



Board of Supervisors Memorandum

June 16, 2015

Resolution 2015-_____
Pledge to Reduce the Primary Property Tax Rate and Tentative Increase
in the Primary Property Tax Levy of \$8.4 million

Background

As the Board of Supervisors knows, this year's budget was balanced based on increasing the primary property tax rate by 11 cents to offset the State Aid to Education transfer that occurred through adoption of the State budget. We believe the law, Senate Bill 1476, which transferred this responsibility to local jurisdictions (in particular, Pima County), is unconstitutional and is being challenged in the Arizona Courts.

Should the Courts overturn or modify this transfer before the annually required property tax rate adoption on August, 17, 2015, the attached Resolution 2015-_____ indicates the Board will reduce the primary property tax increase and return the rate to that adopted in the Fiscal Year (FY) 2014/15 budget. This Resolution also indicates that should the law be overturned after tax rate adoption but during the balance of the fiscal year, the Board will reduce the rate and levy for the following fiscal year – FY 2016/17.

Adopting Resolution 2015-_____ provides the necessary transparency and disclosure to the public of the County's intention regarding the primary property tax rate and levy and our desire to reduce same based on any positive outcome from our filing with the Arizona Courts regarding what, we believe, is an unconstitutional law forcing the County to pay a State obligation related to State Aid to Education by, among other defects, forcing residents of one jurisdiction to pay property taxes for residents of other jurisdictions.

It is important to note that had the State not transferred this cost to the County, we would not be holding a Truth in Taxation Public Hearing, as we would be below the neutral levy.

Recommendation

I recommend the Board of Supervisors pass and adopt Resolution 2015-_____.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "C.H. Huckelberry". The signature is written in a cursive style and is positioned above the printed name and title.

C.H. Huckelberry
County Administrator

The Honorable Chair and Members, Pima County Board of Supervisors
Re: Resolution 2015-_____ Pledge to Reduce the Primary Property Tax Rate and Tentative
Increase in the Primary Property Tax Levy of \$8.4 million
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CHH/mjk – June 8, 2015

Attachment

c: Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management

RESOLUTION 2015 – _____

**RESOLUTION OF THE PIMA COUNTY BOARD OF SUPERVISORS REGARDING THE
ADOPTED PIMA COUNTY BUDGET FOR FISCAL YEAR 2015/16**

The Board of Supervisors of Pima County (the “Board”) finds as follows:

- A. Section 18 was added to Article IX of the Arizona Constitution in 1980. It provides that the total amount of primary property taxes levied on a parcel of owner-occupied residential property cannot exceed 1% of the property’s full cash value.
- B. Since Section 18 was adopted, the State has, under A.R.S. § 15-972(E), paid Additional State Aid for Education to any school district whose property tax levy is reduced by tax credits given to residential property owners in the district whose tax liability would otherwise exceed the 1% limit.
- C. The Governor of Arizona, in the budget transmitted by his office to the Arizona Legislature, called for local taxing jurisdictions, in particular the counties, to pay this Additional State Aid for Education to school districts impacted by the 1% limit, despite the fact that the State has a constitutional obligation to provide for a “general and uniform public school system”.
- D. The Arizona Legislature adopted a State budget that shifts substantial costs from the State to local governments, including an estimated \$47 million to Arizona counties, of which up to \$23.2 million is to Pima County.
- E. The Arizona Legislature passed Senate Bill 1476, Section 7 of which adds a new subsection, Subsection K, to A.R.S. § 15-972. Subsection K requires local jurisdictions, rather than the State, to provide the above-described Additional State Aid for Education to impacted school districts.
- F. The Governor signed and approved the budget on March 12, 2015.
- G. Pima County is required to adopt an annual balanced budget and levy property taxes to support said budget.
- H. In its budget, adopted on this date, Pima County is absorbing most of the State cost shifts, increasing its levy by only \$8.4 million to offset at least a portion of the money that the Board expects the County will be required to provide to local school districts under Subsection K.
- I. This additional levy increases the Pima County primary property tax rate from \$4.2779 to \$4.3877.
- J. SB 1476 results in taxpayers in one jurisdiction paying property taxes that are used for the general support of another jurisdiction by which those taxpayers could not legally be

directly taxed, a jurisdiction within which they do not live, and the governing board of which they do not elect.

- K. The Board believes this cost shift is unconstitutional and has directed legal counsel to initiate an action in the Arizona Supreme Court challenging Subsection K.
- L. The Board desires not to increase the Pima County primary property tax rate if that challenge is successful.

NOW, THEREFORE, BE IT RESOLVED, that:

1. If the Arizona Supreme Court issues a final ruling invalidating Subsection K before adoption of the annual tax rate and levy on August 17, 2015, the County's primary property tax rate of \$4.3877 will be reduced to \$4.2779.
2. If the Arizona Supreme Court issues a final ruling invalidating Subsection K after August 17, 2015, but during Fiscal Year 2015/16, the Pima County Board of Supervisors intends to reduce the primary property tax levy for the following fiscal year by \$8.4 million.

PASSED AND ADOPTED by the Board of Supervisors of Pima County this _____ day of June, 2015.

Chair, Pima County Board of Supervisors

ATTEST:

Clerk of the Board

APPROVED AS TO FORM:



Deputy County Attorney

TOM WEAVER