

State of Arizona
Senate
Fifty-first Legislature
First Regular Session
2013

CHAPTER 66
SENATE BILL 1169

AN ACT

AMENDING SECTIONS 15-448, 15-481, 15-1402, 15-1461.01, 35-454, 41-1276, 42-11001, 42-11111, 42-13301, 42-13304, 42-15005, 42-15010, 42-15252, 42-15253, 42-17107 AND 48-5568, ARIZONA REVISED STATUTES; RELATING TO PROPERTY TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-448, Arizona Revised Statutes, is amended to
3 read:

4 15-448. Formation of unified school district; board membership;
5 budget

6 A. One or more common school districts and a high school district with
7 coterminous or overlapping boundaries may establish a unified school district
8 pursuant to this section. Unification of a common school district and a high
9 school district is not authorized by this section if any of the high school
10 facilities owned by the new unified school district would not be located
11 within its boundaries.

12 B. Formation of a unified school district shall be by resolutions
13 approved by the governing boards of the unifying school districts and
14 certification of approval by such governing boards to the county school
15 superintendent of the county or counties in which such individual school
16 districts are located. A common school district and high school district
17 that unify pursuant to this section shall not exclude from the same
18 unification a common school district that has overlapping boundaries with the
19 high school district and that wishes to unify. The formation of a unified
20 school district shall become effective on July 1 of the next fiscal year
21 following the certification of the county school superintendent. An election
22 shall not be required to form a unified school district pursuant to this
23 section. At least ninety days before the governing boards vote on the
24 resolutions prescribed in this subsection, the governing boards shall mail a
25 pamphlet to each household with one or more qualified electors that shall
26 list the full cash value, the assessed valuation and the estimated amount of
27 the primary property taxes and the estimated amount of the secondary property
28 taxes under the proposed unification for each of the following:

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

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

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

36 4. A business whose assessed valuation is the average of the assessed
37 valuation of property classified as class one, as prescribed by section
38 42-12001, paragraphs 12 and 13 for the current year in the school district.

39 C. The boundaries of the unified school district shall be the
40 boundaries of the former common school district or districts that unify. The
41 boundaries of the common school district or districts that are not unifying
42 remain unchanged. The county school superintendent, immediately ~~upon~~ ON
43 receipt of the approved resolutions prescribed by subsection B of this
44 section, shall file with the board of supervisors, the county assessor and
45 the superintendent of public instruction a transcript of the boundaries of
46 the unified school district. The boundaries shown in the transcript shall

1 become the legal boundaries of the school districts on July 1 of the next
2 fiscal year.

3 D. On formation of the unified school district, the governing board
4 consists of the members of the former school district governing boards and
5 the members shall hold office until January 1 following the first general
6 election after formation of the district.

7 E. Beginning on January 1 following the first general election after
8 formation of the unified school district, the governing board shall have five
9 members. At the first general election after the formation of the district,
10 members shall be elected in the following manner:

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

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

16 F. The new unified school district may appoint a resident of the
17 remaining common school district to serve as a nonvoting member of the
18 governing board to represent the interests of the high school pupils who
19 reside in the remaining common school district and who attend school in the
20 unified school district.

21 G. For the first year of operation, the unified school district
22 governing board shall prepare a consolidated budget based on the student
23 counts from the school districts comprising the unified school district,
24 except that for purposes of determining budget amounts and equalization
25 assistance, the student count for the former high school district shall not
26 include the prior year average daily membership attributable to high school
27 pupils from a common school district that was part of the former high school
28 district but is not part of the unified school district. The unified school
29 district shall charge the remaining common school district tuition for these
30 pupils as provided in subsection J of this section. The unified school
31 district may budget for unification assistance pursuant to section 15-912.01.

32 H. The governing board of the unified school district shall prepare
33 policies, curricula and budgets for the district. These policies shall
34 require that:

35 1. The base compensation of each certificated teacher for the first
36 year of operation of the new unified school district shall not be lower than
37 the certificated teacher's base compensation for the prior year in the
38 previously existing school districts.

39 2. The certificated teacher's years of employment in the previously
40 existing school districts shall be included in determining the teacher's
41 certificated years of employment in the new unified school district.

42 I. ~~Upon~~ **ON** formation of a unified school district, any existing
43 override authorization of the former high school district and the former
44 common school district or districts shall continue until expiration based on
45 the revenue control limit of the school district or districts that had
46 override authorization prior to unification. The unified school district may

1 request new override authorization for the budget year as provided in section
2 15-481 based on the combined revenue control limit of the new district after
3 unification. If the unified school district's request for override
4 authorization is approved, it will replace any existing override for the
5 budget year.

6 J. The unified school district shall admit high school pupils who
7 reside in a common school district that was located within the boundaries of
8 the former high school district. Tuition shall be paid to the unified school
9 district by the common school district in which such pupils reside. Such
10 tuition amount shall be calculated in accordance with section 15-824, subject
11 to the following modifications:

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

17 (a) Divide the total ~~secondary~~ NET assessed valuation of the common
18 school district in which the group of pupils resides by the total ~~secondary~~
19 NET assessed valuation of the former high school district. For the purposes
20 of this subdivision, "~~secondary~~ NET assessed valuation" means ~~secondary~~ NET
21 assessed valuation for the tax year prior to the year when the unification
22 occurs and includes the values used to determine voluntary contributions
23 collected pursuant to title 9, chapter 4, article 3 and title 48, chapter 1,
24 article 8.

25 (b) Multiply the quotient obtained in subdivision (a) **OF THIS PARAGRAPH**
26 by the unified school district's annual debt service expenditure.

27 2. The debt service portion of such tuition payments calculated
28 pursuant to paragraph 1 of this subsection shall be used exclusively for debt
29 service of the outstanding bonded indebtedness of the former high school
30 district. When such indebtedness is fully extinguished, the debt service
31 portion of a pupil's tuition shall be determined in accordance with paragraph
32 3 of this subsection.

33 3. If the former high school district had no outstanding bonded
34 indebtedness at the time of unification, the tuition calculation shall
35 include the actual school district expenditures for the portion of any debt
36 service of the unified school district that pertains to any construction or
37 renovation of high school facilities divided by the school district's student
38 count for the high school portion of the school district.

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

42 5. Notwithstanding section 15-951, subsection G, the revenue control
43 limit of the common school district shall include the full amount of the debt
44 service portion of the tuition calculated pursuant to this subsection.

45 K. All assets and liabilities of the unifying school districts shall
46 be transferred and assumed by the new unified school district. Any existing

1 bonded indebtedness of a common school district or a high school district
2 unifying pursuant to this section shall be assumed by the new unified school
3 district and shall be regarded as an indebtedness of the new unified school
4 district for the purpose of determining the debt incurring authority of the
5 district. Taxes for the payment of such bonded indebtedness shall be levied
6 on all taxable property in the new unified school district, but nothing in
7 this subsection shall be construed to relieve from liability to taxation for
8 the payment of all taxable property of the former high school district if
9 necessary to prevent a default in the payment of any bonded indebtedness of
10 the former high school district. The residents of a common school district
11 that does not unify shall not vote in bond or override elections of the
12 unified school district and shall not be assessed taxes as a result of a bond
13 or override election of the unified school district.

14 L. If the remaining common school district had authorization for an
15 override as provided in section 15-481 or 15-482, the override authorization
16 continues for the remaining common school district or districts in the same
17 manner as before the formation of the unified school district.

