House Engrossed Senate Bill

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KEN BENNETT
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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)

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

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

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

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

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

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

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

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

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

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

the unified school district. The boundaries shown in the transcript shall become the legal boundaries of the school districts on July 1 of the next fiscal year.

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

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

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

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

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

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

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

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

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

I. ~~Upon~~ ON formation of a unified school district, any existing override authorization of the former high school district and the former common school district or districts shall continue until expiration based on

the revenue control limit of the school district or districts that had override authorization prior to unification. The unified school district may request new override authorization for the budget year as provided in section 15-481 based on the combined revenue control limit of the new district after unification. If the unified school district's request for override authorization is approved, it will replace any existing override for the budget year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 2. Section 15-481, Arizona Revised Statutes, is amended to read:

15-481. Override election; budget increases; notice; ballot; effect

A. If a proposed budget of a school district exceeds the aggregate budget limit for the budget year, at least ninety days before the proposed election the governing board shall order an override election to be held on the first Tuesday following the first Monday in November as prescribed by section 16-204, subsection B, paragraph 1, subdivision (d) for the purpose of presenting the proposed budget to the qualified electors of the school district who by a majority of those voting either shall affirm or reject the budget. At the same time as the order of the election, the governing board shall publicly declare the deadline for submitting arguments, as set by the county school superintendent pursuant to subsection B, paragraph 9 of this section, to be submitted in the informational report and shall immediately post the deadline in a prominent location on the district's website. In addition, the governing board shall prepare an alternate budget ~~which~~ THAT does not include an increase in the budget of more than the amount permitted as provided in section 15-905. If the qualified electors approve the proposed budget, the governing board of the school district shall follow the procedures prescribed in section 15-905 for adopting a budget that includes the authorized increase. If the qualified electors disapprove the proposed budget, the governing board shall follow the procedures prescribed in section 15-905 for adopting a budget that does not include the proposed increase or the portion of the proposed increase that exceeds the amount authorized by a previously approved budget increase as prescribed in subsection P of this section.

B. The county school superintendent shall prepare an informational report on the proposed increase in the budget and a sample ballot and, at least forty days prior to the election, shall transmit the report and the

sample ballot to the governing board of the school district. The governing board, upon receipt of the report and the ballot, shall mail or distribute the report and the ballot to the households in which qualified electors reside within the school district at least thirty-five days prior to the election. Any distribution of material concerning the proposed increase in the budget shall not be conducted by children enrolled in the school district. The report shall contain the following information:

1. The date of the election.

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

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

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

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

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

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

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

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

arguments to be included in the informational report shall be set by the county school superintendent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. The following statement:

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

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

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

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

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

(i)

Student Count		Small School Student Count Limit		Support Level Weight for Small Isolated School Districts		Base Level		Phase Down Reduction Factor
_____	-	125	x	1.358 + (0.0005 x (500 - Student Count))	x	$ _____	=	$ _____

Phase Down Base		Phase Down Reduction Factor		Small Isolated School District Elementary Limit
$150,000	-	$ _____	=	$ _____

(ii)

Student Count		Small School Student Count Limit		Support Level Weight for Small School Districts		Base Level		Phase Down Reduction Factor
_____	-	125	x	1.278 + (0.0003 x (500 - Student Count))	x	$ _____	=	$ _____

Phase Down Base		Phase Down Reduction Factor		Small School District Elementary Limit
$150,000	-	$ _____	=	$ _____

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

(i)

Student Count		Small School Student Count Limit		Support Level Weight for Small Isolated School Districts		Base Level		Phase Down Reduction Factor
_____	-	100	x	1.468 + (0.0005 x (500 - Student Count))	x	$ _____	=	$ _____

Phase Down Base		Phase Down Reduction Factor		Small Isolated District Secondary Limit
$350,000	-	$ _____	=	$ _____

(ii)

Student Count		Small School Student Count Limit		Support Level Weight for Small School Districts		Base Level		Phase Down Reduction Factor
_____	-	100	x	1.398 + (0.0004 x (500 - Student Count))	x	$ _____	=	$ _____

Phase Down Base		Phase Down Reduction Factor		Small School District Secondary Limit
$350,000	-	$ _____	=	$ _____

