



*The taxpayer's watchdog for over 70 years*

# ARIZONA TAX RESEARCH ASSOCIATION

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## NEWSLETTER VOLUME 74 NUMBER 7 OCT 2014

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## Ask Until the Voters Cry Uncle

When an Arizona school district governing board decides to ask voters to authorize a budget override to be paid for by property taxpayers, they explain how important the additional money is and how it will be used. What they do not mention is they may have sent the same issue to the ballot last year and the voters said 'No'. Ditto the year before that. But for many school districts, the voters don't get to say 'No'- the district will be back the very next year as if nothing happened. So, the local taxpayers get to pay for yet another election, where the full weight of the school district and inevitably the various beneficiaries will push hard for the tax increase. Imagine the despair of a private group who defeated the override the previous year; who expended great energy to generate a coalition in their district to vote 'No'. They now face the leviathan again just months later.

School district overrides in Arizona increase the maintenance and operations (M&O) budget limit by up to 15% for the day to day costs of operating the district. There are also capital overrides for facilities and equipment. Once approved by the voters, the budget increase is authorized for seven years, with a two year phase out in the sixth and seventh year. The school district can go back to the voters seeking an extension of the override in the fifth year. If the election fails, they can go back two more times before the override completely phases out.

Show Low Unified had their M&O override fail in 2011, 2012, and 2013. Same for Florence Unified, Combs Unified, and Sunnyside Unified. Toltec Elementary's override failed three years running from 2010-2012. Maricopa Unified's failed three years in a row from 2010-2012, took one year off, and is trying again this

See **You Can't Say No**, page 2

### **SAVE THE DATE!**

***ATRA Golf Tournament: Nov 7  
McCormick Ranch, 12:00pm***

***ATRA Outlook Conference: Nov 21  
Chaparral Suites, 8:00am***

Mark your calendars in November for ATRA's annual events! This year's Outlook Conference is sure to be interesting. ATRA will host speakers relaying important issues for the 2015 Legislative session. Numerous state and local lawmakers will join taxpayers and other stakeholders to discuss tax and finance related policy matters facing Arizona. Both candidates for Governor have been invited to be the keynote speaker. For more information, check the ATRA website, our Facebook page or call ATRA.

## Arizona County Budgets Rebound

County general fund budgets rebounded in FY 2015 with an average increase of 4.2% (see Table 1). Despite the counties increased reliance on their cash balances over the past several years as a result of the recession, the cash position of the counties remains strong. The healthy cash balances held by the counties coupled with the recent uptick in state-shared and local tax revenues allowed nearly all the counties to award employee pay raises this year.

### **General Fund Budgets**

County general fund budgets are mainly funded with primary property taxes, state-shared and local sales tax

See **County Budgets**, page 4

**You Can't Say No,** *Continued from Page 1*

November. Scottsdale Unified's M&O override has failed the last two years in a row but the voters must have been mistaken because it's going to be on the ballot again this November. It's the same story in Queen Creek Unified and Altar Valley Unified.

Sometimes wearing down taxpayers pays off. Gila Bend, Round Valley and Williams Unified and Tolleson Elementary's overrides failed in 2010, 2011, and finally passed in 2012. Eventually the opposition submits. Similar results occurred in Tempe Union, Kyrene Elementary, Vail Unified, and Roosevelt Elementary.

Occasionally a district gets the message. After two years of failed override elections, Gilbert, Higley, and Page Unified have decided not to go back to the voters this November. Results not typical.

School district override elections are often fraught with peril. Districts threaten to cut popular programs like art and music, slash teacher pay, and increase class sizes if the override election fails. Districts don't say they will be forced to locate inefficiencies in administrative costs or find ways to conserve energy should the override fail. Buckeye Union added a \$100 athletic fee for every sport for students after their 2010 override election failed. This public scolding of the voters had the impact of highlighting the override failure; meanwhile the majority of the budget override monies had yet to phase out as they were in year six of the previous override. The override passed the next year.

In the 2014 legislative session, ATRA advocated for a bill sponsored by Senator Steve Yarbrough to limit the number of override renewal elections. As originally introduced, SB1182 would have limited the school district governing board to requesting an extension of existing overrides to once before their expiration. This would prevent a district from wearing out voters three years in a row. It did nothing to slow a district currently without an override to ask the voters for a new tax increase. The Arizona Association of School Business Officials (AASBO) boasted their efforts to remove the provision from the bill in their summer 2014 "Edge" magazine. AASBO claimed a victory over ATRA, arguing school districts should have the local authority to hold override elections as often as they'd like.

When an override is presently in effect, the school district has the substantial advantage of describing the election as having no year-over-year impact on property taxes. While the override is not technically a tax increase, voting for its extension certainly perpetuates the increased tax rate. School district officials generate the election and have the inside track on coloring the publicity pamphlet with language supporting this narrative. Statements for the voter pamphlet are due in early August while the public is still on vacation and certainly not aware of November ballot issues.

