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ARIZONA TAX RESEARCH ASSOCIATION

NEWSLETTER VOLUME 83 NUMBER 6 **October 2023**

FY24 County Budgets Still Flush With Cash

Healthy fund balances coupled with modest revenue projections for the upcoming year provided stability in county budgets. Despite the double-digit growth in real estate market values this year, Prop 117 limited the annual growth in taxable values to 5.9%.

County FY 2024 Budgets

County General Fund (GF) budgets increased 3.5% in FY 2024 to \$3.8B and include over \$1B in fund balances (28.8% of GF budgets). The fund balances in Maricopa and Pima account for 54% of the total, with fund balances of \$429.1M and \$159.4M, respectively. County Total Fund (TF) budgets are up slightly to \$10.5B and are cushioned with \$4.7B in reserves (44.7% of TF budgets).

The increases in county budgets this year are due primarily to increased employee compensation, capacity for anticipated grants, and the allocation of

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State & Local Debt Nears \$39 Billion in FY 2022

According to the Arizona Department of Administration's (ADOA) Report of Bonded Indebtedness, Arizona's political subdivisions held over \$38.8B in debt at the end of FY 2022.

With 91 entities, Arizona's cities had the most debt outstanding of all jurisdictions in FY 2022 with over \$17.6B, accounting for 45% of total statewide debt. K-12 school districts came in second with almost \$5.8B in debt, followed by universities (\$4.2B), special districts (\$2.4B), counties (\$2.2B), and state agencies (\$2.1B). Other entities like the Arizona Sports & Tourism Authority (ASTA) and the Salt River Project (SRP) collectively held a total of \$4.1B in debt. Community colleges held the least amount of debt, which totaled just under \$416M.

Inconsistencies in reporting by Arizona's political subdivisions means that a truly accurate year-to-

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ATRA Fall Events!

ATRA Golf Tournament

Friday, Nov 3rd @ 12:15 pm, Stonecreek Golf Club, Phx

ATRA Outlook Conference:

Friday, Nov 17th @ 8:00 am, Scottsdale Hilton

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the remaining stimulus dollars for capital projects. For example, the 30.5% increase in Gila County’s GF budget is largely due to the allocation of COVID-19 monies under ARPA and LATCF for capital projects and investments. In contrast, Coconino County’s GF budget shows a significant drop of 48.2%, which was simply due to an accounting change attributed to the county’s participation in the Arizona State Retirement System’s contribution repayment program.

TF budgets are up 1.4% to \$10.5B, with the largest increases occurring in Coconino (33.6%), Gila (21.9%), and Navajo (18.8%). The increase in Coconino is due to \$76M in federal grants for flood mitigation projects resulting from last year’s fires, unawarded grants for spending capacity, and the issuance of debt to fund a three-year capital plan for road projects. The growth in Navajo’s budget is mainly due to a state budget appropriation of \$20M for the Winslow Levy and a \$9.7M broadband grant from the Arizona Commerce Authority.

County GF & TF Budgets										
County	General Fund (GF)					Total Funds (TF)				
	FY 2023	FY 2024	% Chg.	Fund Balance	% of Budget	FY 2023	FY 2024	% Chg.	Fund Balance	% of Budget
Apache	\$24,038,379	\$27,472,421	14.3%	\$7,137,253	26.0%	\$91,283,477	\$95,377,206	4.5%	\$16,956,659	17.8%
Cochise	\$96,547,090	\$105,461,808	9.2%	\$39,377,725	37.3%	\$250,049,871	\$277,936,938	11.2%	\$95,842,510	34.5%
Coconino	\$176,086,739	\$91,230,447	-48.2%	\$52,916,756	58.0%	\$408,888,749	\$546,374,685	33.6%	\$175,850,386	32.2%
Gila	\$60,538,828	\$78,984,671	30.5%	\$48,604,833	61.5%	\$124,423,067	\$151,622,946	21.9%	\$61,841,241	40.8%
Graham	\$42,456,658	\$46,743,225	10.1%	\$24,530,424	52.5%	\$104,267,235	\$116,259,760	11.5%	\$40,217,893	34.6%
Greenlee	\$18,108,298	\$17,947,378	-0.9%	\$11,738,082	65.4%	\$33,053,831	\$34,545,354	4.5%	\$17,938,082	51.9%
La Paz	\$18,193,249	\$19,820,450	8.9%	\$4,105,992	20.7%	\$41,076,230	\$47,549,191	15.8%	\$21,460,679	45.1%
Maricopa	\$1,568,693,084	\$1,689,901,588	7.7%	\$429,119,084	25.4%	\$4,609,733,933	\$4,508,113,518	-2.2%	\$2,533,305,932	56.2%
Mohave	\$125,135,985	\$138,188,518	10.4%	\$53,869,923	39.0%	\$560,703,299	\$580,580,657	3.5%	\$233,745,553	40.3%
Navajo	\$61,743,330	\$65,027,485	5.3%	\$34,593,200	53.2%	\$211,711,876	\$251,607,202	18.8%	\$115,082,974	45.7%
Pima	\$679,892,827	\$755,105,219	11.1%	\$159,448,967	21.1%	\$1,932,712,979	\$1,760,492,343	-8.9%	\$509,511,286	28.9%
Pinal	\$479,607,328	\$413,070,672	-13.9%	\$86,487,078	20.9%	\$1,017,055,235	\$1,021,673,046	0.5%	\$358,191,960	35.1%
Santa Cruz	\$40,003,500	\$42,111,916	5.3%	\$16,631,296	39.5%	\$131,767,756	\$141,089,980	7.1%	\$49,112,718	34.8%
Yavapai	\$135,009,755	\$149,449,491	10.7%	\$65,217,845	43.6%	\$362,742,440	\$416,366,641	14.8%	\$199,284,497	47.9%
Yuma	\$128,323,266	\$142,014,056	10.7%	\$55,543,313	39.1%	\$501,668,494	\$577,509,647	15.1%	\$273,366,085	47.3%
TOTALS	\$3,654,378,316	\$3,782,529,345	3.5%	\$1,089,321,771	28.8%	\$10,381,138,472	\$10,527,099,114	1.4%	\$4,701,708,455	44.7%

