

ATRA SUPPORTS SB1172 – *As Amended*

Fire District G.O. Bond Reform

Summary

SB1172 limits the amount a fire district may request in General Obligation (G.O.) bonds from its voters. As introduced, SB1172 would have limited the amount a fire district could request in G.O. debt to the district's current debt capacity (debt limit less outstanding G.O. debt). A compromise amendment between ATRA and the Arizona Fire District Association increased the amount that may be requested to 120% of the district's debt capacity instead of 100%.

Basis for ATRA's Support

Current statute limits the amount of G.O. debt a fire district can absorb to six percent of the net assessed value of the district. However, there is no limitation on how much a fire district can *request* from its voters. Without limitation, this means that a fire district could request an amount that far exceeds its debt limit. This can create significant exposure to taxpayers if a jurisdiction opts for a very short term schedule to defease a bond sale in order to evade their debt limit.

Regrettably, this scenario played out recently in Crown King Fire District (FD). In 2021, voters in the Crown King FD approved \$1 million in G.O. bonds although the District's debt limit was only approximately \$200k. To remain within the District's debt limit, the bonds were structured so that \$200k would be issued annually over six years. However, due to the District's small tax base, the annual tax rate to service the debt payments are projected at \$6.73 per \$100 of assessed value over the six-year repayment schedule. Consequently, the fire district's total tax rate for operations and debt service in tax year 2022 more than tripled, from \$3.25 to \$9.7739. **As a result, the annual tax increase on a residential property valued at \$100,000 is estimated at \$673 and \$12,116 on commercial property valued at \$1 million.**

Typically, bonds are defeased over a long period of time, like 15 to 20 years. **In contrast, these bonds are being defeased all in one year over six consecutive years.**

SB1172 is a necessary reform that will provide financial guardrails for fire districts, but more importantly, will protect taxpayers from punitive tax rates.

ATRA ASKS LAWMAKERS TO SUPPORT SB1172!



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