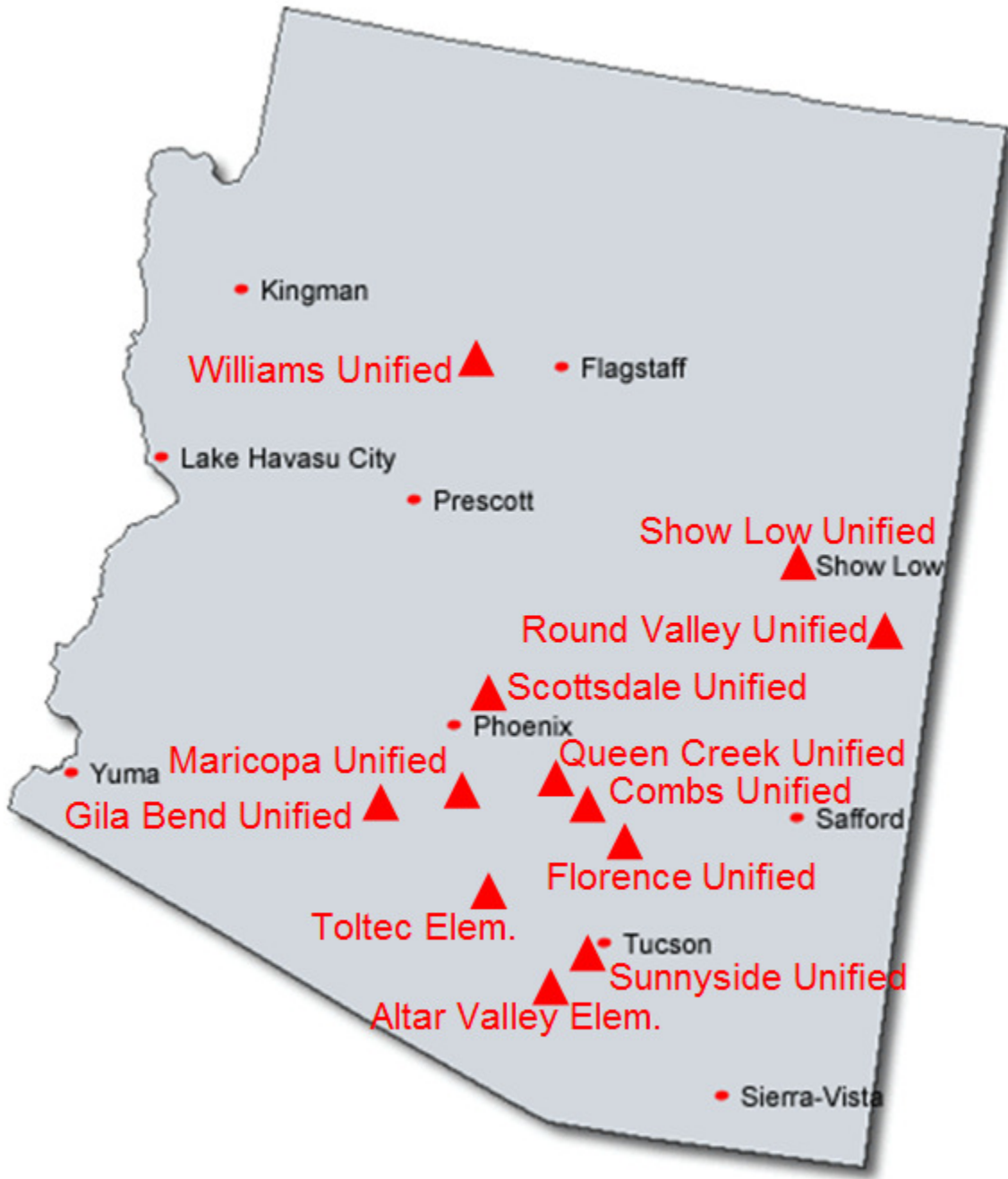
Adding to the frustration, the districts operate with a built-in advantage in electioneering. Citizens looking for relief in their property taxes face a well coordinated effort funded largely by the PTA, unions, and vendors. The current structure provides citizens no relief even after they may have successfully won the public debate the year prior.

The message is: "You aren't allowed to say 'No'." This generates considerable controversy in some districts as citizens become frustrated that their collective vote is only good for a matter of months. Not surprisingly, this engenders greater bitterness in taxpayers and creates more divisiveness between the school district and its voters.

Lawmakers should put a stop to this by passing legislation similar to that sponsored by Senator Yarbrough in the 2014 Legislative session.

-Sean McCarthy

School Districts where the voter doesn't get to say 'No'



Each district has had 3 consecutive override elections since 2010  
Including some in 2014

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**County Budgets**, *Continued from Page 1*

revenues, and vehicle license taxes and provide a multitude of general government services, including public health and law enforcement. The general fund budgets of all but four counties increased this year. The 4.2% growth in total general fund budgets is skewed by the 7.8% increase in Maricopa County, otherwise total growth would reflect only a 1.6% increase.

