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ARIZONA TAX RESEARCH ASSOCIATION

NEWSLETTER VOLUME 77 NUMBER 7 OCTOBER 2017

COUNTY BUDGETS MAINTAIN HEALTHY GROWTH TREND

General Fund Budgets

County General Fund (GF) budgets grew 3.1% in FY 2018 to over $2.5 billion. The GF is the primary operating fund of county government, which is mainly supported with property taxes, state shared revenues, local sales taxes, and cash reserves.

Mohave County adopted the largest percentage increase of 11% in FY 2018, followed by Coconino (8.3%), and Apache (7.7%). La Paz County has been struggling financially for many years which is the main reason behind the 23% drop in its GF budget.

The budgeted amounts represent total financial resources for comparison purposes. On average, counties

See **COUNTY BUDGETS**, Page 6

$800M in K-12 Bonds on November Ballots

Capital spending on school districts is in full swing. A long-time consultant who aids school districts in capital spending recently relayed that he'd never been busier in his career. Indeed, the school construction industry has been overwhelmed. In the last two years alone, school districts received voter approval for $1.99 billion in bonds. The state's School Facilities Board saw its budget doubled and is approving roughly $3 to $5 million per month in projects.

School districts are asking voters this November to approve a combined $812 million in bonds, which is concentrated in a few large requests. Several smaller districts are asking for modest sums while some larger districts are

See **K-12 BONDS**, Page 2

Inside:

Measuring Arizona's Cost of Living, pg. 3

Upcoming Events!

ATRA Golf Tournament:

Nov. 3, 12:00 pm

McCormick Ranch Golf Resort

ATRA Outlook Conference:

Nov 14, 8:00 am

Wigwam Resort

K-12 BONDS, *Continued from page 1*

asking for impressive amounts such as Phoenix Union's $269 million, Kyrene Elementary's $117 million and Tolleson Union's $125 million. All told including interest, bond requests this year are estimated to cost taxpayers $1.225 billion.

School district bond and override elections are largely an insider's game. Consultants inform districts when it is advantageous to seek a new bond based on the phasing out of their existing bond payments in order to add debt without shocking their tax rate. By the time the public catches wind of the election, it's too late to submit a publicity pamphlet argument which are due in the summer. The pro side, coordinated by the district and often a supportive nonprofit, quietly gathers support and fundraises for the election.

Over the last four years there have been 1,276 arguments submitted to the voter pamphlet in favor of bond or override elections and just 67 opposed arguments. That disparity notwithstanding, they are often close elections. Half of those 67 were in four particularly contested elections, meaning most end up with zero opposed submissions. This year there is just one opposition argument in any bond or override election statewide.

Bond and override elections are funded by smaller donations from PTA clubs and individuals while large donations come mostly from construction or related professional services companies who perform a significant amount of work for school districts. It is not uncommon for a construction or architecture firm to contribute $5,000 to $15,000 to the campaign supporting the election.

One interesting aspect of school bond sales is the impact of the state's statutory limits on bonding, which is 10% of a district's net secondary assessed value for elementary and union high school districts and 20% for unified districts. A district may approve more debt than they are allowed by phasing in the bond sales over time, meaning they do not have access to all the money simultaneously. If their total proposed principal debt (including existing debt) exceeds their *constitutional* limit, which is an amount 50% higher than the statutory limit, they must print in all capital letters on the ballot pamphlet that the bond will exceed their limit. Therefore many districts seek a bond amount that keeps their debt between the two limits, to remain under the constitutional amount (and the public notice) while maintaining maximum ability to stay at the statutory limit. For this year, six district's bond debt requests, in addition to existing debt principal, exceed their statutory authority. For example, Kyrene Elementary has $185 million in existing debt principal and the additional $117 million request is $64 million greater than their statutory limit.

The highest amounts of bond debt service per pupil in the state are in small, rural districts with very high net assessed values, meaning the tax rate to repay the debt is low. With 1,048 students, Sedona Oak-Creek Unified spends $4,104 per pupil on bond debt service. Joseph City Unified, which sports a power plant and just 380 students spends $1,800 in bond debt service. Heber-Overgaard Unified with 440 students spends $1,905 per pupil. Leveraging the neighboring nuclear power plant, Saddle Mountain Unified spends $1,879 per pupil on its 1,443 students.

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The state's highest per pupil spender of debt service for bonds is an urban district, Riverside Elementary in southwest Phoenix, which spends an eye-opening $8,483 per pupil on its 861 pupils. Madison Elementary spends the highest among large urban districts at $2,714 per annum. Osborn Elementary and Paradise Valley Unified spend the next highest at $1,879 and $1,651 per pupil respectively.

