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ARIZONA TAX RESEARCH ASSOCIATION

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U.S. Senator John McCain receives ATRA Watchdog Award

The Arizona Tax Research Association (ATRA) presented U.S. Senator John McCain with ATRA's Watchdog Award at a luncheon held in his honor on June 29, 2004, at the Phoenix Country Club.

The award was presented to Senator McCain by Arizona Republic columnist Robert Robb in recognition of what Robb called "his no-holds-barred fight against pork and wasteful spending." "Right now, the fight against pork spending is being regrettably lost," said Robb. "But if the tide ever changes, it will be in significant part because of the political capital Senator John McCain has invested to make that happen."

"In political circles you hear a lot about political capital," said Robb. "You can earn it, invest it, and spend it. It is always talked about as a finite resource. But John McCain seems to have an inexhaustible supply of political capital. I don't know if he has a secret machine that manufactures it, or if he sneaks around the capital late at night stealing it from other politicians. But no one gets involved in more things than John, and seemingly never with diminishing effect. Fortunately, one of the things he has invested most heavily in is the fight against government pork and wasteful spending."

... if the tide ever changes, it will be in significant part because of the political capital Senator John McCain has invested to make it happen.

Robert Robb



Arizona Republic Columnist Robert Robb presents U.S. Senator John McCain with ATRA's Watchdog Award

ATRA President Kevin McCarthy said the award is a token of the organization's gratitude for the senator's undaunted work on behalf of taxpayers. "The fight against pork barrel spending is difficult and often thankless work, so ATRA wanted to take this opportunity to express our appreciation for Senator McCain's diligent opposition to the wasteful and frivolous spending of taxpayers' dollars," said McCarthy.

Accepting the award, Senator McCain said, "Fighting wasteful spending in Washington is often a very lonely battle, so your recognition and support mean a great deal to me." Senator McCain said that "perhaps the biggest threat to our fiscal future is the fast-growing practice of pork barrel spending."

Senator McCain's written comments for the event are reprinted starting on page 2.

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REMARKS BY SENATOR JOHN MCCAIN: RECIPIENT OF THE ATRA WATCHDOG AWARD JUNE 29, 2004

Thank you, Bob and thanks to all of the members of the Arizona Tax Research Association for this wonderful award. Fighting wasteful spending in Washington is often a very lonely battle, so your recognition and support mean a great deal to me.

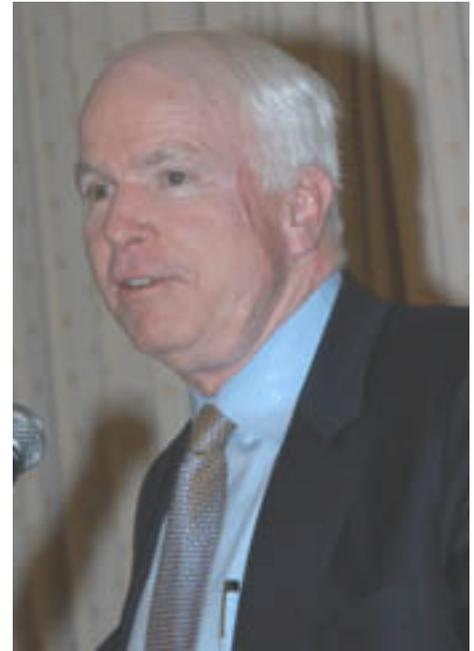
As everyone in this room knows, our federal fiscal future can only be described as bleak. We have a projected deficit of nearly *half a trillion dollars* – the largest in history – and we continue to spend, and spend, and spend. Lately, more and more comment about how Republicans and Democrats can't find any common ground, and I myself have lamented on how nasty and partisan Washington has become. But there seems to be one thing which unites Republicans and Democrats: fiscal irresponsibility has become the great unifier of late, and for that we should all be ashamed.

In a recent report, the Congressional Budget Office (CBO) issued warnings about the dangers that lie ahead if we continue to spend in this manner. The CBO stated, "Because of rising health care costs in an aging population, spending on entitlement programs, especially Medicaid, Medicare, and Social Security, will claim a sharply increasing share of the Nation's economic output over the coming decades. Unless taxation reaches levels that are unprecedented in the United States, current spending policies will probably be financially unsustainable over the next 50 years. An ever-growing burden of Federal debt held by the public would have a corrosive effect on the economy." So what is the Congressional response to such a warning? To spend even more, all the while cutting taxes.