**Table 1. General Fund Budgets**

<b>County</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>\$ Change</b>	<b>% Change</b>
Apache	\$18,343,856	\$18,404,897	\$61,041	0.3%
Cochise	\$80,459,349	\$81,595,849	\$1,136,500	1.4%
Coconino	\$70,808,913	\$72,591,508	\$1,782,595	2.5%
Gila	\$46,031,855	\$44,230,262	(\$1,801,593)	-3.9%
Graham	\$20,935,438	\$21,281,598	\$346,160	1.7%
Greenlee	\$12,569,018	\$11,562,861	(\$1,006,157)	-8.0%
La Paz	\$16,318,525	\$16,838,277	\$519,752	3.2%
Maricopa	\$942,780,433	\$1,015,901,116	\$73,120,683	7.8%
Mohave	\$76,154,008	\$80,781,059	\$4,627,051	6.1%
Navajo	\$39,984,750	\$42,544,494	\$2,559,744	6.4%
Pima	\$503,524,831	\$521,401,927	\$17,877,096	3.6%
Pinal	\$193,676,201	\$184,084,963	(\$9,591,238)	-5.0%
Santa Cruz	\$27,504,449	\$28,661,791	\$1,157,342	4.2%
Yavapai	\$89,679,704	\$94,937,304	\$5,257,600	5.9%
Yuma	\$77,258,446	\$75,292,428	(\$1,966,018)	-2.5%
<b>TOTALS</b>	<b>\$2,216,029,776</b>	<b>\$2,310,110,334</b>	<b>\$94,080,558</b>	<b>4.2%</b>

Counties rely heavily on state shared TPT (sales tax) revenues to support their general fund budgets, which represent 70% of the four major revenue sources (see Table 2). State shared vehicle license taxes (VLT) account for nearly 19%, followed by local TPT (8%) and Payments in Lieu of Taxes (PILT) revenues (4%). Counties anticipate state shared sales taxes to growth by 6% over last year and local sales taxes by 4.5%. State shared VLT is expected to increase 7.2% and an ongoing issue for the counties is their lack of assurance of PILT revenues since Congress must act in order for the revenues to be distributed.

**Table 2. GF Revenues**

<b>County</b>	<b>State shared TPT</b>	<b>Local TPT</b>	<b>St. Shared VLT</b>	<b>PILT</b>	<b>TOTALS</b>
Apache	\$4,800,000	\$1,200,000	\$550,000	\$1,109,854	\$7,659,854
Cochise	\$12,000,000	\$7,000,000	\$3,500,000	\$1,816,386	\$24,316,386
Coconino	\$19,698,434	\$12,697,600	\$3,274,036	\$1,666,210	\$37,336,280
Gila	\$4,956,150	\$2,600,000	\$1,556,944	\$3,200,905	\$12,313,999
Graham	\$4,000,000	\$2,000,000	\$884,717	\$2,778,581	\$9,663,298
Greenlee	\$4,350,000	\$1,200,000	\$325,000	\$544,675	\$6,419,675
La Paz	\$2,252,000	\$1,412,573	\$572,581	\$1,928,209	\$6,165,363
Maricopa	\$465,300,725	N/A	\$132,858,100	\$12,340,468	\$610,499,293
Mohave	\$20,519,000	\$6,438,200	\$6,208,900	\$3,412,630	\$36,578,730
Navajo*	\$11,046,000	\$6,816,000	\$2,067,000	\$1,519,256	\$21,448,256
Pima	\$106,640,000	N/A	\$24,100,000	\$3,188,330	\$133,928,330
Pinal	\$30,273,750	\$14,352,000	\$9,012,500	\$1,215,622	\$54,853,872
Santa Cruz	\$4,500,000	\$2,600,000	\$1,400,000	\$900,000	\$9,400,000
Yavapai	\$26,550,000	\$15,150,875	\$7,275,153	\$2,428,943	\$51,404,971
Yuma	\$19,163,380	\$11,794,780	\$4,605,707	\$3,244,942	\$38,808,809
<b>TOTAL</b>	<b>\$736,049,439</b>	<b>\$85,262,028</b>	<b>\$198,190,638</b>	<b>\$41,295,011</b>	<b>\$1,060,797,116</b>

\*Navajo County did not budget for PILT revenues in FY 2015. The amount indicated reflects the FY 2014 actual revenues.

The total budgets for counties dropped this year by 1.5% (see Table 3), which is a lesser reduction relative to last year's 4.1% decrease (see *ATRA OCT/NOV 2013 Newsletter*). In addition to the general fund, total funds include special revenue funds, capital project funds, debt service funds for voter-approved and non-voter approved bonds, and enterprise funds. Included in the special revenue funds are the countywide special taxing districts in which the county boards of supervisors sit as the board of directors. The creation of special taxing districts have provided counties with a dedicated funding source separate from the general fund to fund a variety of services, such as library services, flood control, public health services, as well as a television district specific only to Mohave County.