Almost all Maricopa and Pima County schools have a bond program and many of them spend well north of $1,000 per pupil on bond debt service, although some benefit for economies of scale and spend less despite their large bond programs, such as Chandler Unified at $651 per pupil, Mesa Unified at $750 per pupil and Washington Elementary at $652 per pupil.

Twenty-three school districts are seeking M&O overrides this November, most of which are renewals of existing programs. Several school districts are seeking an override increase and therefore, the tax to fund the program. Litchfield Elementary, Tempe Union, Fountain Hills Unified, and Paradise Valley Unified are all proposing tax increases to the maximum override allowed by law at 15% of budget.

The average override approved over the last four years added $4.4 million to a school district budget and cost taxpayers roughly $0.93 per $100 of assessed value. However, tax rates for overrides vary sharply and districts with low values struggle to get them approved. One of the most expensive overrides from a rate perspective, Isaac Elementary, is asking its voters to reauthorize its 15% M&O override this year which costs taxpayers four times the average at $4.04 per $100 of assessed value. Districts with larger budgets because of high student counts in areas with mostly residential property and often times less commercial property have the highest override tax rates in the state. These include Cartwright Elementary ($5.71), Laveen Elementary ($2.32), Glendale Elementary ($3.43), Alhambra Elementary ($2.81), Pendergast Elementary ($2.35), and Holbrook and Winslow Unified (both $2.50).

-Sean McCarthy

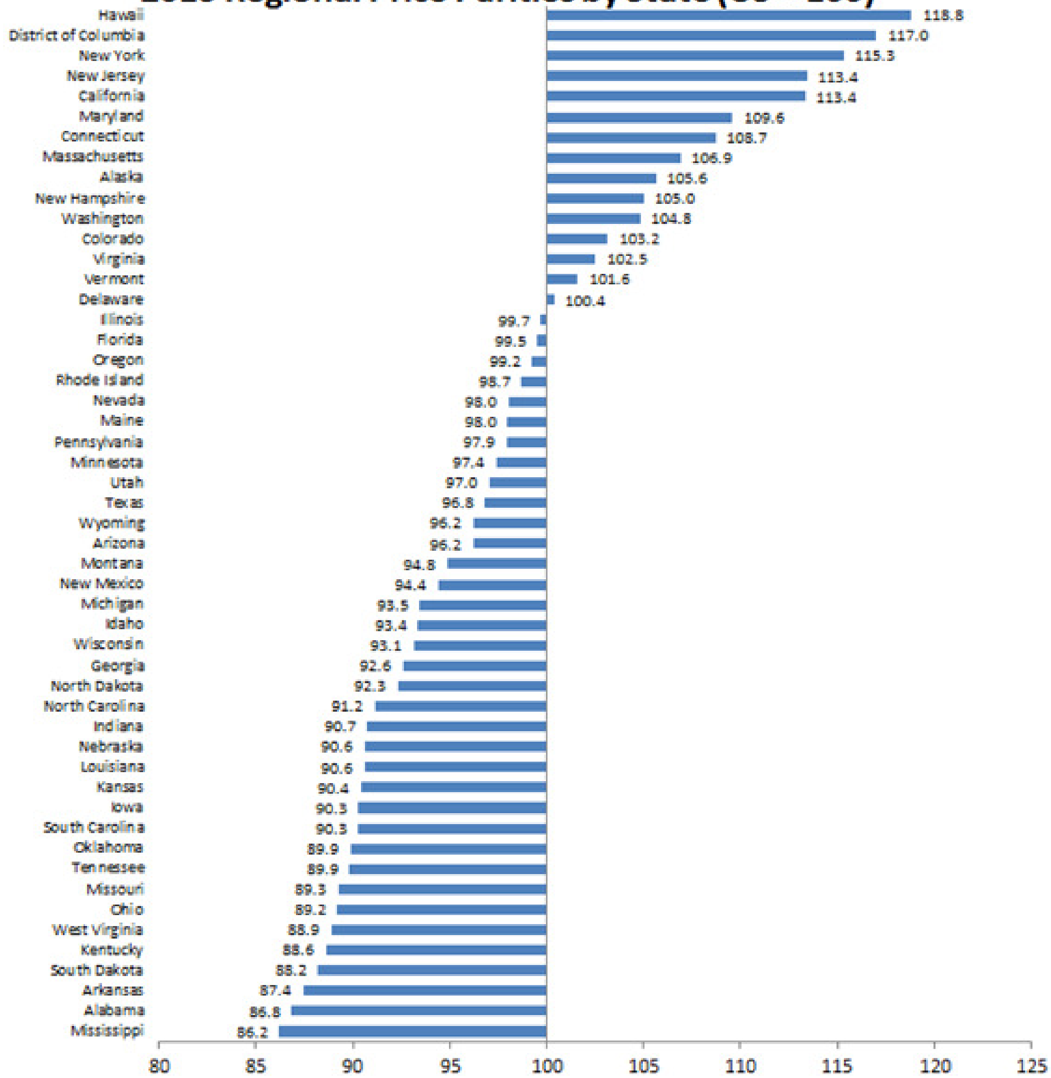
Measuring Arizona's Cost of Living
How Bad Data Conflicts with Reality