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

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

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

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

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

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

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

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

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

43 2. Multiply the amount determined in paragraph 1 of this subsection by
44 six hundred.

45 3. Multiply the amount determined in paragraph 2 of this subsection by
46 0.80.

1 3. The proposed total increase in the budget ~~which~~ THAT exceeds the
2 amount permitted pursuant to section 15-905.

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

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

9 6. The proposed total amount of revenues ~~which~~ THAT will fund the
10 increase in the budget and the amount ~~which~~ THAT will be obtained from a levy
11 of taxes upon the taxable property within the school district for the first
12 year for which the budget increase was adopted.

13 7. The proposed amount of revenues ~~which~~ THAT will fund the increase
14 in the budget and ~~which~~ THAT will be obtained from other than a levy of taxes
15 upon the taxable property within the school district for the first year for
16 which the budget increase was adopted.

17 8. The dollar amount and the purpose for which the proposed increase
18 in the budget is to be expended for the first year for which the budget
19 increase was adopted.

20 9. At least two arguments, if submitted, but no more than ten
21 arguments for and two arguments, if submitted, but no more than ten arguments
22 against the proposed increase in the budget. The arguments shall be in a
23 form prescribed by the county school superintendent, and each argument shall
24 not exceed two hundred words. Arguments for the proposed increase in the
25 budget shall be provided in writing and signed by the governing board. If
26 submitted, additional arguments in favor of the proposed increase in the
27 budget shall be provided in writing and signed by those in favor. Arguments
28 against the proposed increase in the budget shall be provided in writing and
29 signed by those in opposition. The names of persons and entities submitting
30 written arguments shall be included in the report. The county school
31 superintendent shall review all factual statements contained in the written
32 arguments and correct any inaccurate statements of fact. The superintendent
33 shall not review and correct any portion of the written arguments ~~which~~ THAT
34 are identified as statements of the author's opinion. The county school
35 superintendent shall make the written arguments available to the public as
36 provided in title 39, chapter 1, article 2. A deadline for submitting
37 arguments to be included in the informational report shall be set by the
38 county school superintendent.

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

42 11. The ~~current full cash value and the~~ CURRENT LIMITED PROPERTY VALUE
43 AND THE NET assessed valuation provided by the department of revenue, the
44 first year tax rate for the proposed override and the estimated amount of the
45 secondary property taxes if the proposed budget is adopted for each of the
46 following:

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

4 (b) An owner-occupied residence whose assessed valuation is one-half
5 of the assessed valuation of the residence in subdivision (a) of this
6 paragraph.

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

9 (d) A business whose assessed valuation is the average of the assessed
10 valuation of property classified as class one, as prescribed by section
11 42-12001, paragraphs 12 and 13 for the current year in the school district.

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

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

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

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

23 C. For the purpose of this section, the school district may use its
24 staff, equipment, materials, buildings or other resources only to distribute
25 the informational report at the school district office or at public hearings
26 and to produce such information as required in subsection B of this section,
27 provided that nothing in this subsection shall preclude school districts from
28 holding or participating in any public hearings at which testimony is given
29 by at least one person for the proposed increase and one person against the
30 proposed increase. Any written information provided by the district
31 pertaining to the override election shall include financial information
32 showing the estimated first year tax rate for the proposed budget override
33 amount.

34 D. If any amount of the proposed increase will be funded by a levy of
35 taxes in the district, the election prescribed in subsection A of this
36 section shall be held on the first Tuesday following the first Monday in
37 November as prescribed by section 16-204, subsection B, paragraph 1,
38 subdivision (d). If the proposed increase will be fully funded by revenues
39 from other than a levy of taxes, the elections prescribed in subsection A of
40 this section shall be held on any date prescribed by section 16-204. The
41 elections shall be conducted as nearly as practicable in the manner
42 prescribed in article 1 of this chapter, sections 15-422 through 15-424 and
43 section 15-426, relating to special elections, except that:

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

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

3 E. If the election is to exceed the revenue control limit and if the
4 proposed increase will be fully funded by a levy of taxes upon the taxable
5 property within the school district, the ballot shall contain the words
6 "budget increase, yes" and "budget increase, no", and the voter shall signify
7 his desired choice. The ballot shall also contain the amount of the proposed
8 increase of the proposed budget over the alternate budget, a statement that
9 the amount of the proposed increase will be based on a percentage of the
10 school district's revenue control limit in future years, if applicable, as
11 provided in subsection P of this section and the following statement:

12 Any budget increase authorized by this election shall be
13 entirely funded by a levy of taxes upon the taxable property
14 within this school district for the year for which adopted and
15 for ____ subsequent years, shall not be realized from monies
16 furnished by the state and shall not be subject to the
17 limitation on taxes specified in article IX, section 18,
18 Constitution of Arizona. Based on the current NET assessed
19 valuation used for secondary property tax purposes, to fund the
20 proposed increase in the school district's budget would require
21 an estimated tax rate of _____ dollar per one hundred
22 dollars of NET assessed valuation used for secondary property
23 tax purposes and is in addition to the school district's tax
24 rate which will be levied to fund the school district's revenue
25 control limit allowed by law.

26 F. If the election is to exceed the revenue control limit and if the
27 proposed increase will be fully funded by revenues from other than a levy of
28 taxes upon the taxable property within the school district, the ballot shall
29 contain the words "budget increase, yes" and "budget increase, no", and the
30 voter shall signify the voter's desired choice. The ballot shall also
31 contain:

32 1. The amount of the proposed increase of the proposed budget over the
33 alternate budget.

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

37 3. The following statement:

38 Any budget increase authorized by this election shall be
39 entirely funded by this school district with revenues from other
40 than a levy of taxes on the taxable property within the school
41 district for the year for which adopted and for _____
42 subsequent years and shall not be realized from monies furnished
43 by the state.

44 G. Except as provided in subsection H of this section, the maximum
45 budget increase ~~which~~ THAT may be requested and authorized as provided in
46 subsection E or F of this section or the combination of subsections E and F

1 of this section is fifteen per cent of the revenue control limit as provided
 2 in section 15-947, subsection A for the budget year. If a school district
 3 requests an override pursuant to section 15-482 or to continue with a budget
 4 override pursuant to section 15-482 for pupils in kindergarten programs and
 5 grades one through three that was authorized before December 31, 2008, the
 6 maximum budget increase that may be requested and authorized as provided in
 7 subsection E or F of this section or the combination of subsections E and F
 8 of this section is ten per cent of the revenue control limit as provided in
 9 section 15-947, subsection A for the budget year.

