



MEMORANDUM

Date: May 10, 2019

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

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to be "CHH", is written over the printed name of the County Administrator.

Re: **Maricopa and Pima County Primary Property Tax Comparisons FY2018/19**

Critics of Pima County often compare the primary property tax rates of Maricopa and Pima County, exclaiming that Pima County's primary property tax rate is almost three times greater. While that is factually correct, such a direct comparison does not account for the structurally different revenue sources and customer bases of each county.

Attached is a detailed analysis of these rates and why they are substantially closer than they appear at face value. In fact, Pima County's primary property tax rate could be \$1.7547 or lower if Pima County had similar revenue sources available and a similar size unincorporated population.

Fiscal Year 2018/19 Primary Property Tax Rates

County	Primary Property Tax Rate
Maricopa County	1.4009
Pima County	4.0696
Adjusted Pima County	1.7547

Revenues Available to Maricopa County

1. Jail Excise Tax: Pima County funds its County Jail and Juvenile Detention Facilities through the primary property tax rate. In Maricopa County, a portion of these costs are paid for through a separate dedicated jail sales tax. If Pima County sought legislative and voter approval for a half-cent (0.50 percent) jail sales tax, the amount available to most Arizona counties, our primary property tax rate could be reduced by \$0.86.

2. Special Healthcare District: For many years, Maricopa County paid for their hospital from their primary property tax rate. Then Maricopa requested and received special legislation allowing the operation of Maricopa's hospital to be transferred to a newly created special taxing district, the Maricopa Special Healthcare District, funded through a separate secondary property tax levied by a separate governing board. However, from the perspective of a Maricopa property tax payer, they are still paying for the hospital, and in fact they are paying significantly more since voters approved a \$935 million bond issue for related facilities. If we were able to similarly shift our \$15 million annual support for the County-owned Banner-University of Arizona Medical Center South Campus hospital to a special district, our primary property tax rate would be reduced by \$0.18.
3. Entrance Fees for Mountain Parks and Conservation Areas: Maricopa County's Parks and Recreation Department differs significantly from Pima County in two ways. First, Maricopa County provides only nature-based recreation through regional mountain parks and conservation areas and does not own and operate ball fields, playgrounds, community centers and swimming pools. There are minor exceptions to this, but for the most part these more developed forms of recreation are provided by cities, towns, home owner associations and private operators. Second, Maricopa County charges entrance fees to access the County's mountain parks and conservation areas, payable daily or via an annual pass. Pima County does not charge entrance fees for its mountain parks and conservation areas. Both of these differences result in Maricopa County providing just \$915,887 in general fund support for parks and recreation, compared to Pima County providing over \$17 million in general fund support. These differences impact our primary property tax rate by \$0.19.
4. Taxable Net Assessed Value. Maricopa County's tax base generates higher revenues per capita than Pima County's. Maricopa County's per capita primary net assessed value is 17 percent higher than Pima County's. This means Pima County has to levy an additional \$0.59 per \$100 of Taxable Net Assessed Value in order to collect the same amount of revenue per capita.
5. State-Shared Revenues. Finally, the State's methodology for sharing state sales tax revenues and shared (non-transportation) vehicle license tax revenue, favors Maricopa County. Adjusting for both of these would reduce our primary property tax rate by \$0.29.

Unincorporated Population

In Pima County, 362,047 people live outside of an incorporated city or town, compared to 306,580 people in Maricopa County. This means Pima County is providing services such as

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law enforcement, to an unincorporated population that is 18 percent larger than Maricopa's. Adjusting for this difference in unincorporated population size, for just the portion of the Sheriff's budget spent on law enforcement, would reduce our primary property tax rate by \$0.21.

Summary

In summary, if all of these factors are considered, Pima County's adjusted primary property tax rate would decline to \$1.7547 versus Maricopa's \$1.4009. Additional analysis would likely reduce it further. The attached information is available as an electronic spreadsheet upon request.

CHH/dr

Attachment

c: Jan Leshar, Chief Deputy County Administrator
Tom Burke, Deputy County Administrator for Administration
Carmine DeBonis, Deputy County Administrator for Public Works
Michele Campagne, Director, Finance and Risk Management
Nicole Fyffe, Executive Assistance to the County Administrator

**Primary Property Tax Rate for Fiscal Year 2018/19
Maricopa County vs Pima County**

	Rate	Levy
<u>Maricopa County</u>		
Primary Property Tax (a)	\$1.4009	\$566,289.063
Jail Excise Tax (Sales Tax) (b)		\$162,941.929
Maricopa County Special Health Care District (Secondary Property Tax) (c)		\$119,074.911
	\$1.4009	

Pima County

Primary Property Tax (d)	\$4.0696	\$339,156.105
Primary Property Tax Rate Includes the following:		
1. Adjust for Adult and Juvenile Detention (e)	\$0.8639	\$72,000.000
	\$3.2057	
2. Adjust for Banner-UA Medical Center South Campus Subsidy (f)	\$0.1800	\$15,000.000
	\$3.0257	
3. Adjust for Parks & Recreation (g)	\$0.1933	\$16,112.006
	\$2.8324	
4. Adjust for Per Capita Difference in Net Assessed Value (h)	\$0.5856	\$48,807.246
	\$2.2468	
5. Adjust for lower Per Capita State Shared Sales Tax Revenue (i)	\$0.1661	\$13,839.627
	\$2.0807	
6. Adjust for lower Per Capita Vehicle License Tax Revenue (i)	\$0.1217	\$10,140.614
	\$1.9590	
7. Adjust for higher unincorporated population served by Sheriff (j)	\$0.2043	\$17,026.823
	\$1.7547	
Pima County's Adjusted Tax Rate	\$1.7547	

Face Value of Difference in Primary Tax Rate

Pima County's Adopted Primary Property Tax Rate =	\$4.0696
Maricopa County's Adopted Primary Property Tax Rate =	\$1.4009
Face Value Comparison (Pima Rate/Maricopa Rate) =	2.90

By using a direct face value comparison of the two tax rates, it appears that Pima County's tax rate is 2.9 times higher than Maricopa County's tax rate.

