Board of Supervisors Memorandum

November 18, 2014

Recommended Legislative Agenda for 2015

Attached is a recommended Board of Supervisors resolution setting forth a State Legislative Agenda for 2015. The continuing challenges faced by all levels of government as a result of the economic downturn were substantial and, in Arizona, unprecedented. As was the case for the past four years, next year's legislative session will likely be dominated by budget-related discussions, issues and activities. It is imperative that Pima County continue to work to minimize and reverse the many cost and program shifts, revenue reductions and fund sweeps enacted by the State Legislature that negatively affect our County. These maneuvers by the State have reduced County services and prevented more substantial property tax relief at the local level.

This year, there are four major themes for our Legislative Agenda. They are:

1. Property Tax Reduction

State-mandated programs in Indigent Health, Mental Health and Criminal Justice, such as Restoration to Competency and Sexually Violent Persons, directly result in increased property taxes levied by counties. This is particularly true in Pima County, since we have no County sales tax to offset these expenses and hence reduce our property tax rates like all other counties in Arizona. State-mandated transfer payments for the Arizona Long Term Care System (ALTCS), Arizona Health Care Cost Containment System (AHCCCS), mental health, Restoration to Competency and sexually violent persons amounts to over $68.7 million per year; equivalent to $0.9463 of our primary property tax rate.

Unlike Maricopa County and most other counties that have a sales tax to offset their adult and juvenile detention or jail costs, Pima County spends $72,600,838 on this function, which is equivalent to $0.9656 of our primary property tax rate. Maricopa County pays for its hospital through a secondary property tax provided by special legislation approved by the Arizona Legislature. If Pima County did not have to pay for mandated state transfer payments and indigent health and was afforded the opportunity to off load its hospital costs with secondary property taxes, as is afforded Maricopa, and to offset partially or entirely our jail costs as most other counties do through a sales tax, our combined primary property tax rate would be $2.3660, or 55 percent, lower.

In short, the County must be provided the legislative tools and flexibility to lower our property tax rate. Currently, such legislation either does not exist or handcuffs Pima County from being able to provide these property tax reductions to our residents and taxpayers.

2. Adequate Funding for Transportation

The statewide gas tax dedicated to transportation is $0.18 per gallon and has not been increased since 1991. The gas tax should be increased at least $0.10 per gallon to offset the significant loss of purchasing power of this essential transportation revenue due to changes in the Consumer Price Index and the moderation of fuel consumption because of increasing use of more fuel efficient vehicles.

Previously, the Arizona Legislature, faced with the need to fund transportation adequately, has done so nine separate times by raising the gas tax between 1960 and 1990. This was due in large part to the population growth in Arizona, which increased by 180 percent during this period. In the last 23 years, Arizona's population has grown by 81 percent, but the Arizona Legislature has not yet addressed the issue of transportation revenues. Between 1990 and 2013, vehicle miles traveled in Arizona increased by 70 percent, and the average passenger car gas mileage increased from 24.3 miles per gallon to 35.6 miles per gallon; a 46 percent increase in fuel efficiency. This means less gasoline purchased and less gas tax collected.

During these 23 years of increased population and the use of more fuel efficient vehicles, the Legislature has failed to adequately fund our transportation needs. The County should support any act by the Legislature to increase transportation revenues allocated to the Highway User Revenue Fund (HURF). Increasing the gas tax by up to $0.10 per gallon or referring a measure to do so to the voters would be a good start.

3. Protecting Transportation Funding from Diversion

Over the past decade the Arizona Legislature has diverted over $900 million of the HURF to balance the State budget. Two states have constitutional amendments that will be on the November 2014 ballot to prohibit such actions.

The Arizona Legislature needs to act to prohibit HURF diversions or refer a ballot measure to the voters that would constitutionally protect the HURF from future diversions.

4. Economy Recovery and Job Creation

Pima County has been actively engaged in economic expansion and job creation activities. The Board has adopted and implemented a number of economic development initiatives, all related to our Pima County Economic Development Plan - 2012 to 2014. It is this plan that will lead to the adequate buffering of Raytheon for possible expansion, the region's largest private employer and a major property taxpayer in Pima County. Our plan is now being updated and will cover the period from 2015 to 2017. The plan discusses a number of areas, ranging from primary employment expansion to job training and workforce

investment, as well as enhancing tourism and trade with Mexico, Canada and South Korea.

