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AUTHOR Webb, L. Dean
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ABSTRACT

The Arizona state legislature met from November 1979 to April 1980 for the sole purpose of restructuring and codifying rules that define school financial policy and reforming tax structures that support educational institutions. This case study investigated the role of special interest groups in shaping state educational policy at that session. Data collection activities were structured around identifying (1) the special interest groups or individuals that attempted to influence the legislature; (2) the major issues or concerns of these groups; (3) the methods of contact employed; and (4) the extent to which those individuals or groups were successful. Data were collected by means of a mail survey of all 90 state legislators and all special interest groups and by open-ended interviews with 51 legislators and 52 representatives of special interest groups. Content analysis was used to analyze the data. The demographic and economic factors that precipitated the special session are explained and the policy results of the special session reviewed. The special interest groups are identified, their concerns summarized, and methods of contact and influence discussed. The conclusion states that educational policy relative to school finance in Arizona is not being shaped by any special interest groups. (Author/HLP)

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THE ROLE OF SPECIAL INTEREST GROUPS IN THE SHAPING
OF STATE EDUCATIONAL POLICY
RELATIVE TO SCHOOL FINANCE: A CASE STUDY

by

L. Dean Webb
Associate Professor
Arizona State University

EA 013 915

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L. D. Webb

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Introduction

One of the major ways in which state governments control local education agencies is through the financial system established by the legislature and administered by the state education agency. Most state systems for school finance are a welter of sometimes-vague, often contradictory laws whose origins are no better understood than their effects. In spite of this, research to date on school finance has primarily focused on the product rather than the process. For example, the Spring 1978 issue of Journal of Education Finance described the products of legislative reform in twelve states with regard to the match between those reforms and equity considerations. These discussions, however, did not consider the extent to which discrepancies between the ideal and real in terms of equity are related, not to legislative fallibility, but to political compromises or other considerations.

In the past year, however, the state of Arizona offered a unique opportunity for an examination of the philosophical and political underpinings of educational policymaking, as evidenced in the state school finance system. From November, 1979 to April, 1980, for 144 days, the state legislature met in what reporters called "the longest, most grueling special session in Arizona history" (Arizona Republic, April 4, 1980, A1-A4). The special session had as its sole purpose the restructuring and codifying of the rules which define school financial

policy and the reforming of the tax structures which support the educational enterprise. The fact that this was a special legislative session, devoted to a limited number of issues, provided an excellent opportunity to study educational policymaking, especially that relative to school finance, without the presence of the confounding variables and contravening issues and interests that would be present and interacting during a regular legislative session.

Any study of educational policymaking, including one conducted in the above described environ, could address one or several of the myriad of issues that surround the policymaking process. Of these issues, the ones that were of particular interest to this researcher were the following: (1) who, in terms of identifiable special interest groups, agencies, institutions or individuals, sought to influence state legislators? (2) what strategies did they employ in attempting to influence legislators? and (3) to what extent were they successful in having their demands translated into legislation? The case study report which follows presents the results of an investigation into the role of special interest groups in the shaping of state educational policy relative to school finance in Arizona. However to better understand their role and impact it is necessary to describe the conditions which were present.

Background of the Study: Need for Reform in Arizona

The need for a special legislative session on school finance and tax reform was precipitated by a number of demographic and economic factors that impacted heavily upon Arizona's economic systems of school finance and taxation. The major demographic factors are Arizona's rapidly growing population with it attendant increased demands for

governmental services and the increasing percentage of the population who are retirees on fixed incomes and are therefore seriously affected by increasing tax burdens. Chief among the economic factors were inflation, increased government spending, increased property taxes and legislative fear of the passage of Proposition 106, Arizona's clone of California's Proposition 13.

During periods of inflation when the value of money declines, governments need more of it, to provide the same level of service. This results in a higher level of taxation. For the period 1975-1979, the Phoenix metropolitan consumer price index increased at an average annual rate of 9.3%. During the same period, school district expenditures increased at an annual rate of 9.8%. The state's General Fund operating budget was increasing at an even more rapid rate, 14.6% annually between 1970 and 1978 (A Summary of the Research and Findings of the Arizona Legislature's Special Session on School Finance and Taxation, 1). In response to the rapid increase in state spending, Arizona voters had approved Proposition 101 in November of 1978. Proposition 101 amended the State Constitution to limit state government expenditures to 7% of total state personal income. However, it did nothing to limit spending of local governments. The need to limit government spending was perceived by the legislators interviewed in this study as one of the more important reasons for the special session.

Rapidly increasing local government spending in Arizona has been related to increased property taxes since the property tax has accounted for two-thirds of the of the revenue of the local governments. In Arizona, as in other states, the assessed valuation of property constitutes the property tax base. However, Arizona makes a distinction

between full cash value and assessed valuation. Full cash value is the market value of the property as appraised by the county assessor in the case of residential, commercial, industrial or agricultural property, or by the State Department of Revenue for utilities, railroads and mining properties. The assessed valuation of property, on the other hand, is a percentage of the full cash value and is that portion of the value that is subject to taxation. This percentage is also known as the assessment ratio.

