BALLOT PROPOSITION #104
Municipal Debt; Capacity

FISCAL ANALYSIS

Description

Proposition 104 amends the Arizona Constitution to allow cities and towns to issue additional debt, not to exceed 20% of taxable property, for public safety and transportation facilities.

Estimated Impact

The proposition is not estimated to have a state fiscal impact.

The proposition may result in higher debt levels for cities and towns as it expands their authority to incur debt for public safety and transportation capital expenses. The degree to which the proposition increases local debt levels, however, will depend on the future actions of cities and towns, which can not be determined in advance.

Analysis

Currently, the Arizona Constitution limits the amount of outstanding General Obligation (GO) debt issued by a county, city, town, school district, or other municipal corporation to 6% of the jurisdiction's secondary Net Assessed Valuation (NAV), unless a majority of voters elects to exceed the limit. Within cities and towns, voters can authorize those jurisdictions to issue up to an additional 20% for water, light, or sewer services, or for the acquisition and development of land for parks and open space preserves. The additional 20% in debt capacity that must be approved by the voters is above and beyond the 6% authority. In total, therefore, a city or town could issue debt up to 26% of its taxable property.

Proposition 104 would add the following to the list of items included within the 20% debt limit: public safety, law enforcement, fire and emergency services facilities and street and transportation facilities. Currently, those items are included within the 6% limit.

The proposition would not increase the existing debt capacity of cities and towns, as they would still be subject to the overall 26% limitation. However, by shifting public safety and transportation expenses from the 6% limit to the 20% limit, cities and towns will have more authority to issue debt for public safety and transportation capital costs. This could result in higher debt levels than might have otherwise been incurred in the absence of the bill.

Local Government Impact

See Analysis Section.

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This estimate was prepared by Jake Corey (602-926-5491).