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ARIZONA TAX RESEARCH ASSOCIATION NEWSLETTER

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State & Local Government Salaries Climb

K12 Salaries up 44%

According to data from Arizona's two main public retirement systems, salaries for Arizona's state and local public employees in those systems climbed \$4.3 billion from Fiscal Year (FY) 2014 to FY 2023. The Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) annually report the salary information for all members of their systems. Salaries for pensionable income was \$9.85 billion in FY 2014 and climbed to \$14.12 billion in FY 2023.

As reflected in the chart on page 3, the ASRS separately tracks salary changes in eight member categories: K12 public schools; charter schools; universities; community colleges; state government; cities and towns; counties; and special districts. Easily the largest percentage growth in salaries were the K12 public schools at 44%. They were followed by a 37% increase in charter schools and state government employees.

The growth in K12 public and charter school salaries is unsurprising considering the significant increase in state and local funding for schools through that time period. Pushed by the state's effort to increase teacher pay, state and local K12 spending climbed over \$4 billion – a 50% increase.

The highest average salaries in the ASRS membership for FY 2023 was \$71,510 for "Special Districts." This category includes many special taxing districts like the Maricopa County Special Health Care District and the Central Arizona

System	2014	2023	Change	% Change
ASRS	\$ 8,460,536,964	\$ 12,300,378,886	\$ 3,839,841,922	45%
PSPRS	\$ 1,390,346,174	\$ 1,823,564,129	\$ 433,217,955	31%
Total	\$ 9,850,883,138	\$ 14,123,943,015	\$ 4,273,059,877	43%

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Save the Dates!

ATRA Golf Tournament

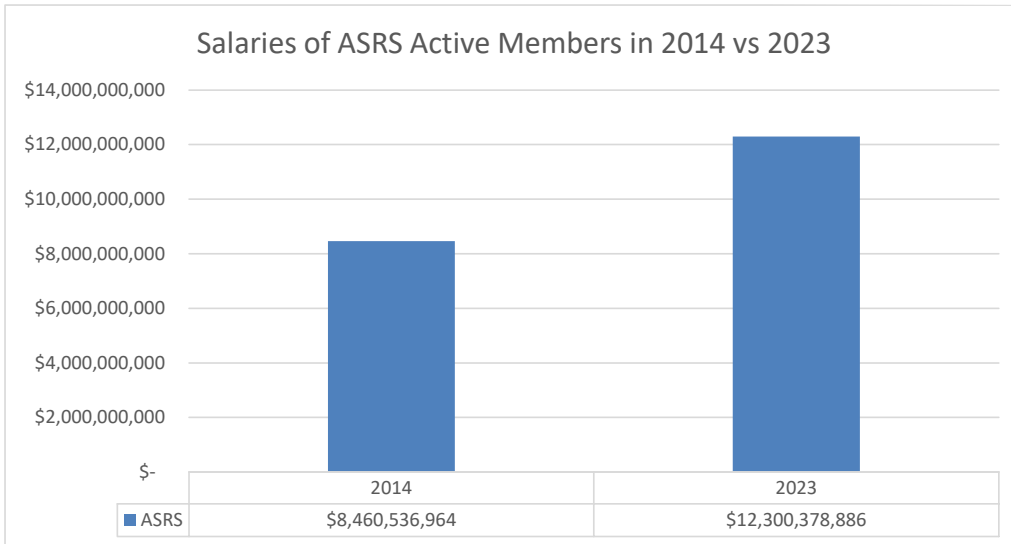
Wednesday, October 30th, Stonecreek
Golf Club

ATRA Outlook Conference

Friday, Nov 15th, Scottsdale Hilton

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Project, but also includes some private, nonprofit organizations such as the League of Arizona Cities and Towns and the County Supervisors Association. The second highest average salaries were the community colleges at \$65,376, where average salaries climbed \$14,269.

