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ARIZONA TAX RESEARCH ASSOCIATION

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Arizona at Bottom of Property Tax Roller Coaster

For the better part of the last decade, Arizona State and local governments and Arizona property taxpayers have been on a historic roller coaster ride that has finally bottomed out in tax year 2013. Between tax year 2002 and 2009, Arizona experienced record growth in property values with a \$50 billion increase in statewide net assessed values, a climb of 135%. However, the subsequent recession and the collapse of the real estate market stripped \$34 billion of that increase in value out of the system.

The historic fluctuation in net assessed values created enormous instability for both taxpayers and state and local governments over the last decade. At the high point of the explosive growth in 2007, most homeowners in Arizona saw a 60% increase in the full cash value of their homes in one year. Arizona local governments rode those huge valuation increases to record increases in property tax levies. Between 2006 and 2008, property tax levies skyrocketed 26%. As property values fell between tax years 2009 and 2011, property tax

See *Roller Coaster*, page 4

Property Tax Increases Prevalent among Community Colleges

In FY 2014, although property values have dropped 6.7%, primary property taxes levied by the community college districts are increasing by an average 4.2% over last year to \$682 million (*see charts on pages 2 & 5*). Unlike county governments, the majority of community college districts are planning to increase property taxes in FY 2014 over their truth-in-taxation (TNT) levels (*See article on page 2 of this newsletter*). In fact, eight of the twelve districts will adopt primary tax rates that exceed their TNT rates.

Property values in Santa Cruz dropped 8.4% but there will be no reprieve for taxpayers since the provisional community college district is implementing the largest tax increase of all the districts, with nearly a 450% jump. The dramatic increase in taxes is the result of the district's decision to adopt a tax rate of \$0.4200, which is more than 34 cents above its TNT rate. The fledgling Santa Cruz provisional district is increasing its facilities and program availability to students.

See *Community Colleges*, page 5

ATRA'S ANNUAL GOLF TOURNAMENT

At McCormick Ranch Golf Club, Friday, November 1 @ Noon

&

OUTLOOK CONFERENCE

At Chaparral Suites Scottsdale, Friday, November 15 @ 8:30

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Majority of Counties to Adopt Tax Rates within TNT Limits

Following last year's 8.3% drop in values, the 6.7% additional dip in property values this year appears to represent the trough of the collapse of Arizona's real estate market. Last year, all fifteen counties adopted primary tax rates within their TNT limits. This year, ten of the fifteen counties are intending to adopt primary tax rates at or below their TNT levels despite the additional decline in property values. With the aggregate 6.7% drop in values, combined with the decision by the majority of counties to comply with TNT, total primary taxes levied by the counties are set to decrease nearly 2% in FY 2014.

Primary Net Assessed Values

County	FY 2013	FY 2014	Change	% Change
Apache	\$ 544,620,229	\$ 525,723,278	-\$18,896,951	-3.5%
Cochise	1,038,327,080	1,006,475,403	-\$31,851,677	-3.1%
Coconino	1,747,818,103	1,519,086,333	-\$228,731,770	-13.1%
Gila	490,120,381	438,624,843	-\$51,495,538	-10.5%
Graham	208,931,298	192,240,653	-\$16,690,645	-8.0%
Greenlee	378,114,177	335,715,128	-\$42,399,049	-11.2%
La Paz	227,958,224	216,835,366	-\$11,122,858	-4.9%
Maricopa	34,263,842,274	31,996,204,979	-\$2,267,637,295	-6.6%
Mohave	1,791,765,155	1,771,371,872	-\$20,393,283	-1.1%
Navajo	974,292,390	903,351,854	-\$70,940,536	-7.3%
Pima	8,073,937,734	7,559,129,097	-\$514,808,637	-6.4%
Pinal	2,153,783,739	1,988,882,373	-\$164,901,366	-7.7%
Santa Cruz	369,498,126	338,356,662	-\$31,141,464	-8.4%
Yavapai	2,405,473,723	2,232,629,599	-\$172,844,124	-7.2%
Yuma	1,186,605,732	1,112,115,440	-\$74,490,292	-6.3%
Total	\$55,855,088,365	\$52,136,742,880	-\$3,718,345,485	-6.7%

Under the TNT laws, local governments are required to notify taxpayers of their intent to increase primary property taxes (exclusive of new construction) over the previous year. Of the ten counties that will be adopting rates within their TNT limits, four of those counties will adopt the same tax rate as last year, which includes Cochise, Gila, Mohave, and Pinal. In fact, the primary rate that will be adopted by Gila County is 60 cents below its TNT rate and Pinal County's rate is 40 cents less than TNT. Cochise County will adopt a rate that is more than 12 cents below TNT, and Mohave's rate will be within 6 cents of its TNT limit. The two largest counties, Maricopa and Pima, are intending to adopt rates that are below the TNT limit, at approximately 8 cents and 5 cents, respectively. The remaining four of the ten counties, Graham, La Paz, Navajo, and Yuma, will adopt their TNT rates.

