



The taxpayer's watchdog for over 75 years

ARIZONA TAX RESEARCH ASSOCIATION

ATRA SUPPORTS SB1371 ***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: how much longer will Arizona continue to allow a program that inequitably drives \$211 million per year to a few school districts?

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. The money is not equalized by the state and therefore is taxed on top of the normal K-12 primary property tax, creating some of the highest tax rates in the state for local taxpayers. They are not subject to the scrutiny of voter approval and are not in any way tied to pupils, poverty, or demographics. It is hardly fair that schools down the street from one another should have far different financial opportunities.

Basis for ATRA's Support:

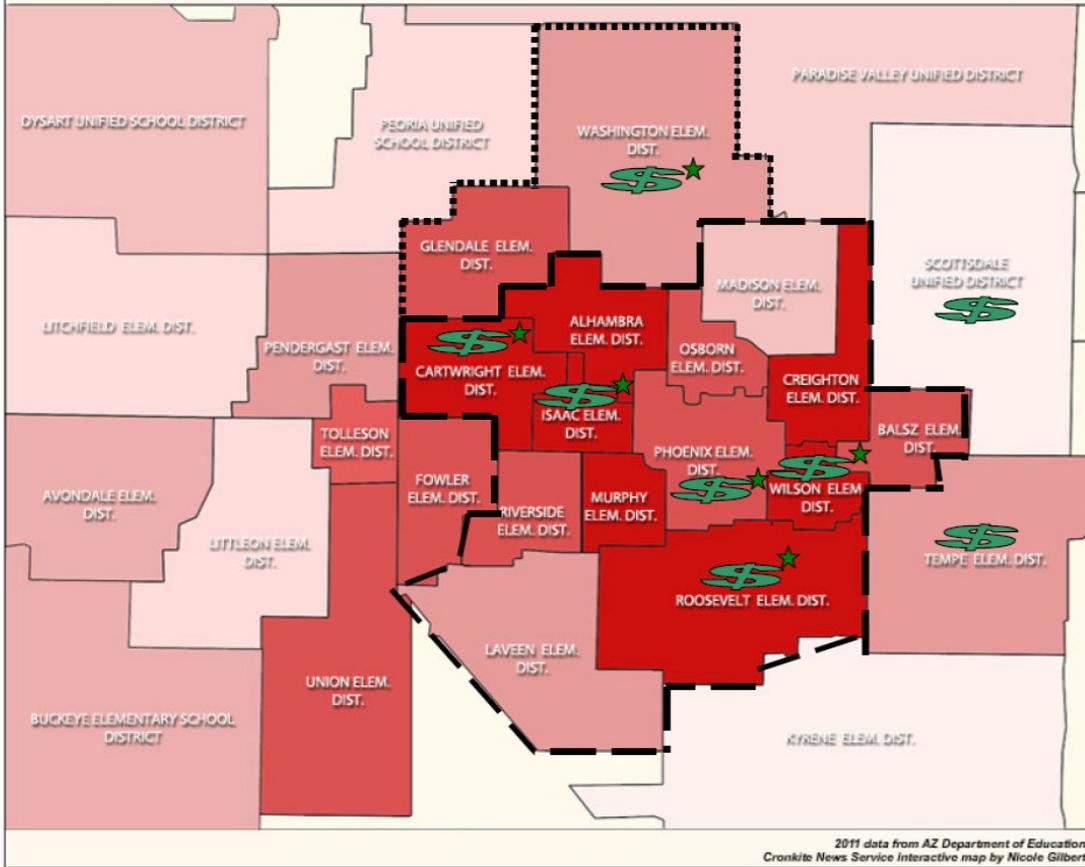
Deseg/OCR funding creates massive inequities for school districts which compete for teachers and students across district lines; the average per-pupil increase from this levy is \$760 per pupil. These 19 districts can pay their teachers more, have smaller class sizes or offer more services. It would certainly fail the constitutional test of “general and uniform” and leaves the state exposed to litigation.

Our 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 tax rate. 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 twice, because of Deseg/OCR levies at the elementary level *AND* the high school district level, creating some of the most abusive tax environments in the state.

Deseg/OCR levies create massive unfairness for both school districts and taxpayers; they certainly should not exist in perpetuity. A five year phase-out for OCR districts and ten years for Deseg districts is a fair way to slowly bring these districts to parity.

ATRA ASKS FOR YOUR SUPPORT OF SB1371!

STUDENTS ELIGIBLE FOR FREE OR REDUCED LUNCH IN MARICOPA COUNTY ELEMENTARY SCHOOL DISTRICTS



% Eligible
 60%+
 80%+
 90%+

=
 OCR Money

Phx Union
 (Deseg)

Glendale
 Union
 (OCR)

★ Taxpayers
 pay twice for
 Deseg/OCR

2011 data from AZ Department of Education.
 Cronkite News Service Interactive map by Nicole Gilbert.