House Engrossed

FILED
MICHELE REAGAN
SECRETARY OF STATE

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

CHAPTER 364

HOUSE BILL 2481

AN ACT

AMENDING SECTIONS 15-906 AND 15-943.01, ARIZONA REVISED STATUTES; REPEALING SECTION 15-943.03, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-980, 15-991, 15-992, 15-1024 AND 15-1028, ARIZONA REVISED STATUTES; RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 15-906, Arizona Revised Statutes, is amended to read:

15-906. Procedure for payment of levy fund liabilities payable on June 30; lapsing of levy funds with balance for reduction of taxes

A. Annually on or before June 30, each school district shall prepare for all levy funds a list of liabilities for goods received or services rendered on or before June 30 ~~which~~ THAT will not be paid by June 30 of the current fiscal year.

B. Each school district having levy fund liabilities payable on June 30 shall file an advice of encumbrance with the county school superintendent on or before July 18, in the manner and ~~upon~~ ON a form to be prescribed in the uniform system of financial records. The county school superintendent shall encumber amounts that are included in ~~year-to-date~~ YEAR-TO-DATE expenditures not to exceed the budget and that are available to pay the liabilities pursuant to section 15-304. ~~Any cash balances remaining in the maintenance and operation, the unrestricted capital outlay and the adjacent ways funds after encumbrances on June 30 of the current year that will be budgeted in the unrestricted capital outlay fund in the following fiscal year pursuant to section 15-947, subsection D shall be used for reduction of school district taxes for the budget year.~~

C. The county school superintendent may draw warrants against the obligated in contract amounts pursuant to subsection B of this section for a period of sixty days immediately following the close of the fiscal year.

D. After expiration of the period of sixty days immediately following the close of each fiscal year, the remaining obligated in contract balance shall lapse and no further payments from the maintenance and operation, unrestricted capital outlay and adjacent ways funds shall be made on any claim for expenditures of the prior fiscal year.

E. School districts that are subject to section 15-914.01 shall adhere to the duties described in section 15-304 for the purposes of this section.

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

15-943.01. Maintenance and operation budget balance; definition

A. The governing board of a school district may budget any budget balance in the maintenance and operation section of the budget, as provided in section 15-903, from the current fiscal year for use in the maintenance and operation section of the budget in the budget year. The amount ~~which~~ THAT may be budgeted as the budget balance carryforward in any one fiscal year ~~shall not exceed four per cent of the school district's revenue control limit, as provided in section 15-947, subsection A, for the current year and~~ shall not include any budget balance attributable to any reduction in the district's general budget limit, including reductions for items ~~which~~ THAT are exempt from the revenue control limit and for which expenditures are

limited to a designated purpose such as ~~excess insurance costs or excess utility costs~~ MONIES LEVIED PURSUANT TO SECTION 15-910, SUBSECTION G or for the bond issues portion of the cost of tuition. The amount budgeted as the budget balance carryforward is specifically exempt from the revenue control limit.

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

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

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

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

Sec. 3. <u>Repeal</u>

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

Sec. 4. Section 15-980, Arizona Revised Statutes, is amended to read:

15-980. <u>Uncollected property tax; property tax loss; supplemental state aid</u>

A. A school district is eligible for supplemental state aid pursuant to this section if a county treasurer certifies to ~~a~~ THE school district

after January 1 that, in the treasurer's reasonable belief, more than ~~twenty per cent~~ TEN PERCENT of the primary property tax revenues that the school district is entitled by law to receive pursuant to section 42-18052 will not be remitted to the district due to one of the following circumstances:

1. Property tax delinquencies.

2. A loss of property tax revenue resulting from a decrease in assessed valuation due to a natural disaster such as fire or flood.

B. On receiving a certificate pursuant to subsection A of this section, the school district may apply to the department of education for supplemental state aid. The application shall include the county treasurer's certified estimate of the total amount of uncollected primary property taxes or the amount of lost property tax revenue for the school district for the tax year payable in the current fiscal year.

C. Within forty-five days after receiving a complete and correct application, the state board of education shall pay to the school district from amounts appropriated for state aid the amount determined in subsection B of this section. The department of education shall notify the county treasurer and the county school superintendent of the amount and the date of the payment of the supplemental state aid. Supplemental state aid paid under this section shall be excluded from the calculation made pursuant to section 15-973, subsection C.

