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# MEMORANDUM

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Date: February 14, 2014

To: The Honorable Chair and Members  
Pima County Board of Supervisors

From: C.H. Huckelberry  
County Administrator

A handwritten signature in black ink, appearing to read "C.H. Huckelberry", is written over the printed name of the County Administrator.

Re: **Special Taxing District Legislation and the Goldwater Institute Report**

The Goldwater Institute recently produced a report entitled "Out of Sight: How Special Taxing Districts Circumvent Spending Limits and Decrease Accountability of Government". It is likely this report and others were used on the recent introduction of legislation to limit the Library District Tax Levy, and I expect a similar assault on the Regional Flood Control District (RFCD). These are the only two special districts the County governs. The tax levies and rates of these two districts are far from out of control and have been well managed by the Board of Supervisors for the last 20 years. I am enclosing a February 11, 2014 memorandum from Financial Projects Coordinator Craig Horn regarding the Goldwater Institute Report.

Of greater interest are the three figures attached to the report. The information contained in the report is the best available that can be retrieved. The figures clearly illustrate that the County's management of the two special districts under our control, the Library District and RFCD, are and continue to be reasonable. More interesting is our comparison of inflation-adjusted General Fund expenditures, revenues, and tax levy per capita. The most important consideration is General Fund property tax levy per capita. In examining Figure 1, it can be seen that the inflation adjusted per capita tax levy today is the same as it was 10 years ago and 11.5 percent lower than it was in FY 1989/90, or 25 years ago.

Clearly, the County has not and does not arbitrarily increase property taxes; and as demonstrated by the data, has been a good steward of County taxpaying residents. This statement can be extended to the RFCD, as well as the Library District. In fact, Figure 2 shows the same analysis on the RFCD Property Tax Levy. It is lower today on an inflation-adjusted per capita basis than it has been during almost the entire inception of the RFCD dating from 1979. The RFCD Tax Levy responds largely to major flood catastrophes that occur within the County. The two spikes in the graphs relate to the inflation adjusted RFCD expenditures, revenues, and tax levy is a result of natural flood disasters within the County in 1983, 1993 and again in 2006. Once again, these levies are not out of control and have been well managed by the Board.

Finally, Figure 3 shows accompanying data and graphs for the Library District. The information is clear and unmistakable that the Library District Property Tax Levy has been

The Honorable Chair and Members  
**Re: Special Taxing District Legislation and the Goldwater Institute Report**  
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declining since shortly after the library system merger with the City of Tucson. It is unfortunate we would need to continue to defend ourselves against baseless attacks by individuals who want to artificially control special district tax levies that have historically been well managed by the Board in response to community input and need.

CHH/anc

Attachment

c: Martin Willett, Chief Deputy County Administrator  
Tom Burke, Director, Finance and Risk Management  
Robert Johnson, Budget Manager, Finance and Risk Management  
Michael Racy, Racy Associates, Inc.



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# MEMORANDUM

## DEPARTMENT OF FINANCE AND RISK MANAGEMENT BUDGET DIVISION

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Date: February 11, 2014

To: Chuck Huckelberry  
County Administrator

From: Craig Horn, Financial  
Projects Coordinator

**Subject: Special Taxation Districts**

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A policy report entitled "*Out of Sight: How Special Taxing Districts Circumvent Spending Limits and Decrease Accountability of Government*" was recently published by the Goldwater Institute. In the report, Stephen Slivinski, senior economist with the Institute, concludes:

"Getting a handle on special districts is the missing piece of the state tax revolution that began in the 1970s. That period of history gave us many state tax and expenditure limits that were meant to finally put a leash on the spending appetites of Leviathan at the state level. Special districts have long enjoyed loopholes that allow them to exist and operate outside these limits. Policymakers should look toward the goal of eliminating those loopholes as a means of finally and effectively restraining the growth of government at the local level." [page 20]

