



MEMORANDUM

Date: May 26, 2016

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

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "C.H. Huckelberry", is written over the typed name and title.

Re: **Tentative Budget Adoption on June 7, 2016**

As you know, the Board of Supervisors, in a two-to-two vote, failed to adopt the Tentative Budget for the County for Fiscal Year 2016/17. Based on Board rules, the tiebreaking vote must be cast by Supervisor Ramón Valadez, which will be made on June 7, 2016.

Based on the decision of the Maricopa Superior Court that occurred midday on May 24, 2016 (the same day the County was considering adoption of the Tentative Budget), it would appear the County has prevailed in our litigation against the State regarding the unconstitutional transfer of property tax liability to the County. Based on receiving the final order of the Maricopa Superior Court, it is likely substantial modification can be made to the Tentative Budget I recommended in my memorandum dated May 24, 2016, which was issued May 18, 2016.

My revised recommendation, based on the ruling of the Maricopa Superior Court, would be to 1) eliminate the \$0.1030 property tax increase I previously recommended, and 2) reduce the County primary property tax rate by \$0.1017. This is less than the \$0.1098 by which we increased the tax rate in FY 2015/16, but it relates to the present tax base and reserves \$400,000 for attorney's fees, since the Court has not yet awarded such fees to the County. That increase was based on the State Legislature's unlawful enactment last year of budget legislation that transferred \$15.8 million of additional property tax liability to the County in the form of "Additional State Aid to Education," which was previously paid by the State for the past 35 years. The State also transferred other significant costs that remain in place for the coming fiscal year.

The modified recommendation will be made prior to the Board's adoption of the Tentative Budget on June 7, 2016, provided the State does not appeal the decision of Maricopa Superior Court Judge Christopher Whitten as written in his May 23, 2016 Minute Entry. If the State chooses to appeal Judge Whitten's decision, I will recommend the Board only eliminate the proposed Fiscal Year 2016/17 tax rate increase and defer any further reduction in anticipation of a ruling by the Arizona Court of Appeals. I believe the County will continue to prevail in this matter; not only in the specific unconstitutional count acted upon by Judge Whitten, but also in all three of the additional counts alleged by the County regarding the unconstitutionality of this State budget legislation.

The Honorable Chair and Members, Pima County Board of Supervisors
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Based on the ruling of the Maricopa Superior Court, the State has substantially overstepped their bounds regarding the transfer of property tax liability to local jurisdictions; something that needs to be reversed and stopped. Local County property taxpayers should not be burdened by the Legislature's attempt to avoid the appearance of increasing property taxes by transferring the tax liability to local jurisdictions.

CHH/mjk

- c: John Bernal, Deputy County Administrator for Public Works
- Tom Burke, Deputy County Administrator for Administration
- Jan Leshner, Deputy County Administrator for Community and Health Services
- Keith Dommer, Director, Finance and Risk Management
- Robert Johnson, Budget Manager, Finance and Risk Management