From pork barrel spending to expanding entitlements to tax cuts for the wealthiest citizens, both parties have proven who they represent and who they are working for. Sometimes it seems as if Republicans and Democrats alike represent the special interests instead of the American taxpayer. Whether it be catfish farmers in the south or blueberry farmers in the north or big pharmaceutical companies with high-paid lobbyist in Washington – big-monied special interests have a stranglehold on the Congress.

Fiscal responsibility and limited government were once the bedrock principles of the Republican party. I am a proud Republican. I'm a Barry Goldwater Republican. I revere Ronald Reagan and his party of limited government. Sadly, that party is no longer. The current version of the Republican party is engaged in an outrageous spending binge and they're being steadied and encouraged by the Democrats. It used to be understood that no one ever voted for a Democrat to be a champion of fiscal responsibility. But at this point, is there a party to take up that worthy cause? I am fighting to return to the days when the Republican party cared about having a balanced budget and eliminating the deficit.

My friends, perhaps the biggest threat to our fiscal future is the fast-growing practice of pork barrel spending. In January of this year, I spoke on the Senate floor and urged my colleagues to vote against a massive \$850 billion consolidated spending bill. Contained in that bill was approximately \$11 billion in wasteful, unnecessary, run-of-the-mill pork barrel projects, including \$50 million to build an indoor rain forest in Iowa and



U.S. Senator John McCain

\$200,000 to the Rock and Roll Hall of Fame in Cleveland, Ohio. Sadly, that bill passed overwhelmingly.

It is the process by which these spending bills are written and passed that I have such serious concerns about. The Appropriations Committees of the House and the Senate have effectively usurped the power of the authorizing committees and now act as one, all-powerful funding machine. Projects are often funded with little or no background study, and are approved after simply being requested by a fellow Senator or Representative. These same projects are directed to certain states and localities, completely circumventing the proper, competitive-based awards process. Additionally, as was the case throughout the

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REMARKS BY SEN. JOHN MCCAIN

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monstrosity we passed back in January, members of the Appropriations Committee use directive language to force cabinet secretaries and agency heads to make major changes in U.S. policy. This is done without ever holding a hearing on the matter or seeking the advice of experts about the potential impact of such changes.

Many members of Congress maintain that it is their responsibility to “bring home the bacon” to their districts and states. I simply disagree. Anyone privileged enough to serve in the Congress of the United States needs to be concerned about the nation as a whole, and not just their state or district. Together with my like-minded colleagues, particularly Rep. Jeff Flake, I have been criticized for not requesting earmarks for Arizona. My opposition to requesting earmarks is a principled position and I am proud that I have sought to secure federal funds for Arizona through the proper process instead of simply requesting earmarks.

It is possible to legitimately secure federal funds for Arizona. We do it all the time by going through the proper process. It takes some work, and it’s not as easy as simply asking for an earmark, but it’s the right way to do it. Anything worthy of federal funds should be able to withstand a little scrutiny. If the Office of Management and Budget at the White House identifies something as a priority, they will request an appropriation from the Congress. If a federal agency, such as the Department of Education or the EPA, determines, through a competitive-based process, that a specific problem needs to be

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Sen. John McCain

addressed with federal dollars, they will award a grant. And if a member of Congress seeks federal money for a project in their state or district that was not requested by the administration, then they should get it authorized. It is a fact, and not merely my

opinion my friends, that federal dollars are supposed to be authorized before they’re appropriated. If a project is truly worthy of federal funds, members of Congress should welcome the scrutiny of public hearings by the Congressional authorizing committees.

Let me highlight a few areas where Arizona has received assistance from the federal government by using the proper process:

- Last year, the Centers for Disease Control awarded Arizona over \$15.7 million for public health systems preparedness.
- The U.S. Department of Education awarded a nearly \$800,000 grant for an early reading initiative in Rio Rico, AZ – just one of many educational grants to worthy school districts throughout the state.
- The University of Arizona recently received a grant for \$325 million from NASA to develop a lander that will explore the icy northern plains of Mars. This grant was fairly competed and went through the proper peer-review process.
- Also last year, Arizona received \$7.5 million through the Assistance to Firefighters Grant Program. Again, a competitive, peer-review process to award federal dollars to local fire departments for equipment and training, education and health programs. Among the recipients was the fire department in Taylor, AZ, which used the money to buy a much-needed new firefighting vehicle. The cities of Yuma and Tempe also were awarded funds, which they used for safety programs and fire operations.
- We all recognize the importance of Phoenix Sky Harbor airport to our state’s economic viability. From 2001 through 2004, Arizona received 44 discretionary Airport Improvement Program (AIP) grants from the Federal Aviation Administration (FAA) totaling \$161 million. These grants pay for projects like runway rehabilitation and extension, noise mitigation, safety improvements, and taxiway construction. This is just one more example that clearly meritorious projects can get funded

