Property tax levies exceed $5 billion

Continued growth in property values drives reduction in average tax rate

Property tax levies in Arizona increased $277.4 million (5.8%) in tax year 2004, pushing total statewide levies over $5 billion. Increased property values continue to be the main driver in the annual growth in property tax levies, with statewide property value growth at 8.9% in 2004.

Since the 8.9% increase in the total statewide net assessed value (NAV) was greater than the 5.8% increase in property tax levies, the average statewide tax rate dropped 37 cents, from $12.18 in tax year 2003 to $11.81 in tax year 2004.

K-12 school property taxes, which make up nearly 56% of total statewide levies, increased $137.5 million (5.1%) over last year, bringing total K-12 levies up to $2.8 billion. County levies account for 23% of total statewide levies and now approach $1.2 billion in tax year 2004.

The largest percentage increase in property tax levies was the result of an increase in special district levies (“other”). This category includes levies for fire and street lighting districts, among many other districts. The 11.1% increase ($16.2 million) brings the total special district levies to $162.5 million.

The cities continue to receive significant increases in property tax levies, with total levies increasing 7.9%, or $29.2 million, bringing total city property tax levies to $401.6 million.

Five-year growth

Total statewide property tax levies have grown 40.6%, nearly $1 billion, over the last five years. K-12 schools have seen the

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Primary levies grow 42% over 5 years

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largest dollar increase of $757 million (36.8%) since 1999, representing over half of the total growth. Aside from the 66.6% increase in special district levies, the cities have benefited the most with a 54.7% increase in total levies, which equates to an average increase of 10.9% per year.

Primary Levies

Statewide primary property taxes, which support the maintenance and operations of state and local governments, increased 5.8% ($186 million), bringing total primary levies to nearly $3.4 billion in 2004. Since the growth in the primary NAV of 9.3% outpaced the 5.8% growth in primary levies, the statewide average primary rate dropped 3.2%, from $8.36 to $8.09.

Since tax year 1999, primary property tax levies have grown just over $1 billion, or 42.1%. The largest percentage increase occurred at the city level with 57.6% growth ($60.3 million). Primary levies make up the majority of property taxes, representing 67% of total statewide property tax levies.

Secondary Levies

Secondary levies, which fund debt service on bonds, budget overrides, and special districts, increased 5.9% ($91.5 million) in 2004, with total secondary levies now near $1.7 billion. Since the 8.9% growth in total secondary NAV exceeded the 5.9% increase in secondary levies, the statewide average secondary tax rate dropped 10 cents, from $3.82 to $3.72. Secondary levies have grown 37.5% since 1999, just over $450 million.

K-12 SCHOOL DISTRICTS

Primary Levies: This year’s 3.8% growth in K-12 primary levies added approximately $67.9 million over last year, bringing total K-12 primary levies to $1.9 billion in 2004. Growth in K-12 primary levies over the past few years has been modest, mainly as a result of the legislature’s adherence to the truth-in-taxation (TNT) law and efforts to control levies for desegregation.

The state legislature has continued adjusting the qualifying tax rate (QTR) and the county education rate in adherence to TNT. Since 1999, the state has maintained compliance with the TNT law by adjusting the QTR for schools in response to changes in property values on existing property (excluding new construction). The QTR for elementary and unified districts was reduced by the state from $1.9583 and $3.9166 in tax year 2003 to $1.8931 and $3.7862 in tax year 2004. The legislature’s decision to comply with TNT offset what would have been an estimated $49.4 million tax increase, according to the Joint Legislative Budget Committee (JLBC).

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Secondary Levies: The K-12 secondary levy growth of 7.9% in 2004 resulted in a $69.7 million increase, bringing the total to $953.4 million. Despite the creation of the Students FIRST program in 1998, school districts continue to hold bond elections for capital projects, especially in Maricopa County.

For example, Phoenix Union’s passage last year of new (class B) bond debt totalling $327 million (principal and interest) resulted in a $3.1 million levy increase to make the first year’s debt payment. Similar increases occurred in Glendale Elementary, Glendale Union, Paradise Valley Unified, Deer Valley Unified, and numerous other districts that are levying taxes to service bond debt incurred since Students FIRST was enacted (see ATRA Newsletters for January 2003 and January 2004).

