



# MEMORANDUM

Date: August 1, 2022

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

From: Jan Leshner   
County Administrator

Re: **State Cost Shift Update for the FY2022/23 Adopted Budget**

The State has completed its budget, and a number of legislative bills were passed that will have an increased impact on the County's costs moving forward. The March 7th [memorandum](#) updated the Board on the possible State Cost Shifts and potential increases in other State Costs. Now that the State has finalized its budget, the County's FY2022/23 share of State Cost Transfers totals \$106.4 million, or 27.7 percent of the General Fund primary property tax rate of \$3.8764 per \$100 of net assessed value. These cost transfers are \$15.9 million more than FY2021/22 Cost Transfers. A detailed list of these State cost transfers is shown below.

State Cost Transfers to Pima County		
Description	FY 2021/22 Cost Transfers	FY 2022/23 Adopted Budget
Arizona Department of Revenue Operating Cost Shift	\$ 780,558	\$ 159,108
Superintendent of Schools Accommodation District	591,446	391,610
Constables Salaries and Benefits	1,124,712	1,066,937
Restoration to Competency	979,699	1,306,973
State Juvenile Detention Shift	1,726,000	1,726,000
Justice Courts - JP Salaries and Benefits	1,794,747	2,009,042
Behavioral Health System-State Contribution	3,064,936	3,046,936
Class 1 (commercial property) assessment ratio from 18.0% to 17.5%	-	3,887,303
Arizona Health Care Cost Containment System	16,670,600	16,766,300
Superior/Juvenile Court – Salaries and Benefits	19,650,085	21,715,002
Arizona Long Term Care System	44,073,400	54,350,500
<b>Total</b>	<b>\$ 90,456,183</b>	<b>\$ 106,425,711</b>

It should be noted that the **Class 1 Assessment Ratio** reduction is not a cost paid to the State, per se. It is a limitation on how much the County can levy in revenue.

In accordance with Board of Supervisors [Policy D22.13](#) "General Fund Neutralization of State Legislature Cost Shifts and Disclosure of these Shifts to Taxpayer," the increased Primary Property Tax Rate related to the increased cost shifts realized in FY 2021/22 and FY2022/23 for the two line items identified below has been calculated. During the FY 2023/24 Budget

process, the proposal to increase the tax rate will be discussed in the broader framework of all County goals and initiatives.

<b>Proposed Increase in the Primary Property Tax Rate to Cover the State Cost Shifts since FY 2021/22</b>			
<b>State Cost Shifts to Pima County</b>	<b>Costs in FY 2022</b>	<b>Costs in FY 2023</b>	<b>Total Amount Shifted to Pima County</b>
Class 1 - Commercial Property Assessment Ratio decrease from 18.0% to 17.5% (FY 2022) and 17.5% to 17.0% (FY 2023)	\$ -	\$ 3,887,303	\$ 3,887,303
State Juvenile Detention Costs	1,726,000	1,726,000	3,452,000
<b>Total</b>	<b>\$ 1,726,000</b>	<b>\$ 5,613,303</b>	<b>\$ 7,339,303</b>
<b>Proposed Tax Rate Increase</b>	<b>\$ 0.0174</b>	<b>\$ 0.0582</b>	<b>\$ 0.0756</b>

JKL/dym

- c: Carmine DeBonis, Jr., Deputy County Administrator
- Francisco García, MD, MPH, Deputy County Administrator and Chief Medical Officer
- Steve Holmes, Deputy County Administrator
- Ellen Moulton, Director, Finance and Risk Management
- Andy Welch, Deputy Director, Finance and Risk Management
- Xavier Rendon, Budget Division Manager, Finance and Risk Management