Arizona's cost of living is near the median in the U.S., at least according to the federal government's Bureau of Economic Analysis (BEA), who creates a comparison called the Regional Price Parities (RPP). It may surprise some to see Arizona labeled considerably more expensive than states like Michigan, North Carolina, and Georgia.

Decades of sustained migration has often been attributed to factors including a lower cost of living in Arizona. The 2017 *US News* "Best Places to Live" cited among Phoenix' strong suits it's "relatively low cost of living." Were they wrong?

Per the BEA, Arizona rates a 96.2 on the RPP scale where the U.S. average is 100, well higher than states often considered competitors. Breaking that down by region, Phoenix-Mesa-Glendale generates a 102.1, on par with metro areas like Dallas-Fort Worth, Burlington, and Minneapolis-St. Paul. It indicates Phoenix metro is more expensive than places like Portland and Sacramento. Tucson rates a 96.1, Yuma a 93.7 and Flagstaff with a head-scratching 99.5.

2015 Regional Price Parities by State (US = 100)



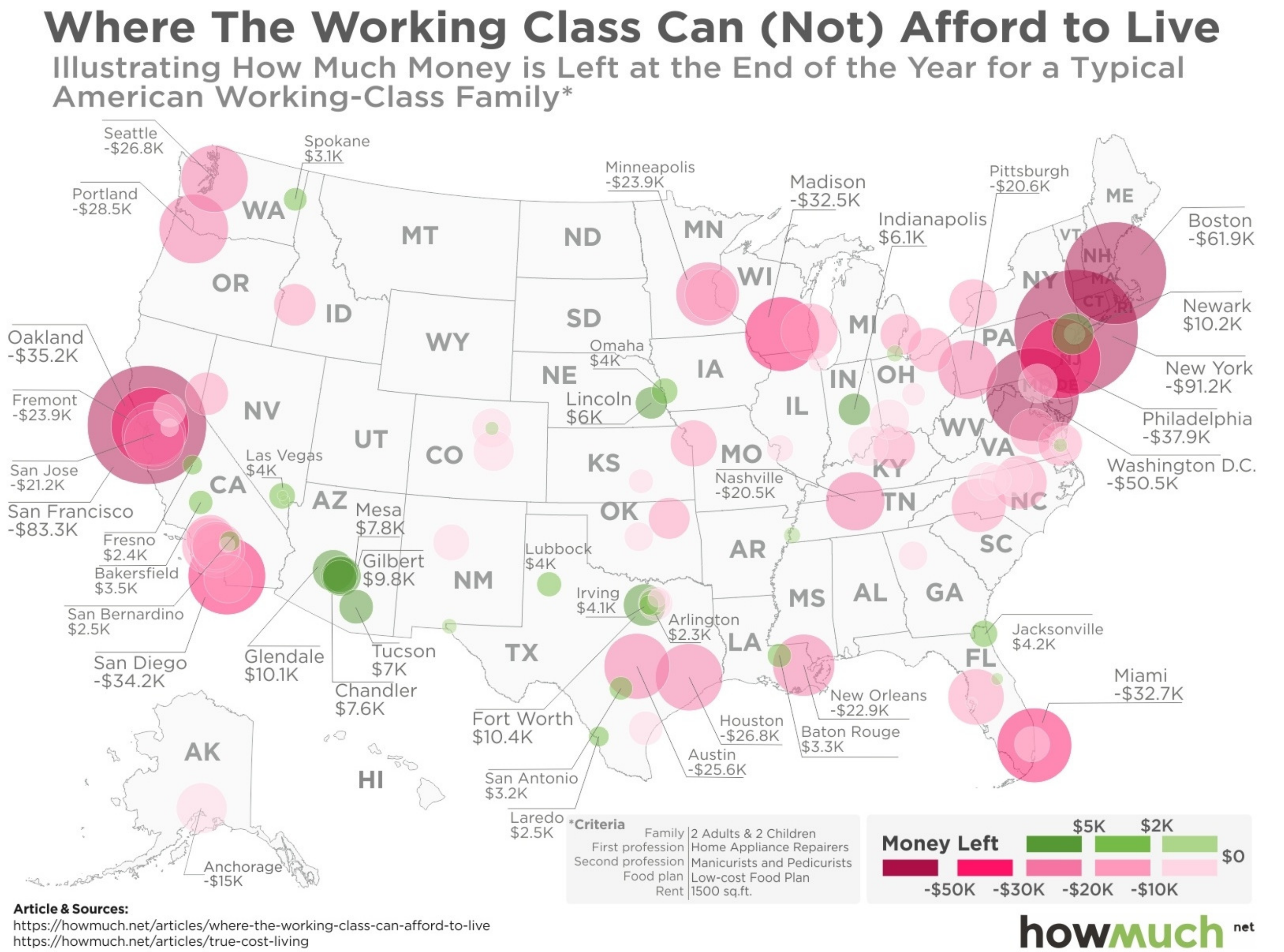
The RPP is calculated by measuring the average costs of a wide variety of goods such as rent and food, similar to the method used to calculate the Consumer Price Index. If the RPP for an area is 110, it means prices are 10% higher than the U.S. average.

