ARIZONA STATE SENATE

Fifty-First Legislature, Second Regular Session

FACT SHEET FOR H.B. 2395

property tax calculations; school districts

Purpose

Requires county school superintendents (superintendents) to report certain school district property tax calculations to the Property Tax Oversight Commission (PTOC), requires the PTOC to review and correct, if necessary, such calculations and modifies other school district property tax reports.

Background

Basic State Aid for school districts is primarily determined through the Equalization Base, which is the sum of a district's Revenue Control Limit and District Additional Assistance. There are two major components that fund Basic State Aid: 1) school district property tax monies; and 2) state General Fund monies. School district property taxes are primarily determined by a rate known as the Qualifying Tax Rate (QTR). Under most circumstances, if a school district levies a rate equal to 100 percent of the QTR and the dollar amount generated is less than the district's Equalization Base, the remaining amount is funded through state General Fund monies. Since property wealth varies by school district, some school districts' Equalization Base is entirely funded through district tax revenue. These districts are commonly referred to as minimum QTR districts or non-state aid districts. Non-state aid districts are required to levy a tax equal to no less than 50 percent of the QTR regardless of if the rate generates an amount in excess of the district's Equalization Base. Monies generated in excess of the district's Equalization Base are transmitted to the state General Fund to aid in school financial assistance.

The superintendent must recompute equalization assistance for each school district using the property values provided by the county assessor and must also compute the additional amount to be levied for non-state aid districts. The superintendent must certify in writing the amount of equalization assistance and the additional amount needed for each district from the primary property tax to the county Board of Supervisors (BOS) and the PTOC on or before the third day before the day the county BOS is required to levy school district taxes. The superintendent, no later than August 1 each year, must file in writing with each district board in the county and the county BOS the superintendent's estimate of the amount of school monies required by each district for the ensuing year, based on the budgets adopted by district boards. The superintendent, concurrently with the county BOS adopting tax rates each year, must file in writing with the PTOC the finalized estimate of the amount of school monies required by each district for the ensuing year, based on budgets adopted by district boards.

The PTOC is charged with furthering the public confidence in property tax limitations, providing a uniform methodology for determining those limitations and providing a continuing review of practices for ensuring a fair and equitable administration of property tax laws. The

PTOC consists of the Director of the Department of Revenue, who serves as chairman and four persons who are knowledgeable in the area of property tax assessment and levy. One of these four members is appointed by the Governor and the remaining three are jointly appointed by the President of the Senate and the Speaker of the House of Representatives.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Modifies when the superintendent must certify to the PTOC, from on or before three days before the county BOS levies school district taxes, to July 25 of each year, the:
   a) amount of equalization assistance for education; and
   b) the additional amount required to be levied from the primary property tax.

2. Requires the superintendent to file with the PTOC by July 25 of each year a written estimate of the amount of monies required by each school district for the ensuing school year based on proposed budgets adopted by district boards.

3. Requires the superintendent to file in writing on or before the third Monday in August an amount required to be levied for each school district from both the primary tax rate and the secondary tax rate to the:
   a) PTOC; and
   b) county BOS.

4. Eliminates the requirement for the superintendent to certify in writing to the county BOS the following:
   a) the amount of equalization assistance for education and additional amount needed for each school district from the primary property tax; and
   b) estimates of the amount of monies required by each school district for the ensuing year based on budgets adopted by district boards.

5. Eliminates the requirement that the superintendent file in writing with the county BOS the superintendent's estimate of the amount of school monies required by each school district for the ensuing year based on budgets adopted by governing boards.

6. Eliminates the requirement that the superintendent concurrently with the county BOS file in writing with the PTOC a finalized estimate of school monies required by each school district for the ensuing year based on budgets adopted by district boards.

7. Modifies when the superintendent must file in writing with each district board in the county, from not later than August 1 each year, to July 25 each year, the estimates of the amount of school monies required by each district for the ensuing year, based on budgets adopted by district boards.

8. Requires the PTOC to review primary property tax calculations, including the tax levy and rate and authorizes the PTOC to recalculate primary property tax calculations as necessary.

9. Requires the PTOC, by September 15, to notify a school district and the county BOS of the necessary adjustment to the tax levy and rate if the PTOC determines a school district incorrectly calculated the tax levy and rate.

10. Allows a school district to request an appeals hearing before the PTOC if the district disputes the PTOC's finding of an incorrect tax levy and rate calculation.

11. Requires the PTOC, if the PTOC determines that errors were made in the calculation of the primary property tax levy, to correct the levy and notify the school district within 5 days of the correction that the levy has been corrected.

12. Includes school districts in the definition of *political subdivision* regarding the PTOC's governance statutes.

13. Makes technical and conforming changes.

14. Becomes effective on the general effective date.

House Action

WM	1/23/14	DP	5-3-0-0-0-0
3rd Read	2/27/14		33-25-2-0-0

Prepared by Senate Research
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KK/ls