
- 12          6. Real and personal property of water, sewer and wastewater utility  
13 companies that are valued at full cash value pursuant to section 42-14151.
- 14          7. Real and personal property of pipeline companies that are valued at  
15 full cash value pursuant to section 42-14201.
- 16          8. Real and personal property of shopping centers that are valued at  
17 full cash value or pursuant to chapter 13, article 5 of this title, as  
18 applicable.
- 19          9. Real and personal property of golf courses that are valued at full  
20 cash value or pursuant to chapter 13, article 4 of this title.
- 21          10. All property, both real and personal, of manufacturers, assemblers  
22 or fabricators valued under the provisions of this title.
- 23          11. **EXCEPT AS PROVIDED BY PARAGRAPH 12 OF THIS SECTION**, real and  
24 personal property that is used in communications transmission facilities and  
25 that provides public telephone or telecommunications exchange or  
26 interexchange access for compensation to effect two-way communication to,  
27 from, through or within this state.
- 28          12. **PERSONAL PROPERTY THAT IS USED BY ANY COMPANY THAT OWNS PROPERTY**  
29 **CLASSIFIED UNDER PARAGRAPH 11 OF THIS SECTION AND THAT PROVIDES LOCAL**  
30 **EXCHANGE SERVICES AND GRANTS ACCESS TO UNBUNDLED NETWORK ELEMENTS TO OTHER**  
31 **CARRIERS. FOR THE PURPOSES OF THIS PARAGRAPH, "UNBUNDLED NETWORK ELEMENTS"**  
32 **HAS THE SAME MEANING AS PRESCRIBED FOR INCUMBENT LOCAL EXCHANGE CARRIERS**  
33 **UNDER 47 UNITED STATES CODE SECTION 251(c)(3).**
- 34          ~~12-~~ 13. Real property and improvements that are devoted to any other  
35 commercial or industrial use, other than property that is specifically  
36 included in another class described in this article, and that are valued at  
37 full cash value.
- 38          ~~13-~~ 14. Personal property that is devoted to any other commercial or  
39 industrial use, other than property that is specifically included in another  
40 class described in this article, and that is valued at full cash value.
- 41          Sec. 9. Section 42-12101, Arizona Revised Statutes, is amended to  
42 read:
- 43          42-12101. Definitions
- 44          In this article, unless the context otherwise requires:
- 45          1. "Commercial historic property" means real property that:

1 (a) Meets the criteria for classification as class one, paragraph ~~12-~~  
2 13 pursuant to section 42-12001 or class four pursuant to section 42-12004.

3 (b) Is listed in the national register of historic places established  
4 and maintained under the national historic preservation act (P.L. 89-665; 80  
5 Stat. 915; 16 United States Code section 470 et seq.), as amended.

6 (c) Meets the minimum standards of maintenance established by rule by  
7 the Arizona state parks board.

8 2. "Noncommercial historic property" means real property:

9 (a) That is listed in the national register of historic places  
10 established and maintained under the national historic preservation act (P.L.  
11 89-665; 80 Stat. 915; 16 United States Code section 470 et seq.), as amended.

12 (b) That meets the minimum standards of maintenance established by  
13 rule by the Arizona state parks board.

14 (c) On which no business or enterprise is conducted with the intent of  
15 earning a profit.

16 Sec. 10. Section 42-13054, Arizona Revised Statutes, is amended to  
17 read:

18 42-13054. Taxable value of personal property; depreciated  
19 values of personal property in class one and class  
20 two (P)

21 A. The taxable value of personal property that is valued by the county  
22 assessor is the result of acquisition cost less any appropriate depreciation  
23 as prescribed by tables adopted by the department. The taxable value shall  
24 not exceed the market value.

25 B. Except as provided in subsection C of this section and  
26 notwithstanding any other statute, the assessor shall adjust the depreciation  
27 schedules prescribed by the department as follows to determine the valuation  
28 of personal property that is initially classified during or after tax year  
29 1994 as class one, paragraph 8, 9, 10 or ~~13- 14~~ pursuant to section 42-12001  
30 and personal property that is initially classified during or after tax year  
31 1995 as class two (P) pursuant to section 42-12002:

32 1. For the first tax year of assessment, the assessor shall use  
33 thirty-five per cent of the scheduled depreciated value.

34 2. For the second tax year of assessment, the assessor shall use  
35 fifty-one per cent of the scheduled depreciated value.

36 3. For the third tax year of assessment, the assessor shall use  
37 sixty-seven per cent of the scheduled depreciated value.

38 4. For the fourth tax year of assessment, the assessor shall use  
39 eighty-three per cent of the scheduled depreciated value.

40 5. For the fifth and subsequent tax years of assessment, the assessor  
41 shall use the scheduled depreciated value as prescribed in the department's  
42 guidelines.

43 C. The additional depreciation prescribed in subsection B of this  
44 section:

45 1. Does not apply to any property valued by the department.

1 2. Shall not reduce the valuation below the minimum value prescribed  
2 by the department for property in use.

3 Sec. 11. Section 42-13055, Arizona Revised Statutes, is amended to  
4 read:

5 42-13055. Reducing minimum value for property in use

6 A. Beginning in valuation year 2000 THROUGH TAX YEAR 2008, the  
7 department shall reduce the minimum value prescribed for class one,  
8 paragraphs 8, 9, 10 and 13 and class two (P) valued by the assessor by 2.5  
9 per cent good each year.