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

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

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

21 (i)

22		Small School	Support Level Weight		Phase Down
23	Student	Student	for Small Isolated		Reduction
24	<u>Count</u>	<u>Count Limit</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
25	_____ -	<u>125</u>	x 1.358 + (0.0005 x	x \$ _____	= \$ _____
26			(500 - Student Count))		
27				Small Isolated	
28		Phase Down	Phase Down	School District	
29		<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>	
30		\$150,000 -	\$ _____	=	\$ _____

31 (ii)

32		Small School	Support Level Weight		Phase Down
33	Student	Student	for Small		Reduction
34	<u>Count</u>	<u>Count Limit</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
35	_____ -	<u>125</u>	x 1.278 + (0.0003 x	x \$ _____	= \$ _____
36			(500 - Student Count))		
37				Small	
38		Phase Down	Phase Down	School District	
39		<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>	
40		\$150,000 -	\$ _____	=	\$ _____

41 (b) For unified or union high school districts with a student count of
 42 less than one hundred seventy-six in grades nine through twelve, the limit
 43 computed as prescribed in item (i) or (ii) of this subdivision, whichever is
 44 appropriate:

1 (i)

2	Small School	Support Level Weight	Phase Down
3	Student	for Small Isolated	Reduction
4	<u>Count</u>	<u>School Districts</u>	<u>Factor</u>
5	- <u>100</u>	x 1.468 + (0.0005 x	x \$ <u> </u> = \$ <u> </u>
6		(500 - Student Count))	
7			Small Isolated
8	Phase Down	Phase Down	District
9	<u>Base</u>	<u>Reduction Factor</u>	<u>Secondary Limit</u>
10	\$350,000 -	\$ <u> </u>	= \$ <u> </u>

11 (ii)

12	Small School	Support Level Weight	Phase Down
13	Student	for Small	Reduction
14	<u>Count</u>	<u>School Districts</u>	<u>Factor</u>
15	- <u>100</u>	x 1.398 + (0.0004 x	x \$ <u> </u> = \$ <u> </u>
16		(500 - Student Count))	
17			Small
18	Phase Down	Phase Down	School District
19	<u>Base</u>	<u>Reduction Factor</u>	<u>Secondary Limit</u>
20	\$350,000 -	\$ <u> </u>	= \$ <u> </u>

21 (c) If both subdivisions (a) and (b) of this paragraph apply to a
 22 unified school district, its limit for the purposes of this paragraph is the
 23 combination of its elementary limit and its secondary limit.

24 (d) If only subdivision (a) or (b) of this paragraph applies to a
 25 unified school district, the district's limit for the purposes of this
 26 paragraph is the sum of the limit computed as provided in subdivision (a) or
 27 (b) of this paragraph plus ten per cent of the revenue control limit
 28 attributable to those grade levels that do not meet the eligibility
 29 requirements of this subsection. If a school district budgets monies outside
 30 the revenue control limit pursuant to section 15-949, subsection E, the
 31 district's limit for the purposes of this paragraph is only the ten per cent
 32 of the revenue control limit attributable to those grade levels that are not
 33 included under section 15-949, subsection E. For the purposes of this
 34 subdivision, the revenue control limit is separated into elementary and
 35 secondary components based on the weighted student count as provided in
 36 section 15-971, subsection B, paragraph 2, subdivision (a).

37 2. If a school district utilizes this subsection to request an
 38 override of more than one year, the ballot shall include an estimate of the
 39 amount of the proposed increase in the future years in place of the statement
 40 that the amount of the proposed increase will be based on a percentage of the
 41 school district's revenue control limit in future years, as prescribed in
 42 subsections E and F of this section.

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

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

1 I. If the election is to exceed the revenue control limit as provided
2 in section 15-482 and if the proposed increase will be fully funded by a levy
3 of taxes on the taxable property within the school district, the ballot shall
4 contain the words "budget increase, yes" and "budget increase, no", and the
5 voter shall signify the voter's desired choice. The ballot shall also
6 contain the amount of the proposed increase of the budget over the alternate
7 budget, a statement that the amount of the proposed increase will be based on
8 a percentage of the school district's revenue control limit in future years,
9 if applicable, as provided in subsection Q of this section, and the following
10 statement:

11 Any budget increase authorized by this election shall be
12 entirely funded by a levy of taxes on the taxable property
13 within this school district for the year for which adopted and
14 for _____ subsequent years, shall not be realized from monies
15 furnished by the state and shall not be subject to the
16 limitation on taxes specified in article IX, section 18,
17 Constitution of Arizona. Based on the current NET assessed
18 valuation used for secondary property tax purposes, to fund the
19 proposed increase in the school district's budget which will be
20 funded by a levy of taxes upon the taxable property within this
21 school district would require an estimated tax rate of
22 _____ dollar per one hundred dollars of NET assessed
23 valuation used for secondary property tax purposes and is in
24 addition to the school district's tax rate that will be levied
25 to fund the school district's revenue control limit allowed by
26 law.

27 J. If the election is to exceed the revenue control limit as provided
28 in section 15-482 and if the proposed increase will be fully funded by
29 revenues other than a levy of taxes on the taxable property within the school
30 district, the ballot shall contain the words "budget increase, yes" and
31 "budget increase, no", and the voter shall signify the voter's desired
32 choice. The ballot shall also contain the amount of the proposed increase of
33 the proposed budget over the alternate budget, a statement that the amount of
34 the proposed increase will be based on a percentage of the school district's
35 revenue control limit in future years, if applicable, as provided in
36 subsection Q of this section and the following statement:

37 Any budget increase authorized by this election shall be
38 entirely funded by this school district with revenues from other
39 than a levy of taxes on the taxable property within the school
40 district for the year for which adopted and for _____ subsequent
41 years and shall not be realized from monies furnished by the
42 state.

43 K. The maximum budget increase that may be requested and authorized as
44 provided in subsection I or J of this section, or a combination of both of
45 these subsections, is five per cent of the revenue control limit as provided
46 in section 15-947, subsection A for the budget year. For a common school

1 district not within a high school district or a common school district within
2 a high school district that offers instruction in high school subjects as
3 provided in section 15-447, five per cent of the revenue control limit means
4 five per cent of the revenue control limit attributable to the weighted
5 student count in preschool programs for children with disabilities,
6 kindergarten programs and grades one through eight as provided in section
7 15-971, subsection B. For a unified school district, five per cent of the
8 revenue control limit means five per cent of the revenue control limit
9 attributable to the weighted student count in preschool programs for children
10 with disabilities, kindergarten programs and grades one through twelve. For
11 a union high school district, five per cent of the revenue control limit
12 means five per cent of the revenue control limit attributable to the weighted
13 student count in grades nine through twelve.

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

22 Any budget increase authorized by this election shall be
23 entirely funded by a levy of taxes upon the taxable property
24 within this school district for the year in which adopted and
25 for _____ subsequent years, shall not be realized from monies
26 furnished by the state and shall not be subject to the
27 limitation on taxes specified in article IX, section 18,
28 Constitution of Arizona. Based on the current NET assessed
29 valuation used for secondary property tax purposes, to fund the
30 proposed increase in the school district's budget would require
31 an estimated tax rate of _____ dollar per one hundred
32 dollars of NET assessed valuation used for secondary property
33 tax purposes and is in addition to the school district's tax
34 rate which will be levied to fund the school district's capital
35 outlay revenue limit allowed by law.

36 M. If the election is to exceed the capital outlay revenue limit and
37 if the proposed increase will be fully funded by revenues from other than a
38 levy of taxes upon the taxable property within the school district, the
39 ballot shall contain the words "budget increase, yes" and "budget increase,
40 no", and the voter shall signify the voter's desired choice. An election
41 held pursuant to this subsection shall be held on the first Tuesday after the
42 first Monday of November. The ballot shall also contain the amount of the
43 proposed increase of the proposed budget over the alternate budget and the
44 following statement:

45 Any budget increase authorized by this election shall be
46 entirely funded by this school district with revenues from other

1 than a levy of taxes on the taxable property within the school
2 district for the year in which adopted and for _____ subsequent
3 years and shall not be realized from monies furnished by the
4 state.

5 N. If the election is to exceed a combination of the revenue control
6 limit as provided in subsection E or F of this section, the revenue control
7 limit as provided in subsection I or J of this section or the capital outlay
8 revenue limit as provided in subsection L or M of this section, the ballot
9 shall be prepared so that the voters may vote on each proposed increase
10 separately and shall contain statements required in the same manner as if
11 each proposed increase were submitted separately.