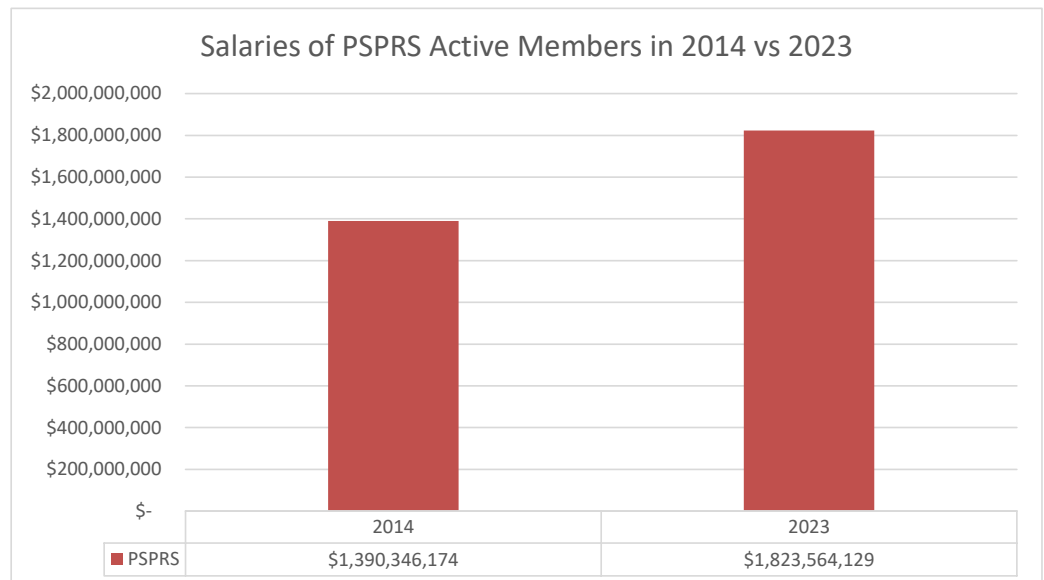
The overall number of active members in ASRS climbed a modest 12,285 (6.0%). The

community colleges, who have been experiencing significant reductions in students, were the only group that saw an actual reduction in the number of active members in ASRS between FY 2014 and FY 2023.

The number of ASRS retirees in the plan grew significantly. Retirees climbed from 118,434 to 160,917, an increase of 42,483 (36%) with each ASRS entity showing a marked increase. Average pensions for the plan grew at a slower rate than member salaries as pensions for the largest group (K12 public schools) climbed only 3%. Special Districts led with largest increase in average pensions at 24%.

ASRS was unable to definitively identify why the K12 average pension only climbed 3% while average salaries jumped 44%, except to say that some teachers may have delayed retirement in order to maximize the benefit of the recent salary increases.

The average salaries for current members of the PSPRS system are considerably higher than ASRS (see chart on page 3). Unlike the variety of jurisdictions and employees in ASRS, PSPRS is dominantly populated with higher paid fire fighters and law enforcement personnel. The average salary in PSPRS climbed from \$75,048 in FY

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Salaries, *Continued from page 2*

2014 to \$98,972 in FY 2023, a 32% increase.

The average pension for PSPRS retirees was \$59,352 in FY 2023, an increase of \$7,700 (15%) over the FY 2014 average of \$51,612. Notably, the number of retirees in the system increased from 10,524 to 15,963 (52%) while the number of active members actually declined slightly from 18,526 to 18,425.

ASRS & PSPRS Average Salary 2014 vs 2023				
Employer Type	2014	2023	Change	%
	Average Salary	Average Salary		
Public Schools (K-12)	\$ 35,390	\$ 50,927	\$ 15,536	44%
Charter Schools	\$ 36,137	\$ 49,430	\$ 13,293	37%
Universities	\$ 48,758	\$ 63,436	\$ 14,677	30%
Community Colleges	\$ 51,107	\$ 65,376	\$ 14,269	28%
State	\$ 43,034	\$ 58,866	\$ 15,832	37%
Cities and Towns	\$ 51,145	\$ 64,416	\$ 13,271	26%
Counties	\$ 43,981	\$ 56,515	\$ 12,534	28%
Special Districts	\$ 54,065	\$ 71,510	\$ 17,445	32%
PSPRS Average Salary	\$ 75,048	\$ 98,972	\$ 23,924	32%

State & Local Debt Nears \$38 Billion in FY 2023

According to the Arizona Department of Administration's (ADOA) Report of Bonded Indebtedness, Arizona's political subdivisions held \$37.8B in debt at the end of FY 2023. 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.

