




MEMORANDUM

Date: September 24, 2021

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 over 95 percent 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. The State appealed and the decision was recently overturned. TUSD and the County will now request review of that decision by the Arizona Supreme Court.

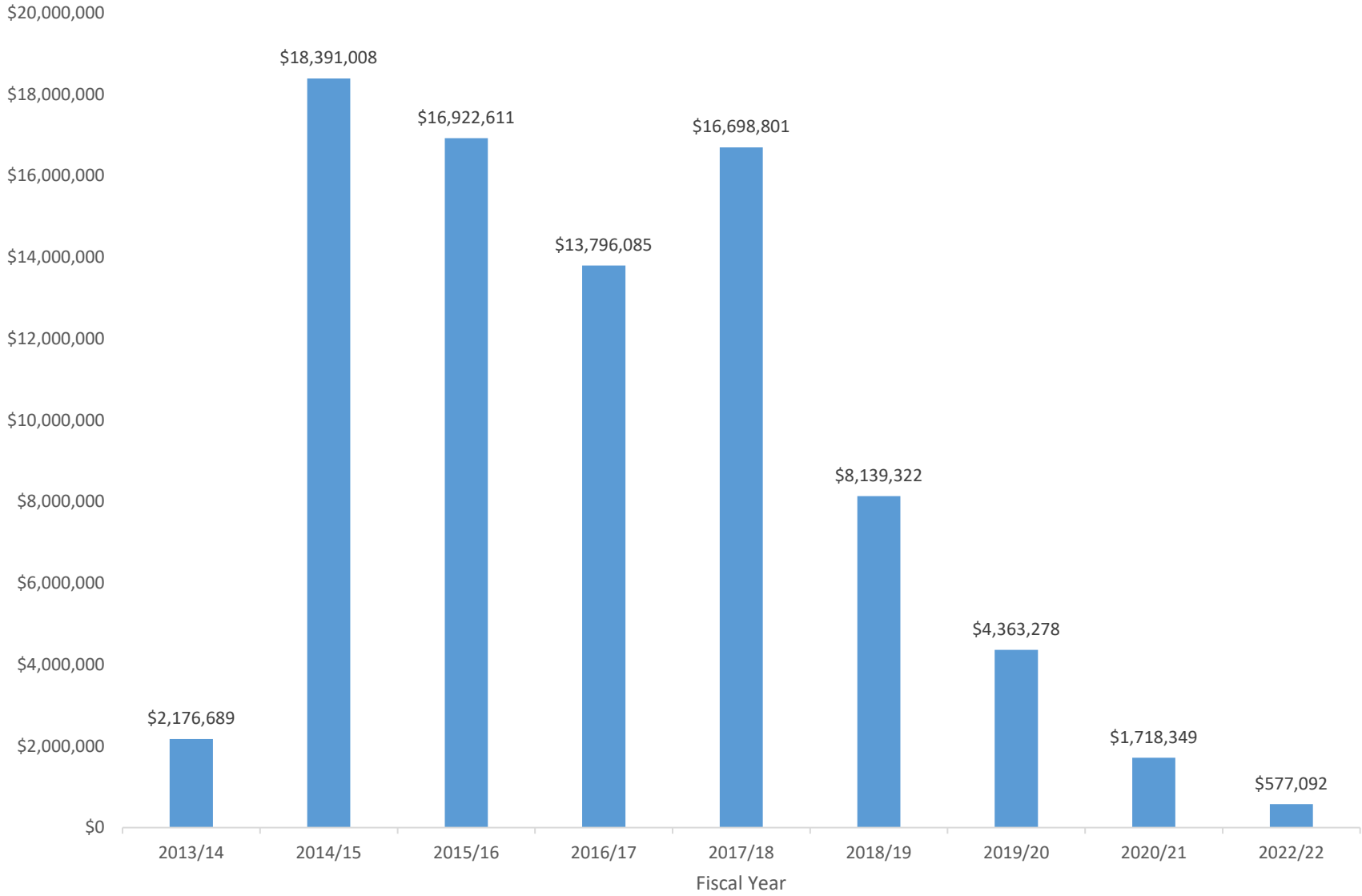
Also attached is a table that shows the various tax liabilities over the last 23 years (Attachment 2). It varies significantly and often follows general economic conditions in the State. When times are good, the tax liability is relatively low or non-existent. In times of recession, tax liability grows and typically lags the real economy by three or more years, since the 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.

Attachments

c: Jan Leshar, Chief Deputy County Administrator
Michelle Campagne, Director, Finance and Risk Management
Craig Sullivan, Executive Director, County Supervisors Association of Arizona
Michael Racy, Racy Associates, Inc.

ATTACHMENT 1

PIMA COUNTY
Additional 1% Constitutional State Aid to Education
9 Year History



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	2009	2010
Fiscal Year	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
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	51	51
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	\$6,471	\$2,450
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	\$0	\$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	\$3.3133	\$3.3133
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	0.3306	0.3564
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	0.9356	0.9755
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	4.9398	5.0489
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	0.3144	0.3289
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	\$9.8337	\$10.0230
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	1.9175	2.0054
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	\$7.9162	\$8.0176

Tax Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Additional 1% Constitutional State Aid											
Countywide Class 3 Properties Receiving Additional 1% Aid	112	1,238	84,540	110,619	107,301	105,294	106,401	107,895	84,285	80,901	3,322
Countywide Total Amount of Additional 1% Aid	\$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	\$1,718,349	\$577,092
Tucson Unified School District Amount of Additional 1% Aid	\$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	\$1,716,522	\$575,131
Illustrative Primary Property Tax Rates for Primary Residence Homes Located in Tucson Unified School District and City of Tucson											
Pima County Primary Tax	\$3.4178	\$3.4178	\$3.6665	\$4.2779	\$4.3877	\$4.2896	\$4.4596	\$4.0696	\$3.9996	\$3.9220	\$3.8764
State School Equalization Primary Tax	0.4259	0.4717	0.5123	0.5089	0.5054	0.5010	0.4875	0.4741	0.4566	0.4426	0.4263
Pima Community College Primary Tax	1.0846	1.1484	1.2746	1.3344	1.3689	1.3733	1.3890	1.3983	1.3758	1.3359	1.2733
Tucson Unified School District Primary Taxes	5.4701	6.0804	6.0056	6.8021	6.5217	6.3831	6.3763	6.03	5.8229	5.6429	5.6429
City of Tucson Primary Taxes	0.4297	0.4125	0.5245	0.4829	0.5326	0.5348	0.4581	0.5311	0.4555	0.4883	0.4430
Total Primary Tax Rate for Homes in TUSD and City of Tucson	\$10.8281	\$11.5308	\$11.9835	\$13.4062	\$13.3163	\$13.0818	\$13.1705	\$12.5031	\$12.1104	\$11.8317	\$11.6619
Less: Base State Aid Tax Rate For Tucson Unified District	1.4146	1.5668	1.7788	1.8402	1.8881	1.9624	1.9097	1.8573	1.7889	1.7339	1.6700
Equals: Net Primary Tax Rate To Determine Additional 1% Aid	\$9.4135	\$9.9640	\$10.2047	\$11.5660	\$11.4282	\$11.1194	\$11.2608	\$10.6458	\$10.3215	\$10.0978	\$9.9919

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.