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# ARIZONA TAX RESEARCH ASSOCIATION

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## NEWSLETTER VOLUME 76 NUMBER 7 OCTOBER 2016

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### Schools Seek \$1.4 Billion in Bonds at Nov Ballot

President Jackson famously rebuffed the U.S. Supreme Court which had struck down a Georgia law related to tribal land in *Worcester v. Georgia* by saying “John Marshall has made his decision; now let him enforce it.” A law is only relevant to the extent it is enforced. Arizona legislators would be surprised to learn that the significant energy they put towards reforming the language appearing on bond ballots in 2015 was nearly ignored this year.

Prior to 2015, County Elections leaned on a lack of clarity in state law to craft ballot language for the bond question- commonly referred to as the “tag line text”- with no mention that the general obligation (G.O.) bond election was a tax issue. It simply read: “A “yes” vote shall authorize the \_\_\_\_\_ governing body to issue and sell \$\_\_\_\_\_ of \_\_\_\_\_ bonds of the district.”

Lawmakers debated the merits of adding seven words to the end of this “tag line text”: “...to be repaid with secondary property taxes.” Despite significant opposition from school districts and other local governments, the Legislature and Governor agreed voters should be fully cognizant of bonds as tax issues- even if they didn’t choose to review the publicity pamphlet.

With the passage of HB2109 (Rep. Mitchell), the entire bond ballot “tag line text” including those seven words was codified in A.R.S. 35-454 (C) for all G.O. bond elections. ATRA was shocked to learn that lawyers representing school districts determined this state law did not apply and contend the “tag line text” could appear as it was prior to the law change without the seven words.

Taxpayers and voters are grateful that Bill Montgomery and the Maricopa County Attorney’s office directed County Elections to comply with A.R.S. 35-454 (C). It appears most other counties statewide will also be in compliance.

See SCHOOL BONDS, Page 6

### County Budgets Healthy in FY17

Arizona’s counties successfully weathered the economic storm over the last decade with a heavy reliance on cash reserves, and in some cases, increased property taxes to replenish those reserves. On average, county general fund (GF) budgets grew a moderate 3.4% in FY 2017 as concerns remain regarding Arizona’s sluggish economic rebound and the uncertainty of future state budget cost shifts. Despite all this, the counties appear to be in good financial condition overall.

#### County GF Budgets

The main sources of revenue that fund county GF budgets include primary property taxes, state-shared and local sales tax revenues, and vehicle license taxes. The GF is the operating budget for general government services, including public health, law enforcement, and other general government services. In FY 2017, total county GF budgets increased 3.4% to nearly \$2.5 billion. Coconino County had

See COUNTY BUDGETS, Page 3

**INSIDE:**  
**TNT Notices in Error**

# ATRA's 2016 Outlook Conference Friday, November 18th

**Scottsdale Hilton Resort**

**Registration Begins at 7:45 a.m.**

➤ **State Budget Outlook 8:30 a.m.**

The Director of the Joint Legislative Budget Committee will present a current report on the state's fiscal picture.

**Richard Stavneak, Director**  
Joint Legislative Budget Committee

➤ **State & Local Taxation Issues  
9:15 a.m.**

Nikki Dobay from the Council on State Taxation will present current issues and trends from a national perspective.

**Nikki Dobay, West Coast Tax Counsel**

➤ **Break: 9:45 a.m.**

➤ **Major Tax Issues for 2016 10:00 a.m.**

ATRA staff will highlight the organization's 2016 legislative program and discuss other priority tax issues.

➤ **Legislative Outlook 11:00 a.m.**

Key legislators from the Senate and House will provide their insight on policy challenges lawmakers will face in 2017 and their expectations for the 53<sup>rd</sup> Arizona Legislature.