**Table 3. Total Budgets**

<b>County</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>\$ Change</b>	<b>% Change</b>
Apache	\$51,171,362	\$52,839,970	\$1,668,608	3.3%
Cochise	\$160,363,511	\$151,975,063	(\$8,388,448)	-5.2%
Coconino	\$263,715,576	\$235,165,312	(\$28,550,264)	-10.8%
Gila	\$95,252,025	\$94,444,905	(\$807,120)	-0.8%
Graham	\$32,891,242	\$33,580,774	\$689,532	2.1%
Greenlee	\$23,572,100	\$25,130,309	\$1,558,209	6.6%
La Paz	\$33,036,650	\$32,040,614	(\$996,036)	-3.0%
Maricopa	\$3,065,393,528	\$3,060,728,490	(\$4,665,038)	-0.2%
Mohave	\$253,015,076	\$252,282,568	(\$732,508)	-0.3%
Navajo	\$118,533,913	\$120,792,901	\$2,258,988	1.9%
Pima	\$1,569,147,951	\$1,497,657,953	(\$71,489,998)	-4.6%
Pinal	\$373,723,558	\$378,079,096	\$4,355,538	1.2%
Santa Cruz	\$70,355,234	\$74,308,956	\$3,953,722	5.6%
Yavapai	\$224,231,808	\$231,642,537	\$7,410,729	3.3%
Yuma	\$249,718,511	\$242,313,069	(\$7,405,442)	-3.0%
<b>TOTALS</b>	<b>\$6,584,122,045</b>	<b>\$6,482,982,517</b>	<b>(\$101,139,528)</b>	<b>-1.5%</b>

Note: Total budgeted amounts represent total financial resources for comparison purposes.

### General Fund Cash Balances

The General Fund cash on hand reported by Arizona Counties in FY 2015 is \$314 million (see Table 4). Total cash balances represent an average of 13.6% of total general fund budgets, which range from a low of 6.2% in Pima County to a high of 37.6% in Coconino County. Total cash is down \$135 million (30%) from last year, mostly as a result of the \$116 million reduction in Maricopa County, otherwise the overall reduction would represent just \$19 million. Nevertheless, the hefty cash balances that grew during the boom years provided a substantial cushion for the counties to weather the lean years.

The underreporting of cash balances by several counties continues to be a problem although state law clearly requires all cash, both restricted and unrestricted, be reported in the county general fund balance. Based on the most recent financial audits, counties underreported their cash by \$77 million, 15% of the audited cash balances. Although the beginning fund balance is an estimate, the amount budgeted compared to the audited amounts should be fairly close. That is clearly not the case for several counties that failed to report more than 50% of their actual cash balances, such as Apache (underreported by \$4.7 million), Greenlee (\$5.5 million), La Paz (\$2.7 million), and Mohave (\$11.2 million). With the exception of La Paz County, the underreporting of cash is the result of a legal interpretation by these counties that they are not required to show cash that they don't plan to spend. The Arizona Auditor General's office has supported ATRA's position that the law requires all cash to be included in the beginning fund balance.

Table 4. General Fund Cash Balances

County	FY 14 GF Budgeted Beg. Cash Balance	Audited (June 30, 2013) Cash Balance*	Diff. between Budgeted & Actual	FY 15 GF Budgeted Beg. Cash Balance	\$ Change	% Change	% of FY 2015 GF budget
Apache	\$4,000,000	\$8,663,279	(\$4,663,279)	\$5,000,000	\$1,000,000	25.0%	27.2%
Cochise	\$27,892,296	\$30,510,247	(\$2,617,951)	\$29,059,354	\$1,167,058	4.2%	35.6%
Coconino	\$30,237,664	\$29,184,907	\$1,052,757	\$27,259,345	(\$2,978,319)	-9.8%	37.6%
Gila	\$19,848,897	\$25,204,358	(\$5,355,461)	\$15,766,569	(\$4,082,328)	-20.6%	35.6%
Graham	\$1,268,293	\$2,155,713	(\$887,420)	\$1,937,553	\$669,260	52.8%	9.1%
Greenlee*	\$3,802,990	\$9,344,218	(\$5,541,228)	\$3,532,504	(\$270,486)	-7.1%	30.6%
La Paz	\$0	\$2,729,106	(\$2,729,106)	\$1,868,393	\$1,868,393	100.0%	11.1%
Maricopa	\$230,066,825	\$258,686,425	(\$28,619,600)	\$113,712,308	(\$116,354,517)	-50.6%	11.2%
Mohave*	\$1,860,717	\$13,026,776	(\$11,166,059)	\$7,695,004	\$5,834,287	313.6%	9.5%
Navajo	\$4,000,000	\$5,870,369	(\$1,870,369)	\$4,300,000	\$300,000	7.5%	10.1%
Pima	\$44,056,613	\$56,684,000	(\$12,627,387)	\$32,474,480	(\$11,582,133)	-26.3%	6.2%
Pinal	\$49,127,286	\$47,326,000	\$1,801,286	\$40,392,961	(\$8,734,325)	-17.8%	21.9%
Santa Cruz	\$10,949,691	\$13,458,400	(\$2,508,709)	\$10,336,084	(\$613,607)	-5.6%	36.1%
Yavapai	\$5,268,001	\$5,948,186	(\$680,185)	\$6,523,933	\$1,255,932	23.8%	6.9%
Yuma	\$16,576,861	\$17,337,497	(\$760,636)	\$13,777,216	(\$2,799,645)	-16.9%	18.3%
<b>TOTALS</b>	<b>\$448,956,134</b>	<b>\$526,129,481</b>	<b>(\$77,173,347)</b>	<b>\$313,635,704</b>	<b>(\$135,320,430)</b>	<b>-30.1%</b>	<b>13.6%</b>

\*Apache and Gila County data is based on FY 2012 data, which is their most recent financial audit.

