

PROPERTY TAX OVERSIGHT COMMISSION

Arizona Department of Revenue Building



Meeting Minutes December 28, 2023 Virtually meeting held on Google Meets

Katie Hobbs
Governor

Neeraj Deshpande
Chairman

Jim Brodnax Member	Kevin McCarthy Member
Chris Kelling Member	Vacant Member

Members in Attendance:

Neeraj Deshpande, Chairman
Jim Brodnax, Member
Chris Kelling, Member

Staff:

Alexandra Kusen, PTOC Staff
Elaine Smith, PTOC Staff
Karen Jacobs, DOR Staff

Guests:

Lyle Friesen, formerly Arizona Department of Education
Jennifer Stielow, Arizona Tax Research Association
Ethan Kibsey, Public Finance at Stifel

1. Call to Order

Chairman Neeraj Deshpande called the meeting to order at 11:02 a.m. and asked Property Tax Oversight Commission (“the Commission”) members and staff to state their names for the record.

2. Approval of Minutes

No additions or deletions were recommended for the minutes of the meeting on September 13, 2023. Mr. Brodnax made a motion to approve the minutes as distributed and it was seconded by Mr. Kelling. The motion passed unanimously.

3. Truth in Taxation compliance

Staff reported that after violation notices were sent to jurisdictions that did not hold a Truth in Taxation (TNT) hearing but adopted a rate over the TNT rate, documentation was received from all of the counties and school districts. Documentation was not received from the town of Miami in Gila County, the town of Pima in Graham County, the city of Eloy in Pinal County, and Yavapai College. Of the seventy-eight jurisdictions, forty-five were required to hold a TNT hearing (ten counties, nine community colleges and twenty-six cities and towns).

4. Review school districts with primary property rates greater than 150% of the QTR and a combined tax rate that exceeds the 1% constitutional limit on at least half of the residential property pursuant to A.R.S. § 42-17151

Staff presented the annual review of school districts that will have a frozen primary tax rate. Districts with a primary tax rate greater than 150% of the QTR and a combined primary tax

rate of \$10 after the subtraction of the Additional State Aid to Education (or homeowner's rebate) for at least half of the residential properties in the district cannot increase their tax rate next August.

The QTR for 2023 is \$1.6549 (or half the QTR) for a high school or an elementary district not offering instruction in high school or \$3.3098 (or the full QTR) for a unified district or a Type 03 elementary district not within a high school district. 150% of half the QTR is 2.4824 and 150% of the full QTR is 4.9647

In the August meeting, the PTOC voted to exclude the newly imposed tax for tuition per A.R.S. § 15-992(F) as part of the maximum rate, or "frozen rate" per A.R.S. § 42-17151(C). The motion passed unanimously.

Sixteen school districts met both criteria (five elementary, three elementary districts not in a high school district, one high school district, and seven unified districts). Five school districts met both criteria in 2022 but are no longer restricted from increasing their tax rate. The school districts over 150% of the QTR but with a total tax rate after ASAE is less than ten dollars include McNeal Elementary School District in Cochise County, Tonto Basin Elementary School District in Gila County, Isaac Elementary School Districts in Maricopa County, Santa Cruz Elementary School Districts in Santa Cruz County, and Somerton Elementary School District in Yuma County.

The detail by school district page is the same format as previous years. As an example, Cochise County's Elfrida Elementary School District has a tax rate of \$4.5790 (noted in blue for the district reviewed and compared to half the QTR. The total combined tax rate includes \$2.9040 for Valley Union High School plus \$5.0869 for the county, school equalization and community college. There is no city or town tax rate for this district and the homeowner's rebate is \$1.6549 for a total tax rate of \$10.9150. Each of the four tax area codes are listed and 100% of the district is over \$10.

A three-year summary of the districts that met both criteria and had a frozen tax rate was presented. If the school districts did not meet both criteria in all three years, there are notes as to if their tax rate was less than 150% of the QTR or if the total rate was below the one percent limit.

Mr. Kelling made a motion to accept the review of school districts that cannot increase their tax rate next year. The motion passed unanimously.

5. Review secondary property tax levies for counties, community college districts, cities, and towns

Staff presented the secondary property tax levies. Statute allows for an annual levy not to exceed the net amount necessary to make the annual principal and interest payments, including projected payments on new debt planned for the year, a reasonable delinquency factor, a correction on prior year shortages and up to ten percent of the annual principal and

interest payments. The schedules are the same as in previous years and include a summary of the values, debt service levy and tax rate for the current and previous year with a detail page on how the tax rate was calculated.

Central Arizona College and the cities of Chandler and El Mirage in Maricopa County reported additional cash reserves exceeding the allowable ten percent. Mr. Kelling requested follow up regarding El Mirage's 38.4% delinquency factor.

Mr. Kelling made a motion to accept the review of secondary property tax levies. Mr. Brodnax seconded the motion. The motion passed unanimously.

6. Adjournment

With all agenda items for the meeting complete, the Chairman asked if there was a motion to adjourn. Mr. Brodnax made a motion to adjourn and it was seconded by Mr. Kelling. The motion passed unanimously. The meeting adjourned at 11:18 a.m.