

ATRA SUPPORTS HB 2357

Bill would bring long-overdue control to deseg/OCR property taxes and spending

HB 2357, with the Martin amendment, would put into place reasonable limits on the currently unlimited spending allowed by state law intended for school districts that have run afoul of federal laws dealing with racial, ethnic, or linguistic discrimination.

Under A.R.S. §15-910 (G-J), school districts may levy an unlimited amount of property taxes for an unlimited amount of time in excess of the state's limits without voter approval if the district has either a court order of desegregation or an administrative agreement with the U.S. Department of Education's Office for Civil Rights (OCR).

This exemption from the limits may continue even after the court order is lifted or the OCR agreement is no longer monitored. In addition, districts may also have multiple and overlapping agreements.

Nineteen school districts levy outside their budget limits for deseg or OCR. Two school districts are under court order to desegregate: Tucson Unified School District (TUSD); and Phoenix Union High School District (PUHSD).

The remaining districts have OCR agreements, most of which are no longer being monitored, allowing unlimited access to the property tax.

During FY 1990-1991, 10 districts levied \$47.3 million under this provision. For FY 2001-2002, 19 districts levied \$193.8 million. That represents nearly 310% growth over the 10-year period. Despite the cap that HB 2550 placed on the 19 districts last year, PUHSD increased their deseg levy bringing the statewide total to \$196.1 million for FY 2002-2003.

Many more districts have OCR agreements that could make them eligible under current statute. Glendale Elementary's administration has been using their OCR agreement to persuade their governing board to adopt a deseg levy.

Deseg/OCR levies are budget overrides requiring no voter approval that result in inequities in per-pupil expenditures between districts. Under this law, PUHSD has a 52.7% override of its revenue control limit that other districts do not have. Such inequities between districts cause non-deseg/OCR districts to be at a competitive disadvantage in teacher salaries compared to the 19 deseg/OCR districts.

Deseg/OCR levies also result in inequities to taxpayers. In one case, a taxpayer in TUSD is paying as much as 73% more in school district primary property taxes than if that same property were located in an adjacent district. Isaac Elementary's primary rate is almost three times the qualifying tax rate.

This law has been used to increase property taxes to compensate for the loss of voter-approved overrides. TUSD and Washington Elementary provide examples where the rejection of overrides at the polls resulted in tax increases anyway, essentially telling voters *"You don't get to say no."*



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Whatever the challenges facing the 19 school districts levying for deseg/OCR, they are not unlike challenges facing other Arizona school districts.

Deseg/OCR levies result in uncontrolled and unappropriated state general fund expenditures through the 35% homeowner rebate and the constitutional one-percent cap. The state general fund impact can be estimated at over \$30 million. Even capping these levies at current levels could result in rate reductions and begin to reverse the additional state aid requirements as assessed values grow over time.

Some have argued that the state needs more study of the issue. Although ATRA does not oppose more scrutiny of these deseg and OCR programs, it should be understood that studies have already taken place. A 1990 special study by the Auditor General found that “expenditures budgeted outside of the revenue control limits for desegregation programs are growing” and that “some costs categorized as desegregation expenditures do not appear to be related to desegregation orders and agreements.”

Despite the report’s recommendations that the Legislature take a more active role in strengthening accountability for desegregation programs, no such action was ever taken.

In addition, an “Independent Citizens Committee” has been tracking desegregation spending in TUSD and has been highly critical of the district’s continued misuse of desegregation funds. Even a TUSD governing board member has written a detailed report of TUSD’s unlimited spending under the flag of desegregation.

Arizona does not need further study of the issue. What is clearly needed is meaningful reform of school districts’ unlimited access to the property tax base and to the state general fund for deseg/OCR.

Please vote for meaningful reforms of runaway property taxation provided in HB 2357 with the Martin amendment.

BUDGETED DESEGREGATION EXPENDITURES, FY 2003

School District	FY 2003 M&O	FY 2003 Capital	FY 2003 Deseg Totals	TY 2002 Primary Rate	Deseg as rate	Deseg levy as % of RCL	Estimated state cost thru 35% rebate	% over QTR
Isaac Elementary	\$4,376,835	\$299,000	\$4,675,835	5.9248	3.1223	15.7%	\$325,550	291.92%
Roosevelt Elementary	\$11,200,000	\$0	\$11,200,000	5.1450	3.1791	26.9%	\$938,455	253.50%
Phoenix Elementary	\$8,594,412	\$1,031,329	\$9,625,741	4.4679	1.6007	30.9%	\$225,762	220.14%
Cartwright Elementary	\$5,865,780	\$620,000	\$6,485,780	4.4484	2.4992	9.8%	\$1,042,686	219.18%
Buckeye Elementary	\$484,000	\$16,000	\$500,000	4.0315	0.9714	9.9%	\$40,737	198.64%
Wilson Elementary	\$1,569,348	\$188,322	\$1,757,670	4.0200	1.3027	34.8%	\$5,708	198.07%
Tucson Unified*	\$55,769,475	\$6,692,336	\$62,461,811	7.6124	2.9275	27.3%	\$10,115,391	187.53%
Phoenix Union	\$43,482,729	\$5,217,927	\$48,700,656	3.5323	1.2537	52.7%	\$3,672,654	174.04%
Tempe Elementary	\$13,552,385	\$386,259	\$13,938,644	3.3183	1.1471	30.0%	\$947,821	163.50%
Washington Elementary	\$6,356,735	\$250,000	\$6,606,735	2.9778	0.5694	7.3%	\$956,094	146.72%
Maricopa Unified	\$313,578	\$15,000	\$328,578	5.8990	1.6030	6.9%	\$34,846	145.32%
Holbrook Unified	\$2,000,000	\$240,000	\$2,240,000	5.8757	5.4374	30.1%	\$124,369	144.75%
Agua Fria Union	\$600,000	\$60,000	\$660,000	2.8262	0.1959	5.8%	\$121,395	139.25%
Glendale Union	\$5,236,189	\$200,000	\$5,436,189	2.7689	0.3820	9.6%	\$819,798	136.43%
Flagstaff Unified	\$2,045,720	\$0	\$2,045,720	5.3210	0.3010	4.3%	\$294,622	131.08%
Mesa Unified	\$8,011,168	\$0	\$8,011,168	5.2993	0.3577	3.0%	\$1,410,078	130.55%
Amphitheater Unified	\$4,025,000	\$0	\$4,025,000	4.9565	0.4750	6.3%	\$713,143	122.11%
Scottsdale Unified	\$6,271,034	\$349,023	\$6,620,057	3.9430	0.2279	6.7%	\$1,300,382	97.14%
Window Rock Unified**	\$770,431	\$0	\$770,431	0.0000	n/a	5.4%	n/a	0.00%
Totals	\$180,524,819	\$15,565,196	\$196,090,015				\$23,089,494	

* The rate on TUSD taxpayers within the city of Tucson is 87 cents over the one percent cap for 2002, resulting in a \$8.9 million cost to the state general fund. Last year, TUSD’s rate over the cap was \$1.12, costing the state \$10.3 million. Maricopa Unified receives \$67,904 from the state because it is \$1.09 over the cap. Isaac and Roosevelt were above the cap last year, but are not for 2002.

** Window Rock does not have a property tax. The district’s deseg spending is funded through federal (P.L. 874) dollars.