**Senate Majority Leader Steve Yarbrough**  
**Representative J.D. Mesnard**  
**Representative Mark Cardenas**

**Keynote Luncheon Speaker:**  
**Governor Doug Ducey**

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County Budgets, *Continued from Page 1*

County General Fund Budgets

County	FY 2016	FY 2017	\$ Change	% Change
Apache	\$ 19,054,415	\$ 20,117,544	\$ 1,063,129	5.6%
Cochise	81,060,228	81,056,797	(3,431)	0.0%
Coconino	73,629,911	79,647,819	6,017,908	8.2%
Gila	49,545,792	49,042,638	(503,154)	-1.0%
Graham	17,582,984	17,932,119	349,135	2.0%
Greenlee	16,927,243	17,455,649	528,406	3.1%
La Paz	17,340,677	16,150,812	(1,189,865)	-6.9%
Maricopa	1,033,655,889	1,062,505,856	28,849,967	2.8%
Mohave	94,472,991	93,961,335	(511,656)	-0.5%
Navajo	44,887,534	41,408,189	(3,479,345)	-7.8%
Pima	549,889,508	588,342,099	38,452,591	7.0%
Pinal	172,528,066	176,628,458	4,100,392	2.4%
Santa Cruz	29,249,776	29,030,538	(219,238)	-0.7%
Yavapai	95,545,575	97,930,243	2,384,668	2.5%
Yuma	78,913,045	83,949,570	5,036,525	6.4%
<b>TOTALS</b>	<b>\$2,374,283,634</b>	<b>\$2,455,159,666</b>	<b>\$80,876,032</b>	<b>3.4%</b>

the largest increase at 8.2%, followed by Pima County with 7%, and Yuma County with a 6.4% increase.

GF Cash

The Government Finance Officers Association (GFOA) recommends local governments maintain an unrestricted GF balance of no less than two months (typically around 15%) of regular GF operating revenues or expenditures. That amount may vary depending on the government’s vulnerability to natural disasters, volatile revenues sources, and of course, state cost shifts. Arizona’s counties began the FY 2017 budget year with nearly \$357 million in cash reserves, which

equates to 14.5% of all county GF budgets. Cash reserves include all unreserved cash reported by the counties, including amounts designated for future debt retirement and budget stabilization.

Five counties hold more than 30% in cash reserves. Cochise County maintains an unreserved fund balance equivalent to 37% of its GF budget (\$30M), Gila County 36.1% (\$17.7 M), Coconino County 36% (\$28.7M), Santa Cruz County 35.5% (\$10.3M), and Greenlee County 31.6% (\$5.5M). Aside from Apache County, who holds 24.9% (\$5M) in GF cash reserves, most of the remaining counties carry a fund balance within GFOA standards.

Overall, the counties have maintained a strong GF cash position despite the state cost shifts they’ve been mandated to absorb since the recession. To lessen the impact over the years, the Legislature provided to all but the three largest counties the broad authority to transfer revenues from their special revenue funds, including countywide taxing districts, to the GF to be used for any purpose. Prior to this budget year, there were little if any limits on the amount that could be transferred, and in fact, the transfers in several counties far exceeded their state cost shifts for that year. Fortunately, in the FY 2017 budget, the state not only reduced the amount it shifted to the counties, it also limited the amount that could be transferred to \$1.25 million for counties with populations of 250,000 or less.

County	General Fund	Cash % of GF Budget	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Svc.	Imp. Districts	TOTAL	Cash % of TF Budget
Apache	\$5,000,000	24.9%	\$2,112,929	\$0	\$2,053,100				\$9,166,029	17.2%
Cochise	\$29,985,617	37.0%	\$19,448,216	\$13,148,069		\$258,599			\$62,840,501	38.5%
Coconino	\$28,667,112	36.0%	\$51,965,659	\$20,892,964	\$246,138	\$0			\$101,771,873	43.1%
Gila	\$17,700,250	36.1%	\$11,919,189	\$2,064,601	\$0	\$4,085,500			\$35,769,540	38.0%
Graham	\$1,054,705	5.9%	\$4,928,766	\$145	\$141	\$0			\$5,983,757	16.7%
Greenlee	\$5,508,302	31.6%	\$2,707,210	\$4,200,000	\$0	\$0			\$12,415,512	38.3%
La Paz	\$7,103	0.0%	\$1,662,917	\$0	\$0	-\$193,104			\$1,476,916	5.0%
Maricopa	\$133,944,163	12.6%	\$153,620,378	\$981,716,509	\$23,966,201	\$0	\$16,597,557		\$1,309,844,808	37.1%
Mohave	\$13,971,668	14.9%	\$43,438,696	\$3,057,106	\$15,708,009	\$16,999,750	\$18,660,681		\$111,835,910	38.6%
Navajo	\$4,800,000	11.6%	\$23,037,434	\$0	\$1,346,072	\$0	\$0		\$29,183,506	24.2%
Pima	\$59,323,758	10.1%	\$45,000,846	\$64,777,417	\$5,412,494	\$159,239,559			\$333,754,074	22.5%
Pinal	\$21,883,589	12.4%	\$77,972,639	\$53,356,198	\$345,836	\$439,688	\$0		\$153,997,950	37.6%
Santa Cruz	\$10,300,948	35.5%	\$7,348,489	\$279,319	\$315,218	\$1,302,663	\$0		\$19,546,637	27.7%
Yavapai	\$8,761,778	8.9%	\$48,019,484	\$0	\$0	\$0	\$0		\$56,781,262	24.4%
Yuma	\$15,707,676	18.7%	\$53,332,538	\$2,661,452	\$662,739	\$0	\$7,228,555	\$1,028,576	\$80,621,536	32.4%
<b>TOTALS</b>	<b>\$356,616,669</b>	<b>14.5%</b>	<b>\$546,515,390</b>	<b>\$1,146,153,780</b>	<b>\$50,055,948</b>	<b>\$182,132,655</b>	<b>\$42,486,793</b>	<b>\$1,028,576</b>	<b>\$2,324,989,811</b>	<b>33.1%</b>