The assessed valuation system in Arizona is based upon a system of classification of property usage. To date, only seven other states have adopted comprehensive tax systems. Eighteen other states use partial classification schemes (A Summary of the Research and Findings of the Arizona Legislature's Special Session on School Finance and Taxation, 18). The seven major classes of property and their assessment ratios in Arizona prior to the special session were:

Class 1	mines, timber and airline flight property	60%
Class 2	property owned by gas, electric, water, telephone, telegraph and pipeline companies	50%
Class 3	general commercial and industrial property	27%
Class 4	agriculture and vacant land	18%
Class 5	residential property	15%
Class 6	rental residential property	21%
Class 7	railroads	36%

Because the assessment ratios were higher for business and industry, owners of these types of property felt they were discriminated against relative to residential property owners. To compound the issue, even within the industrial and commercial properties, assessment ratios varied.

This had been a source of contention for some time.

The actual property tax liability of a particular piece of property depends upon the tax rates of the various taxing jurisdictions within which it is located. That is, a piece of property is subject to property taxes levied by the state, the county, a city, a school district, a community college district and, perhaps, one or more of 15 special districts such as electrical districts, water districts, fire districts, flood control districts, library districts, hospital districts and even antinoxious (weed) districts. In terms of property tax collections, in 1979 the state government collected approximately 10% of all property taxes, cities and towns 7%, counties 23%, special districts 2%, community college districts 7% and school districts 51% (Arizona Department of Revenue Annual Report, 1978-79, 14). Thus any one piece of property is subject to taxation by numerous taxing jurisdictions.

Compounding the problem of numerous taxing jurisdictions is the fact that the tax rates being levied by the various taxing jurisdictions can vary considerably between taxing areas. For example, for all unified districts (K-12 districts) in 1978, the high tax rate was \$22.05 per \$100 of assessed valuation and the low tax rate was \$2.825 (A Summary of the Research and Findings of the Arizona Legislature's Special Session on School Finance and Taxation, 25). Concern over the inequality of tax rates was one of the major motivations for the special session.

Closely linked with the property tax system in Arizona is the system of education finance. The property tax is a major source of revenue for both school districts and community colleges. And, as previously stated, 58% of the property tax collections in Arizona come from school district and community college levies. Inflation has impacted on

school districts and community college districts as much as it has on individuals or on other governmental units. The increased cost of providing education has, in turn, placed increased demands on the property tax.

In 1974 the legislature had passed a school finance plan designed to lessen the school districts' reliance on the property tax by increasing state aid and to control the growth of school district expenditures by placing a growth limit on the general education budget. Unfortunately, these reforms did not solve the problems associated with the use of the property tax to support the public schools. One reason was that in districts with above average expenditures, that portion above the average must be financed by local property taxes. Second, and perhaps most importantly, the only budget that had a growth limitation was the general or maintenance and operations budget. Thus, spending in unrestricted areas of the budget, such as transportation and special education, or for budget overrides, all of which were financed by property taxes, was unlimited and increased tremendously in the years after 1974. As a result, local property taxes continued to increase and tended to cause unequal property tax rates among districts throughout the state. The problems associated with the rising cost of financing elementary and secondary education were exacerbated by the community colleges which operated with no state-imposed budget or expenditure limits.

Although the existence of these problems related to the Arizona property tax and school finance structures would seemingly provide sufficient justification for the calling of a special session on tax reform and school finance, for the single most important reason mentioned in subsequent interviews with legislators was legislative fear of the

passage of a Proposition 13-type initiative in Arizona. For over a year before the special session began, a group called Citizens for Tax Relief, chaired by William Heutsler, had been gathering signatures to place a tax-cutting measure on the 1980 ballot. Initial endorsements were given by then-Governor Ronald Reagan and Senator Dennis DeConcini. The number given the proposal on the ballot was Proposition 106. Proposition 106, which was worded very similarly to California's Proposition 13, limited property taxes to 1% of full cash value. This limitation would have excluded taxes for bonded indebtedness, taxes of special purpose districts, or taxes pursuant to an election to authorize taxes in excess of a budget, expenditure or tax limitation. The proposed amendment also limited assessment increases to 2% per year, used 1975 as a base year for assessments and required a two-thirds vote for any new taxes. Supporters of Proposition 106 viewed it as being the necessary panacea for the ailing property tax structure of Arizona.

Legislative opponents of Proposition 106 contended that not only would it not bring the benefits claimed but that significant and potentially disastrous problems would be created by its passage. They pointed to the California experience and said that since Arizona did not have the state surplus enjoyed by California at the passage of Proposition 13, the \$400 million shortfall created would of necessity require the cutting back or elimination of many vital services. They also charged that the major benefits would accrue to industrial and commercial properties rather than residential property. They also pointed to the experience in California where special fees and user charges were levied by local governments as a way of providing services and at the same time circumventing the two-thirds vote requirement for special taxes.

Another major objection was that Proposition 106 would create great inequities in the property tax structure in that all property constructed or purchased since 1975 would be revalued to their current value and would presumably be paying higher taxes than those on the tax rolls in 1975 which had not experienced a change of ownership.

In view of the multiplicity of problems inherent in the existing taxing and school financing systems, and realizing that citizens' demand for tax reform must be addressed if a tax-slashing amendment were to be avoided, the Arizona Legislature met in special session during the latter part of 1979 and early 1980. As a result of the session the legislature enacted a comprehensive program of property tax and school finance reform, established expenditure limitations for the various governmental units and repealed the state sales tax on food. The role of special interest groups in that process is the topic that was central to this research and is discussed in the sections that follow.

Methodology

Data Collection

Data collection activities relative to an investigation of the role of special interest groups in shaping school finance policy during the second special session of the 34th Arizona Legislature were structured around the following questions:

- (1) who were the special interest groups or individuals that attempted to influence the legislature?
- (2) what are the major issues or concerns of these groups?
- (3) what methods of contact are employed by those seeking to influence legislators?
- (4) to what extent are those who seek to influence policymaking

successful in that endeavor, as measured by the translation of their demands into law?