Sixty-six of Arizona's 91 cities had the most outstanding debt of all jurisdictions in FY 2023 with almost \$16.9B, accounting for 45% of total statewide debt. Coming in at a not-so-close second place with over \$5.8B in debt were Arizona's K-12 districts, followed by universities with \$4.2B, special districts (\$2.3B), counties (\$2.1B), and state agencies (\$1.7B). Other entities like the Arizona Sports & Tourism Authority (ASTA) and the Salt River Project (SRP) collectively held a total of \$4.5B in debt. Community colleges held the least amount of debt, which totaled just under \$355M.

Inconsistencies in reporting by Arizona's political subdivisions means that a truly accurate year-to-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 2023 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 jurisdictions that failed to

FY23 Debt by Subdivision

Jurisdiction	G.O	Revenue	MPC	COP	LP/3P	Special Assessment	Impact Aid	Total
Universities	\$0	\$3,825,895,000	\$0	\$274,935,000	\$59,672,222	\$0		\$4,160,502,222
K-12	\$5,301,397,806	\$4,550,000	\$3,500,000	\$58,845,000	\$416,896,267	\$0	\$28,885,000	\$5,814,074,073
Comm. Colleges	\$226,625,000	\$120,760,000	\$0	\$0	\$7,578,570	\$0		\$354,963,570
Cities	\$3,028,228,578	\$4,450,555,861	\$5,925,777,887	\$2,745,135,000	\$642,479,646	\$50,013,426		\$16,842,190,398
Special Districts	\$1,240,117,847	\$523,668,465	\$2,320,000	\$309,914,692	\$127,844,307	\$140,073,354		\$2,343,938,665
State Agencies	\$0	\$1,551,110,000	\$0	\$47,125,000	\$87,288,120	\$0		\$1,685,523,120
Counties	\$69,100,876	\$1,657,937,734	\$0	\$325,865,000	\$35,399,945	\$0		\$2,088,303,555
Other	\$0	\$4,494,160,000	\$0	\$0	\$0	\$0		\$4,494,160,000
Total	\$9,865,470,107	\$16,628,637,060	\$5,931,597,887	\$3,761,819,692	\$1,377,159,077	\$190,086,780	\$28,885,000	\$37,783,655,603

Debt, *Continued from page 3*

report included approximately 19 fire districts, 7 cities & towns, and 4 school districts. Many of these larger entities eventually submitted their outstanding debt, and they are included in the report's addendum. These late -reporting entities carry a cumulative \$2.1B in debt, which did not appear in the original report, but are reflected in ATRA's report. The City of Mesa was the largest among them, itself reporting almost \$1.6B in outstanding debt.

Types of State and Local Debt

Governmental agencies access a wide variety of debt instruments, some of which require voter approval and adherence to constitutional and statutory debt limits. Making up roughly \$9.9B 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 \$190.1M in outstanding special assessment bonds in FY 2023. In total, voter-approved debt, mainly G.O. and special assessment bonds, made up 27% of all indebtedness in FY 2023.

The most utilized debt instrument is **Revenue Bonds**, making up nearly half of all outstanding debt in FY 2023 at \$16.6B. 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 technically 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 allow the jurisdiction to avoid voter approval and are not subject to any debt limits. Outstanding MPC bonds totaled \$5.9B in FY 2023.

At almost \$3.8B outstanding in FY 2023, **Certificates of Participation (COP)** are proportional shares of annually appropriated long-term leases and are also not subject to voter approval. COPs were issued by each jurisdictional category in FY 2023 except for community colleges and other jurisdictions like SRP and ASTA. 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 \$28.9M in FY 2023 and do not necessitate voter approval.

The debt report also notes outstanding **Lease Purchase and Third-Party (3P/LP)** 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 and third-party contracts totaled almost \$1.4B in FY 2023. These contracts are not considered debt for determining debt limit compliance.

Debt, *Continued from page 4***Debt by Jurisdiction****CITIES**

Cities and towns hold the largest portion of statewide debt, totaling over \$16.8B in FY 2023. Of the 91 incorporated cities and towns, 66 hold debt. MPC bonds, which make up 35% of total city debt, totaled \$5.9B. Revenue bond debt totaled \$4.5B in FY 2023. The cities also had an additional \$3B in G.O. debt.

