

# ATRA SUPPORTS HB 2266: DESEG/OCR REFORM

One of the most significant drivers of property tax growth, especially in Maricopa and Pima counties, has been levies by school districts that have run afoul (or at least been accused of so doing) of federal civil rights laws.

State law allows school districts to levy unlimited property taxes in excess of their budget limits, for an unlimited amount of time and without voter approval, if the district has either a court order or an agreement with the U.S. Department of Education's Office for Civil Rights (OCR). This exemption from budget and property tax limits may continue long after the court order has been lifted or the OCR agreement is no longer monitored.

Currently, 19 school districts utilize the state deseg/OCR law to levy taxes over their budget limit. Specifically, only two districts are under court orders to desegregate: Tucson Unified and Phoenix Union. The remaining 17 districts are currently, or at least were at some point, under scrutiny by the OCR to remediate some claimed violation of civil rights. In other words, if a school district is accused of violating some student's civil rights, they are rewarded with unlimited access to taxes on property in perpetuity.

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, lawmakers had accomplished very little until 2002, when the Legislature capped deseg/OCR levies for a two-year period. That cap expires this year.

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.

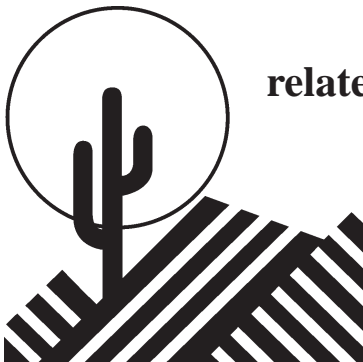
Desegregation/OCR levies are unlimited budget overrides requiring no voter approval. These levies have been driving a wedge into school district and taxpayer equity, widening the gap every year in a public school system that is required by the Arizona Constitution to be "general and uniform." Disparities in tax burdens resulting from these desegregation levies can be severe, with some property owners paying tremendously higher tax rates than similarly valued property in an adjacent district. Some districts have used this taxation authority to compensate for the loss of revenue when overrides are rejected by voters, essentially saying to taxpayers, *You don't get to say no.*

According to JLBC, the state general fund costs for the homeowner rebate and one percent cap will increase by between \$4 million and \$12 million in FY 2005 and between \$8 million and \$16 million in FY 2006 if the current two-year cap is allowed to expire.

HB 2266 puts into place reasonable reforms to deal with the authority these school districts have to levy unlimited property taxes. The bill will cap desegregation and OCR property tax levies at their current level. Any justifiable revenue increases for new or existing expenditures for such purposes will be subject to state appropriation.

## Please vote YES on HB 2266

**ATRA also urges your support of three other deseg/OCR related bills: HB 2265, HB 2267, and HB 2268**



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# Budgeted Desegregation Expenditures, FY 2004

School District	FY 2004 Deseg Totals	TY 2003 Primary Rate	Deseg levy as % of RCL	Estimated state cost thru 35% rebate	% over QTR
Tucson Unified*	\$62,461,811	7.1831	26.1%	\$10,289,263	183.40%
Phoenix Union	\$46,440,079	3.2835	48.8%	\$3,666,099	167.67%
Tempe Elementary	\$13,938,644	3.0965	29.0%	\$966,604	158.12%
Roosevelt Elementary	\$11,200,000	5.7142	27.6%	\$1,002,695	291.79%
Phoenix Elementary	\$9,625,741	4.4824	31.2%	\$239,135	228.89%
Mesa Unified	\$8,011,168	4.7475	2.7%	\$1,430,113	121.21%
Scottsdale Unified	\$6,620,057	3.8852	6.3%	\$1,345,734	99.20%
Washington Elementary	\$6,606,735	2.8277	7.1%	\$980,543	144.40%
Cartwright Elementary	\$5,465,780	4.9394	7.9%	\$898,473	252.23%
Glendale Union	\$5,436,189	2.4916	9.2%	\$841,743	127.23%
Isaac Elementary	\$4,675,835	6.0368	15.6%	\$330,759	308.27%
Amphitheater Unified	\$4,025,000	4.7554	6.0%	\$715,990	121.42%
Holbrook Unified	\$2,240,000	5.4034	27.7%	\$127,359	137.96%
Flagstaff Unified	\$2,045,720	4.8475	4.3%	\$307,394	123.77%
Wilson Elementary	\$1,757,670	3.0679	35.0%	\$5,323	156.66%
Window Rock Unified**	\$770,431	0.0000	5.3%	n/a	0.00%
Agua Fria Union	\$660,000	2.4243	4.9%	\$128,875	123.80%
Buckeye Elementary	\$500,000	4.0077	9.0%	\$38,226	204.65%
Maricopa Unified*	\$328,578	6.3123	6.5%	\$45,308	161.17%
<b>Totals</b>	<b>\$192,809,438</b>			<b>\$23,359,637</b>	

\* The total primary rate on TUSD taxpayers exceeds the constitutional one percent cap (by 56 cents within the city of Tucson). This results in an estimated additional \$6 million cost to the state general fund. Maricopa Unified receives \$133,878 from the state because it is \$1.34 over the cap.

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