




MEMORANDUM

Date: May 23, 2011

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

From: C.H. Huckelberry
County Administrator 

Re: **State Cost Shifts, Future Decrease in Property Tax Base and County Employment Decline**

For your information, I am enclosing four attachments related to the Board's final adoption of the County budget for Fiscal Year (FY) 2011/12.

The first attachment shows State cost shifts and transfers since FY 2009/10 by program. These cost shifts fall into two categories: expense shifts and revenue shifts. In the case of expenses, these are additional costs to the County; in the case of revenue, these are fewer revenues to the County. As you can see, the total cumulative impact of these shifts is more than \$35 million.

The State Assistance Tax I proposed the Board adopt in the FY 2011/12 budget is only the incremental General Fund shift that has occurred in FY 2011/12. If other revenue shifts (impacting primarily our Transportation Department) are taken into account, the total State Assistance Tax for this year would be over \$15 million.

Attachment 2 indicates the cumulative loss in property tax base that will occur for the next three fiscal years. This cumulative loss, assuming a constant tax rate, is over \$34 million.

Attachment 3 shows the decline in budgeted Full-time Equivalent (FTE) positions in the County. Since FY 2007/08, FTE employees have decreased by 1,035, or 12.3 percent. This information reinforces the importance of continuing careful, conservative budget development for the County for the next two to three years. We do not expect the State cost shifts will be reversed. We also do not expect there will be any significant change in the declining property tax base. These factors point to the need for continued caution in our budget development.

I am also enclosing Attachment 4, an itemized list of County tax transfers made in support of State programs, which many taxpayers overlook. In total, in either required payments or revenue diversions, more than \$92 million of the County General Fund budget is transferred to the State to support State programs.

The Honorable Chairman and Members, Pima County Board of Supervisors
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CHH/mjk

Attachments

- c: **Martin Willett, Chief Deputy County Administrator**
- Hank Atha, Deputy County Administrator for Community & Economic Development**
- John Bernal, Deputy County Administrator for Public Works**
- Dennis Douglas, Deputy County Administrator for Medical and Health Services**
- Jan Leshner, Interim Deputy County Administrator for Medical and Health Services**
- Tom Burke, Director, Finance and Risk Management**
- Robert Johnson, Budget Manager, Finance and Risk Management**