Net Assessed Values (NAV)

Despite the cooling of Arizona’s real estate market over the last year, the statewide Full Cash (market) Value jumped 24.6% to \$129.5B. However, since voters approved Prop 117 in 2012, a property’s market value is no longer taxable and the taxable value (NAV) is limited to a maximum annual growth rate of 5%. As a result, Prop 117 limited this year’s statewide taxable NAV to a reasonable 5.9% increase to \$83B. Over the last five years, NAV has grown 33.2% compared to 69.4% growth in market values (FCV).

Property Taxes & Special Taxing District Sales Taxes

Counties levy primary property taxes to fund their general operations. Primary property taxes are subject to constitutional levy limits, which grow annually by 2% plus new construction. Only two counties, Coconino and La

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Net Assessed Values					
County	FY 2019	FY 2023	FY 2024	1-yr % Chg.	5-yr % Chg.
Apache	\$468,804,350	\$483,691,367	\$482,092,636	-0.3%	2.8%
Cochise	\$928,290,436	\$1,023,219,906	\$1,074,552,911	5.0%	15.8%
Coconino	\$1,726,579,756	\$2,078,911,570	\$2,171,931,018	4.5%	25.8%
Gila	\$493,540,928	\$593,200,285	\$634,850,535	7.0%	28.6%
Graham	\$189,842,079	\$282,027,668	\$303,998,770	7.8%	60.1%
Greenlee	\$438,419,322	\$496,199,978	\$451,109,785	-9.1%	2.9%
La Paz	\$218,120,242	\$239,949,610	\$246,363,176	2.7%	12.9%
Maricopa	\$40,423,232,423	\$51,575,018,185	\$54,722,310,149	6.1%	35.4%
Mohave	\$1,811,189,489	\$2,298,472,309	\$2,427,679,171	5.6%	34.0%
Navajo	\$828,848,133	\$918,845,940	\$969,413,101	5.5%	17.0%
Pima	\$8,333,892,906	\$10,132,624,448	\$10,646,893,610	5.1%	27.8%
Pinal	\$2,355,433,455	\$3,126,962,457	\$3,390,905,658	8.4%	44.0%
Santa Cruz	\$329,645,579	\$389,888,220	\$413,020,511	5.9%	25.3%
Yavapai	\$2,599,537,841	\$3,333,228,464	\$3,556,683,081	6.7%	36.8%
Yuma	\$1,183,062,653	\$1,443,410,621	\$1,534,810,237	6.3%	29.7%
TOTALS	\$62,328,439,592	\$78,415,651,028	\$83,026,614,349	5.9%	33.2%

Paz, currently levy to their constitutional maximum.

Truth in Taxation (TNT)

Counties must also adhere to TNT notification and publication requirements when proposing to increase primary property taxes. TNT is intended to inform taxpayers of pending tax increases by requiring local governments to publish notice in a newspaper of general circulation and to include the TNT notice in

the proposed and final adopted budgets. Additionally, the TNT notice must be issued in a press release that lists the newspaper in which the notice is published, the dates published, and to post the press release to its website.

In FY 2024, ten of the fifteen counties were subject to TNT for increasing their primary property taxes. La Paz County increased its primary property taxes 51.3%, which required a unanimous roll call vote of the Board since the tax increase exceeded 15%. Last year, La Paz County was required to reduce its primary tax rate in order to

refund approximately \$1.6M in excess reserves that remained after satisfying the \$14M judgment under *La Paz County v. Yakima*.

