

REFERENCE TITLE: state equalization property tax repeal

State of Arizona
Senate
Forty-eighth Legislature
Second Regular Session
2008

SB 1002

Introduced by
Senators Waring, Bee, Blendu, Burns, Gray L, Harper; Representatives
Barnes, Barto, Biggs, Boone, Burges, McComish, Murphy, Nelson, Pearce,
Weiers JP: Robson

AN ACT

REPEALING SECTION 15-994, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-393, 15-971, 15-974, 37-521, 41-1276, 42-17051 AND 48-3620, ARIZONA REVISED STATUTES; AMENDING SECTION 41-1276, ARIZONA REVISED STATUTES, AS AMENDED BY THIS ACT; RELATING TO THE STATE EQUALIZATION ASSISTANCE PROPERTY TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Repeal

3 Section 15-994, Arizona Revised Statutes, is repealed.

4 Sec. 2. Section 15-393, Arizona Revised Statutes, is amended to read:

5 15-393. Joint technological education district governing board:
6 report; definition

7 A. The management and control of the joint district are vested in the
8 joint technological education district governing board, including the content
9 and quality of the courses offered by the district, the quality of teachers
10 who provide instruction on behalf of the district, the salaries of teachers
11 who provide instruction on behalf of the district and the reimbursement of
12 other entities for the facilities used by the district. Unless the governing
13 boards of the school districts participating in the formation of the joint
14 district vote to implement an alternative election system as provided in
15 subsection B of this section, the joint board shall consist of five members
16 elected from five single member districts formed within the joint district.
17 The single member district election system shall be submitted as part of the
18 plan for the joint district pursuant to section 15-392 and shall be
19 established in the plan as follows:

20 1. The governing boards of the school districts participating in the
21 formation of the joint district shall define the boundaries of the single
22 member districts so that the single member districts are as nearly equal in
23 population as is practicable, except that if the joint district lies in part
24 in each of two or more counties, at least one single member district may be
25 entirely within each of the counties comprising the joint district if this
26 district design is consistent with the obligation to equalize the population
27 among single member districts.

28 2. The boundaries of each single member district shall follow election
29 precinct boundary lines, as far as practicable, in order to avoid further
30 segmentation of the precincts.

31 3. A person who is a registered voter of this state and who is a
32 resident of the single member district is eligible for election to the office
33 of joint board member from the single member district. The terms of office
34 of the members of the joint board shall be as prescribed in section 15-427,
35 subsection B. An employee of a joint technological education district or the
36 spouse of an employee shall not hold membership on a governing board of a
37 joint technological education district by which the employee is employed. A
38 member of one school district governing board or joint technological
39 education district governing board is ineligible to be a candidate for
40 nomination or election to or serve simultaneously as a member of any other
41 governing board, except that a member of a governing board may be a candidate
42 for nomination or election for any other governing board if the member is
43 serving in the last year of a term of office. A member of a governing board
44 shall resign the member's seat on the governing board before becoming a
45 candidate for nomination or election to the governing board of any other

1 school district or joint technological education district, unless the member
2 of the governing board is serving in the last year of a term of office.

3 4. Nominating petitions shall be signed by the number of qualified
4 electors of the single member district as provided in section 16-322.

5 B. The governing boards of the school districts participating in the
6 formation of the joint district may vote to implement any other alternative
7 election system for the election of joint district board members. If an
8 alternative election system is selected, it shall be submitted as part of the
9 plan for the joint district pursuant to section 15-392, and the
10 implementation of the system shall be as approved by the United States
11 justice department.

12 C. The joint technological education district shall be subject to the
13 following provisions of this title:

- 14 1. Chapter 1, articles 1 through 6.
- 15 2. Sections 15-208, 15-210, 15-213 and 15-234.
- 16 3. Articles 2, 3 and 5 of this chapter.
- 17 4. Section 15-361.
- 18 5. Chapter 4, articles 1, 2 and 5.
- 19 6. Chapter 5, articles 1, 2 and 3.
- 20 7. Sections 15-701.01, 15-722, 15-723, 15-724, 15-727, 15-728, 15-729
21 and 15-730.
- 22 8. Chapter 7, article 5.
- 23 9. Chapter 8, articles 1, 3 and 4.
- 24 10. Sections 15-828 and 15-829.
- 25 11. Chapter 9, article 1, article 6, except for section 15-995, and
26 article 7.
- 27 12. Sections 15-941, 15-943.01, 15-948, 15-952, 15-953 and 15-973.
- 28 13. Sections 15-1101 and 15-1104.
- 29 14. Chapter 10, articles 2, 3, 4 and 8.

30 D. Notwithstanding subsection C of this section, the following apply
31 to a joint technological education district:

32 1. A joint district may issue bonds for the purposes specified in
33 section 15-1021 and in chapter 4, article 5 of this title to an amount in the
34 aggregate, including the existing indebtedness, not exceeding one per cent of
35 the taxable property used for secondary tax purposes, as determined pursuant
36 to title 42, chapter 15, article 1, within the joint technological education
37 district as ascertained by the last property tax assessment previous to
38 issuing the bonds.

