



STATE OF ARIZONA

JANICE K. BREWER
GOVERNOR

EXECUTIVE OFFICE

April 17, 2012

The Honorable Andy Tobin
Speaker of the House
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Re: House Bill 2469 (revenue allocation districts)

Dear Speaker Tobin,

Today I vetoed House Bill 2469, which would have created a process for cities and towns to establish revenue allocation districts.

Legislative deliberations and meetings with proponents of this legislation revealed very little detail regarding projects that may be undertaken with this new governmental entity. Several hypothetical examples have been suggested, but it is essential to understand whether this is the right mechanism for a specific set of planned projects. Without knowing the specific proposal, the case cannot easily be made that this extraordinary and highly technical public finance tool is appropriate or whether the development plans a municipality has in mind can already be accomplished with existing municipal authority to tax and direct resources for specified infrastructure projects.

Because projects funded through this mechanism would not be part of a municipality's bonded indebtedness, I am also concerned that a municipality may use this simply to be able to avoid constitutional debt limits.

The proposal specifies that owners of taxable real and personal property are allowed to vote, but the votes are allocated based on the land owned by each taxpayer. A taxpayer may have a significant amount of personal property, but no land, and that taxpayer would be denied a vote.

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The proponents assert that it is likely that only larger cities will be able to create a District. Based on a cursory review of AZ's cities and the bond market conditions, it seems likely that the application has the potential to be more utilized than suggested.

It is also unclear what administrative burdens this may involve, both for taxpayers and for the DOR. It is important to make clear, for example, whether taxpayers would ever be required to report their taxes separately if they are in a revenue allocation district as well as in other taxing jurisdictions. Should this district be used by municipalities that participate in the Department of Revenue's transaction privilege tax program, DOR will be faced with additional separate accounting, tracking and distribution of revenues apart from the existing distribution formulas and will therefore impact DOR's current operations. Any such impact should only be considered in the context of knowing what resources DOR will have available to its job.

These are among the reasons I vetoed House Bill 2469.

Sincerely,

A handwritten signature in cursive script that reads "Janice K. Brewer". The signature is written in black ink and is positioned above the printed name and title.

Janice K. Brewer
Governor

cc: The Honorable Steve Pierce
The Honorable Rick Gray