One key RPP variable is housing, which is measured from area rents. Interestingly, Arizona is ranked far more expensive in housing than peers such as New Mexico (17 points), Utah (10 points), and Texas (7 points) but curiously much lower than Nevada (12 points) and is even with Colorado. The bottom line is the most important variable in RPP doesn't pass the smell test. RPP is not often used in a vacuum because it only demonstrates average costs and does not factor wages or personal income. Therefore, RPP should not be used as a Cost of Living tool on its own and using it to adjust average incomes is a limited approach.

Enter the *True Cost of Living Tool* from HowMuch, a cost information website. This interactive platform provides census-tract level data on living affordability in the United States. From their site:

> *There are many cost of living rankings out there, but most of them give cost of living averages for the "average American household." Here's the issue - the "average American household" doesn't exist. Income and expenses vary widely between a single millennial to a household of two parents and three kids. Our cost tool explores the costs and expenses of living in a place based on your own, specific needs.*

The *True Cost of Living Tool* is extensively researched and combines robust data to give a more complete explanation of what it's like to live in a particular area with a particular lifestyle. For example, a millennial making $150,000 a year may enjoy an outstanding quality of life while single in San Francisco but if her goal is to have a family and a



2,500 square foot domicile, her net expenses will be upside down. The tool combines federal data on income, taxes, food costs, utilities, healthcare, and transportation and uses a variety of sources to calculate housing, child care and other typical costs.

Their analysis concludes that Arizona remains an affordable place to live at a variety of income levels. Their tool allows users to see surplus income after expenses given different variables. Comparing affordability for the working class, “Arizona dominates the list… for cities with [a] net surplus remaining after living expenses.” Glendale, Gilbert, and Mesa rank #3, #4 and #5 respectively and Chandler and Tucson came in #6 and #7 in the nation. (https://howmuch.net/articles/where-the-working-class-can-afford-to-live) Five cities in the top ten out of the 50 largest cities in the U.S. for affordability for the working class is quite the accomplishment.

The takeaway for policymakers is that average salary data adjusted for RPP is a limited and likely misleading statistic. Affordability is more complex than one statistic merging all income and expense levels. And the areas where the vast majority of Arizonans live: metro Phoenix and Tucson, pencil out to be affordable places to live relative to peers. Migrants aren’t stupid; folks move to and stay in Arizona in part because it’s an affordable place to live.

-Sean McCarthy

COUNTY BUDGETS, *Continued from page 1*

typically spend less than 90% of their adopted budgets but the difference can be significant between counties depending on their beginning fund balances. For instance, Greenlee County spends up to 70% of its adopted GF budget and holds nearly $6.7 million in its beginning fund balance (37.3% of GF budget). By comparison, Graham County spends approximately 90% of its GF budget and carries a much lower fund balance of $407,271 (2.3% of GF budget). Over the last five years, Greenlee County's GF budget increased 55.1%, which is partially attributed to the growth in its fund balance over that time. Similarly, the 42.3% growth in Mohave County's GF budget since FY 2013 includes $20 million in reserves that the county is not planning to spend in FY 2018.

