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ARIZONA TAX RESEARCH ASSOCIATION

ATRA OPPOSES HB2512

Skyrocketing unfunded liabilities in the PSPRS system resulted in The League of Arizona Cities and Towns proposing that local governments, to the extent able, make cash payments towards those liabilities. The League made the following recommendation to employers: "Payoff Unfunded Liability (Debt) Earlier."

As a result, the following language was proposed under HB2512 by Rep. Coleman to exclude such payments from the expenditure limits:

A CONTRIBUTION MADE UNDER THIS SECTION BY A CITY, TOWN OR COUNTY IN EXCESS OF THE CITY'S, TOWN'S OR COUNTY'S REQUIRED CONTRIBUTION IS EXCLUDED FROM THE CITY'S, TOWN'S OR COUNTY'S EXPENDITURE LIMITATION ESTABLISHED PURSUANT TO ARTICLE IX, SECTION 20, CONSTITUTION OF ARIZONA.

ATRA agreed to the proposal as introduced because it would be a wise use of one-time monies and benefit both government and taxpayers. Regrettably, this idea was hijacked by entities simply looking for expenditure limit relief, such as Maricopa County. Instead of excluding only the lump-sum cash payments made against the cumulative unfunded liability from the expenditure limits, the bill as amended excludes all unfunded liability payments to PSPRS, including employer contributions required in the current budget year.

In its current form, HB2512 now allows all payments for unfunded liability to PSPRS, lump-sum and the annual employer contribution payments, to be excluded from the expenditure limits:

ANY PAYMENT MADE BY A CITY, TOWN OR COUNTY AGAINST THE CITY'S, TOWN'S OR COUNTY'S UNFUNDED ACCRUED LIABILITY UNDER THIS ARTICLE IS EXCLUDED FROM THE CITY'S, TOWN'S OR COUNTY'S EXPENDITURE LIMITATION ESTABLISHED PURSUANT TO ARTICLE IX, SECTION 20, CONSTITUTION OF ARIZONA.

ATRA believes this is patently unconstitutional as well as violating the original agreement that was in the introduced version of HB2512.