



MEMORANDUM

Date: May 9, 2017

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

From: C.H. Huckelberry
County Administrator 

Re: **Fiscal Year 2017/18 State Budget Summary**

Attached for your review is a summary prepared by the County Supervisors Association regarding the State's Budget.

The summary accurately reflects the State Budget and how it may impact county budgets. In particular, for Pima County, a number of recently enacted State cost transfers were retained. However, the Arizona Department of Juvenile Corrections cost transfer was mitigated from the planned transfer of \$1,726,804 to \$499,904 contained in the Budget Reserve in the present County budget as a planned transfer. This reduction means the Budget Reserve unallocated balance will increase.

The largest positive change for the County will be the receipt of additional Highway User Revenue Funds (HURF) based on funding by the Legislature to reduce previous years' HURF diversions to balance the State's budget. This means as much as an additional \$3.5 million over two years for arterial and collector roadway repair and pavement preservation. In addition to these funds for the County, cities and towns will also receive additional funds, and counties with a population over 800,000 will receive additional funding for controlled access facilities (HURF 12.6 percent).

In addition, the County Attorney's Office was successful in receiving a one-time appropriation of \$250,000 for the Pima County Drug Treatment Program Alternative to Prison. This continues a very successful program initiated by the County Attorney to reduce incarceration of low-level drug offenders. It also appears the Sheriff will be the recipient of additional one-time Gang & Immigration Intelligence Team Enforcement Mission (GIITEM) Fund allocation designed to assist in gang prevention.

CHH/anc

Attachment

c: Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management

FY 2017-2018 State Budget

(As Passed by the Legislature on May 5, 2017)

Summary

The Arizona State Legislature passed the FY 2017-2018 budget early on May 5, 2017. The budget bills outline a \$9.8 billion spending plan and include many Executive and Legislative priorities, including \$37.6 million for a results-based K-12 education initiative, teacher salary increases, \$10 million in agency efficiency savings, \$3million state match for rural broadband infrastructure, and relief for agencies dealing with Prop 206 implementation costs. With current revenue projections, the budget calls for a structural balance in FY 2018 of \$20.7 million and a final ending balance of \$38.1 million.

Major County Issues

- **Arizona Department of Juvenile Corrections (ADJC) One-Year Cost Reduction:** As session law, counties will still be required to transfer \$11,260,000 to ADJC. As session law, appropriates \$8 million to the Arizona Department of Administration (ADOA) to partially reimburse counties for ADJC costs for FY 2018. After adjusting for the reimbursement, counties' total costs for ADJC for FY 2018 will be \$3,260,000. – **(\$8 million savings for counties)**
- **Restricted Flexibility Language:** As session law, excludes counties under 250,000 persons, and restricts all other counties to \$1.25 million for the purposes of county flexibility language which allows a county to use any source of county revenue to meet any county fiscal obligation. Counties are still required to report to the Joint Legislative Budget Committee (JLBC) by October 1, 2017, if the county used the flexibility language and if so, the specific amount and source of revenue used.
- **Expanded In-Lieu Payments for Lottery Revenue:** As session law, continues payments for ten rural counties and provides \$550,000 each for Mohave, Pinal and Yavapai counties in FY 2018 for the purpose of receiving an appropriation in lieu of county lottery revenue. – **(\$1.7 million increase to counties)**
- **Highway User Revenue Fund (HURF):** As session law, provides a total of \$60 million in FY 2018, FY 2019 and FY 2020 in HURF Local Distribution monies to be distributed as follows:
 - 33.231% to counties: \$19,938,600
 - 48.097% to cities: \$28,858,200
 - 5.247% to cities over 300,000 persons: \$3,148,200
 - 13.425% for counties over 800,000 persons for controlled access: \$8,055,000

Funding of the \$60 million comes from various sources in each year – \$30M from each of the Highway Extension and Expansion Loan Program (HELP) Fund and HURF in FY 2018 and FY 2019; and \$60M from HURF in FY 2020. The measure further stipulates that the allocation to each county will be made according to current statute (A.R.S. § 28-6538) governing the distributions of HURF monies. – **(\$10 million increase for counties for this fiscal year and the same amount for each of the two following fiscal years.)**

- **Increased Superior Court Salaries:** Provides for the second step of the 3 percent pay raise for judges. Beginning in January 2017, the first phase provided superior court judges with a 1.5 percent pay raise with the second 1.5 percent starting January 2018. Maricopa County pays for 100 percent of superior court salaries and all the other counties pay for 50 percent plus employee related expenditures. – (**\$691,540 impact to counties** in FY 2018 – does not include adjustments for Judges Pro Tempore)

