

ATRA OPPOSES HB2332

Repealing the Voter-Approval Requirement for Lease-Purchases

ATRA opposes HB2332 as it would repeal the current requirement for school districts to obtain voter-approval before entering into certain lease-purchase agreements.

If a school district plans to pledge the full faith and credit of the district's taxpayers for many years into the future, the voters ought to be involved in the decision. When lease purchases are used to finance permanent improvements to real property and used to commit taxpayer expenditures for many years into the future, these debt instruments look very similar to general obligation bonds. And for that reason, current statutes require voters to approve such lease-purchase agreements if the items purchased exceed \$50,000.

HB2332 would repeal this voter-approval requirement for all lease-purchases made through a "guaranteed energy cost savings contract." This change is not necessary. Without repealing this requirement districts could still enter into these energy contracts after obtaining the support of the district's voters. If these projects will, indeed, result in the projected cost savings and, therefore, merit the commitment of taxpayer dollars then the voter-approval requirement should present no obstacle to districts entering into these contracts. But as the taxpayers will ultimately be responsible should real savings not materialize, the voters should not be removed from this decision making process.

The history surrounding these energy-saving arrangements argues for caution. In 1992, the Legislature passed similar legislation that allowed school districts to debt-finance energy-saving projects and then repay the debt with the projected cost savings. The program resulted in a series of abuses that led to a special audit by the Auditor General. The audit found that districts did not realize the projected savings as described in the attached front page Arizona Republic article ("Schools may get hot under the collar; AC units' energy savings inflated"). These front-page stories prompted the Legislature to repeal the program to prevent further abuses.

Saving energy while reducing school district expenses is clearly a laudable goal; yet, since history demonstrates that these lease-purchases could fail to accomplish this objective while encumbering taxpayer dollars for many years into the future without voter-approval, ATRA urges the Legislature to defeat HB2332.



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