Counties also levy secondary property taxes to fund countywide special taxing districts for library, flood control, public health services (PHSD), and jails. These secondary property taxes do not have levy limits but

Full Cash Value NAV					
County	FY 2019	FY 2023	FY 2024	% Chg.	5-yr % Chg.
Apache	\$505,794,961	\$525,884,674	\$545,707,048	3.8%	7.9%
Cochise	\$940,903,992	\$1,054,723,538	\$1,221,768,440	15.8%	29.9%
Coconino	\$1,938,314,511	\$2,438,679,494	\$2,952,993,157	21.1%	52.3%
Gila	\$559,767,980	\$661,286,902	\$790,960,161	19.6%	41.3%
Graham	\$206,190,536	\$300,271,910	\$335,035,896	11.6%	62.5%
Greenlee	\$441,508,197	\$499,019,923	\$454,164,091	-9.0%	2.9%
La Paz	\$246,207,078	\$272,974,717	\$324,072,302	18.7%	31.6%
Maricopa	\$51,944,549,119	\$72,238,314,892	\$91,557,158,472	26.7%	76.3%
Mohave	\$2,222,976,841	\$3,032,950,098	\$3,696,361,842	21.9%	66.3%
Navajo	\$872,110,638	\$1,048,845,359	\$1,320,575,800	25.9%	51.4%
Pima	\$9,030,168,554	\$11,355,659,050	\$13,137,116,526	15.7%	45.5%
Pinal	\$2,774,864,317	\$4,003,456,517	\$5,363,899,477	34.0%	93.3%
Santa Cruz	\$372,808,109	\$440,350,004	\$498,720,554	13.3%	33.8%
Yavapai	\$3,088,618,394	\$4,311,237,244	\$5,309,117,227	23.1%	71.9%
Yuma	\$1,292,253,125	\$1,688,569,596	\$1,965,879,926	16.4%	52.1%
TOTALS	\$76,437,036,352	\$103,872,223,918	\$129,473,530,919	24.6%	69.4%

County Budgets, *Continued from page 3*

FY 2024 Property Taxes & Special Taxing District Sales Taxes						
County	Property Taxes			Special District Sales Taxes		Total
	Primary	Secondary	Subtotal	Jail	PHSD	
Apache	\$3,262,803	\$6,317,508	\$9,580,311			\$9,580,311
Cochise	\$28,741,067	\$3,910,558	\$32,651,625			\$32,651,625
Coconino	\$10,879,202	\$21,265,162	\$32,144,364	\$21,109,700		\$53,254,064
Gila	\$26,678,599	\$1,544,048	\$28,222,647			\$28,222,647
Graham	\$6,742,500	\$252,447	\$6,994,947	\$3,000,000		\$9,994,947
Greenlee	\$3,662,109	\$1,255,563	\$4,917,672			\$4,917,672
La Paz	\$6,391,268	\$0	\$6,391,268	\$1,900,000		\$8,291,268
Maricopa	\$659,075,503	\$104,049,111	\$763,124,614	\$270,084,233		\$1,033,208,847
Mohave	\$42,598,486	\$18,375,603	\$60,974,089			\$60,974,089
Navajo	\$7,865,818	\$5,038,243	\$12,904,061	\$6,300,000		\$19,204,061
Pima	\$426,961,727	\$113,216,154	\$540,177,881			\$540,177,881
Pinal	\$120,716,241	\$8,275,870	\$128,992,111		\$6,300,000	\$135,292,111
Santa Cruz	\$16,630,271	\$3,047,037	\$19,677,308	\$3,200,000		\$22,877,308
Yavapai	\$60,990,002	\$10,588,698	\$71,578,700	\$15,260,000		\$86,838,700
Yuma	\$37,151,032	\$16,759,197	\$53,910,229	\$20,614,300	\$4,599,022	\$79,123,551
FY 2024	\$1,458,346,628	\$313,895,199	\$1,772,241,827	\$341,468,233	\$10,899,022	\$2,124,609,082
FY 2023	\$1,386,920,292	\$310,937,950	\$1,697,858,242	\$307,470,315	\$9,210,892	\$2,014,539,449
% Chg.	5.1%	1.0%	4.4%	11.1%	18.3%	5.5%

some have tax rate caps. Like primary levies, secondary property taxes levied for these countywide special taxing districts are subject to TNT.

The four counties that chose not to increase taxes by adopting their TNT rates for both primary and secondary property taxes included Apache, Greenlee, Maricopa, and Yavapai.

In lieu of levying a secondary property tax, some counties have chosen to impose a sales tax to fund their jails and PHSDs. Sales tax revenues have experienced healthy growth over the last several years and that trend is anticipated to continue in FY 2024, as the sales tax revenues for Jails and PHSDs are budgeted to grow by 11.1% and 18.3%, respectively.

State Shared & Other Revenues

In FY 2024, the state is estimated to share \$2.1B with the counties in sales taxes (\$1.4B) and highway user revenues and vehicle license taxes (\$729M).

