



County Supervisors Association



**52nd Legislature, Second Regular Session:
Briefing Gila County**

August 2, 2016



County Supervisors Association



CSA's Purpose:

- *CSA is a non-partisan forum for Arizona's 61 county supervisors to address important issues facing local constituents, providing a mechanism to share information and to advance a proactive state and federal policy agenda*

Core Goals:

- *Protect and enhance county authorities and resources in order to promote efficient, responsive constituent services*
- *Develop and disseminate information to assist state and local decision-making*

CSA Leadership



CSA Board of Directors

All 61 county supervisors from Arizona's 15 counties

CSA Executive Committee



President
Hon. Mandy Metzger
Coconino County



President Elect
Hon. Tommie Martin
Gila County



First Vice-President
Hon. Anthony Smith
Pinal County



Second Vice-President
Hon. Russell McCloud
Yuma County



Third Vice-President
Hon. Rudy Molera
Santa Cruz County



Immediate Past President
Hon. Clint Hickman
Maricopa County

CSA Legislative Policy Committee

Mandy Metzger, Coconino, CSA President

Dr. Joe Shirley, Apache
Ann English, Cochise
Tommie Cline Martin, Gila
Jim Palmer, Graham
David Gomez, Greenlee
D.L. Wilson, La Paz
Clint Hickman, Maricopa

Gary Watson, Mohave
Jason Whiting, Navajo
Ray Carroll, Pima
Cheryl Chase, Pinal
Rudy Molera, Santa Cruz
Tom Thurman, Yavapai
Russell McCloud, Yuma

Legislative Briefing Roadmap



- Legislative Context
- CSA Financial Priorities
- CSA Introduced Legislation
- Reactive Advocacy
- Post Session Work Plan

2016 Session by Numbers



Bills

Introduced	1247 bills
<i>CSA Tracked</i>	<i>710 bills</i>
Passed	388 bills
Signed	374 bills
Ballot Propositions	1bill
Vetoed	14 bills
<u>Pass Rate</u>	<u>29.9%</u>

117 day Legislative Session, 36 days longer than last year

81 day session in 2015
101 day session in 2014
151 day session in 2013

2015 CSA Summit –Mohave County



County Directives to CSA Staff

• **Financial Priorities**

- Prevent any new cost shifts of state programs to the county taxpayer.
 - Reform the Public Safety Personnel Retirement System
 - Eliminate legislative mandates for counties to fund state agencies: ADJC, DOR, ASH and DPS.
 - Increase investment in transportation
 - Find a mutually beneficial solution to 1% constitutional property tax cap liability shift
 - Reestablish the counties' share of lottery revenue.
 - Eliminate, fully fund, or require political parties to pay for the costs associated with the state-mandated PPE
-
- **Advance client-initiated CSA-sponsored legislation**
 - **Engage legislation that impacts county resources, services or authorities**

Getting the Message Out

County Supervisors @csaofaz - Jan 11
 @CoconinoCounty Sup & CSA Pres @BOSMetzger kicks off 2016
 Session-attends opening day w/colleagues from across #AZ



8th Annual CSA Legislative Reception Honoring State & County Partnership



On Wednesday evening, January 20, county supervisors and elected officials from across the state joined by nearly 50 state legislators and Arizona Secretary of State Michele Reagan to host county partnership at the annual CSA Legislative Reception. Supervisors were delighted to be recognized for their partnership with the state.

Thanks @GrahamCounty for hosting a great small county caucus meeting this evening!



County Supervisors @csaofaz - Apr 27
 Thank you @YavapaiCounty Sup Thurman for stepping in to lead medium county forum & Rep @SonnyDorelli for joining us!

County Supervisors @csaofaz - 1 Dec 2015
 Thanks #AZ House/Senate staff who joined CSA & Immediate Past Prez @marcopacounty Sup @ClintHickman at County 101!