12 O. If the election provides for a levy of taxes on the taxable
13 property within the school district, at least thirty days prior to the
14 election, the department of revenue shall provide the school district
15 governing board and the county school superintendent with the current
16 ~~secondary~~ NET assessed valuation of the school district. The governing board
17 and the county school superintendent shall use the current ~~secondary~~ NET
18 assessed valuation of the school district to translate the amount of the
19 proposed dollar increase in the budget of the school district over that
20 allowed by law into a tax rate figure.

21 P. If the voters in a school district vote to adopt a budget in excess
22 of the revenue control limit as provided in subsection E or F of this
23 section, any additional increase shall be included in the aggregate budget
24 limit for each of the years authorized. Any additional increase shall be
25 excluded from the determination of equalization assistance. The school
26 district governing board, however, may levy on the NET assessed valuation
27 used for secondary property tax purposes of the property in the school
28 district the additional increase if adopted under subsection E of this
29 section for the period of one year, two years or five through seven years as
30 authorized. If an additional increase is approved as provided in subsection
31 F of this section, the school district governing board may only use revenues
32 derived from the school district's prior year's maintenance and operation
33 fund ending cash balance to fund the additional increase. If a budget
34 increase was previously authorized and will be in effect for the budget year
35 or budget year and subsequent years, as provided in subsection E or F of this
36 section, the governing board may request a new budget increase as provided in
37 the same subsection under which the prior budget increase was adopted, which
38 shall not exceed the maximum amount permitted under subsection G of this
39 section. If the voters in the school district authorize the new budget
40 increase amount, the existing budget increase no longer is in effect. If the
41 voters in the school district do not authorize the budget increase amount,
42 the existing budget increase remains in effect for the time period for which
43 it was authorized. The maximum additional increase authorized as provided in
44 subsection E or F of this section and the additional increase ~~which~~ THAT is
45 included in the aggregate budget limit is based on a percentage of a school

1 district's revenue control limit in future years, if the budget increase is
2 authorized for more than one year. If the additional increase:

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

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

10 Q. If the voters in a school district vote to adopt a budget in excess
11 of the revenue control limit as provided in subsection I or J of this
12 section, any additional increase shall be included in the aggregate budget
13 limit for each of the years authorized. Any additional increase shall be
14 excluded from the determination of equalization assistance. The school
15 district governing board, however, may levy on the NET assessed valuation
16 used for secondary property tax purposes of the property in the school
17 district the additional increase if adopted under subsection I of this
18 section for the period of one year, two years or five through seven years as
19 authorized. If an additional increase is approved as provided in subsection
20 J of this section, the increase may only be budgeted and expended if
21 sufficient monies are available in the maintenance and operation fund of the
22 school district. If a budget increase was previously authorized and will be
23 in effect for the budget year or budget year and subsequent years, as
24 provided in subsection I or J of this section, the governing board may
25 request a new budget increase as provided in the same subsection under which
26 the prior budget increase was adopted that does not exceed the maximum amount
27 permitted under subsection K of this section. If the voters in the school
28 district authorize the new budget increase amount, the existing budget
29 increase no longer is in effect. If the voters in the school district do not
30 authorize the budget increase amount, the existing budget increase remains in
31 effect for the time period for which it was authorized. The maximum
32 additional increase authorized as provided in subsection I or J of this
33 section and the additional increase that is included in the aggregate budget
34 limit is based on a percentage of a school district's revenue control limit
35 in future years, if the budget increase is authorized for more than one year.
36 If the additional increase:

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

39 2. Is for five years or more, the proposed increase is equal to the
40 initial proposed percentage increase in the following years of the proposed
41 increase, except that in the next to last year it is two-thirds of the
42 initial proposed percentage increase and it is one-third of the initial
43 proposed percentage increase in the last year of the proposed increase.

44 R. If the voters in a school district vote to adopt a budget in excess
45 of the capital outlay revenue limit as provided in subsection L of this
46 section, any additional increase shall be included in the aggregate budget

1 limit for each of the years authorized. The additional increase shall be
2 excluded from the determination of equalization assistance. The school
3 district governing board, however, may levy on the NET assessed valuation
4 used for secondary property tax purposes of the property in the school
5 district the additional increase for the period authorized but not to exceed
6 ten years. For overrides approved by a vote of the qualified electors of the
7 school district at an election held from and after October 31, 1998, the
8 period of the additional increase prescribed in this subsection shall not
9 exceed seven years for any capital override election.

10 S. If the voters in a school district vote to adopt a budget in excess
11 of the capital outlay revenue limit as provided in subsection M of this
12 section, any additional increase shall be included in the aggregate budget
13 limit for each of the years authorized. The additional increase shall be
14 excluded from the determination of equalization assistance. The school
15 district governing board may only use revenues derived from the school
16 district's prior year's maintenance and operation fund ending cash balance
17 and capital outlay fund ending cash balance to fund the additional increase
18 for the period authorized but not to exceed ten years. For overrides
19 approved by a vote of the qualified electors of the school district at an
20 election held from and after October 31, 1998, the period of the additional
21 increase prescribed in this subsection shall not exceed seven years for any
22 capital override election.

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

29 U. If the voters in a school district disapprove the proposed budget,
30 the alternate budget which THAT, except for any budget increase authorized by
31 a prior election, does not include an increase in the budget in excess of the
32 amount provided in section 15-905 shall be adopted by the governing board as
33 provided in section 15-905.

34 V. The governing board may request that any override election be
35 cancelled if any change in chapter 9 of this title changes the amount of the
36 aggregate budget limit as provided in section 15-905. The request to cancel
37 the override election shall be made to the county school superintendent at
38 least eighty days prior to the date of the scheduled override election.

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

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

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

1 _____ school district is proposing to increase its
2 budget by \$_____ to fund capital improvements over and
3 above those funded by the state. Under the students first
4 capital funding system, _____ school district is entitled to
5 state monies for building renewal, new construction and
6 renovation of school buildings in accordance with state law.

7 2. The ballot shall contain the words "budget increase, yes" and
8 "budget increase, no", and the voter shall signify the voter's desired
9 choice.

10 3. At least eighty-five days before the election, the school district
11 shall submit proposed ballot language to the director of the Arizona
12 legislative council. The director of the Arizona legislative council shall
13 review the proposed ballot language to determine whether the proposed ballot
14 language complies with this section. If the director of the Arizona
15 legislative council determines that the proposed ballot language does not
16 comply with this section, the director, within ten calendar days of the
17 receipt of the proposed ballot language, shall notify the school district of
18 the director's objections and the school district shall resubmit revised
19 ballot language to the director for approval.

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

26 Y. Each school district that currently increases its budget pursuant
27 to this section is required to hold a public meeting each year between
28 September 1 and October 31 at which an update of the programs or capital
29 improvements financed through the override is discussed and at which the
30 public is permitted an opportunity to comment and:

31 1. If the increase is pursuant to subsection L or M of this section,
32 at a minimum, the update shall include the progress of capital improvements
33 financed through the override, a comparison of the current status and the
34 original projections on the construction of capital improvements, the costs
35 of capital improvements and the costs of capital improvements in progress or
36 completed since the prior meeting and the future capital plans of the school
37 district. The school district shall include in the public meeting a
38 discussion of the school district's use of state capital aid and
39 voter-approved bonding in funding capital improvements, if any.

