



ARIZONA STATE SENATE
Forty-ninth Legislature, First Regular Session

PROGRAM PRESENTATION
Additional State Aid

Background

Additional State Aid (A.R.S. § 15-972) consists of two components: the state's limitation on homeowner's property taxes ("Homeowner's Rebate") and the constitutional cap.

Homeowner's Rebate

The largest part of Additional State Aid has existed, in one form or another, since 1973. The current form was adopted in 1980 during a sweeping school finance reform. The program requires the state to pay a portion of each homeowner's primary property taxes, not to exceed a specified dollar amount. The state's portion and the specified dollar amount have changed over the years. In 1990, legislation passed that would phase out the Homeowner's Rebate over ten years by reducing the state's portion from 56 percent to 50 percent and was scheduled to be reduced by 5 percent every year until FY 1999-2000, when it would be completely eliminated. Laws 1994, Chapter 41, halted the phase out and froze the state's portion at 35 percent. In 2005, the Legislature adopted changes beginning in FY 2006-2007, which increased the state's percentage and the specified dollar amount over several years. For FY 2007-2008, the state must pay 38 percent of each homeowner's primary property taxes up to a maximum of \$560 per parcel. The percentage continues to increase until FY 2010-2011 when the state's portion will be 40 percent not to exceed \$600. The increase is meant to offset the reduction in the property tax ratio for class 1 (commercial) property from 25 percent to 20 percent over a ten-year period.

Constitutional Cap

Article IX, Section 18 of the Arizona Constitution limits a homeowner's primary property taxes levied by all taxing jurisdictions (not just school districts) to 1 percent of the full cash value of the home. Additional State Aid pays any portion of a homeowner's primary property taxes in excess of the 1% constitutional cap.

Fiscal Information

The table below shows the state General Fund support for Additional State Aid for the past ten years:

Fiscal Year	Amount
FY 2000	\$189,969,400
FY 2001	\$203,851,700
FY 2002	\$230,896,400
FY 2003	\$254,066,500
FY 2004	\$269,669,700
FY 2005	\$279,818,000
FY 2006	\$294,126,200
FY 2007	\$321,244,300
FY 2008	\$359,013,100
FY 2009	\$403,635,400

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FY 2008-2009 Budget Action

No action taken on this item.

Committee Activity

The Committee on Education, Accountability & Reform held a presentation on Wednesday, January 21, 2009 to review the Additional State Aid program. The topics discussed were:

- Additional State Aid
 - Homeowner's Rebate
 - Constitutional Cap

Attachments

JLBC Power Point presentation and attachments from January 21, 2009.

Prepared by Senate Research

February 2, 2009

SM/jas