

REFERENCE TITLE: schools; primary property tax rates

State of Arizona  
House of Representatives  
Fifty-second Legislature  
Second Regular Session  
2016

# HB 2481

Introduced by  
Representative Olson

AN ACT

REPEALING SECTION 15-906, ARIZONA REVISED STATUTES; AMENDING SECTION 15-943.01, ARIZONA REVISED STATUTES; REPEALING SECTION 15-943.03, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-991, 15-992 AND 42-17151, ARIZONA REVISED STATUTES; RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Repeal

3 Section 15-906, Arizona Revised Statutes, is repealed.

4 Sec. 2. Section 15-943.01, Arizona Revised Statutes, is amended to  
5 read:

6 15-943.01. Maintenance and operation budget balance: definition

7 A. The governing board of a school district may budget any budget  
8 balance in the maintenance and operation section of the budget, as provided  
9 in section 15-903, from the current fiscal year for use in the maintenance  
10 and operation section of the budget in the budget year. The amount ~~which~~  
11 ~~THAT~~ may be budgeted as the budget balance carryforward in any one fiscal  
12 year ~~shall not exceed four per cent of the school district's revenue control~~  
13 ~~limit, as provided in section 15-947, subsection A, for the current year and~~  
14 shall not include any budget balance attributable to any reduction in the  
15 district's general budget limit, including reductions for items ~~which~~ ~~THAT~~  
16 are exempt from the revenue control limit and for which expenditures are  
17 limited to a designated purpose such as ~~excess insurance costs or excess~~  
18 ~~utility costs~~ MONIES LEVIED PURSUANT TO SECTION 15-910, SUBSECTION G or for  
19 the bond issues portion of the cost of tuition. The amount budgeted as the  
20 budget balance carryforward is specifically exempt from the revenue control  
21 limit.

22 B. If the actual amount of the allowable budget balance carryforward  
23 is less than the amount budgeted for the budget balance carryforward, the  
24 governing board shall adjust the general budget limit and expenditures before  
25 May 15 based on the actual allowable budget balance carryforward. If the  
26 actual amount of the allowable budget balance carryforward is more than the  
27 amount budgeted for the budget balance carryforward, the governing board may  
28 adjust its budget before May 15 based on the actual amount of the allowable  
29 fund balance carryforward. Not later than May 18, the budget as revised  
30 shall be submitted electronically to the superintendent of public  
31 instruction.

32 C. If the governing board is eligible to budget for a budget balance  
33 carryforward as provided in subsection A of this section, the governing board  
34 may transfer an amount from the district's ending cash balance of the  
35 maintenance and operations fund to the school opening fund. ~~The maximum~~  
36 ~~amount that may be transferred is the lesser of the district's ending cash~~  
37 ~~balance in the maintenance and operations fund or the amount the district is~~  
38 ~~eligible to budget as a budget balance carryforward.~~ The school opening fund  
39 is a cash controlled fund as provided in section 15-905, subsection N, and  
40 may only be expended for the additional maintenance and operations expenses  
41 incurred in the first year of operation of a new school within the school  
42 district. The monies in the school opening fund are not subject to  
43 reversion, except that at the end of five years of no activity in the fund,  
44 any remaining monies shall be reverted to the maintenance and operations

1 fund. Any monies so reverted may be considered additional budget balance for  
2 that fiscal year.

3 D. If a governing board transfers monies as provided in subsection C  
4 of this section, the amount so transferred in a fiscal year shall be  
5 subtracted from the amount the district would otherwise be eligible to budget  
6 for that fiscal year as provided in subsection A of this section. The  
7 difference, if any, is the maximum amount that may be budgeted for that  
8 fiscal year as a budget balance carryforward.

9 E. For the purposes of this section, "budget balance" means the  
10 difference between actual and budgeted expenditures.

