

School Finance Issues - 2013

Kevin McCarthy
ATRA



Major Issues

- Litigation
- Recent changes to school finance are at cross-purposes with long term policy objectives.
- Current system has created major tax inequities.



Quick History From a Taxpayer Perspective

- Major effort to create M&O equity in Arizona in the early 1980's. Influenced by court cases nationally as well as in Arizona. Considerable investment in K-12 schools to equalize funding.
- Major objectives:
 - Equalize M&O spending per pupil
 - Equalize property tax effort across districts



Equalization led to disequalization

- Following the major effort to equalize the M&O system, policymakers almost immediately began undermining the reform by responding to repeated requests from districts to provide exceptions to the budget limits:
 - Desegregation
 - Excess Utilities
 - Excess Insurance
 - Career Ladders
 - Liabilities in Excess
 - Adjacent Ways



Roosevelt v Bishop

- While state policymakers were busy undermining the M&O equity, a few districts decided to sue on capital funding.
- The Roosevelt v Bishop litigation dominated the public finance debate at the Capitol through the decade of the 90s. Repeated legislative reforms struck down by the court until Students First passed in 1998.
- Like the M&O reforms from the 80's, the legislative effort to resolve Roosevelt came at an enormous cost to taxpayers — \$4.4 billion spent between 1998 and 2014.




Arizona's School Choice Policy

- In addition to the equity lawsuits, Arizona has also advanced policies that emphasize parental/student choice and de-emphasize district boundaries:
 - Open enrollment (which occurred during the same time period that the courts were decreasing district responsibility for capital - 1994).
 - Charter schools.
 - Private school choice – tuition tax credit:
 - These policy objectives should be aligned with an equitable funding system.
 - However, the finance system was never completely aligned with the policy objective and now it is trending in the opposite direction.



Status in 2013

- Despite court decisions forcing the state to address inequities and policies encouraging student/parental choice, recent changes in Arizona school finance have dramatically reinforced the district model of school finance and increased inequity in the system.
- In the last four years, the Legislature increased M&O overrides from 10% to 15% and doubled the statutory class B debt limits that were a key feature of the state's resolution to Roosevelt.

- 
-
- Three equity lawsuits filed in recent years:
 - District lawsuit challenging inequity in M&O;
 - District lawsuit challenging inequity in capital;
 - Charter lawsuit challenging system inequity.



Taxpayer Inequities

- While taxpayers have not sued on equity grounds, it isn't because they wouldn't have valid arguments to challenge the system on general and uniform grounds.
- Property tax rates to fund K-12 districts range from \$0 to \$15.0345 (Cartwright/Phx Union).
- The QTR for 2013 is \$4.2530.



Taxpayer Inequities

- Several exceptions to equity create major differences in tax burdens as well as per pupil spending:
 - Overrides
 - Desegregation
 - Small School Adjustment
 - Adjacent Ways

Taxpayer Inequities

FY 2014 Deseg/OCR Levies & Tax Rates

District	Deseg/OCR Levy	Deseg/OCR Tax Rate	District's Primary Rate
Holbrook Unified	\$2,244,998	4.52	\$4.0987
Isaac Elementary	\$4,951,155	4.23	\$3.0422
Roosevelt Elementary	\$13,570,494	2.86	\$4.3869
Cartwright Elementary	\$4,628,061	2.43	\$3.1937
Wilson Elementary	\$1,926,054	2.34	\$4.4554
Tucson Unified	\$60,711,048	2.02	\$6.0056
Phoenix Elementary	\$9,576,481	1.63	\$4.4773
Phoenix Union	\$54,443,542	1.35	\$3.6615
Tempe Elementary	\$13,878,248	1.16	\$3.2231
Buckeye Elementary	\$1,591,767	1.02	\$3.6619
Washington Elementary	\$6,350,000	0.60	\$3.0493
Maricopa Unified	\$1,291,000	0.58	\$4.9463
Glendale Union	\$6,131,959	0.48	\$2.6893
Mesa Unified	\$8,774,057	0.36	\$4.7751
Amphitheater Unified	\$4,025,000	0.29	\$4.3876
Flagstaff Unified	\$2,241,322	0.22	\$3.9899
Scottsdale Unified	\$7,382,169	0.18	\$3.3548
Aqua Fria Union	\$959,000	0.11	\$2.2936
Total	\$204,676,355		

Taxpayer Inequities

FY 2014 Small School Adjustment Levies & Tax Rates

10 Districts w/largest budget increases for small school adj:

District	Small School T.R.	Total Primary	District QTR
Grand Canyon	\$7.25	\$7.35	\$4.25
Sentinel	\$7.13	\$10.04	\$4.25
San Simon	\$6.90	\$8.94	\$4.25
Redington	\$5.42	\$4.82	\$4.25
Bowie	\$4.86	\$11.10	\$4.25
Mobile	\$4.68	\$7.76	\$4.25
Wenden	\$4.56	\$5.78	\$2.13
Paloma	\$3.53	\$5.02	\$4.25
Clifton	\$2.91	\$6.79	\$4.25