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

(d) If only subdivision (a) or (b) of this paragraph applies to a unified school district, the district's limit for the purposes of this paragraph is the sum of the limit computed as provided in subdivision (a) or (b) of this paragraph plus ten per cent of the revenue control limit attributable to those grade levels that do not meet the eligibility requirements of this subsection. If a school district budgets monies outside the revenue control limit pursuant to section 15-949, subsection E, the district's limit for the purposes of this paragraph is only the ten per cent

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

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

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

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

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

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

J. If the election is to exceed the revenue control limit as provided in section 15-482 and if the proposed increase will be fully funded by revenues other than a levy of taxes on the taxable property within the school district, the ballot shall contain the words "budget increase, yes" and

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

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

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

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

> Any budget increase authorized by this election shall be entirely funded by a levy of taxes upon the taxable property within this school district for the year in which adopted and for _____ subsequent years, shall not be realized from monies furnished by the state and shall not be subject to the limitation on taxes specified in article IX, section 18, Constitution of Arizona. Based on the current NET assessed valuation used for secondary property tax purposes, to fund the

proposed increase in the school district's budget would require an estimated tax rate of _____ dollar per one hundred dollars of NET assessed valuation used for secondary property tax purposes and is in addition to the school district's tax rate which will be levied to fund the school district's capital outlay revenue limit allowed by law.

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

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

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

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

P. If the voters in a school district vote to adopt a budget in excess of the revenue control limit as provided in subsection E or F of this section, any additional increase shall be included in the aggregate budget limit for each of the years authorized. Any additional increase shall be excluded from the determination of equalization assistance. The school district governing board, however, may levy on the NET assessed valuation used for secondary property tax purposes of the property in the school district the additional increase if adopted under subsection E of this

section for the period of one year, two years or five through seven years as authorized. If an additional increase is approved as provided in subsection F of this section, the school district governing board may only use revenues derived from the school district's prior year's maintenance and operation fund ending cash balance to fund the additional increase. If a budget increase was previously authorized and will be in effect for the budget year or budget year and subsequent years, as provided in subsection E or F of this section, the governing board may request a new budget increase as provided in the same subsection under which the prior budget increase was adopted, which shall not exceed the maximum amount permitted under subsection G of this section. If the voters in the school district authorize the new budget increase amount, the existing budget increase no longer is in effect. If the voters in the school district do not authorize the budget increase amount, the existing budget increase remains in effect for the time period for which it was authorized. The maximum additional increase authorized as provided in subsection E or F of this section and the additional increase ~~which~~ THAT is included in the aggregate budget limit is based on a percentage of a school district's revenue control limit in future years, if the budget increase is authorized for more than one year. If the additional increase:

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

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

Q. If the voters in a school district vote to adopt a budget in excess of the revenue control limit as provided in subsection I or J of this section, any additional increase shall be included in the aggregate budget limit for each of the years authorized. Any additional increase shall be excluded from the determination of equalization assistance. The school district governing board, however, may levy on the NET assessed valuation used for secondary property tax purposes of the property in the school district the additional increase if adopted under subsection I of this section for the period of one year, two years or five through seven years as authorized. If an additional increase is approved as provided in subsection J of this section, the increase may only be budgeted and expended if sufficient monies are available in the maintenance and operation fund of the school district. If a budget increase was previously authorized and will be in effect for the budget year or budget year and subsequent years, as provided in subsection I or J of this section, the governing board may request a new budget increase as provided in the same subsection under which the prior budget increase was adopted that does not exceed the maximum amount permitted under subsection K of this section. If the voters in the school district authorize the new budget increase amount, the existing budget

increase no longer is in effect. If the voters in the school district do not authorize the budget increase amount, the existing budget increase remains in effect for the time period for which it was authorized. The maximum additional increase authorized as provided in subsection I or J of this section and the additional increase that is included in the aggregate budget limit is based on a percentage of a school district's revenue control limit in future years, if the budget increase is authorized for more than one year. If the additional increase:

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

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

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

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

T. In addition to subsections P and S of this section, from the maintenance and operation fund and capital outlay fund ending cash balances, the school district governing board shall first use any available revenues to reduce its primary tax rate to zero and shall use any remaining revenues to

fund the additional increase authorized as provided in subsections F and M of this section.

