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# ARIZONA TAX RESEARCH ASSOCIATION

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## NEWSLETTER

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# COUNTY GENERAL FUND BUDGETS UP \$22 MILLION

## *Overall county property taxes climb 7.2%*

Arizona's 15 counties have adopted their fiscal year (FY) 2002 budgets and the outcome is a \$22 million increase in total general fund budgets, a 1.5% increase from last year. A reduction in Maricopa County's general fund budget masks what otherwise would have been a \$46 million dollar increase (7.1%) in the other 14 counties. Maricopa's budget dropped primarily as a result of a transfer of health care costs to the state following the passage of Proposition 204.

The largest general fund increases were in Gila County, with a 10.5% increase, Mohave County, at 9.5%, and Apache County, which increased its general fund budget by 8.9%.

The largest decrease in general fund budgets occurred in Greenlee County, with a decrease of 7.4%. Other counties showing a drop in their general fund budgets were Maricopa (2.9%), Graham (2.4%), and Navajo (0.5%).

*Health insurance costs* increased anywhere from 10% to 25% for all counties

in the FY 2002 budget year. To lessen the impact, some of the counties are adjusting their health plans, such as changing prescription drug plans from flat co-pays to tiered systems. Most counties are absorbing the increased health coverage costs entirely while others are passing the additional costs onto the employees by increasing the employee's contribution to dependent coverage.

*Employee pay raises and new positions* contributed to increases in budgets in most counties. Thirteen of the 15 counties budgeted for employee pay raises and new positions for FY 2002. The only two counties that did not award pay raises or the hiring of new personnel were Greenlee and Mohave counties.

See COUNTY on page 2

## TUSD property tax hike blamed on Prop 301 sales tax increase

Tucson Unified School District (TUSD) Superintendent Stan Paz told members of the Governor's Task Force on Efficiency and Accountability in K-12 Education that one of the main reasons for the district's 20% increase in their desegregation levy was the new revenue they received from the Governor's sales tax increase under Proposition 301.

Superintendent Paz's explanation, met with raised eyebrows by some task force members, was that TUSD's deseg spending outside the state's equalized spending limits has resulted in lower student to teacher ratios than those in most districts.

When TUSD received new monies on a per-pupil basis earmarked for teacher raises under Prop. 301, Paz said, the raises could not have been as large, proportionately, as those given to other districts.

Thus the district made the decision to give raises to only the non-deseg teachers through Prop. 301 revenue. Raises for deseg teachers came from the property tax increase (see *ATRA Newsletter* for June 2001).

This development illustrates issues ATRA had raised during the legislative session that created Prop. 301. ATRA had surprised a lot of people by stating that the organization was not necessarily opposed to increasing the sales tax to generate new money for public schools.

ATRA maintained that greater funding at the state level provided an opportunity to remedy inequities in the current system.

The Legislature's and the Governor's reluctance to deal with property tax and spending inequities in K-12 finance resulted in ATRA's Board voting to withhold support from Prop. 301.

*Michael Hunter*

### Inside . . .

❖ **State on hook for \$1.3 million of Scottsdale Unified's deseg levy, page 3**

❖ **Half of community college districts increased primary property taxes, page 6**

# COUNTY GENERAL FUND SPENDING

## COUNTY GENERAL FUND BUDGETS FY 2001 to FY 2002

County	2001	2002	\$ Chg	% Chg
Apache	\$18,097,769	\$19,711,349	\$1,613,580	8.92%
Cochise	\$40,520,966	\$43,369,650	\$2,848,684	7.03%
Coconino	\$32,709,364	\$34,434,324	\$1,724,960	5.27%
Gila	\$25,109,854	\$27,757,032	\$2,647,178	10.54%
Graham	\$12,915,109	\$12,607,756	-\$307,353	-2.38%
Greenlee	\$5,830,411	\$5,398,784	-\$431,627	-7.40%
La Paz	\$9,906,305	\$10,062,368	\$156,063	1.58%
Maricopa	\$837,251,081	\$812,987,134	-\$24,263,947	-2.90%
Mohave	\$43,362,114	\$47,458,176	\$4,096,062	9.45%
Navajo	\$24,589,575	\$24,479,010	-\$110,565	-0.45%
Pima	\$278,421,398	\$301,947,536	\$23,526,138	8.45%
Pinal	\$61,560,369	\$66,421,189	\$4,860,820	7.90%
Santa	\$17,599,574	\$18,547,082	\$947,508	5.38%
Yavapai	\$47,412,603	\$50,323,061	\$2,910,458	6.14%
Yuma	\$40,287,438	\$42,201,295	\$1,913,857	4.75%
<b>TOTALS</b>	<b>\$1,495,573,930</b>	<b>\$1,517,705,746</b>	<b>\$22,131,816</b>	<b>1.48%</b>

Continued from page 1

### COUNTY PROPERTY TAXES

County property taxes, both primary and secondary, increased \$55,787,054 over last year, representing a 7.2% increase.