In addition, twelve of the 15 counties levy a half-cent sales tax to support their GF budgets. In FY 2024, the

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County Budgets, Continued from page 4

County GF & TF Salaries & Total Compensation				
County	GF Salaries	TF Salaries	GF Total Comp	TF Total Comp
Apache	\$9,946,777	\$20,661,483	\$15,173,247	\$31,286,248
Cochise	\$32,240,040	\$53,429,868	\$51,479,784	\$81,487,617
Coconino	\$40,237,639	\$83,290,577	\$53,170,292	\$112,455,620
Gila	\$23,062,376	\$33,809,548	\$32,477,769	\$47,803,613
Graham	\$8,264,200	\$15,517,526	\$12,322,307	\$22,845,581
Greenlee	\$6,109,214	\$8,929,959	\$9,315,655	\$13,191,875
La Paz	\$7,955,078	\$14,896,696	\$13,047,660	\$23,210,041
Maricopa	\$549,985,061	\$1,072,437,022	\$823,840,172	\$1,783,675,711
Mohave	\$52,730,080	\$85,667,170	\$76,030,143	\$122,723,435
Navajo	\$20,773,616	\$38,414,015	\$31,363,190	\$57,768,863
Pima	\$270,365,433	\$405,789,755	\$386,156,103	\$574,091,993
Pinal	\$113,643,506	\$153,274,263	\$159,512,900	\$217,716,175
Santa Cruz	\$12,880,789	\$23,420,198	\$19,905,647	\$35,295,615
Yavapai	\$68,224,022	\$121,197,115	\$104,336,602	\$182,640,617
Yuma	\$46,229,043	\$92,368,103	\$63,734,062	\$125,971,431
FY 2024 TOTALS	\$1,262,646,874	\$2,223,103,298	\$1,851,865,533	\$3,432,164,435
FY 2023 TOTALS	\$1,091,716,059	\$1,881,043,957	\$1,626,908,956	\$2,785,935,300
% CHG	15.7%	18.2%	13.8%	23.2%

counties budgeted to receive approximately \$142M from their local sales taxes. An additional \$50M is budgeted in Payments in Lieu of Taxes (PILT) and \$41M in other locally assessed sales taxes, mainly for transportation.

Arizona Health Care Cost Containment System (AHCCCS)

The state and counties share in the funding of AHCCCS in order to draw

down federal matching dollars to fund services for acute care, behavioral, and long-term care. The largest source of state matching funds is for Arizona Long-Term Care Services (ALTCS), in which the state shares in 50% of the annual growth. According to J L B C ' s F Y 2 0 2 4 Appropriations Report, the state's \$329.6M share in ALTCS is nearly equal to the county's share of \$366.2M. The state and counties share, combined with other state matching funds, will download \$1.9B in federal matching dollars in FY 2024.

Employee Salaries

Employee compensation accounts for nearly half of county budgets. In FY 2024, GF salaries increased 15.7% to \$1.3B and TF salaries increased 18.2% to \$2.2B. Including the costs for

Employee Salaries/FTE						
FY 2024	GF Salaries/FTE	% CHG	Rank	TF Salaries/FTE	% CHG	Rank
Apache	\$65,263	23.4%	5	\$57,234	13.7%	9
Cochise	\$57,767	4.7%	10	\$57,347	5.7%	7
Coconino	\$69,645	0.5%	1	\$71,624	5.8%	1
Gila	\$57,368	9.0%	12	\$55,835	11.2%	12
Graham	\$60,632	7.9%	8	\$57,260	8.7%	8
Greenlee	\$54,547	15.5%	15	\$54,785	12.0%	13
La Paz	\$56,499	5.8%	13	\$53,100	7.8%	15
Maricopa	\$65,361	1.9%	4	\$67,576	3.9%	2
Mohave	\$68,731	19.4%	2	\$63,103	12.8%	4
Navajo	\$60,352	12.2%	9	\$56,607	14.2%	11
Pima	\$57,441	-0.5%	11	\$57,151	1.7%	10
Pinal	\$64,379	1.0%	7	\$62,571	1.2%	5
Santa Cruz	\$56,495	5.2%	14	\$54,551	7.1%	14
Yavapai	\$66,430	8.5%	3	\$65,020	7.7%	3
Yuma	\$64,404	6.8%	6	\$61,769	9.1%	6
AVG	\$61,688	7.7%		\$59,702	15.6%	

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employee-related benefits for health insurance and retirement, the total GF compensation grew 13.8% to \$1.9B and TF compensation grew 23.2% to \$3.4B. Even when comparing salaries on a per full-time equivalent (FTE) basis, the average GF employee salaries/FTE increased 7.7% to \$61,688 and TF employee salaries grew 15.6% to \$59,702. Coconino ranks the highest in the GF salaries/FTE at \$69,645, followed by Mohave County at \$68,731, and Yavapai at \$66,430. The average TF/FTE is \$59,702 and is led again by Coconino at \$71,624. Maricopa ranks second highest at \$67,576 and Yavapai third highest at \$65,020.

PSPRS Unfunded Liabilities

Over the past several years, counties joined other local governments in issuing debt to pay down their unfunded liabilities under the Public Safety Personnel Retirement System (PSPRS). Thus far, local governments have issued \$3B in debt to reduce their unfunded liabilities under the Plan and nine of Arizona’s fifteen counties account for one-third of that amount. The large swaths of debt issued by local governments have made a significant improvement in the total amount of unfunded liability reported by PSPRS. According to the PSPRS Annual Comprehensive Financial Reports, the counties total actuarial unfunded liabilities dropped to \$481M as a result of making nearly \$445M in additional contributions in FY 2021 and FY 2022. As a result, the counties overall funded status improved from 46.88% to 81.93%. The actions taken by the counties and other local governments may have improved their funded status under PSPRS, but the unfunded liability has merely shifted to revenue bonds subject to annual debt payments from county general fund budgets.