**Total Budgets**

Total county budgets, which includes the GF, Special Revenue Funds, Capital Projects, Debt Service Funds, Enterprise and Internal Service Funds, increased 4.1% this year to over \$7 billion. Coconino County’s total financial resources grew 10.8% but the amount the county plans to spend increased by 7.3%, which is still the largest increase of all counties. The increase in Coconino County is intended to fund a variety of items, specifically a three-year plan to update and possibly replace various county facilities. Maricopa County increased its total budget by 7% (\$231.3 M), which was mainly attributed to an increase in capital projects and to fund staff in the judicial system.

**County Total Fund Budgets**

**Total Funds Cash**

Budgeted cash reserves for all counties totaled \$2.3 billion in FY 2017, which represents 33.1% of total budgets. Cash reserves in 8 of the 15 counties account for more than 30% of their total budgets. As a percentage of total budgeted resources, Coconino carries the most in cash at 43.1%. The nearly \$102 million in Coconino’s cash reserves is what remains following a large transfer the county made at the end of FY 2016 from the Jail District reserve fund to the GF to pay down PSPRS unfunded liability. Coconino County utilized the state budget provision to transfer \$10 million from the Jail District to the GF before the end of the FY 2016 budget year, and by doing so, the county was able to circumvent the \$1.25 million cap that was enacted in the FY 2017 state budget. Despite the large transfer in FY 2016, Coconino transferred an additional \$494,000 in FY 2017 from the Jail District to the GF. In total, the counties collectively transferred nearly \$3.5 million in revenue from their special revenue funds to their GF’s to pay for unrelated county obligations in FY 2017.

County	FY 2016	FY 2017	\$ Change	% Change
Apache	\$ 51,762,560	\$ 53,417,659	\$ 1,655,099	3.2%
Cochise	162,288,172	163,079,822	791,650	0.5%
Coconino	213,035,762	236,039,924	23,004,162	10.8%
Gila	91,985,237	94,014,975	2,029,738	2.2%
Graham	34,664,885	35,923,821	1,258,936	3.6%
Greenlee	31,546,844	32,386,766	839,922	2.7%
La Paz	36,803,669	33,156,664	(3,647,005)	-9.9%
Maricopa	3,295,909,984	3,527,255,076	231,345,092	7.0%
Mohave	289,210,025	289,436,259	226,234	0.1%
Navajo	120,792,901	120,792,901	-	0.0%
Pima	1,452,435,014	1,486,632,889	34,197,875	2.4%
Pinal	421,507,779	409,710,527	(11,797,252)	-2.8%
Santa Cruz	76,145,313	70,464,737	(5,680,576)	-7.5%
Yavapai	235,390,904	233,088,206	(2,302,698)	-1.0%
Yuma	245,476,491	248,562,675	3,086,184	1.3%
<b>TOTALS</b>	<b>\$6,758,955,540</b>	<b>\$7,033,962,901</b>	<b>\$275,007,361</b>	<b>4.1%</b>

Note: For accurate comparison purposes between counties, budgeted amounts represent total financial resources and include revenues dedicated for future debt retirement/budget stabilization.