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ATRA Chairman Kevin Kinsall (right) and his Phelps Dodge colleague Lyn White congratulate Sen. John McCain

Community college general fund budgets up \$59 million

Budgeted general fund spending in Arizona's 11 community college districts went from \$697 million last year to \$755.9 million in FY 2005, an 8.4% increase. The largest percentage increases occurred in **Coconino** (13.9%), **Mohave** (10.9%), and **Maricopa** (9.4%).

Maricopa's \$454.5 million adopted general fund is 60% of all the college general funds combined. Their \$39.2 million general fund increase is 67% of the total increase.

Meanwhile, unexpended plant fund budgets statewide rose 146.8%, driven by projected capital spending contingent upon voter approval of general obligation (G.O.) bond proposals in the **Maricopa** and **Pinal** (**Central Arizona College**) districts. **Pinal** has since decided not to pursue a bond election this November. **Yuma/La Paz** (**Arizona Western College**) is seeking a \$73,850,000 bond election this November, but does not anticipate issuing the bonds, if approved, until the following fiscal year. Meanwhile, **Maricopa** will put a \$951 million bond proposal on the November ballot (see article on page 5).

Adopted budgets statewide, comprised of general funds and unexpended plant funds, increased 30.9% from \$829.4 million to over one billion dollars.

Arizona's newest district, the **Gila County Provisional Community College District** adopted a general fund budget of \$2,649,423, a 21.8% increase over last year's \$2,175,603.

Eight of Arizona's 11 community college districts increased their primary property tax rate over truth in taxation (TNT) levels for tax year 2004. (See table on page 5.) The adopted property tax rates will generate over \$30.6 million in levy increases statewide.

Enacted in 1996, TNT laws require taxing jurisdictions to respond to growth in property values either with commensurate reductions in tax rates or to inform taxpayers

See COLLEGE BUDGETS on page 5

Budgeted General Fund Expenditures

District	FY 2004	FY 2005	Change	%
Cochise	\$23,999,949	\$25,189,297	\$1,189,348	5.0%
Coconino	\$11,123,061	\$12,667,936	\$1,544,875	13.9%
Gila	\$2,175,603	\$2,649,423	\$473,820	21.8%
Graham	\$17,320,966	\$18,494,863	\$1,173,897	6.8%
Maricopa	\$415,266,946	\$454,506,818	\$39,239,872	9.4%
Mohave	\$17,696,292	\$19,599,436	\$1,903,144	10.8%
Navajo	\$17,230,500	\$18,579,438	\$1,348,938	7.8%
Pima	\$113,415,000	\$118,753,000	\$5,338,000	4.7%
Pinal	\$24,889,000	\$27,112,000	\$2,223,000	8.9%
Yavapai	\$29,815,732	\$32,303,202	\$2,487,470	8.3%
Yuma/La Paz	\$24,105,291	\$26,001,536	\$1,896,245	7.9%
Total	\$697,038,340	\$755,856,949	\$58,818,609	8.4%

Unexpended Plant Funds

District	FY 2004	FY 2005	Change	%
Cochise	\$1,771,035	\$1,894,857	\$123,822	7.0%
Coconino	\$656,913	\$479,050	(\$177,863)	-27.1%
Gila	\$0	\$0	\$0	NA
Graham	\$3,081,193	\$3,364,966	\$283,773	9.2%
Maricopa	\$72,323,000	\$270,029,033	\$197,706,033	273.4%
Mohave	\$513,400	\$534,566	\$21,166	4.1%
Navajo	\$4,596,000	\$3,946,300	(\$649,700)	-14.1%
Pima	\$23,755,000	\$17,245,000	(\$6,510,000)	-27.4%
Pinal	\$1,550,000	\$8,206,000	\$6,656,000	429.4%
Yavapai	\$24,196,348	\$24,234,085	\$37,737	0.2%
Yuma/La Paz	\$2,125,740	\$2,183,540	\$57,800	2.7%
Total	\$134,568,629	\$332,117,397	\$197,548,768	146.8%