- Counties mobilize to communicate priorities
- Sustain ongoing conversations with decision-makers
- Legislators and stakeholders hear a consistent, resounding message

Increase Investment in Transportation Infrastructure

Reform the Public Safety Personnel Retirement System (PSPRS)

2016 CSA LEGISLATIVE PRIORITIES

- Reform the Public Safety Personnel Retirement System (PSPRS)
- Eliminate the Arizona Department of Juvenile Corrections (ADJC) Cost Shift & Reform the Arizona Juvenile Justice System
- Find a Mutually Beneficial Solution to the 1% Property Tax Cap Liability
- Eliminate the Arizona Department of Revenue (ADOR) Cost Shift

County Supervisors @csaofaz - 19 Nov 2015
 Thank you @AZSenateGOP Pres. Andy Biggs for sharing thoughts on 2016 legislative session w/CSA Board of Directors

County Flexibility Language in the State Budget

User Revenue Fund (HURF) & Increase Investment

PAYSON ROUNDUP
 The Rim Country's News and Information Source

County Supervisors Association Of Arizona Sets 2016 Priorities
 County officials urge lawmakers to stop cost shifting, increase transportation investment, reform public safety pensions

County supervisors from across the state hope to convince the Arizona Legislature to stop taking money from local government and start funding crucial infrastructure needs like roads and highways.

Gila County Supervisors Mike Pastor and John Marcanti joined county officials from across the state at the 11th Annual Legislative Summit of the County Supervisors Association (CSA), Oct. 13-15 in Lake

SIERRA VISTA HERALD

State cost shifting slams county, cities

Eric Petermann Nov 25, 2015

Something has to give.

Shifting of costs to cities and counties by state government will have a local impact, Cochise County administrator Jim Vlahovich said Wednesday.

Statewide, decisions by legislators and provisions in the state budget have shifted more than \$62

State Budget County Issues



County Supervisors ASSOCIATION OF ARIZONA

FY 2016-2017 State Budget (As Passed by the Legislature on May 4, 2016)

Summary

The Arizona Legislature passed the FY 2016-2017 budget on May 4, 2016. The budget includes a \$9.6 billion spending plan and contains many Executive and Legislative actions, including a \$32 million tax cut, the elimination of several revenue sources, transportation funding, the consolidation of state agencies, and one-time funding. Based on the current balance in FY 2017 of \$691,540,000.

Major Changes

County	HURF Shifts to ADJ*	SVP Costs at ADJ*	100% of RTC Costs at ADJ*
Apache	\$ 25,077	\$ 38,520	\$ 108,800
Cochise	\$ 75,528	\$ 41,114	\$ 178,110
Cocconino	\$ 44,413	\$ -	\$ 80,198
Gila	\$ 32,858	\$ -	\$ -
Greenlee	\$ 11,152	\$ -	\$ -
Maricopa	\$ 2,968	\$ -	\$ -
Mohave	\$ 34,709	\$ 2,121,566	\$ -
Navajo	\$ 910,215	\$ 140,920	\$ -
La Paz	\$ 127,897	\$ 23,580	\$ 190
Maricopa	\$ 23,882	\$ 140,204	\$ 190
Maricopa	\$ 100,870	\$ 140,204	\$ 170
Maricopa	\$ 170,894	\$ -	\$ -
Pima	\$ 20,110	\$ 24,583	\$ 170
Pinal	\$ 102,015	\$ 227,487	\$ -
Yavapai	\$ 21,544	\$ 2,210	\$ -
Yuma	\$ -	\$ -	\$ -
Total	2,276,178	3,377,620	100,000

County Flexibility Language in FY 2016-2017 State Budget

In addition to statutory provisions, the State Budget passed on May 4, 2016, included a variety of allowances for county financial flexibility. Please see below for a breakdown of the flexibility language contained in various parts of the state budget and one additional bill.