**Employee Compensation**

Employee compensation accounts for the majority of county GF budgets. In FY 2017, the amount budgeted for county employee salaries and employee-related expenses (EREs) increased 2.5% to over \$1.3 billion, which represents nearly 54% of total GF budgets. The increase in this year’s total compensation was mainly driven by increases in healthcare costs across the 15 counties. While a few counties saw significant increases in salaries, on average, total county salaries increased 2%.

County	GF Salaries + EREs				TF Salaries + EREs			
	FY 2016	FY 2017	% Chg.	% of GF	FY 2016	FY 2017	% Chg.	% of TF
Apache	\$9,813,786	\$10,400,015	6.0%	51.7%	\$20,379,296	\$20,607,639	1.1%	38.6%
Cochise	\$40,189,269	\$40,801,708	1.5%	50.3%	\$56,227,671	\$56,735,100	0.9%	34.8%
Coconino	\$39,025,433	\$41,521,702	6.4%	52.1%	\$76,642,355	\$79,918,198	4.3%	33.9%
Gila	\$24,029,632	\$24,874,418	3.5%	50.7%	\$36,239,592	\$37,786,449	4.3%	40.2%
Graham	\$9,491,081	\$9,761,790	2.9%	54.4%	\$15,816,817	\$16,539,594	4.6%	46.0%
Greenlee	\$6,698,206	\$7,029,593	4.9%	40.3%	\$10,458,181	\$10,683,212	2.2%	33.0%
La Paz	\$9,212,915	8,965,733	-2.7%	55.5%	\$17,623,582	16,502,662	-6.4%	49.8%
Maricopa*	\$536,237,676	\$549,934,563	2.6%	51.8%	\$1,101,620,244	\$1,118,391,293	1.5%	31.7%
Mohave	\$45,762,710	\$46,120,592	0.8%	49.1%	\$78,134,490	\$79,625,235	1.9%	27.5%
Navajo	\$27,866,196	\$25,790,985	-7.4%	62.3%	\$44,957,558	\$43,416,633	-3.4%	35.9%
Pima	\$313,815,559	\$324,804,223	3.5%	55.2%	\$478,232,048	\$487,839,428	2.0%	32.8%
Pinal	\$100,572,858	\$100,326,077	-0.2%	56.8%	\$138,759,348	\$139,482,648	0.5%	34.0%
Santa Cruz	\$12,375,491	\$13,824,425	11.7%	47.6%	\$23,715,380	\$25,086,412	5.8%	35.6%
Yavapai	\$60,311,908	\$62,948,912	4.4%	64.3%	\$106,802,706	\$106,854,149	0.0%	45.8%
Yuma	\$45,205,248	\$45,515,365	0.7%	54.2%	\$92,446,113	\$92,817,536	0.4%	37.3%
<b>TOTALS</b>	<b>\$1,280,608,378</b>	<b>\$1,312,620,101</b>	<b>2.5%</b>	<b>53.5%</b>	<b>\$2,298,055,381</b>	<b>\$2,332,286,188</b>	<b>1.5%</b>	<b>33.2%</b>

The counties with the largest increases in total GF compensation included Santa Cruz (11.7%), Coconino (6.4%), and Apache (6%). Two counties, Yavapai and Navajo, have employee compensation budgets that are more than 60% of their GF budgets. Total compensation for all funds amounted to more than \$2.3 billion this year, which reflects 33% of the total budgets for all counties.

### Change in NAV

Total statewide taxable value grew 3.2% in FY 2017. Although the majority of counties experienced modest growth, some counties with high levels of centrally valued property (CVP), such as mines and utilities, experienced rather significant declines in their tax base. The more notable decreases occurred in Greenlee (8.8%), Apache (7.3%), Graham (5.3%), and Navajo (3.6%).

**Coconino County utilized the state budget provision to transfer \$10 million from the Jail District to the GF before the end of the FY 2016 budget year, and by doing so, the county was able to circumvent the \$1.25 million cap that was enacted in the FY 2017 state budget.**

### Primary Property Taxes

Only two counties, Coconino and Maricopa, increased primary property taxes above Truth in Taxation (TNT) levels this year. TNT provides transparency to taxpayers by requiring counties, community colleges, cities and towns to notify taxpayers through publication and a public hearing when the taxing entity intends to increase primary property taxes over the previous year, exclusive of new construction. Coconino County exceeded TNT by levying up to its constitutional levy limit with a slight increase to its primary tax rate to generate an additional \$268,984. Maricopa County increased its primary tax rate \$0.0400 in order to generate an additional \$35 million; however, Maricopa is still well below its constitutional levy limit. All other counties either levied at or below their TNT levels.