County Issues by Budget Bill

HB 2537 general appropriations; 2017-2018

- **Out of County Tuition:** Appropriates \$1,273,800 from the State General Fund for rural county reimbursement subsidies for community colleges. Apache County receives \$699,300 and Greenlee County receives \$574,500. This is unchanged from last year. *Sec. 21*
- **County Attorneys Fund:** Continues to provide \$973,600 of Arizona Criminal Justice Commission (ACJC) grant monies to counties. *Sec. 26*
- **County Participation; Child Support Enforcement:** Appropriates \$8,740,200 for county participation of child support enforcement in the Department of Economic Security (DES). This amount is unchanged from last year. *Sec. 31*
- **State Forester; Environmental County Grants:** Continues to appropriate \$250,000 to the State Forester for county environmental projects. *Sec. 41*
- **County Tuberculosis Provider Care and Control:** Maintains a \$590,700 appropriation for county tuberculosis programs. *Sec. 47*
- **County Judicial Reimbursements:** Continues to provide \$187,900 to the Arizona Supreme Court to reimburse counties for state grand juries and capital post-conviction relief (PCR). The state grand jury reimbursement is limited to \$97,900 and the PCR reimbursement is limited to \$90,000. *Sec. 54*
- **Increased Superior Court Salaries:** Provides for a two year phase in of a 3 percent pay raise for judges. Beginning in January 2018, the second phase will provide superior court judges with a second 1.5 percent pay raise. Maricopa County pays for 100 percent of superior court salaries and all other counties pay for 50 percent plus employee related expenditures. *Sec. 54*
- **State Aid to Indigent Defense to DPS:** Appropriates \$700,000 from the State Aid to Indigent Defense Fund to the Department of Public Safety (DPS) for operations. *Sec. 21 and 80*
- **Justice of the Peace (JP) Salaries:** Appropriates \$1,205,100 to the State Treasurer to cover the state's share of JP salaries. This amount is unchanged from last year. *Sec. 93*
- **Law Enforcement Boating Safety Fund (LEBSF):** Appropriates \$2,183,800 to be allocated to county law enforcement agencies in counties which had a law enforcement and boating safety program in existence prior to July 1, 1990 (Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, Yuma). *Sec. 93*

- **Direct Appropriations to Counties (In-Lieu Lottery Revenue):** Appropriates, from the state general fund, \$7,150,650 to the Arizona Department of Administration to be equally distributed to all thirteen counties under 900,000 persons (Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Navajo, Pinal, Santa Cruz, Yavapai, and Yuma). Each qualifying county receives \$550,050. *Sec. 112*
- **Graham County Assistance:** Appropriates \$500,000 from the State General Fund to ADOA for distribution to Graham County for maintenance of essential county services. *Sec. 112*
- **Arizona Department of Juvenile Corrections (ADJC) Cost Reduction:** Appropriates \$8,000,000 from the State General Fund to ADOA for a one-time distribution to counties to partially reimburse for ADJC costs. The amounts each county are to receive are detailed as follows:

Apache	\$89,500	Mohave	\$250,500
Cochise	\$164,400	Navajo	\$134,500
Coconino	\$168,300	Pima	\$1,226,900
Gila	\$67,100	Pinal	\$470,300
Graham	\$46,600	Santa Cruz	\$59,300
Greenlee	\$10,500	Yavapai	\$264,100
La Paz	\$25,700	Yuma	\$245,000
Maricopa	\$4,777,300		

- **Court Fund Transfers:** As session law, continues to require the following amounts to be transferred to the State General Fund (note removal of Court Appointed Special Advocate Fund in FY 2018):
 - In FY 2017:
 - \$300,000 from the Alternative Dispute Resolution Fund
 - \$300,000 from the Lengthy Trial Fund
 - \$500,000 from the Court Appointed Special Advocate Fund
 - \$250,000 from the Drug Treatment and Education Fund
 - \$3,650,000 from the Juvenile Probation Services Fund
 - In FY 2018:
 - \$300,000 from the Alternative Dispute Resolution Fund
 - \$200,000 from the Lengthy Trial Fund
 - ~~\$400,000 from the Court Appointed Special Advocate Fund~~
 - \$250,000 from the Drug Treatment and Education Fund
 - \$1,850,000 from the Juvenile Probation Services Fund
- **Pima County Drug Treatment:** As session law, provides a one-time appropriation of \$250,000 from the Health Services Lottery Monies Fund for an appropriation to the Administrative Office of the Courts (AOC). AOC must distribute the funds to a county with a population of more than 500,000 and less than 1 million for the purpose of a drug treatment alternative to prison program. *Sec. 128*

