

# A fiscal formula that works

Oct. 15, 2006

*The Arizona Republic*

*Editorial Board*

To understand Proposition 101, it's necessary to go back to 1980. The Legislature met in special session that year and referred to voters a package of 10 propositions that placed ceilings on property taxes and on local spending.

This sweeping tax-reform package, approved by four of every five voters, had as its cornerstone measures that sharply limited tax collections by counties, cities and community colleges to 2 percent per year. In other words, these jurisdictions could exceed their previous year's tax levy by only 2 per cent, plus the value of new construction.

Fast forward to today. Most jurisdictions have utilized their full taxing capacity without difficulty. But some counties, cities and school districts with high growth rates have not spent at their full capacity, building up excess taxing capacity. Statewide, according to the Arizona Tax Research Association, there is about \$185 million that could be raised on property taxes without a vote of the people.

With property assessments at record high levels coupled with the concern that jurisdictions might try to tap into that excess capacity, the Legislature has put on the ballot the Taxpayer Protection Act of 2006.

Proposition 101, if approved, would require a recalculation of levy limits for all cities, counties and community college districts using 2005 as the base, not 1980, and the surplus capacity would be wiped off the books.

Updating the formula initially passed in 1980 makes a lot of sense. It protects homeowners and businesses from the risk of large tax increases that jurisdictions with excess capacity could levy without a vote of the people, and reaffirms the reasonable requirement that annual growth in property taxes shall be restricted to 2 percent per year plus new construction.

Proposition 101 also will inject a measure of predictability into local property taxes - essential in this time of rising property values - and prevent local governments from reaping a windfall.

Passage of Proposition 101 will not reduce budgets. It also retains this essential safety valve: If jurisdictions want to collect more in taxes, they will be required to ask for voter approval.

Proposition 101 is a fiscally responsible way to update a formula that has worked well for 26 years without causing financial pain to cities, counties or community colleges. We strongly recommend a "yes" vote on Proposition 101.