Comprehensive Flexibility Language: As session law, allows counties with fewer than 250,000 persons (Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Navajo, Santa Cruz, Yavapai, and Yuma) to use any source of county revenue, including countywide special districts controlled by the board of supervisors, to meet a county fiscal obligation for FY 2017 up to \$1.25 million. Counties are required to report to the Joint Legislative Budget Committee (JLBC) by October 1, 2016, whether the county used the flexibility language, with the specific amount and revenue source.

[SB 2304 revenue, budget reconciliation, 2016-2017 Sec. 44 \(pg. 6\)](#)

A. Notwithstanding any other law, for fiscal year 2016-2017, a county with a population of less than two hundred fifty thousand persons according to the 2010 United States decennial census may meet any county fiscal obligation from any source of county revenue other than the purpose of the revenue source to meet a county fiscal obligation pursuant to 8. On or before October 1, 2016, all counties with a population of less than two hundred fifty thousand persons according to the 2010 United States decennial census shall report to the director of the joint legislative budget committee whether the county used the flexibility language for purposes other than the purpose of the revenue source to meet a county fiscal obligation pursuant to subsection A of this section and, if so, the specific source and amount of revenues that the county intends to use in fiscal year 2016-2017.

Continuing Impacts with Flexibility Language in State Cost Shifts

Sexually Violent Persons (SVP) Payments: Includes "flexibility language" allowing all counties to pay for the ongoing cost shift with any source of county revenue, as the budget requires that counties reimburse the Department of Health Services for 33 percent of the cost to house SVPs at the Arizona State Hospital.

[SB 2304, budget reconciliation, 2016-2017 Sec. 16 \(pg. 15\)](#)

B. Notwithstanding any other law, a county may meet any statutory funding requirements of this section from any source of county revenue designated by the county, including funds of any countywide special taxing district in which the board of supervisors serves as the board of directors.

Restoration to Competency (RTC) Payments: Includes "flexibility language" allowing counties to pay for this ongoing cost shift with any source of county revenue, by conditioning to require counties to reimburse DHS for 100 percent of the cost associated with competency restoration treatment at the Arizona State Hospital.

[SB 2304, budget reconciliation, 2016-2017 Sec. 17 \(pg. 16\)](#)

B. Notwithstanding any other law, a county may meet any statutory funding requirements of this section from any source of county revenue designated by the county, including funds of any countywide special taxing district in which the board of supervisors serves as the board of directors.

Statutory Flexibility Language for State Cost Shifts

Arizona Department of Juvenile Corrections (ADJC) Cost Shift: The FY 2016 budget added a new section of statute authorizing ADJC to assess a "committed youth confinement cost sharing fee" to each county. Included in the statute was a provision to allow counties to use any source of county revenue to pay this fee.

[A.R.S. § 41-2853](#)

D. Notwithstanding any other law, a county may meet the cost sharing requirements of this section from any source of county revenue designated by the county, including monies of any countywide special taxing jurisdiction in which the board of supervisors serves as the board of directors.

Arizona Department of Revenue (ADOR) Cost Shift: The FY 2016 budget added a new section of statute authorizing ADOR to assess fees to each city, town, county, council of governments, and regional transportation authority for the collection of sales tax. Included in the statute was a provision to allow cities and counties to use any source of city or county revenue to pay this fee.

[A.R.S. § 44-5041](#)

D. Counties, cities and towns may meet their cost sharing obligation from any source of county, city or town revenue designated by the appropriate county, city or town. The county sources may include monies of any countywide special taxing jurisdiction in which the board of supervisors serves as the board of directors.