Additionally, during the interviews described below data were gathered to: (1) legislators' and special interest group perceptions of the circumstances and events that created a need for a special session; (2) legislators' and special interest group perceptions of the most effective method of contact; (3) legislators' perceptions of the role and impact of media on the special session; and (4) special interest group perceptions of the extent to which the legislation passed by the special session has achieved the results intended. Presentation and discussion of data relative to items 3 and 4 are not included in this report but are included in the larger report submitted to the National Institute of Education.

Data collection activities took place in three stages. In the first stage the official listing of all registered lobbyists was obtained from the Secretary of State and reviewed for identification of individuals that had indicated some interest or association with the topics of property taxes or education. Also during the first stage, minutes of all legislative hearings relative to special session topics were analyzed to identify persons present, speakers and demands or concerns expressed.

The second stage of the data collection involved a mail survey of all 90 state legislators (30 Senators and 60 Representatives) and all special interest groups, agencies or organizations identified during the first stage. The letter to legislators simply asked them to list special interest groups that contacted them, method of contact, and concerns expressed. For method of contact they were asked to use code numbers to represent telephone contact, letters, personal visits, presentation

to legislature, public presentation or other. The letter to special interest groups/organizations asked them to first list their concerns relative to the topics of the special session and second to check off the methods used to gain legislative support for their concerns. The checklist of possible methods included:

- (1) Solicit phone calls ___ and/or letters ___ from members of your organization.
- (2) Solicit phone calls ___ and/or letters ___ from general public.
- (3) Personal visits to legislators ___.
- (4) Formal presentation to legislature ___.
- (5) Public presentations ___.
- (6) Interviews by: newspaper ___, television ___, radio ___.
- (7) Paid advertising in: newspaper ___, television ___, radio ___.
- (8) Other (please specify) _____.

The third stage of data collection involved open-ended interviews with 61 legislators (plus staff) and 52 representative of special interest groups/organizations. As noted by Lutz and Iannaccone (1969), the open-ended interview technique permits obtaining systematic data about a range of perceptions. The structured interviews with legislators contained the following seven questions:

- (1) As you perceive them, what were the circumstances and events that created a need for a special session on school finance and tax reform in Arizona?
- (2) What were some of the special interest groups or individuals that contacted you relative to the special session on school finance and tax reform?
- (3) What were the concerns of these groups?
- (4) What were their methods of contact?
- (5) Which method or methods of contact by these groups do you perceive to be most effective and why?

- (6) How successful were these groups in getting their special interests translated into policy by the final legislation that was passed?
- (7) What role did the news media coverage have relating to the special session and what impact did they have?

The instrument used for interviews of representatives of special interest groups/organizations contained the following open-ended questions:

- (1) As you perceive them, what were the circumstances and events that created a need for a special session on school finance and tax reform in Arizona?
- (2) What were the concerns of your group/organization relative to the topics of the special session, i.e., school finance and tax reform?
- (3) Which method of methods (of influencing legislators) do you perceive to be most effective and why?
- (4) How successful do you feel your organization was in getting your special interests translated into policy by the final legislation that was passed?
- (5) The legislation passed by the special session has now been in effect some months. Has the legislation achieved the results intended, i.e., fulfilled your original expectations?

In addition to the open-ended questions, one question was used which asked respondents to indicate on a 5-point Likert scale the extent to which the organization used a particular technique to gain legislative support. This question was based upon the instrument developed by Milbrath (1963) which dealt with the techniques utilized by lobbyists at the federal level. Both the instruments used for interview of legislators and representatives of special interest groups were designed after examination for style and format of such instruments as those designed by Francis (1967), Wahlke (1962) and Presthus (1974) which dealt with identification of legislative issues and/or legislative contact with lobbyists.

Data Analysis

The primary method of data analysis employed in this study was content analysis. According to Fox (1969) content analysis may be defined as "a procedure for the categorization of verbal or behavioral data for purposes of classification, summarization and tabulation" (p. 646). As its name implies, it identifies, describes and analyzes in detail the content of verbal or pictorial material in an objective, systematic and quantitative manner (Thomlinson, 1967). No formal procedure for content analysis of the mail surveys of legislators was adopted as these were conducted primarily for the purpose of identification of special interest groups/organizations. The same was true of the mail surveys of special interest groups which were made for the purpose of identifying the more active groups to be personally interviewed.

It was then, the personal, structured interviews with legislators and special interest groups/organizations which were subjected to semantic content analysis; that is, the data (responses) were assigned codes based upon their content. Responses were then tabulated across type of respondents and responses. In addition, the means of the 5-point Likert scale responses were used as indices of analysis to determine the extent to which organizations employed the various techniques to influence the legislature.

Special Interest Groups Identified

Studies of interest groups and the devices by which they influence policymaking are vital to those who study the political process (Neumann, 1957). Beginning with Milbrath in 1963 many excellent studies of interest groups have been made in the last twenty years. These groups are

now not only accepted and valued participants, but are, according to Moe (1980), sometimes indistinguishable from government itself, acting as agents of influence, channels of representation and as sources of information and expertise. Other researchers have noted that interest groups openly perform creative functions in the contrivance of proposals for public policy (Key, 1964).