39 2. The number of governing board members for a joint district shall be
40 as prescribed in subsection A of this section.

41 3. If a career and technical education and vocational education course
42 or program provided pursuant to this article is provided in a facility owned
43 or operated by a school district in which a pupil is enrolled, including
44 satellite courses, the sum of the daily attendance, as provided in section
45 15-901, subsection A, paragraph 6, for that pupil in both the school district

1 and joint technological education district shall not exceed 1.25 and the sum
2 of the fractional student enrollment, as provided in section 15-901,
3 subsection A, paragraph 2, subdivision (a), shall not exceed 1.25 for the
4 courses taken in the school district and the facility, including satellite
5 courses. The school district and the joint district shall determine the
6 apportionment of the daily attendance and fractional student enrollment for
7 that pupil between the school district and the joint district.

8 4. The student count for the first year of operation of a joint
9 technological education district as provided in this article shall be
10 determined as follows:

11 (a) Determine the estimated student count for joint district classes
12 that will operate in the first year of operation. This estimate shall be
13 based on actual registration of pupils as of March 30 scheduled to attend
14 classes that will be operated by the joint district. The student count for
15 the district of residence of the pupils registered at the joint district
16 shall be adjusted. The adjustment shall cause the district of residence to
17 reduce the student count for the pupil to reflect the courses to be taken at
18 the joint district. The district of residence shall review and approve the
19 adjustment of its own student count as provided in this subdivision before
20 the pupils from the school district can be added to the student count of the
21 joint district.

22 (b) The student count for the new joint district shall be the student
23 count as determined in subdivision (a) of this paragraph.

24 (c) After the first one hundred days or two hundred days in session,
25 as applicable, for the first year of operation, the joint district shall
26 revise the student count to the actual student count for students attending
27 classes in the joint district. A joint district shall revise its student
28 count, the base support level as provided in section 15-943.02, the revenue
29 control limit as provided in section 15-944.01, the capital outlay revenue
30 limit and the soft capital allocation as provided in section 15-962.01 prior
31 to May 15. A joint district that overestimated its student count shall
32 revise its budget prior to May 15. A joint district that underestimated its
33 student count may revise its budget prior to May 15.

34 (d) After the first one hundred days or two hundred days in session,
35 as applicable, for the first year of operation, the district of residence
36 shall adjust its student count by reducing it to reflect the courses actually
37 taken at the joint district. The district of residence shall revise its
38 student count, the base support level as provided in section 15-943, the
39 revenue control limit as provided in section 15-944, the capital outlay
40 revenue limit as provided in section 15-961 and the soft capital allocation
41 as provided in section 15-962 prior to May 15. A district that
42 underestimated the student count for students attending the joint district
43 shall revise its budget prior to May 15. A district that overestimated the
44 student count for students attending the joint district may revise its budget
45 prior to May 15.

1 (e) A joint district for the first year of operation shall not be
2 eligible for adjustment pursuant to section 15-948.

3 (f) The procedures for implementing this paragraph shall be as
4 prescribed in the uniform system of financial records.

5 (g) If the district of residence utilizes section 15-942 to determine
6 its student count, the district shall reduce its student count as provided in
7 this paragraph by subtracting the appropriate count from the student count
8 determined as provided in section 15-942.

9 For the purposes of this paragraph, "district of residence" means the
10 district that included the pupil in its average daily membership for the year
11 before the first year of operation of the joint district and that would have
12 included the pupil in its student count for the purposes of computing its
13 base support level for the fiscal year of the first year of operation of the
14 joint district if the pupil had not enrolled in the joint district.

15 5. A student includes any person enrolled in the joint district
16 without regard to the person's age or high school graduation status, except
17 that:

18 (a) A student in a kindergarten program or in grades one through eight
19 who enrolls in courses offered by the joint technological education district
20 shall not be included in the joint district's average daily attendance or
21 average daily membership.

22 (b) A student in a kindergarten program or in grades one through eight
23 who is enrolled in vocational education courses shall not be funded in whole
24 or in part with monies provided by a joint technological education district.

25 (c) A student who is over twenty-two years of age shall not be
26 included in the student count of the joint district for the purposes of
27 chapter 9, articles 3, 4 and 5 of this title.

28 (d) A student in grade nine who enrolls in a career exploration course
29 shall not be included in the joint district's average daily attendance or
30 average daily membership.

31 6. A joint district may operate for more than one hundred seventy-five
32 days per year, with expanded hours of service.

33 7. A joint district may use the excess utility costs provisions of
34 section 15-910 in the same manner as a school district for fiscal years
35 1999-2000 and 2000-2001, except that the base year shall be the first full
36 fiscal year of operations.

37 8. A joint district may use the carryforward provisions of section
38 15-943.01 retroactively to July 1, 1993.