County Supervisors Association - May 4, 2016 - www.csaaz.org

- **ADJC:** 25% county payment to ADJC kept; however a one-time **\$8 million appropriation** to reimburse part of ADJC costs in FY 2017. Impact: **\$3.26 million.**
- **DOR:** DOR must assess a fee to every county, city & town, and to MAG & PAG. County share is **\$6.7 million**, based on population.
- **Lottery:** **\$5.5 million** to AZ Dept. of Administration to distribute to 10 counties under 200,000 persons in lieu of county lottery revenue.
- **PPE:** **\$6.13 million** to reimburse counties for costs associated with the PPE. This appropriation is in addition to the current funding in the FY 2016 budget.
- **HURF:** One-time **\$30 million** HURF appropriation; **\$10 million** for counties.
- **Flexibility Language:** Allows counties under 250,000 persons to use any county revenue to meet any county fiscal obligation up to **\$1.25 million.**
- **Increased Superior Court Salaries:** Provides a two year phase in of a 3% pay raise for judges. Once the raise is fully implemented in FY 2018 the total cost to counties will be approximately **\$691,540.**

Net Relief for Gila County: \$ 219,410*

*Does not include PPE reimbursement

State Budget



In Millions*

	FY16	FY17	FY18	FY19
Ongoing Revenues	\$9,164	\$9,370	\$9,726	\$10,121
Ongoing Expenditures	\$9,256	\$9,369	\$9,602	\$9,824
Structural Balance/ (Deficit) [^]	\$(92)	\$0.7	\$123	\$297
Carry Forward	\$312	\$225	\$66	\$166
Fund Transfers	\$217	\$79	\$0.5	\$0.5
Tax Amnesty	\$47			
One-Time Expenditures	\$259	\$239	\$23	
Ending Balance / (Deficit)	\$225	\$66	\$166	\$464

*Figures may not add due to rounding.

[^]Excludes one-time revenues and expenditures and does not account for \$460M in "rainy day" fund.

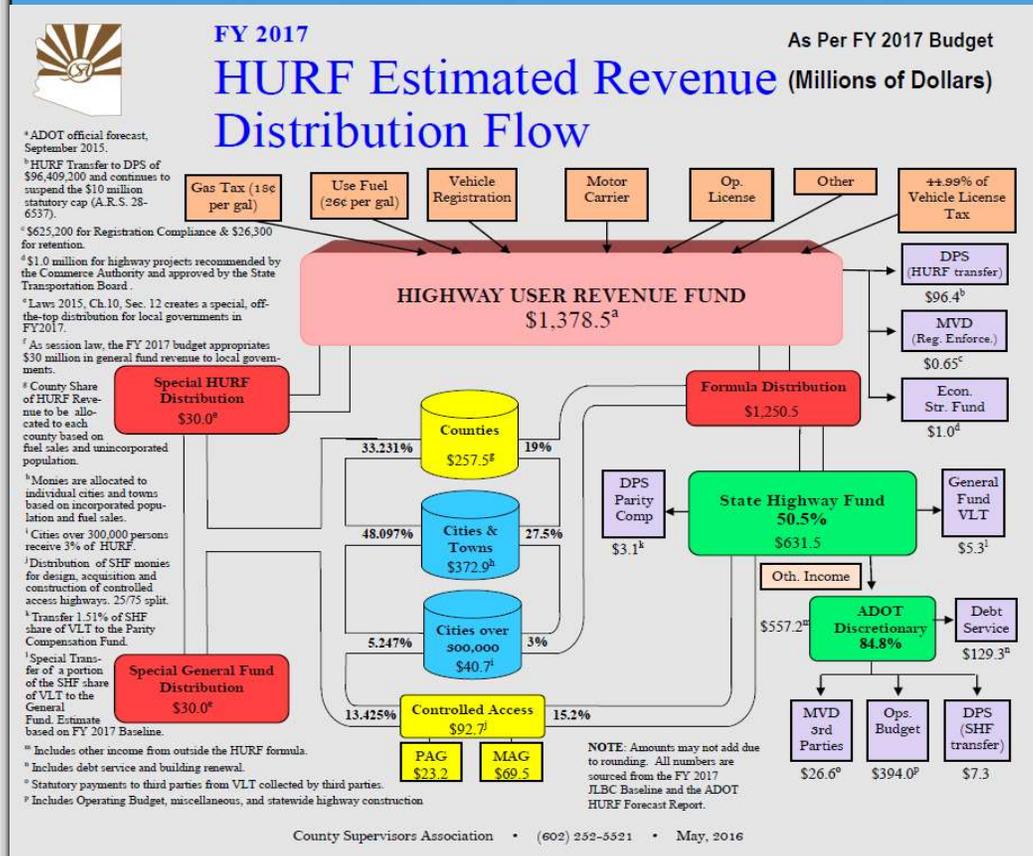
Note: All numbers are taken from the JLBC report on the FY 2017 budget as passed by the Legislature.