Almost 100 special interest groups/organizations (including various school districts) were identified by legislators as being active before and during the special session. The interest group named as being most frequently in contact with legislators was the Arizona Education Association, which was mentioned by 53% of the legislators. The second most active were the mining groups (Arizona Mining Association and AMIGOS) who were noted by 47% of the legislators. Utility interests were also actively lobbying and were ranked number three (3%) in terms of the groups contacting legislators. The Arizona School Board Association and the Arizona Chamber of Commerce both made contact with approximately one-fourth of the legislators responding, as did a combination of various local school boards. Other education groups that were active included special education groups and a group called the Allied Education Organization for School Finance, or simply, the Coalition. The Coalition was a voluntary association of the AEA, ASBA, AASA, ASBO, AFT and PTA for the purpose of sharing information and presenting a united front on the overall education finance plan. They had agreed that they would not go out on their own until after the session started. Thus before the session started, during pre-session hearings, the Coalition presented its proposal and was very active. However, when the proposal (which really was not a complete proposal) proved totally unworkable and

unacceptable, the Coalition for all practical purposes ceased to exist and each of the member groups then began their own activities designed at reaching legislators and presenting their concerns.

Other education groups, which seemed to be active intermittently were those representing community college interest (Community College Board, Community College Presidents Council and Associated Students of Community Colleges). The community colleges had never been very dependent on the legislature for support since most of their revenue came from the local property tax. As a result, they were not accustomed to lobbying. They did engage in some initial lobbying efforts but then it seemed that the legislature became so involved with the tax and elementary-secondary finance issues that the community colleges might just be left untouched. Their funding was really not considered much until the very end of the special session at which time the legislature somewhat unexpectedly limited the amount the community colleges could raise from the local property tax without providing a replacement through state aid. Needless to say, at that time the various community college groups became active.

Other special interest groups that were mentioned as having contacted over 10% of the legislators were the League of Cities and Towns, Arizona Farm Bureau, Arizona Taxpayers' Association, Railroads and, as a group, various associations of retired citizens and several homeowners associations. Other frequently mentioned groups were the commercial shopping centers, Arizona Tax Research Association, Arizona Retailers Association, Arizona School Administrators Association, Arizona School Boards Association and the landlords association.

Concerns of the Special Interest Groups

The concerns of the special interest groups can best be considered by categorizing groups as those primarily interested in the tax reform issue or those primarily interested in the school finance reform issue. Even within those groups classified as being primarily concerned with taxing issues, however, concerns varied greatly. Three concerns all groups seemed to share (with the exception of such groups as the League of Cities and Towns which represented taxing jurisdictions) were that their particular assessment ratio be reduced, that a cap be placed on valuations, and that both the expenditures and the ability to levy taxes at all levels of government be limited. The groups that seemed most concerned with promoting these issues were the railroads, utilities, shopping centers, citizens' tax groups and chambers of commerce. The mines and the utilities, which were perhaps the two most active and powerful among the groups primarily interested in tax reform, were particularly concerned that their assessment ratios be reduced since they had the highest ratios. Both were also opposed to any change in the tax structure which would result in a tax shift to them and to full state funding of education which they felt would increase their tax burden.

Many of the industrial-commercial groups were also concerned with the overall property classification system used for tax purposes. Several advocated that the classification system should be eliminated. The Arizona Chamber of Commerce also listed the classification system as among its major concerns. The agricultural interests were concerned primarily with retaining their relatively favored status, while most other commercial groups were for more equalization in taxes among the various classes of property.

Groups representing cities, towns and counties expressed concern primarily for undue revenue and expenditure restrictions. The counties also wanted the state to absorb the government's teacher retirement contribution for which they were responsible. Landlord groups were opposed to moves toward rent control. And, of course, the various homeowner and taxpayer groups were in favor of lower property tax rates at that time and/or tax and spending limitations being placed upon government taxing jurisdictions.

In contrast to the sometimes opposing goals of those groups whose primary concerns related to the taxing issues, the concerns of the various groups whose basic orientation as toward education were essentially the same. While generally supportive of equalization in both school taxes and expenditures, such groups were primarily concerned with increasing expenditures for education, or at the very least, avoiding revenue cuts. They were also against the umbrella concept of combining the then separate budgets for maintenance and operations, transportation and special education, into one budget or block grant. While all the education groups lobbied heavily against the umbrella concept, the special education groups were especially fearful that special education would somehow get "shortchanged" for other items in an umbrella budget. In addition, there was general opposition to the 7% growth limitation which educators said did not allow them to keep pace with inflation, and to the inclusion of transportation and utility costs into the expenditure limitation.

In addition to these concerns which cut across all education groups, the largest education special interest group, the AEA (Arizona Education Association) refused to support the proposed statewide pupil and teacher

testing unless they could control it. In addition, they were strongly opposed to the limit on capital outlay and the three-year limit on overrides. They also favored the continuation of the 30¢/60¢ capital levy. They were supported in this effort by the Arizona School Boards Association (ASBA).

In addition to these general concerns, specific groups within the education community were active in advancing their particular interests. The various community college groups were concerned in protecting the position of the community colleges which was basically one where they had unlimited access to local tax dollars and little dependence on state aid. The GATE (Gifted and Talented Education) group supported the idea of mandating gifted education and opposed the umbrella concept of funding. Those groups supporting vocational education were concerned because, while there was some talk of increasing state involvement in vocational education, there was no clear definition as to types of vocational classes, actual costs of vocational education in Arizona, or an adequate governance structure for vocational education with the state department of education. The career education group was concerned because their program was in danger of being eliminated.

Specific concerns of school districts depended upon the type of district. Declining or stable enrollment districts were involved primarily with operational budget considerations such as the Teacher Experience Index, provisions for declining districts, base support levels and student weightings. Growing, impacted districts, on the other hand, were seeking increased flexibility in capital outlay support and bonding capabilities.