D. The superintendent of a school district that receives supplemental state aid due to delinquent property taxes pursuant to subsection A, paragraph 1 of this section shall report to the department of education between May 5 and May 25 the actual amount of primary property taxes that was not collected and remitted to the district during the current fiscal year, based on information from the county treasurer. If the amount of supplemental state aid paid pursuant to subsection C of this section exceeds the actual amount of the uncollected primary property taxes that the district is entitled to receive, the state board of education shall deduct the difference between the amount of supplemental state aid paid and the amount of the uncollected primary property taxes from the June 15 and, if necessary, subsequent apportionments of state aid pursuant to section 15-973, subsection B.

E. Beginning on June 1 after the payment of supplemental state aid, the county school superintendent shall report quarterly to the department of education the amount of any payments of delinquent primary property taxes received by the district during the previous quarter with respect to a tax year for which the supplemental state aid was paid and not previously deducted from state aid pursuant to subsection D of this section. The department shall deduct the amount reported from the next apportionment of state aid to the district pursuant to section 15-973, subsection B until the supplemental state aid is repaid. If the district does not receive any apportionment pursuant to section 15-973, subsection B, the department shall

direct the school district superintendent to pay that amount to the state treasurer for deposit in the state general fund.

F. A school district that receives supplemental state aid due to loss of assessed valuation pursuant to subsection A, paragraph 2 of this section may receive supplemental state aid for up to three fiscal years. The amount of supplemental state aid shall be reduced each year by one-third and any increased property tax revenue due to higher assessed valuation.

Sec. 5. Section 15-991, Arizona Revised Statutes, is amended to read:

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

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

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

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

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

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

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

~~5.~~ 4. Revenues equal to the amount included in the adopted budget for the maintenance and operation section of the budget permitted by section 15-947, subsection C, paragraph 2, subdivision (a), items (ii), (iii), (iv), (v) and (vi) and subdivision (c). The county school superintendent shall ~~subtract from each school district's budgeted expenditures the total amount of estimated revenues including the projected ending cash balance from the previous year adjusted for encumbrances and payables in order to~~ estimate the additional amounts needed for each school district from the primary property

tax and the secondary property tax. The county school superintendent shall certify such amounts to the board of supervisors and the property tax oversight commission in writing at the time of filing the estimate. When estimating the additional amount needed from the primary property tax for a school district that is not eligible for any equalization assistance as provided in section 15-971, the county school superintendent shall include the school district governing board's estimate of the increase in the revenue control limit as prescribed by section 15-948 for the applicable year, except that the percentage increase in average daily membership used to compute the estimated increase in the revenue control limit may not exceed the average of the percentage increase in average daily membership in the three years before the year for which the estimate is made.

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

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

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

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

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

Sec. 6. Section 15-992, Arizona Revised Statutes, is amended to read:

15-992. <u>School district tax levy; additional tax in districts ineligible for equalization assistance; definition</u>

A. The board of supervisors of each county ~~shall annually~~, at the time of levying other taxes, SHALL ANNUALLY levy school district taxes on the property in any school district in which additional amounts are required, which shall be at rates ~~sufficient to provide the additional amounts~~ PRESCRIBED IN THIS SECTION. No delinquency factor for estimated uncollected taxes may be included in the computation of the primary tax rate for school district taxes. No local property taxes may be levied for any deficit in the

classroom site fund. The taxes shall be added to and collected in the same manner as other county taxes on the property within the school district. The amount of the school district taxes levied ~~upon~~ ON the property in a particular school district shall be paid into the school fund of ~~such~~ THAT school district.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. FOLLOWING THE RECOMMENDATION OF THE COUNTY SCHOOL SUPERINTENDENT AND ON APPROVAL BY THE COUNTY BOARD OF SUPERVISORS, FOR A SCHOOL DISTRICT THAT IS NOT ELIGIBLE FOR STATE AID, A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS ANY LEGAL AMOUNT NOT LEVIED IN THE CURRENT YEAR AS A RESULT OF UNDERESTIMATED AVERAGE DAILY MEMBERSHIP IN THE CURRENT YEAR OR AS A RESULT OF A JUDGMENT IN ACCORDANCE WITH SECTION 42-16213.

9. FOLLOWING THE RECOMMENDATION OF THE COUNTY TREASURER TO THE COUNTY SCHOOL SUPERINTENDENT AND ON APPROVAL BY THE COUNTY BOARD OF SUPERVISORS, A RATE THAT WOULD RESULT IN A LEVY THAT EQUALS ANY LEGAL AMOUNT THAT CORRECTS AN OUTSTANDING CASH DEFICIT FROM THE CLOSE OF THE CURRENT FISCAL YEAR.