County primary property taxes, which are levied for maintenance and operations purposes, increased \$54.6 million (8.2%). The largest primary levy increases occurred in Gila County (17.7%), Maricopa County (12.1%), and Pinal County (9.7%).

The largest increase in primary rates occurred in Gila County, with a primary rate jump of 44 cents (11.1%), from \$3.9700 to \$4.4100.

Eight out of the 15 counties increased their primary rates over their truth-in-taxation (TNT) rates, and were required to hold TNT hearings. Those counties included Coconino, Gila, Graham, Maricopa, Mohave, Pima, Santa Cruz, and Yavapai. County secondary levies, which fund bonds, overrides, and special districts, climbed over \$1.2 million to \$107.6 million, 1.1% higher than last year.

## Attention ATRA Members

ATRA's 2001 Property Tax Rates and Assessed Values book will be available soon. Please provide your name and mailing address by mail, fax or e-mail by September 30, 2001, to receive your copy as part of our bulk mailing. The cost for non-members is \$20.00. Members receive the book free of charge. Requests for mailings after that date will require an additional S&H payment of \$5.00.

Name: \_\_\_\_\_ Occupation: \_\_\_\_\_

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### COUNTY SUMMARIES

Apache County's general fund budget increased to \$19,711,349, an 8.9% increase over FY 2001. The most significant feature of Apache's budget is an \$8 million fund balance, which is more than 40.5% of the county's general fund budget and over 70% of the county's actual general fund expenditures for FY 2001.

Specific only to Apache County in FY 2002 is the backfill payments that they will receive due to legislation passed in 2000, in

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# COUNTY SPENDING

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which the electric generation companies are required to make backfill payments to make up for the loss in value under the new valuation methodology for electric generation facilities.

In total, Apache County's budget includes \$1,151,192 in backfill payments, which makes up just over 5% of the total general fund budget. As a result of the backfill payments, Apache's primary levy was reduced, offsetting an even higher tax rate increase.

Apache County's primary property tax levy for 2001 is \$1,021,763, a decrease of \$102,167 (9.1%). Apache levies a jail district property tax at the maximum rate allowed, 20 cents.

**Cochise County's** FY 2002 general fund budget climbed \$2,848,684 (7%) to \$43,369,650. The county's primary property tax levy increased \$344,674 (2.4%) over last year, with a levy of \$14,807,825. The county was not required to have a TNT hearing since the adopted levy was \$301,831 less than the TNT limit of \$15,109,656.

The county transferred a portion of the county's half-cent sales tax from the capital fund to the general fund, resulting in a balance of \$3.9 million, in which the county plans to use the money for future capital projects.

Many of the departmental budgets increased substantially, such as General Government (22.8%), Medical Examiner (20%), and Facilities Management (19.1%), to name just a few. In addition, the county's contingency budget increased \$668,698 (23.4%) up to \$3,463,523.

**Coconino County's** general fund budget increased by \$1,724,960 (5.3%) over last year's budget, to \$34,434,324 in FY 2002. The county held its primary property tax rate constant at \$0.3433, which will generate an additional \$195,346 (5.9%) in revenues to a total levy of \$3,531,465. As a result, the county was required to hold a TNT hearing since the primary levy exceeded the TNT

limit of \$3,494,289. The library district rate also remained constant at \$0.1899, generating an additional \$108,648 (5.7%).

Several of the county's departmental budgets increased substantially, such as Community Services (34.5%), Parks & Recreation (34.4%), and the Sheriff's budget (15.9%). The county currently has \$26 million in Certificates of Participation (COPS) outstanding to finance several capital projects.

**Gila County's** general fund budget skyrocketed \$2,647,178 (10.5%) to \$27,757,032 in FY 2002. The budget jump was driven by a 44-cent primary rate increase, from \$3.97 to \$4.41. The county's beginning fund balance is \$900,000, approximately 3% of the total general fund budget. The county's 44-cent rate increase raised the levy \$2,039,147 (17.7%) to \$13,536,919.