### Property Values & Levies

Although statewide primary net assessed values (NAV) increased 2.7%, the growth is isolated to only a few counties, with Maricopa County having the largest percentage growth of 4.8% (see Table 5). Excluding Maricopa from the analysis shows that statewide primary NAV decreased slightly by 0.6%. The three other counties that experienced growth in their primary NAV's this year included Greenlee County, with dramatic growth of 36.6% and Graham County with 10% growth. Pinal County showed minimal growth of less than 1% and Yuma County's primary NAV remained virtually unchanged.

Secondary NAVs increased twice as much as PNAV by 5.2%. Similar to the change in primary NAVs, excluding Maricopa County from the equation reflects an overall drop in values of less than 1%. Compared to last year's 6.2% decrease in statewide values, it appears that property values have finally stabilized.

Table 5. Net Assessed Values

County	FY 2014 PNAV	FY 2015 PNAV	\$ Change	% Change	FY 2014 SNAV	FY 2015 SNAV	\$ change	% change
Apache	\$ 525,723,278	\$ 513,655,622	(\$12,067,656)	-2.3%	\$ 531,638,110	\$ 517,650,768	\$ (13,987,342)	-2.6%
Cochise	1,006,475,403	955,783,522	(\$50,691,881)	-5.0%	1,011,138,917	959,542,199	\$ (51,596,718)	-5.1%
Coconino	1,519,086,333	1,512,794,264	(\$6,292,069)	-0.4%	1,533,065,282	1,534,483,938	\$ 1,418,656	0.1%
Gila	438,624,843	416,099,715	(\$22,525,128)	-5.1%	440,187,536	419,257,531	\$ (20,930,005)	-4.8%
Graham	192,240,653	211,469,611	\$19,228,958	10.0%	194,024,943	213,508,436	\$ 19,483,493	10.0%
Greenlee	335,715,128	458,425,787	\$122,710,659	36.6%	336,148,250	462,439,380	\$ 126,291,130	37.6%
La Paz	216,835,366	205,814,389	(\$11,020,977)	-5.1%	224,552,041	210,720,562	\$ (13,831,479)	-6.2%
Maricopa	31,996,204,979	33,519,795,354	\$1,523,590,375	4.8%	32,229,006,810	35,079,646,593	\$ 2,850,639,783	8.8%
Mohave	1,771,371,872	1,727,793,369	(\$43,578,503)	-2.5%	1,809,668,423	1,757,074,571	\$ (52,593,852)	-2.9%
Navajo	903,351,854	845,018,236	(\$58,333,618)	-6.5%	904,776,433	846,247,083	\$ (58,529,350)	-6.5%
Pima	7,559,129,097	7,518,481,988	(\$40,647,109)	-0.5%	7,623,691,280	7,579,898,868	\$ (43,792,412)	-0.6%
Pinal	1,988,882,373	2,005,151,766	\$16,269,393	0.8%	2,005,343,534	2,040,749,841	\$ 35,406,307	1.8%
Santa Cruz	338,356,662	320,999,663	(\$17,356,999)	-5.1%	339,878,006	323,843,644	\$ (16,034,362)	-4.7%
Yavapai	2,232,629,599	2,217,272,811	(\$15,356,788)	-0.7%	2,279,676,521	2,267,389,484	\$ (12,287,037)	-0.5%
Yuma	1,112,115,440	1,112,447,688	\$332,248	0.0%	1,131,581,406	1,139,598,176	\$ 8,016,770	0.7%
<b>Total</b>	<b>\$ 52,136,742,880</b>	<b>\$ 53,541,003,785</b>	<b>\$1,404,260,905</b>	<b>2.7%</b>	<b>\$ 52,594,377,492</b>	<b>\$ 55,352,051,074</b>	<b>\$ 2,757,673,582</b>	<b>5.2%</b>

The average primary tax rates adopted by Arizona's counties increased over 7 cents, from \$2.1046 to \$2.1788 (see Table 6). Overall, eight counties adopted tax rates within their truth in taxation (TNT) limits. 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. This year, seven counties exceeded their TNT limits, with the most significant increase in Pima County. Four of the eight counties that adopted rates within their TNT limits left their tax rates the same, which included Cochise, Gila, Mohave, and Pinal, Graham County reduced it's

tax rate over 19 cents to remain under the TNT limit, and the remaining three counties were able to increase their rates and still remain within their TNT limits due to the reduction in property values. Despite the extensive opposition from Pima County taxpayers and businesses, the Pima County Board of Supervisors adopted a staggering 61-cent primary property tax rate increase. As a result, Pima County has regained the unfavorable distinction of levying the highest tax rate of all the counties with the adoption of its \$4.2779 tax rate, which exceeds the average county primary tax rate by \$2.0991.

