

ATRA OPPOSES HB2475

Allowing Schools to Bond for Computers

Background

Prior to the 1998 reforms, the capital financing for Arizona schools relied heavily on voter-approved bonds. This system led to significant inequities in per-pupil capital funding as bonds passed easily in property rich districts and were defeated more often in property poor districts. The inequity led the Center for Law in the Public Interest to bring a lawsuit challenging the constitutionality of the system. After a ruling of unconstitutional, the Legislature passed a series of attempts to fix the inequity. Each attempt led to a new lawsuit and a new ruling that the system was unconstitutional.

The Legislature ultimately passed Students FIRST in 1998 which significantly reduced school districts' reliance on bonding for capital purchases. Due to Students FIRST, the state now funds school construction and building renewal through the School Facilities Board; schools budget per-pupil amounts for the Soft Capital Allocation which is equalized by state aid; and districts are prohibited from bonding for soft capital—personal property such as computers, textbooks, furniture, and so on. The courts blessed this system and declared that it met constitutional muster.

Some school districts subsequently claimed that computers should not be considered soft capital. In 2002, the Legislature addressed this claim and clarified the legislative intent of the 1998 legislation. The new legislation specifically identified computer hardware among the items for which bonding was prohibited by Students FIRST.

Basis for ATRA's Opposition

ATRA's opposition to this bill extends beyond the obvious concern that long term financing for personal property with a short shelf life is not financially sound.

Passing HB 2475 undermines the system deemed constitutional by the courts and puts the state at risk of further lawsuits. Allowing districts to bond for regularly occurring expenses places the voters between schools and a portion of their operating budget. The situation would likely arise where schools in wealthy districts use state-of-the-art technology while other students lack that advantage. Funding for these operational expenses should continue to be through the student-driven, state-aid-equalized Capital Outlay Revenue Limit and Soft Capital Allocation formulas.

Lastly, if school districts desire to expend more than the amounts provided by the equalization formulas current laws already provide a mechanism. School districts currently have the ability to ask voters to approve an override of their capital budget. These overrides can be for an unlimited amount and can be levied over 1 to 7 years.