Table 1. General Fund Budgets

County	FY 2013	FY 2017	FY 2018	1-yr % Chg	5-yr % chg
Apache	$15,488,797	$20,117,544	$21,668,684	7.7%	39.9%
Cochise	$83,964,571	$81,056,797	$79,617,954	-1.8%	-5.2%
Coconino	$67,158,299	$79,647,819	$86,241,123	8.3%	28.4%
Gila	$46,155,010	$49,042,638	$49,538,752	1.0%	7.3%
Graham	$20,309,658	$17,932,119	$17,437,207	-2.8%	-14.1%
Greenlee[1]	$11,514,477	$17,455,649	$17,860,629	2.3%	55.1%
La Paz	$14,010,366	$16,150,812	$12,433,021	-23.0%	-11.3%
Maricopa	$1,035,674,136	$1,062,505,856	$1,123,964,835	5.8%	8.5%
Mohave[2]	$73,297,582	$93,961,335	$104,332,116	11.0%	42.3%
Navajo	$39,325,245	$41,408,189	$40,275,535	-2.7%	2.4%
Pima	$491,891,733	$588,342,099	$576,235,452	-2.1%	17.1%
Pinal	$190,822,498	$174,359,922	$183,446,121	5.2%	-3.9%
Santa Cruz	$27,108,017	$29,030,538	$27,938,246	-3.8%	3.1%
Yavapai	$88,018,086	$97,930,243	$103,106,022	5.3%	17.1%
Yuma	$75,367,041	$83,949,570	$84,758,261	1.0%	12.5%
TOTALS	**$2,280,105,516**	**$2,452,891,130**	**$2,528,853,958**	**3.1%**	**10.9%**

[1]The Greenlee County budget includes $5 million for future debt retirement and stabilization.

[2]The FY 2018 Mohave County budget includes $19,789,388 reserved as unbudgeted fund balance and $13,096,330 in FY 2017.

Total Fund Budgets

County total fund (TF) budgets increased modestly by 0.9% to $7.1 billion in FY 2018. TF budgets also represent total financial resources and consist of the GF, special revenue funds, capital projects, debt service funds for voter-approved and non-voter approved bonds, enterprise funds, and cash reserves. This year's TF budget increases were led by Yavapai (9.9%), Apache (8.3%), and Santa Cruz (7.2%). The La Paz County budget dropped a dramatic 15.7%, the largest decrease of all the counties.

Table 2. Total Fund Budgets

County	FY 2013	FY 2017	FY 2018	1-yr % Chg	5-yr % chg
Apache	$51,492,813	$53,417,659	$57,855,043	8.3%	12.4%
Cochise	$158,782,707	$163,079,822	$161,345,460	-1.1%	1.6%
Coconino	$216,743,152	$236,039,924	$214,583,588	-9.1%	-1.0%
Gila	$96,468,130	$94,014,975	$98,859,359	5.2%	2.5%
Graham	$31,890,759	$35,923,821	$37,229,976	3.6%	16.7%
Greenlee[1]	$21,290,602	$32,386,766	$33,973,627	4.9%	59.6%
La Paz	$30,220,759	$33,156,664	$27,955,668	-15.7%	-7.5%
Maricopa[2]	$3,148,868,111	$3,527,255,076	$3,508,158,909	-0.5%	11.4%
Mohave[3]	$255,080,903	$289,436,259	$309,351,067	6.9%	21.3%
Navajo	$113,367,385	$120,792,901	$115,978,668	-4.0%	2.3%
Pima	$1,891,874,602	$1,486,632,889	$1,541,134,771	3.7%	-18.5%
Pinal	$334,515,835	$409,710,527	$406,072,603	-0.9%	21.4%
Santa Cruz	$73,370,071	$70,464,737	$75,536,534	7.2%	3.0%
Yavapai	$236,582,755	$233,088,206	$256,105,643	9.9%	8.3%
Yuma	$242,839,540	$248,562,675	$255,150,383	2.7%	5.1%
TOTALS	**$6,903,388,124**	**$7,033,962,901**	**$7,099,291,299**	**0.9%**	**2.8%**

[1]The Greenlee County budget includes $5 million for future debt retirement and stabilization.

[2]The FY 2018 Maricopa County budget includes $23,050,514 for future debt retirement and $32,377,031 in FY 2017.

[3]The FY 2018 Mohave County budget includes $36,224,070 reserved as unbudgeted fund balance and $43,857,056 in FY 2017.

Over the last five years, TF budgets have grown just 2.8%. However, the large counties of Maricopa and Pima skew the average. Excluding those two counties from the calculation would reflect average growth of 10% over the last five years. Greenlee County's TF budget has grown nearly 60% since FY 2013 and both Pinal and Mohave Counties also experienced significant growth of 21%.

Fund Balances

Most counties carry substantial fund balances in FY 2018. On average, county fund balances reflect 14.8% of GF budgets and 32.2% of TF budgets (See Table 3). Arizona counties follow the Government Finance Officers

Association (GFOA) guideline that recommends unreserved fund balances of no less than two months of GF operating expenditures. Certainly the appropriate fund balance must be reflective of the jurisdictions unique circumstances, but in most cases, large governmental entities like counties require less reserves since the revenues that support their operations are more diversified and therefore subject to less volatility.