Top 10 City/Town Outstanding Debt	
City	Outstanding Debt
Phoenix	\$6,446,331,084
Mesa	\$1,599,142,515
Tucson	\$1,149,343,394
Tempe	\$955,860,905
Gilbert	\$912,320,000
Glendale	\$896,560,000
Scottsdale	\$814,688,263
Queen Creek	\$614,339,488
Chandler	\$382,025,000
Goodyear	\$365,887,451

Top 10 City/Town Per Capita Debt	
City	Per Capita Debt
Queen Creek	\$10,182
Williams	\$7,502
Sedona	\$6,474
Bisbee	\$5,903
Tempe	\$5,102
Quartzsite	\$4,357
Cave Creek	\$4,057
Litchfield Park	\$3,983
Phoenix	\$3,890
Cottonwood	\$3,844

The City of Phoenix accounts for 38% of total city debt, with over \$6.4B outstanding. Mesa has the second largest debt with nearly \$1.6B outstanding. Some other cities with large accumulations of debt include Tucson (\$1.1B), Tempe (\$955.9M), Gilbert (\$912.3M), and Glendale (\$897M).

Twenty-two cities and towns took on almost \$781M in new debt and retired a total of \$653M of original principal and another \$204M of interest. These cities refunded over \$135M, paid out \$69M of principal, and \$8.7M of interest to fully retire the debt.

Queen Creek leads the cities in per capita debt in FY 2023, carrying \$10,182 per person. Williams came in second with \$7,502/person, and Sedona was third with per capita debt of \$6,474.

STATE AGENCIES

In FY 2023, 6 state agencies, excluding universities, reported nearly \$1.7B in total debt. Of that total, over \$1.3B was held by the Arizona Department of Transportation (ADOT). The overwhelming majority of debt held by universities and state agencies is in revenue bonds, totaling \$5.4B, which represents almost 92% of their collective debt. With a \$350,000 debt limit, the state is effectively prohibited from accessing G.O. bonds.

Debt for Arizona's three state universities totaled nearly \$4.2B in FY 2023. Arizona State led the trio with \$2.2B, 93% of which consisted of revenue bonds. The University of Arizona held \$1.4B in outstanding debt and Northern Arizona University held \$527.2M in total debt.

SCHOOL DISTRICTS

In FY 2023, total debt for K-12 school districts totaled over \$5.8B. G.O. bonds, which account for 91% of all school district debt, totaled \$5.3B. LP/3P debt totaled nearly \$417M. K-12 school districts are subject to debt limits only on G.O. debt. For G.O. bonds issued prior to December 31, 1998 (Class A bonds), the constitution limits G.O. debt to 15% for K-8 and 9-12 districts, and 30% for unified school districts. All G.O. debt issued after 1998 (Class B bonds) are subject to the statutory debt limits of 5% for K-8 and 9-12 districts, and 10% for unified school districts. Despite the fact that the lower statutory debt limits apply to all Class B G.O. debt, the ADOA Report incorrectly calculates all of the K-12 debt limits using the higher constitutional debt limits for Class A

Debt, *Continued from page 5*

FY 23 School District Debt by County		
County	Outstanding Debt	Per Student Debt
Apache	\$23,655,000	\$2,378
Cochise	\$35,976,082	\$1,983
Coconino	\$90,759,495	\$5,318
Gila	\$210,143	\$29
Graham	\$3,890,236	\$563
Greenlee	\$0	\$0
La Paz	\$0	\$0
Maricopa	\$4,493,026,876	\$5,995
Mohave	\$90,722,414	\$3,869
Navajo	\$27,439,745	\$1,576
Pima	\$660,366,675	\$4,599
Pinal	\$200,913,055	\$3,624
Santa Cruz	\$19,770,237	\$1,936
Yavapai	\$62,859,192	\$2,591
Yuma	\$104,484,923	\$2,726
State Total	\$5,814,074,073	\$5,164.85

bonds.

Revenue debt totaled \$4.6M. Impact aid bond debt totaled \$28.9M. Districts held COP debt for the first time in at least 5 years, totaling \$58.9M. MPC was the least utilized debt instrument by school districts, totaling only \$3.5M.

Of the 221 reporting school districts, 107 had outstanding debt in FY 2023. Chandler Unified had the highest debt figure (\$329.3M), though Buckeye Elementary had the most debt as a percentage of its limit at \$42.4M, or 84.4% of its statutory debt limit.

