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# MEMORANDUM

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Date: March 28, 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 be "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Response to Supervisor Miller's March 22, 2016 Newsletter Regarding the One Percent Residential Property Tax Cap**

In her March 22 newsletter (attached), Supervisor Miller supports the recent decision by the State's Property Tax Oversight Commission (PTOC) to assign Pima County the full burden of the residential property tax bill exceeding the one percent cap. She also supports the State Legislation that shifted this tax burden to the County for the first time in 35 years.

Supervisor Miller fails to acknowledge that even the sponsor of this bill recognizes the need to repeal this unconstitutional legislation and is currently sponsoring legislation to do so. Representative Justin Olson testified before the Senate Finance Committee on March 2, 2016, he explicitly stated that the original intent of the bill was to have the school districts and other property taxing jurisdictions bear a proportional responsibility for the overage.

Regarding the current legislation, Representative Olson stated:

*"An important piece of clean up language is that we are clarifying that the school districts participate in buying down the property tax bill for the portion that they are responsible for, which was the original intent of the reform that passed last year." He goes on to state, "There was essentially a drafting error in the language that passed last year...It wasn't the intent to hold any property taxing jurisdiction harmless."*

Kevin McCarthy, President of the Arizona Tax Research Association, also testified, calling the one percent cap:

*"the single most shortsighted and damaging tax policy ever put in place." He also pointed out that, "Pima County pays for a significant portion of the desegregation budget for TUSD."*

Supervisor Miller misses the point when she states this issue is not "taxation without representation." The fact is that 90 percent of the taxpaying parcels in her district are outside of TUSD. Under the PTOC's decision, these taxpayers will pay property taxes to TUSD without the ability to elect the TUSD Governing Board. Hence, the true meaning of

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taxation without representation. Any future increase in TUSD primary property taxes will never be paid by those homeowners residing in TUSD; but instead will be paid by those taxpayers outside of TUSD who have no ability to hold the Governing Board accountable.

Today, property owners in Supervisor Miller's District pay approximately 36 percent of all County property taxes. Therefore, PTOC's decision to assign the \$15.8 million burden entirely to Pima County will result in these property owners, the majority of whom are not in TUSD, paying about \$5.7 million in property taxes to TUSD. As I have stated previously, it is inherently unlawful and unfair to require a taxpayer in one jurisdiction to pay property taxes to another jurisdiction particularly when the taxpayer does not live in, or receive any benefit from the taxes paid, nor can the taxpayer vote for the governing body that decides how to spend those taxes.

In addition, Supervisor Miller states that Pima County lost a lawsuit concerning last year's legislation. This is false. The Arizona Supreme Court simply ruled that the case should begin in the Superior Court and made no decision whatsoever on the merits of the case.

Supervisor Miller also refers to what she calls a "stunning" 61 cent primary property tax increase approved by the Board in Fiscal Year 2014. Supervisor Miller fails to recognize, however, that Pima County actually lowered its primary property tax rate by a total of 53 cents in prior years. She also fails to mention State cost transfers of \$23 million that have accounted for an additional 31 cent increase in our property tax rate.

Further, Supervisor Miller continues to characterize certain County expenditures as "nonessentials," including the County's support for World View and Graduate Medical Education at Banner Medical Center South, both of which are key to growing high paying jobs in this region. She also refers to acquiring floodprone land, as well as other property for which voters specifically approved funding. I believe job growth, public safety and implementing the will of the voters are absolutely "essential" to the wellbeing of this community.

Finally, Supervisor Miller calls for eliminating non-essential spending. However, in our recent credit rating, Standard & Poor's Ratings Service stated:

*"We believe the severe budget cuts made in fiscal years 2011-2014 in response to declining revenues have constrained the county's financial flexibility, leaving it with limited ability to further cut expenditures beyond current levels, many of which are mandated by state law and growing annually."*

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Supervisor Miller further alleges the County is "misleading taxpayers about the true state of Pima County financial affairs," when, in fact, our Standard & Poor's rating also stated:

*"We view the county's management as strong, with good financial policies and practices....strong budgetary performance....as well as low overall net debt....with all debt scheduled to be retired in 10 years."*

As a result, Standard & Poor's improved our outlook from stable to positive.

The public deserves straight answers on these issues. These facts should assist in discerning fact from fiction.

CHH/mjk

Attachment

A Message from  
**Supervisor Ally Miller**

Representing District 1 on the Pima County  
Board of Supervisors



Dear Pima County Citizen

It looks like Pima County must come up with an extra \$7.4 million in the budget over the next 90 days. This should come as no surprise. According to County Administrator Huckelberry's March 17 [memorandum](#), this cost is the result of the state Property Tax Oversight Commission's (PTOC) decision to attach a \$15.8 million tax liability to Pima County. *(Official communication from the Property Tax Oversight Commission hasn't yet been distributed)* Chuck Huckelberry estimates \$8.4 million for the county share and \$7.4 million that could have been split among the City of Tucson, Pima Community College, and Tucson Unified School district. *This estimate is simply that...an estimate by the county administrator as to what portion of the liability Pima County must bear.* Does this sound unbelievable? Not really.