Over $1.9 billion in bonds have been authorized by voters from 1999 to the present, including over $700 million that passed in the 2004 general election.

COMMUNITY COLLEGES

Primary Levies: Primary levy increases ranged from a low of 4.8% at the Graham Community College District (Arizona Eastern College) to a high of 10.3% at the Pinal Community College District (Central Arizona College). The average increase for all 11 community college districts equated to 7.8%. The 7.8% average increase in primary levies translates into $30.6 million, bringing total primary community college levies up to $422.9 million in tax year 2004.

Secondary Levies: Community college secondary levies actually decreased 11.9% as a result of decreases in the debt service levies for Maricopa and Pima Community Colleges. However, the recent approval of $951 million in bonds for the Maricopa district and $74 million for Yuma/La Paz, as well as a likely bond proposal in the near future for the Pinal district, will reverse this temporary lull in secondary levies.

COUNTIES

Primary Levies: County primary levies increased 8.5%, or $72.4 million, in tax year 2004. The counties with the largest increases include Navajo (18.4%), La Paz (13.3%), Pinal (11.1%), and Yavapai (10.7%).

The 15-cent increase in Navajo County’s primary rate contributed greatly to the 18.4% increase in the county’s primary levy. The rate increase follows last year’s mandatory drop in the county’s primary levy as a result of the county’s decision to exceed their levy limit in prior years.

La Paz County’s 13.3% primary levy increase was mainly due to the $20.3 million in new construction that was added to the tax roll in 2004. Pinal County has also been experiencing rapid growth over the past few years and continues to do so in tax year 2004. Yavapai County’s primary levy increase of 10.7% is the result of a 7.4% increase in NAV due to new construction, as well as a 2-cent increase in the county primary rate.

Secondary Levies: County secondary levies consist of taxes that are levied for overrides and debt obligations, and countywide special districts in which the county board of supervisors serves as the board of directors, such as countywide flood control districts, library and jail districts.

County secondary levies grew by just 0.3%, or $664,758, totaling nearly $241 million in tax year 2004. However, the average percentage change in secondary levies is greatly skewed by Maricopa’s $9.5 million drop in their secondary levy as a result of taxpayer’s paying off the county’s general obligation debt. The drop in Maricopa masks an otherwise 8.4% increase in other counties.

Apache County lead the way in secondary levy increases with a 16.6% increase. The increase in secondary levies is attributable to the significant growth in secondary NAV, as well as the Board of Supervisor’s decision to institute over a 10-cent tax rate against the flood control district for the first time, as well as increasing the secondary rates for the jail district, library district and the county debt rate.

Yuma County taxpayers saw the largest increase in secondary levies at 14.5%. Although the county realized substantial growth in the secondary NAV, the increase in total secondary levies is partly due to the 18.8% increase in the library district levy as a result of the Board electing to increase the rate 7 cents.

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CITIES

Primary Levies: City primary levies grew 10.7% in 2004, bringing total city primary levies to $165 million. Gila Bend experienced the largest increase at 167% as a result of increased values in centrally assessed properties. The City of Tucson experienced the second largest increase at 78.6%, mainly as the result of the 15-cent increase in the city’s primary rate. The Town of Buckeye received 58.6% growth in their primary levy after increasing the primary rate nearly 17 cents, and the City or Surprise, with primary levy growth of 46.7% after increasing the primary rate approximately 6 cents. It is worth noting that the primary rate increases adopted by Buckeye and Surprise almost equally offset the decreases in each cities secondary rate. In what has become all too common in Arizona, Buckeye and Surprise captured savings taxpayers would otherwise have seen on declining debt service obligations by increasing the primary rate by a like amount.

Secondary Levies: City secondary levies grew at a lesser rate than city primary levies, reflecting 5.9% overall growth. The cities with the highest secondary levy growth include Avondale (28.8%), Goodyear (19.6%), and Gilbert (16.1%).

OTHER LEVIES

The category of “other levies” includes taxes levied against special districts, which include fire districts, street lighting districts, hospital districts, and many other special districts. The secondary levies for special districts have received the largest percentage growth over the past year of 10.9%.

Fire district levies make up approximately 80% of total special district levies. The nearly $14 million collective increase in fire district levies helped force total special district levies over the $162 million mark.

Jennifer Schuldt

Attention ATRA Members

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