### Secondary Property Taxes

Counties also levy secondary property taxes for voter approved debt and a variety of countywide special taxing districts, which include flood control, library, jail, public health services, etc. In FY 2017, total county secondary taxes increased 5.9% (\$14.8M), for a total of \$264.2 million. Some notable increases occurred in Maricopa and Pima Counties, in which both increased their flood control levies by 18% (\$9M) and 9% (\$2M), respectively. Yavapai County increased its levy for

### Net Assessed Values

County	FY 2016	FY 2017	\$ Change	% Change
Apache	\$ 489,723,731	\$ 453,791,208	\$ (35,932,523)	-7.3%
Cochise	920,583,366	909,774,049	(10,809,317)	-1.2%
Coconino	1,537,418,218	1,569,812,808	32,394,590	2.1%
Gila	482,515,161	496,294,071	13,778,910	2.9%
Graham	203,987,445	193,098,383	(10,889,062)	-5.3%
Greenlee	465,533,779	424,428,003	(41,105,776)	-8.8%
La Paz	201,755,860	200,919,282	(836,578)	-0.4%
Maricopa	34,623,670,323	36,135,494,474	1,511,824,151	4.4%
Mohave	1,685,788,538	1,696,199,992	10,411,454	0.6%
Navajo	832,770,173	803,062,466	(29,707,707)	-3.6%
Pima	7,620,360,873	7,816,699,760	196,338,887	2.6%
Pinal	2,057,547,528	2,119,750,925	62,203,397	3.0%
Santa Cruz	317,370,907	309,834,858	(7,536,049)	-2.4%
Yavapai	2,279,183,448	2,344,409,942	65,226,494	2.9%
Yuma	1,120,339,479	1,116,022,260	(4,317,219)	-0.4%
<b>Total</b>	<b>\$ 54,838,548,829</b>	<b>\$ 56,589,592,481</b>	<b>\$ 1,751,043,652</b>	<b>3.2%</b>

### Primary Levies

County	FY 2016	FY 2017	\$ Change	% Change	Max Levy
Apache	\$2,552,781	\$2,560,475	\$7,694	0.3%	\$2,611,568
Cochise	\$24,189,248	\$23,905,223	(\$284,025)	-1.2%	\$34,188,399
Coconino	\$8,817,093	\$9,086,077	\$268,984	3.1%	\$9,086,077
Gila	\$20,217,385	\$20,794,722	\$577,337	2.9%	\$30,397,516
Graham	\$4,706,194	\$4,749,641	\$43,447	0.9%	\$5,243,780
Greenlee	\$2,619,093	\$2,619,145	\$52	0.0%	\$3,850,835
La Paz	\$4,757,406	\$4,737,677	(\$19,729)	-0.4%	\$4,950,096
Maricopa	\$471,193,529	\$506,222,142	\$35,028,613	7.4%	\$655,823,089
Mohave	\$33,203,291	\$33,408,355	\$205,064	0.6%	\$41,940,241
Navajo	\$7,009,427	\$6,802,742	(\$206,685)	-2.9%	\$7,077,390
Pima	\$334,358,574	\$335,305,153	\$946,579	0.3%	\$403,935,779
Pinal	\$82,299,844	\$82,032,241	(\$267,603)	-0.3%	\$130,602,094
Santa Cruz	\$12,087,325	\$11,800,370	(\$286,955)	-2.4%	\$14,870,214
Yavapai	\$44,026,986	\$44,606,170	\$579,184	1.3%	\$53,562,734
Yuma	\$27,036,032	\$27,548,119	\$512,087	1.9%	\$29,845,784
<b>TOTALS</b>	<b>\$1,079,074,208</b>	<b>\$1,116,178,252</b>	<b>\$37,104,044</b>	<b>3.4%</b>	<b>\$1,427,985,596</b>

library services by 18% (\$670,000).

For the first time in FY 2017, counties proposing to increase the secondary taxes of their special taxing districts for library, flood control, public health services, and jails were held to the same publication and public hearing TNT requirements that previously only applied to increases in primary property taxes.