11 Sec. 3. Repeal

12 Section 15-943.03, Arizona Revised Statutes, is repealed.

13 Sec. 4. Section 15-991, Arizona Revised Statutes, is amended to read:

14 15-991. Annual estimate by county school superintendent of  
15 monies for ensuing year; review and approval by  
16 property tax oversight commission

17 A. The county school superintendent shall recompute the equalization  
18 assistance for education for each school district pursuant to section 15-971,  
19 subsection A and compute the additional amount to be levied pursuant to  
20 section 15-992, subsection B using the property values provided by the county  
21 assessor under section 42-17052. The county school superintendent must  
22 certify in writing to the property tax oversight commission on or before July  
23 25 of each year the amount of equalization assistance for education and the  
24 amount to be levied for each school district from the primary property tax  
25 pursuant to section 15-992.

26 B. The county school superintendent must prepare and file with the  
27 governing board of each school district in the county and the property tax  
28 oversight commission on or before July 25 of each year a written estimate of  
29 the amount of monies required by each school district for the ensuing school  
30 year based on the proposed budget adopted by each school district governing  
31 board. The estimate shall contain:

32 1. A statement of the student count of each school district.

33 2. The total amount to be received for the year by each school  
34 district from the county school fund and the special county school reserve  
35 fund.

36 ~~3. The projected ending cash balance from the previous year adjusted~~  
37 ~~for encumbrances and payables for each school district as provided by the~~  
38 ~~school district and as certified by the president of the school district~~  
39 ~~governing board. A governing board may delegate to a superintendent, head~~  
40 ~~teacher or business manager the authority to certify the projected cash~~  
41 ~~balance.~~

42 ~~4.~~ 3. The anticipated interest earnings for each school district.

43 ~~5.~~ 4. Revenues equal to the amount included in the adopted budget for  
44 the maintenance and operation section of the budget permitted by section  
45 15-947, subsection C, paragraph 2, subdivision (a), items (ii), (iii), (iv),

1 (v) and (vi) and subdivision (c). The county school superintendent shall  
2 ~~subtract from each school district's budgeted expenditures the total amount~~  
3 ~~of estimated revenues including the projected ending cash balance from the~~  
4 ~~previous year adjusted for encumbrances and payables in order to~~ estimate the  
5 additional amounts needed for each school district from the primary property  
6 tax and the secondary property tax. The county school superintendent shall  
7 certify such amounts to the board of supervisors and the property tax  
8 oversight commission in writing at the time of filing the estimate. When  
9 estimating the additional amount needed from the primary property tax for a  
10 school district that is not eligible for any equalization assistance as  
11 provided in section 15-971, the county school superintendent shall include  
12 the school district governing board's estimate of the increase in the revenue  
13 control limit as prescribed by section 15-948 for the applicable year, except  
14 that the percentage increase in average daily membership used to compute the  
15 estimated increase in the revenue control limit may not exceed the average of  
16 the percentage increase in average daily membership in the three years before  
17 the year for which the estimate is made.

18 ~~6-~~ 5. The calculation of the amount to be levied as prescribed by  
19 section 15-992 using the values provided by the county assessor under section  
20 42-17052.

21 C. The property tax oversight commission must review the primary  
22 property tax calculations filed under subsection B, paragraph ~~6-~~ 5 of this  
23 section.

24 D. The county school superintendent must file in writing with the  
25 county board of supervisors and the property tax oversight commission on or  
26 before the third Monday in August of each year the amount that is required to  
27 be levied for each school district from both the primary property tax  
28 prescribed by section 15-992 and the secondary property tax.

29 E. On or before September 1, the governing board of a school district  
30 shall file with the county school superintendent an estimate of the amount of  
31 title VIII of the elementary and secondary education act of 1965 monies it is  
32 eligible to receive during the current year. On or before June 1, the  
33 governing board shall file with the county school superintendent and the  
34 superintendent of public instruction a statement of the actual amount of  
35 title VIII of the elementary and secondary education act of 1965 monies it  
36 received during the current year. This subsection does not apply to  
37 accommodation schools.

38 F. The department may collect any other similar or related information  
39 from school districts that the department may determine is necessary to carry  
40 out the purposes of this section.