Adopted Budgets*

District	FY 2004	FY 2005	Change	%
Cochise	\$25,770,984	\$27,084,154	\$1,313,170	5.1%
Coconino	\$11,779,974	\$13,146,986	\$1,367,012	11.6%
Gila	\$2,175,603	\$2,649,423	\$473,820	21.8%
Graham	\$20,402,159	\$21,859,829	\$1,457,670	7.1%
Maricopa	\$487,589,946	\$724,535,851	\$236,945,905	48.6%
Mohave	\$18,209,692	\$20,134,002	\$1,924,310	10.6%
Navajo	\$21,826,500	\$22,525,738	\$699,238	3.2%
Pima	\$137,170,000	\$135,998,000	(\$1,172,000)	-0.9%
Pinal	\$26,439,000	\$35,318,000	\$8,879,000	33.6%
Yavapai	\$54,012,080	\$56,537,287	\$2,525,207	4.7%
Yuma/La Paz	\$26,231,031	\$28,185,076	\$1,954,045	7.4%
Total	\$831,606,969	\$1,087,974,346	\$256,367,377	30.8%

*Adopted budgets include general funds and unexpended plant funds combined. Funds for the retirement of debt are excluded to avoid redundancy.

COLLEGE BUDGETS

Continued from page 4

of the increase through newspaper ads and a public hearing. As in past years, governing boards in **Coconino, Graham, Maricopa, Mohave, Pima** and **Yavapai** adopted primary levies at 100% of their constitutional levy limits, in effect letting the levy limit formula drive their decision to increase taxes.

Although the rate dropped slightly from last year, the highest primary tax rate in the community college system remains in the **Pinal** district at \$2.1494 per \$100 of assessed valuation. The adopted budget for **Graham (Eastern Arizona College)** includes a 7-cent tax rate increase, bringing their primary rate to \$2.0698.

The \$19 million levy increase allowed by **Maricopa's** levy limit, when set against the growth in the district's net assessed value (NAV), resulted in a 2-cent reduction in their primary rate. That rate reduction, however, was not enough to offset increases in the current value of existing property and therefore will translate into a tax increase on most taxpayers.

Six of the 11 districts adopted secondary tax rates to fund current G.O. bond debt service obligations. These debt service rates are expected to decrease for **Coconino, Maricopa, Pima, Yavapai,** and **Yuma/La Paz.** The **Navajo** district (**Northland Pioneer College**) is anticipating a 2-cent increase in their secondary rate.

Michael Hunter

Maricopa Colleges will put \$951 million bond proposal to voters in Nov.

The Maricopa County Community College District (MCCCD) will seek voter approval for a \$951 general obligation bond proposal on November 2, 2004. A pamphlet on the bond question published by the district summarizes that the bonds are "to provide education and job training and to meet the needs of current and future community college students."

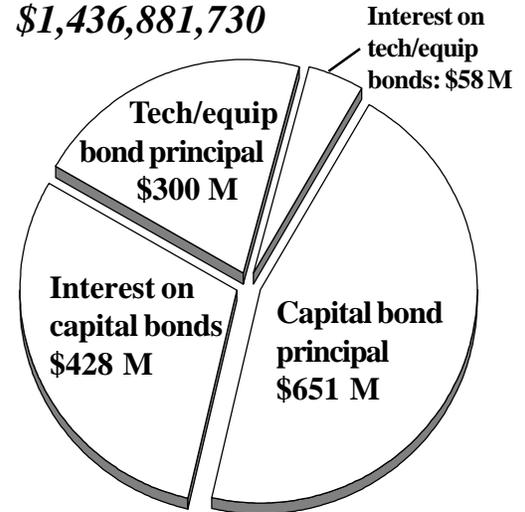
ATRA staff is in the process of analyzing the bond proposal and have met several times with MCCCD officials.

Of the \$951 million in bonds, MCCCD is proposing \$300 million for the purchase of technology and equipment. A district pamphlet on the bond question describes one of the goals of the bond program as "Improving computer, educational and institutional technologies." ATRA has requested more information on the technology and equipment components of the proposal.

ATRA has also inquired about the relationship between these technology and equipment expenditures and the capital outlay state aid that is received by the district annually. Over \$8 million was appropriated to MCCCD in FY 2004 and over \$10 million in FY 2005.

Population growth has been the district's main rationale for pursuing this bond program. The district's pamphlet on the bond question states: "With annual student growth exceeding population growth in the

**Total cost to taxpayers:
\$1,436,881,730**



county, it is projected that almost 400,000 students will be attending the community colleges every year by 2010." The pamphlet also states that "Each college will receive funds to meet the growth projections identified in that area." ATRA has asked for more information on the demands student growth will be making on each of the colleges' capital needs, as well as the impact of recreational classes, dual enrollment, and distance learning courses.