CSA Priority: Transportation Investment



HURF Cuts: Recent History

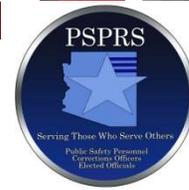
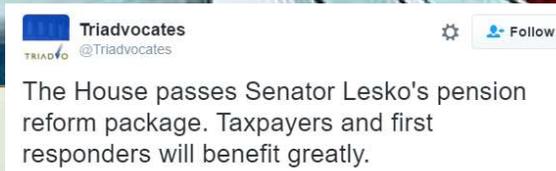
- **FY2009:** First HURF sweep of \$75 million to DPS
- **FY2012:** Largest HURF sweep with \$110 million to DPS and \$85 million to MVD
- **FY 2013:** MVD shift was eliminated
- **FY 2015:**
 - DPS shift was decreased to \$80 million
 - \$30 million in HURF savings directed to local governments (\$10 million for counties) for the next three fiscal years
- **FY 2016:** DPS shift was increased to \$86 million
- **FY 2017:**
 - \$30 million in one-time State General Fund monies are used to supplement local governments
 - \$30 million in local government HURF restoration extended through FY 2018
- **SB 1490** transportation funding; task force (Worsley): Creates the “*surface transportation funding task force*” to make transportation funding recommendations by December 31, 2016



CSA Priority: PSPRS Reform



- **SB 1428 PSPRS Modifications (Lesko) Ch. 2**
 - Reforms PSPRS benefit and governance structure
- **Proposition 124 Passed 70% of the vote**
 - Replaces PBI with COLA
- **PSPRS Board of Trustees**
 - CSA must submit 3 candidates for open position by August 1, 2016



CSA Priority: 1% Reform



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1% Constitutional Property Tax Cap: Background Briefing

County Supervisors
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of arizona

1% Cap Talking Points

History:

- The rapid inflation and run up in home values in the 1970s led to the "tax revolt" in California resulting in the passage of Prop. 13 in 1978 which limited property taxes to 1 percent of the assessed value and capped the growth in assessed value at 2% annually
- In response, and partially to prevent a Prop. 13 style revolt in Arizona, Governor Babbitt called a special session of the 34th Legislature to send a set of propositions to the ballot at a special election in June 1980
- A total of 10 property-tax related propositions were sent to the special 1980 ballot and all 10 passed, including Prop. 106 which limited the total primary property taxes on a residential property to 1 percent of the assessed value
- 1 percent of the assessed value is equal to a \$10 per \$100 NAV tax rate
- Historically, any amount over the \$10 per \$100 NAV tax rate was reduced by the state through the school funding formula

FY 2016 Budget:

get, the Legislature approved a provision that shifts the majority of the (million per county) of the 1 percent constitutional property tax cap on property taxes to local jurisdictions
locations where the combined primary property taxes exceed \$10 per \$100, and community colleges that meet a set of undefined criteria are sent to the school district as a way to lower the effective school district owners to \$10 per \$100 NAV
test the criteria are required to make a payment to the school district to on the school district of the school district rate being reduced to keep under the 1 percent cap

ct on two counties (Pima \$18 million and Pinal \$2.8 million).
counties may be impacted (counties with county tax rates higher than areas where combined primary tax rates exceed \$10 or \$11)
increase and additional counties may be impacted if and when the covers the \$1 million per county portion of their financial participation in
has to make is impacted by the tax rate decisions of other jurisdictions by during the local budgeting process that could lead to a budget crisis
ves the Property Tax Oversight Commission (PTOC) too much control

