MEMORANDUM

Date: September 19, 2019

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

From: C.H. Huckelberry
County Administrator

Re: **Additional One Percent Constitutional State Aid to Education Declining Cost Liability for the State**

As you will recall, the Arizona State Legislature has twice now attempted to shift the cost of this State Aid to Education required by Arizona Constitutional property tax limitations for residentially occupied structures to either Pima County or school districts.

Attached is an analysis regarding this additional one-percent Constitutional State Aid to Education by fiscal year (Attachment 1). It should be noted that the one-percent Constitutional property tax limitation for residentially occupied structures was enacted in a 1980 Constitutional amendment that limits the primary property tax rate for all jurisdictions at $10 per $100 of assessed value. This means if the combined primary property tax rates of Pima County, the school districts, cities or towns and community colleges exceeds $10, then the additional property tax liability would be paid for by the State.

This State tax liability has been cut by three-quarters since 2017/2018 when the State initially tried to place the entire liability of this additional State Aid to Education on the County. This action resulted in litigation and the County prevailed. In 2018/19 this tax liability was attempted to be shifted to school districts with a desegregation levy. The County refused to levy an illegal tax and litigation ensued. The County, in Maricopa County Tax Court, recently won that litigation as well.

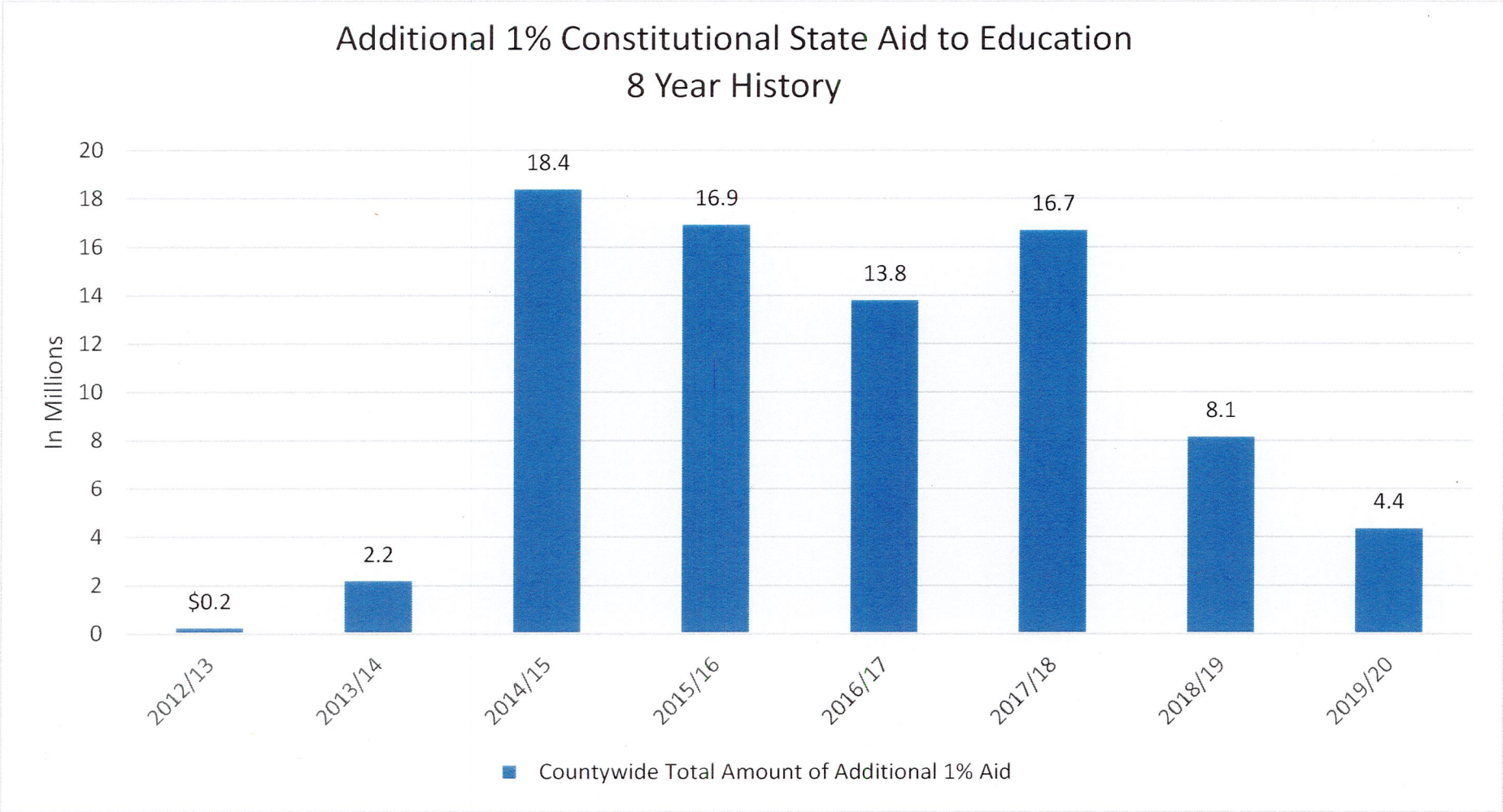
Also attached is a table that shows the various tax liabilities over the last 20 years (Attachment 2). It varies significantly and often follows general economic conditions in the State. When times are good, the tax liability is relatively low or non-existent. In times of recession, tax liability grows and typically lags the real economy by three or more years, since property tax base responds to the real economy in a slow manner. We are hopeful this dramatically decreasing tax liability for the State will deter the Legislature from, once again, attempting to shift this tax liability to a local government or school district.

CHH/anc

Attachments

c: Craig Sullivan, Executive Director, County Supervisors Association of Arizona
Michael Racy, Racy Associates, Inc.