See Counties, page 6

Taxpayer Access to City Budget Information Lacking

The public's access to local government budget information in Arizona has been a long debated issue at the State Capitol. For many years, state statutes have required counties and cities to publish a consolidated version of their preliminary budgets in a newspaper of "general circulation." Those preliminary budgets must be approved on or before the third Monday in July each year.

During the 2010 legislative session, the state law on budget publication was expanded to include the requirement that the tentative budget also be posted to the county, city, or town website. The Legislature followed the 2010 effort by again expanding the budget publication requirements in the 2011 session. The 2011 law specified that the tentative budget had to be posted in a prominent location on a city website (or the website of the Arizona League of Cities and Towns if the city or town does not have an official website) no later than seven days after the adoption of the tentative budget. In addition, a complete copy of the finally adopted budget is required to be posted no later than seven days after the final adoption.

However, despite this major effort on the part of state lawmakers to improve the public's access to timely budget information through the Internet, city and town compliance with these changes has been less than stellar. In fact, on the seventh business day following the last day to adopt the Fiscal Year (FY) 2014 tentative budget (3rd Monday in July), 38 of Arizona's 91 cities and towns had no budgets posted to their websites.

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The spotty performance on the part of cities and towns in abiding by the statutory requirements for publishing proposed budgets should make state lawmakers question whether there should be some oversight and accountability for this important law.

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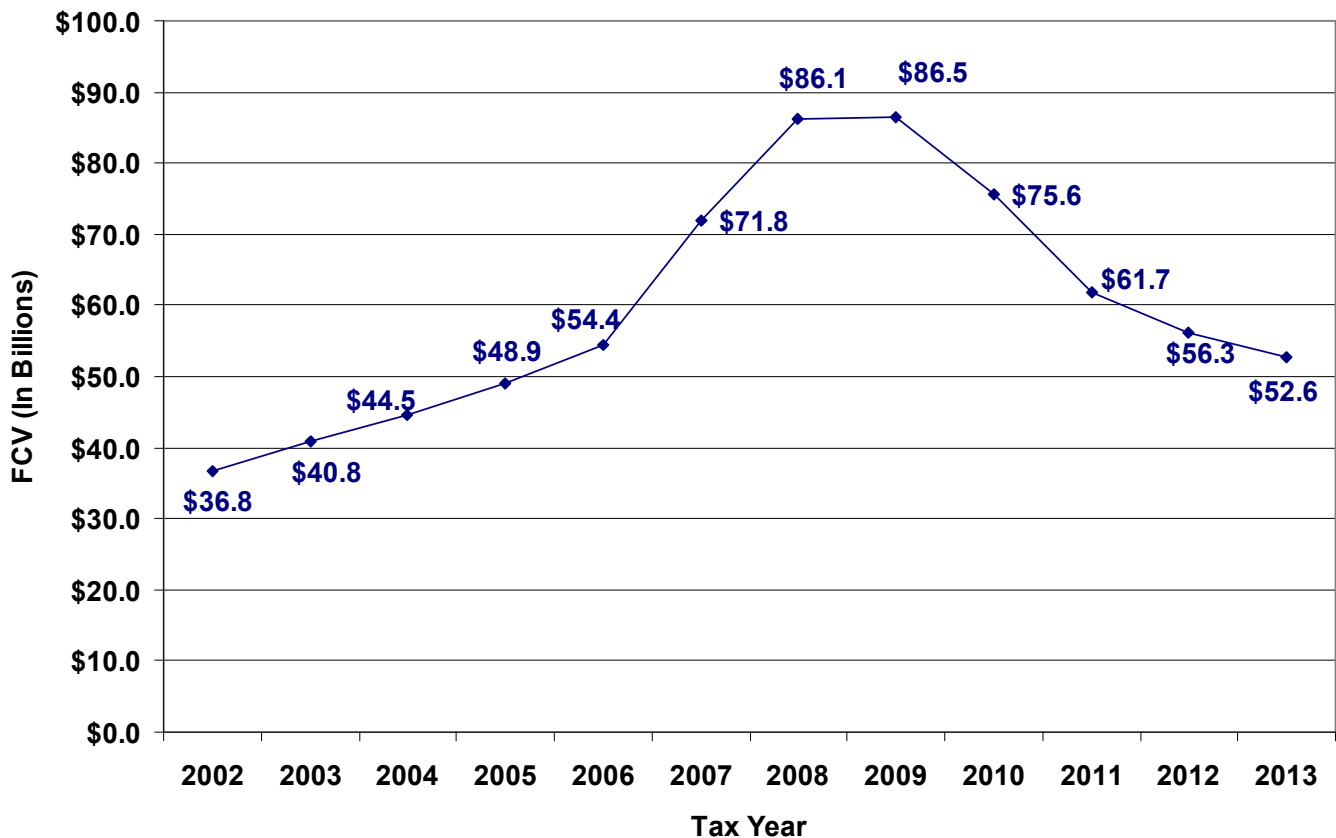
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Roller Coaster, *Continued from Page 1*

