Date: January 25, 2016

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

From: C.H. Huckelberry
   County Administrator

Re: Impact of Fiscal Year 2017 State Budget on Pima County

On January 15, 2016, the Governor released his Fiscal Year (FY) 2017 Recommended State Budget. We had hoped this Budget would include reduction or relief of past egregious State cost transfers to the Counties, as well as leadership in the area of transportation funding. The FY 2017 State Budget contains neither.

As I have pointed out previously, nearly one third – $105 million – of the County’s primary property tax of $337 million is devoted to State cost transfers. In a single year, the growth of these transfers increased nearly $22 million. Some of the more egregious cost transfers are discussed below.

Arizona Department of Juvenile Corrections (ADJC). Pima County is charged $1,840,300 to assist in operating the ADJC, even though we have a County Juvenile Detention Facility and extensive diversion and rehabilitation programs that substantially lessen the per capita burden of Pima County on the State Juvenile Corrections System compared to the other Arizona counties. We have suggested the State abolish the ADJC. We would be happy to provide detention, diversion and treatment services for the few juveniles we send to the State at a cost significantly less than the State cost transfer.

Arizona Department of Revenue (ADOR). We continue to be charged $1.035 million to support the ADOR charge to local governments for the collection and distribution of sales tax and income tax revenues. Such continues in spite of the fact Pima County has no sales tax and receives no income tax revenues.

State Aid to Education. The additional State Aid to Education, which has never been a County responsibility, was imposed on the County during the last budget adoption by the Legislature and signed into law by the Governor. The State unfairly transferred between $8 million and $16 million of former State costs to the County. This matter is subject to current litigation filed in Maricopa Superior Court. Pima County filed for Summary Judgment in an attempt to resolve through the courts this unlawful and unconstitutional State cost transfer.

Presidential Preference Election (PPE). We will unfortunately pay any cost of the PPE in excess of the State reimbursement. We estimate the cost of the PPE to be approximately $1.4 million, with reimbursement from the State of only $600,000. Hence, Pima County taxpayers subsidize this election in the amount of $800,000. The State Elections Director
has called the PPE a “taxpayer-funded beauty contest” as reported in the Arizona Capitol Times. On January 24, 2016, Arizona Republic Columnist Laurie Roberts stated, “Adding to reasons why the GOP and Democrats don’t need party welfare? Fully a third of Arizona’s voters can’t even participate in the presidential primaries. Independents now comprise the largest fastest growing voting bloc in the state, yet they can’t vote in any presidential primary. They are, however, expected to pick-up a share of the tab.”

Transportation Revenues. Everyone in the State hoped the Governor and Legislature would stop diverting Highway User Revenue Funds (HURF) to fund the State Police Agency, the Arizona Department of Public Safety (DPS). It appears the HURF shift to DPS will be $96.4 million in the FY 2017 Recommended Budget, which is an increase over the past continuing diversion. If the HURF diversion were to be eliminated, this region would have approximately $10 million more per year for road repair, and the County alone would receive nearly $3 million of additional funds. More distressing than the continuing and growing HURF diversions to DPS is the lack of leadership with regard to recognizing transportation finance deficiencies in the State, yet we must compete economically with other states throughout the country that are investing in their infrastructure. Arizona’s failure to invest in infrastructure places the State at a significant competitive disadvantage when trying to grow our State economy.

Border Strike Force. The Governor has proposed to fund a DPS Border Strike Force (BSF) with $31.5 million that will very likely be funded from the increased HURF diversion. The BSF has been opposed by most Border Sheriff’s as being duplicative of their law enforcement activities along the border. Border Sheriff’s believe it is more important to have DPS actually patrol State highways on a 24-hour, seven-day a week basis – something they do not do today. In addition, the BSF will invariably increase local criminal justice system costs of the County for housing, prosecuting and defending those who may be arrested by BSF.

Summary

Clearly the Governor’s proposed FY 2017 State Budget offers little, if any, fiscal relief to past and continuing State cost transfers. It also fails to address the State transportation funding crisis and potentially creates unnecessary and duplicative law enforcement efforts that will invariably increase the County’s criminal justice system costs.

CHH/mjk

Attachment

c: John Bernal, Deputy County Administrator for Public Works
    Tom Burke, Deputy County Administrator for Administration
    Jan Lesher, Deputy County Administrator for Community and Health Services
    Michael Racy, Racy Associates, Inc.