1           Sec. 5. Section 15-992, Arizona Revised Statutes, is amended to read:  
2           15-992. School district tax levy; additional tax in districts  
3                           ineligible for equalization assistance; definition

4           A. The board of supervisors of each county ~~shall annually~~, at the time  
5 of levying other taxes, **SHALL ANNUALLY** levy school district taxes on the  
6 property in any school district in which additional amounts are required,  
7 which shall be at rates ~~sufficient to provide the additional amounts~~  
8 **PRESCRIBED IN THIS SECTION**. No delinquency factor for estimated uncollected  
9 taxes may be included in the computation of the primary tax rate for school  
10 district taxes. No local property taxes may be levied for any deficit in the  
11 classroom site fund. The taxes shall be added to and collected in the same  
12 manner as other county taxes on the property within the school district. The  
13 amount of the school district taxes levied ~~upon~~ **ON** the property in a  
14 particular school district shall be paid into the school fund of ~~such~~ **THAT**  
15 school district.

16           B. At the same time of levying taxes as provided in subsection A of  
17 this section, the county board of supervisors shall annually levy an  
18 additional tax in each school district that is not eligible for equalization  
19 assistance as provided in section 15-971 in an amount determined as follows:

20           1. Determine the levy that would be produced by fifty ~~per cent~~ **PERCENT**  
21 of the applicable qualifying tax rate, prescribed in section 15-971,  
22 subsection B, per one hundred dollars assessed valuation.

23           2. Subtract the amount determined in section 15-971, subsection A from  
24 the levy determined in paragraph 1 of this subsection. This difference is  
25 the additional amount levied or collected as voluntary contributions pursuant  
26 to title 48, chapter 1, article 8, except that if the difference is zero or  
27 is a negative number, there shall be no levy.

28           C. Monies collected pursuant to subsection B of this section shall be  
29 transmitted to the state treasurer for deposit in the state general fund to  
30 aid in school financial assistance.

31           D. The additional tax prescribed in subsection B of this section is  
32 considered to be primary property tax for purposes of section 15-972,  
33 subsection B, except that this state is not required to make the payments  
34 prescribed in section 15-972, subsection H for these reductions in taxes.

35           **E. THE TAX LEVY PRESCRIBED IN SUBSECTION A OF THIS SECTION SHALL BE A**  
36 **RATE EQUAL TO THE QUALIFYING TAX RATE PRESCRIBED IN SECTION 15-971,**  
37 **SUBSECTION B, PARAGRAPH 2 OR A RATE THAT EQUALS THE SCHOOL DISTRICT SUPPORT**  
38 **LEVEL PRESCRIBED IN SECTION 15-947 SUBTRACTED BY ANY AMOUNT RECEIVED PURSUANT**  
39 **TO SECTION 15-905, SUBSECTIONS K, O AND P PER ONE HUNDRED DOLLARS OF ASSESSED**  
40 **VALUATION USED FOR PRIMARY PROPERTY TAXES, WHICHEVER IS LESS.**

41           **F. AT THE TIME OF LEVYING TAXES AS PROVIDED IN SUBSECTION E OF THIS**  
42 **SECTION, THE COUNTY BOARD OF SUPERVISORS SHALL ANNUALLY VALIDATE ANY**  
43 **ADDITIONAL PRIMARY SCHOOL DISTRICT TAX LEVY AMOUNT REQUESTS FROM EACH SCHOOL**  
44 **DISTRICT AND LEVY THE SUM OF THE FOLLOWING AMOUNTS:**

1           1. A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS THE DIFFERENCE  
2 BETWEEN THE TRANSPORTATION REVENUE CONTROL LIMIT AS DETERMINED IN SECTION  
3 15-946 AND THE TRANSPORTATION SUPPORT LEVEL AS DETERMINED IN SECTION 15-945.

4           2. A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS ANY AMOUNT PURSUANT  
5 TO SECTION 15-910.

6           3. A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS ANY AMOUNT FOR  
7 TUITION LOSS AS DETERMINED IN SECTION 15-954.

8           4. A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS ANY AMOUNT FOR THE  
9 SMALL SCHOOL ADJUSTMENT AS DETERMINED IN SECTION 15-949.