40 2. If the increase is pursuant to subsection E, F, I or J of this
41 section, the update shall include at a minimum the amount expended in the
42 previous fiscal year and the amount included in the current budget for each
43 of the purposes listed in the informational report prescribed by subsection B
44 of this section.

45 Z. If a budget in excess of the capital outlay revenue limit was
46 previously adopted by the voters in a school district and will be in effect

1 for the budget year or budget year and subsequent years, as provided in
2 subsection L or M of this section, the governing board may request an
3 additional budget in excess of the capital outlay revenue limit. If the
4 voters in a school district authorize the additional budget in excess of the
5 capital outlay revenue limit, the existing capital outlay revenue limit
6 budget increase remains in effect.

7 AA. Notwithstanding any other law, the maximum budget increase that
8 may be authorized pursuant to subsection L or M of this section is ten per
9 cent of the school district's revenue control limit.

10 BB. If the election is to continue to exceed the revenue control limit
11 and if the proposed override will be fully funded by a continuation of a levy
12 of taxes on the taxable property in the school district, the ballot shall
13 contain the words "budget override continuation, yes" and "budget override
14 continuation, no", and the voter shall signify the voter's desired choice.
15 The ballot shall also contain the amount of the proposed continuation of the
16 budget increase of the proposed budget over the alternate budget, a statement
17 that the amount of the proposed increase will be based on a percentage of the
18 school district's revenue control limit in future years, if applicable, as
19 provided in subsection P of this section and the following statement:

20 Any budget increase continuation authorized by this
21 election shall be entirely funded by a levy of taxes on the
22 taxable property in this school district for the year for which
23 adopted and for ____ subsequent years, shall not be realized
24 from monies furnished by the state and shall not be subject to
25 the limitation on taxes specified in article IX, section 18,
26 Constitution of Arizona. Based on the current NET assessed
27 valuation used for secondary property tax purposes, to fund the
28 proposed continuation of the increase in the school district's
29 budget would require an estimated continuation of a tax rate of
30 _____ dollar per one hundred dollars of assessed
31 valuation used for secondary property tax purposes and is in
32 addition to the school district's tax rate that will be levied
33 to fund the school district's revenue control limit allowed by
34 law.

35 CC. If the election is to continue to exceed the revenue control limit
36 as provided in section 15-482 and if the proposed override will be fully
37 funded by a continuation of a levy of taxes on the taxable property in the
38 school district, the ballot shall contain the words "budget override
39 continuation, yes" and "budget override continuation, no", and the voter
40 shall signify the voter's desired choice. The ballot shall also contain the
41 amount of the proposed continuation of the budget increase of the proposed
42 budget over the alternate budget, a statement that the amount of the proposed
43 increase will be based on a percentage of the school district's revenue
44 control limit in future years, if applicable, as provided in subsection P of
45 this section and the following statement:

46 Any budget increase continuation authorized by this

1 election shall be entirely funded by a levy of taxes on the
2 taxable property in this school district for the year for which
3 adopted and for ____ subsequent years, shall not be realized
4 from monies furnished by the state and shall not be subject to
5 the limitation on taxes specified in article IX, section 18,
6 Constitution of Arizona. Based on the current NET assessed
7 valuation used for secondary property tax purposes, to fund the
8 proposed continuation of the increase in the school district's
9 budget would require an estimated continuation of a tax rate of
10 _____ dollar per one hundred dollars of NET assessed
11 valuation used for secondary property tax purposes and is in
12 addition to the school district's tax rate that will be levied
13 to fund the school district's revenue control limit allowed by
14 law.

15 Sec. 3. Section 15-1402, Arizona Revised Statutes, is amended to read:
16 15-1402. Community college districts; requirements; exception

17 A. Community college districts may be organized under this chapter for
18 a single county, two or more contiguous counties or an existing community
19 college district and contiguous counties not part of any community college
20 district if the proposed district has a primary NET assessed valuation, based
21 on the valuation for the preceding year, of at least four hundred forty-eight
22 million seventeen thousand two hundred dollars and a minimum population of
23 forty thousand persons who are fifteen or more years of age, as determined by
24 the most recent federal census.

25 B. Beginning with fiscal year 1993-1994, the minimum primary NET
26 assessed valuation required to organize a community college district as
27 provided in subsection A of this section increases each year by the
28 percentage change in total primary NET assessed valuation for all of the
29 districts that are organized pursuant to this section with a population of
30 less than five hundred thousand persons according to the most recent United
31 States decennial census using actual primary NET assessed valuation numbers
32 from the prior two years.

33 C. The requirements of this section do not apply to community college
34 districts organized pursuant to section 15-1402.01.

35 Sec. 4. Section 15-1461.01, Arizona Revised Statutes, is amended to
36 read:

37 15-1461.01. Truth in taxation notice and hearing; roll call
38 vote on tax increase; definition

39 A. On or before February 10 of the tax year, the county assessor shall
40 transmit and certify to the property tax oversight commission and to the
41 district governing board the total net primary assessed values that are
42 required to compute the levy limit prescribed by section 42-17051. If the
43 proposed primary property tax levy, excluding amounts that are attributable
44 to new construction, is greater than the amount levied in the preceding tax
45 year by the district:

1 (ii) For the remaining years of the estimated debt retirement
2 schedule, twenty per cent of the average of the annual percentage growth for
3 the previous ten years in the ~~secondary~~ NET assessed valuation of the
4 political subdivision.

5 (e) Source of repayment.

6 (f) Estimated issuance costs.

7 (g) Estimated tax impact of debt service for the bonds on an
8 owner-occupied residence classified as class three pursuant to section
9 42-12003, on commercial property classified as class one pursuant to section
10 42-12001, paragraph 12 and on agricultural or other vacant property
11 classified as class two pursuant to section 42-12002, assuming the NET
12 assessed valuation of the property increases annually at **THE LESSER OF FIVE**
13 **PER CENT OR** fifty per cent of the projected total annual increase in
14 ~~secondary~~ NET assessed valuation as determined pursuant to subdivision (d) **OF**
15 **THIS PARAGRAPH** over the term of the bonds using the same average annual tax
16 rate as under subdivision (d) **OF THIS PARAGRAPH**, as follows:

17 The tax impact over the term of the bonds on an
18 owner-occupied residence valued by the county assessor at
19 \$250,000 is estimated to be \$___ per year for ___ years, or \$___
20 total cost.

21 The tax impact over the term of the bonds on commercial
22 property valued by the county assessor at \$1,000,000 is
23 estimated to be \$___ per year for ___ years, or \$_____ total
24 cost.

25 The tax impact over the term of the bonds on agricultural
26 or other vacant property valued by the county assessor at
27 \$100,000 is estimated to be \$___ per year for ___ years, or
28 \$_____ total cost.

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

31 (i) Current outstanding general obligation debt and constitutional
32 debt limitation.

33 (j) Purpose for which the bonds are to be issued and, if applicable,
34 in bold-faced type, that the amount of the proposed bond authorization
35 combined with the current outstanding debt exceeds the political
36 subdivision's constitutional debt limit.

37 (k) Polling location for the addressee.

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

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

41 2. Set a deadline to submit arguments for and against the
42 authorization of one or more of the bond propositions at a public meeting and
43 publish the deadline in a newspaper of general circulation in the
44 jurisdiction of the political subdivision.

1 2. The chairmen of the appropriations committees of the senate and the
2 house of representatives or their successor committees.