While Chandler leads the other districts in overall debt obligations, Phoenix Union, Scottsdale Unified, and Mesa Unified followed closely behind with \$280.5M, \$265.7M, and \$264.3M 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 \$4.5B in outstanding debt, which translates to roughly \$5,995 per student. Led by a \$747M increase in G.O. debt, K12 districts have seen an almost 20% increase in overall debt over the last 5 years.

SPECIAL DISTRICTS

As previously noted, special district bonds finance projects which 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. Only 167 special districts reported outstanding debt in FY 2023.

Special district debt totaled almost \$2.3B. G.O. debt, which makes up roughly 53% of special district debt, was over \$1.2B. Revenue bonds totaled almost \$524M. COP and other non-voter-approved debt made up a collective \$580.2M.

Special District Debt Summary			
County	Current Outstanding Bonds	Current Outstanding Leases	Total Outstanding
Maricopa	\$1,286,355,567	\$4,540,574	\$1,290,896,141
Pima	\$406,261,000	\$32,335,995	\$438,596,995
Pinal	\$160,645,396	\$18,555,756	\$179,201,152
Yavapai	\$160,420,950	\$17,306,199	\$177,727,149
Mohave	\$59,874,420	\$3,229,111	\$63,103,531
Gila	\$2,585,000	\$39,492,088	\$42,077,088
Yuma	\$29,005,865	\$1,587,592	\$30,593,457
Santa Cruz	\$28,702,756	\$595,409	\$29,298,165
Cochise	\$22,530,000	\$1,410,816	\$23,940,816
Graham	\$23,765,000	\$0	\$23,765,000
Coconino	\$15,927,000	\$1,761,712	\$17,688,712
Navajo	\$10,856,154	\$4,753,816	\$15,609,970
La Paz	\$9,165,251	\$686,463	\$9,851,714
Apache	\$0	\$1,588,775	\$1,588,775
Greenlee	\$0	\$0	\$0
Grand Total	\$2,216,094,359	\$127,844,306	\$2,343,938,665

Out of the 155 fire districts listed in ADOA's FY 2022 report, 19 were non -compliant in 2023. Based on other financial data sources, several of the fire districts that failed to report debt to ADOA in FY 2023 in fact had issued debt during that time to pay down their outstanding Public Safety Personnel Retirement System (PSPRS)

Debt, Continued from page 6

Fire District Debt by Type							
Debt Type	FY17	FY22	FY23	1-Yr. Diff.	1-Yr. Change	5-Yr. Diff.	5-Yr. Change
Lease Purchase	\$42,403,182	\$23,159,803	\$26,094,198	\$2,934,395	12.7%	-\$16,308,984	-38.5%
G.O.	\$84,023,637	\$149,648,376	\$188,854,848	\$39,206,472	26.2%	\$104,831,211	124.8%
Revenue	\$680,000	\$3,203,000	\$510,000	-\$2,693,000	-84.1%	-\$170,000	-25.0%
Special Assessment	\$0	\$515,000	\$2,599,000	\$2,084,000	404.7%	\$2,599,000	
COP	\$10,194,295	\$314,859,692	\$309,914,692	-\$4,945,000	-1.6%	\$299,720,397	2940.1%
Total	\$137,301,114	\$491,385,871	\$527,972,738	\$36,586,867	7.4%	\$390,671,624	284.5%

unfunded liabilities. The 46 fire districts that reported debt in FY 2023 reported \$527.9M of debt. That is a 7.4% increase from FY 2022, but a notable 284.5% increase from FY 2017.

COUNTIES

County government debt is predominantly non-voter-approved, with Pima and La Paz Counties being the only county counties reportedly with voter-approved G.O. bonds. Of Arizona's 15 counties, 14 held outstanding debt totaling nearly \$2.1B. Of that total, only 3.3%, or \$69M, was G.O. debt and was reported by only Pima and La Paz counties. Although the ADOA report indicated that La Paz carried \$4.3M 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 79% of all debt held and totaling roughly \$1.7B. COP debt, the second largest category at 15.6% of debt held, totaled \$325.9M. Lease purchase totaled \$35.4M and represented 1.7% of total county debt.

Maricopa and Pima County are Arizona's two largest counties and they collectively held 67% of the total county outstanding debt.

