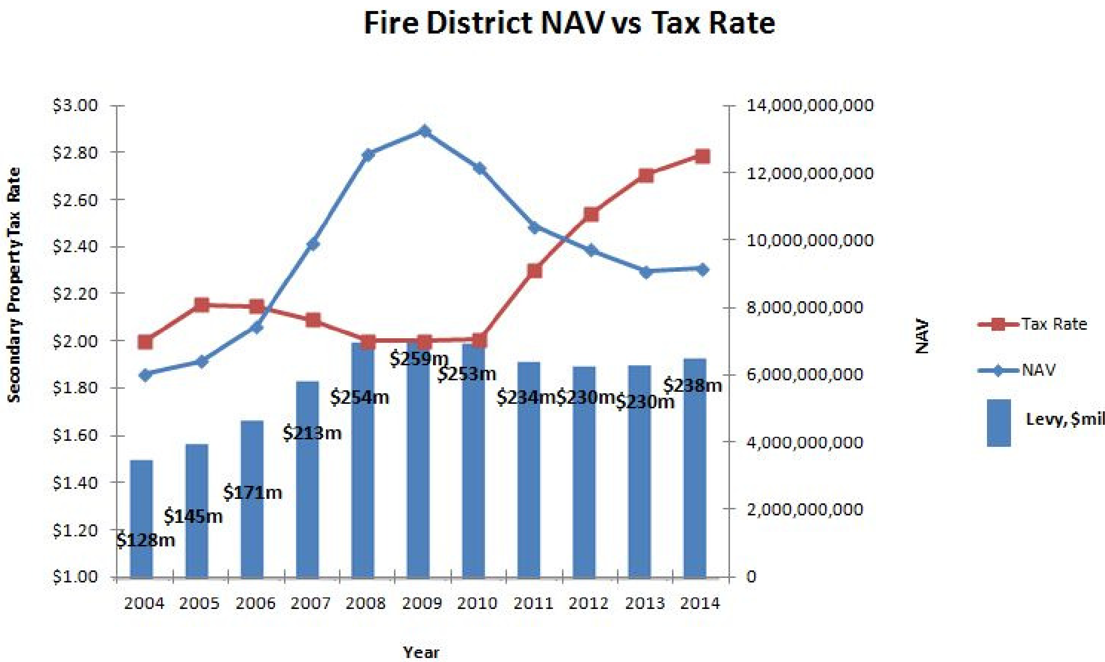
ATRA OPPOSES HB2406

The Great Recession had devastating impacts on state and local governments. State government in particular had enormous challenges in coping with revenue losses of 34%. The recession also ravaged Arizona's private economy resulting in major job losses. From a taxpayer standpoint, Arizona property taxpayers were clearly the most negatively impacted. For five straight years, the state average property tax rate has increased. The statewide average tax rate has climbed 38% over that time period. For many property taxpayers their effective tax rate has climbed 30%.

