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ARIZONA TAX RESEARCH ASSOCIATION

ATRA SUPPORTS SB1117 ***Adjacent Ways Reform***

Background:

Adjacent Ways is a special property tax authority school districts have for construction projects "...improving any public way adjacent to any parcel of land owned by the school district." State law limits the projects to "the construction of sidewalks, sewers, utility lines, roadways and other related improvements in or along such streets and intersections." However, there is no audit to ensure compliance with state law, no limit to the amount a district can levy and no requirement that an actual project even exist when the levy is set.

This tax is in addition to normal school district taxes and because of the differences in property values, taxpayers' ability to afford these projects can vary considerably. The same project that would be a negligible tax increase for one district could place an enormous burden on taxpayers in another district. The only requirement for a Governing Board to access the levy is a Truth-in-Taxation hearing which does not require they explain the nature of the project or provide a justification for the amount of the levy. While many districts use Adjacent Ways in accordance with state law, history is rife with abuses because of the lack of oversight.

Basis for ATRA's Support:

Every review of Arizona school finance including the ongoing Classrooms First Initiative Council has identified Adjacent Ways as a problem area. While state law clearly intends a very limited scope for Adjacent Ways, there is lack of oversight or limitation for this property tax levy. Historically, Adjacent Ways projects are often "baked in" as a component of a larger construction project, giving taxpayers little understanding of what the tax is funding.

Despite specific statutory limitations to the use of this levy, abuses continue. In recent years, one school district used at least \$6.4 million dollars of Adjacent Ways monies for lease payments on two middle schools; a clear violation of state law.

A Senate floor amendment addressed concerns expressed by school districts in the Senate Education committee. As amended, SB1117 creates a process to ensure a legal project exists before an expenditure occurs and adds the Adjacent Ways fund to the annual audit. School districts would submit projects costing over \$50,000 to the School Facilities Board (SFB) for validation. Oversight from SFB will curtail future abuses of the Adjacent Ways levy and bring transparency to taxpayers.

ATRA ASKS LAWMAKERS TO VOTE YES ON SB1117!