The total unreserved fund balance in Greenlee County carries the highest percentage of all the counties at 40.8%, followed closely by Coconino with 40.3% and Mohave with 39.2%. On the other hand, La Paz County's fiscal spiral is clearly reflected in its nominal fund balance of 1.3% of its TF budget.

Table 3. FY 2018 Fund Balances

County	General Fund	% of GF Budget	Total Funds	% of TF Budget
Apache	$5,000,000	23.1%	$10,774,461	18.6%
Cochise	$27,458,625	34.5%	$59,654,881	37.0%
Coconino	$30,585,325	35.5%	$86,467,715	40.3%
Gila	$17,500,000	35.3%	$37,670,254	38.1%
Graham	$407,271	2.3%	$6,541,068	17.6%
Greenlee	$6,655,641	37.3%	$13,856,322	40.8%
La Paz	$191,091	1.5%	$362,959	1.3%
Maricopa	$134,647,118	12.0%	$1,291,033,013	36.8%
Mohave	$20,401,388	19.6%	$121,124,945	39.2%
Navajo	$4,200,000	10.4%	$25,404,962	21.9%
Pima	$66,995,846	11.6%	$338,129,021	21.9%
Pinal	$26,243,732	14.3%	$139,459,310	34.3%
Santa Cruz	$9,134,116	32.7%	$22,701,017	30.1%
Yavapai	$9,739,066	9.4%	$52,619,519	20.5%
Yuma	$15,199,802	17.9%	$79,975,628	31.3%
TOTALS	**$374,359,021**	**14.8%**	**$2,285,775,075**	**32.2%**

Property Taxes

The *ATRA September 2017 Newsletter* reported on the stabilizing effect Prop 117 has had on Arizona's property tax system. Although statewide NAV's grew 5% this year, total statewide taxes increased just over 3%. The main revenue supporting county budgets consist of primary and secondary property taxes, which increased 5.4% this year to approximately $1.5 billion.

Table 4. Property & Special District Sales Taxes

	Property Taxes			Special District Sales Taxes	
County	**Primary**	**Secondary**	**Total Taxes**	**Jail**	**Public Health**
Apache	$2,704,928	$7,019,586	$9,724,514		
Cochise	$24,420,089	$3,343,159	$27,763,248		
Coconino	$9,360,359	$10,941,582	$20,301,941	$16,170,300	
Gila	$20,195,437	$1,168,829	$21,364,266		
Graham	$5,091,878	$192,480	$5,284,358	$1,815,000	
Greenlee	$3,061,861	$1,013,840	$4,075,701		
La Paz	$5,094,018	$0	$5,094,018	$1,277,668	
Maricopa	$535,870,745	$83,466,865	$619,337,610	$158,237,746	
Mohave	$34,266,148	$12,731,149	$46,997,297		
Navajo	$7,310,322	$4,581,312	$11,891,634		
Pima	$360,110,814	$120,442,989	$480,553,803		
Pinal	$86,648,116	$5,410,811	$92,058,927		$2,950,552
Santa Cruz	$12,208,404	$2,196,498	$14,404,902	$3,903,998	
Yavapai	$45,309,644	$9,562,000	$54,871,644	$8,834,978	
Yuma	$28,871,277	$13,060,787	$41,932,064	$12,655,126	$2,719,972
TOTALS	**$1,180,524,040**	**$275,131,887**	**$1,455,655,927**	**$202,894,816**	**$5,670,524**

Primary Property Taxes

Primary property taxes fund the maintenance and operation budgets of county government and are subject to constitutional levy limits of 2% plus growth. Total county primary levies increased 5.8% in FY 2018 to $1.2 billion.

Table 5. Primary Tax Rates

County	FY 2017	FY 2018	$ Change	% Chg.	Max Tax Rate	TNT	$ over TNT
Apache	$0.5642	$0.5857	$0.0215	3.8%	$0.5857	$0.5630	$0.0227
Cochise	$2.6276	$2.6747	$0.0471	1.8%	$3.9018	$2.6747	$0.0000
Coconino	$0.5788	$0.5678	($0.0110)	-1.9%	$0.5678	$0.5567	$0.0111
Gila	$4.1900	$4.1900	$0.0000	0.0%	$6.5640	$4.4024	-$0.2124
Graham	$2.4597	$2.6439	$0.1842	7.5%	$2.8252	$2.5088	$0.1351
Greenlee	$0.6171	$0.6941	$0.0770	12.5%	$1.0409	$0.6941	$0.0000
La Paz	$2.3580	$2.4900	$0.1320	5.6%	$2.4900	$2.3386	$0.1514
Maricopa	$1.4009	$1.4009	$0.0000	0.0%	$1.7884	$1.3533	$0.0476
Mohave	$1.9696	$1.9696	$0.0000	0.0%	$2.4991	$1.9516	$0.0180
Navajo	$0.8471	$0.8903	$0.0432	5.1%	$0.8903	$0.8390	$0.0513
Pima	$4.2896	$4.4596	$0.1700	4.0%	$5.1755	$4.2119	$0.2477
Pinal	$3.8699	$3.8699	$0.0000	0.0%	$6.1350	$3.7779	$0.0920
Santa Cruz	$3.8086	$3.8315	$0.0229	0.6%	$4.9249	$3.8315	$0.0000
Yavapai	$1.9027	$1.8395	($0.0632)	-3.3%	$2.2531	$1.8395	$0.0000
Yuma	$2.4684	$2.5016	$0.0332	1.3%	$2.6767	$2.4222	$0.0794
Averages	**$2.2635**	**$2.3073**	**$0.0438**	**1.9%**	**$2.9546**	**$2.2643**	$0.0429