MCCCD has estimated the average tax rate at \$0.1583 per \$100 of assessed value, or \$15.83 for every \$100,000 of residential assessed value and \$39.56 for every \$100,000 of commercial value.

Community College Primary Property Taxes

District	2003 Rate	2003 Levy	2004 Proposed Levy	2004 TNT Rate	Proposed 2004 Rate	Proposed Rate Change	Proposed vs. TNT Rate	Proposed Levy Increases	% Levy Change
Cochise	\$1.7868	\$10,192,074	\$10,918,770	1.8111	1.7868	\$0.00	-0.0243	\$726,696	7.1%
Coconino	\$0.4098	\$4,576,107	\$4,817,403	0.4062	0.4103	\$0.00	0.0041	\$241,296	5.3%
Gila	\$0.6288	\$2,181,344	\$2,310,539	0.6209	0.6288	\$0.00	0.0079	\$129,195	5.9%
Graham	\$2.0011	\$2,012,725	\$2,109,803	2.0296	2.0698	\$0.07	0.0402	\$97,078	4.8%
Maricopa	\$0.9410	\$239,464,278	\$258,560,787	0.9030	0.9211	-\$0.02	0.0181	\$19,096,509	8.0%
Mohave	\$0.9473	\$10,986,719	\$11,872,243	0.9321	0.9507	\$0.00	0.0186	\$885,524	8.1%
Navajo	\$1.2081	\$7,535,181	\$8,100,000	1.2143	1.2566	\$0.05	0.0423	\$564,819	7.5%
Pima	\$1.1358	\$57,045,262	\$60,316,768	1.0874	1.1089	-\$0.03	0.0216	\$3,271,506	5.7%
Pinal	\$2.1737	\$20,689,808	\$22,808,565	2.1900	2.1494	-\$0.02	-0.0406	\$2,118,757	10.2%
Yavapai	\$1.5672	\$23,771,406	\$26,189,637	1.5320	1.5626	\$0.00	0.0306	\$2,418,231	10.2%
Yuma/La Paz	\$1.8267	\$13,813,407	\$14,890,277	1.8520	1.8520	\$0.03	0.0000	\$1,076,870	7.8%

REMARKS BY SEN. JOHN MCCAIN *Continued from page 3*

through a fair and objective selection system without political interference.

- I worked to secure an authorization for the U.S. Institute for Environmental Conflict Resolution, which is part of the Morris K. Udall Foundation located in Tucson. Based on that authorization, Congress appropriated over \$1.3 million to the Center last year. The institute is a non-partisan establishment that provides professional expertise, services, and resources to parties involved in environmental disputes. In the first five years of operation, the Institute has been involved in more than 300 conflict resolution cases and projects.
- I'm sure all of you will recall the devastating western wildfires of the last several years. In 2002, the fires burned 7.2 million acres and resulted in the death of 23 firefighters. In 2002 and 2003, the Administration requested, and Congress

appropriated, over \$75 million for Arizona to fight these devastating fires.

- The President's budget request for this year contained nearly \$113 million for military construction projects in Arizona. Among the projects are the replacement of 220 military family housing units at Fort Huachuca; a warehouse for aircraft parts, runway improvements, a helicopter squadron operations building, and 93 new military family housing units at Davis-Monthan Air Force Base; and funds to enhance the safety of an ammunition area, and money for an aircraft maintenance hangar at the Yuma Marine Corps Air Station.
- Finally, and most notable, Arizona ranks seventh in the nation of Department of Defense contract awards. Last year alone, Arizona was the recipient of over \$7.5 billion in military contracts. So, my friends,

if anyone ever tells you that the only way to secure federal funds for our state is through pork barrel projects, tell them they're wrong, and then suggest that they take a course in Federal Budgeting 101.

These, obviously, are only a select few examples of federal dollars being directed to Arizona. Some may criticize the lack of earmarks for our state, but we should embrace that distinction. We in Arizona continue to prove that we don't need frivolous pork barrel projects to remain competitive, and we can withstand the scrutiny of the proper process.

Thank you, again, for this wonderful award and for expressing your confidence in me as your U. S. Senator. I appreciate your kind support and I look forward to working with all of you in the future to ensure that hardworking American's tax dollars are used in the most prudent manner possible.