

ARIZONA TAX RESEARCH ASSOCIATION



NEWS RELEASE

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The Taxpayers Don't Get to Say No Overrides resoundingly defeated four months ago are back on the ballot next week.

In Maricopa County, more than half of the districts with override elections on next week's ballot are asking voters to approve an override that the voters already rejected. In all but one of those districts the voters rejected the overrides only 4 months ago. In some districts, such as Dysart Elementary and Union Elementary, the defeats were resounding with "no" votes outnumbering "yes" votes by more than 2 to 1.

Justin Olson, a senior research analyst for the Arizona Tax Research Association (ATRA) said, "The message is clear: The taxpayers don't get to say no." Olson continued. "The districts are now spending taxpayer dollars to put the same questions before the voters when the voters have already spoken with a strong voice rejecting the overrides."

Last year's legislation authorizing an expansion of school district overrides also provided one-time authorization for a March election so that districts could implement overrides under the new limits. Districts could not implement the new limits in November because the new limits became effective after the November elections. This legislation specified that districts could cancel their November elections in order to wait for the March election when the new limits would apply. Next week's election was not intended to provide districts a second chance to ask voters to approve overrides that they rejected in November.

The override expansion that the Legislature passed last year increased the amount a school district can ask voters to approve in a general budget override (the maintenance

and operations override or M&O override). The new law increased the M&O override limit from 10% of a district's budget to 15% in most cases and as high as 17% for certain elementary districts. ATRA opposed this override expansion for two reasons.

As some districts routinely pass multiple overrides and other districts operate with none, increasing school district funding through voter-approved overrides increases inequities among school districts.

The Arizona Constitution requires the state to establish a "general and uniform" school system. The courts have consistently ruled that this obligates the state to ensure a certain level of equality in school district expenditures and tax rates.

Olson said, "Expanding overrides increases inequities among school districts and puts the state at risk of costly lawsuits."

ATRA warned the Legislature of this constitutional concern when the Legislature considered passing this measure. No less than eleven days after the governor signed this legislation into law, two separate cases were filed in Superior Court suing the state to rectify existing inequities in public school expenditures.

In addition to the inequities in public school expenditures, ATRA opposed this override expansion because it will lead to substantial property tax increases. This increase in override capacity could result in property tax increases of up to \$193 million statewide.

While this 5% expansion of the M&O override replaces the 5% specialized K-3 override, the increases will result primarily because the general M&O override is utilized much more frequently. In 2009, there were 68 districts that levied the maximum M&O override but levied no K-3 override.

Olson said, "If the voters of these districts continue to support the M&O override at the maximum allowable level, the property taxpayers of these districts will see a \$143 million increase in their bills." Olson continued, "This increase comes on top of the \$250 million record property tax increase that occurred last year with the reinstatement of the state equalization rate."

Some argue that tax increases should not be a concern if the voters are choosing to tax themselves. Olson said, "In many cases, the voters are not choosing to tax themselves but are actually authorizing the district to tax someone else as the bulk of the property taxes are paid by business owners." Olson continued, "Due to Arizona's assessment ratios, business owners pay more than double the amount of property taxes that a residential property owner pays on a similarly valued property. Arizona consistently ranks among the ten states with the highest business property taxes. These high taxes deter businesses that would otherwise locate in Arizona and provide our economy with sorely needed jobs."

Proponents of this override expansion sold the legislation as a necessary measure to allow districts to back fill cuts in state aid. While the override expansion allows a 5% increase in school district budgets, the implemented reductions were only 2.7% of the same budget limit.

Olson said, "With the use of federal funds, school districts have actually increased their spending during this fiscal crisis. A review of fiscal 2009 and fiscal 2010 budgets of the districts in Maricopa County that have override questions on next week's ballot shows budgets on average are 6% higher than the amount the districts adopted in July of 2008 before the fiscal crisis began."