



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
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C.H. HUCKELBERRY
County Administrator

June 17, 2015

Bety Allen, Executive Director
Ajo Chamber of Commerce
400 Taladro Street
Ajo, Arizona 85321

Re: County Budget for Fiscal Year 2015/16 Adopted June 16, 2015

Dear Ms. Allen:

We have previously communicated with your organization regarding the County budget and the tax impacts that could arise from the budget for a variety of reasons – one of which is significant State cost transfers. These cost transfers are now real and significantly impact Pima County.

The Governor and the Arizona Legislature balanced the State's Fiscal Year (FY) 2015/16 budget by transferring significant costs to our educational institutions, cities and especially the counties in Arizona. Unfortunately, Pima County received the largest cost transfers. At this time, these transfers total nearly \$21 million annually and are two to five times the State cost transfers being incurred by the other 15 counties in Arizona. Maricopa County, with a population four times ours, was impacted by shifts equal to only 50 percent of what the Governor and the State Legislature want to extract from Pima County taxpayers. Based on per capita impact, the cost transfers cost Pima County taxpayers seven times what they cost a Maricopa County taxpayer. Today, with previous State transfers, we send over \$104 million of local property taxes to the State for their use. This is one third of our primary property taxes (see attached).

We have absorbed a significant portion of these State cost shifts by reducing all County agency and department expenditures by two percent. We have paid for the balance of State cost transfers with a conditional property tax increase of 11 cents in our primary

Ms. Allen

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property tax rate, or \$8.4 million. This will cost the average taxpayer approximately \$17 per year.

We have challenged the legality of a significant portion of the State cost transfers. If a court agrees with our position, the conditional property tax increase will be reversed. This action was filed with the Arizona Supreme Court on June 8, 2015. The Supreme Court may agree to hear the matter or decline to do so. If the Court declines, the matter will be filed in Superior Court.

It is unfortunate the County has been placed in the position of either raising taxes or cutting vital County programs; particularly in justice and law enforcement, due to the State's inability to balance their own budget without transferring cost to local governments, including Pima County. Transferring State costs to the County is just another way of raising State revenues without directly imposing a State tax.

The State's actions do not bode well for needed investment in our community to make our region more competitive for economic expansion. Today, due to these cost shifts, we are less economically competitive and are at a disadvantage when competing with other states for new jobs in a modern economy.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/mjk

Attachment

c: The Honorable Chair and Members, Pima County Board of Supervisors

State Budget Cost Transfers to Pima County

In Fiscal Year (FY) 2014/15, the State of Arizona transferred over \$82.8 million of costs to Pima County's General Fund:

FY 2014/15 State Cost Transfers and Cost to Pima County

Arizona Healthcare Cost Containment System	\$17.5 million
Arizona Long Term Care System	\$39.7 million
Behavioral Health System	\$3.1 million
Restoration to Competency – Arizona State Hospital	\$2.0 million
Sexually Violent Persons	\$1.2 million
Superior Court/Juvenile Court Salary and Benefits	\$17.3 million
Justice Courts – Justices of the Peace Salary and Benefits	\$1.2 million
Constables – Salary and Benefits	\$847,000
Total FY 2014/15 Budgeted State Cost Shifts	\$82.8 million

The Governor and State Legislature balanced the State's FY 2015/16 budget, in part, by transferring \$21.4 million of State Budget costs to Pima County. The State increased these cost transfers to Pima County by more than any other county in the State of Arizona.

New FY 2015/16 State Cost Transfers to Pima County

State Juvenile Corrections	\$1.8 million
Restoration of ALTCS Dental	\$141,000
Arizona Department of Revenue Operating Cost	\$1.0 million
"Additional State Aid for Education"	\$8.1 to \$17.6 million
2016 Presidential Preference Election (net)	\$1.1 million
Total New FY 2015/16 Budgeted State Cost Shifts	Up to \$21.6 million

When these new increased State budget cost transfers are added to last year's transfers, the total is \$104.4 million for FY 2015/16, or nearly one-third of the existing FY 2014/15 primary property tax rate of \$4.2779. **Clearly, Pima County is subsidizing the State.**

**MAILING LIST FOR COUNTY ADMINISTRATOR'S JUNE 17, 2015
CORRESPONDENCE REGARDING PIMA COUNTY'S FISCAL YEAR 2015/16 BUDGET**

Jurisdictions
City of Tucson
Town of Marana
Town of Sahuarita
Town of Oro Valley
City of South Tucson
Tohono O'odham Nation
Pascua Yaqui Tribe

Chamber and Trade Organizations
Ajo Chamber of Commerce
Green Valley-Sahuarita Chamber of Commerce
Arizona Builders Alliance
Arizona Transportation Builders Association
Southern Arizona Homebuilders Association
Tucson Association of Realtors
Greater Vail Area Chamber of Commerce
Greater Oro Valley Chamber of Commerce
Tucson Hispanic Chamber of Commerce
Southern Arizona Leadership Council
Metropolitan Pima Alliance
Tucson Regional Economic Opportunities, Inc.
Marana Chamber of Commerce
Metro Tucson Chamber
Visit Tucson
Pima Association of Governments
DM-50
Southern Arizona Lodging & Resort Association
Downtown Tucson Partnership
Tucson-Pima Arts Council

Community and Private Sector Leadership
162nd Fighter Wing Arizona Air National Guard
Accelerate Diagnostics
Arizona Aerospace Foundation
Arizona Board of Regents

Community and Private Sector Leadership
Arizona State University
Arizona-Sonora Desert Museum
Arizona-Sonora Desert Museum
ASARCO, LLC
Ascent Aviation
Banner Health
Bombardier Business Aircraft
Carondelet Health Network
Davis-Monthan Air Force Base
Downtown Tucson Partnership
FC Tucson
Freeport-McMoRan Copper & Gold, Inc.
Hudbay Minerals
Northern Arizona University
Northwest Medical Center
Oracle Ridge Mining, LLC
Oro Valley Hospital
Pima Community College
Port of Tucson
Raytheon Missile Systems
Real Estate Advisory Council, c/o EEC, Inc.
Sanofi
Service Employees International Union Pima Chapter
Southwest Gas Corporation
The University of Arizona
TMC Healthcare
Tucson Airport Authority
Tucson Museum of Art
United Way of Tucson and Southern Arizona
Universal Avionics Systems
UNS Energy Corporation
Ventana Medical Systems, Inc.
YMCA of Southern Arizona