- Jennifer Stielow

County	PSPRS UAAL (FY 2021 - FY 2022)									
	FY 2020			FY 2021			Amort.	FY 2022		
	UAAL	FUNDED	CONTRIB. RATE	UAAL	FUNDED	CONTRIB. RATE		UAAL	FUNDED	CONTRIB. RATE
Apache	\$11,814,709	32.00%	75.88%	-\$398,650	102.20%	7.89%	15	-\$139,924	100.70%	8.74%
Cochise	\$36,750,774	36.80%	49.28%	\$34,979,231	40.10%	55.76%	25	\$32,866,300	48.00%	52.03%
Coconino	\$14,448,337	72.90%	38.26%	-\$5,311,143	110.20%	4.80%	15	-\$4,392,581	108.00%	9.65%
Gila	\$13,318,811	40.50%	52.73%	-\$1,133,920	105.10%	8.65%	15	-\$798,255	103.40%	9.00%
Graham	\$4,113,286	58.70%	31.47%	\$1,917,318	81.10%	21.45%	25	\$1,142,210	89.30%	16.42%
Greenlee	\$3,461,739	59.20%	39.21%	\$1,891,544	78.20%	30.00%	15	\$1,925,914	80.10%	30.32%
La Paz	\$13,108,564	35.70%	78.25%	\$13,190,231	36.60%	78.81%	15	\$14,109,853	37.00%	91.92%
Maricopa	\$363,676,088	44.50%	70.16%	\$360,047,815	47.00%	76.77%	15	\$327,274,183	54.00%	74.39%
Mohave	\$26,803,147	48.90%	53.63%	\$26,471,668	50.90%	55.17%	15	\$25,892,626	53.70%	51.99%
Navajo	\$12,979,159	35.40%	57.24%	\$12,536,127	38.80%	49.38%	15	-\$858,109	104.00%	8.99%
Pima	\$259,986,600	41.10%	82.13%	\$234,063,466	48.00%	84.45%	15	\$58,256,549	87.70%	29.26%
Pinal	\$66,655,372	49.50%	47.07%	-\$2,354,262	101.70%	10.71%	15	-\$2,195,224	101.50%	12.51%
Santa Cruz	\$11,065,031	45.10%	56.98%	\$11,040,896	47.00%	64.81%	15	\$2,097,322	90.20%	25.81%
Yavapai	\$37,273,380	52.00%	45.60%	\$32,112,477	60.00%	45.66%	15	\$27,973,084	66.60%	41.32%
Yuma	\$22,191,952	50.90%	46.52%	-\$2,802,740	105.90%	7.57%	15	-\$2,363,946	104.70%	10.17%
TOTAL	\$897,646,949	46.88%	54.96%	\$716,250,058	70.19%	40.13%		\$480,790,002	81.93%	31.50%

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year debt comparison is practically impossible to produce. ADOA's report is the most accurate single report available, but the report only catalogues what is submitted by the subdivisions themselves. In several instances, debt was either under reported or not reported at all. According to the FY 2022 report, well over 100 taxing jurisdictions failed to report as statutorily required. Most of the taxing jurisdictions that were not compliant consisted of the smaller special taxing districts for water, wastewater, and sanitary districts. However, the larger special taxing districts that failed to report included approximately 30 fire districts, ten cities & towns, and ten school districts.

Jurisdiction	G.O	Revenue	MPC	COP	LP/3P	Special Assessment	Impact Aid	Total
Universities	\$0	\$3,774,385,000	\$0	\$318,120,000	\$68,630,263	\$0		\$4,161,135,263
K-12	\$5,326,504,278	\$0	\$3,920,000	\$0	\$445,157,642	\$0	\$9,870,000	\$5,785,451,920
Comm. Colleges	\$282,420,000	\$126,970,000	\$0	\$0	\$6,435,656	\$0		\$415,825,656
Cities	\$3,318,397,397	\$5,337,540,649	\$6,849,765,784	\$1,485,840,000	\$579,840,783	\$60,973,930		\$17,632,358,543
Special Districts	\$1,267,401,876	\$539,573,343	\$3,575,000	\$314,859,692	\$92,385,683	\$154,556,189		\$2,372,351,783
State Agencies	\$0	\$1,841,455,000	\$0	\$169,763,304	\$99,668,190	\$0		\$2,110,886,494
Counties	\$98,134,830	\$1,706,669,734	\$0	\$369,440,000	\$42,621,484	\$0		\$2,216,866,048
Other	\$0	\$4,116,990,000	\$0	\$0	\$0	\$0		\$4,116,990,000
Total	\$10,292,858,381	\$17,443,583,726	\$6,857,260,784	\$2,658,022,996	\$1,334,739,701	\$215,530,119	\$9,870,000	\$38,811,865,707

Types of State and Local Debt

Governmental agencies access a wide variety of debt instruments, some of which require voter approval and adherence to debt limits. Making up roughly \$10.3B of total debt, **General Obligation (G.O.) bonds** are backed by property tax revenues and therefore, are subject to voter approval. The constitutional and statutory limits on the principal amount that may be issued vary for each jurisdiction but is typically a percentage of net assessed value of the jurisdiction. Also subject to voter approval are **Special Assessment bonds (S.A.)**. These bonds are issued when a special taxing district desires to finance a project and are secured by assessments or taxes levied against the property in the district. There was \$215.5M in outstanding special district bonds in FY 2022. In total, voter-approved debt, mainly G.O. and special district bonds, made up 30% of all bonded indebtedness in FY 2022.