39 9. A school district that is part of a joint district shall use any
40 monies received pursuant to this article to supplement and not supplant base
41 year career and technical education and vocational education courses, and
42 directly related equipment and facilities, except that a school district that
43 is part of a joint technological education district and that has used monies
44 received pursuant to this article to supplant career and technological
45 education and vocational education courses that were offered before the first

1 year that the school district participated in the joint district or the first
2 year that the school district used monies received pursuant to this article
3 or that used the monies for purposes other than for career and technological
4 education and vocational education courses shall:

5 (a) Use at least thirty-three per cent of the monies received pursuant
6 to this article in fiscal year 2005-2006 to supplement and not supplant base
7 year career and technical education and vocational education courses.

8 (b) Use at least sixty-six per cent of the monies received pursuant to
9 this article in fiscal year 2006-2007 to supplement and not supplant base
10 year career and technical education and vocational education courses.

11 (c) Use one hundred per cent of the monies received pursuant to this
12 article in fiscal year 2007-2008 and each fiscal year thereafter to
13 supplement and not supplant base year career and technical education and
14 vocational education courses.

15 10. A joint technological education district shall use any monies
16 received pursuant to this article to enhance and not supplant career and
17 technical education and vocational education courses and directly related
18 equipment and facilities.

19 11. A joint technological education district or a school district that
20 is part of a joint district shall only include pupils in grades nine through
21 twelve in the calculation of average daily membership or average daily
22 attendance if the pupils are enrolled in courses that are approved jointly by
23 the governing board of the joint technological education district and each
24 participating school district for satellite courses taught within the
25 participating school district, or approved solely by the joint technological
26 education district for centrally located courses. Average daily membership
27 and average daily attendance from courses that are not part of an approved
28 program for career and technical education shall not be included in average
29 daily membership and average daily attendance of a joint technological
30 education district. A student in grade nine who enrolls in a career
31 exploration course shall not be included in the joint district's average
32 daily attendance or average daily membership.

33 E. The joint board shall appoint a superintendent as the executive
34 officer of the joint district.

35 F. Taxes may be levied for the support of the joint district as
36 prescribed in chapter 9, article 6 of this title, except that a joint
37 technological education district shall not levy a property tax pursuant to
38 law that exceeds five cents per one hundred dollars assessed valuation except
39 for bond monies pursuant to subsection D, paragraph 1 of this section.
40 ~~Except for the taxes levied pursuant to section 15-994, such~~ THE taxes shall
41 be obtained from a levy ~~of taxes~~ on the VALUATION OF taxable property used
42 for secondary tax purposes.

43 G. The schools in the joint district are available to all persons who
44 reside in the joint district subject to the rules for admission prescribed by
45 the joint board.

1 H. The joint board may collect tuition for adult students and the
2 attendance of pupils who are residents of school districts that are not
3 participating in the joint district pursuant to arrangements made between the
4 governing board of the district and the joint board.

5 I. The joint board may accept gifts, grants, federal monies, tuition
6 and other allocations of monies to erect, repair and equip buildings and for
7 the cost of operation of the schools of the joint district.

8 J. One member of the joint board shall be selected chairman. The
9 chairman shall be selected annually on a rotation basis from among the
10 participating school districts. The chairman of the joint board shall be a
11 voting member.

12 K. A joint board and a community college district may enter into
13 agreements for the provision of administrative, operational and educational
14 services and facilities.

15 L. Any agreement between the governing board of a joint technological
16 education district and another joint technological education district, a
17 school district, a charter school or a community college district shall be in
18 the form of an intergovernmental agreement or other written contract. The
19 auditor general shall modify the uniform system of financial records and
20 budget forms in accordance with this subsection. The intergovernmental
21 agreement or other written contract shall completely and accurately specify
22 each of the following:

23 1. The financial provisions of the intergovernmental agreement or
24 other written contract and the format for the billing of all services.

25 2. The accountability provisions of the intergovernmental agreement or
26 other written contract.

27 3. The responsibilities of each joint technological education
28 district, each school district, each charter school and each community
29 college district that is a party to the intergovernmental agreement or other
30 written contract.

31 4. The type of instruction that will be provided under the
32 intergovernmental agreement or other written contract.

33 5. The quality of the instruction that will be provided under the
34 intergovernmental agreement or other written contract.

35 6. The transportation services that will be provided under the
36 intergovernmental agreement or other written contract and the manner in which
37 transportation costs will be paid.

38 7. The amount that the joint technological education district will
39 contribute to a course and the amount of support required by the school
40 district or the community college.

41 8. That the services provided by the joint technological education
42 district, the school district, the charter school or the community college
43 district be proportionally calculated in the cost of delivering the service.

44 9. That the payment for services shall not exceed the cost of the
45 services provided.

1 10. That any initial intergovernmental agreement or other written
2 contract and any addendums between the governing board of a joint
3 technological education district and another joint technological education
4 district, a school district, a charter school or a community college district
5 be submitted by the joint technological education district to the joint
6 legislative budget committee for review.