Mr. Slivinski cites various research papers focused on spending and taxation by special taxing districts, the apparent lack of operational efficiency by such districts, and the potential that special districts lead to higher costs borne by taxpayers relative to similar services being provided by existing local or municipal governments. To buttress his conclusions, Mr. Slivinski cites results from a statistical analysis he undertook indicating special district costs partly explain higher growth in inflation-adjusted per capita government spending for counties in the lower 48 states. Based on his statistical model, which explains slightly more than half of the variation in spending growth at the county level, Mr. Slivinski concludes that "each percentage-point increase in the size of a special district budget relative to the overall budget of all local governments translated into a \$26 real per capita increase in the size of local government spending" [page 11]. It is interesting that the Slivinski model does not include any control variables assessing whether voters or taxpayers in these special districts actually receive more services than they would receive if the same service is provided by an existing local government, which has its own competing service needs, or whether those voters or taxpayers are willing to pay for more services. Therefore, higher special district costs being a significant reason for higher inflation-adjusted per capita spending (due to inefficiencies or other factors) is not as clear as Mr. Slivinski purports it to be.

A history of Pima County adopted General Fund expenditures, revenues and property tax levy is presented in Figure 1 of the Attachment to this memorandum in both nominal dollars and on an inflation-adjusted per capita basis. Because the Goldwater Institute report discusses special taxing

districts, Figures 2 and 3 in the Attachment show similar histories for the County's special taxing districts – the Regional Flood Control District and the County Free Library District.

Figure 1 shows inflation-adjusted County General Fund expenditures and revenues have been relatively stable around \$500 per person since the early 1980s, with levels exceeding \$500 per person during economic expansions and dropping below \$500 during economic contractions or periods of slow growth. The General Fund property tax levy also shows a similar stable pattern, fluctuating between \$250 and \$330 since the early 1980s.

Flood Control District adopted expenditures, revenues and property tax levy since inception in FY 1978/79 are shown in Figure 2 in both nominal dollars and in inflation-adjusted dollars per capita, along with years being highlighted whenever flooding events occurred. Significant flooding events, such as October 1983, which cost over \$64 million to repair damaged infrastructure, are highlighted in red, while “less” significant events are only shaded in red.

Inflation-adjusted expenditures of the district have trended downward to \$12 per person from elevated levels associated with the dramatic flooding event in FY1983/84. Both the property tax levy and district revenues have also trended downward after the FY1983/84 event. The reason for higher amounts for revenue and tax levy can be explained by the column in the table labeled “Transfers From Flood Control District To Capital Projects & Debt Service For District Projects,” which represent the transfer of funds to build or finance needed flood control infrastructure.

Figure 3 shows County Free Library District expenditures, revenues and property tax levy since FY1975/76. As the graphic shows, it is difficult to assess the actual per capita level of expenditures, revenues and tax levy, because it depends on who is being charged and who benefits from the district. Prior to FY1986/87, only taxpayers in the unincorporated area were levied the property tax. Thus, per capita expenditures and revenues are assumed to apply only to unincorporated residents. When the property tax was levied on all county taxpayers, the per capita cost and revenue were assumed to apply to all county residents. This assumption likely understates the per capita amounts during the period when the County made contributions to the City of Tucson, which operated the Library System. With consolidation of the entire system into the County Free Library District during FY2005/06 and FY2006/07, all residents in the county benefit proportionately.

c: Tom Burke, Director, Department of Finance & Risk Management  
Robert W. Johnson, Manager, Budget Division, Dept. of Finance & Risk Management

