



MEMORANDUM

Date: June 9, 2022

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

From: Jan Leshner 
County Administrator

Re: **Legislative Update**

The following is an update on the current State of Arizona legislative session as provided by the County Supervisors Association (CSA):

On June 6, Arizona State House and Senate leadership started small group meetings and draft versions of the initial budget have been leaked. Please note, it is very early in the process, and this is all subject to change.

The initial budget seems to be aimed at attempting to reach a majority party budget with spending for some key areas that have been in negotiations since the beginning of session, including \$1.3 billion for debt and pension liability, \$1 billion for water, \$1 billion on transportation and infrastructure, \$566 M for border security, and \$425 M deposited into the rainy-day fund. Some of the money to fund spending on water, border security, transportation, and the rainy-day fund is coming from one-time transfers from TPT (state TPT funding impact only). In addition to the debt reduction and increases savings there are references to additional exemptions to TPT for agriculture, expanding property tax exemption for veterans, elimination of the State Equalization Property Tax Rate (\$330.5 M), and other tax cuts. State funded salary increases are scored at about \$235 M with 15% for DPS, 20% for Corrections Officers, and 20% for judges. The state is also providing provider rate increases for DES and AHCCCS.

While the initial budget is being shopped around, it seems there are members in the House and Senate that are not on board with this framework. Including reports that Senator Boyer was not pleased with the level of funding for K-12 education except for the \$100 M increase for special education. Below please find some county related impacts in the draft budget framework:

Key CSA Issues:

- Does *not* repeal ADJC Cost shift - \$8.5M cost to counties
- Restores 60/40 Cost Share for JPs - \$1.4M savings ongoing
- Funds State Aid to Juvenile Dependency Proceedings Fund - \$2M ongoing funding
- Funds \$1.2M for probation officer salary increases (approx. 2.5% statewide) ongoing
- 11% ALTCS EPD Provider rate increase - \$24.2M state, approx. \$20M+ county cost ongoing
- Does *not* eliminate/reduce legacy healthcare payments (BNCF/Acute Care)

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Other County Priorities:

- \$53.2M for sheriff stipend - onetime
- \$2.0M for out of county tuition formula change - ongoing
- \$10.0M for rural county attorney diversion program grants - onetime
- \$114,000 for jail education programs – ongoing

Other Costs to Counties:

- New ADOR Tax Administration System Local Cost Share - total all other funds \$43M, unknown exact county share
- Judicial Salary Increases - 20% Superior Court Judges - Approx. \$1.2M for JPs, \$4.3M for commissioners, \$4.5M for superior court judges cost to counties

Other Major Policy Items:

- Eliminate State Equalization Property Tax Rate (SETR) - \$330.5M ongoing
- \$1.1B+ in state pension payoff
 - \$60.0M in EORP deposit & early retirement bill (SB 1002)
- \$1.0B in transportation projects
- \$1.0B in DWR water initiative funding
- 10-20% salary increases for state employees (15% for DPS, 20% for DOC)
- \$10 M Cyber Security Grants to Locals and School Districts
- Funding for Local Border Security Costs
 - DEMA - \$15 M Local Law Enforcement, \$30 M Local Prosecution, \$53.4 M Sheriff Stipend
 - DPS Border Strike Force - \$11 M Local Support

CSA has the initial framework drafts, but has not yet seen draft bill language. It is anticipated that these negotiations will continue over the next few weeks, but CSA will continue to provide updates as additional information becomes available, which we will share with the Board.

Earlier today, CSA shared an updated by-county estimate of the impacts outlined below. Attached are the estimated *increases* in costs in ALTCS payments and judicial salaries (including the restoration of the JP cost share). These figures continue to be *very* fluid as the budget discussions are still ongoing, but still may be helpful for planning purposes. These are based on the draft budget spreadsheets that have been circulated, but CSA has not seen any of the budget bill language so do not have clarity on the following items:

- Flexibility language
- Probation footnote language: It is not known what the policy (if any) the state will insert into the budget regarding the responsibility for raises above the 2.5% funded included in FY23. As a result, there is still exposure to the county GF for any raises provided over that amount.

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- ADOR tax administration fee: The budget also includes an ADOR fee for a new tax administration system. Based on the agency's budget request, CSA believes that it would be approximately \$2M for counties for the next 6 years.

JKL/anc

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer,
Health and Community Services

6/3 FY 2023 State Budget Draft Select Cost Impacts on County Costs

County	Est. ALTCS Impact		Est. Judicial Salary Impact /3			Total
	Baseline ALTCS /1	Proposed ALTCS Provider Rate Increase /2	Superior Court Judges	Justices of the Peace /4	Superior Court Commissioners /5	
Apache	149,700	47,800	25,500	14,000	-	237,000
Cochise	1,339,500	346,400	127,300	29,000	-	1,842,200
Coconino	449,000	143,400	127,300	17,000	-	736,700
Gila	373,100	158,800	50,900	10,000	46,000	638,800
Graham	(69,200)	74,000	25,500	9,000	-	39,300
Greenlee	-	-	25,500	6,000	-	31,500
La Paz	250,000	35,700	25,500	14,000	-	325,200
Maricopa	32,516,900	12,747,200	2,469,700	919,000	3,073,000	51,725,800
Mohave	720,300	580,600	178,200	27,000	-	1,506,100
Navajo	619,100	197,800	101,800	28,000	46,000	992,700
Pima	7,319,500	3,021,900	738,400	53,000	734,000	11,866,800
Pinal	4,379,600	969,600	254,600	31,000	275,000	5,909,800
Santa Cruz	381,200	154,300	50,900	5,000	-	591,400
Yavapai	1,123,900	517,500	178,200	25,000	-	1,844,600
Yuma	587,000	605,000	152,800	14,000	138,000	1,496,800
Total	50,139,600	19,600,000	4,532,000	1,201,000	4,311,000	79,783,600

/1 Reflects county ALTCS payments outlined in HB 2847.

/2 Based on state cost of \$24.2M ALTCS EPD 11% increase included in budget spreadsheet dated 6/3. Total county amount estimated using the county/state provider rate ratio from FY 2022 JLBC Appropriations Report. Prorated by county using HB 2847 county ALTCS payments.

/3 Reflects 20% increase in superior court judges' salaries.

/4 Reflects impact at restored 60/40 county/state cost share for JP salaries. Based on number of justice courts in FY 2022. Several counties have consolidated JP precincts.

/5 Number of court commissioners retrieved from individual county websites in Nov. 2021. Actual number of commissioners may vary.