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

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

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

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

> The capital improvements that are proposed to be funded through this override election are to exceed the state standards and are in addition to monies provided by the state.
>
> _____ school district is proposing to increase its budget by $_____ to fund capital improvements over and above those funded by the state. Under the students first capital funding system, _____ school district is entitled to state monies for building renewal, new construction and renovation of school buildings in accordance with state law.

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

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

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

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

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

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

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

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

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

> Any budget increase continuation authorized by this election shall be entirely funded by a levy of taxes on the taxable property in this school district for the year for which adopted and for ____ subsequent years, shall not be realized from monies furnished by the state and shall not be subject to

the limitation on taxes specified in article IX, section 18, Constitution of Arizona. Based on the current NET assessed valuation used for secondary property tax purposes, to fund the proposed continuation of the increase in the school district's budget would require an estimated continuation of a tax rate of _____ dollar per one hundred dollars of assessed valuation used for secondary property tax purposes and is in addition to the school district's tax rate that will be levied to fund the school district's revenue control limit allowed by law.

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

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

Sec. 3. Section 15-1402, Arizona Revised Statutes, is amended to read:

15-1402. <u>Community college districts; requirements; exception</u>

A. Community college districts may be organized under this chapter for a single county, two or more contiguous counties or an existing community college district and contiguous counties not part of any community college district if the proposed district has a ~~primary~~ NET assessed valuation, based on the valuation for the preceding year, of at least four hundred forty-eight million seventeen thousand two hundred dollars and a minimum population of

forty thousand persons who are fifteen or more years of age, as determined by the most recent federal census.

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

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

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

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

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

1. The district governing board shall publish a notice that meets the following requirements:

(a) The notice shall be published twice in a newspaper of general circulation in the district. The first publication shall be at least fourteen but not more than twenty days before the date of the hearing. The second publication shall be at least seven but not more than ten days before the date of the hearing.

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

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

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

Truth in Taxation Hearing
Notice of Tax Increase

In compliance with section 15-1461.01, Arizona Revised Statutes, _____ community college district is notifying its property taxpayers of _____ community college district's intention to raise its primary property taxes over last year's

level. The _____ community college district is proposing an increase in primary property taxes of $_____ or _____%.

For example, the proposed tax increase will cause _____ community college district's 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 district board may mail the truth in taxation notice prescribed by paragraph 1, subdivision (d) OF THIS SUBSECTION to all registered voters in the district at least ten but not more than twenty days before the date of the hearing.

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 district governing board shall issue a press release containing the truth in taxation notice to all newspapers of general circulation in the district.

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

5. Within three days after the hearing, the district board shall mail a copy of the truth in taxation notice, a statement of its publication or mailing and the result of the district board's vote under paragraph 4 OF THIS SUBSECTION to the property tax oversight commission established by section 42-17002.

6. The district board 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 board fails to comply with the requirements of this section, the governing board 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 roll since the previous year multiplied by a property tax rate computed by dividing the district's primary property tax levy in the preceding year by the estimate of the district's total net assessed valuation for the current year, excluding the net assessed valuation attributable to new construction.

Sec. 5. Section 35-454, Arizona Revised Statutes, is amended to read:

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

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

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

(a) Amount of the bond authorization.

(b) Maximum interest rate of the bonds.

(c) Estimated debt retirement schedule for the current amount of bonds outstanding, showing both principal and interest payments, the current ~~secondary~~ NET assessed valuation as reported by the department of revenue and the current adopted and estimated tax rates. For the purposes of this paragraph, "~~secondary~~ NET assessed valuation" may include the values used to determine voluntary contributions collected pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article 8.

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

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

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

(e) Source of repayment.

(f) Estimated issuance costs.

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

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

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

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

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

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

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

(k) Polling location for the addressee.

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

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

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

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

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

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

D. If the governing body intends to use revenues other than property taxes to pay the debt on proposed general obligation bonds, the ballot shall contain the phrase "the issuance of these bonds will result in a property tax increase sufficient to pay the annual debt service on bonds, unless the governing body provides for payment from other sources".

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

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

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

Sec. 6. Section 41-1276, Arizona Revised Statutes, is amended to read:

41-1276. <u>Truth in taxation levy for equalization assistance to school districts</u>

A. On or before February 15 of each year, the joint legislative budget committee shall compute and transmit the truth in taxation rates for equalization assistance for school districts for the following fiscal year to:

1. The chairmen of the house of representatives ways and means committee and the senate finance committee or their successor committees.

