The taxpayer's watchdog for over 75 years

ARIZONA TAX RESEARCH ASSOCIATION

ATRA SUPPORTS SB1125/HB2401

Deseg/OCR Phase Out

Background:

If there is one point of agreement at the Capitol, it is that a major school finance overhaul is needed. That simply cannot be accomplished without addressing one of the biggest loopholes in school finance. Over $4 billion coming from local property taxpayers has exclusively benefitted 19 school districts over the last 30 years. The question is: For how much longer will lawmakers keep a program that inequitably drives $211 million per year to a few school districts, 97% of which goes to metro Phoenix and Tucson?

Funding for desegregation and Office of Civil Rights (OCR) agreements began in 1985 as short-term remedies for "alleged or proven racial discrimination." However, these "short-term" remedies have endured for decades and exploded by 2100% over time, supplanting general fund budgets. They are not subject to the scrutiny of voter approval and are not in any way tied to pupils, poverty, or demographics. The few grandfathered school districts continue to benefit from significant spending advantages.

Basis for ATRA's Support:

Deseg/OCR funding creates massive inequities for school districts and taxpayers. The average per-pupil increase from this levy is $760 per pupil. This fairness issue is exacerbated in Arizona's competitive environment where students have a variety of public options. These 19 districts can pay their teachers more, have smaller class sizes or offer more services. It would certainly fail the constitutional test of "general and uniform" and leaves the state exposed to litigation.

Arizona's school finance formula attempts to reduce the impacts of disparities in property wealth by applying a qualifying tax rate (QTR) so all taxpayers pay roughly the same rate for K-12. Deseg/OCR levies distort that concept heavily because the levy is on top of the formulaic amount and is not equalized by the state. Taxpayers in these districts sometimes pay Deseg/OCR levies at both the elementary level *AND* the high school level, creating some of the highest tax rates and most difficult business climates in the state. Finally, Deseg/OCR is a key contributor to tax rates busting the constitutional limitation on homeowner property taxes, commonly referred to as the "1% Cap."

If Deseg/OCR levies ever had a connection to the problems they were intended to fix, they certainly should not exist in perpetuity. A five year phase-out for OCR districts and ten years for Deseg districts after a year to plan is a fair way to slowly bring these districts to parity. SB1125/HB2401 contain a unique provision which starts Tucson Unified's phase out the year following a federal court declaring them unitary.

ATRA ASKS FOR YOUR SUPPORT!