10 B. BEGINNING IN TAX YEAR 2009, THE DEPARTMENT SHALL REDUCE THE MINIMUM  
11 VALUE PRESCRIBED FOR PERSONAL PROPERTY IN CLASS ONE PARAGRAPH 12 TO TEN PER  
12 CENT GOOD. BEGINNING IN VALUATION YEAR 2009 FOR TAX YEAR 2010, THE  
13 DEPARTMENT SHALL REDUCE THE MINIMUM VALUE PRESCRIBED FOR PERSONAL PROPERTY IN  
14 CLASS ONE, PARAGRAPH 12 VALUED BY THE DEPARTMENT BY 2.5 PER CENT GOOD EACH  
15 YEAR UNTIL THE MINIMUM VALUE REACHES THE MINIMUM VALUE PRESCRIBED BY  
16 SUBSECTION C OF THIS SECTION.

17 ~~B-~~ C. This section does not require the department to reduce the  
18 minimum value for any property in use below 2.5 per cent good.

19 Sec. 12. Section 43-1078, Arizona Revised Statutes, is amended to  
20 read:

21 43-1078. Credit for property taxes paid by qualified defense  
22 contractor

23 A. A credit is allowed against the taxes imposed by this title equal  
24 to a portion of the amount paid as taxes during the taxable year by a  
25 qualified defense contractor that is certified by the department of commerce  
26 under section 41-1508, on property in this state that is classified as class  
27 one, paragraphs ~~12 and~~ 13 AND 14 pursuant to section 42-12001.

28 B. The amount of the credit is determined as follows:

29 1. Multiply the amount paid as taxes on property classified as class  
30 one, paragraphs ~~12 and~~ 13 AND 14 pursuant to section 42-12001 in this state  
31 during the taxable year by a percentage based on net new defense related  
32 employment, determined by subtracting the employment baseline determined  
33 pursuant to section 43-1077, subsection D, paragraph 1, from average annual  
34 employment as reported to the department of economic security for the taxable  
35 year, as follows:

<u>New employment</u>	<u>Credit percentage</u>
More than 900	40%
601 - 900	30%
301 - 600	20%
1 - 300	10%

41 2. Multiply the amount determined under paragraph 1 of this subsection  
42 by a percentage determined by dividing the taxpayer's total gross income from  
43 United States department of defense contracts apportioned to this state by  
44 the taxpayer's total gross income from all sources apportioned to this state.

1 C. If the allowable tax credit exceeds the taxes otherwise due under  
2 this title on the claimant's income, or if there are no taxes due under this  
3 title, the taxpayer may carry the amount of the claim not used to offset the  
4 taxes under this title forward until taxable years beginning from and after  
5 December 31, 2011 as a credit against subsequent years' income tax liability,  
6 regardless of continuing certification as a qualified defense contractor.

7 D. The credit allowed by this section is in lieu of a deduction for  
8 property taxes under section 43-1042 with respect to the same taxes paid.

9 E. Co-owners of a business, including partners in a partnership and  
10 shareholders of an S corporation, as defined in section 1361 of the internal  
11 revenue code, may each claim only the pro rata share of the credit allowed  
12 under this section based on the ownership interest. The total of the credits  
13 allowed all such owners may not exceed the amount that would have been  
14 allowed for a sole owner of the business.

15 Sec. 13. Section 43-1166, Arizona Revised Statutes, is amended to  
16 read:

17 43-1166. Credit for property taxes paid by qualified defense  
18 contractor

19 A. A credit is allowed against the taxes imposed by this title equal  
20 to a portion of the amount paid as taxes during the taxable year by a  
21 qualified defense contractor that is certified by the department of commerce  
22 under section 41-1508 on property in this state that is classified as class  
23 one, paragraphs ~~12 and~~ 13 AND 14 pursuant to section 42-12001.

24 B. The amount of the credit is determined as follows:

25 1. Multiply the amount paid as taxes on property classified as class  
26 one, paragraphs ~~12 and~~ 13 AND 14 pursuant to section 42-12001 in this state  
27 during the taxable year by a percentage based on net new defense related  
28 employment, determined by subtracting the employment baseline determined  
29 pursuant to section 43-1165, subsection D, paragraph 1 from average annual  
30 employment as reported to the department of economic security for the taxable  
31 year, as follows:

<u>New employment</u>	<u>Credit percentage</u>
More than 900	40%
601 - 900	30%
301 - 600	20%
1 - 300	10%

37 2. Multiply the amount determined under paragraph 1 of this subsection  
38 by a percentage determined by dividing the taxpayer's total gross income from  
39 United States department of defense contracts apportioned to this state by  
40 the taxpayer's total gross income from all sources apportioned to this state.

41 C. If the allowable tax credit exceeds the taxes otherwise due under  
42 this title on the claimant's income, or if there are no taxes due under this  
43 title, the taxpayer may carry the amount of the claim not used to offset the  
44 taxes under this title forward until taxable years beginning from and after

1 December 31, 2011 as a credit against subsequent years' income tax liability,  
2 regardless of continuing certification as a qualified defense contractor.

3 D. Co-owners of a business, including corporate partners in a  
4 partnership, may each claim only the pro rata share of the credit allowed  
5 under this section based on the ownership interest. The total of the credits  
6 allowed all such owners may not exceed the amount that would have been  
7 allowed for a sole owner of the business.

8 Sec. 14. Effective date

9 This act is effective from and after December 31, 2007.