Counties are required to adhere to the truth in taxation (TNT) law when proposing to increase primary property taxes over the previous year, exclusive of new construction. As such, the county must publish a notice and hold a public hearing to vote on the tax increase. Ten counties adopted primary tax rates in excess of their TNT rates in FY 2018. Pima County increased its primary tax rate 17 cents over last year, nearly 25 cents over TNT, largely to fund its transportation plan (See *ATRA September 2017 Newsletter*). Other significant primary tax rate increases over TNT include La Paz ($0.1514) and Graham ($0.1351). By contrast, Gila County's decision to adopt last year's rate of $4.1900 was 21 cents less than the county's TNT rate.

Secondary Property Taxes

Secondary property taxes are levied to fund voter approved bonds and countywide special taxing districts for flood control, jails, public health services (PHSD), and libraries. Most special taxing districts have statutory tax rate caps but no levy limits. County secondary property taxes increased 4.1% this year to over $275 million.

While some counties support their libraries, jails, and flood control from their existing GF revenues such as primary property taxes that are subject to constitutional levy limits, most have created special taxing districts funded by secondary property taxes that are not subject to constitutional limits to fund those same services.

Some of the more notable secondary property tax increases in FY 2018 occurred in Apache County, which increased secondary property taxes 30% in its junior college and PHSD levies. Not only were these tax increases significant but ATRA also questioned the legality of using tax dollars generated for college tuition and health "services" to pay for unrelated county obligations and the health "care" costs of AHCCCS, respectively. Other notable increases occurred in Mohave County, which increased its library district taxes nearly 25% and Yavapai County with a 24% tax increase in its flood control district. However, beginning last year, counties are now required to adhere to the same TNT requirements previously only reserved for primary property tax increases when increasing the taxes of their countywide special taxing districts that fund libraries, flood control, jails, and PHSDs.

While most countywide taxing districts are funded with property taxes, certain ones, like PHSDs and jail districts, may be funded with a sales tax. In FY 2018, counties that levy a sales tax to fund their jails and PHSDs plan to generate an additional $208 million in sales tax revenues. In total, taxpayers will pay nearly $1.7 billion in primary property taxes to support county GFs and secondary property taxes and sales taxes to fund their countywide special taxing districts.

State budget "flex" language

Since FY 2009, the state budget has included a provision that allows counties to transfer revenues from their special revenue funds, including taxes generated from countywide special taxing districts, to their GF to pay for any county fiscal obligation. Although this provision was intended to offset the additional state costs shifts to the counties since the recession, there has never been a limit on the total amount that can be transferred, and in many cases, the transfers have far exceeded the new cost shifts. In FY 2018, four counties utilized this provision to transfer over $3 million of their special revenues for deposit in their GFs: Apache ($1.25 million); Coconino ($1.25 million); Mohave ($500,000); and Yuma ($27,100).

Other Revenues

In addition to property taxes and the sales taxes levied to support their special districts, counties are expected to receive approximately $1.4 billion in state shared revenues. That amount includes about $830 million in state shared sales taxes, $250 million in vehicle license taxes (VLT), and $313 million in Highway User Revenue Funds (HURF). In addition, all counties except Maricopa and Pima, levy up to a half-cent sales tax to support its general funds, which are anticipated to generate an addition $89 million in FY 2018. The Federal PILT revenues are anticipated to subsidize county budgets with another $37 million near the end of FY 2018.

Personnel Costs

Employee payroll consumes more than one-half of county general fund budgets and one-third of total budgets. With a relatively small change in countywide FTE's, the average percentage change in TF budgeted salaries grew by 1.3%. Greenlee County adopted the largest increase of 7.3%, followed by Pinal at 4.8%, and Santa Cruz with a 3% increase. The budgeted salaries in La Paz and Navajo contracted the most, with decreases of 22.6% and 12.1%, respectively.