California & Prop. 13

- Set off by a run up in assessed values
- Limited property taxes to 1% of the assessed value
- Growth in assessed value is capped at 2% annually



Prop. 13 Passed with 62.6% of the vote



13

Yes
No

FY 2016 Executive Proposal

- Cap the State's Liability at \$1 million per County
- Shift the remaining liability to the local jurisdictions (county, cities & towns, community college, and school districts)
- The liability would be allocated based on a jurisdiction's share of the total tax rate

Example

Total 1% Liability: \$1,500,000	Primary rate	Liability Above 1%
County	\$3.00	\$125,000 reduction
City	\$3.00	\$125,000 reduction
Comm. College	\$1.50	\$62,500 reduction
Elementary SD ¹	\$2.00	\$83,333 reduction
High School SD ¹	\$2.00	\$83,333 reduction
State	\$0.50	\$1,020,834 payment
Total Rate	\$12.00	

¹School district rate after making adjustments pursuant to A.R.S. § 15-971 & § 15-972(B)

$$\text{Jurisdictional Liability} = \left(\frac{\text{Jurisdiction rate}}{\text{total rate}} \right) \times 1\% \text{ liability in excess of } \$1 \text{ million}$$

$$\text{County Liability} = \left(\frac{3.00}{12.00} \right) \times 500,000 = 125,000$$

NOTE: All figures are used for the example only and do not reflect actual rates or tax burdens

1% Reform Efforts

- Year-long education effort
- Worked with:
 - Governor
 - ATRA
 - Community Colleges
 - K-12 Community
- 90% of the way to an agreement, but Rep. Olson did not engage with CSA
- HB 2480 NOW: additional state aid; maximum amount (Olson) would have compounded the problem

Current Status:

Superior Court invalidated the law
Awaiting appeal status

CSA Priorities: Legislation



Enacted into law:

- HB 2021 codes; adoption by reference; copies (Stevens) **Ch. 81**
- HB 2146 municipalities; energy use; reporting (Leach) **Ch. 62**
 - *SB 1316 board of trustees; disincorporation; repeal (Kavanagh) was amended onto HB 2146*
- HB 2373 regional transportation authority; membership (Shope) **Ch. 295**
- HB 2430 counties; free library system (Stevens) **Ch. 255**
- HB 2541 primitive camping; exemption; definition (Finchem) **Ch. 200**
- HB 2561 sanitary district refunding bonds (Campbell) **Ch. 264**
- SB 1198 public library operation; third-party contracts (Griffin) **Ch. 337**
- SB 1308 juvenile charged as adult detention (Griffin) **Ch. 314**

Did not advance through the process:

- HB 2020 electronic notice; hearing; ordinances (Stevens)
- HB 2037 county liens; abatements (Borrelli)
- HB 2368 county contributions; hospitalization; medical; repeal (Thorpe)
- HB 2499 truth in taxation; detailed notice (Barton)
- HB 2512 pension contributions; expenditure limit exemption (Coleman)
- HB 2525 counties; annual audits (Thorpe)
- HB 2564 appropriation; indigent defense fund (Cobb)
- SB 1250 intergovernmental public transportation authority; taxation (Shooter)

CSA Priority: Protect County Interests



General Government

- Preemption of local control
- Regulatory reform
- Local lobbying regulation
- County personnel systems
- Constables

Criminal Justice

- Public building accessibility & weapon possession
- Incompetent and dangerous defendants
- RICO funds
- PTSD and peace officers
- Unlawful distribution of private images

Public Finance & Special Districts

- Secondary taxing districts
- Multiple TPT exemptions
- County fee exposures
- Class 6 properties designation
- County audit deadlines / penalties

Natural Resources

- State policy on wildfire containment & prevention
- Fireworks
- Sustainable water & forest management
- Wildlife management
- Local & state concerns with federal land

Planning

- Dust control
- Home based business regulations
- Substance abuse recovery homes
- Medical marijuana dispensary locations
- Animal holding
- Flood insurance

CSA Opposed: Defeated Bills



CSA defeated 18 bills that impacted county resources and/or constituent services.