7 M. On or before December 31 of each year, each joint technological
8 education district shall submit a detailed report to the career and technical
9 education division of the department of education. The career and technical
10 education division of the department of education shall collect, summarize
11 and analyze the data submitted by the joint districts, shall submit an annual
12 report that summarizes the data submitted by the joint districts to the
13 governor, the speaker of the house of representatives, the president of the
14 senate and the state board of education and shall submit a copy of this
15 report to the secretary of state and the director of the Arizona state
16 library, archives and public records. The data submitted by each joint
17 technological education district shall include the following:

- 18 1. The average daily membership of the joint district.
- 19 2. The course listings and course descriptions of courses offered by
20 the joint district.
- 21 3. The costs associated with each course offered by the joint
22 district.
- 23 4. The completion rate for each course offered by the joint district.
- 24 5. The graduation rate of students enrolled in the joint district.
- 25 6. A detailed description of the career opportunities available to
26 students after completion of the program offered by the joint district.
- 27 7. A detailed description of the career placement of students who have
28 completed the program offered by the joint district.
- 29 8. Any other data deemed necessary by the department of education to
30 carry out its duties under this subsection.

31 N. If the career and technical education division of the department of
32 education determines that a course does not meet the criteria for approval as
33 a joint technical education course, the governing board of the joint
34 technological education district may appeal this decision to the state board
35 of education acting as the state board of vocational education.

36 O. Notwithstanding any other law, the average daily membership of a
37 pupil who is enrolled in a course that meets for at least one hundred fifty
38 minutes per class period at a centralized campus owned and operated by a
39 joint technological education district shall be 0.75.

40 P. For the purposes of this section, "base year" means the complete
41 school year in which voters of a school district elected to join a joint
42 technological education district.

1 Sec. 3. Section 15-971, Arizona Revised Statutes, is amended to read:
2 15-971. Determination of equalization assistance payments for
3 school districts

4 A. Equalization assistance for education is computed by determining
5 the total of the following:

6 1. The lesser of a school district's revenue control limit or district
7 support level as determined in section 15-947 or 15-951.

8 2. The capital outlay revenue limit of a school district as determined
9 in section 15-951 or 15-961.

10 3. The soft capital allocation of a school district as determined in
11 section 15-951 or 15-962.

12 B. From the total of the amounts determined in subsection A of this
13 section subtract:

14 1. The amount that would be produced by levying the applicable
15 qualifying tax rate determined pursuant to section 41-1276 for a high school
16 district or a common school district within a high school district which does
17 not offer instruction in high school subjects as provided in section 15-447.

18 2. The amount that would be produced by levying the applicable
19 qualifying tax rate determined pursuant to section 41-1276 for a unified
20 school district, a common school district not within a high school district
21 or a common school district within a high school district which offers
22 instruction in high school subjects as provided in section 15-447. The
23 qualifying tax rate shall be applied in the following manner:

24 (a) For the purposes of the amount determined in subsection A,
25 paragraph 1 of this section:

26 (i) Determine separately the percentage that the weighted student
27 count in preschool programs for children with disabilities, kindergarten
28 programs and grades one through eight and the weighted student count in
29 grades nine through twelve is to the weighted student count determined in
30 subtotal A as provided in section 15-943, paragraph 2, subdivision (a).

31 (ii) Apply the percentages determined in item (i) to the amount
32 determined in subsection A, paragraph 1 of this section.

33 (b) For the purposes of the amounts determined in subsection A,
34 paragraphs 2 and 3 of this section, determine separately the amount of the
35 capital outlay revenue limit and the amount of the soft capital allocation
36 attributable to the student count in preschool programs for children with
37 disabilities, kindergarten programs and grades one through eight and grades
38 nine through twelve.

39 (c) From the amounts determined in subdivisions (a) and (b) subtract
40 the levy which would be produced by the current qualifying tax rate for a
41 high school district or a common school district within a high school
42 district that does not offer instruction in high school subjects as provided
43 in section 15-447. If the qualifying tax rate generates a levy which is in
44 excess of the total determined in subsection A of this section, the school
45 district shall not be eligible for equalization assistance. In this

1 subsection, "assessed valuation" includes the values used to determine
2 voluntary contributions collected pursuant to title 9, chapter 4, article 3
3 and title 48, chapter 1, article 8.

4 3. The amount that would be produced by levying a qualifying tax rate
5 in a joint vocational and technological education district, which shall be
6 five cents per one hundred dollars assessed valuation unless the legislature
7 sets a lower rate by law.

8 4. The amount of government property lease excise tax monies that ~~were~~
9 WAS distributed to the district pursuant to section 42-6205 during the
10 preceding fiscal year.

11 ~~C. County aid for equalization assistance for education shall be~~
12 ~~computed as follows:~~

13 ~~1. Determine the total equalization assistance for all school~~
14 ~~districts in the county as provided in subsections A and B of this section.~~

15 ~~2. Determine the total amount of state equalization assistance~~
16 ~~collected for all school districts in the county as provided in section~~
17 ~~15-994.~~

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

20 ~~4. Multiply the amount determined in subsections A and B of this~~
21 ~~section by the quotient determined in paragraph 3 of this subsection for each~~
22 ~~school district.~~

23 ~~5. The amount determined in paragraph 4 of this subsection shall be~~
24 ~~the county aid for equalization assistance for education for a school~~
25 ~~district.~~

26 ~~D. State aid for equalization assistance for education for a school~~
27 ~~district shall be computed as follows:~~

28 ~~1. Determine the equalization assistance for education for a school~~
29 ~~district as provided in subsections A and B of this section.~~

30 ~~2. For each county, determine the levy that would be produced by the~~
31 ~~state equalization assistance property tax rate prescribed in section 15-994,~~
32 ~~subsection A.~~

33 ~~3. Prorate the amount determined in paragraph 2 of this subsection to~~
34 ~~each school district in the county as prescribed by subsection C of this~~
35 ~~section.~~

36 ~~4. Subtract the amount determined in paragraph 3 of this subsection~~
37 ~~from the amount determined in paragraph 1 of this subsection.~~

38 ~~E. C.~~ Equalization assistance for education shall be paid from
39 appropriations for that purpose to the school districts as provided in
40 section 15-973.