10          5. A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS ANY AMOUNT FOR  
11 LIABILITIES IN EXCESS OF THE SCHOOL DISTRICT BUDGET PURSUANT TO SECTION  
12 15-907.

13          6. A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS ANY AMOUNT FOR  
14 ADJACENT WAYS PURSUANT TO SECTION 15-995.

15          7. A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS THE AMOUNT NOT  
16 CAPTURED BY THE QUALIFYING TAX RATE AS A RESULT OF PROPERTY SUBJECT TO THE  
17 GOVERNMENT PROPERTY LEASE EXCISE TAX PURSUANT TO TITLE 42, CHAPTER 6, ARTICLE  
18 5 AS CALCULATED IN SECTION 15-971, SUBSECTION B, PARAGRAPH 2.

19          ~~E.~~ G. For the purposes of this section, "assessed valuation" includes  
20 the values used to determine voluntary contributions collected pursuant to  
21 title 9, chapter 4, article 3 and title 48, chapter 1, article 8.

22          Sec. 6. Section 42-17151, Arizona Revised Statutes, is amended to  
23 read:

24           42-17151. County, municipal, community college and school tax  
25   levy

26          A. On or before the third Monday in August each year, the governing  
27 body of each county, city, town, community college district and school  
28 district shall:

29           1. Fix, levy and assess the amount to be raised from primary property  
30 taxation and secondary property taxation. This amount, plus all other  
31 sources of revenue, as estimated, and restricted and unrestricted  
32 unencumbered balances from the preceding fiscal year, shall equal the total  
33 of amounts proposed to be spent in the budget for the current fiscal year.

34           2. Designate the amounts to be levied for each purpose appearing in  
35 the adopted budget.

36           3. Fix and determine a primary property tax rate and a secondary  
37 property tax rate, each rounded to four decimal places on each one hundred  
38 dollars of taxable property shown by the finally equalized valuations of  
39 property, less exemptions, that appear on the tax rolls for the fiscal  
40 year, as determined by the assessor on or before February 10 of the tax year  
41 pursuant to section 42-17052, and that when extended on those valuations will  
42 produce, in the aggregate, the entire amount to be raised by direct taxation  
43 for that year.

44          B. The governing body of a county, city, town or community college  
45 district shall not fix, levy or assess an amount of primary property taxes in

1 excess of the amount permitted by section 42-17051, subsection A, paragraph 7  
2 or section 42-17005 as determined by the property tax oversight commission.

3 C. The governing board of a common school district, a high school  
4 district or a unified school district shall not fix, levy or assess a primary  
5 property tax rate higher than the current year's rate if the district meets  
6 both of the following criteria, as determined by the property tax oversight  
7 commission:

8 1. The total primary property taxes levied for all taxing  
9 jurisdictions on at least one-half of the residential property of the  
10 district exceed the limitation described in section 15-972, subsection E.

11 2. The school district primary property tax rate exceeds one hundred  
12 fifty ~~per cent~~ PERCENT of the applicable qualifying tax rate pursuant to  
13 section 41-1276.

14 D. No later than December 31, the property tax oversight commission  
15 shall notify those school districts that meet the criteria described in  
16 subsection C of this section and the county school superintendents and boards  
17 of supervisors of the counties in which the school districts are located.

18 E. Within three days after the final levies are determined for a  
19 county, city, town or community college district, the chief county fiscal  
20 officer shall notify the property tax oversight commission of the amount of  
21 the primary property tax levied.

22 F. Pursuant to section 15-465.01, subsection E, an accommodation  
23 school governing board shall not levy a primary or secondary property tax.  
24 The property tax oversight commission shall consider any amount of property  
25 tax levied by a county in support of an accommodation school to be part of  
26 the county's primary levy for the purposes of determining the county's  
27 compliance with subsection B of this section.

28 G. THE GOVERNING BOARD OF A SCHOOL DISTRICT SHALL FIX AND LEVY A  
29 PRIMARY PROPERTY TAX AS DETERMINED BY SECTION 15-992, SUBSECTIONS E AND F.