The most utilized debt instrument is **Revenue Bonds**, making up nearly half of all outstanding debt in FY 2022 at \$17.4B. These bonds may or may not be subject to voter approval and are not subject to any debt limits.

Municipal Property Corporation (MPC) bonds are not issued by a political subdivision directly. Instead, they are issued by a nonprofit corporation to finance a project, which is then leased back to the political subdivision. These bonds are primarily issued on behalf of cities, though they are also issued on behalf of counties and special districts. MPC bonds are not subject to voter approval and are not subject to any limits. Outstanding MPC bonds totaled \$6.9B in FY 2022.

At almost \$2.7B outstanding in FY 2022, **Certificates of Participation (COP)** are proportional shares of annually appropriated long-term leases and are not subject to voter approval. COPs were issued by each jurisdictional category in FY 2022 except for community colleges and K-12 districts. There is also no debt limit on COPs.

School districts sometimes issue **Impact Aid Revenue Bonds**, which are paid from revenues received through a federal program that reimburses school districts that have considerable federal land. These bonds totaled less than

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\$9.9M in FY 2022 and do not necessitate voter approval.

The debt report also notes outstanding **Lease Purchase and Third-Party (3P)** Contracts, which are agreements between two parties in which the purchaser agrees to purchase property after leasing the property for a specified amount of time. Lease purchase contracts totaled over \$1.3B in FY 2022. These contracts are not considered debt for purposes of determining debt limits.

The Department's report is a compilation of data provided by the counties, community colleges, cities and towns, school districts, and other political subdivisions throughout Arizona.

Top 10 Outstanding Debt	
City	Outstanding Debt
Phoenix	\$6,756,196,755
Mesa	\$1,705,840,171
Tucson	\$1,263,738,915
Tempe	\$962,928,449
Glendale	\$955,430,000
Gilbert	\$946,330,000
Scottsdale	\$832,733,701
Queen Creek	\$597,826,219
Chandler	\$439,980,000
Goodyear	\$389,274,361

Top 10 Per Capita Debt	
City	Per Capita Debt
Queen Creek	\$10,615
Quartzsite	\$6,490
Bisbee	\$6,044
Tempe	\$5,304
Sedona	\$5,220
Cottonwood	\$4,212
Phoenix	\$4,144
Goodyear	\$3,829
Glendale	\$3,813
Willcox	\$3,798

\$6,490/person. Bisbee came in third with per capita debt of \$6,044.

During FY 2022, 42 cities executed new debt issuances at a sum of \$3.5 billion. Phoenix issued \$460 million in revenue bonds and \$146.4 million in G.O. bonds. Of that \$3.5 billion of new issues, \$1.5 billion was in revenue bonds, \$704.9 million in G.O. bonds, \$473 million in MPC bonds, \$595.8 million in COP bonds, and the remaining \$137.7 million comprised of lease purchase and third-party debt.

Debt by Jurisdiction

CITIES

Cities and towns hold the largest portion of statewide debt, totaling over \$17.6B in FY 2022. Of the 91 incorporated cities and towns, 65 hold debt. MPC bonds, which make up 39% of total city debt, totaled \$6.8B. Revenue bond debt totaled \$5.3B in FY 2022. The cities also had an additional \$3.3B in G.O. debt.

The City of Phoenix accounts for 38% of total city debt, with nearly \$6.8B outstanding. Mesa has the second largest debt with \$1.7B outstanding. Some other cities with large accumulations of debt include Tucson (\$1.3B), Glendale (\$955.4M), Gilbert (\$946.4M), and Scottsdale (\$834.7M).

Forty-two cities and towns took on over \$3.5B in new debt and retired a total of \$1.2B of original principal and another \$336M of interest. Of the new city debt, \$377M was in G.O. debt, \$296M in revenue bonds, \$277M in MPC, \$42M in COP bonds, and \$11M in S.A. bonds. These cities refunded over \$396M million, paid out \$128M of principal, and \$16M of interest to fully retire the debt.

Queen Creek leads the cities in per capita debt in FY 2022, carrying \$10,615 per person. Quartzsite came in second with

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STATE AGENCIES AND UNIVERSITIES

In FY 2022, seven state agencies, excluding universities, reported \$2.1B in total debt. Of that total, over \$1.6B was held by ADOT. The overwhelming majority of debt held by universities and state agencies is in revenue bonds, which represent almost 80% of their collective debt. State agencies use COPs and revenue bonds because of constitutional debt limitations.