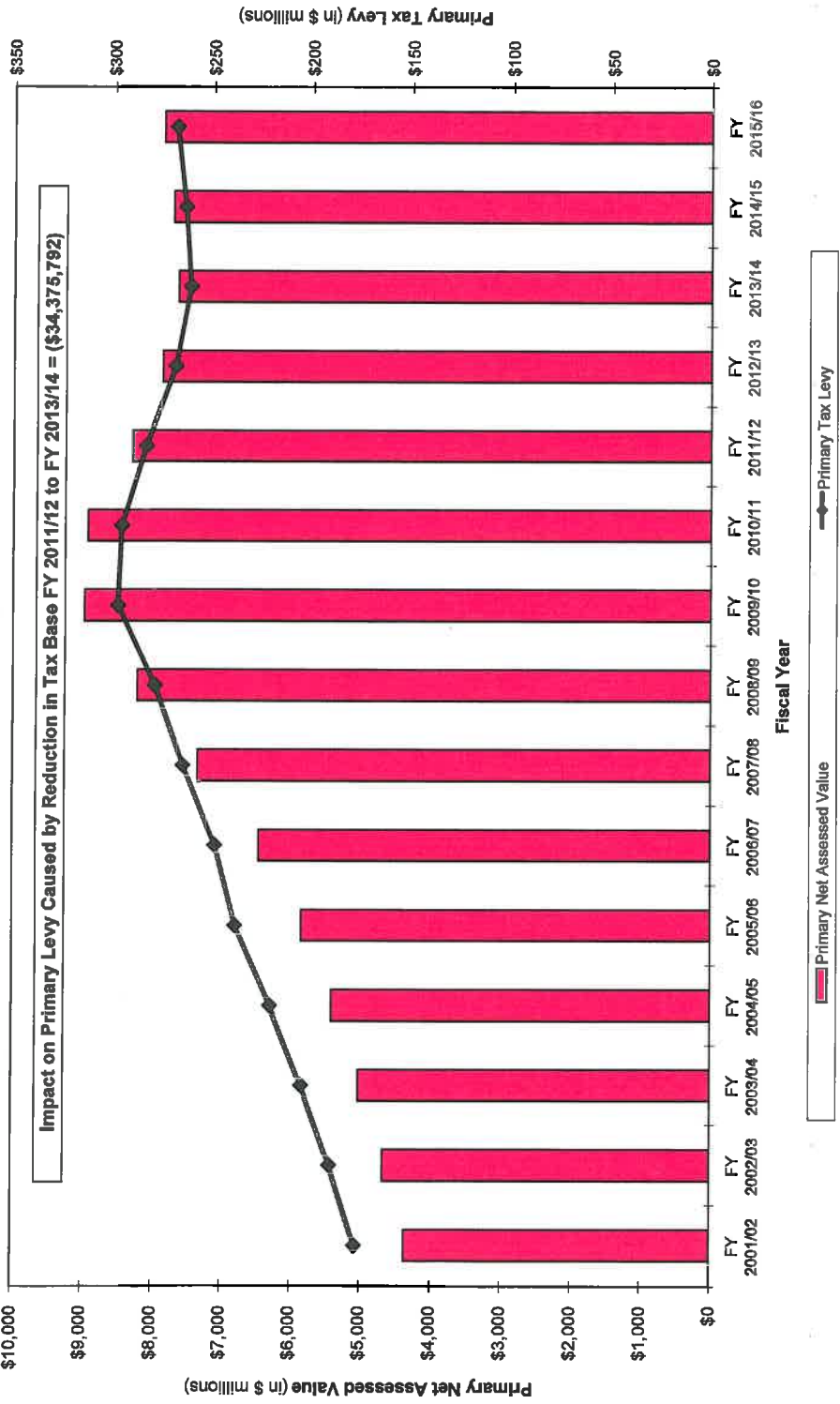
**State Transfers/Cost Shifts
Fiscal Year 2009/10 through Fiscal Year 2011/12**

Expense Shifts	<u>FY 2009/10</u>	<u>FY 2010/11</u>	<u>FY 2011/12</u>	<u>Cumulative FY09/10 to FY11/12</u>
Eliminate Summer Youth	206,250			206,250
Reduce State share of JP salaries	195,097	243,897	243,897	682,891
Cash transfer to the State	2,985,400	6,000,000	6,775,700	15,761,100
Pay 25% cost of Sexually Violent Prisoners	600,000	596,695		1,196,695
Pay 50% cost of Sexually Violent Prisoners			1,217,566	1,217,566
Move Restoration to Competency costs		170,783	53,009	223,792
Totals	<u>3,986,747</u>	<u>7,011,375</u>	<u>8,290,172</u>	<u>19,288,294</u>

Revenue Shifts	<u>FY 2009/10</u>	<u>FY 2010/11</u>	<u>FY 2011/12</u>	<u>Cumulative FY09/10 to FY11/12</u>
Reduction in lottery receipts	25,298	249,772		275,070
HURF State Sweep to DPS	2,438,175	2,438,175	3,799,058	8,675,408
HURF Shift to MVD			2,980,620	2,980,620
Eliminate Prop 204 Hold Harmless		3,817,800		3,817,800
Totals	<u>2,463,473</u>	<u>6,505,747</u>	<u>6,779,678</u>	<u>15,748,898</u>