**Graham County's** general fund budget is \$12,607,756 for FY 2002, representing a 2.4% decrease from last year. The county is beginning its fiscal year with a fund balance of \$791,814, a 43% decrease from last year.

The county's primary property tax levy of \$1,645,167 is an increase of \$99,209 (6.4%) from last year and required Graham to hold a TNT hearing since the levy is \$46,444 more than the TNT limit of \$1,598,723.

**Greenlee County's** primary property tax was reduced this year as a result of a penalty the county received for exceeding their expenditure limit. The maximum levy limit was reduced \$339,356. The actual levy this year of \$606,740 is \$59,302 below last year's levy. Greenlee County adopted a general fund budget for FY 2002 of \$5,398,784, 7.4% below FY 2001.

Greenlee County passed an override in May at a rate of \$0.8877, which more than tripled the county's 2000 overall rate from \$0.3955 to \$1.2053. The county's

See **GILA COUNTY** on page 4

## Scottsdale Unified deseg levy up 51%

*State general fund is on  
the hook for \$1.3 million*

The Scottsdale Unified School District's adopted budget for fiscal year (FY) includes a 50.8% increase over last year in its desegregation spending.

Scottsdale Unified budgeted \$6,620,057 for deseg amounts to a 6.7% override from the district's revenue control limit (RCL). Last year's deseg budget was \$4,391,367 (4.6% over the last year's RCL).

Among the 19 districts currently levying for deseg, Scottsdale Unified's \$2,228,690 increase was topped only by Tucson Unified's \$10.6 million deseg levy hike (see *ATRA Newsletter*, June 2001).

The deseg levy this year is responsible for approximately 24 cents of Scottsdale Unified's primary rate. Last year's deseg levy represented about 18 cents of the district's primary rate.

Of this year's \$6,620,057 levy for deseg, 19.5%, or \$1,291,778, will be paid to the district in additional state aid because of the 35% homeowner rebate.

The deseg levy is the largest part of a total \$10.5 million in non-voter-approved property tax levies outside the budget limits. The state general fund pays 35% of homeowner taxes for most school district levies, including those for desegregation and excess utilities. The state also pays additional monies when districts exceed the one-percent cap on homeowner primary taxes, as in the case of Tucson Unified and several other districts.

Recent calls to the ATRA office and local newspaper coverage indicate that Scottsdale Unified's finances are undergoing a degree of scrutiny in the course of the debate surrounding the district's request for tax increases. The district is asking voters this November to renew an M&O override, as well as to exceed state facility standards with bonded debt and a capital override.

*Michael Hunter*

# GILA COUNTY LEADS IN SPENDING AND TAX INCREASES

*Continued from page 3*

beginning fund balance is \$400,000, which is \$50,000 less than last year's beginning fund balance and is 7.4% of the FY 2002 general fund budget.

**La Paz County's** general fund budget of \$10,062,368 represented only a 1.6% change from last year. The county's contingency fund is budgeted at \$1,000,000, which is a \$360,000 (56%) increase over last year. La Paz started out with \$983,575 in their beginning fund balance, representing a 16.2% increase over last year. The county's primary rate was held constant this year at \$2.2500, producing a levy of \$2,520,195, however, the county was not required to hold a TNT hearing since the primary levy was \$37,571 less than the TNT limit.

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## **Maricopa's primary property taxes skyrocketed this year as a result of both a rate increase and significant valuation growth.**

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**Maricopa County's** general fund budget is \$812,987,134, a decrease of \$24,263,947 (2.9%). The drop in the general fund budget is mainly attributable to a \$45.7 million drop in healthcare mandates as a result of Proposition 204.

Maricopa's primary property taxes skyrocketed this year as a result of both a rate increase and significant valuation growth. The primary levy of \$252,676,223 was a 12.1% increase over last year's levy of \$225,396,514. Maricopa's adopted primary rate of 1.1832 was 6.59 cents over the TNT rate.

Several of the county's departmental budgets increased, such as Animal Control Services (33%), Facilities Management (12%), and Environmental Services (9%).

**Mohave County's** general fund budget rose by \$4,096,062 (9.5%) to \$47,458,176

in FY 2002. Mohave County increased the primary property tax levy by \$986,962 to \$17,357,935, exceeding the TNT limit by \$376,357, for which the county was required to hold a TNT hearing. The county also increased its library district rate from \$0.2986 to \$0.3236, which will generate an additional \$421,747 in revenue, producing a total levy of \$3,288,721.

The most prominent departmental budget increases occurred in the Superior Court Mandated fund by 24.5% and Risk Management at 44.2%. The county experienced an increase in AHCCCS payments by approximately \$1 million, up to \$7.3 million for FY 2002.