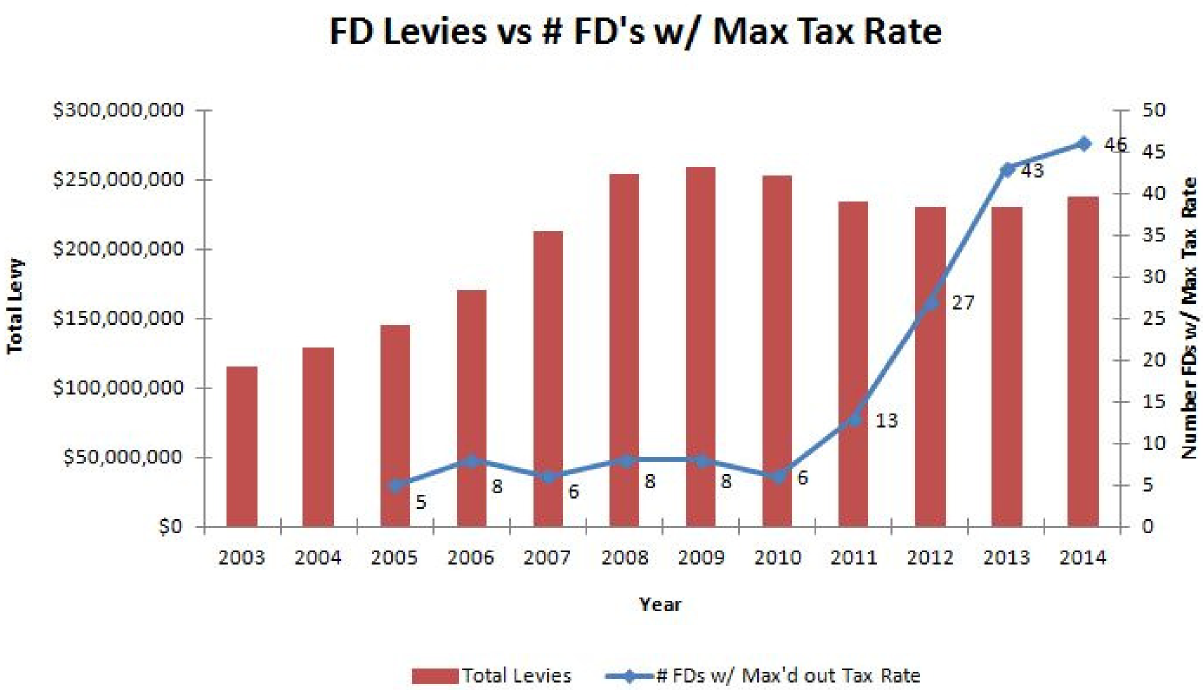
While the state budget hemorrhaged red ink in the recession, many local governments that sustain their operations primarily through property taxes faired much better. As the data below reflects, in relative terms, fire districts (FD) survived the economic storm virtually unscathed. In fact, over the last 10 fiscal years, FD operating levies climbed $110 million or 86%. During the real estate boom between 2004 and 2009 many FDs rode soaring property values to record increases in levies by leaving the tax rate same. In those five short years FD levies more than doubled statewide. Following the peak in 2009 and through 2014, although property values fell 33%, FD levies dropped only 7.9% as a result of the FDs increasing their tax rates. In fact, the median tax rate of all the FDs increased 39%, from $2.00 in 2009 to a median rate of $2.79 in 2014. As a result, the number of FDs that have reached the statutory $3.25 rate cap has risen dramatically over the last couple of years.



The FDs solution to the problem is to go back to the property taxpayers for additional revenue. ATRA worked with the FDs a few years ago to draft legislation that would allow FDs to seek voter approval for a temporary 5-year override that would allow FDs that experienced at least a 20% decline in property values over two consecutive years to exceed the $3.25 tax rate cap but remain subject to a 5% levy limit. HB2406 will allow all FDs to utilize the override provision without regard to a reduced tax base, extends the override to 8 years, **and removes any limit to the annual levy**.

Arizona has 156 FDs and the skyrocketing property tax rates for many of them demonstrates that they should be looking aggressively at options other than to simply continue increasing tax rates. Clearly, the cost structures for some of these districts, particularly those that participate in the Public Safety Personnel Retirement System (PSPRS), are no longer sustainable with a small property tax base. Even city governments, with a variety of revenue sources, are struggling to cover PSPRS costs.

Finally, it should be noted that ATRA has worked many times in the past with FDs to allow increases in their tax capacity. In 2005, the maximum rate was increased from $3.00 to $3.25. In 1992, the max rate was increased from $2.60 to $3.00. ATRA also worked with the FDs to reform the fire district assistance tax and opposed efforts to eliminate that subsidy that is provided to districts.



ATRA ASKS FOR LAWMAKERS TO VOTE NO ON HB2406!