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ARIZONA TAX RESEARCH ASSOCIATION

ATRA OPPOSES SB1294 (Striker Amd.) Sidesteps voters to ignore Constitutional Limits

Background:

There would be no reason to enshrine law in the constitution if a simple statutory change could dramatically alter what voters adopted. Since their passage in 1980, jurisdictions have grappled with the constitutional expenditure limitations and often asked their voters for overrides or “home rule” law, giving them increased expenditure capacity. The constitution made clear that any significant change in capacity would have to be approved by the voters— the ones who approved their creation.

Community college districts have a long history of trying to evade their constitutional expenditure limits. Previously, they managed them by grossly exaggerating their student counts, by an average of 19.4% before reforms were made in 2016.

In 2016, ATRA agreed to several reforms which provided community colleges new tools to address their expenditure limits without mocking the voters who created them. One of the changes ATRA crafted and proposed was a permanent change to the base spending level as approved by local voters at the ballot. This powerful tool allowed Pima College to seek a new expenditure limit which permanently increases their limit by 60%! <http://www.arizonatax.org/publication/newsletters/january-2021-newsletter>. Colleges have tools to fix their issues if they are willing to face their voters and make their case.

Basis for ATRA's Opposition:

ATRA understands community colleges don't like their expenditure limitations (EL). They call for colleges to reduce spending when their enrollment declines. Counties, cities, and school districts don't care for them either; however, they all must address them legally and faithfully. ATRA has offered to work productively with the colleges to address them in a meaningful way, not with accounting gimmicks.

The 10-year lookback for averaging enrollment is not grounded in sensible policymaking. Other jurisdictions must be nimble enough to react to changing circumstances. How can the state argue in good faith for current year funding for K-12s but a 10-year average for college EL? ATRA originally suggested a two or three year lookback. The current lookback of five years is already well beyond what was agreed to.

The 1.0 bump for CTE is unreasonable. The truth is CTE courses were also more expensive than other courses in 1980 when the EL were approved by the voters. In 2016, colleges originally asked for a 0.6 bump but were asked by lawmakers to narrow it to a 0.3 boost. This 1.0 addition more than TRIPLES that boost without any serious policy rationale. While it may be true that CTE courses are now even more expensive, it ignores the other FTSE that are less costly such as dual enrollment and online instruction. This statutory change is quite likely unconstitutional. It adjusts the formula for counting students in a manner that arbitrarily inflates the value of all students taking any CTE classes without

studying programming costs. Furthermore, it does not similarly adjust the measure of counting students in the 1980 base year, so the formulaic population factor is not an “apples to apples” comparison. Finally, it sets an extraordinarily bad precedent of the Legislature providing EL relief through creative accounting, signaling to other jurisdictions that they too can avoid public conversations and voter scrutiny by simply tinkering with population formulas.

Finally, this is not a COVID relief bill. Community colleges have been discussing ways to increase their EL well before COVID. Their enrollment has largely been on the decline for many years, creating this squeeze for several of the colleges but not all. If the Legislature wishes to provide a one year reprieve for COVID, it can do so with a far more sensible penalty than a mere \$100.

ATRA ASKS YOU TO VOTE NO ON SB1294!