**Navajo County's** general fund budget fell \$110,565 (0.4%) to \$24,479,010 in FY 2002. Navajo County is levying \$215,041 over the maximum allowable levy limit for primary taxes for the second consecutive year. The county is levying the additional amount to pay for indigent healthcare judgments and is currently appealing the Property Tax Oversight Commission's (PTOC) decision last year that denied Navajo's authority to levy over the limit. The county started the year out with a \$370,959 unreserved fund balance, which is a \$1,031,032 (73.5%) drop from last year.

**Pima County** increased the general fund budget by \$23,526,138 (8.5%) to \$301,947,536 in FY 2002. The county's unreserved fund balance is \$12,440,040, a 36.1% drop from last year. The county increased its primary levy this year by \$10,173,034 (6.1%) up to \$177,599,995, exceeding the TNT limit by \$3,107,616.

The county increased the library district rate from \$0.2024 to \$0.2124, which will bring in an additional \$965,918 (11.3%), bringing the total levy up to \$9,539,724 in FY 2002. The flood control district rate also increased from \$0.3046 to \$0.3546, resulting in a 24% increase in the levy from \$10,959,036 to \$13,597,814.

By increasing property taxes, Pima County was able to budget for a 7.5% combined COLA and market adjustment for all employees, except for sheriff deputies and corrections officers who will receive a 10% combined COLA and market adjustment.

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## **By increasing property taxes, Pima County was able to budget for a 7.5% combined COLA and market adjustment for all employees, except for sheriff deputies and corrections officer who will receive a 10% combined COLA and market adjustment.**

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**Pinal County's** general fund budget increased \$4,860,820 (7.9%) to \$66,421,189 in FY 2002. The primary property tax levy is generating an additional \$2,763,140 (9.7%) in revenue to \$31,248,623; however, the county was not required to have a TNT hearing since the primary tax levy was \$1,442,444 less than the TNT limit.

The county is planning for a variety of capital projects that will increase the capital projects expenditures from \$8,145,077 to \$34,734,291, which the county plans to fund through the use of COPS. ALTCS payments increased \$1,450,706 (28.9%), from \$5,021,094 to \$6,471,800.

**Santa Cruz County's** general fund budget increased \$947,508 (5.4%) over last year's adopted budget. The primary tax levy jumped \$609,865 (9.5%) over last year to \$7,014,033. Santa Cruz's adopted primary rate is over 16 cents higher than the TNT rate. The county also increased its flood control rate almost 50%, from \$0.4115 to \$0.6115, which will generate \$1,159,128,

*See SEVEN COUNTIES on page 5*

# EIGHT COUNTIES INCREASE TAXES OVER TNT LEVELS

*Continued from page 4*

resulting in an additional \$440,536 (61.3%) in tax revenues.

The county's ALTCS payments increased \$318,386 (24.2%), up to \$1,635,342 in FY 2002. In addition, various departmental budgets climbed, such as the Public Fiduciary by 66%, the School Superintendent at 16.9%, and the Sheriff's department by 4.6%.

**Yavapai County's** general fund budget increased \$2,910,485 (6.1%) to \$50,323,061 for FY 2002. The county's primary property tax levy is \$1,490,000 (7.8%) higher than

last year at \$20,580,000, exceeding the TNT limit by \$576,626.

Yavapai County formed a jail district on July 1, 2000 and began levying a two-tenths of a cent sales tax that is projected to generate \$4,388,714. The district is currently building a 480-bed facility.

The county also plans to spend \$9 million in cash for capital expansions over the next two years.

**Yuma County's** general fund budget increased \$1,913,857 (4.8%) to \$42,201,295 for FY 2002. Yuma County held its primary

rate constant this year, generating a levy of \$12,732,082, which is a \$292,501 (2.4%) increase from last year. The county started out this fiscal year with a beginning fund balance of \$8,909,406.

At a time when health insurance costs are skyrocketing and revenues are dropping, county government continues to increase their expenditures, and ultimately increase taxes.