**ATTACHMENT**

Figure 1

**PIMA COUNTY GENERAL FUND ADOPTED EXPENDITURES, REVENUES & PROPERTY TAX LEVY**

Fiscal Year	Pima County Population at Beginning of Fiscal Year	Inflation Index (CPI-U Western Region 1982-84=100)	Budgeted General Fund Expenditures	Inflation-adjusted General Fund Expenditures Per Capita (in FY2013/14 Dollars)	Budgeted General Fund Revenues	Inflation-adjusted General Fund Revenues Per Capita (in FY2013/14)	General Fund Primary Property Tax Levy	Inflation-adjusted General Fund Primary Property Tax Levy per Capita (in FY2013/14 Dollars)
1983	553,194	97.825	\$106,810,342	\$471.21	\$106,605,585	\$470.31	\$58,164,430	\$256.60
1984	565,328	101.279	123,698,538	515.79	119,812,222	499.59	62,513,063	260.66
1985	588,878	105.783	150,639,330	577.33	143,690,161	550.70	64,766,976	248.22
1986	611,471	109.492	152,466,806	543.69	154,862,651	552.23	73,560,000	262.31
1987	630,560	112.154	172,371,256	581.91	178,019,541	600.98	85,236,000	287.75
1988	646,054	116.575	201,057,367	637.35	206,528,732	654.69	95,269,093	302.00
1989	657,431	121.775	191,542,385	571.20	197,798,221	589.86	105,159,650	313.60
1990	658,216	127.650	217,872,245	619.08	207,387,586	589.28	110,613,000	314.30
1991	662,954	134.817	216,749,102	578.98	216,836,662	579.21	110,223,923	294.43
1992	674,075	139.675	222,873,641	565.15	219,427,202	556.41	109,728,896	278.24
1993	686,426	144.283	215,707,280	519.98	214,177,734	516.29	109,043,055	262.86
1994	702,315	147.767	223,390,955	513.91	220,745,702	507.83	103,248,160	237.52
1995	723,199	151.750	238,889,119	519.69	238,191,363	518.17	107,033,961	232.84
1996	744,004	155.358	251,996,747	520.49	248,287,091	512.83	110,005,258	227.21
1997	767,144	159.600	262,726,891	512.30	257,957,438	503.00	112,729,736	219.82
1998	784,784	162.892	270,771,671	505.69	274,808,937	513.23	124,299,307	232.14
1999	802,501	166.492	244,856,003	437.53	248,398,090	443.86	135,703,701	242.49
2000	824,852	171.517	260,446,292	439.51	277,027,420	467.49	156,919,818	264.81
2001	848,019	178.383	271,660,900	428.74	297,167,884	469.00	167,426,961	264.24
2002	859,280	183.067	290,447,536	440.81	317,693,120	482.16	177,599,995	269.54
2003	874,267	186.850	313,746,491	458.54	331,134,651	483.95	190,135,349	277.88
2004	885,893	190.400	332,093,720	470.05	352,561,596	499.02	204,515,149	289.47
2005	901,342	195.558	372,102,629	504.00	372,052,582	503.93	220,399,039	298.52
2006	920,298	202.558	404,047,076	517.47	412,298,808	528.04	238,193,628	305.06
2007	940,930	208.912	439,535,427	533.83	443,052,863	538.10	248,469,882	301.78
2008	955,869	216.293	488,769,648	564.41	469,216,715	541.83	264,866,986	305.86
2009	967,778	219.031	501,413,093	564.74	481,334,223	542.12	279,136,768	314.39
2010	975,580	220.324	494,765,645	549.55	483,589,915	537.14	297,723,590	330.69
2011	982,154	224.022	487,666,759	529.16	475,547,947	516.01	296,197,333	321.40
2012	986,081	230.049	491,653,455	517.44	460,247,799	484.38	284,023,289	298.92
2013	990,380	234.145	491,891,733	506.42	453,903,361	467.31	275,951,044	284.10
2014	996,046	238.743	503,524,831	505.52	467,420,706	469.28	277,155,468	278.26

Source: Pima County Adopted Budget.

