



Board of Supervisors Memorandum

August 15, 2022

**State Legislative Cost Shifts and Disclosure of these Cost Shifts to Taxpayers -
Board of Supervisors Policy D22.13**

Introduction

Board of Supervisors Policy D22.13 mandates that cost shifts imposed on Pima County by the State of Arizona will result in a like amount being transferred to area taxpayers. I recommend that the Board amend Board of Supervisors (BOS) Policy D22.13 to allow for the delineation and possible consideration of a pass through to area taxpayers of State cost shifts rather than a mandate of such.

Discussion

In an August 10, 2021 Memorandum to the Board of Supervisors former County Administrator Chuck Huckelberry asked that the Board adopt a policy that would automatically assess to Pima County property taxpayers any cost transferred to the County by the State of Arizona. That Memorandum noted that each year the State shifts the cost of a variety of services to the County, which requires that these costs shifts be absorbed by an increase in the County property tax levy or through a reduction in other County expenditures. For the current fiscal year budget, which would be the first in which the policy was applied, the Board waived implementation.

The goal of BOS Policy D22.13 is clear. It is to remove from the Pima County budget the costs shifted by legislative whim and fiat to the County to make it harder for State Legislators and the Governor to claim they have not raised taxes. While laudable, the result is that area taxpayers see their tax bill go up but will still likely not hold the State responsible.

BOS Policy D22.13 also requires that a written statement regarding the cost shifts be sent to taxpayers describing the amount and tax impact. This educational information is most critical in explaining why the Pima County tax bill will be increasing.

The proposed amendment would require staff to present to the Board the total amount of any future cost shifts and the impact on the taxpayers and allow for public discussion of the realities of cost shifts. It would, however, allow the Board to determine annually if they choose to increase taxes proportionally.

Recommendation

I recommend the Board of Supervisors adopt the amendments to D22.13 as attached to allow for the annual consideration of the pass through to area taxpayers of State cost shifts.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan Lesher", is written over a horizontal line.

Jan Lesher
County Administrator

JKL/anc – August 2, 2022

Attachments

The Honorable Chair and Members, Pima County Board of Supervisors

Re: **State Legislative Cost Shifts and Disclosure of these Cost Shifts to Taxpayers -
Board of Supervisors Policy D22.13**

August 15, 2022

Page 2

c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Francisco García, MD, MPH, Deputy County Administrator and Chief Medical Officer
Steve Holmes, Deputy County Administrator
Ellen Moulton, Director, Finance and Risk Management
Michael Racy, Racy Associates, Inc.

Legislative Version



**PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS POLICY**

Subject: General Fund Impact Neutralization of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers	Policy Number	Page
	D 22.13	Page 1 of 1

Purpose

To establish Pima County policy for ~~evaluating and publicizing neutralizing~~ the annual primary or secondary property tax levy for funding General Fund increased expenditures due to State Legislature Cost Shifts (Cost Shifts).

Policy

The Board of Supervisors supports the full disclosure of how Cost Shifts affect Pima County taxpayers. In order to ~~evaluate neutralize~~ cost shifts enacted by the State Legislature to Pima County, staff will provide the Board of Supervisors with a report showing the equivalent amount the primary property or secondary property tax rate, ~~or both, would need to will~~ be increased ~~by an equivalent amount~~ in the budget year following the Cost Shift.

The primary or secondary property taxes to be levied annually ~~will may~~ include a Cost Shifts component based on the sum of cost shifts enacted by the State Legislature during the prior year. This will be calculated by dividing the increase in Cost Shifts by the applicable year’s primary property tax base (Taxable Net Assessed Value of property/ divided by \$100).

An example of this calculation is shown below for an estimate of \$1 million increase in Cost Shifts using the Fiscal Year 2021/2022 primary property tax base:

	FY 2021/22
State Legislature Cost Shift	\$ 1,000,000
Primary Net Assessed Value/100	\$ 96,961,504
Change to Primary Tax Rate	\$ 0.0103

The County Administrator shall include recommendations within the annual Recommended Budget and the Tentative Budget consistent with this policy for possible allocations to and expenditures from the General Fund.

The County Administrator will provide a written statement regarding the Cost Shifts in or on the property tax bill sent to Pima County taxpayers describing the amount and tax impact of the Cost Shifts.

Adoption Date: August 10, 2021
Revised Date: August 15, 2022
 Effective Date: August ~~15~~, ~~2022~~

Clean Version



**PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS POLICY**

Subject: General Fund Impact of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers	Policy Number	Page
	D 22.13	Page 1 of 1

Purpose

To establish Pima County policy for evaluating and publicizing the annual primary or secondary property tax levy for funding General Fund increased expenditures due to State Legislature Cost Shifts (Cost Shifts).

Policy

The Board of Supervisors supports the full disclosure of how Cost Shifts affect Pima County taxpayers. In order to evaluate cost shifts enacted by the State Legislature to Pima County, staff will provide the Board of Supervisors with a report showing the equivalent amount the primary property or secondary property tax rate, , would need to be increased in the budget year following the Cost Shift.

The primary or secondary property taxes to be levied annually may include a Cost Shifts component based on the sum of cost shifts enacted by the State Legislature during the prior year. This will be calculated by dividing the increase in Cost Shifts by the applicable year’s primary property tax base (Taxable Net Assessed Value of property/ divided by \$100).

An example of this calculation is shown below for an estimate of \$1 million increase in Cost Shifts using the Fiscal Year 2021/2022 primary property tax base:

	FY 2021/22
State Legislature Cost Shift	\$ 1,000,000
Primary Net Assessed Value/100	\$ 96,961,504
Change to Primary Tax Rate	\$ 0.0103

The County Administrator shall include recommendations within the annual Recommended Budget and the Tentative Budget consistent with this policy for possible allocations to and expenditures from the General Fund.

The County Administrator will provide a written statement regarding the Cost Shifts in or on the property tax bill sent to Pima County taxpayers describing the amount and tax impact of the Cost Shifts.

Adoption Date: August 10, 2021
 Revised Date: August 15, 2022
 Effective Date: August 15, 2022