*Jennifer Schuldt*

## COUNTY PRIMARY PROPERTY TAX RATES *Tax Year 2000 to 2001*

County	2001 Rate	TNT Rate	Difference in TNT Rate		2000 Rate	Difference in 2000 & 2001	
			to Primary Rate	% Difference		Primary Rates	% Difference
Apache	0.3519	0.3995	(0.0476)	-13.53%	0.3464	0.0055	1.59%
Cochise	2.9373	2.9972	(0.0599)	-2.04%	2.9373	0.0000	0.00%
Coconino	0.3433	0.3397	0.0036	1.05%	0.3433	0.0000	0.00%
Gila	4.4100	3.8720	0.5380	12.20%	3.9700	0.4400	11.08%
Graham	1.7912	1.7406	0.0506	2.82%	1.7599	0.0313	1.78%
Greenlee	0.3176	0.3580	(0.0404)	-12.72%	0.3955	-0.0779	-19.70%
La Paz	2.2500	2.2835	(0.0335)	-1.49%	2.2500	0.0000	0.00%
Maricopa	1.1832	1.1173	0.0659	5.57%	1.1641	0.0191	1.64%
Mohave	1.7500	1.7203	0.0297	1.70%	1.7500	0.0000	0.00%
Navajo	0.6506	0.6517	(0.0011)	-0.17%	0.6381	0.0125	1.96%
Pima	4.0720	4.0089	0.0631	1.55%	4.0720	0.0000	0.00%
Pinal *	4.5963	4.6588	(0.0625)	-1.36%	4.5974	-0.0011	-0.02%
Santa	3.2487	3.0821	0.1666	5.13%	3.2487	0.0000	0.00%
Yavapai	1.6066	1.5621	0.0445	2.77%	1.6160	-0.0094	-0.58%
Yuma	2.3180	2.3288	(0.0108)	-0.47%	2.3180	0.0000	0.00%
<b>AVERAGE</b>	<b>2.1218</b>	<b>2.0747</b>	<b>0.0471</b>	<b>2.22%</b>	<b>2.09378</b>	<b>1.9822</b>	<b>6.31%</b>

\* Includes Mary C. O'Brien Accomodation School rate of \$0.1431.

# 5 of 10 college districts raised primary property taxes over TNT levels in 2001

The governing boards of five of Arizona's 10 community college districts voted to increase primary property taxes this year beyond calculated truth in taxation (TNT) rates.

Enacted in 1996, TNT laws require counties, cities, and community colleges to respond to growth in property values either with commensurate reductions in tax rates or to publicize and hold a public hearing to inform taxpayers of the increase.

The TNT rate is calculated by dividing the district's actual primary levy from the previous year by the current value of existing property, in other words, property subject to tax when that original levy took place.

TNT simply determines what rate would be needed to maintain the same levy as the previous year. TNT disregards values attributable to new construction. Thus, a district generates new revenue from levies associated with new growth without having

to lay claim to a tax increase by using the TNT rate. All 10 districts increased their primary levy, totalling over \$23 million statewide.

According to the TNT calculations, the largest tax increase was in the Yavapai Community College District, where taxpayers saw a 12-cent tax hike (see *ATRA Newsletter* for June 2001). Coconino, Graham, Maricopa, and Mohave also raised taxes on properties subject to tax last year.

*Michael Hunter*

College District	Primary Levy TY 2000	Primary Levy TY 2001	Primary Levy Increase	Primary Rate TY 2000	Primary Rate TY 2001	TNT Rate	Tax Increase
Cochise	8,551,935	8,755,738	203,803	1.7368	1.7368	1.7722	(0.0354)
Coconino	3,860,880	4,125,015	264,135	0.3973	0.4010	0.3931	<b>0.0079</b>
Graham	1,695,644	1,788,541	92,897	1.9303	1.9473	1.9092	<b>0.0381</b>
Maricopa	187,642,684	204,648,094	17,005,410	0.9691	0.9583	0.9302	<b>0.0281</b>
Mohave	8,809,501	9,321,315	511,814	0.9417	0.9398	0.9257	<b>0.0141</b>
Navajo	6,082,705	6,265,472	182,767	1.1371	1.1504	1.1613	(0.0109)
Pima	48,143,475	49,960,363	1,816,888	1.1709	1.1455	1.1528	(0.0073)
Pinal	13,465,923	14,982,948	1,517,025	2.1052	2.1352	2.2023	(0.0671)
Yavapai	18,109,635	19,630,398	1,520,763	1.5330	1.5325	1.4142	<b>0.1183</b>
Yuma/LaPaz	11,765,682	12,079,580	313,898	1.8181	1.8267	1.8297	(0.0030)
	<b>\$308,128,064</b>	<b>\$331,557,464</b>	<b>\$23,429,400</b>	<b>1.3740</b>	<b>1.3774</b>	<b>1.3691</b>	<b>0.0083</b>
	Levy Totals			Rate Averages			