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

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

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

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

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

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

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

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

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

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

(a) The notice shall be published twice in a newspaper of general circulation in this state that is published at the state capital. The first publication shall be at least fourteen but not more than twenty days before the date of the hearing. The second publication shall be at least seven but not more than ten days before the date of the hearing.

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

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

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

Truth in Taxation Hearing
Notice of Tax Increase

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

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

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

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

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

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

G. Notwithstanding any other law, the legislature shall not adopt a state budget that provides for either qualifying tax rates pursuant to section 15-971 or a state equalization assistance property tax rate pursuant to section 15-994 that exceeds the truth in taxation rates computed pursuant to subsection A of this section unless the rates are adopted by a concurrent resolution approved by an affirmative roll call vote of two-thirds of the members of each house of the legislature before the legislature enacts the general appropriations bill. If the resolution is not approved by two-thirds of the members of each house of the legislature, the rates for the following fiscal year shall be the truth in taxation rates determined pursuant to subsection C of this section and shall be transmitted to the superintendent of public instruction and the county boards of supervisors.

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

I. Pursuant to subsection C of this section, the qualifying tax rate in tax year 2008 for a high school district or a common school district

within a high school district that does not offer instruction in high school subjects as provided in section 15-447 is $1.4622 and for a unified school district, a common school district not within a high school district or a common school district within a high school district that offers instruction in high school subjects as provided in section 15-447 is $2.9244. The state equalization assistance property tax rate in tax years 2006, 2007 and 2008 is zero. The state equalization assistance property tax rate in tax year 2009 shall be computed by annually adjusting the tax year 2005 rate of $0.4358 as provided by this section through tax year 2009.

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

42-11001. Definitions

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

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

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

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

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

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

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

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

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

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

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

9. "Person" means a natural person, individual, proprietor, proprietorship, company, corporation, organization, association, joint venture, partner, partnership, trust, estate or limited liability company,

the federal or state government, a political subdivision of a state or any other legal entity or combination of entities that owns, controls or has possession of real or personal property.

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

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

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

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

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

15. "Secondary property taxes" means:

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

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

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

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

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

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

19. "Valuation year" means:

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

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

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

42-11111. <u>Exemption for property of widows, widowers and disabled persons</u>

A. The property of widows, widowers and disabled persons who are residents of this state is exempt from taxation to the extent allowed by

article IX, sections 2, 2.1, 2.2 and 2.3, Constitution of Arizona, and subject to the conditions and limitations prescribed by this section.

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

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

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

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

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

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

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

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

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

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

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

(a) Under eighteen years of age.

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

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

1. Adjusted gross income as defined by the department.

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

3. Nontaxable strike benefits.

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

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

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

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

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

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

1. Cash public assistance and relief.

2. Railroad retirement benefits.

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

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

5. Payments from veterans disability pensions.

6. Workers' compensation payments.

7. "Loss of time" insurance.

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

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

1. The person's death.

2. The remarriage of a widow or widower.

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

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

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

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

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

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

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

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

42-13301. Limited property value

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

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

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

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

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

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

42-13304. Exemptions from limitation

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

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

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

~~B. This section does not restrict the determination of full cash value of all parcels or items or property in this state pursuant to article 2 of this chapter for purposes of levying a tax rate for secondary property tax purposes and for all other lawful purposes.~~

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

42-15005. Assessed valuation of class five property

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

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

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

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

42-15010. Applying assessment percentages

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

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

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

42-15252. Determining assessed valuation of remote municipal property

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

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

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

Sec. 14. Section 42-15253, Arizona Revised Statutes, is amended to read:

42-15253. Computing amount of taxes otherwise payable on remote municipal property

A. On or before the third Thursday in August, the county board of supervisors shall compute and report to the city, town or political subdivision the amount of property taxes that would otherwise be payable on the city's, town's or political subdivision's remote municipal property by:

1. Multiplying the combined total primary property tax rates of the political subdivisions in which the property is located by the ~~primary~~ assessed valuation of the property.

2. Multiplying the combined total secondary property tax rates of the political subdivisions in which the property is located by the ~~secondary~~ assessed valuation of the property.