K-12 Debt per Student

County	Per Student Debt
Maricopa	\$7,905
Coconino	\$5,441
Pima	\$5,307
Pinal	\$4,752
Yuma	\$3,177
Mohave	\$2,936
Cochise	\$2,509
Santa Cruz	\$2,419
Yavapai	\$1,966
Navajo	\$1,284
Apache	\$447
Graham	\$132
Gila	\$0
Greenlee	\$0
La Paz	\$0

Debt for Arizona’s three state universities totaled \$4.1B in FY 2022. Arizona State led the trio with \$2.1B, due in large part to the issuance of \$172.2M in new revenue bonds. University of Arizona held \$1.5B in outstanding debt and Northern Arizona University held \$558M in total debt.

SCHOOL DISTRICTS

In FY 2022, total debt for K-12 school districts totaled \$5.8B. G.O. bonds, which account for 92% of all school district debt, totaled \$5.3B. No districts held COP or Revenue debt in FY 2022. Impact aid bond debt totaled only \$9.9M.

Of the 228 reporting school districts, 106 had outstanding debt in FY 2022. In dollar terms, Chandler Unified had the highest debt figure (\$359.2M), though Cartwright Elementary had the most debt as a percentage of its limit at \$44.7M, or 97.06% of its statutory debt limit.

While Chandler leads the other districts in overall debt obligations, Phoenix Union, Paradise Valley Unified, and Mesa Unified followed closely behind with \$335.4M, \$322.5M, and \$312.1M of total debt, respectively.

By county, school districts in Maricopa County had both the highest total outstanding debt and the most debt per-student. Schools in Maricopa County held a total of \$4.6B in outstanding debt, which translates to roughly \$7,905 per student.

SPECIAL DISTRICTS

As previously noted, special district bonds finance projects that are typically paid for by assessments on the property within the district. Some special districts also issue G.O. bonds, COPs, revenue bonds, and MPC bonds. Special districts include taxing districts for fire, public health services, flood, street lighting, irrigation, and many others. Of the 479 special districts, 165 reported outstanding debt.

Fire District PSPRS Bond Debt	
Fire District	FY22 Bonds
Central Yavapai (CAFMA)	\$53,365,000
Sun City	\$44,665,000
Arizona FMD	\$38,145,000
Bullhead City	\$34,980,000
Superstition	\$29,360,000
Golder Ranch (Pima)	\$27,980,000
Fry	\$17,360,000
Daisy Mountain	\$11,285,000
Verde Valley	\$9,495,000
Fort Mojave Mesa	\$8,405,000
Summit	\$7,820,000
Pinetop	\$7,785,000
Copper Canyon	\$6,840,000
Buckskin	\$6,005,000
Northern AZ consol.	\$3,995,000
Hellsgate	\$2,205,000
TOTAL	\$309,690,000

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Special District Debt Summary			
County	Current Outstanding Bonds	Current Outstanding Leases	Total Outstanding
Maricopa	\$1,329,216,465	\$4,574,853	\$1,333,791,318
Pima	\$385,979,582	\$4,317,532	\$390,297,114
Pinal	\$192,362,530	\$11,644,028	\$204,006,558
Yavapai	\$169,593,490	\$15,989,755	\$185,583,245
Mohave	\$57,315,525	\$2,876,644	\$60,192,169
Gila	\$0	\$39,325,592	\$39,325,592
Yuma	\$32,381,320	\$2,249,368	\$34,630,689
Santa Cruz	\$29,506,561	\$545,760	\$30,052,321
Graham	\$24,595,000	\$163,233	\$24,758,233
Cochise	\$23,435,000	\$1,099,089	\$24,534,089
Coconino	\$20,280,000	\$2,470,532	\$22,750,532
Navajo	\$11,661,440	\$4,856,375	\$16,517,815
La Paz	\$3,639,188	\$550,337	\$4,189,525
Apache	\$0	\$1,722,584	\$1,722,584
Greenlee	\$0	\$0	\$0
Grand Total	\$2,279,966,101	\$92,385,682	\$2,372,351,784

Special district debt totaled almost \$2.4B. G.O. debt, which makes up roughly 54% of total special district debt, totaled \$1.3B. Revenue bonds totaled \$540M. COP and other non-voter-approved debt made up a collective \$565M.

Twenty-two districts issued new debt in FY 2022 totaling \$421M. Of that amount, \$286.1M was in G.O. bonds, and the remaining amount included \$42.5M in revenue bonds, \$11.3M in special assessment, \$23.3M in lease purchase/third party debt, \$1.6M in COPs, and \$1.3M in MPC.

Out of the 155 fire districts listed in ADOA’s FY 2022 report, 31 were non-compliant in 2022. Based on other financial data sources, several of

County Debt Comparison	
County	FY 2022
Pima	\$1,046,803,820
Maricopa	\$722,116,468
Pinal	\$285,772,255
Yuma	\$34,162,930
Gila	\$29,833,734
Navajo	\$24,845,000
Santa Cruz	\$23,904,610
Coconino	\$17,635,000
Apache	\$14,782,072
Yavapai	\$10,731,000
La Paz	\$4,943,604
Greenlee	\$562,317
Mohave	\$455,058
Graham	\$318,180
Cochise	\$0
Total	\$2,216,866,048

the fire districts that failed to report debt to ADOA in FY 2022 in fact had issued debt during that time to pay down their outstanding PSPRS unfunded liabilities. The 57 fire districts that reported debt in 2022 reported \$491.4M of debt.

