

ATRA Supports HB 2682

Limit property tax growth resulting from a flawed funding formula

SUMMARY

HB 2682 would prohibit increases in a school district's transportation revenue control limit (TRCL) if the calculated amount exceeds 120% of the transportation support level (TSL). It will not reduce the TRCL funding amount in any district.

BACKGROUND

The TRCL and the TSL are two related K-12 funding formulas provided in state law. The TSL formula involves the average daily route miles per eligible student transported. Additional factors in the formula reflect academic, vocational, and athletic trips, as well as students with disabilities. The TSL calculation is adjusted as changes occur in any of the numerous factors in the TSL calculation, including annual increases made by the legislature to the base amount.

Meanwhile, the TRCL calculation can change in only one direction — up. To calculate the TRCL, the previous year's TRCL is adjusted by growth, if any, in the TSL. In other words, if the TSL formula results in more funding, the TRCL grows by the same amount. If there was no growth in the TSL, or even if it declined, the TRCL remains the same. Year after year, as the TSL goes up or down, the gap between the TSL and the TRCL widens.

BASIS FOR ATRA'S SUPPORT

In 1980, the year this system was adopted, the TSL and the TRCL were approximately equal. As the transportation funding formulas have been calculated over the past 25 years, this "hold harmless" funding mechanism has resulted in the TRCL outpacing the TSL by approximately \$54 million in FY 2005. That's \$54 million in funding that is calculated for the benefit of students who are not there. The mechanism affects property tax rates because the state's equalization formula recognizes only the TSL. School districts' adopted budgets, however, include the TRCL. What this means is that the \$54 million to transport ghosts is falling mostly to local property taxpayers.

In fact, some of the highest property tax rates in Arizona are a result of this problem.

JLBC has estimated that this gap between the TRCL and the TSL costs the state general fund approximately \$12 million through additional state aid in recognition of the one-percent cap and the 35% rebate for owner occupied homes. JLBC further estimates that this general fund cost will grow by another \$1 million if nothing is done.

Again, HB 2682 will not reduce the TRCL amount in any school district. It will merely prevent the TRCL from growing until the difference between the two calculations returns to a reasonable level.



Please vote YES on HB 2682

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