2016 Defeated Bill List

(vetoed or died in the process)

- HB 2051 catastrophic public nuisance; determination; abatement (Finchem)
 - ~~HB 2082 NOW: law enforcement officers; investigations (Stevens)~~
 - HB 2398 fireworks; definition (Kern)/ HB 2602 fireworks; permitted uses; regulation (Borrelli)
 - HB 2568 community facilities districts; formation; governance (Gowan) **Vetoed**
 - SB 1159/HB 2647 NOW: prosperity districts; formation; powers; expansion (Smith/Montenegro)
 - SB 1257 misconduct involving weapons; public places (Kavanagh)
 - SB 1400 county water supply provision; renewal (Griffin) **Vetoed**
 - SB 1419 inmate medical services; rate structure (Griffin)
 - SB 1510 incompetent nonrestorable defendants; involuntary commitment (Driggs) **Vetoed**
- SB 1419 inmate medical services; rate structure (Griffin)
 - SB 1510 incompetent nonrestorable defendants; involuntary commitment (Driggs) **Vetoed**

CSA Opposed: Passed Bills



Passed Bills

- HB 2025 utilities TPT; sales of propane (Mitchell) **Ch. 359**
- HB 2107 NOW: structured sober living homes (Campbell) **Ch. 287**
- HB 2288 constables; duties; training; discipline (Bowers) **Ch. 252**

- HB 2288 constables; duties; training; discipline (Bowers) **Ch. 252**
- HB 2350 NOW: traumatic event counseling (Finchem) **Ch. 240**
- SB 1449 NOW: prohibited operations; unmanned aircraft (Kavanagh) **Ch. 170**
- SB 1487 state law; local violations; penalties (Biggs) **Ch. 35**
- SB 1524 regulatory actions; limitation (Smith) **Ch. 209**

- SB 1398 fuel taxes; streets and highways (Griffin) **Ch. 163**
- SB 1449 NOW: prohibited operations; unmanned aircraft (Kavanagh) **Ch. 170**
- SB 1487 state law; local violations; penalties (Biggs) **Ch. 35**
- SB 1505 tax exemption; natural gas delivery (Worsley) **Ch. 357**
- SB 1524 regulatory actions; limitation (Smith) **Ch. 209**

2016 Summary: By the numbers



- **\$18.3 million** in net financial relief to counties
- **Gila County: \$ 219,410** net relief
- **\$6.13 million** in additional reimbursement for PPE
- **8** CSA bills signed into law
- **3** CSA policy issues inserted in the budget
- **41** bills defeated or amended that would have harmed counties



Post Session Work Plan



County Outreach:

- *Local board briefings in May through August*
- *Managers meetings in June and August*
- *Discuss potential initiative and strategies*
- *Support county education of local lawmakers*

Legislator, Policy staff & Stakeholder Outreach

- *Major taxpayer outreach*
- *County Budget Tour (Graham and Cochise)*
- *Leadership/Appropriations Chairs Briefing*
- *JLBC/OSPB briefings*

Interim research and stakeholder processes:

- *1% cap implementation; modification*
- *Department of Juvenile Corrections*
- *Roadway needs study (AACE)*
- *Evaluation of Dependency Caseloads*
- *Monitor legislative study committees*
- *AZ Water Initiative planning process*
- *Long term county financial structure*
- *County regulatory processes*
- *DOR Service Agreement*



Policy Development Process



**OCT,
25-27**

Save
THE DATE

2016 CSA ANNUAL LEGISLATIVE SUMMIT



County legislative proposals due to CSA August 12, 2016

- *CSA provided template; staff available to assist with evaluation*

CSA Board of Directors meetings:

- *June/July/August - Not Meeting*
- September 15, 2016

CSA Legislative Policy Summit hosted by Coconino County

- *Flagstaff: October 25-27, 2016*