Total Expense Plus Revenue Shifts	6,450,220	13,517,122	15,069,850	35,037,192
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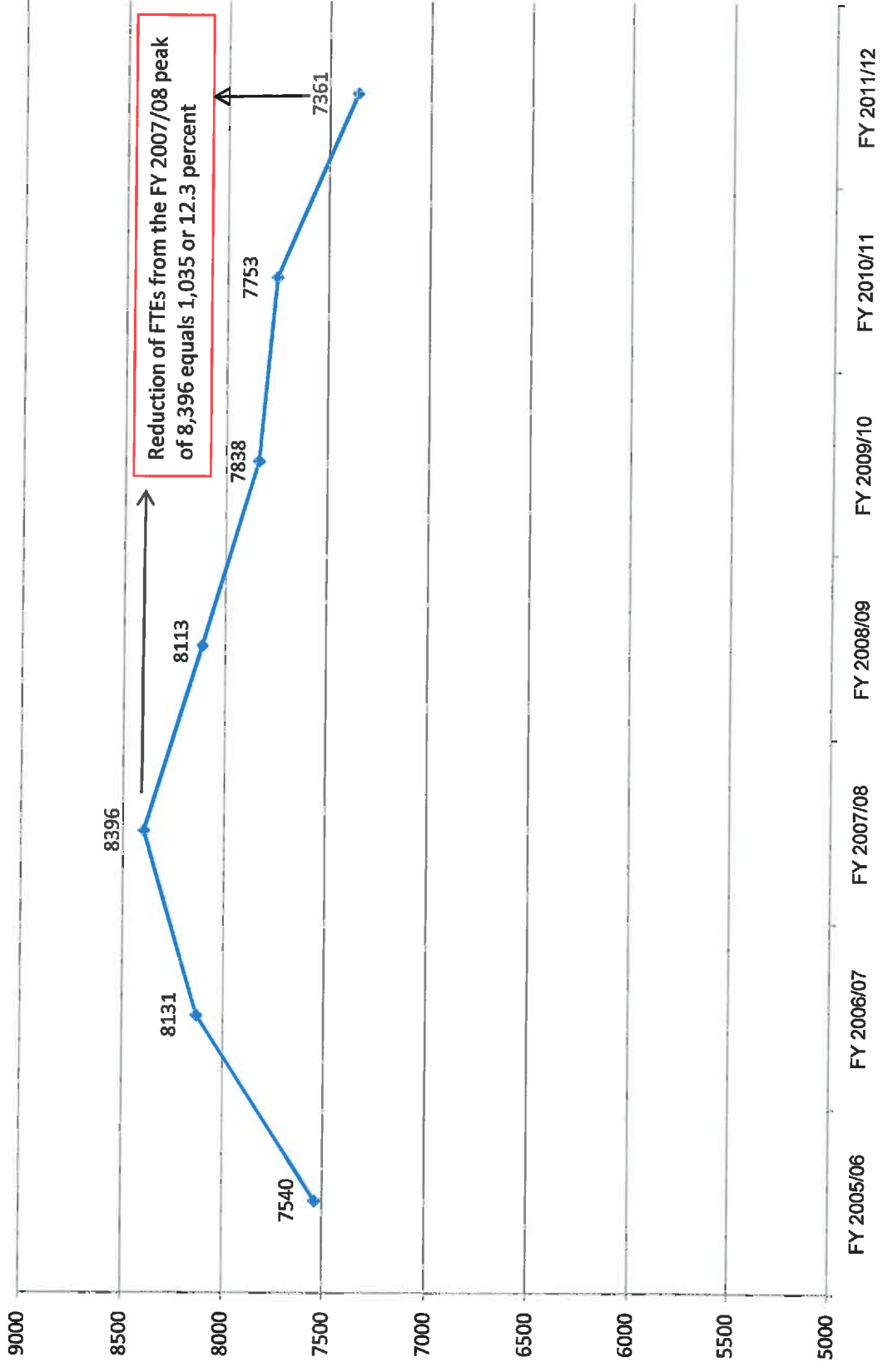
Primary Property Tax



