

ATRA OPPOSES SB 1026

SB 1026 (sponsored by Senator Mead) allows school district governing boards to levy secondary property taxes for K-3 overrides *without voter approval*.

Twenty-eight school districts levied approximately \$12.4 million for voter-approved K-3 overrides in FY 2002-2003. If all of Arizona's school districts had such overrides in place, the associated property tax levies statewide would total nearly \$115 million.

The bill gives the impression that it provides for some limits by disqualifying districts that are at their debt limitations. The fact is that very few districts are at their debt limits, so this provision does little to counter the tens of millions of new property taxes that would result from this bill.

The result of this bill is that most property taxpayers would soon be burdened with secondary taxes they did not have an opportunity to vote on. Arizona's property tax system was designed to differentiate between *primary taxes* — mostly used by local governments to fund their standard operations — and *voter-approved secondary taxes* — intended for debt service on bonds and for budget overrides. The current system requires counties, colleges, cities, and school districts to obtain voter approval for all secondary taxes.

If the goal of SB 1026 is to ensure that eventually all districts have additional funding for K-3 programs, and that is the policy direction the state wants to go in, then any such new funding should be part of the equalized maintenance and operations formula.

As it is, property taxes levied beyond district spending limits undermine the equity upon which Arizona's school finance system is based. The following cases exemplify the inequities that result from the reliance on unequalized property taxes. For Kyrene Elementary to obtain a \$3.4 million K-3 override, about 23 cents would be added to their \$4.18 property tax rate. Meanwhile, for Isaac Elementary to levy their \$1.5 million K-3 override, less than half Kyrene's amount, 94 cents, quadruple Kyrene's rate impact, would be stacked on top of Isaac's current \$6.47 rate. Such illustrations of property tax inequities are numerous. The only check on such inequitable local option taxes is that they have to go to the ballot. Removing that check, as SB 1026 would do, will only make the problem worse.

Current law allows Kyrene, or Isaac, or any other district not already using a K-3 override to exercise this local option and seek approval from a majority of their district voters and to have the public debate that comes from such property tax ballot measures. As long as K-3 overrides remain a local option, voters and taxpayers should be provided an opportunity to have their say.



Please vote NO on SB 1026

ARIZONA TAX RESEARCH ASSOCIATION

1814 West Washington Street, Phoenix, Arizona 85007

(602) 253-9121

www.arizonatax.org

Serving Arizona's Taxpayers Since 1940