41 ~~F. D.~~ A school district shall report expenditures on approved career
42 and technical education and vocational education programs in the annual
43 financial report according to uniform guidelines prescribed by the uniform
44 system of financial records and in order to facilitate compliance with
45 sections 15-255 and 15-904.

1 ~~G.~~ E. The additional weight for state aid purposes given to special
2 education as provided in section 15-943 shall be given to school districts
3 only if special education programs comply with ~~the provisions of~~ chapter 7,
4 article 4 of this title and the conditions and standards prescribed by the
5 superintendent of public instruction pursuant to rules of the state board of
6 education for pupil identification and placement pursuant to sections 15-766
7 and 15-767.

8 ~~H.~~ F. In addition to general fund appropriations, all amounts
9 received pursuant to section 37-521, subsection B, paragraph 3 and section
10 42-5029, subsection E, paragraph 5 and from any other source for the purposes
11 of this section are appropriated for state aid to schools as provided in this
12 section.

13 ~~I.~~ G. The total amount of state monies that may be spent in any
14 fiscal year for state equalization assistance shall not exceed the amount
15 appropriated or authorized by section 35-173 for that purpose. This section
16 shall not be construed to impose a duty on an officer, agent or employee of
17 this state to discharge a responsibility or to create any right in a person
18 or group if the discharge or right would require an expenditure of state
19 monies in excess of the expenditure authorized by legislative appropriation
20 for that specific purpose.

21 Sec. 4. Section 15-974, Arizona Revised Statutes, is amended to read:

22 15-974. Equalization assistance for education for accommodation
23 schools; definition

24 A. Equalization assistance for education for accommodation schools
25 shall be computed as follows:

26 1. Determine the total of the lesser of an accommodation school's
27 revenue control limit or district support level as determined in section
28 15-947, an accommodation school's capital outlay revenue limit as determined
29 in section 15-961 and an accommodation school's soft capital allocation as
30 determined in section 15-962.

31 2. From the amount determined in paragraph 1 ~~of this subsection~~
32 subtract the monies received from P.L. 81-874 for the prior fiscal year if
33 the amount to be received in the current fiscal year is equal to or greater
34 than the amount received in the prior fiscal year. If the amount to be
35 received during the current fiscal year is less than the amount received in
36 the prior fiscal year, the subtraction shall be determined as follows:

37 (a) Subtract the amount to be received in the current fiscal year,
38 adjusting the final payment to reflect actual receipts during the fiscal
39 year.

40 (b) If additional P.L. 81-874 monies are received after the
41 computation of the last payment of state aid but before the end of the fiscal
42 year, the amount received late shall be subtracted from the equalization
43 assistance for the following fiscal year, except that the total amount
44 reduced pursuant to subdivision (a) ~~of this paragraph~~ and this subdivision
45 shall not exceed the amount of P.L. 81-874 monies received in the prior year.

1 3. Equalization assistance for an accommodation school shall be the
2 amount determined in paragraph 2 ~~of this subsection.~~

3 B. Equalization assistance for education for accommodation schools
4 shall be paid from appropriations for that purpose to the school districts as
5 provided in section 15-973.

6 C. When an accommodation school has a positive total cash balance at
7 the end of a fiscal year in its maintenance and operation fund, the county
8 school superintendent of the county in which the accommodation school is
9 located may authorize an addition to the accommodation school's revenue
10 control limit as provided in section 15-947, subsection A for the following
11 fiscal year. The county school superintendent may not authorize an addition
12 that exceeds the lesser of the ending cash balance less the amount budgeted
13 for the budget balance carryforward as provided in section 15-943.01 or ten
14 per cent of the revenue control limit of the accommodation school. If an
15 accommodation school has a cash balance in excess of the amount needed to
16 fund the budget balance carryforward, the addition authorized pursuant to
17 this subsection and the items listed in section 15-947, subsection C,
18 paragraph 2, subdivisions (c) and (f) for the following fiscal year, the
19 remaining cash balance shall be used to reduce the amount of state aid for
20 equalization assistance for education for the accommodation school as
21 provided in section 15-971, ~~subsection D~~ for the following year.

22 D. ~~The provisions of~~ Subsection C of this section shall not apply to
23 an accommodation school with a student count of one hundred twenty-five or
24 less in kindergarten programs and grades one through eight or to an
25 accommodation school which offers instruction in grades nine, ten, eleven or
26 twelve and which has a student count of one hundred or less in grades nine
27 through twelve.