Methods of Contact/Influence Employed by the Special Interest Groups

Gamson (1968) has suggested that as groups interact with policy-making bodies, three general types of strategies are available to them: persuasion, inducements and constraints. Persuasion is the use of the group's resources in terms of knowledge and expertise in an attempt to make a legislator view the merits of an issue the same way the group does. Inducement represents an exchange in which some quid pro quo is involved. The terms of the transaction are rarely made explicit, but usually involve an exchange of legislative support in return for some political benefit. Constraints involve the threat of imposing some disadvantage upon the legislator unless he/she acts in the manner the group desires. Constraints are usually employed with discretion since, while support is uncertain, animosity from the legislator is certain.

Of these three methods of gaining influence, the method almost unanimously employed by interest groups attempting to influence the Arizona Special Session was persuasion. Persuasion was most often attempted by personal visits, letters, phone calls or presentations to committees or at legislative hearings. Eighty-one percent of the legislators indicated in the personal interviews that groups had used personal visits as a form of contact. Seventy-one percent indicated letters had been used, and 57% had received phone calls from interest groups. Additionally, most legislators had been observers of the AEA staged-teacher rally and had received the AEA sponsored letters. A comparison of legislators' responses as to method of contact with special interest group responses reveals a high degree of confirmation. The interviews with special interest groups generated the following mean scores on the 5-point Likert scale as to the extent to which each

tactic was used: (1) direct contact with legislators, 5.0; (2) direct contact with staff, 4.7; (3) prepared and submitted alternate proposals, 4.3; (4) presentation to committees, 4.1; (5) statements or interviews to press, 2.55; (6) encouraged letters or calls from members, 2.15; (7) organized or participated in public demonstrations, 1.30; (8) encouraged letters or calls from public, 1.25, and; (9) commercial advertising, 1.0.

As to which method of contact was judged to be the most effective, the legislative respondents indicated by an overwhelming margin (89%) that they felt personal visits the most effective method of influence. Letters, at 9%, were a poor second and the only other approach mentioned as effective was presentations at committee hearings. One reason perhaps why committee presentations were not judged to be as effective as might otherwise be expected was given by several lobbyists who noted that by the time an issue was being discussed in committee it was almost too late to present a position which would influence a decision. The data from the interviews of special interest groups revealed almost unanimous agreement among the groups that providing technical expertise through personal visits was the most effective way to influence legislators. The exception to this position came from certain student advocate groups who felt a "grass-roots" approach was more effective. It should be noted that use of techniques which did not involve direct contact between the lobbyist and the legislature and staff was more evident among groups that did not use "professional" lobbyists.

The data generated from both the mail surveys and the interviews with legislators and interest groups revealed only one instance that might be construed as utilizing constraints. One legislator indicated that one group had tried to "get at him" through his place of employment

and tried to paint a negative image of him that he would then presumably have to show was false by supporting their position. The mean score on the 5-point Likert scale for the extent to which groups used the strategy of threatening to withhold campaign support or contributions was 1.0.

Although the data from surveys and interviews did not produce any approaches which could clearly be classified as quid pro quo, several legislators did point out that they were well aware of who their supporters were long before this or any session begins or any issue arises. As one legislator during a personal interview put it, "I know who always buys 10 or 100 tickets to some fund raising activity and then donates them to the Boy's Club. I know that before he walks in the door to discuss a particular piece of legislation." The interviews with the special interest groups also revealed that while many groups did provide campaign contributions on a continuing basis they did not consider this to be related to gaining support during the special session. The mean score on the 5-point Likert scale for the extent the strategy of making or promising campaign support or contributions was used was 1.0.

Success of the Special Interest Groups

Prior to a consideration to the success of the various interest groups in having their concerns translated into law, a short review of the policy results of the special session is in order. First, the special session passed 10 propositions which were put on the ballot and received overwhelming voter acceptance on June 3, 1980. A brief summary of these 10 propositions is as follows (Arizona Republic, June 1, 1980, A12):

Proposition 100 - widows and veterans property tax exemption declines as value of home increases

- Proposition 101 - gives widowers the same property tax exemptions as widows
- Proposition 102 - gives totally disabled the same property tax exemption as widows
- Proposition 103 - Legislature is authorized to increase, but not decrease, the property tax exemptions of widows, widowers and disabled persons
- Proposition 104 - increases the bonding limits for cities, counties and school districts. The limit for school districts is changed from 10 to 15 percent in elementary or high school districts and from 20 to 30 percent in unified districts
- Proposition 105 - places current statutory definition of state revenue, limited to 7 percent into the state constitution
- Proposition 106 - property taxes on homes is limited to 1 percent of full cash value in 1979 and the value increases would be limited to 10 percent a year through 1982. Beyond 1982 only 25 percent of any increase over 10 percent is allowed
- Proposition 107 - limits property tax levies of cities, counties and community colleges to 2 percent a year after 1981
- Proposition 108 - limits spending of cities and counties to the previous year's level, adjusted for growth and inflation
- Proposition 109 - limits spending of school districts and community colleges. School district spending is restricted by the "aggregate expenditure limitation" for all school districts in the states. Additional local limits are set by the legislature. For the first two years the growth rate is set at 7 percent a year.

In addition to the passage of these amendments, the 4% state sales tax on food was repealed as of July 1, 1980. This repeal was contingent upon voter approval of Propositions 106, 107, 108 and 109.