A comprehensive report on the FY 2017 adopted county budgets will be released later this fall.

Primary Tax Rates

County	FY 2016	FY 2017	\$ Change	% Change	Max Tax Rate	over/under	
						TNT	TNT
Apache	\$0.5202	\$0.5642	\$0.0440	8.5%	\$0.5755	\$0.5642	\$0.0000
Cochise	\$2.6276	\$2.6276	\$0.0000	0.0%	\$3.7579	\$2.7068	-\$0.0792
Coconino	\$0.5735	\$0.5788	\$0.0053	0.9%	\$0.5788	\$0.5675	\$0.0113
Gila	\$4.1900	\$4.1900	\$0.0000	0.0%	\$6.1249	\$4.2103	-\$0.0203
Graham	\$2.3071	\$2.4597	\$0.1526	6.6%	\$2.7156	\$2.4597	\$0.0000
Greenlee	\$0.5626	\$0.6171	\$0.0545	9.7%	\$0.9073	\$0.8895	-\$0.2724
La Paz	\$2.3580	\$2.3580	\$0.0000	0.0%	\$2.4614	\$2.3656	-\$0.0076
Maricopa	\$1.3609	\$1.4009	\$0.0400	2.9%	\$1.8149	\$1.3343	\$0.0666
Mohave	\$1.9696	\$1.9696	\$0.0000	0.0%	\$2.4726	\$1.9849	-\$0.0153
Navajo	\$0.8417	\$0.8471	\$0.0054	0.6%	\$0.8813	\$0.8471	\$0.0000
Pima	\$4.3877	\$4.2896	(\$0.0981)	-2.2%	\$5.1676	\$4.3581	-\$0.0685
Pinal	\$3.9999	\$3.8699	(\$0.1300)	-3.3%	\$6.1612	\$3.9780	-\$0.1081
Santa Cruz	\$3.8086	\$3.8086	\$0.0000	0.0%	\$4.7994	\$4.0229	-\$0.2143
Yavapai	\$1.9317	\$1.9027	(\$0.0290)	-1.5%	\$2.2847	\$1.9027	\$0.0000
Yuma	\$2.4132	\$2.4684	\$0.0552	2.3%	\$2.6743	\$2.4684	\$0.0000
<b>Avg. Rates</b>	<b>\$2.2568</b>	<b>\$2.2635</b>	<b>\$0.0067</b>	<b>0.3%</b>	<b>\$2.8918</b>	<b>\$2.3107</b>	<b>-\$0.0472</b>

-Jennifer Stielow

SCHOOL BONDS, Continued from Page 1

This November school districts are asking voters to approve G.O. bonds which total \$1.4 billion in principle. With interest, taxpayers would pay \$2.24 billion over the life of the loans. 2016 total bond requests for schools represent a 39% increase over last year. Twelve of 14 school bonds were passed by voters last year although cities and counties did not fare as well.