levies fell 15%. Tax year 2013 levies will be set by the fifteen county boards of supervisors on August 19, 2013. While levies over the last three years have declined, that trend could be over as many local governments are increasing their levies this year (*for further information, see tax levy articles beginning on pages 1 & 2*).

Property valuation notices for the 2013 valuation year (2014 tax year) for most counties reflected increases as a result of the rebound in the real estate market. The 2014 property valuations that will be mailed to taxpayers in early 2014 will reflect the continued resurgence in the real estate market. However, Arizona’s wild ride on the proverbial tax roller coaster should be considerably different as a result of the passage of Proposition 117 last November. While state and local government officials anxiously await the higher valuations feeding their budgets, the 5% annual valuation limit that will be imposed by Proposition 117 should dampen those expectations as well as impose some much needed stability to Arizona’s property tax system.

Secondary Net Assessed Values



Community Colleges, *Continued from Page 1*

Pinal Community College District will be adopting the second largest tax increase this year in order to offset its 7.7% decrease in values by increasing its tax rate 28 cents to \$1.8918 (11 cents over TNT), resulting in 8.4% more in property taxes this year than last year.

CCD	Primary Tax Rates		Change	TNT Rate	TNT Required	over/under TNT	Max Rate
	FY 2013	FY 2014					
Cochise	1.7329	1.8508	0.1179	1.8145	YES	0.0363	1.8508
Coconino	0.3875	0.4636	0.0761	0.4545	YES	0.0091	0.4636
Gila	0.7457	0.8696	0.1239	0.8525	YES	0.0171	0.8696
Graham	2.4123	2.7401	0.3278	2.7401	NO	0.0000	2.8509
Maricopa	1.1563	1.2896	0.1333	1.2643	YES	0.0253	1.3565
Mohave	1.0951	1.1298	0.0347	1.1298	NO	0.0000	1.1524
Navajo	1.3515	1.4769	0.1254	1.4769	NO	0.0000	1.5064
Pima	1.1484	1.2746	0.1262	1.2496	YES	0.0250	1.2746
Pinal	1.6118	1.8918	0.2800	1.7815	YES	0.1103	2.6432
Santa Cruz	0.0699	0.4200	0.3501	0.0772	YES	0.3428	1.2421
Yavapai	1.6725	1.8241	0.1516	1.8241	NO	0.0000	1.8992
Yuma/La Paz	1.6874	1.8847	0.1973	1.8371	YES	0.0476	1.9224
Avg. Rate	1.2559	1.4263	0.1704	1.3752			1.5860

Four districts are planning to levy up to their constitutional limit this year, which includes Cochise, Coconino, Gila Provisional, and Pima. Maricopa and Yuma/La Paz community colleges both increased taxes above TNT levels but remained under their constitutional levy limits.

The only community college districts that are not exceeding their TNT limits include Graham, Mohave, Navajo, and Yavapai. Although these districts will adopt their TNT rates, their tax rates are increasing between \$0.0347 and \$0.3278.

Overall, the average tax rate levied by the community colleges this year will increase more than 17 cents, from \$1.2559 to \$1.4263.

CCD	Levy Limit	Primary Levies			TNT Limit	% over/under TNT
		FY 2013	FY 2014	% Change		
Cochise	\$18,625,347	\$17,993,170	\$18,627,847	3.5%	\$18,262,305	2.0%
Coconino	\$7,042,484	\$6,772,795	\$7,042,484	4.0%	\$6,904,193	2.0%
Gila	\$3,814,281	\$3,654,828	\$3,814,282	4.4%	\$3,739,286	2.0%
Graham	\$5,480,587	\$5,040,050	\$5,267,656	4.5%	\$5,267,656	0.0%
Maricopa	\$434,882,213	\$396,192,808	\$412,623,059	4.1%	\$404,537,952	2.0%
Mohave	\$20,413,290	\$19,621,621	\$20,013,791	2.0%	\$20,013,791	0.0%
Navajo	\$13,608,093	\$13,167,562	\$13,341,335	1.3%	\$13,341,335	0.0%
Pima	\$96,348,660	\$92,721,101	\$96,348,659	3.9%	\$94,461,971	2.0%
Pinal	\$52,570,140	\$34,714,686	\$37,625,677	8.4%	\$35,431,944	6.2%
Santa Cruz	\$4,202,729	\$258,279	\$1,421,098	450.2%	\$261,186	444.1%
Yavapai	\$42,402,101	\$40,231,548	\$40,725,787	1.2%	\$40,725,787	0.0%
Yuma/La Paz	\$24,350,449	\$23,869,352	\$25,046,736	4.9%	\$24,414,581	2.6%
Total	\$723,740,374	\$654,237,800	\$681,898,411	4.2%	\$667,361,987	2.2%

