



# Pima County Budget Fact Sheet

## Fiscal Year 2009/10

### I. Continuing Reduction in Property Tax Rates Lowest Tax Rate in 30 Years

Pima County's Board of Supervisors Majority has endeavored to **stabilize and decrease the rise in County property taxes**. Our primary property tax rate this year will be \$3.31 per \$100 of assessed valuation, **the lowest County primary tax rate in 30 years**. Property tax makes up 70 percent of County General Fund revenues and is our dominant revenue source.

The Pima County combined property tax rate consisting of primary rate and secondary rates for Debt Service, Flood Control and the Library District will be \$4.55 per \$100 of assessed valuation, a **7.8 cent reduction from last year**.

### II. General Fund Declines by \$6.8 Million

The General Fund of the County has been reduced from \$501,413,093 to \$494,640,645 this fiscal year, a **reduction of \$6.8 million**. The County General Fund funds all basic County services and is the only funding source for the County Criminal Justice System, including law enforcement.

### III. County Workforce Shrinks

Pima County has undergone substantial reduction in staffing. For example, the Development Services Department had a full-time equivalent employee base of 183 the previous year and this year it is 78. the Pima Health System total employee base has been reduced from 992 to 680. The County is undertaking a significant consolidation of administrative functions in various County departments and agencies, affecting over 440 employees, which will further reduce the number of County employees in the future. Total County budgeted FTE's **have decreased by 544**, from 8,397 in fiscal year 2007/08 to 7,853 in fiscal year 2009/10.

### IV. Budget Expenditure Reductions to Offset Declining Revenues

There have been incremental reductions in all County budgets beginning with the adoption of last year's budget where the **reduction was nearly 5 percent**. Mid-year, responding to state budget cost transfers, another **2.5**

**percent reduction** occurred and further, additional administrative costs have been reduced. The County is adjusting it's budget expenditures in response to economic conditions without affecting the level or number of services provided by the County.

### V. County Budget Absorbs State Transfers

In order to balance its budget for FY2008/09, the State of Arizona shifted significant costs to counties. **Pima County had to absorb \$15.6 million dollars**. As of Labor Day this year, the state has still not balanced its FY 2009/10 budget. Several budget scenarios from the House, Senate and Governor **could result in cost transfers to Pima County ranging from \$7 million to over \$12 million**. The County will have no option but to absorb these budget transfers as they occur.

### VI. Balancing the Budget in the Face of Decreased State Shared Revenues & Increased Service Demands

Thirty percent of the County General Fund budget consists of state-shared revenues totaling nearly \$113.7 million. Due to reduced economic activity throughout the state, state-shared sales tax and Vehicle License Tax revenues are **\$18.9 million lower than in the previous year**. These reduced revenues have been taken into account in the County budget. Unfortunately, during times of general economic distress, **service demands on the County increase**. These service demands are being evidenced today in the areas of law enforcement, the Criminal Justice System, as well as public health and healthcare in general. These service demands must be met even though overall County revenues have declined significantly.

### VII. Total County Budget to Decline Except for Federal Stimulus Funding

The total county budget this year will **increase by \$10.3 million**; however, this increase was due to the receipt of **over \$20 million in federal stimulus funding**, as well as other grant funds such as the **Help America Vote Act**. Without these federal funds the overall County budget would have **decreased**.

### VIII. Truth in Taxation Notice Regarding the Primary Property Tax

By law, the County is required to publish a Truth in Taxation notice whenever the total property tax levy will exceed an amount determined to be in **excess of the amount allowed for new construction added to the tax base during the previous year**. This year the notice is that the County collection of primary property taxes will increase by **\$12.4 million, or 4.35 percent** of the total amount collected, even though the tax rate for primary property tax revenue increase partially **offsets \$15.6 million in past state cost shifts, \$18.9 million in lost state-shared revenues, and \$7 million to \$12 million in possible state cost shifts** for this fiscal year.

### IX. Future Budget Challenges

Pima County will face a number of challenges in developing budgets for the next two to three year to include:

1. Coping with future state transfers—It is likely that there will be continued stress on the state budget for fiscal year 2009/10 and perhaps longer. These stresses will become more acute if the legislature fails to adopt a balanced budget for the fiscal year 2009/10 for a protracted period of time. The **state budget appears to be at least \$2 billion out of balance** and may, ultimately, rely on a possible voter-authorized tax. If the budget fails to be adopted in the near term or if a referred sales tax to balance the budget fails, it is **likely that state cost transfers and revenue reductions to Pima County will increase**.
2. Deflating tax base— A financial forecast transmitted to the Board on April 28, 2009, indicated that the County Tax base, due to general economic conditions, was expected to **deflate or decrease in value within the next two years**. This tax base decrease could be as much as **6.8 percent**, resulting in corresponding declines in tax revenues.
3. Rising service demands due to general economic conditions— It is expected that a slow economic recovery, both nationally and locally, with continued high unemployment and stagnate construction and tourism industries will put additional pressure on the county to deliver increased levels of basic government services to protect public health, safety, and welfare.
4. Fiscal stability of University Physicians Healthcare Hospital— This year the County will likely **Transfer \$25 million** of County funds to maintain the fiscal stability of the County-owned but University Physicians Healthcare- leased and operated hospital. The hospital provides key services in the area of emergency medicine, behavioral health, and psychiatric services. **A very important cooperative initiative is under way** this year to develop University Physicians Health Care Hospital as a key component of a two-hospital teaching system paired with University Medical Center to expand the University of Arizona College of Medicine. Continued County funding at levels provided in the last several years is **not sustainable and must decline** to a more moderate and predictable level.
5. Funding the impacts, if successful, of the City of Tucson Public Safety First Initiative— Public safety is a priority throughout the County; however, putting more police officers on the streets to fight crime **without a dedicated funding source is irresponsible**. In the case of the City of Tucson Public Safety First Initiative, hiring significant numbers of police officers in the City of Tucson will cause **substantial additional burdens and demands on the County regional criminal justice system, for which there is no funding**. An initial estimate indicates that these **additional costs may exceed \$25 million** per year in annual operating costs for the Sheriff, County Attorney, Public Defender, Legal Defender and Courts. In addition, there will be an immediate need to construct a new jail facility. There are insufficient revenues in the County budget to support the Initiative without raising taxes, which **would require a budget override election** being approved by the voters in order to legally spend those dollars. Therefore if the **Public Safety First Initiative passes in November of 2009 on the City ballot, a County budget override election to fund the additional expenditures related to the Initiative for the Sheriff, County Attorney, Public Defender, and courts will necessarily occur in November 2010**.