District	Current Bond Levy	Tax Rate	Bond Request (P)	Total Bond Cost (P&I)	Estimated Tax Rate (Avg.)	Current Outstanding Debt
Ampitheater	\$12,807,611	0.8905	\$58,000,000	\$86,580,000	0.2700	\$91,035,000
Sahuarita	\$4,474,655	1.5162	\$25,000,000	\$47,896,800	1.1600	\$35,095,000
Lake Havasu	\$0	0.0000	\$49,050,000	\$73,478,200	0.4042	\$0
Colorado River Union	\$0	0.0000	\$35,000,000	\$48,155,325	0.4670	\$0
Creighton	\$5,548,984	1.5048	\$85,000,000	\$105,859,071	1.4096	\$21,575,000
Gila Bend	\$445,921	0.3404	\$21,000,000	\$34,945,333	1.3300	\$1,790,000
Murphy	\$894,876	1.0019	\$5,000,000	\$8,414,375	0.4091	\$6,595,000
Pendergast	\$5,895,010	2.1207	\$59,950,000	\$76,638,066	1.4802	\$25,350,000
Peoria	\$27,176,578	1.7538	\$198,000,000	\$359,564,000	0.7400	\$236,250,000
Queen Creek	\$6,799,282	2.0183	\$95,000,000	\$150,926,026	0.9901	\$59,945,000
Scottsdale	\$29,110,682	0.6140	\$229,000,000	\$362,464,000	0.2850	\$202,430,000
Tempe	\$16,050,549	1.2302	\$165,000,000	\$244,713,823	0.7318	\$99,000,000
Washington	\$14,593,561	1.2768	\$98,000,000	\$156,558,500	0.7610	\$72,265,000
WEST-MEC	\$5,308,716	0.0400	\$141,000,000	\$245,308,000	0.0606	\$71,220,000
Wickenburg	\$1,745,327	1.1315	\$10,000,000	\$13,441,000	0.6700	\$5,473,000
Casa Grande El	\$2,269,090	0.5500	\$44,660,000	\$77,023,000	0.4400	\$3,465,000
J.O. Combs	\$1,361,389	0.8751	\$36,800,000	\$61,466,863	0.8681	\$14,995,000
Santa Cruz Union	\$996,001	1.0016	\$7,000,000	\$9,248,456	0.7154	\$15,853,870
Seligman	\$0	0.0000	\$2,950,000	\$3,759,663	1.1271	\$0
Blue Ridge			\$15,000,000	\$22,504,250	0.4768	\$17,570,000
Sierra Vista	\$0	0.0000	\$28,870,000	\$45,364,125	0.5231	\$0
Safford	\$0	0.0000	\$4,900,000	\$6,363,396	0.5700	\$0
<b>TOTAL</b>	<b>\$135,478,232</b>		<b>\$1,414,180,000</b>	<b>\$2,240,672,272</b>		<b>\$979,906,870</b>

ATRA finds it curious that bond lawyers representing the districts would imperil the outcomes of these elections by claiming the law change had no meaning by continuing to use text which appears nowhere in state law. A lawsuit testing the bond election’s legal compliance would likely prevent a district from selling said bonds until the case is resolved.

The crux of their argument was the lack of reference to specific bond ballot tag line text in Title 15 (the title covering school law) supersedes the specific text defined in Title 35 (public finance) because Title 15 relates to

school districts, an argument which did not survive first contact at the County Attorney’s office.

The largest bond requests this year come from Scottsdale Unified (\$229 million), Peoria Unified (\$198 million), WEST-MEC JTED (\$141 million), Washington Elementary (\$95 million) and Creighton Elementary (\$85 million). School districts requesting approval of new bonds presently have a combined total of \$980 million in existing debt (principle only) the taxpayers have yet to repay.

One regrettable trend in bond financing is school districts requesting bonds not based on a precise need but on what their tax base can sustain based on extending the current secondary tax rate into the future. Only a few school districts have a detailed plan for the usage of the bonds. With the assistance of financial advisors, districts carefully manage their debt service repayment schedules. As a district nears the time when its debt service schedule will peak, new bond repayments begin to be layered on top to keep the rate level. The argument is keeping the tax rate even satisfies the voters and sustains generational equity. The result is taxpayers never get a break from capital investment and the high rate watermark for bond repayment becomes the new normal.

School finance reformers continue to argue that bonding for capital is inequitable and unideal due to the lack of nexus to students, growth, educational outcomes, and proven necessity. A lack of funding available for capital at the state level combined with the length of voter-approved bond repayments indicate that bonding for capital is a relatively intractable feature of Arizona school finance.

Another trend is most advocacy for bonds begin with a call to correct life-safety issues such as HVACs and roofs. Voter pamphlets insist the state will not pay for such items, a certain falsehood as the state School Facilities Board is busy replacing these items statewide. How the state will address long-term capital needs in an equitable and rational matter

remains unsolved.

Twenty-three school districts will ask their voters to approve budget overrides. Most of them are renewals; however, several seek brand new overrides which will result in immediate tax increases.