**Inflation-Adjusted General Fund Expenditures, Revenues & Property Tax Levy Per Capita**

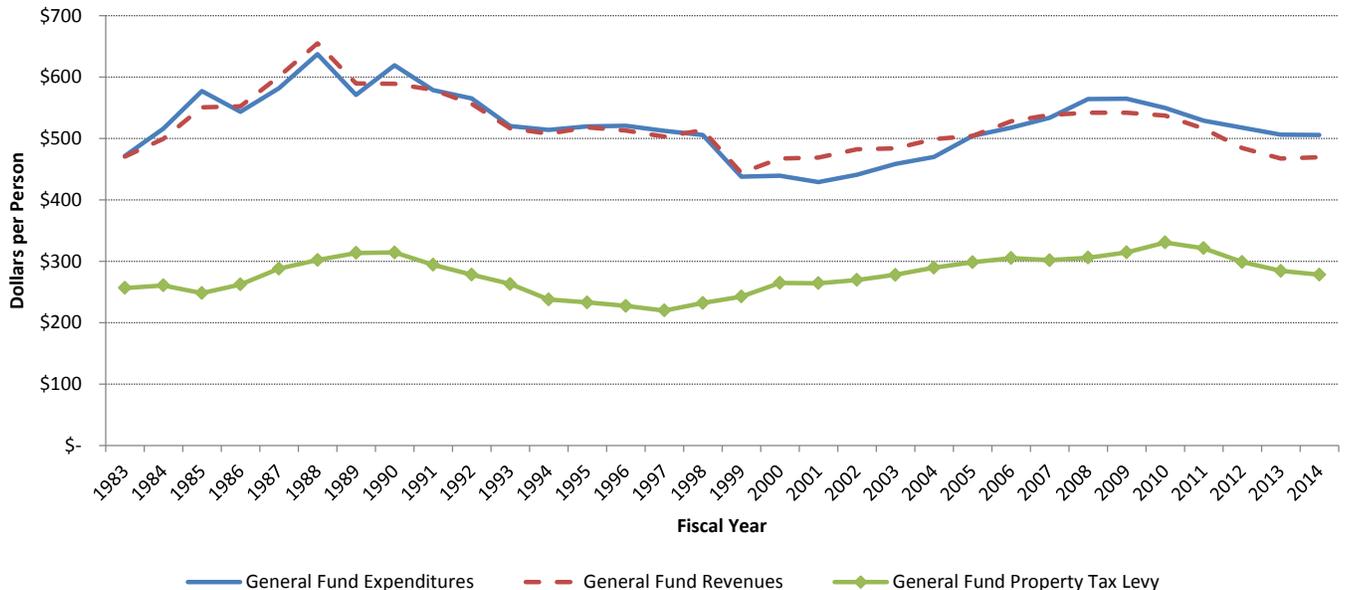


Figure 2

**REGIONAL FLOOD CONTROL DISTRICT ADOPTED EXPENDITURES, REVENUES & PROPERTY TAX LEVY**

Fiscal Year	Pima County Population at Beginning of Fiscal Year	Inflation Index (CPI-U Western Region 1982-84=100)	Budgeted Flood Control District Expenditures	Inflation-adjusted Flood Control District Expenditures Per Capita (in FY2013/14 Dollars)	Budgeted Flood Control District Revenues (Including Grant Revenues)	Inflation-adjusted Flood Control District Revenues Per Capita (in FY2013/14 Dollars)	Transfers From Flood Control District To Capital Projects & Debt Service for District Projects	Flood Control District Property Tax Levy	Inflation-adjusted Flood Control District Property Tax Levy per Capita (in FY2013/14 Dollars)
1979	502,500	68.254	\$1,282,816	\$8.93				\$1,244,816	\$8.67
1980	520,300	78.300	1,796,530	10.53	1,596,530	\$9.36	\$0	1,151,530	6.75
1981	530,282	87.254	6,408,666	33.07	6,408,666	33.07	4,909,174	4,854,118	25.05
1982	547,027	95.708	8,504,706	38.78	6,704,706	30.57	6,845,003	5,489,231	25.03
1983	553,194	97.825	15,010,337	66.22	11,377,981	50.20	0	7,247,080	31.97
1984	565,328	101.279	12,026,076	50.15	7,446,864	31.05	0	7,780,086	32.44
1985	588,878	105.783	3,509,103	13.45	9,710,499	37.22	6,216,460	9,315,969	35.70
1986	611,471	109.492	4,784,939	17.06	11,001,149	39.23	7,962,403	10,121,619	36.09
1987	630,560	112.154	5,926,079	20.01	12,859,354	43.41	9,465,860	12,015,104	40.56
1988	646,054	116.575	6,957,876	22.06	19,241,388	60.99	13,287,460	18,141,388	57.51
1989	657,431	121.775	7,572,646	22.58	15,395,306	45.91	11,980,660	14,000,000	41.75
1990	658,216	127.650	7,498,610	21.31	16,122,470	45.81	12,623,860	14,700,000	41.77
1991	662,954	134.817	7,291,438	19.48	15,009,918	40.09	8,868,480	14,293,919	38.18