3 B. The truth in taxation rates consist of the qualifying tax rate for
4 a high school district or a common school district within a high school
5 district that does not offer instruction in high school subjects pursuant to
6 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a
7 unified district, a common school district not within a high school district
8 or a common school district within a high school district that offers
9 instruction in high school subjects pursuant to section 15-971, subsection B,
10 paragraph 2 and a state equalization assistance property tax rate pursuant to
11 section 15-994 that will offset the change in net assessed valuation of
12 property that was subject to tax in the prior year.

13 C. The joint legislative budget committee shall compute the truth in
14 taxation rates as follows:

15 1. Determine the statewide **primary** net assessed value for the
16 preceding tax year as provided in section 42-17151, subsection A,
17 paragraph 3.

18 2. Determine the statewide **primary** net assessed value for the current
19 tax year, excluding the net assessed value of property that was not subject
20 to tax in the preceding year.

21 3. Divide the amount determined in paragraph 1 of this subsection by
22 the amount determined in paragraph 2 of this subsection.

23 4. Adjust the qualifying tax rates and the state equalization
24 assistance property tax rate for the current fiscal year by the percentage
25 determined in paragraph 3 of this subsection in order to offset the change in
26 net assessed value.

27 D. Except as provided in subsections E and G of this section, the
28 qualifying tax rate for a high school district or a common school district
29 within a high school district that does not offer instruction in high school
30 subjects, the qualifying tax rate for a unified school district, a common
31 school district not within a high school district or a common school district
32 within a high school district that offers instruction in high school subjects
33 and the state equalization assistance property tax rate for the following
34 fiscal year shall be the rate determined by the joint legislative budget
35 committee pursuant to subsection C of this section. The committee shall
36 transmit the rates to the superintendent of public instruction and the county
37 boards of supervisors by March 15 each year.

38 E. If the legislature proposes either qualifying tax rates or a state
39 equalization assistance property tax rate that exceeds the truth in taxation
40 rate:

41 1. The house of representatives ways and means committee and the
42 senate finance committee or their successor committees shall hold a joint
43 hearing on or before February 28 and publish a notice of a truth in taxation
44 hearing that meets the following requirements:

45 (a) The notice shall be published twice in a newspaper of general
46 circulation in this state that is published at the state capital. The first

1 publication shall be at least fourteen but not more than twenty days before
2 the date of the hearing. The second publication shall be at least seven but
3 not more than ten days before the date of the hearing.

4 (b) The notice shall be published in a location other than the
5 classified or legal advertising section of the newspaper.

6 (c) The notice shall be at least one-fourth page in size and shall be
7 surrounded by a solid black border at least one-eighth inch in width.

8 (d) The notice shall be in the following form, with the "truth in
9 taxation hearing - notice of tax increase" headline in at least
10 eighteen-point type:

11 Truth in Taxation Hearing
12 Notice of Tax Increase

13 In compliance with section 41-1276, Arizona Revised
14 Statutes, the state legislature is notifying property taxpayers
15 in Arizona of the legislature's intention to raise the property
16 tax levy over last year's level.

17 The proposed tax increase will cause the taxes on a
18 \$100,000 home to increase by \$_____.

19 All interested citizens are invited to attend a public
20 hearing on the tax increase that is scheduled to be held
21 _____ (date and time) at _____ (location).

22 (e) For purposes of computing the tax increase on a one hundred
23 thousand dollar home as required by the notice, the joint meeting of the
24 house of representatives ways and means committee and the senate finance
25 committee or their successor committees shall consider the difference between
26 the truth in taxation rate and the proposed increased rate.

27 2. The joint meeting of the house of representatives ways and means
28 committee and the senate finance committee or their successor committees
29 shall consider any motion to recommend the proposed tax rates to the full
30 legislature by roll call vote.

31 F. In addition to publishing the truth in taxation notice under
32 subsection E, paragraph 1 of this section, the joint meeting of the house of
33 representatives ways and means committee and the senate finance committee or
34 their successor committees shall issue a press release containing the truth
35 in taxation notice.

36 G. Notwithstanding any other law, the legislature shall not adopt a
37 state budget that provides for either qualifying tax rates pursuant to
38 section 15-971 or a state equalization assistance property tax rate pursuant
39 to section 15-994 that exceeds the truth in taxation rates computed pursuant
40 to subsection A of this section unless the rates are adopted by a concurrent
41 resolution approved by an affirmative roll call vote of two-thirds of the
42 members of each house of the legislature before the legislature enacts the
43 general appropriations bill. If the resolution is not approved by two-thirds
44 of the members of each house of the legislature, the rates for the following
45 fiscal year shall be the truth in taxation rates determined pursuant to

1 subsection C of this section and shall be transmitted to the superintendent
2 of public instruction and the county boards of supervisors.

3 H. Notwithstanding subsection C of this section and if approved by the
4 qualified electors voting at a statewide general election, the legislature
5 shall not set a qualifying tax rate that exceeds \$2.1265 for a common or high
6 school district or \$4.253 for a unified school district. The legislature
7 shall not set a county equalization assistance for education rate that
8 exceeds \$0.5123.

9 I. Pursuant to subsection C of this section, the qualifying tax rate
10 in tax year 2008 for a high school district or a common school district
11 within a high school district that does not offer instruction in high school
12 subjects as provided in section 15-447 is \$1.4622 and for a unified school
13 district, a common school district not within a high school district or a
14 common school district within a high school district that offers instruction
15 in high school subjects as provided in section 15-447 is \$2.9244. The state
16 equalization assistance property tax rate in tax years 2006, 2007 and 2008 is
17 zero. The state equalization assistance property tax rate in tax year 2009
18 shall be computed by annually adjusting the tax year 2005 rate of \$0.4358 as
19 provided by this section through tax year 2009.

20 Sec. 7. Section 42-11001, Arizona Revised Statutes, is amended to
21 read:

22 42-11001. Definitions

23 In chapters 11 through 19 of this title, unless the context otherwise
24 requires:

25 1. "Assessed valuation" means the value derived by applying the
26 applicable percentage prescribed by chapter 15, article 1 of this title to
27 the full cash value or limited property value of the property, as applicable.

28 2. "Board" or "state board" means the state board of equalization.

29 3. "County board" means the county board of supervisors sitting as the
30 county board of equalization.

31 4. "Current usage" means the use to which property is put at the time
32 of valuation by the assessor or the department.

33 5. "Due date" means the next business day if a due date of any report,
34 claim, return, statement, payment, deposit, petition, notice or other
35 document or filing falls on Saturday, Sunday or a legal holiday.

36 6. "Full cash value" for property tax purposes means the value
37 determined as prescribed by statute. If no statutory method is prescribed,
38 full cash value is synonymous with market value which means the estimate of
39 value that is derived annually by using standard appraisal methods and
40 techniques. Full cash value is the basis for assessing, fixing, determining
41 and levying PRIMARY AND secondary property taxes ON PROPERTY DESCRIBED IN
42 SECTION 42-13304. Full cash value shall not be greater than market value
43 regardless of the method prescribed to determine value for property tax
44 purposes.

45 7. "Limited property value" means the value determined pursuant to
46 section 42-13301. Limited property value is the basis for:

1 (a) Computing levy limitations for counties, cities, towns and
2 community college districts.

3 (b) Assessing, fixing, determining and levying primary AND SECONDARY
4 property taxes ON ALL PROPERTY EXCEPT PROPERTY DESCRIBED IN SECTION 42-13304.

5 8. "Net assessed value" means the assessed value minus any exempt
6 property.