-Sean McCarthy

District	Override Type	Current Override Levy	Tax Rate	Estimated Override Levy (FY '18)	Estimated Tax Rate	% of RCL	Existing Override Amt
Alhambra	M&O	\$9,223,491	3.2025	\$9,791,175	3.3204	15%	15%
Avondale	M&O	\$4,041,077	1.2338	\$4,875,000	1.4900	15%	15%
Balsz	M&O	\$1,890,633	0.7214	\$2,377,500	0.8966	15%	15%
Buckeye Union	M&O	\$2,283,225	0.3499	\$2,367,229	0.2866	10%	10%
Laveen	M&O	\$4,472,229	2.3293	\$4,951,983	2.5791	15%	15%
Liberty	M&O	\$1,686,480	0.8154	\$1,741,752	0.8400	10%	10%
Tolleson	M&O	\$2,034,794	1.2975	\$2,151,918	1.3500	15%	15%
Tolleson Union	M&O	\$4,673,532	0.4733	\$7,250,461	0.7342	15%	15%
Continental	M&O	\$476,539	0.1488	\$480,000	0.1502	14%	15%
Marana	M&O	\$6,632,010	0.8656	\$6,600,000	\$6,670,650	10%	10%
Mohave Valley	M&O	\$0	0.0000	\$1,150,630	0.6211	15%	0%
Lake Havasu	M&O	\$0	0.0000	\$3,987,287	0.6100	15%	0%
Vail	M&O	\$6,200,000	1.4064	\$8,678,570	1.9686	12.5%	10%
Maricopa	M&O	\$0	0.0000	\$3,420,000	1.3291	10%	0%
Stanfield	M&O	\$0	0.0000	\$356,080	1.1349	10%	0%
Bagdad K-8	M&O	\$696,911	0.7929	\$286,400	0.3258	15%	15%
Bagdad 9-12	M&O	see above	see above	\$497,334	0.5655	16%	16%
Santa Cruz Unified	M&O	\$594,964	0.4364	\$1,299,116	0.9529	7%	5%
Sahuarita	DAA	\$0	0.0000	\$1,000,000	0.3388	10%	0%
Madison	DAA	\$4,582,154	0.5224	\$2,800,000	0.3192	10%	16%
Scottsdale	DAA	\$0	0.0000	\$8,500,000	0.1793	10%	0%
Somerton	DAA	\$0	0.0000	\$1,300,000	2.3094	10%	0%
St. Johns	DAA	\$0	0.0000	\$500,000	0.3129	10%	0%
		<b>\$49,488,039</b>		<b>\$76,362,435</b>			

## K-12 TNT Notices in Error

The Arizona Property Tax Oversight Commission (PTOC) notified ten school districts in September of a failure to accurately comply with statutory Truth in Taxation (TNT) laws for FY2017.

In order to maintain communication and accountability between government and its citizens, Arizona state law demands a signal to citizens when it intends to increase primary property taxes. There are several features to Arizona's TNT law but all have the intent of alerting citizens to a proposed property tax increase from a governing body. Nearly all state and local governments in Arizona must comply with TNT for operating property tax levies.

Arizona TNT law requires a district advertise the proposed tax increase in a paper of record and hold a special governing board hearing to approve the increase. The method and steps to comply with TNT, such as the precise language a district must use in the advertisement, are explicit in state law.

For school districts, any increase to a tax levy within the auspices of the Governing Board generates a TNT requirement. This includes any non-formula programs outside the revenue control limit that are increased. For some programs such as Desegregation or Small School Adjustment, a levy the same as last year generates no TNT requirement. However, state law is clear that a special assessment for Adjacent Ways is considered a new tax every year regardless of the prior year levy and must be reported as such. Several districts chose to ignore this statute and thereby had an incorrect TNT advertisement.

The Special Assessment for Adjacent Ways is a unique property tax intended to pay for items such as emergency lanes for first responders and deceleration lanes for busses in the public right of way adjacent to district property. Several districts have taken to levying a set amount annually regardless of precise need and it is to their benefit to misinterpret state law by advertising the change from last year and not accurately comply.

Several school districts simply included unnecessary data but otherwise were in compliance with the spirit of the law. Several others clearly intended to skirt the meaning of the law.

Kyrene Elementary advertised a levy decrease which surely confused readers when looking at a TNT notice which reads "Notice of Tax Increase." Tombstone Unified completely deviated from state law and included a long, confusing editorial within the TNT notice attempting to explain the rate increase along with incorrect math. Phoenix Elementary, to their credit, corrected their entire TNT process and re-advertised the correct information.

Lawmakers should be aware that there is no penalty for failure to comply with TNT. Furthermore, TNT advertisements are only required in a hard-copy newspaper (unless the district elects to mail a copy to all district voters) which is a declining source of information for citizens. Often times they are advertised in very low circulation papers. A press release sent to all newspapers of general circulation is also required but rarely appears in online editions. Policymakers should consider online content and social media in addition to hard copy newspapers as other effective ways of communicating with citizens.

-Sean McCarthy