



ARIZONA STATE SENATE
Forty-ninth Legislature, First Regular Session

PROGRAM PRESENTATION

Additional State Aid: A.R.S. §§ 15-910, 15-918.02, 15-946

Background

There are two types of Additional State Aid. The homeowner property tax reduction program, commonly called the “homeowner’s rebate,” is authorized by A.R.S. § 15-972, which for FY 2009-2010 requires the state to pay 39 percent of each homeowner’s school district primary property taxes, up to a maximum of \$580 per parcel. The second type of Additional State Aid, commonly referred to as the “one percent cap,” is authorized by Article IX, Section 18 of the Arizona Constitution, which limits residential primary property taxes to no more than one percent of a home’s full cash value. Additional State Aid pays for any portion of a homeowner’s primary property taxes for all taxing jurisdictions combined (not just schools) that exceeds one percent of the full cash value of their home.

A.R.S. § 15-910: Arizona Desegregation Funding

Under the provisions of Title VI of the Civil Rights Act of 1964, “no person in the U.S. may be excluded from participation in, be denied the benefits of or be otherwise subjected to discrimination under any program or activity receiving federal funding from the U.S. Department of Education on the grounds of race, color, or national origin.” The agency responsible for monitoring and resolving discrimination complaints is the U.S. Department of Education’s Office of Civil Rights (OCR).

Following an investigation of alleged federal civil rights violations, if the OCR determines that a school district has failed to comply with applicable laws or regulation, the OCR will negotiate with the district to reach a voluntary administrative compliance agreement. Schools may also be placed under court order to remediate alleged or proven racial discrimination.

In the 1980s, Arizona adopted an equalized school finance system intended to reduce disparities in local school district tax rates and equalize per-pupil spending for maintenance and operations. However, Arizona statute allows a school district to levy an additional property tax above and beyond its statutory budget limits if that district has (or had) a court order of desegregation or an administrative agreement with the OCR. Nineteen school districts in Arizona (two under court order, seventeen with OCR agreements) currently budget for costs resulting from an ongoing or resolved OCR administrative agreement or court order of desegregation. This budget authority is typically referred to as “desegregation funding,” although monies may be used to remediate any civil rights category violation.

Laws 1990, Chapter 399, required the Auditor General to report on desegregation expenditures in Arizona. The report found that “expenditures budgeted outside of the revenue limits for desegregation programs are growing” and that “some costs categorized as desegregation expenditures do not appear to be related to desegregation orders and agreements.”

In 2002, the Legislature limited the ability of school districts to increase desegregation budgets by capping desegregation funding for FY 2002-2003 and FY 2003-2004 at the FY 2001-2002 level.

In 2004, the Legislature adopted a “soft cap” allowing desegregation expenditures to increase for enrollment growth and inflation in FY 2004-05, which was extended in FYs 2005-2006, 2006-2007, 2007-2008 and again in 2008-2009.

A.R.S. § 15-918.02: Career Ladder

In 1984, the Legislature established the Career Ladder Program, a performance-based plan that provides incentives to teachers to make career advancements without leaving the classroom or the profession. Rather than advancing on a salary schedule as a result of seniority and educational credits, teachers are paid according to their level of skill attainment and the level of their students’ learning.

There are currently 28 participating school districts. In 1992, the Legislature passed legislation that allowed the expansion of the Career Ladder Program only if the Legislature appropriated additional monies for new school district participation. The Career Ladder Program is funded through a combination of local property taxes and state funds. School districts participating in Career Ladder are allowed to increase their “base level” (statutorily set per-pupil amount for all public school students) by 5.5 percent. Unified school districts must then increase their qualified tax rate (QTR) by 22 cents, or 11 cents for elementary or high school districts, to assist in funding the 5.5 percent funding increase. For most school districts, the property tax generates only a portion of the 5.5 percent, and the state General Fund provides monies for the remaining amount.

A.R.S. § 15-946: Transportation Revenue Control Limit

The equalization base for a school district’s spending limit is the sum of the Base Support Level, Transportation Support Level (TSL), Capital Outlay Revenue Limit and Soft Capital. The TSL is computed by multiplying a statutorily set amount, adjusted annually for inflation, by a school district’s average daily bus route miles. The TSL includes other transportation related expenses, such as public transportation passes for qualifying students.

The Transportation Revenue Control Limit (TRCL) is a program separate from the TSL. The TRCL allows school districts to levy an additional property tax to generate revenue for transportation costs above the TSL amount. The TRCL is prohibited from growing if the TRCL is more than 120 percent of the TSL.

Fiscal Information

The Joint Legislative Budget Committee (JLBC) estimates that Homeowner’s Rebate costs for desegregation programs will be approximately \$27.4 million for FY 2009-2010.

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JLBC estimates that Homeowner's Rebate costs for the Career Ladder Program for FY 2010 will be approximately \$8.8 million.

JLBC estimates that Homeowner's Rebate costs for the TRCL for FY 2009-2010 will be approximately \$12.1 million.

Committee Activity

The Senate Finance Committee held one public hearing on Additional State Aid Property Tax Subsidies on February 4, 2009. The Committee heard a presentation by JLBC staff on the following three property tax subsidies:

- Desegregation Programs.
- Career Ladder.
- Transportation Revenue Control Limit.

Attachments

- JLBC PowerPoint presentation from February 4, 2009.

Prepared by Senate Research

February 5, 2009

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