	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Primary Net Assessed Value	\$4,361,492,992	\$4,669,335,664	\$5,022,474,184	\$5,412,550,080	\$5,849,549,818	\$6,467,201,516	\$7,353,331,088	\$8,310,120,212	\$8,939,647,260	\$9,511,830,000	\$10,120,212,000	\$10,726,254,000	\$11,331,088,000	\$11,936,966,534	\$12,541,830,000
% change from prior year		7.06%	7.56%	7.77%	8.07%	10.56%	13.70%	11.00%	6.50%	6.10%	5.90%	5.60%	5.30%	5.00%	4.70%
Primary Tax Rate	\$4.0720	\$4.0720	\$4.0720	\$4.0720	\$4.0720	\$3.8420	\$3.6020	\$3.3133	\$3.3133	\$3.3133	\$3.4178	\$3.4178	\$3.4178	\$3.4178	\$3.4178
Primary Tax Levy	\$177,589,985	\$190,135,349	\$204,515,149	\$220,999,039	\$238,193,628	\$248,469,862	\$264,866,966	\$279,136,768	\$296,197,333	\$314,513,599	\$332,821,541	\$351,129,484	\$369,439,087	\$387,748,646	\$406,058,205
\$ change in Levy from prior year		\$12,535,354	\$14,379,800	\$15,883,890	\$17,794,589	\$10,276,254	\$16,397,104	\$14,271,968	\$17,526,257	\$18,586,822	(\$12,174,044)	(\$7,588,150)	\$18,309,547	\$18,309,547	\$18,309,547
Primary Net Assessed Value	\$8,230,966,534	\$8,985,711,830	\$8,939,647,260	\$8,310,120,212	\$7,882,549,987	\$7,660,528,449	\$7,873,514,017	\$8,230,966,534	\$8,939,647,260	\$9,511,830,000	\$10,120,212,000	\$10,726,254,000	\$11,331,088,000	\$11,936,966,534	\$12,541,830,000
% change from prior year		11.94%	-0.51%	-7.04%	-5.15%	-2.82%	1.00%	7.69%	7.69%	6.10%	5.90%	5.60%	5.30%	5.00%	4.70%
Primary Tax Rate	\$3.3913	\$3.3133	\$3.3133	\$3.4178	\$3.4178	\$3.4178	\$3.4178	\$3.4178	\$3.3133	\$3.3133	\$3.4178	\$3.4178	\$3.4178	\$3.4178	\$3.4178
Primary Tax Levy	\$14,269,782	\$18,586,822	\$18,526,257	(\$12,174,044)	\$269,409,691	\$261,821,541	\$264,439,087	\$269,100,962	\$296,197,333	\$314,513,599	(\$7,588,150)	\$269,100,962	\$264,439,087	\$269,100,962	\$269,100,962
\$ change in Levy from prior year		\$4,317,040	(\$69,565)	(\$24,348,087)	\$45,287,647	(\$7,666,858)	\$5,268,115	\$4,902,869	\$31,683,734	\$17,922,266	(\$27,105,149)	\$5,268,115	(\$5,268,115)	\$5,268,115	\$5,268,115

Note: Forecast beyond FY 2012/13 includes impact of reduced assessment ratio for commercial property but not impacts from change in business personal property exemption and increased depreciation for business personal property as enacted by Laws 2011, Second Special Session, Chapter 1 (HB2001 "Arizona commerce authority, business incentives").

TOTAL COUNTY BUDGETED FTES



PIMA COUNTY BUDGET ISSUES

State Required Payments/Legislative Revenue Diversions

Department	Amount	Reason
General Fund		
Non-departmental	\$ 6,775,700	Required County contribution to the State General Fund
Institutional Health		
	42,302,468	Arizona Long Term Care System (ALTCS) Contribution
	14,951,800	Acute Care Contribution
	1,368,757	AHCCCS Administration Cost
	1,115,900	AHCCCS Uncompensated Care
	1,217,566	Fifty percent of the cost of housing sexually violent prisoners at the Arizona Community Protection and Treatment Center
	53,009	Restoration to Competency program costs
	2,224,436	Balance of Restoration to Competency program costs
	8,171,249	Title 36 Behavioral Health
	144,000	PLTCS (prior to ALTCS)
	436,530	Adult Forensic Exam Program (victims of sexual assault per ARS 13-1414)
	149,202	Juvenile Forensic Exam Program (juvenile victims of dangerous crimes or sexual assault per ARS 13-1414)
Superior Court	2,613,788	Judges' Salaries and Benefits
Justice Courts	243,897	Reduce State Share of Justice of the Peace salaries
Total General Fund	\$ 81,768,302	
Non-General Fund		
Transportation		
	\$ 3,799,058	HURF State sweep for the Arizona Department of Public Safety
	2,980,620	HURF State sweep for the Motor Vehicle Division of the Arizona Department of Transportation
Total Non-General Fund	\$ 6,779,678	

Department	Amount	Reason
Total County Payment	\$88,547,980	
Revenue Diversions		
Transit Lottery	\$ 249,772	
Proposition 204 Hold Harmless	3,817,800	
Grand Total	\$ 92,615,552	
Primary Property Tax Levy	\$284,023,289	
State Transfers/ Diversions as a percentage of the total Pima County Primary Property Tax Levy	32.6%	