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ARIZONA TAX RESEARCH ASSOCIATION

ATRA OPPOSES HB2405

schools; bonded indebtedness; temporary increase

- *Doubles bonding capacity for school districts*
- *Dramatically increases school property taxes*
- *Ignores Arizona's resolution to the Roosevelt v. Bishop Lawsuit*

Background:

The state of Arizona spent the better part of the decade of the 1990's tangled in litigation on Arizona's method for capital financing of public schools. Beginning with the Supreme Court's 3-2 decision that invalidated Arizona's capital finance system in the *Roosevelt v Bishop* case in 1994, the Arizona Legislature spent the next six years struggling to resolve that case. In fact, repeated attempts by the Legislature to address the court's decision were struck down. Finally, with the passage of Students FIRST in 1998, the court ruled that the state had satisfied its view of the "general and uniform" clause (*Attached is a brief list of the major legislative actions and lawsuits that the state of Arizona has dealt with regarding the Roosevelt case*).

In addition to the creation of the School Facilities Board (SFB), along with the creation of minimum adequacy guidelines and formulaic funding for new construction, a key component of the Students First legislation that exorcised the state from the *Roosevelt* case was the reduction in the influence of the inequitable property tax on school capital funding. In order to address the obvious property tax inequities that the plaintiffs attacked in *Roosevelt*, the Legislature reduced districts' access to debt financing through a reduction in the K-12 debt limits.

Basis for ATRA's Opposition:

ATRA was deeply involved in every aspect of the state's effort to resolve the school capital finance crisis created by the Supreme Court decision in 1994. Despite the fact that ATRA did not agree with the courts finding in *Roosevelt*, we had to participate in a resolution to that decision. Most of those that participated in the creation of Students FIRST did so out of necessity, not because they thought it was particularly good policy. Having said that, regardless of how we now view the Students FIRST reforms, ATRA believes that it would be a major mistake to pretend that the *Roosevelt* case never occurred or that the state can simply "walk away" from Students FIRST reforms.

ATRA appreciates the fact that recent budget deficits forced state policymakers to shift funding from SFB to higher priorities. However, in addition to the school districts' concerns about the loss of capital funding through SFB, the state also must be cognizant of the capital finance lawsuit by the charter schools. Clearly, the passage of HB2405, which increases the inequity between district and charters schools, will improve the charter schools position in their litigation with the state.

Finally, ATRA believes that Arizona policymakers need to reevaluate Arizona's K-12 capital finance system. In doing so, policymakers should avoid changes that guarantee a new round of litigation like the state experienced in the 1990's.