Adjusted Primary Tax Rate (Difference)

Pima County's Adjusted Adopted Primary Property Tax Rate =	\$1.7547
Maricopa County's Adopted Primary Property Tax Rate =	\$1.4009
Consistent Value Comparison (Pima Adjusted Rate/Maricopa Rate) =	1.25

By using an adjusted rate for Pima County that takes into account the different revenue streams and makes for a more consistent comparison between the two rates, one can conclude that Pima County's rate, while higher, is not all that much greater than Maricopa County's rate. A deeper analysis may push this difference even lower.

Notes

- (a) Maricopa County Levies FY2018-19. p. 3. <https://www.maricopa.gov/ArchiveCenter/ViewFile/Item/3508>
- (b) Maricopa County FY2018-19 Adopted Budget. p. 56. <https://www.maricopa.gov/ArchiveCenter/ViewFile/Item/3526>
- (c) Maricopa County County, Municipal, & Misc. Special District Levies FY2018-19. p.11.
- (d) Pima County Adopted FY2018-19 Adopted Budget. Schedule B. p. 7-3.
- (e) Maricopa County has a separate revenue stream for Adult and Juvenile Detention in the form of a Jail Excise Tax. Pima County does not have this capability and must include these costs when calculating the primary property tax rate. For FY2018-29, Pima County budgeted over \$79 million for these purposes. If Pima County pursued a jail excise tax the assumption is the County would pursue legislation for a half cent jail excise tax similar to most other counties, which is estimated to generate \$72 million, and reduce the primary property tax rate by \$0.8639. If instead Pima County was limited to a quarter cent sales tax, the reduction in the primary would be less than shown here. FY2018-19 Pima County Adopted Budget Sheriff Corrections Expenditures and Juvenile Court Detention Services Expenditures, plus proportion of Admin Expenditures, minus revenues. P. 13-64. p. 13-94. Behavioral Health Health Mandates p.12-10. Local sales tax p. 6-5.
- (f) Maricopa's Hospital costs are levied under a secondary property tax rate as a separate special district. Pima County must include it's \$15 million in annual support for it's hospital in its primary property tax rate. This item impacts Pima County's rate by \$0.1800.
- (g) Maricopa County only provides nature-based recreation at mountain parks and other conservation areas. This is equivalent to the Natural Resources division of Pima County's Natural Resources Parks and Recreation (NRPR) Department. But NRPR also provides ball fields, playgrounds, community centers and pools to mainly unincorporated residents. Maricopa County does not provide these functions. In addition, Maricopa County largely relies on entrance fees and concession fees to fund its Parks and Recreation Department, with only \$915,887 in General Fund support for FY2018-19 (<https://www.maricopa.gov/ArchiveCenter/ViewFile/Item/3526> Parks and Recreation p.236 General Fund 100). Pima County does not charge entrance fees to mountain parks and conservation areas, and largely funds this function from the General Fund. If Pima County were to provide a similar level of General Fund Support, the primary property tax rate would decrease by \$0.1933.
- (h) Maricopa County's per capita primary net assessed value is 16.81% higher than Pima County's. Pima County has to levy an additional \$0.5856 to collect the same amount of tax revenue per capita. Population estimates July 1, 2018 Arizona Office of Economic Opportunity. Net Assessed Values for Tax Year 2018 (FY2018-19) from Arizona Department of Revenue Property Tax Division Abstract of Limited Property Value by Tax Authorities p. 82 and p. 152.
- (i) Maricopa County receives more State Shared Sales Tax revenue and Vehicle License Tax revenue on a per capita basis than Pima County does so Pima County charges a higher property tax to make up the difference. The smaller amount of State Shared Sales Tax impacts Pima County's primary tax rate by \$0.1661 while the reduced Vehicle License Tax revenue impacts the tax rate by \$0.1217. Maricopa County State Shared Sales Tax and Shared (non-Transportation) Vehicle License Tax revenues per Maricopa County FY2018-19 Adopted Budget. p. 56. <https://www.maricopa.gov/ArchiveCenter/ViewFile/Item/3526>). Pima County State Shared Sales Tax and Shared (non-Transportation) Vehicle License Tax revenues per Pima County FY2018-19 Adopted Budget Schedule C p.7-5. http://webcms.pima.gov/UserFiles/Servers/Server_6/File/Government/Finance%20and%20Risk%20Management/Adopted%20Budget/2018/2018-19%20Adopted%20Budget.pdf. Population estimates July 1, 2018 Arizona Office of Economic Opportunity.
- (j) Pima County's unincorporated population is 18% greater than Maricopa County's unincorporated population. Pima County's primary tax rate includes the cost of providing urban-like services to more unincorporated residents that in Maricopa County. Two of the largest unincorporated costs from Pima County's General Fund are for Law Enforcement and Parks and Recreation. The impact of different Parks and Recreation services and revenues was already deducted. This item accounts for the added Sheriff expenses, excluding Corrections, driven by a higher unincorporated population. This item impacts Pima County's rate by \$0.2043.