

Important Legislative Update for Sunnyside Homeowners

The Arizona Legislature adjourned its 2016 session with over 100 bills being sent to the governor for signature. One of those bills was HB 2481, which is focused on schools and primary property taxes. Many homeowners throughout Arizona will feel the effects of the bill, so we want to take this opportunity to make sure our Sunnyside families are informed.

HB 2481 eliminates the 4% cap on budget balance carryforward (which is the amount of the previous year's unspent budget amount that can be added to the subsequent year's budget amount), but the bill also limits what school districts can do to alleviate their community's tax burden beginning this year.

The passage of Prop 123 late in the fiscal year resulted in school districts having budget balance carryforwards greater than the 4%. Without this bill, school districts would have had to spend any balance in excess of 4% prior to June 30, 2016. Prop 123 funds were distributed to schools on June 16, 2016, which was too late to use the funds before June 30. Elimination of the 4% cap allowed Sunnyside to carryover all of the FY2015-2016 Prop 123 distribution.

Of concern to us, is the subtle language contained in the bill pertaining to the manner in which school districts assess tax levies that will result in districts' 2016-17 primary property tax rates and property tax levies increasing substantially, even though they may not need to.

Based on the State's education funding formula, all school districts must calculate how much local property taxes are needed to fund each year's expenditures by applying the "Qualifying Tax Rate" (QTR) to their assessed valuation and determine how much local revenue is generated by this calculation. If this amount is greater than the allowable budget, then that school district would not receive any state aid. If this amount is less than the allowable budget limit, then the difference between the allowable budget, less the QTR calculation, is what is provided in the form of State and County Aid.

As the year progresses, the allowable budget might shift to account for a change in attendance (enrollment) or changes or additional legislation. This shifting of budget might leave a final cash balance. Prior to HB 2481, school districts were able to use ending cash balances to reduce the subsequent year's property tax levy.

In other words, when a school applied the QTR and determined how much property tax is needed for the upcoming budget, this amount could be reduced by whatever ending cash balance a school district had at the end of the prior fiscal year. This resulted in a school district being able to reduce tax rates and/or stabilize tax rates on a year to year basis. **THIS WILL NO LONGER BE ALLOWED!**

The new law stipulates that a school district will have to assess a tax rate that will be no less than the QTR, levy and amount of taxes based on this rate, and generate an amount of revenue that it may not necessarily need that year!

Had this law been in effect during the 2015-16 fiscal year, our primary tax rate would have been \$4.4616 per \$100 assessed valuation resulting in the levy of \$18,089,602. Our actual tax rate last year was \$2.7746 and our levy was \$11,249,315. Therefore, had this law been in effect last year, we would have collected \$6,480,287 in taxes we could not have spent or needed and our ending cash balance would have been almost \$10 million instead of the projected \$3 million.

What does this mean for Sunnyside homeowners? Because of this new law, our 2016-2017 primary tax rate will increase at the very least, from the fiscal year 2015-16 rate of \$2.7746 to \$4.3328 (a 56.2% increase). The ending cash balance that we project for fiscal year 2015-16 will be approximately \$3 million and this ending cash balance will continue year after year without an ability to be spent or used to reduce taxes. With the passage of this bill, the State Legislature, proclaiming to be opposed to tax increases, has forced school districts to unnecessarily increase taxes without the capability of using those increased taxes to fund expenditures.

The 2016-2017 property tax rates are anticipated to be set by Pima County Supervisors in August. As this occurs, we will have more detailed information on the tax burden our community will be assessed with.

School district funding is a complex subject. We welcome your questions! Please submit your questions or concerns online with [“Ask Us”](#) on the upper right corner of the Sunnyside web, www.susd12.org or you may call the Business and Finance Department at **545-2154**.

For more information on HB 2481, here is a link to the Bill online http://www.azleg.gov/DocumentsForBill.asp?Bill_Number=HB2481&Session_ID=115