




# MEMORANDUM

Date: April 15, 2024

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

From: Jan Leshner   
 County Administrator

Re: **Additional Information for the April 16, 2024 Board of Supervisors Meeting - Addendum Item No.12 – Fiscal Year 2024/25 Recommended Budget Update**

District 2 Supervisor Dr. Heinz requested additional historical background on the General Fund Impact of State Legislature Cost Shifts and Disclosure of these State Cost Shifts to Taxpayers Policy D 22.13. This policy was adopted by the Board on August 10, 2021.

Since the policy was adopted there have been numerous discussions regarding the implementation of this policy. At the end of this memo is the timeline detailing how this policy was implemented since its adoption with the various memos addressing the decisions surrounding its implementation.

In FY 2022, the County incurred \$5.613.303 in additional State Cost Shifts. Per the State Cost Shift Policy, the recommended tax rate for FY 2023 should have increased approximately \$0.0561. As part of the budget adoption process, a decision was made to not increase the tax rate to recoup these additional costs.

	Adopted FY 2021/22 Rates	Pay Go Policy	State Cost Shift Policy	Total Change in Rates Per Policies	Adopted FY 2022/23 Rates
<b>Primary Property Tax Rate</b>					
General Fund Primary	\$ 3.6011	(0.0432)	-	(0.0432)	\$ 3.5579
Pay Go	0.2753	0.0432	-	0.0432	0.3185
<b>Total General Fund</b>	<b>3.8764</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.8764</b>
<b>Secondary Property Tax Rates</b>					
Library District	0.5353	-	-	-	0.5353
Debt Services	0.4500	(0.1300)	-	(0.1300)	0.3200
Flood Control District	0.3335	-	-	-	0.3335
<b>Total Pima County Property Tax Rates</b>	<b>\$ 5.1952</b>	<b>\$ (0.1300)</b>	<b>\$ -</b>	<b>\$ (0.1300)</b>	<b>\$ 5.0652</b>

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The Honorable Chair and Members, Pima County Board of Supervisors  
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In FY 2023, the County incurred \$15,969,518 in additional State Cost Shifts. Per the State Cost Shift Policy, the recommended tax rate for FY 2024 should have increased to cover these additional costs. As part of the budget adoption process, the General Fund Primary tax rate was increased \$0.1502.

	Adopted FY 2022/23 Rates	Pay Go Policy	State Cost Shift Policy	Total Change in Rates Per Policies	Adopted FY 2023/24 Rates
<b>Primary Property Tax Rate</b>					
General Fund Primary	\$ 3.5579	(0.0800)	0.1444	0.0644	\$ 3.6223
Pay Go	0.3185	0.0694	-	0.0694	0.3879
<b>Total General Fund</b>	<b>3.8764</b>	<b>(0.0106)</b>	<b>0.1444</b>	<b>0.1338</b>	<b>4.0102</b>
<b>Secondary Property Tax Rates</b>					
Library District	0.5453	-	0.0040	0.0040	0.5493
Debt Services	0.3200	(0.1000)	-	(0.1000)	0.2200
Flood Control District	0.3235	-	0.0018	0.0018	0.3253
<b>Total Pima County Property Tax Rates</b>	<b>\$ 5.0652</b>	<b>\$ (0.1106)</b>	<b>\$ 0.1502</b>	<b>\$ 0.0396</b>	<b>\$ 5.1048</b>

In FY 2024, the County incurred \$3,901,838 in additional State Cost Shifts. Per the State Cost Shift Policy, the recommended tax rate for FY 2025 should increase to cover these additional costs. As part of the budget adoption process, the General Fund Primary tax rate is proposed to increase \$0.0572.

	Adopted FY 2023/24 Rates	Pay Go Policy	State Cost Shift Policy	Total Change in Rates Per Policies	Proposed Adjustment	Proposed FY 2024/25 Rates
<b>Primary Property Tax Rate</b>						
General Fund Primary	3.6223	(0.0696)	0.0293	(0.0403)	0.0572	\$ 3.6392
Pay Go	0.3879	0.0719	-	0.0719		0.4598
<b>Total General Fund</b>	<b>4.0102</b>	<b>0.0023</b>	<b>0.0293</b>	<b>0.0316</b>	<b>0.0572</b>	<b>4.0990</b>
<b>Secondary Property Tax Rates</b>						
Library District	0.5493		0.0044	0.0044		0.5537
Debt Services	0.2200	(0.0950)	-	(0.0950)		0.1250
Flood Control District	0.3253		0.0018	0.0018		0.3271
<b>Total Pima County Property Tax Rates</b>	<b>\$ 5.1048</b>	<b>\$ (0.0927)</b>	<b>\$ 0.0355</b>	<b>(0.0572)</b>	<b>0.0572</b>	<b>5.1048</b>

The State is still formulating its FY 2024/25 Budget. The County does not yet know what cost shifts may be included in their final recommended budget. However, it is possible the State may direct additional cost shifts to the various Counties to cover their projected \$1.3 billion short fall for FY 2024 and FY 2025 combined.

The Honorable Chair and Members, Pima County Board of Supervisors  
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## Timeline

- 4/30/21 (Budget Fiscal Year 2022)  
[Transmittal of the Recommended Fiscal Year 2021-22 Budget \(civicplus.com\)](#) Page 9
- 7/02/21 (Budget Fiscal Year 2023)  
[State Cost Transfer Increases and the Need to Adjust the Primary Property Tax Rate for the Fiscal Year 2022/23 Budget \(civicplus.com\)](#)
- 8/10/21 (FY 2022)  
[Policy Related General Fund Neutralization of State Legislature Cost Shifts and Disclosure of these Cost Shifts to Taxpayers \(civicplus.com\)](#) – Memo and new BOS Policy
- 2/15/22 (Budget Fiscal Year 2023)  
[State Cost Shift Increases and the Need to Adjust Property Tax Rates for the Fiscal Year 2022/23 Recommended Budget \(civicplus.com\)](#) –
- 4/29/22 (Budget Fiscal Year 2023)  
[Transmittal of the Recommended Fiscal Year 2022/23 Budget \(civicplus.com\)](#) Page 9 and Page 28;
- 8/01/22 (Budget Fiscal Year 2024)  
[August 1, 2022 - State Cost Shift Update for the FY2022/23 Adopted Budget \(civicplus.com\)](#)
- 8/15/22 (FY 2023)  
[August 15, 2022 - State Legislative Cost Shifts and Disclosure of these Cost Shifts to Taxpayers - Board of Supervisors Policy D22.13 \(civicplus.com\)](#); Revised Policy
- 4/28/23 (Budget Fiscal Year 2024)  
[Budget Transmittal for FY 2024 Budget](#); Page 9
- 9/29/23 (Budget Fiscal Year 2025)  
[September 29, 2023 - Update on the State Cost Shifts for Fiscal Year 2023/24 \(civicplus.com\)](#)

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c: Carmine DeBonis, Jr., Deputy County Administrator  
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer  
Steve Holmes, Deputy County Administrator  
Cathy Bohland, Director, Human Resources  
Ellen Moulton, Director, Finance and Risk Management