Pima County held 49% of total county debt at just over \$1B. In addition to the \$93.6M in G.O. debt, Pima's debt was comprised of \$720M in revenue bonds, \$247.3K in lease purchases, and \$237.6M in COP debt.

County Debt Comparison	
County	FY 2023
Apache	\$13,925,777
Cochise	\$0
Coconino	\$148,155,000
Gila	\$28,758,734
Graham	\$258,656
Greenlee	\$982,683
La Paz	\$5,251,534
Maricopa	\$369,652,473
Mohave	\$355,133
Navajo	\$23,260,000
Pima	\$1,022,352,331
Pinal	\$355,636,090
Santa Cruz	\$23,974,498
Yavapai	\$9,034,000
Yuma	\$86,706,646
Total	\$2,088,303,555

Maricopa County carried the second highest debt with roughly \$369.7M, which is a substantial reduction from FY 2022. This reduction was driven by Maricopa's nearly \$370.3M of principal payments made in FY 2023 alone. Maricopa's debt is split between \$251.8M in revenue bonds, \$88.3M in COP, and \$29.6M in lease purchases. Maricopa's debt accounts for roughly 18% of Arizona's total county debt.

Coconino leads all counties with \$990 in bonded indebtedness per capita. Pima County has the second highest debt per capita at \$953. 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 2023.

County Debt by Type	
COUNTIES	FY 2023
Lease Purchase	\$35,399,945
COPs	\$325,865,000
GO	\$69,100,876
Revenue	\$1,657,937,734
Total	\$2,088,303,555

COMMUNITY COLLEGES

Seven of the ten Community College Districts (CCD) reported nearly \$355M in total debt. Maricopa carried the most debt at \$135.6M, making up roughly 38% of all CCD debt in Arizona. Following

Debt, *Continued from page 7*

FY 2023 Community College Debt Summary				FY 2023 Community College Per FTSE Debt			
College	Current Outstanding Bonds	Current Outstanding Leases	Total Outstanding	College	Per FTSE Bond Debt	Per FTSE Lease Debt	Per FTSE Total
Cochise	\$12,665,000	\$0	\$12,665,000	Cochise	\$2,415	\$0	\$2,415
Coconino	\$0	\$0	\$0	Coconino	\$0	\$0	\$0
Gila Provisional	\$0	\$0	\$0	Gila Provisional	\$0	\$0	\$0
Graham (EAC)	\$0	\$0	\$0	Graham (EAC)	\$0	\$0	\$0
Maricopa	\$135,585,000	\$0	\$135,585,000	Maricopa	\$2,513	\$0	\$2,513
Mohave	\$2,090,780	\$0	\$2,090,780	Mohave	\$0	\$1,041	\$1,041
Navajo (NP)	non-compliant	non-compliant	non-compliant	Navajo (NP)	non-compliant	non-compliant	non-compliant
Pima	\$48,550,000	\$1,917,030	\$50,467,030	Pima	\$4,197	\$166	\$4,363
Pinal (CAC)	\$77,945,000	\$3,313,882	\$81,258,882	Pinal (CAC)	\$24,847	\$1,056	\$25,903
Santa Cruz	\$0	\$0	\$0	Santa Cruz	\$0	\$0	\$0
Yavapai	\$3,550,000	\$0	\$3,550,000	Yavapai	\$1,107	\$0	\$1,107
Yuma (AZWC)	\$69,090,000	\$256,878	\$69,346,878	Yuma (AZWC)	\$13,600	\$51	\$13,651
Total	\$349,475,780	\$5,487,790	\$354,963,570	<i>*Figures calculated using the OAG's FY23 audited FTSE figures</i>			

Maricopa was Pinal with \$81.3M and Yuma with \$69.3M. The two provisional districts, Gila and Santa Cruz, reported no debt in FY 2023.

None of Arizona's community colleges issued new debt in FY 2023.

Pinal had the most debt per Full Time Student Equivalent (FTSE) at \$25,903. Yuma and Pima CCD followed with \$13,651 and \$4,363 per FTSE debt, respectively. Of the six districts with outstanding debt, Mohave had both the least amount of debt and the lowest debt per FTSE at \$1,041.

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 ASTA totaled nearly \$4.5B, as CAP reported no debt. SRP issued \$500M in revenue bonds in FY 2023, despite issuing \$624.6M in new revenue bonding in FY 2022.

- Jack Moody