28 E. For the ~~purpose~~ **PURPOSES** of this section, "monies received from
29 P.L. 81-874" means total P.L. 81-874 monies less P.L. 81-874 monies for
30 children with disabilities, children with specific learning disabilities and
31 children residing on Indian lands which are in addition to the basic
32 assistance as provided in 20 United States Code section 238, subsection (d),
33 paragraph 2, clauses (C) and (D).

34 Sec. 5. Section 37-521, Arizona Revised Statutes, is amended to read:
35 **37-521. Permanent state school fund; composition; use**

36 A. The permanent state school fund shall consist of:

37 1. The proceeds of all lands granted to the state by the United States
38 for the support of common schools.

39 2. All property which accrues to the state by escheat or forfeiture.

40 3. All property donated for the benefit of the common schools, unless
41 the terms of the donation otherwise provide.

42 4. All unclaimed shares and dividends of any corporation incorporated
43 under the laws of this state.

1 5. The proceeds of sale of timber, mineral, gravel or other natural
2 products or property from school lands and state lands other than those
3 granted for specific purposes.

4 6. The residue of the lands granted for payment of the bonds and
5 accrued interest issued by Maricopa, Pima, Yavapai and Coconino counties,
6 after the purpose of the grant has been satisfied, and the five per cent of
7 the proceeds of sales of public lands lying within this state sold by the
8 United States subsequent to admission of this state into the union, as
9 granted by the enabling act.

10 B. The fund shall be and remain a perpetual fund, and distributions
11 from the fund pursuant to article X, section 7, Constitution of Arizona, plus
12 monies derived from the rental of the lands and property, interest and
13 accrued rent for that year credited pursuant to section 37-295 and interest
14 paid on installment sales, shall be used as follows:

15 1. If there are outstanding state school facilities revenue bonds
16 pursuant to title 15, chapter 16, article 6, outstanding qualified zone
17 academy bonds pursuant to title 15, chapter 16, article 7 or outstanding
18 state school trust revenue bonds issued to correct existing deficiencies
19 ~~prescribed by section 15-2021~~, the state treasurer and the state land
20 department shall annually transfer to the state school facilities revenue
21 bond debt service fund established in section 15-2054, the state school
22 improvement revenue bond debt service fund established in section 15-2084 and
23 the state school trust revenue bond debt service fund the amount that is
24 necessary to pay that fiscal year's debt service on outstanding state school
25 facilities revenue bonds, qualified zone academy bonds and state school trust
26 revenue bonds, before transferring amounts for any other uses.

27 2. If there are no outstanding state school facilities revenue bonds
28 pursuant to title 15, chapter 16, article 6 or if the amount of monies
29 available under this subsection exceeds the amount required under paragraph 1
30 of this subsection, the monies are subject to legislative appropriation to
31 the new school facilities fund established by section 15-2041.

32 3. If the amount of monies available under this subsection exceeds the
33 amount required under paragraphs 1 and 2 of this subsection, the legislature
34 may annually appropriate an amount to be used as provided in section 15-971,
35 subsection ~~H~~ F, except that the amount appropriated may not exceed the
36 amount appropriated from the permanent state school fund and from the rent
37 and interest paid on installment sales for this purpose in fiscal year
38 2000-2001.

39 4. Notwithstanding paragraphs 1, 2 and 3 of this subsection, from and
40 after June 30, 2001, any expendable earnings under this subsection that
41 exceed the fiscal year 2000-2001 expendable earnings shall be deposited in
42 the classroom site fund established by section 15-977.

1 Sec. 6. Section 41-1276, Arizona Revised Statutes, is amended to read:
2 41-1276. Truth in taxation levy for equalization assistance to
3 school districts

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

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

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

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

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

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

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

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

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

36 D. Except as provided in subsections E and G of this section, the
37 qualifying tax rate for a high school district or a common school district
38 within a high school district that does not offer instruction in high school
39 subjects, ~~AND~~ the qualifying tax rate for a unified school district, a
40 common school district not within a high school district or a common school
41 district within a high school district that offers instruction in high school
42 subjects ~~and the state equalization assistance property tax rate~~ for the
43 following fiscal year shall be the rate determined by the joint legislative
44 budget committee pursuant to subsection C of this section. The committee

1 shall transmit the rates to the superintendent of public instruction and the
2 county boards of supervisors by March 15 each year.

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

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

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

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

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

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

22 Truth in Taxation Hearing
23 Notice of Tax Increase

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

28 The proposed tax increase will cause the taxes on a
29 \$100,000 home to increase by \$_____.

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

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

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

42 F. In addition to publishing the truth in taxation notice under
43 subsection E, paragraph 1 of this section, the joint meeting of the house of
44 representatives ways and means committee and the senate finance committee or

1 their successor committees shall issue a press release containing the truth
2 in taxation notice.