In addition to the above reforms, during the special session the Legislature reduced the assessment ratio for each class of property as follows:

	<u>Reduction</u>
Class 1 - flight property, mines and timber	60 to 52%
Class 2 - property owned by gas, electric, water, telephone, telegraph and pipeline companies	60 to 44%
Class 3 - general commercial and industrial	27 to 25%
Class 4 - agriculture and vacant land	18 to 16%
Class 5 - residential property	15 to 10%
Class 6 - rental residential property	21 to 18%
Class 7 - railroads	36 to 34%

The assessment ratios for Classes 1, 2 and 7 will be further reduced over time until they reach the same percentage as Class 3 properties in 1992. This reduction will be accomplished by dropping the assessment ratio on Class 1 properties by 8 percentage points every three years and by dropping the assessment ratio on Class 2 properties by 6 percentage points every three years. The assessment ratios for railroads will be set annually pursuant to federal law at the average ratio for all commercial and industrial properties.

The constitutional amendments that were passed by the legislature and endorsed by the voters were primarily concerned with reducing the current level of property taxation within the state of Arizona and imposing Constitutional limits on future property taxes and government spending. The education finance plan passed by the legislature is integrally related to the property tax plan. In addition to generally lowering the tax rates levied on properties in all districts, certain provisions of the tax plan which were directed toward education had the goal of equalizing tax rates. Those provisions were those which



imposed expenditure limits on school districts and community colleges, increased basic aid to schools, and established a state and county school tax levy. The provision to limit expenditures of schools and community colleges was contained in Proposition 109. The increase in state aid was accomplished by increasing the level of basic support such that each school district would receive an amount equal to the difference between a \$1.90/\$100 assessed valuation tax rate for operating expenses and a \$.50/\$100 assessed valuation tax rate for budget capital outlay (double in unified, K-12 districts) and the district's allowable expenditures. Districts where the current budget level exceeds the allowable expenditure level may continue to spend at their existing level (funding the excess from the local property tax), but are not allowed to increase their level of expenditures. Over time, then, their actual expenditures would fall within the range of the allowable level of expenditures which is increased each year. Equalization of tax rates was also to be accomplished by a \$1.25 state property tax for education and a \$.50 county equalization tax for education. Since these standard taxes are levied on all properties throughout the state or county they will promote equalization of tax rates among districts. These taxes were also to be used to equalize revenues among school districts and thus also promote the education finance goal of equalization of educational opportunity.

The overall purpose of the school finance plan as contained in the constitutional amendments and the legislation passed was to provide for greater control of the spending limits of school districts and at the same time reduce local school district reliance on the property tax.

Integral to the proposal are equalization provisions which would equalize operating revenues among school districts by moving districts above or below the District Support Level (DSL) to the DSL over a five year period. Revenue disparities are to be reduced by 20% each year until equalization is reached in 1985-86. Also integral to the plan is the block grant funding system by which state aid is provided to school districts in one grant to include regular educational programs, special program (special education, bilingual, gifted, vocational and others), and transportation. Under the block grant concept each district is responsible for allocating funds to specific programs within the umbrella budget. Accordingly, local control would be increased.

Specific provisions of the education finance plan included the following:

- (1) An umbrella budget which includes maintenance and operations, special education and transportation in one budget.
- (2) Equalization provisions to bring districts above or below the state-guaranteed District Support Level (DSL) to the DSL over a five year period.
- (3) Basic state aid is increased so that the maximum tax rates for operating expenses and budgeted capital outlay will not exceed \$2.40/\$100 of assessed valuation (\$4.80 in unified districts).
- (4) Cost variation for two categories of vocational education, 6 categories of special education, and school district size.
- (5) A Teacher Experience Index which compensates districts which have a high percentage of teachers with higher levels of achievement.
- (6) Adjustments for sudden growth or rapid decline in student count.
- (7) Establishes limits on expenditures for pupil transportation with variations for size, which is exempt from the equalization provisions.
- (8) Limits budget overrides to 10% and for three years.

- (9) Requires voter approval of five year capital levy plan before funds can be accumulated in the 30¢/50¢ levy fund for school construction.
- (10) Statewide pupil and teacher testing.
- (11) Phase out of career education.
- (12) A \$1.25 per \$100 assessed valuation statewide property tax for education to help fund the increase in basic aid and to equalize tax rates between districts in the state.
- (13) A 50¢ per \$100 assessed valuation county equalization assistance tax to help fund the increase in basic aid and to help equalize the tax rates between districts.
- (14) The transfer of the financial responsibility for funding teacher retirement and OASI judgments from the counties to the state.

Comparing these modifications of the taxing, spending and school finance systems of Arizona with the concerns of the various special interest groups, the most obvious conclusion would be that as a whole, education groups were unsuccessful. The umbrella plan that education groups opposed was enacted. Spending limitations which they also opposed were also enacted as were transportation cost limitations. Special education groups were not successful in maintaining special education as a separate budget fund. Community college funds were dramatically cut and spending limitations imposed. The AEA lost on the issue of mandated teacher testing. They were not able to gain control of the program, instead it is in the control of the State Department of Education.

There were, however, victories for certain special interest education groups. The AEA and the ASBA were successful in that the 30¢/50¢ levy for capital outlay was retained even though voter approval of a five year capital plan is required before funds can be accumulated. Those school districts that were experiencing rapid growth and were in

need of additional capital funds were pleased by the increase in the bonding limit from 10 and 15 percent to 20 and 30 percent. Supporters of gifted programs were successful in that these programs became mandated. And, although school boards were not successful in attaining many of their goals, they could be considered successful in that their power was not only protected but increased.