Table 6. TF FTEs & Salaries

County	FTE'S FY 2017	FTE'S FY 2018	% chg	Salaries FY 2017	Salaries FY 2018	% chg
Apache	373	379	1.4%	$13,849,296	$14,185,445	2.4%
Cochise	899	910	1.2%	$39,989,199	$36,783,301	-8.0%
Coconino	1,062	1,073	1.1%	$57,008,610	$56,757,062	-0.4%
Gila	632	605	-4.2%	$26,689,306	$26,963,999	1.0%
Graham	263	260	-1.1%	$12,360,532	$12,175,866	-1.5%
Greenlee	168	172	2.4%	$7,350,108	$7,884,045	7.3%
La Paz	282	280	-0.7%	11,464,656	8,879,121	-22.6%
Maricopa	15,205	15,018	-1.2%	$775,579,555	$790,635,047	1.9%
Mohave	1,262	1,276	1.1%	$54,738,046	$55,353,042	1.1%
Navajo	674	609	-9.6%	$29,895,549	$26,265,236	-12.1%
Pima	7,114	7,056	-0.8%	$342,448,451	$347,556,272	1.5%
Pinal	2,008	2,005	-0.1%	$100,033,964	$104,824,039	4.8%
Santa Cruz	401	397	-1.0%	$17,232,573	$17,757,661	3.0%
Yavapai	1,568	1,613	2.9%	$75,145,111	$77,295,907	2.9%
Yuma	1,432	1,429	-0.2%	$65,145,162	$67,037,205	2.9%
TOTALS	**33,343**	**33,082**	**-0.8%**	**$1,628,930,118**	**$1,650,353,248**	**1.3%**

The 5.9% increase in TF employee-related-expenses (EREs) was mainly driven by an 18% increase in retirement costs. Clearly the financial instability of the Public Safety Personnel Retirement System (PSPRS) continues to plague state and local government budgets. In fact, nine of the 15 counties have PSPRS liabilities that are less than 50% funded, and as a result, their contribution rates range from 40% to 63%.

Acknowledging the obvious drain on government budgets, PSPRS advocated for legislation in 2017 to help mask the problem by allowing employers to extend their amortization period to payback their unfunded liabilities over 30 years rather than 20 years. At least three counties, Graham, La Paz, and Navajo, are either currently considering or have already voted to extend their amortization period to 30 years, which will dramatically increase their PSPRS unfunded liabilities.

-Jennifer Stielow

Table 7. TF EREs & Compensation

County	Employee Related Expenses (EREs) FY 2017	FY 2018	% chg	Total Compensation FY 2017	FY 2018	% Chg.	% of TF
Apache	$6,758,343	$7,220,539	6.8%	$20,607,639	$21,405,984	3.9%	37.0%
Cochise	$16,745,901	$12,431,709	-25.8%	$56,735,100	$49,215,010	-13.3%	30.5%
Coconino	$22,909,588	$24,418,942	6.6%	$79,918,198	$81,176,004	1.6%	37.8%
Gila	$11,097,143	$11,629,637	4.8%	$37,786,449	$38,593,636	2.1%	39.0%
Graham	$4,179,062	$4,199,225	0.5%	$16,539,594	$16,375,091	-1.0%	44.0%
Greenlee	$3,333,104	$3,646,043	9.4%	$10,683,212	$11,530,088	7.9%	33.9%
La Paz	5,038,006	4,626,116	-8.2%	$16,502,662	$13,505,236	-18.2%	48.3%
Maricopa	$342,811,738	$371,595,855	8.4%	$1,118,391,293	$1,162,230,902	3.9%	33.1%
Mohave	$24,887,189	$25,465,085	2.3%	$79,625,235	$80,818,127	1.5%	26.1%
Navajo	$13,521,084	$14,555,575	7.7%	$43,416,633	$40,820,811	-6.0%	35.2%
Pima	$145,390,977	$150,486,222	3.5%	$487,839,428	$498,042,494	2.1%	32.3%
Pinal	$39,448,684	$44,413,937	12.6%	$139,482,648	$149,237,976	7.0%	36.8%
Santa Cruz	$7,853,839	$8,207,604	4.5%	$25,086,412	$25,965,265	3.5%	34.4%
Yavapai	$31,709,038	$33,570,538	5.9%	$106,854,149	$110,866,445	3.8%	43.3%
Yuma	$27,672,374	$28,412,949	2.7%	$92,817,536	$95,450,154	2.8%	37.4%
TOTALS	**$703,356,070**	**$744,879,976**	**5.9%**	**$2,332,286,188**	**$2,395,233,223**	**2.7%**	**33.7%**