Constitutional limits were set on primary property taxes back in 1980. Over the past 30 years, as violations occurred, the state of Arizona subsidized counties in violation of this constitutional limit via the addition of a line item in the state budget called "state aid to education." However, you may recall in FY 2014, a stunning 61 cents per hundred



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NEWSLETTER SIGNUP

### Next Board Meeting

Thursday, March 31,  
2016 (Presidential  
Preference Election  
Certification) @ 10 AM

Tuesday, April 5, 2016  
@ 9 AM

Tuesday, April 19,  
2016 @ 9 AM

Tuesday, April 19,  
2016 @ 1:30 PM  
(BUDGET HEARING)

130 W. Congress,  
Tucson, 85701  
[WATCH LIVE HERE](#)  
[View Agenda Here](#)

primary property tax increase was approved by the Board of Supervisors. This increase further exacerbated the problem. The headline in the June 2014 Arizona Tax Research Association (ATRA) [NEWSLETTER](#) read:

***"Pima County Hammers Taxpayers with Shocking 63 cent property tax increase. "***

This included 61 cents primary plus 2 cents secondary tax rate increases.

Since taking office, Governor Doug Ducey and the state legislature have worked towards spending cuts to balance the state budget. Among those cuts was the subsidy for this violation of the constitutional cap on primary property taxes. I call this responsible governance. I'm baffled as to why the county administrator believed this subsidy would continue especially given the fact that the state budget was structurally out of balance when Governor Ducey took office.

Meanwhile, Pima County continues to spend on nonessentials such as borrowing money to build a \$15 million facility for the World View Balloon Company, continuing the annual subsidy in the amount of \$15 million for medical education for UA , purchasing land for close to \$1 million from the Greek Orthodox church and spending \$16 million for 2 parcels of land we couldn't afford.

In 2015, Pima County filed a special action lawsuit against the State of Arizona in the State Supreme Court regarding this constitutional cap and not surprisingly, Pima County lost that case. After all, Pima County is in violation of the state constitution. It is estimated the county's legal bills were close to \$100 thousand dollars. In addition, Pima County was ordered by the court to pay the state's legal bills which total another \$53 thousand dollars.

But, we didn't stop there. Pima County immediately filed a second lawsuit and this case is now pending in Maricopa County

## Things To Do/Events

-March 22: Presidential Preference Election. [Find your polling location here](#)

-March 25: [Easter Egg Hunt at Reid Park Zoo](#)

-March 25: [Good Friday Breakfast \(Tucson\)](#)

-March 26: [Dedication of Arizona Veterans Cemetery \(Marana\)](#)

-March 26: [Oro Valley Sprint Triathlon and Duathlon](#)

## Ally Around the District



Supervisor Miller with Barry Goldwater Jr. at the Goldwater Institute Luncheon

Superior Court. So now, legal expenses continue to pile up on the backs of the taxpayer. If those expenses and verdict follow the same path as the original lawsuit, which is highly probable given that we are in violation of the state constitution, taxpayers will most likely be ordered to, once again, foot the bill for even more legal expenses.

Make no mistake, Supervisors Valadez, Carroll, Elias and Bronson all agreed to follow the path of pursuing legal fights against the state. I didn't support these actions and feel it best to find a more responsible way to resolve the situation amongst the taxing jurisdictions in violation of this cap. I prefer we work with the Governor and the state legislature to resolve this problem as opposed to filing lawsuits.

And, it's about learning to balance our own budget. Debt is always going to be absorbed somewhere-somebody's got to pay the bills. Curt Prendergast's March 20, 2016 [article](#) in the *Arizona Daily Star* cites Supervisor Bronson as stating that what the state is doing is "taxation without representation." The last time I checked we have legislative district representatives who represent us at the state legislature. Supervisor Elias attributes the PTOC's decision to pass the taxation to Pima County as a "politically motivated punishment." I submit to you the ongoing lawsuits and this kind of rhetoric aren't helpful to resolving this problem.

Supervisors Bronson, Elias, Carroll and Valadez can mislead the public into thinking it's the "state's fault" for all of the county woes, however, bottom line ... Pima County taxing jurisdictions are in violation of the constitution! It is time to end the finger pointing. It is time for us to understand we are responsible for solving this problem. We must act now as we budget for the next fiscal year to make the necessary spending cuts to fix this problem.



Supervisor Miller at the Tangerine Road groundbreaking

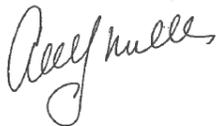
Quite frankly I am shocked the county administrator didn't "plan" for the potential scenario the county might have to absorb this \$15.8 million for this fiscal year. Until this litigation is resolved, the county will most likely be absorbing the amounts in violation over the constitutional limit. It is time we end the litigation and work with the state to solve the problem. We must get our fiscal house in order by focusing on core services as well as eliminating the pork in the budget along with the nonessential spending, some of which I identified above. The failure of the bond election clarified that taxpayers understand it is time to exercise caution with our spending.

Pointing fingers at the state and misleading taxpayers about the true state of Pima County financial affairs does nothing to resolve the problem.

*To find out more about what's going on in Pima County, tune in to hear me on the James T. Harris show-104.1 KQTH on Wednesday, March 23<sup>rd</sup> at 5:05 pm*

*[\(livestream here\)](#)*

Sincere Regards,



Ally Miller

Stay Connected



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