**Table 6. Primary Tax Rates**

County	FY 2014	FY 2015	\$ Change	% Change	Max Tax Rate	TNT	\$ over TNT
Apache	\$0.4593	\$0.4810	\$0.0217	4.7%	\$0.4810	\$0.4716	\$0.0094
Cochise	\$2.6276	\$2.6276	\$0.0000	0.0%	\$3.3418	\$2.8295	-\$0.2019
Coconino	\$0.5466	\$0.5646	\$0.0180	3.3%	\$0.5646	\$0.5535	\$0.0111
Gila	\$4.1900	\$4.1900	\$0.0000	0.0%	\$6.7275	\$4.5318	-\$0.3418
Graham	\$2.3711	\$2.1794	(\$0.1917)	-8.1%	\$2.3127	\$2.1794	\$0.0000
Greenlee	\$0.7350	\$0.5500	(\$0.1850)	-25.2%	\$0.5559	\$0.5390	\$0.0110
La Paz	\$1.9608	\$2.2863	\$0.3255	16.6%	\$2.2863	\$2.1145	\$0.1718
Maricopa	\$1.2807	\$1.3209	\$0.0402	3.1%	\$1.8068	\$1.2486	\$0.0723
Mohave	\$1.8196	\$1.8196	\$0.0000	0.0%	\$2.2729	\$1.8909	-\$0.0713
Navajo	\$0.6995	\$0.8185	\$0.1190	17.0%	\$0.8185	\$0.7561	\$0.0624
Pima	\$3.6665	\$4.2779	\$0.6114	16.7%	\$4.9720	\$3.7633	\$0.5146
Pinal	\$3.7999	\$3.7999	\$0.0000	0.0%	\$5.9982	\$3.8371	-\$0.0372
Santa Cruz	\$3.4215	\$3.6471	\$0.2256	6.6%	\$4.1822	\$3.6471	\$0.0000
Yavapai	\$1.9308	\$1.9580	\$0.0272	1.4%	\$2.2599	\$1.9732	-\$0.0152
Yuma	\$2.0606	\$2.1608	\$0.1002	4.9%	\$2.4470	\$2.1609	-\$0.0001
<b>Avg. Rates</b>	<b>\$2.1046</b>	<b>\$2.1788</b>	<b>\$0.0741</b>	<b>3.5%</b>	<b>\$2.7352</b>	<b>\$2.1664</b>	<b>\$0.0123</b>

Overall, primary levies adopted by the counties increased more than \$78 million (8.3%). Six counties that are at or near (within 10%) their constitutional levy limit include Apache, Coconino, Graham, Greenlee, La Paz, and Navajo County (see Table 7). Not surprising, the 16% increase (\$44.5 million) in Pima County's primary levy as a result of the 61-cent increase in its primary tax rate is the main driver in the overall growth in primary levies, followed by Maricopa County with a 8.1% (\$33 million) increase.

**Table 7. Primary Levies**

County	FY 2014	FY 2015	\$ Change	% Change	Max Levy
Apache	\$2,414,647	\$2,470,684	\$56,037	2.3%	\$2,470,684
Cochise	\$26,446,148	\$25,114,167	(\$1,331,981)	-5.0%	\$31,940,374
Coconino	\$8,303,326	\$8,541,236	\$237,910	2.9%	\$8,541,236
Gila	\$18,378,381	\$17,434,578	(\$943,803)	-5.1%	\$27,993,108
Graham	\$4,558,218	\$4,608,769	\$50,551	1.1%	\$4,890,658
Greenlee	\$2,478,151	\$2,521,341	\$43,190	1.7%	\$2,548,389
La Paz	\$4,251,708	\$4,705,534	\$453,826	10.7%	\$4,705,534
Maricopa	\$409,775,397	\$442,762,977	\$32,987,580	8.1%	\$605,635,662
Mohave	\$32,231,883	\$31,438,928	(\$792,955)	-2.5%	\$39,271,015
Navajo	\$6,318,553	\$6,916,474	\$597,921	9.5%	\$6,916,474
Pima	\$277,155,468	\$321,633,141	\$44,477,673	16.0%	\$373,818,925
Pinal	\$75,575,541	\$76,193,762	\$618,221	0.8%	\$120,273,013
Santa Cruz	\$11,576,873	\$11,707,247	\$130,374	1.1%	\$13,424,848
Yavapai*	\$43,108,560	\$43,415,263	\$306,703	0.7%	\$50,108,148
Yuma	\$22,916,250	\$24,037,770	\$1,121,520	4.9%	\$27,221,595
<b>TOTALS</b>	<b>\$945,489,104</b>	<b>\$1,023,501,871</b>	<b>\$78,012,767</b>	<b>8.3%</b>	<b>\$1,319,759,663</b>

\*The primary property tax levy for Yavapai County includes an additional levy of \$306,703 for the Transwestern judgment.

## County Employee Compensation

In recent years, most counties opted to award employees with one-time distributions due to the uncertain economic times. However, now that county general fund revenues are on the rise again, almost all counties made the decision to award employee pay raises. Many of the counties that previously awarded only one-time distributions moved to permanent pay raises this year, which included raises for cost-of-living (COLA), Pay-for-performance (PFP), and market adjustments (see Table 8). Many counties either have or are in the process of having a classification and compensation study conducted to make a determination on current and future employee pay increases.