Counties, *Continued from Page 2*

The five counties that are opting to increase taxes this year above TNT levels include Apache, Coconino, Greenlee, Santa Cruz, and Yavapai. Santa Cruz County is set to adopt the largest rate increase of 60 cents (30 cents above TNT), followed by Yavapai with a 29-cent increase (14 cents above TNT), and Greenlee with 11 cents (2 cents above TNT). Apache and Coconino are the only counties that plan to adopt their maximum tax rates allowed under the constitutional levy limits.

Proposed Primary Property Taxes

County	FY 2013	FY 2014	% Change	TNT Limit	% of TNT
	Levy	Proposed Levy			
Apache	\$2,256,361	\$2,414,647	7.0%	\$2,275,451	6.12%
Cochise	\$27,283,082	\$26,446,148	-3.1%	\$27,691,172	-4.50%
Coconino	\$7,830,225	\$8,303,326	6.0%	\$7,982,138	4.02%
Gila	\$20,536,044	\$18,378,381	-10.5%	\$21,010,606	-12.53%
Graham	\$4,361,232	\$4,558,218	4.5%	\$4,558,183	0.00%
Greenlee	\$2,349,223	\$2,467,506	5.0%	\$2,398,240	2.89%
La Paz	\$4,250,509	\$4,251,708	0.0%	\$4,251,626	0.00%
Maricopa	\$425,111,491	\$409,775,397	-3.6%	\$434,065,759	-5.60%
Mohave	\$32,602,959	\$32,231,883	-1.1%	\$33,254,583	-3.08%
Navajo	\$6,236,446	\$6,318,553	1.3%	\$6,318,748	0.00%
Pima	\$275,951,044	\$277,155,468	0.4%	\$281,132,117	-1.41%
Pinal	\$81,841,628	\$75,575,541	-7.7%	\$83,532,599	-9.53%
Santa Cruz	\$10,425,390	\$11,576,873	11.0%	\$10,542,744	9.81%
Yavapai	\$39,512,311	\$43,108,560	9.1%	\$39,997,714	7.78%
Yuma	\$22,305,815	\$22,916,250	2.7%	\$22,916,027	0.00%
Total	\$962,853,760	\$945,478,459	-1.8%	\$981,927,707	-3.71%

Despite the fact that the majority of counties are adopting rates within their TNT limits, the average tax rate between last year and this year will increase nearly 14 cents, from \$1.9677 to \$2.1046. Therefore, although the aggregate value of property dropped, individual properties whose values remained level or increased may see their tax bills rise as a result.

Proposed Primary Tax Rates

County	2012 Tax Rate	2013 Proposed Rate	Change	2013 TNT RATE	TNT Required	over/under TNT	2013 Max Tax Rate
Apache	0.4143	0.4593	0.0450	0.4328	YES	0.0265	0.4593
Cochise	2.6276	2.6276	0.0000	2.7513	NO	-0.1237	3.0425
Coconino	0.4480	0.5466	0.0986	0.5255	YES	0.0211	0.5466
Gila	4.1900	4.1900	0.0000	4.7901	NO	-0.6001	6.0981
Graham	2.0874	2.3711	0.2837	2.3711	NO	0.0000	2.4668
Greenlee	0.6213	0.7350	0.1137	0.7144	YES	0.0206	0.7432
La Paz	1.8646	1.9608	0.0962	1.9608	NO	0.0000	2.0785
Maricopa	1.2407	1.2807	0.0400	1.3566	NO	-0.0759	1.8169
Mohave	1.8196	1.8196	0.0000	1.8773	NO	-0.0577	2.1444
Navajo	0.6401	0.6995	0.0594	0.6995	NO	0.0000	0.7423
Pima	3.4178	3.6665	0.2487	3.7191	NO	-0.0526	4.7491
Pinal	3.7999	3.7999	0.0000	4.2000	NO	-0.4001	5.8235
Santa Cruz	2.8215	3.4215	0.6000	3.1159	YES	0.3056	3.8465
Yavapai	1.6426	1.9308	0.2882	1.7915	YES	0.1393	2.1680
Yuma	1.8798	2.0606	0.1808	2.0606	NO	0.0000	2.2877
Avg Rate	1.9677	2.1046	0.1370	2.1578		-0.0531	2.6009