As has been borne out in the Tesla gigafactory, location incentives are essential in ensuring that Arizona is economically competitive. The County will support expansion of incentives that can be offered by the Arizona Commerce Authority to primary export-based employers that choose to locate to Arizona or expand their existing operations in Arizona.

Furthermore, the County would support any Legislation that provides flexibility and local economic development incentives that both retains existing employment base, allows for it to expand and incentivizes relocation of employers to Pima County.

It is also probable that numerous legislative initiatives will be pursued to promote economic recovery and job creation. Such efforts need to benefit the entire state, including the local economy in Pima County, and do so in efficient ways that are likely to produce material, tangible results in our community.

Finally, as has been the case in recent years, it is anticipated that numerous bills will be introduced to inappropriately micromanage the operation of counties and disenfranchise county supervisors from the constituents who elected them and to whom they are accountable. These must be opposed.

This recommendation is intended only as a starting point for the coming legislative session, and additional issues may be brought to the Board for consideration as they arise.

Recommendation

I recommend the Board of Supervisors approve Resolution No. 2014- _____ setting forth Pima County's State Legislative Agenda for 2015.

Respectfully submitted,

C.H. Huckelberry
County Administrator

CHH/dr (November 4, 2014)

Attachment

PIMA COUNTY

RESOLUTION NO. 2014 - _____

A RESOLUTION OF THE BOARD OF SUPERVISORS IN PIMA COUNTY, ARIZONA ADOPTING A PIMA COUNTY LEGISLATIVE PROGRAM FOR 2015

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Section 1

That those persons authorized by Pima County to lobby on its behalf and registered as such with the Secretary of State of the State of Arizona pursuant to Arizona Revised Statutes § 41-1231 et.seq. (the "County Lobbyists") are hereby authorized and directed, subject to the continuing supervision of the Pima County Administrator and this Board, to represent and pursue the legislative interests of Pima County by supporting legislation that embodies any of the following basic principles:

A. Empowers Pima County with sufficient flexibility to address an expanding and changing variety of local needs and conditions.

B. Establishes appropriate means to adequately compensate Pima County for the costs of complying with state mandated requirements.

C. Provides Pima County with the means to cope with inflationary cost increases, population growth and escalating service requirements.

D. Enables Pima County to provide public services in a more responsive, efficient and cost-effective manner.

E. Defines appropriate fiscal and administrative responsibilities within various State/County and City/County joint programs.

Conversely, legislation that is inconsistent with any of these basic principles should be opposed or appropriate amendments pursued.

Section 2

That, in addition to those basic principles set forth in Section 1, the County Lobbyists are authorized and directed to pursue the following specific objectives:

A. Fiscal Responsibility

Oppose continuation of the cost and program shifts to and the diversion of revenues from Pima County by the State, including diversion of gas taxes from county roads to fund state

programs, withholding of county Lottery revenues, and shifting the cost of the state program for incarceration of sexually violent persons in order to balance the State Budget. The State is circuitously using the County's tax base to fund its responsibilities. If the State continues this practice, it should be straight forward and levy a State property tax which would be transparent and for which it could be held accountable.

B. County Integrity

Oppose continued efforts by the State to inappropriately micromanage the operation of the County and restrict the authority of county officials to manage the responsibilities for which they have been elected and develop solutions to the challenges facing our community.

C. Local Economic Recovery

Ensure that State legislation intended to promote economic recovery and job creation will benefit our region and employ efficient, effective strategies that will produce tangible, local results.

D. Increased Revenues Dedicated to Road Improvements

Support legislation to increase revenues available to county, municipal and state governments in Arizona dedicated to road improvements, rehabilitation and maintenance, especially those sources of revenue that are connected to road use and benefits including an increase in the existing state gas tax.

E. Cost of Court Ordered Mental Health Evaluations

Support efforts by the County Supervisors Association to amend statutes in Title 36 to make counties the payer of last resort rather than the payer of first resort for the cost of court ordered mental health evaluations by authorizing counties to seek reimbursement from other existing federal and private payer sources.

PASSED, ADOPTED AND APPROVED this ____ day of _____, 2014 by the Board of Supervisors of Pima County.

_____
Chair of the Board of Supervisors

ATTEST:

_____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

Regina Nassen
_____
Deputy County Attorney
REGINA NASSEN