COUNTIES

County government debt is predominantly non-voter-approved, with Pima County being the only county with voter-approved G.O. bonds. Of Arizona’s 15 counties, 14 held outstanding debt totaling \$2.2B. Of that total, only 4%, or \$98M, was G.O. debt and was reported by only Pima County. Although the ADOA report indicated that La Paz carried \$4.5M in G.O. debt, it was in fact the county's judgment (Revenue) bonds that was either incorrectly reported or labeled as G.O. debt. Revenue bonds represented the single largest debt category for the counties, making up

over 76% of all debt held and totaling roughly \$1.7B. COP debt, the second largest category at 16.7% of debt held, totaled \$369.4M. Lease purchase totaled \$42.6M.

County Debt by Type	
COUNTIES	FY 2022
Lease Purchase	\$42,621,484
COPs	\$369,440,000
GO	\$98,134,830
Revenue	\$1,706,669,734
Total	\$2,216,866,048

Maricopa and Pima County are Arizona’s two largest counties and they collectively held 80% of the total county outstanding debt.

Pima County held 47.3% of total county debt at just over \$1B. In addition to the \$93.6M in G.O. debt, Pima’s debt was comprised of \$765.8M in revenue bonds, \$383.8K in lease purchases, and \$187M in COP debt. Pima’s debt accounts for more than 47% of total debt held by Arizona counties.

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Maricopa County carried the second highest debt with roughly \$722M. Maricopa’s debt is split between \$500.8M in revenue bonds, \$182.4M in COP, and \$38.9M in lease purchases. Maricopa’s debt accounts for almost a third of Arizona’s total county debt.

In addition to holding more debt than any other county, Pima leads all counties with \$989 in bonded indebtedness per capita. Pinal County has the second highest debt per capita at \$651. Of the 14 debt-holding counties, Mohave held the least on a per capita basis at \$2. Cochise is the only county that reported zero debt in FY 2022.

COMMUNITY COLLEGES

Six of the ten CCDs reported \$415.8M in total debt. Maricopa carried the most debt at \$184.7M, making up more than 44% of all CCD debt in Arizona. Following Maricopa was Pinal with \$85.4M and Yuma with \$73M. The two provisional districts, Gila and Santa Cruz, reported no debt in FY 2022.

Arizona’s CCDs collectively issued \$20M in new debt. Of that total, \$4.7M was in lease purchases and \$15.2M in revenue bonds.

Pinal had the most debt per Full Time Student Equivalent (FTSE) at \$26,406. Yuma and Pima CCD followed with \$14,405 and \$4,665 per FTSE debt, respectively. Of the six districts with outstanding debt, Yavapai had both the least amount of debt and the lowest debt per FTSE at \$1,473.

OTHER JURISDICTIONS

Other jurisdictions are political subdivisions that do not belong to a particular jurisdiction, like the CAP, SRP, and ASTA. Debt for SRP and the ASTA totaled \$4.1B, as CAP reported no debt. These two entities issued a total of \$624.6M in revenue bonds in FY 2022.

FY 2022 Community College Per FTSE Debt			
College	Per FTSE Bond Debt	Per FTSE Lease Debt	Per FTSE Total
Pinal (CAC)	\$25,492	\$915	\$26,406
Yuma (AZWC)	\$14,305	\$100	\$14,405
Pima	\$4,406	\$259	\$4,665
Maricopa	\$3,512	\$0	\$3,512
Cochise	\$2,425	\$0	\$2,425
Yavapai	\$1,473	\$0	\$1,473
Coconino	\$0	\$0	\$0
Gila	\$0	\$0	\$0
Graham (EAC)	\$0	\$0	\$0
Mohave	\$0	\$0	\$0
Navajo	\$0	\$0	\$0
Santa Cruz Prov.	\$0	\$0	\$0

FY 2022 Community College Debt Summary			
College	Current Outstanding Bonds	Current Outstanding Leases	Total Outstanding
Maricopa	\$184,715,000	\$0	\$184,715,000
Pinal (CAC)	\$82,440,000	\$2,957,953	\$85,397,953
Yuma (AZWC)	\$72,455,000	\$508,302	\$72,963,302
Pima	\$50,505,000	\$2,969,401	\$53,474,401
Cochise	\$14,550,000	\$0	\$14,550,000
Yavapai	\$4,725,000	\$0	\$4,725,000
Coconino	\$0	\$0	\$0
Gila	\$0	\$0	\$0
Graham (EAC)	\$0	\$0	\$0
Mohave	\$0	\$0	\$0
Navajo	\$0	\$0	\$0
Santa Cruz Prov.	\$0	\$0	\$0
Total	\$409,390,000	\$6,435,656	\$415,825,656

- Jack Moody