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

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

21 I. Pursuant to subsection C of this section, the qualifying tax rate
22 in tax year 2007 for a high school district or a common school district
23 within a high school district that does not offer instruction in high school
24 subjects as provided in section 15-447 is \$1.6020 and for a unified school
25 district, a common school district not within a high school district or a
26 common school district within a high school district that offers instruction
27 in high school subjects as provided in section 15-447 is \$3.2040. ~~The state~~
28 ~~equalization assistance property tax rate in tax years 2006, 2007 and 2008 is~~
29 ~~zero. The state equalization assistance property tax rate in tax year 2009~~
30 ~~shall be computed by annually adjusting the tax year 2005 rate of \$0.4358 as~~
31 ~~provided by this section through tax year 2009.~~

32 Sec. 7. Subject to the requirements of article IV, part 1, section 1,
33 Constitution of Arizona, section 41-1276, Arizona Revised Statutes, as
34 amended by section 6 of this act, is amended to read:

35 41-1276. Truth in taxation levy for equalization assistance to
36 school districts

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

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

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

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

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

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

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

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

20 4. Adjust the qualifying tax rates for the current fiscal year by the
21 percentage determined in paragraph 3 of this subsection in order to offset
22 the change in net assessed value.

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

33 E. If the legislature proposes qualifying tax rates that exceed the
34 truth in taxation rate:

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

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

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

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

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

6 Truth in Taxation Hearing
7 Notice of Tax Increase

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

12 The proposed tax increase will cause the taxes on a
13 \$100,000 home to increase by \$_____.

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

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

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

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

31 G. Notwithstanding any other law, the legislature shall not adopt a
32 state budget that provides for qualifying tax rates pursuant to section
33 15-971 that exceed the truth in taxation rates computed pursuant to
34 subsection A of this section unless the rates are adopted by a concurrent
35 resolution approved by an affirmative roll call vote of two-thirds of the
36 members of each house of the legislature before the legislature enacts the
37 general appropriations bill. If the resolution is not approved by two-thirds
38 of the members of each house of the legislature, the rates for the following
39 fiscal year shall be the truth in taxation rates determined pursuant to
40 subsection C of this section and shall be transmitted to the superintendent
41 of public instruction and the county boards of supervisors.

42 H. Notwithstanding subsection C of this section and if approved by the
43 qualified electors voting at a statewide general election, the legislature
44 shall not set a qualifying tax rate that exceeds \$2.1265 for a common or high
45 school district or \$4.253 for a unified school district. ~~The legislature~~

1 ~~shall not set a county equalization assistance for education rate that~~
2 ~~exceeds \$0.5123.~~

3 I. Pursuant to subsection C of this section, the qualifying tax rate
4 in tax year 2007 for a high school district or a common school district
5 within a high school district that does not offer instruction in high school
6 subjects as provided in section 15-447 is \$1.6020 and for a unified school
7 district, a common school district not within a high school district or a
8 common school district within a high school district that offers instruction
9 in high school subjects as provided in section 15-447 is \$3.2040.

10 Sec. 8. Section 42-17051, Arizona Revised Statutes, is amended to
11 read:

12 42-17051. Limit on county, municipal and community college
13 primary property tax levy

14 A. In addition to any other limitation that may be imposed, a county,
15 charter county, city, charter city, town or community college district shall
16 not levy primary property taxes in any year in excess of an aggregate amount
17 computed as follows:

18 1. Determine the maximum allowable primary property tax levy limit for
19 the jurisdiction for the preceding tax year.

20 2. Multiply the amount determined in paragraph 1 by 1.02.

21 3. Determine the assessed value for the current tax year of all
22 property in the political subdivision that was subject to tax in the
23 preceding tax year.

24 4. Divide the dollar amount determined in paragraph 3 by one hundred
25 and then divide the dollar amount determined in paragraph 2 by the resulting
26 quotient. The result, rounded to four decimal places, is the maximum
27 allowable tax rate for the political subdivision.

28 5. Determine the finally equalized valuation of all property, less
29 exemptions, appearing on the tax roll for the current tax year, including an
30 estimate of the personal property tax roll determined pursuant to section
31 42-17053.

32 6. Divide the dollar amount determined in paragraph 5 by one hundred
33 and then multiply the resulting quotient by the rate determined in paragraph
34 4. The resulting product is the maximum allowable primary property tax levy
35 limit for the current year for all political subdivisions.

36 7. The allowable levy of primary property taxes for the current fiscal
37 year for all political subdivisions is the maximum allowable primary property
38 tax levy limit less any amounts required to reduce the levy pursuant to
39 subsections B and C of this section.

40 B. Any monies that a political subdivision received from primary
41 property taxation in excess of the sum of the amount of taxes collectible
42 pursuant to section ~~42-15054~~ 42-15053, SUBSECTION F, PARAGRAPH 2 and the
43 allowable levy determined under subsection A of this section shall be
44 maintained in a separate fund and used to reduce the primary property tax
45 levy in the following year. Monies that are received and that are

1 attributable to the payment of delinquent taxes that were properly assessed
2 in prior years shall not be applied to reduce the levy in the following year.

