



MEMORANDUM

Date: March 17, 2016

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

From: C.H. Huckelberry
County Administrator 

Re: **Additional State Aid to Education One Percent Homeowner Property Tax Cap**

Last year the State Legislature passed poorly conceived budget legislation that transferred a significant property tax liability to the County and other taxing jurisdictions. This budget legislation shifted the one percent homeowner property tax cap enacted by Constitutional Amendment in 1980 and previously paid by the State to local counties and taxing jurisdictions for the very first time. Only Pima and Pinal Counties were immediately affected by this legislation, but many other counties will be so in the near future.

The County filed suit to reverse this unconstitutional legislation, and this litigation is pending in Maricopa County Superior Court. At this time, however, the flawed legislation requires the Property Tax Oversight Commission (PTOC) to apportion the liability among the various property taxing jurisdictions where a one percent exceedance occurs. The PTOC failed to meet until March 15 to apportion this liability. With only 90 days remaining in the current fiscal year, the PTOC apportioned all of the liability to Pima County. In adopting this year's budget, the County budgeted \$8.4 million of this liability, which should have been our maximum proportionate share under any reasonable interpretation of the law; with others – including the City of Tucson, Pima Community College and the Tucson Unified School District – absorbing the balance of the liability. Based on the March 15 decision of the PTOC, Pima County now has liability for the entire amount of \$15.8 million which is \$7.4 million more than budgeted.

We believe the PTOC decision was likely predetermined and is inappropriate and not within required administrative and statutory procedures. Hence, we are now exploring our legal remedies in response to this action.

CHH/lab

c: Presiding Judge, Superior Court
Elected Officials
Appointing Authorities
Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management
Michael Racy, Racy Associates, Incorporated