1992	674,075	139.675	7,001,000	17.75	13,940,748	35.35	8,617,000	13,529,666	34.31
1993	686,426	144.283	6,158,159	14.84	14,067,736	33.91	8,568,015	13,587,750	32.75
1994	702,315	147.767	6,560,200	15.09	12,958,446	29.81	7,338,482	12,414,120	28.56
1995	723,199	151.750	6,608,140	14.38	11,960,850	26.02	7,340,720	11,379,362	24.75
1996	744,004	155.358	5,844,341	12.07	9,506,141	19.63	5,810,060	9,263,025	19.13
1997	767,144	159.600	5,805,050	11.32	9,570,000	18.66	3,897,900	9,444,138	18.42
1998	784,784	162.892	4,850,927	9.06	10,160,004	18.97	6,875,340	10,072,260	18.81
1999	802,501	166.492	5,038,158	9.00	10,597,371	18.94	7,048,115	10,432,334	18.64
2000	824,852	171.517	4,937,902	8.33	10,237,213	17.28	6,518,203	10,327,151	17.43
2001	848,019	178.383	5,381,737	8.49	10,681,400	16.86	6,647,275	10,959,036	17.30
2002	859,280	183.067	6,240,191	9.47	13,636,769	20.70	6,832,273	13,597,814	20.64
2003	874,267	186.850	6,528,572	9.54	14,767,685	21.58	10,809,493	14,746,316	21.55
2004	885,893	190.400	6,890,792	9.75	16,123,262	22.82	9,173,769	15,996,359	22.64
2005	901,342	195.558	7,438,339	10.07	17,403,714	23.57	9,824,517	17,401,489	23.57
2006	920,298	202.558	9,340,697	11.96	19,874,539	25.45	10,123,191	19,941,580	25.54
2007	940,930	208.912	8,743,185	10.62	22,793,193	27.68	14,713,995	22,902,866	27.82
2008	955,869	216.293	17,074,685	19.72	30,098,208	34.76	11,370,995	25,542,408	29.50
2009	967,778	219.031	12,544,587	14.13	26,005,869	29.29	10,757,450	25,489,218	28.71
2010	975,580	220.324	12,227,360	13.58	23,598,588	26.21	10,000,000	23,412,476	26.00
2011	982,154	224.022	12,227,360	13.27	22,471,443	24.38	8,000,000	22,474,309	24.39
2012	986,081	230.049	12,043,950	12.68	20,418,768	21.49	1,456,214	20,116,215	21.17
2013	990,380	234.145	11,457,002	11.80	19,075,328	19.64	9,894,272	19,089,598	19.65
2014	996,046	238.743	12,624,028	12.67	18,415,889	18.49	6,267,102	17,834,883	17.91

Source: Pima County Adopted Budget.