**Table 8. Employee Compensation**

County	FY 2014 Budget	Estimated Total Impact	FY 2015 Budget	Estimated Impacts
Apache	5% COLA	\$420,000	3% COLA	\$250,000
Cochise	one-time distribution	\$1,482,000	Market adjustments	\$200,000 (GF)
Coconino	1.5% market + 2.5% merit on anniversary	Impact unknown	2.5% Merit + 1.5% mid-year increase	\$1.28 M (GF) TF Unknown
Gila	classification & compensation study	\$2 million slated	Avg. 6.2% increase	\$1.34 M (GF)
Graham	longevity raises	\$53,000	longevity + 4% avg. market adj.	\$346k (GF), \$561k (TF)
Greenlee	3.5% increase + 1.5% add'l for sheriffs	Impact unknown	3% across the board	\$109K (GF), \$171K (TF)
La Paz	May award one-time payment	Unknown	3% COLA	\$250k (GF), \$500k (TF)
Maricopa	PFP 5% avg. + equity adjs.	\$67 million	2.5% PFP, Market adj., Ed Asst Program	\$16.6 M (GF), \$27.5 M (TF)
Mohave	2.5% COLA	\$1.7 million	Some reclassifications	Unknown
Navajo	2% adj.	\$300,000	2% COLA, 2% one-time payment	\$783k (GF), \$1.2 M (TF)
Pima	1% COLA + 2% + one-time adj	\$12 million	2% (no less than \$750/employee)	\$5.1 M (GF), \$7.5M (TF)
Pinal	2.5% Merit	\$70,000	2.5% (distribute in 4th QTR)	\$2.2M (GF), \$2.8 M (TF)
Santa Cruz	one-time distribution	\$204,750	5% across the board	\$359k (GF), \$785k (TF)
Yavapai	Not budgeted	n/a	1% COLA, 0-3% adj.	\$1.3 M (GF), \$2.6 M (TF)
Yuma	Step increases	\$1.69 million	Not budgeted	n/a

Total county general fund salaries, including employee related expenses (ERE's), increased 5.1% to nearly \$1.3 billion in FY 2015 (see Table 9). This year's increase was mainly driven by the 7.2% growth in salaries to \$923 million, which accounts for 73% of total compensation. The counties with the largest percentage increases in salaries were Maricopa (16%), Greenlee (9.4%), Navajo (7.4%), Coconino (5.1%), and Apache (5%). ERE's account for the remaining 27% (\$340 million) in total compensation, which includes funding for employee health care costs, retirement costs, and other benefit costs. Employee compensation as a percentage of county general fund budgets account for approximately 55% in FY 2015, ranging from a low of 41% in Santa Cruz County to a high of 63% in Yavapai County.

In FY 2015, the 18,917 in full-time equivalents (FTE's) included in the county general fund budgets represent 57% of total budgeted FTEs and varies between the fifteen counties. The difference in the allocation of FTE's in the general fund and special revenue funds between counties can be due to the level of reliance on special taxing districts. For example, a low percentage of FTEs in the general fund may be reflective of a county that has greater reliance on special taxing districts rather than its general fund compared to a county that funds the same services strictly from its general fund without creating an additional taxing source. For instance, the percentage of general fund budgeted FTEs as a percentage of total FTEs ranges from a low of 41% in Apache County, which relies the most on special taxing districts compared to the other the counties, to a high of 74% in Pinal County, which relies less on special taxing districts.

Total budgeted salaries, including ERE's, in all funds grew 5.3% to \$2.2 billion in FY 2015 (see Table 10). In addition, total FTE's in all funds increased 1.5% to 33,324.

A full detail of FY 2015 adopted county budgets will be available on ATRA's website at [www.arizonatax.org](http://www.arizonatax.org) in November.