The more obvious losers as far as the tax and spending issues were concerned were the cities, towns and counties. Class 3, general commercial property (primarily shopping centers) considered themselves losers in that they only received a 2% reduction in their assessment ratio. The railroads and mining groups also were not pleased with their success. Although the assessment ratio on mining property was reduced from 60% to 52%, some mining property had previously been appraised so low that they will actually experience an increase in the property tax.

The most successful special interest group(s) related to the tax reform issues as unanimously identified by all legislators were the various homeowner/taxpayer groups. The homeowner/taxpayer groups came out with a 33% reduction in assessment ratios in residential property. In addition, increased tax and spending limitations were placed upon taxing jurisdictions.

Utilities, agricultural groups and rental housing groups were also judged successful. Utilities not only received a sizeable reduction in their assessment ratio, but were also successful in their efforts to be given a different valuation formula. A further proof of the success of the agricultural and utility groups is the projection that utility taxes as a percent of full cash value are expected to decline by 4.7% and agricultural taxes by 3.9 percent.

Conclusion

A variety of special interest groups were represented during the activities surrounding the second special session of the 34th Arizona Legislature. They varied in their visibility and activity. Although the AEA was found to be the most active group in terms of initiating legislative contact, it turned out to be one of the least successful of the special interest groups. In part this might be attributed to two tactical errors made by the AEA in trying to encourage their membership to make a show of strength. One of these errors involved the fact that the AEA scheduled their mass teacher rally at the legislature, with the teachers all arriving on yellow school buses, on the day the legislature was discussing school transportation. The next day the legislature wanted to know who paid for the buses. This discussion went on for three days and did nothing to improve the image of the AEA.

A second tactical error made by the AEA was in using a letter writing package or "canned approach" as the basis of their big letter writing campaign. The result was that legislators got hundreds of letters from teachers that said exactly or almost exactly the same thing. This made a very negative impression on legislators. One of the leading representatives referred to the letter writing packages as "the teacher idiot kits."

The strategy of influence that was judged by the majority of legislators and special interest groups to be most successful and was consequently employed most often was personal contact with the legislator. In this way lobbyists or representatives of special interest groups maintained an ongoing relationship with the legislator and served

as a resource person to the legislator. In this capacity they came to be much valued by legislators. No group of legislators indicated that a special interest group had resorted to any activities that could clearly be called providing inducements or threatening the use of constraints.

As would be anticipated, the concerns of the different interest groups varied greatly. A first level analysis of interest group concerns indicated that all non-education interest groups (with the exception of those representing governmental units) were concerned with reducing their assessment ratios and imposing spending and/or taxing limitations on the various governmental units. On the other hand, education groups were generally concerned with rejecting the umbrella budget/block grant funding concept, spending limitations and maintaining special education separateness.

As to which groups were most successful in having their demands translated into subsequent legislation, in one very real sense the forces which had the most to do with shaping educational policy during the Arizona special session had nothing to do with the actors on hand, i.e., the legislators or representatives of special interest groups. General public pressures for lowered taxes and the threat of a Proposition 13-type measure had as much or more to do with the tax reductions that took place, especially those to homeowners, than the activities of any special interest group. As one legislator expressed it, "The homeowners would have gotten tax relief if no representative of any taxpayer or homeowner group had ever come to the Capitol."

Another force which shaped the results of the special session but which was unrelated to the activities of any special interest group was the fact that 1980 was an election year and the session was timed so as

to give maximum benefit to the campaign efforts of incumbent legislators. Thus the topics of tax reduction, expenditure limitations, and increased local control are all among those which are judged to have a lot of popular appeal. Yet another force at work is what several respondents referred to as the cyclical nature of school finance and tax reform. That is, every few years the legislature goes through the process of reforming taxes and school finance and it was now "just that time."

What seems clear from this study is that educational policy, at least that relative to school finance in Arizona, is not being shaped by any special interest groups, whatever their strategies. This is not to say that educational special interest groups should not exist, or that they should not be active in lobbying for school finance reform. What it does say is that those attempting to influence educational policy should make a real effort to be sensitive to the external forces and the impact they have upon the entire process. Directing energies or resources to strategies designed to shape policy without this knowledge is operating in a vacuum.

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APPENDIX B



**Results
of Survey of Radio
and TV Coverage of
Special Session Issues**

STATION	NAME OF PROGRAM	FORMAT/CONTENT
KOOL TV 511 West Adams Phoenix, AZ	Face the State	30 minutes weekly; also on KOOL Radio, weekly. April 5-Sen. Rottas & Sen. Jeff Hill April 12-Mayor of Tempe, Mr. Mitchell May 3-Mayor of Mesa, Mr. Pomeroy May 17-Mayor of Scotts- dale, Mr. Drink- water
KPNX TV 1101 North Central Phoenix, AZ	Arizona 80 & Viewpoint and Young Ideas	30 minutes June 8 & 10: Sen. Leo Corbett Sen. Lela Alston Several shows on taxes and education by Bill Stall
KUAT TV Modern Languages Building University of Arizona Tucson, AZ	This Week	Weekly, on Fridays at 7:30 p.m. for 30 minutes; repeated on Saturday at 6:00 p.m. October 5, 1979 -Subject: Tax Reform Reviewed recommendations submitted to Gov. Babbitt by the Citizen's Comm- ission of Tax Reform and Finance. Participants: Legislator Arnold Jeffers, Ways and Means Committee (District 14); Legislator Clare Dunn, Ways and Means (District 13); Commission member Steve Emerine, Pima County Tax Assessor. May 22, 1980 - Subject: Special Election Forum The League of Women Voters held a public for- um on the special election to provide the voters with information on the issues on the Tax and School

KVOA TV
P.O. Box 5188
Tucson, AZ

IMPACT

Finance Bill to be voted on June 3, 1980.
Participants: Host, Charlotte Ackerman, League of Women Voters,
Panelists: Sister Clare Dunn, District 13; Arnold Jeffers, District 14; John McDonald, School Board Member, District 16; James Kay, Finance Director for the City of Tucson, Clark Dierks, Arizona State Treasurer.