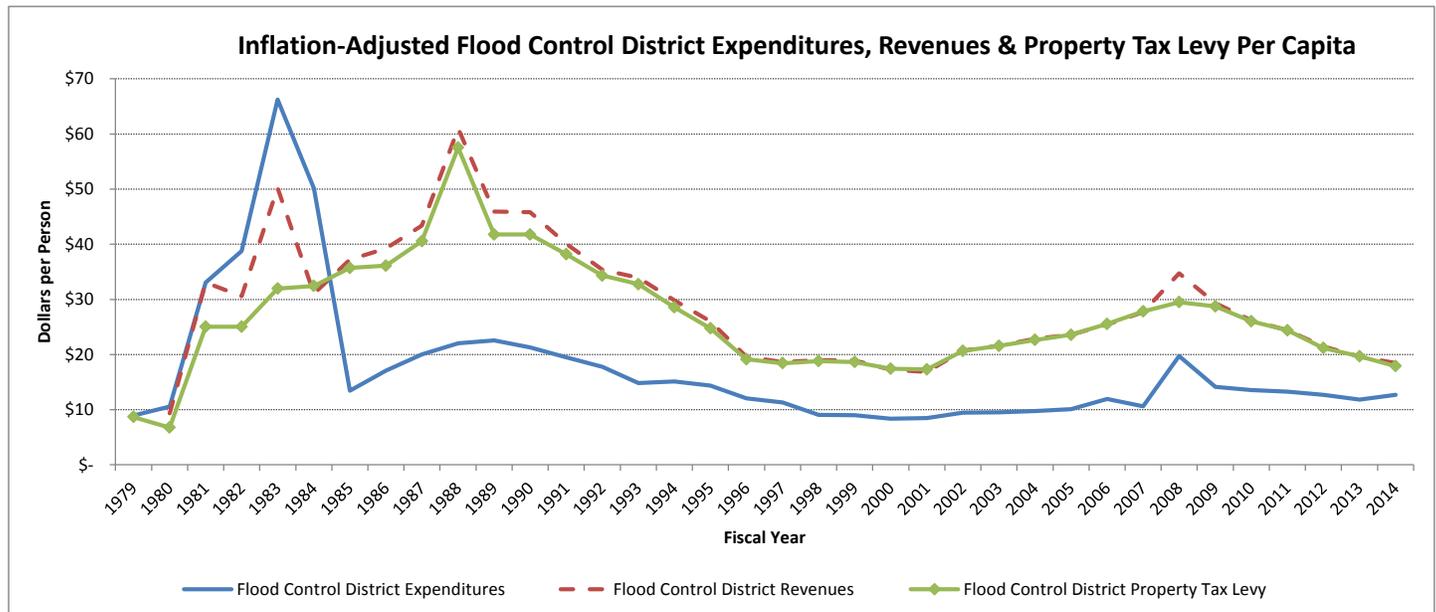


Figure 3

COUNTY FREE LIBRARY DISTRICT ADOPTED EXPENDITURES, REVENUES & PROPERTY TAX LEVY

Fiscal Year	Pima County Population at Beginning of Fiscal Year	Pima County Unincorporated Area Population at Beginning of Fiscal Year	Inflation Index (CPI-U Western Region 1982-84=100)	Budgeted County Free Library District Expenditures	Inflation-adjusted County Free Library District Expenditures Per Capita (in FY2013/14 Dollars)	Budgeted County Free Library District Revenues (Including Grant Revenues)	Inflation-adjusted County Free Library District Revenues Per Capita (in FY2013/14 Dollars)	City of Tucson Payments Related To Consolidation of Library District	Transfers From County Free Library District To Capital Projects & Debt Service for District Projects	County Free Library District Property Tax Levy	Inflation-adjusted County Free Library District Property Tax Levy per Capita (in FY2013/14 Dollars)
1976	449,544	146,489	54.550	\$940,370	\$28.10					\$775,461	\$23.17
1977	452,500	142,282	58.100	892,740	25.78					838,811	24.23
1978	468,500	149,435	62.458	1,104,460	28.25					1,052,572	26.92
1979	502,500	175,855	68.254	1,288,286	25.62					1,213,089	24.13
1980	520,300	185,887	78.300	1,299,741	21.32	\$1,300,000	\$21.32			1,300,000	21.32
1981	530,282	187,906	87.254	1,390,000	20.24	1,390,000	20.24			1,256,538	18.30
1982	547,027	193,530	95.708	1,200,000	15.47	1,200,000	15.47			1,169,415	15.07
1983	553,194	198,886	97.825	1,200,000	14.73	1,200,000	14.73			1,258,705	15.45
1984	565,328	205,722	101.279	1,500,000	17.19	1,500,000	17.19			1,500,000	17.19
1985	588,878	216,278	105.783	2,000,200	20.87	2,000,200	20.87			2,000,000	20.87
1986	611,471	228,496	109.492	2,100,000	20.04	2,100,000	20.04			2,100,000	20.04
1987	630,560	240,555	112.154	2,291,200	7.73	2,291,200	7.73			2,428,672	8.20
1988	646,054	244,857	116.575	3,271,900	10.37	3,236,000	10.26			3,236,000	10.26
1989	657,431	248,298	121.775	4,609,330	13.75	4,609,330	13.75			4,931,983	14.71
1990	658,216	247,219	127.650	5,042,745	14.33	5,042,745	14.33			5,292,745	15.04
1991	662,954	246,365	134.817	6,167,154	16.47	5,867,154	15.67			6,167,154	16.47