7 9. "Person" means a natural person, individual, proprietor,
8 proprietorship, company, corporation, organization, association, joint
9 venture, partner, partnership, trust, estate or limited liability company,
10 the federal or state government, a political subdivision of a state or any
11 other legal entity or combination of entities that owns, controls or has
12 possession of real or personal property.

13 10. "Personal property" includes property of every kind, both tangible
14 and intangible, not included in the term real estate.

15 11. "Primary property taxes" means all ad valorem taxes except for
16 secondary property taxes.

17 12. "Producing mine" or "mining claim" means a mine or mining claim
18 from which coal or any other mineral or mineral substance, except for clay,
19 sand, gravel, building stone or a mineral or mineral substance that is
20 normally processed into artificial stone, has been extracted for commercial
21 purposes at any time during a period of one year before the first Monday in
22 January of the valuation year.

23 13. "Real estate" includes the ownership of, claim to, possession of or
24 right of possession to lands or patented mines.

25 14. "Roll" means the assessment and tax roll.

26 15. "Secondary property taxes" means:

27 (a) Ad valorem taxes or special property assessments that are used to
28 pay the principal of and the interest and redemption charges on bonded
29 indebtedness or other lawful long-term obligations that are issued or
30 incurred for a specific capital purpose by a municipality, county or taxing
31 district.

32 (b) Ad valorem taxes or assessments levied by or for special taxing
33 districts and assessment districts other than school districts and community
34 college districts.

35 (c) Amounts levied pursuant to an election to exceed a budget,
36 expenditure or tax limitation.

37 16. "Tax year" for all property means the calendar year in which the
38 taxes are levied.

39 17. "Valuation" means the full cash value or limited property value
40 that is determined for real or personal property, as applicable.

41 18. "Valuation date", for the purposes of real property and property
42 valued by the department, means January 1 of the year preceding the year in
43 which taxes are levied.

1 19. "Valuation year" means:

2 (a) For real property and property valued by the department, the
3 calendar year preceding the year in which the taxes are levied.

4 (b) For personal property, the calendar year in which the taxes are
5 levied.

6 Sec. 8. Section 42-11111, Arizona Revised Statutes, is amended to
7 read:

8 42-11111. Exemption for property of widows, widowers and
9 disabled persons

10 A. The property of widows, widowers and disabled persons who are
11 residents of this state is exempt from taxation to the extent allowed by
12 article IX, sections 2, 2.1, 2.2 and 2.3, Constitution of Arizona, and
13 subject to the conditions and limitations prescribed by this section.

14 B. Pursuant to article IX, section 2.3, Constitution of Arizona, the
15 exemptions from taxation under this section are allowed in the amount of:

16 1. Three thousand dollars if the person's total assessment does not
17 exceed twenty thousand dollars.

18 2. No exemption if the person's total assessment exceeds twenty
19 thousand dollars.

20 C. On or before December 31 of each year, the department shall
21 increase the following amounts based on the average annual percentage
22 increase, if any, in the GDP price deflator in the two most recent complete
23 state fiscal years:

24 1. The total allowable exemption amount and the total assessment
25 limitation amount under subsection B of this section.

26 2. The total income limitation amounts under subsection E, paragraphs
27 1 and 2 of this section.

28 For the purposes of this subsection, "GDP price deflator" means the average
29 of the four implicit price deflators for the gross domestic product reported
30 by the United States department of commerce or its successor for the four
31 quarters of the state fiscal year.

32 D. For the purpose of determining the amount of the allowable
33 exemption pursuant to subsection B of this section, the person's total
34 assessment shall not include the value of any vehicle that is taxed under
35 title 28, chapter 16, article 3.

36 E. Pursuant to article IX, section 2.3, Constitution of Arizona, to
37 qualify for this exemption, the total income from all sources of the claimant
38 and the claimant's spouse and the income from all sources of all of the
39 claimant's children who resided with the claimant in the claimant's residence
40 in the year immediately preceding the year for which the claimant applies for
41 the exemption shall not exceed:

42 1. Twenty-five thousand dollars if none of the claimant's children
43 under eighteen years of age resided with the claimant in the claimant's
44 residence.

45 2. Thirty thousand dollars if one or more of the claimant's children
46 residing with the claimant in the claimant's residence were either:

1 (a) Under eighteen years of age.

2 (b) Totally and permanently, physically or mentally disabled, as
3 certified by competent medical authority as provided by law.

4 F. For the purposes of subsection E of this section, "income from all
5 sources" means the sum of the following, but excluding the items listed in
6 subsection G of this section:

7 1. Adjusted gross income as defined by the department.

8 2. The amount of capital gains excluded from adjusted gross income.

9 3. Nontaxable strike benefits.

10 4. Nontaxable interest that is received from the federal government or
11 any of its instrumentalities.

12 5. Payments that are received from a retirement program and paid by:

13 (a) This state or any of its political subdivisions.

14 (b) The United States through any of its agencies, instrumentalities
15 or programs, except as provided in subsection G of this section.

16 6. The gross amount of any pension or annuity that is not otherwise
17 exempted.

18 G. Notwithstanding subsection F of this section, "income from all
19 sources" does not include monies received from:

20 1. Cash public assistance and relief.

21 2. Railroad retirement benefits.

22 3. Payments under the federal social security act (49 Stat. 620).

23 4. Payments under the unemployment insurance laws of this state.

24 5. Payments from veterans disability pensions.

25 6. Workers' compensation payments.

26 7. "Loss of time" insurance.

27 8. Gifts from nongovernmental sources, surplus foods or other relief
28 in kind supplied by a governmental agency.

29 H. A widow, widower or disabled person shall initially establish
30 eligibility for exemption under this section by filing an affidavit with the
31 county assessor under section 42-11152. Thereafter, the person is not
32 required to file an affidavit under section 42-11152, but the person or the
33 person's representative shall annually calculate income from the preceding
34 year to ensure that the person still qualifies for the exemption and shall
35 notify the county assessor in writing of any event that disqualifies the
36 widow, widower or disabled person from further exemption. Regardless of
37 whether the person or representative notifies the assessor as required by
38 this subsection, the property is subject to tax as provided by law from the
39 date of disqualification, including interest, penalties and proceedings for
40 tax delinquencies. Disqualifying events include:

41 1. The person's death.

42 2. The remarriage of a widow or widower.

43 3. The person's income from all sources exceeding the limits
44 prescribed by subsection E of this section.

45 4. The conveyance of title to the property to another owner.

46 ~~1. The exemption described by this section applies independently to:~~

1 ~~1. The assessed valuation determined for secondary property tax~~
2 ~~purposes from the full cash value of the property and improvements owned by~~
3 ~~the individual.~~

4 ~~2. The assessed valuation determined for primary property tax purposes~~
5 ~~from the limited property value of the property and improvements owned by the~~
6 ~~individual.~~

7 ~~I.~~ I. Any dollar amount of exemption that is unused in a tax year
8 against the limited property value of property and improvements owned by the
9 individual may be applied for the tax year against the value of personal
10 property subject to special property taxes including the taxes collected
11 pursuant to title 5, chapter 3, article 3 and title 28, chapter 16,
12 article 3.

13 ~~J.~~ J. An individual is not entitled to property tax exemptions in the
14 aggregate that exceed the maximum allowed to a widow, widower or disabled
15 person even if the person is eligible for an exemption in more than one
16 category.

17 Sec. 9. Section 42-13301, Arizona Revised Statutes, is amended to
18 read:

19 42-13301. Limited property value

20 A. The limited property value of property for ~~primary~~ primary property
21 taxation purposes is the limited property value of the property in the
22 preceding valuation year plus ~~the greater of either:~~

23 ~~1. Ten FIVE~~ 1. Ten FIVE per cent of that value.