ATTACHMENT 1


Additional 1% Constitutional State Aid to Education
8 Year History
In Millions
20
18
16
14
12
10
8
6
4
2
0
$0.2
2.2
18.4
16.9
13.8
16.7
8.1
4.4
2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20
Countywide Total Amount of Additional 1% Aid

ATTACHMENT 2

ADDITIONAL 1% CONSTITUTIONAL STATE AID TO EDUCATION IN PIMA COUNTY

Annual "Additional One Percent State Aid For Education" Amounts Reported By Pima County To The Arizona Department of Revenue

Tax Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fiscal Year	**1999/2000**	**2000/01**	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Additional 1% Constitutional State Aid										
Countywide Class 3 Properties Receiving Additional 1% Aid	N/A	105,322	108,035	109,210	111,991	113,467	91,853	629	198	35
Countywide Total Amount of Additional 1% Aid	$3,243,234	$4,916,878	$11,034,711	$9,113,865	$6,627,128	$5,361,530	$2,515,997	$104,320	$40,313	$2,506
Tucson Unified School District Amount of Additional 1% Aid	$3,183,315	$4,878,826	$10,936,120	$9,076,075	$6,589,161	$5,340,742	$2,475,233	$81,722	$13,107	$0
Illustrative Primary Property Tax Rates for Primary Residence Homes Located in Tucson Unified School District and City of Tucson										
Pima County Primary Tax	$4.0720	$4.0720	$4.0720	$4.0720	$4.0720	$4.0720	$4.0720	$3.8420	$3.6020	$3.3913
State School Equalization Primary Tax	0.5217	0.5123	0.4974	0.4889	0.4717	0.4560	0.4358	0.0000	0.0000	0.0000
Pima Community College Primary Tax	1.1626	1.1709	1.1455	1.1530	1.1358	1.1143	1.0930	1.0570	1.0191	0.9787
Tucson Unified School District Primary Taxes	6.8582	7.1105	8.0889	7.6124	7.1831	6.8278	6.4327	5.9922	5.7500	5.3565
City of Tucson Primary Taxes	0.1428	0.1406	0.1403	0.2089	0.2089	0.3531	0.3469	0.3411	0.3296	0.3231
Total Primary Tax Rate for Homes in TUSD and City of Tucson	$12.7573	$13.0063	$13.9441	$13.5352	$13.0715	$12.8232	$12.3804	$11.2323	$10.7007	$10.0496
Less: Base State Aid Tax Rate For Tucson Unified District	2.3774	2.4539	2.7911	2.6426	2.4886	2.3704	2.2254	2.1408	2.1058	2.0131
Equals: Net Primary Tax Rate To Determine Additional 1% Aid	$10.3799	$10.5524	$11.1530	$10.8926	$10.5829	$10.4528	$10.1550	$9.0915	$8.5949	$8.0365

Tax Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fiscal Year	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Additional 1% Constitutional State Aid											
Countywide Class 3 Properties Receiving Additional Aid	51	51	112	1,238	84,540	110,619	107,301	105,294	106,401	107,895	84,285
Countywide Total Amount of Additional 1% Aid	$6,471	$2,450	$23,286	$231,300	$2,176,689	$18,391,008	$16,922,611	$13,796,085	$16,698,801	$8,139,322	$4,363,278
Tucson Unified School District Amount of Additional 1% Aid	$0	$0	$19,973	$229,377	$2,174,179	$18,349,020	$16,825,438	$13,755,174	$16,626,438	$8,113,189	$4,360,725
Illustrative Primary Property Tax Rates for Primary Residence Homes Located in Tucson Unified School District and City of Tucson											
Pima County Primary Tax	$3.3133	$3.3133	$3.4178	$3.4178	$3.6665	$4.2779	$4.3877	$4.2896	$4.4596	4.0696	3.9996
State School Equalization Primary Tax	0.3306	0.3564	0.4259	0.4717	0.5123	0.5089	0.5054	0.5010	0.4875	0.4741	0.4566
Pima Community College Primary Tax	0.9356	0.9755	1.0846	1.1484	1.2746	1.3344	1.3689	1.3733	1.3890	1.3983	1.3758
Tucson Unified School District Primary Taxes	4.9398	5.0489	5.4701	6.0804	6.0056	6.8021	6.5217	6.3831	6.3763	6.0300	5.8229
City of Tucson Primary Taxes	0.3144	0.3289	0.4297	0.4125	0.5245	0.4829	0.5326	0.5348	0.4581	0.5311	0.4555
Total Primary Tax Rate for Homes in TUSD and City of Tucson	$9.8337	$10.0230	$10.8281	$11.5308	$11.9835	$13.4062	$13.3163	$13.0818	$13.1705	$12.5031	$12.1104
Less: Base State Aid Tax Rate For Tucson Unified District	1.9175	2.0054	1.4146	1.5668	1.7788	1.8402	1.8881	1.9624	1.9097	1.8573	1.7889
Equals: Net Primary Tax Rate To Determine Additional 1% Aid	$7.9162	$8.0176	$9.4135	$9.9640	$10.2047	$11.5660	$11.4282	$11.1194	$11.2608	$10.6458	$10.3215

Notes:

1/ Primary property tax rates are shown for homes located in Tucson Unified School District and the City of Tucson. Homes located in TUSD and the City of South Tucson or in the unincorporated area of TUSD have slightly lower primary property tax rates.

2/ When Net Primary Tax Rate is less than $10.0000, highly valued homes may still receive Additional 1% State Aid to ensure primary taxes do not exceed one percent of Limited Value.

3/ Legislation which became effective from and after Fiscal Year 2011/12 decreased the amount of Base State Aid, thus significantly impacting Tucson Unified School District homeowners.