3 C. If, pursuant to section 41-1279.07, the auditor general determines
4 that in any fiscal year a county has exceeded its expenditure limitation, the
5 allowable levy of primary property taxes of the county determined under
6 subsection A of this section shall be reduced in the fiscal year following
7 the auditor general's hearing by the amount of the expenditures that exceeded
8 the county's expenditure limitation.

9 D. The limitations prescribed by this section do not apply to levies
10 made pursuant to ~~section 15-994 or~~ article 5 of this chapter.

11 E. The levy limitation for a political subdivision is considered to be
12 increased each year to the maximum permissible limit under subsection A of
13 this section regardless of whether the county, city, town or district
14 actually levies taxes in any year up to the maximum permissible amount.

15 F. For purposes of determining a county's levy limit under this
16 article, remote municipal property, as defined in section 42-15251, is
17 considered to be taxable property in the county.

18 Sec. 9. Section 48-3620, Arizona Revised Statutes, is amended to read:
19 48-3620. Annual certification and levy of taxes; limitation

20 A. ~~The district shall annually, not less than~~ AT LEAST fifteen days
21 before the first day of the month in which the county board of supervisors is
22 required by law to levy county taxes, ~~THE DISTRICT SHALL~~ certify to the board
23 of supervisors:

24 1. The amount of taxes to be levied in each year on the taxable real
25 property in the district as it considers necessary or appropriate to pay the
26 expenses of administering the district and maintaining and operating the
27 district's flood control system, to carry out its regulatory functions and to
28 carry out any of the objects and purposes of this article of common benefit
29 to the district. The maintenance and operation tax proceeds not used for
30 current expenses of maintenance and operation ~~may~~ either MAY be paid into a
31 reserve to be accumulated for such purpose or may be used for extending,
32 improving and constructing the flood control system, including acquiring
33 rights-of-way.

34 2. The amount of taxes to be levied in each year on all taxable real
35 property in each zone or in any of the zones into which the district has been
36 divided, according to the benefits derived or to be derived by the respective
37 zones, to pay the cost and expenses of carrying out any of the objects or
38 purposes of this article of special benefit to the respective zones,
39 including acquiring, constructing, maintaining, operating, extending,
40 repairing or otherwise improving any or all flood control works or
41 improvements in the respective zones and including acquiring rights-of-way.
42 No revenues derived from any of the several zones from the taxes levied under
43 this section may be expended for acquiring, constructing, maintaining,
44 operating, extending, repairing or otherwise improving any works or
45 improvements located in any other zone, except under section 48-3620.01.

1 3. The amount of secondary property taxes necessary to be levied to
2 pay the principal and interest falling due during the ensuing year on, or to
3 provide a sinking fund for, any bonds issued pursuant to section 48-3619.

4 B. The taxes collected pursuant to this section shall be paid to the
5 district treasurer and used solely for the purpose for which they were
6 levied.

7 C. The board of supervisors at the time of levying general county
8 taxes shall levy and cause to be collected in the manner prescribed by law
9 for county taxes a property tax or taxes on the taxable real property in the
10 district, zone or zones sufficient to provide the amounts set forth in
11 subsection A of this section.

12 D. If the district fails to certify to the board of supervisors any of
13 the amounts of taxes necessary to be levied as required by this section, the
14 board of supervisors shall ascertain the amount which should have been
15 certified and shall levy the tax sufficient to produce such amount.

16 E. If a district is located in a county having a population of less
17 than six hundred thousand persons according to the most recent United States
18 decennial census, beginning with the 1993 tax year, the aggregate taxes
19 levied in any year under this article by the district for the purposes listed
20 in subsection A, paragraph 1 of this section shall not exceed twenty per cent
21 of the county primary property tax rate ~~exclusive of the state equalization~~
22 ~~assistance property tax rate~~ or fifty cents per one hundred dollars of
23 assessed valuation, whichever is greater. The aggregate taxes levied for any
24 year under this article on property in a zone for the purposes listed in
25 subsection A, paragraph 2 of this section in a district located in a county
26 having a population of less than six hundred thousand persons according to
27 the most recent United States decennial census, if added to the aggregate
28 taxes, if any, levied for the purposes listed in subsection A, paragraph 1 of
29 this section, shall not exceed twenty per cent of the county primary property
30 tax rate ~~exclusive of the state equalization assistance property tax rate~~ or
31 fifty cents per one hundred dollars of assessed valuation, whichever is
32 greater. The taxes levied under this article in a district located in a
33 county having a population of less than six hundred thousand persons
34 according to the most recent United States decennial census may exceed the
35 limits prescribed by this subsection if approved by a majority of the
36 qualified electors of the district voting in a regular general election held
37 pursuant to title 16, chapter 2, article 2 or at a special election held
38 pursuant to title 16, chapter 2, article 3. The ballot for the election
39 shall specifically state the proposed rate and the fiscal year or years in
40 which the excess tax levies are proposed to be assessed.

41 Sec. 10. Requirements for enactment; three-fourths vote

42 Pursuant to article IV, part 1, section 1, Constitution of Arizona,
43 section 41-1276, Arizona Revised Statutes, as amended by section 7 of this
44 act, is effective only on the affirmative vote of at least three-fourths of
45 the members of each house of the legislature.