24 ~~2. Twenty-five per cent of the difference between the full cash value~~
25 ~~of the parcel in the current valuation year and the limited value of the~~
26 ~~parcel in the preceding valuation year.~~

27 B. The current limited ~~PROPERTY~~ PROPERTY value of a parcel of property shall
28 not exceed its current full cash value.

29 C. The limited property value of a parcel of property shall be
30 determined and shown on notices and tax rolls as the total limited property
31 value of the property. Separate determinations shall not be made for the
32 limited property value of land and for the improvements on the land in
33 reference to property parcels.

34 Sec. 10. Section 42-13304, Arizona Revised Statutes, is amended to
35 read:

36 42-13304. Exemptions from limitation

37 ~~A.~~ A. The limitations prescribed by this article do not apply to:

38 1. Personal property, other than mobile homes. The full cash value of
39 personal property, other than mobile homes, shall be used for all purposes in
40 lieu of limited property value.

41 2. Property included in property class one ~~UNDER SECTION 42-12001,~~
42 paragraphs 1 through 7 and 11 ~~under section 42-12001.~~ The full cash value of
43 that property shall be used for all purposes in lieu of limited property
44 value.

45 ~~B. This section does not restrict the determination of full cash value~~
46 ~~of all parcels or items or property in this state pursuant to article 2 of~~

1 ~~this chapter for purposes of levying a tax rate for secondary property tax~~
2 ~~purposes and for all other lawful purposes.~~

3 Sec. 11. Section 42-15005, Arizona Revised Statutes, is amended to
4 read:

5 42-15005. Assessed valuation of class five property

6 The director shall annually determine percentages to apply as a basis
7 for determining the assessed valuation of class five property described in
8 section 42-12005 equal to the ratios that:—

9 ~~1. The total net assessed valuation for secondary tax purposes of all~~
10 ~~taxable property in class one and class six, paragraph 3 and personal~~
11 ~~property in class two bears to the total full cash value of such property and~~
12 ~~that ratio shall be used for secondary tax purposes as required by federal~~
13 ~~law.~~

14 ~~2.~~ the total net assessed valuation of all taxable property for
15 primary AND SECONDARY tax purposes in class one and class six, paragraph 3
16 and personal property in class two bears to the total limited valuation used
17 for primary tax purposes of such property, and that ratio shall be used for
18 primary tax purposes as required by federal law.

19 Sec. 12. Section 42-15010, Arizona Revised Statutes, is amended to
20 read:

21 42-15010. Applying assessment percentages

22 ~~A.~~ In preparing the tax rolls, the county assessor shall apply the
23 appropriate percentage to the full cash value and OR limited property value
24 of property, AS APPLICABLE, to show the assessed valuation.

25 ~~B. If a parcel of property has more than one percentage applied to its~~
26 ~~full cash value under this section due to multiple uses, the assessor shall~~
27 ~~apply the percentages to the limited property value of the parcel in the same~~
28 ~~proportion and in the same manner as to the parcel's full cash value.~~

29 Sec. 13. Section 42-15252, Arizona Revised Statutes, is amended to
30 read:

31 42-15252. Determining assessed valuation of remote municipal
32 property

33 A. The county assessor shall determine the full cash value and ~~primary~~
34 ~~and secondary~~ assessed valuation of remote municipal property at the same
35 amount and using the same method of assessment as applied to private property
36 that is used for the same purpose in the county.

37 B. Remote municipal property that is used for agricultural purposes as
38 provided in chapter 12, article 4 of this title shall be valued pursuant to
39 chapter 13, article 3 of this title. Remote municipal property that has been
40 retired from irrigated agricultural use but that is not used for any
41 commercial purpose shall be valued at its market value and assessed as class
42 two property pursuant to sections 42-12002 and 42-15002.

43 C. The assessor shall transmit the determination of the value of the
44 property to the county board of supervisors on or before the third Monday in
45 June.

Truth in Taxation Hearing

Notice of Tax Increase

In compliance with section 42-17107, Arizona Revised Statutes, _____ (name of county, city or town) is notifying its property taxpayers of _____'s (name of county, city or town) intention to raise its primary property taxes over last year's level. _____ (name of county, city or town) is proposing an increase in primary property taxes of \$_____ or ____%.

For example, the proposed tax increase will cause _____'s (name of county, city or town) primary property taxes on a \$100,000 home to increase from \$_____ (total taxes that would be owed without the proposed tax increase) to \$_____ (total proposed taxes including the tax increase).

This proposed increase is exclusive of increased primary property taxes received from new construction. The increase is also exclusive of any changes that may occur from property tax levies for voter approved bonded indebtedness or budget and tax overrides.

All interested citizens are invited to attend the public hearing on the tax increase that is scheduled to be held _____ (date and time) at _____ (location).

2. In lieu of publishing the truth in taxation notice, the governing body may mail the truth in taxation notice prescribed by paragraph 1, subdivision (d) **OF THIS SUBSECTION** to all registered voters in the county, city or town at least ten but not more than twenty days before the date of the hearing on the estimates pursuant to section 42-17104.

3. In addition to publishing the truth in taxation notice under paragraph 1 **OF THIS SUBSECTION** or mailing the notice under paragraph 2 **OF THIS SUBSECTION**, the governing body shall issue a press release containing the truth in taxation notice.

4. The governing body shall consider a motion to levy the increased property taxes by roll call vote.

5. Within three days after the hearing, the governing body shall mail a copy of the truth in taxation notice, a statement of its publication or mailing and the result of the governing body's vote under paragraph 4 **OF THIS SUBSECTION** to the property tax oversight commission.

6. The governing body shall hold the truth in taxation hearing on or before the adoption of the county, city or town budget under section 42-17105.

B. If the governing body fails to comply with the requirements of this section, the governing body shall not fix, levy or assess an amount of primary property taxes that exceeds the preceding year's amount, except for amounts attributable to new construction.

C. For the purposes of this section, "amount attributable to new construction" means the net assessed valuation of property added to the tax

1 roll since the previous year multiplied by a property tax rate computed by
2 dividing the primary property tax levy of the county, city or town in the
3 preceding year by the estimate of the total net assessed valuation of the
4 county, city or town for the current year, excluding the net assessed
5 valuation attributable to new construction.

6 Sec. 16. Section 48-5568, Arizona Revised Statutes, is amended to
7 read:

8 48-5568. Limit of bonded indebtedness

9 A special health care district shall not incur a bonded indebtedness
10 exceeding ten per cent of the ~~secondary~~ NET assessed value of all taxable
11 property in the district as shown by the last assessment roll of the county.

12 Sec. 17. Applicability

13 Sections 42-11001, 42-11111, 42-13301, 42-13304, 42-15005, 42-15010 and
14 42-15252, Arizona Revised Statutes, as amended by this act, apply beginning
15 tax year 2015.

16 Sec. 18. Effective date

17 A. Sections 15-481 and 35-454, Arizona Revised Statutes, as amended by
18 this act, are effective from and after December 31, 2013.

19 B. Sections 15-448, 15-1402, 15-1461.01, 41-1276, 42-15253, 42-17107
20 and 48-5568, Arizona Revised Statutes, as amended by this act, are effective
21 from and after December 31, 2014.

APPROVED BY THE GOVERNOR APRIL 5, 2013.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 5, 2013.