-Jennifer Stielow





Table 9. General Fund

County	FTE'S		Salaries		Employee Related Exp.		Total Comp		% Chg.	% of GF
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015		
Apache	154	165	\$6,531,918	\$6,858,429	\$3,354,376	\$3,175,628	\$9,886,294	\$10,034,057	1.5%	54.5%
Cochise	614	617	\$28,146,530	\$28,465,516	\$11,174,045	\$11,221,023	\$39,320,575	\$39,686,539	0.9%	48.6%
Coconino	487	533	\$25,447,329	\$26,738,366	\$10,479,121	\$10,999,580	\$35,926,450	\$37,737,946	5.0%	52.0%
Gila	413	404	\$16,771,930	\$15,420,882	\$7,102,563	\$6,586,359	\$23,874,493	\$22,007,241	-7.8%	49.8%
Graham	190	187	\$8,494,295	\$8,485,783	\$2,726,287	\$2,735,533	\$11,220,582	\$11,221,316	0.0%	52.7%
Greenlee	92	101	\$4,286,247	\$4,687,149	\$1,820,229	\$2,074,735	\$6,106,476	\$6,761,884	10.7%	58.5%
La Paz*	131	131	\$5,807,505	6,057,505	\$2,660,706	2,660,706	\$8,468,211	8,718,211	3.0%	51.8%
Maricopa**	7,339	7,620	\$347,796,303	\$403,381,982	\$129,303,152	\$116,135,102	\$477,099,455	\$519,517,084	8.9%	51.1%
Mohave	711	717	\$32,140,407	\$32,308,397	\$14,051,947	\$14,119,349	\$46,192,354	\$46,427,746	0.5%	57.5%
Navajo	376	394	\$16,507,161	\$17,722,468	\$7,019,621	\$7,733,837	\$23,526,782	\$25,456,305	8.2%	59.8%
Pima	4,739	4,760	\$207,371,588	\$207,858,958	\$88,473,823	\$97,207,707	\$295,845,411	\$305,066,665	3.1%	58.5%
Pinal	1,544	1,572	\$81,358,979	\$82,685,522	\$29,671,584	\$30,515,661	\$111,030,563	\$113,201,183	2.0%	61.5%
Santa Cruz	180	183	\$8,161,289	\$8,216,867	\$3,534,033	\$3,600,181	\$11,695,322	\$11,817,048	1.0%	41.2%
Yavapai	850	874	\$40,565,156	\$42,350,296	\$16,097,460	\$17,120,936	\$56,662,616	\$59,471,232	5.0%	62.6%
Yuma	662	659	\$31,177,515	\$30,910,513	\$12,761,417	\$13,665,260	\$43,938,932	\$44,575,773	1.4%	59.2%
<b>TOTALS</b>	<b>18,482</b>	<b>18,917</b>	<b>\$860,564,152</b>	<b>\$922,148,633</b>	<b>\$340,230,364</b>	<b>\$339,551,597</b>	<b>\$1,200,794,516</b>	<b>\$1,261,700,230</b>	<b>5.1%</b>	<b>54.6%</b>

\*La Paz County FY 2015 Budget did not include the budgeted salaries and employee related expenses; therefore, the total compensation is estimated.

\*\*Total compensation in the Maricopa County FY 2014 budget nets out \$59,519,223 in Personnel Allocation costs and \$65,689,607 in FY 2015.

Table 10. Total Funds

County	FTE'S		Salaries		Employee Related Exp.		Total Comp		% Chg.	% of TF
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015		
Apache	390	404	\$14,413,425	\$14,873,372	\$7,155,563	\$6,728,728	\$21,568,988	\$21,602,100	0.2%	40.9%
Cochise	908	898	\$39,677,358	\$40,246,293	\$15,555,590	\$15,651,738	\$55,232,948	\$55,898,031	1.2%	36.8%
Coconino	1,056	1,170	\$50,638,768	\$53,441,204	\$21,146,941	\$21,566,075	\$71,785,709	\$75,007,279	4.5%	31.9%
Gila	660	652	\$25,882,666	\$24,498,455	\$10,908,052	\$10,463,037	\$36,790,718	\$34,961,492	-5.0%	37.0%
Graham	264	260	\$11,852,238	\$11,617,613	\$3,607,957	\$3,767,184	\$15,460,195	\$15,384,797	-0.5%	45.8%
Greenlee	160	168	\$6,525,373	\$6,939,938	\$2,855,093	\$3,120,812	\$9,380,466	\$10,060,750	7.3%	40.0%
La Paz*	240	240	\$9,844,159	10,344,159	\$4,447,529	4,447,529	\$14,291,688	14,791,688	3.5%	46.2%
Maricopa	14,423	14,812	\$656,327,796	\$742,046,842	\$324,021,888	\$322,926,341	\$980,349,684	\$1,064,973,183	8.6%	34.8%
Mohave	1,272	1,275	\$55,863,245	\$55,347,435	\$24,245,262	\$24,163,337	\$80,108,507	\$79,510,772	-0.7%	31.5%
Navajo	679	692	\$28,256,868	\$29,320,344	\$11,339,115	\$12,639,255	\$39,595,983	\$41,959,599	6.0%	34.7%
Pima	7,328	7,258	\$311,458,136	\$314,802,580	\$132,676,288	\$143,909,139	\$444,134,424	\$458,711,719	3.3%	30.6%
Pinal	2,123	2,118	\$108,398,857	\$109,994,918	\$38,321,770	\$39,821,972	\$146,720,627	\$149,816,890	2.1%	39.6%
Santa Cruz	386	378	\$16,553,523	\$16,366,043	\$7,033,273	\$6,987,181	\$23,586,796	\$23,353,224	-1.0%	31.4%
Yavapai	1,504	1,555	\$69,275,429	\$72,779,035	\$26,928,645	\$28,844,580	\$96,204,074	\$101,623,615	5.6%	43.9%
Yuma	1,449	1,444	\$64,910,376	\$63,769,342	\$26,429,124	\$28,113,302	\$91,339,500	\$91,882,644	0.6%	37.9%
<b>TOTALS</b>	<b>32,842</b>	<b>33,324</b>	<b>\$1,469,878,217</b>	<b>\$1,566,387,573</b>	<b>\$656,672,090</b>	<b>\$673,150,210</b>	<b>\$2,126,550,307</b>	<b>\$2,239,537,783</b>	<b>5.3%</b>	<b>34.5%</b>

\*La Paz County FY 2015 Budget did not include the budgeted salaries and employee related expenses; therefore, the total compensation is estimated.