HB 2540 criminal justice; budget reconciliation; 2017-2018

- **Gang & Immigration Intelligence Team Enforcement Mission (GIITEM) Subaccount Restriction of Use:** As permanent law, prohibits a county of more than 3 million persons from agreements or contracts utilizing GIITEM subaccount monies. The language continues to provide \$500,000 of GIITEM funds to a county of population over 300,000 but less than 500,000. *Sec. 7*
- **GIITEM Fund Additional Allocation:** As session law, provides one-time GIITEM funding of \$400,000 to a sheriff of a county with a population of fewer than 2 million but more than 800,000 persons. *Sec. 16*
- **Arizona Department of Juvenile Corrections (ADJC) County Contributions:** As session law, requires counties to transfer \$11,260,000 to ADJC. **NOTE:** Counties received an \$8million offset in another budget bill. *Sec. 22*
- **Administrative Office of the Courts; Courthouse Security Standards:** As session law, appropriates \$750,000 for FY 2018 from the Judicial Collection Enhancement Fund for the purposes of providing assistance, training and grants to courts to meet the minimum standards of courthouse security adopted by the Arizona Supreme Court. *Sec. 23*

HB 2542 budget reconciliation; health; 2017-2018

- **Arizona Long Term Care System (ALTCS):** FY 2017 contributions total \$264,673,200 for all 15 counties into the Long Term Care System Fund. This is an increase of \$7,715,800 over Baseline. *Sec. 10*
- **Sexually Violent Persons (SVP) Payments:** Continues to require counties to reimburse The Department of Health Services (DHS) for 31 percent of the cost associated with housing SVPs at the Arizona State Hospital (ASH) for FY 2018. Includes flexibility language allowing counties to pay for this program with any source of county revenue and excludes any payments from the county expenditure limitation *Sec. 11*
- **Restoration to Competency (RTC) Payments:** Continues to require counties to reimburse DHS for 100 percent of the cost associated with competency restoration treatment at the ASH. Includes "flexibility language" allowing counties to pay for this program with any source of county revenue and excludes any payments from the county expenditure limitation. *Sec. 12*
- **Acute Care Contributions:** Sets county Acute Care contributions at \$46,813,400 for all 15 counties. This amount is unchanged from the JLBC Baseline and includes a deflator for the Maricopa County contribution *Sec. 15*
- **Disproportionate Uncompensated Care Pool (DUC Pool):** Requires the collection of \$2,646,200 in DUC Pool contributions from counties other than Maricopa. This amount is unchanged from last year. *Sec. 16*

HB 2546 budget reconciliation; revenue; 2017-2018

- **Highway User Revenue Fund (HURF):** As session law, provides a total of \$60 million in FY 2018, FY 2019 and FY 2020 in HURF Local Distribution monies to be distributed as follows:
 - 33.231% to counties: \$19,938,600
 - 48.097% to cities: \$28,858,200
 - 5.247% to cities over 300,000 persons: \$3,148,200
 - 13.425% for counties over 800,000 persons for controlled access: \$8,055,000

Funding of the \$60 million comes from various sources in each year – \$30 million from each of the Highway Extension and Expansion Loan Program (HELP) Fund and HURF in FY 2018 and FY 2019; and \$60 million from HURF in FY 2020. The measure further stipulates that the allocation to each county will be made according to current statute (A.R.S. § 28-6538) governing the distributions of HURF monies. *Sec. 8 and 9*

- **County Flexibility Language:** As session law, allows counties under 250,000 persons to use up to \$1,250,000 of any county wide special district funds to meet any county fiscal obligation. Counties are still required to report to the Joint Legislative Budget Committee (JLBC) by October 1, 2017, if the county used the flexibility language and if so, the specific amount and source of revenue used. *Sec. 15*
- **Arizona Department of Revenue (ADOR) Cost Shift:** As session law, sets the amount the Arizona Department of Revenue is to collect from local government at \$20,755,835 and lays out a framework for calculating each jurisdiction's share.

The aggregate county share of the fee is determined through the following procedure:

- 1) Calculate the aggregate amount distributed to counties from:
 - a) A.R.S. § 42-5029 (TPT distribution base)
 - b) A.R.S. § 42-6103 (county general fund excise tax)
 - c) A.R.S. § 42-6107 (county transportation excise tax for roads)
 - d) A.R.S. § 42-6108 & 42-6108.01 (tax on hotels – Pima only)
 - e) A.R.S. § 42-6109 & 42-6109.01 (jail facility excise tax – Maricopa only)
 - f) A.R.S. § 42-6110 (use tax on electricity)
 - g) A.R.S. § 42-6111 (county capital projects)
 - h) A.R.S. § 42-6112 (county excise tax for county judgment bonds – La Paz only)
- 2) Calculate the aggregate amount distributed to counties, cities and towns, MAG, and PAG from:
 - a) All taxes listed under step one
 - b) A.R.S. § 42-6001 (city excise taxes)
 - c) A.R.S. § 43-206 (urban revenue sharing)
 - d) A.R.S. § 42-6105 (MAG transportation tax)
 - e) A.R.S. § 42-6106 (PAG transportation tax)
- 3) Calculate what percentage the aggregate amount calculated under step 1 is of the aggregate amount calculated under step 2 and apply this percentage to the \$20.8 million

The county share of the \$20.8 million will be approximately \$6.76 million. The session law further stipulates that the aggregate county share shall be proportionally collected from each county based on population. *Sec. 16*