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ARIZONA TAX RESEARCH ASSOCIATION

ATRA SUPPORTS HB2282

Cap the Transpo Delta; Prevent Property Tax Increases

Background:

One of the most peculiar features of Arizona's complex K-12 education finance system is a hold harmless tax called the "Transpo Delta" or TRCL-TSL. The tax is inequitably distributed and creates unfair tax rates, particularly in low-value areas.

The transportation support level (TSL) formula is based on actual route miles driven and is equalized, meaning local taxpayers pay their share in the Qualifying Tax Rate (QTR) and the state pays for the remainder. The TRCL essentially is the highest amount the TSL ever was, representing the district's high water mark. The difference between them is the "Transpo Delta" and is paid exclusively by the local property taxpayers.

$$TRCL - TSL = \text{"Transpo Delta"}$$

Collectively the total Transpo Delta amounts to \$80 million statewide. It has increased roughly \$20 million since 2009. Each time a district decreases their TSL, their local taxpayers are met with a tax increase. Importantly, these monies are all unrestricted, meaning they can be spent in any legal manner. This money does not "follow the student" and benefits declining districts at the expense of their taxpayers, disrupting the Constitutional demand for a "general and uniform" system.

Basis for ATRA's Support:

Reforming the K-12 finance formula is a daunting task. The first step towards reform is often a sign of good faith from all parties; an acknowledgment of system flaws. This bill does not take away money from the system, but merely prevents local taxpayers from higher taxes in the future by capping the hold harmless amount at today's levels.

If the Transpo Delta is not capped, the amount could be \$100 million by the time a larger compromise is found in school finance, making an effort to bring equity among schools that much more difficult.

The bottom line is one's property taxes shouldn't increase because your school district is driving fewer route miles.

ATRA ASKS LAWMAKERS TO VOTE YES ON HB2282!