To: The Honorable Chair and Members

From: Jan Lesher

Pima County Board of Supervisors
Acting County Administrator

Re: State Cost Shift Increases and the Need to Adjust Property Tax Rates for the Fiscal Year 2022/23 Recommended Budget

On July 2, 2021, the County Administrator provided the Board of Supervisors a memorandum regarding the latest cost shifts from the State Legislature and Governor. They included the reduction of the class 1 (commercial property) assessment ratios from 18 percent to 16 percent over four years and the transfer of Arizona Department Juvenile Justice costs to Maricopa and Pima Counties.

To address these State cost shifts, the Board adopted Board of Supervisor’s Policy D 22.13, General Fund Neutralization of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers on August 10, 2022. In order to comply with this policy, the Recommended Budget for FY 2022/23 will include an increase in property taxes for the following State cost shifts:

- A $3,887,303 decrease in Pima County property tax revenues as a result of the decrease in the class 1 (commercial property) assessment ratio from 18.0% to 17.5%.

- The continuation of the $1,726,899 transfer of Arizona Department of Juvenile Corrections costs to Pima County.

These State cost shifts total approximately $5.6 million. Therefore, I will be asking the Board of Supervisors to increase the property tax rate by about 5.54 cents over the projected tax rate based on tax base growth and continued implementation of the present PAY-As-You-Go (PAYGO) structure.

The policy also requires that Pima County property taxpayers be advised in writing at the time the property tax bill is transmitted to them of the State cost transfers that will result in higher Pima County property tax rates. We will comply with this policy by continuing to include State cost shift information on the back of the property tax bills as we have done in the past.

Please note that these are the only State cost shifts that we have identified currently, however more are expected as we move through the State budget process. We will update you on any additional State cost shifts in our future communications regarding the recommended budget.

JKL

c: Michelle Campagne, Director, Finance and Risk Management