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

Sec. 7. Section 15-1024, Arizona Revised Statutes, is amended to read:

15-1024. Interest on bonds; sale; disposition of proceeds; definition

A. The bonds shall bear interest, payable semiannually at the rate or rates set by the accepted bid, which shall not exceed the maximum rate of interest set forth in the resolution calling the election. The bonds may be made payable at such place within the United States as the governing board of the school district directs and shall be sold in the manner prescribed by the governing board of the school district for not less than par.

B. The proceeds of the sale of the bonds shall be deposited in the county treasury to the credit of the bond building fund of the school district. Such deposits may be drawn out for the purposes authorized by this article as other school monies are drawn. If a balance remains in the bond building fund after the acquisition or construction of facilities is completed for which the bonds were issued and ~~upon~~ ON written request of the governing board:

1. If the school district has outstanding bonded indebtedness, the balance remaining in the bond building fund shall be transferred to the debt service fund of the district.

2. If the district has no outstanding bonded indebtedness, the balance remaining in the bond building fund shall be ~~transferred to the general fund of the district~~ USED FOR REDUCTION OF SCHOOL DISTRICT TAXES.

C. When bonds are sold and the proceeds are not required to be used for a period of ten days or more, such proceeds may be invested as provided by section 15-1025, subsection B. All monies earned as interest or otherwise derived from the investment of the proceeds of the sale of the bonds shall be credited to the debt service fund, except that ~~upon~~ ON the request of the district, the monies earned as interest shall be deposited to the bond building fund if federal laws or rules require the interest to be used for capital expenditures or the monies earned as interest shall be credited to the bond building fund if the voters authorized such use of the monies in a separate question at the bond election. The separate question shall inform the voters that the monies will be credited to the debt service fund, and may therefore reduce the amount of the secondary property tax, if the measure authorizing the monies to be credited to the bond building fund does not pass.

D. The amount of net premium associated with a bond issue may not exceed the greater of:

1. Five ~~per cent~~ PERCENT of the par value of the bond issue.

2. One hundred thousand dollars.

E. Costs incurred in issuing the bonds may be paid from the net premium associated with a bond issue. Any net premium not used to pay the costs incurred in issuing the bonds shall be deposited in a debt service fund and used only to pay interest on the bonds.

F. For the purposes of this section, "net premium" means the difference between the par amount of the bond issue and the bond issue price determined pursuant to United States treasury regulations.

Sec. 8. Section 15-1028, Arizona Revised Statutes, is amended to read:

15-1028. Disposition of surplus tax monies

A. If a bond issue and interest thereon have been fully paid and a balance remains in the debt service fund from taxes collected for payment of the bonds and interest, the balance may be applied on the payment of other outstanding bonded indebtedness of the school district payable from the levy of taxes on property within the school district in which the excess tax monies were collected, or if there is no outstanding bonded indebtedness, the balance remaining in or accruing to the debt service fund ~~shall~~, ~~upon~~ ON written request of the governing board of the school district, SHALL be ~~transferred to the general fund of the school district~~ USED FOR REDUCTION OF SCHOOL DISTRICT TAXES.

B. When a school bond issue and interest thereon have been fully paid and a tax levy has thereafter been made ~~upon~~ ON and taxes collected from property the situs of which is in a school district other than the original school district for which the levy was made, such taxes shall belong to the school district from which they were collected, and the county treasurer shall credit such taxes to the general school fund of the school district. The taxes may be expended by the governing board of the school district as other monies in its general school fund are expended.

APPROVED BY THE GOVERNOR ~~MAY~~ 19, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE ~~MAY~~ 19, 2016.

Passed the House February 18, 2016

by the following vote: 34 Ayes,

23 Nays, 3 Not Voting

Speaker of the House

Pro Tempore

Jim Drake

Chief Clerk of the House

Passed the Senate May 7, 2016

by the following vote: 18 Ayes,

10 Nays, 2 Not Voting

President of the Senate

Susan Clarke

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

9th day of May, 2016

at 9:54 o'clock A. M.

Secretary to the Governor

Approved this 19th day of

May

at 11:53 o'clock A M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 19th day of May, 2016

at 3:20 o'clock P M.

Michele Reagan

Secretary of State

H.B. 2481