30 minutes daily.

Several programs dealing with tax issues during the special session. Also special news spots with legislators.

KFLR Radio
Family Life Radio
2345 West Buckeye
Phoenix, AZ

Daily Public Affairs

5-minute shows
Rep. Pete Dunn on 3 separate days
Sen. Ray Rottas on May 30.

KARZ Radio
2196 East Camelback
Phoenix, AZ

Let's Talk

Daily, from 7:00 to 10:00 a.m.
Some legislative interviews.

KDKB-KDJQ Radio
146 S. Country Club
Mesa,

The Weekend Examiner

30 minutes on weekends
April 26-State Supt. Carolyn Warner and Don Eklund (AEA)
May 31-Sen. Jim Mack
June 14-Gov. Babbitt

KHEP-FM/KHEP-AM Radio
3883 North 38th Ave.
Phoenix, AZ

Have You Noticed

5-minute programs, aired twice daily.
Rep. Burton Barr did 3 programs before election;
Sen. Ray Rottas did 5 after election.

KNIX AM/FM Radio
600 N. Gilbert
Mesa, AZ

Horizon

Sundays at 7:00 a.m.
15 minute show.
June 1-Don Ecklund (AES)
and Sen. Corbett talked
on tax reform.

KNOT Radio
116 South Alto
Prescott, AZ

Prescott Today

60 minutes, June 1:
Rep. John Hays, Sen.
Boyd Tenney, Tim Barrow

KOY Radio
840 North Central
Phoenix, AZ

The Michael Dixon Show

This is a talk show
where topic is intro-
duced and listeners
call in and discuss
their viewpoints. The
topic of several pro-
grams was tax reform.

KOKE Radio
4513 East Thomas
Phoenix, AZ

Visions

Weekly interview show.
One week, guest was
Dr. Russell Jackson,
Supt. of Roosevelt
Schools.

KRUZ Radio
7401 West Camelback
Glendale, AZ

Glendale Today

Sunday interview show.
May 18: Sen. Ray Rottas.

KTAR Radio
301 West Osborn
Phoenix, AZ

Midday

Daily, from 10:00 to
12:00. Coverage of
legislative sessions
by Wendy Black occurred
often.

KMAO Radio
10820 Oakmont Drive
Sun City, AZ

Speak Out

Daily, 10:15 to 1:00
p.m. May 20-Sen. Anne
Linderman.

KYZA Radio
Prescott, AZ

The KYZA Morning Show

Airs daily. John Hays
and Boyd Tenney on
show several times
during special session
of legislature.

KMCR Radio
1435 South Dobson
Mesa Community College
Mesa, AZ

State Capitol Forum

This show is produced
by KMCR and is fur-
nished to the following
26 radio stations in
Arizona:
In Phoenix-

KJJ KKQ
KMEQ-AM KMEQ-FM

KOOL-FM KOY
KQYT-FM KRUZ
KUPD-FM KXEG
KIIB KXIV

Other Cities

KAA - Kingman
KFF - Flagstaff
KAWC - Yuma
KCUX - Clifton
KFWJ - Lake Havasu
KFLG - Flagstaff
KVSL - Show Low
KHIL - Wilcox
FINO - Winslow
KIKO - Globe
KRFM - Lake Havasu
KSTM - Apache Jct.
KTAN - Sierra Vista
KYCA - Prescott

The following programs dealt with the Topics of the Special Session:
9-6&7-1979, Live coverage from 10:00 - 11:30 at the Hyatt Regency - Conference dealing with school finance.
9-13-1979, Robert Tobb (Arizona State Chamber of Commerce) and Keith Turley - President of A.P.S.
9-20-1979, Pete Dunn - Chairman of the Arizona House Ways and Means
9-27-1979, Carolyn Warner and Jim Brunstein
11-1-1979, John Colby - Political editor of Phoenix Gazette
11-29-1979, Alfredo Gutierrez - Senate Minority Leader
1-17-1980, John Harris, Cecilia Goodnow
3-27-1980, Burton Barr
4-10-1980, Don Ecklund, (AEA)
4-14-1980, John Colby
5-14-1980, Pete Dunn
The Arizona State Chamber of Commerce had a breakfast series during the special session that KMCR also covered.

KUAT Radio
Modern Languages Bldg.
University of Arizona
Tucson, AZ

December 5, 1979, Funding Higher
Education, interview with Sen.
Jeff Hill, Tucson.

December 12, 1979, The Special Session of
the Legislature, interviews with Repre-
sentatives Goodwin and Bahill.

December 17, 1979, Financing Public
Education, participant, Larry Bahill,
Representative.

April 11, 1980, The Legislature So Far This
Year, program examined two major issues of
the legislature: special session and Litch-
field Park Prison. Numerous legislators
participated.

June 2, 1980, League of Women Voters Tax
Election Forum. One-hour discussion show.