

# Senate bill offers first step to control of property taxes

Property owners are worried about the growth in property valuations.

Experience tells them that the increases in value will translate into an increase in taxes next year. County assessors often get the blame for tax increases, but they have a constitutional obligation to value property at its fair market value.

In addition to ensuring that the property is not overvalued, property taxpayers need to focus their attention on the other side of the equation: taxes levied by local governments.

Clearly one of the most significant engines of recent property tax growth in Maricopa and Pima counties has been tax levies by school districts that have run afoul of federal racial discrimination laws.

State law allows school districts to levy unlimited property taxes in excess of their budget 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. This exemption from the limits may continue even after the court order is lifted or the civil rights agreement expires.

Currently, 19 school districts levy taxes over their budget limits for desegregation. However, only two school districts are under court order to desegregate: Tucson Unified and Phoenix Union. The remaining districts have either current or even expired civil rights agreements allowing them unlimited access to the property tax.

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.

During fiscal 1991, the year in which the auditor general's report was released, 10 districts levied \$47.3 million under this provision. For fiscal 2002, 19 districts levied \$193.8 million, a 309.7 percent climb over the 10-year period.

These levies have been driving a wedge into school district and tax-

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payer equity, widening the gap every year in a public school system that is required by the Arizona Constitution to be "general and uniform." That is because desegregation levies are unlimited budget overrides requiring no voter approval.

Disparities in tax burdens resulting from these desegregation levies are increasingly severe. An actual taxpayer in Tucson Unified is paying as much as 73 percent more in school district primary property taxes than a similarly valued property would pay in an adjacent district.

Some districts have even used this authority to increase property taxes to compensate for the loss of voter-approved overrides. Tucson Unified and, most recently, Washington Elementary, provide examples where the loss of an override election resulted in growth in their desegregation levy, essentially telling voters "you don't get to say no."

The 19 school districts with this ability to levy unlimited taxes are facing challenges resulting from Arizona's changing demographics, but they are not unlike challenges facing other Arizona school districts.

There is now, however, an opportunity to get the Legislature to respond to the problem they created when they enacted this law in the early 1980s. Legislation sponsored by Rep. Steve Huffman, R-Tucson, has passed the House of Representatives by a vote of 52 to 7. The same measure, Senate Bill 1213, passed the Senate Education Committee and may soon be considered by the full Senate.

The bill places a two-year freeze on property tax levies associated with this desegregation authority. Passage of this legislation will not immediately halt school district property tax growth, but it is a necessary first step to solving a daunting problem. We recommend you ask your state senator to support SB 1213.

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