1992	674,075	248,750	139.675	5,728,540	14.53	5,378,540	13.64			6,071,281	15.40
1993	686,426	251,953	144.283	6,046,066	14.57	5,571,281	13.43			6,060,885	14.61
1994	702,315	258,929	147.767	6,624,500	15.24	6,057,700	13.94			5,722,114	13.16
1995	723,199	266,830	151.750	6,917,619	15.05	6,262,562	13.62			6,375,812	13.87
1996	744,004	269,783	155.358	7,247,971	14.97	6,913,219	14.28			6,836,909	14.12
1997	767,144	282,408	159.600	7,332,792	14.30	6,963,007	13.58			7,222,467	14.08
1998	784,784	288,396	162.892	7,358,508	13.74	8,008,559	14.96			8,229,285	15.37
1999	802,501	290,129	166.492	9,343,354	16.70	8,581,152	15.33			8,568,125	15.31
2000	824,852	300,973	171.517	9,770,134	16.49	8,293,609	14.00			8,097,263	13.66
2001	848,019	304,907	178.383	8,365,249	13.20	8,592,776	13.56		\$520,000	8,573,806	13.53
2002	859,280	309,091	183.067	12,660,114	19.21	9,685,707	14.70			9,539,724	14.48
2003	874,267	314,505	186.850	10,479,963	15.32	10,196,658	14.90		1,750,000	10,270,732	15.01
2004	885,893	318,759	190.400	10,199,462	14.44	11,079,137	15.68		600,000	11,089,980	15.70
2005	901,342	324,499	195.558	10,518,681	14.25	11,744,991	15.91		750,000	11,937,212	16.17
2006	920,298	331,494	202.558	14,984,741	19.19	15,086,741	19.32	\$8,000,000		15,581,196	19.96
2007	940,930	338,891	208.912	34,917,185	42.41	33,599,248	40.81	6,000,000	485,000	25,247,086	30.66
2008	955,869	344,382	216.293	37,090,595	42.83	38,704,142	44.69	4,000,000	3,772,000	32,676,073	37.73
2009	967,778	348,673	219.031	36,107,582	40.67	35,484,830	39.97	2,000,000	172,000	32,555,365	36.67
2010	975,580	351,545	220.324	37,483,152	41.63	27,632,608	30.69			26,062,573	28.95
2011	982,154	353,319	224.022	34,808,638	37.77	30,023,671	32.58			28,961,940	31.43
2012	986,081	355,319	230.049	32,212,596	33.90	30,450,489	32.05		77,362	29,231,054	30.76
2013	990,380	356,939	234.145	34,150,000	35.16	29,242,219	30.11		583,767	28,081,413	28.91
2014	996,046	358,202	238.743	35,305,000	35.45	30,123,438	30.24		89,250	28,487,320	28.60

Note: Prior to Fiscal Year 1986/87, the Library District property tax was levied only on property located in the unincorporated area of the county (see yellow shaded property tax levy).

Source: Pima County Adopted Budget.