B. The sum of the primary and secondary taxes so computed is the amount of property taxes otherwise payable on the remote municipal property.

Sec. 15. Section 42-17107, Arizona Revised Statutes, is amended to read:

42-17107. Truth in taxation notice and hearing; roll call vote on tax increase; definition

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

1. The governing body shall publish a notice that meets the following requirements:

(a) The notice shall be published twice in a newspaper of general circulation in the county, city or town. The first publication shall be at least fourteen but not more than twenty days before the date of the hearing. The second publication shall be at least seven but not more than ten days before the date of the hearing.

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

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

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

1 Truth in Taxation Hearing
2 Notice of Tax Increase
3 In compliance with section 42-17107, Arizona Revised
4 Statutes, _____ (name of county, city or town) is notifying
5 its property taxpayers of _____'s (name of county, city or
6 town) intention to raise its primary property taxes over last
7 year's level. _____ (name of county, city or town) is
8 proposing an increase in primary property taxes of $_____
9 or _____%.
10 For example, the proposed tax increase will cause
11 _____'s (name of county, city or town) primary property
12 taxes on a $100,000 home to increase from $_____ (total
13 taxes that would be owed without the proposed tax increase) to
14 $_____ (total proposed taxes including the tax increase).
15 This proposed increase is exclusive of increased primary
16 property taxes received from new construction. The increase is
17 also exclusive of any changes that may occur from property tax
18 levies for voter approved bonded indebtedness or budget and tax
19 overrides.
20 All interested citizens are invited to attend the public
21 hearing on the tax increase that is scheduled to be held
22 _____ (date and time) at _____ (location).
23 2. In lieu of publishing the truth in taxation notice, the governing
24 body may mail the truth in taxation notice prescribed by paragraph 1,
25 subdivision (d) OF THIS SUBSECTION to all registered voters in the county,
26 city or town at least ten but not more than twenty days before the date of
27 the hearing on the estimates pursuant to section 42-17104.
28 3. In addition to publishing the truth in taxation notice under
29 paragraph 1 OF THIS SUBSECTION or mailing the notice under paragraph 2 OF
30 THIS SUBSECTION, the governing body shall issue a press release containing
31 the truth in taxation notice.
32 4. The governing body shall consider a motion to levy the increased
33 property taxes by roll call vote.
34 5. Within three days after the hearing, the governing body shall mail
35 a copy of the truth in taxation notice, a statement of its publication or
36 mailing and the result of the governing body's vote under paragraph 4 OF THIS
37 SUBSECTION to the property tax oversight commission.
38 6. The governing body shall hold the truth in taxation hearing on or
39 before the adoption of the county, city or town budget under section
40 42-17105.
41 B. If the governing body fails to comply with the requirements of this
42 section, the governing body shall not fix, levy or assess an amount of
43 primary property taxes that exceeds the preceding year's amount, except for
44 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 roll since the previous year multiplied by a property tax rate computed by dividing the primary property tax levy of the county, city or town in the preceding year by the estimate of the total net assessed valuation of the county, city or town for the current year, excluding the net assessed valuation attributable to new construction.

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

48-5568. Limit of bonded indebtedness

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

Sec. 17. Applicability

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

Sec. 18. Effective date

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

B. Sections 15-448, 15-1402, 15-1461.01, 41-1276, 42-15253, 42-17107 and 48-5568, Arizona Revised Statutes, as amended by this act, are effective 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.

Passed the House March 25, 20 13,

by the following vote: 58 Ayes,

0 Nays, 2 Not Voting

Speaker of the House

Chief Clerk of the House

Passed the Senate February 18, 20 13,

by the following vote: 30 Ayes,

0 Nays, 0 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR
This Bill was received by the Governor this

_____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of

_____, 20_____,

at _____ o'clock _____ M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this _____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary of State

S.B. 1169

SENATE CONCURS IN HOUSE AMENDMENTS AND FINAL PASSAGE

Passed the Senate April 3, 2013

by the following vote: 28 Ayes,

0 Nays, 2 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

3 day of April, 2013

at 12:05 o'clock P M.

Mikhaila Howard
Secretary to the Governor

Approved this 5th day of

April

at 12:46 o'clock P. M.

Janice K. Brewer
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 5th day of April, 2013

at 5:00 o'clock P M.

Secretary of State

S.B. 1169