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# MEMORANDUM

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Date: December 12, 2017

To: Chair and Members  
Sales Tax Advisory Committee

From: C.H. Huckelberry  
County Administrator

A handwritten signature in black ink, appearing to be "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Recommended State Legislative Agenda for 2018**

Attached is the State legislative agenda for 2018 that the Board of Supervisors will consider for approval at their December 19, 2017 meeting. A major focus is on legislation that increases funding for transportation and enables the County to decrease primary property taxes. One item that I have not discussed with the Sales Tax Advisory Committee is legislation that would allow Pima County to form special healthcare taxing district. This option is currently only available to Maricopa County, which has formed such a district and transferred its county hospital expenses from its primary property tax levy to the portion of its secondary property tax levy dedicated to this special district. Maricopa County's financial support for its County hospital reached \$109 million this year. Pima County currently allocates \$15 million a year to Banner UMC South Campus (BUMC). Without this financial support, it is almost certain that BUMC would cease operating this south side hospital, leaving it to the County to resume operations at a much higher costs to taxpayers, or close the only hospital that serves this medically underserved area of the County, servicing many whom are lower-income residents.

Forming a special healthcare district would enable Pima County to move the \$15 million spent annually to support BUMC South to the secondary property tax rate, lowering the County's primary property tax rate. This would be beneficial for at least two reasons. First, by lowering the primary property tax, we would begin to address exceedance of the one percent Arizona Constitutional limit on primary property taxes which is currently occurs within the Tucson Unified School District tax area. Second, we would ensure a dedicated source of revenue for the hospital that would no longer have to compete against other general funded programs and services. This may be of interest to you as you discuss at Thursday's committee meeting ways the County could mitigate the impact of a half-cent general sales tax on lower-income residents.

CHH/dr

Attachment

c: Jan Leshar, Chief Deputy County Administrator  
Carmine DeBonis, Deputy County Administrator for Public Works  
Tom Burke, Deputy County Administrator for Administration  
Nicole Fyffe, Executive Assistant to the County Administrator  
Michael Racy, Racy Associates, Inc.



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# Board of Supervisors Memorandum

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December 19, 2017

Resolution 2017 - \_\_\_\_\_  
Recommended Legislative Agenda for 2018

## Introduction

Proposed Resolution 2017 - \_\_\_\_\_ sets forth Pima County's Recommended State Legislative Agenda for 2018 (Attachment 1). The 2018 legislative session will likely be dominated by budget-related discussions, issues and activities. It is imperative 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. Recently, I provided information to the Board of Supervisors regarding an additional \$2.6 million cost transfer to the County now contemplated by the Arizona Legislature. This cost transfer involves significant premium increases for paying the County's portion of the Elected Officials' Retirement Plan (EORP). The premium increase is estimated to increase from 23.5 percent of salary to over 61 percent. This is in addition to significant premium increases paid by the County for the Public Safety and Corrections Officers Retirement Plan. The only retirement plan where the County has not been required to pay additional funds is in the regular Arizona State Retirement System, which covers most of our employees. These cost transfers by the State have reduced County services and prevented more substantial property tax relief at the local level.

## Background

The priority themes for this Legislative Agenda follow. For the most part, they parallel the Legislative Policy Items and County Legislative Proposals resulting from the County Supervisors Association 2017 Legislative Summit, which is included as Attachment 2 to this memorandum. If Arizona's job growth and economic expansion are to be sustained, we must find solutions to fund one of the key drivers of economic expansion – transportation system improvements – whether they be surface, rail or air. I believe our top priority must continue to be transportation funding. I recommend the following areas be legislative priorities:

## Transportation Funding

1. Repairing our streets and highways. Local streets and highways throughout Arizona are in a state of disrepair. This disrepair has resulted from a lack of adequate transportation funding and the diversion of Highway User Revenue Funds by the Legislature to balance the State budget during the Great Recession. Adequately repairing all of the streets and highways within the County is our highest priority.

The County should support any legislation that would increase transportation funding to the County.

2. Stop the diversion of Highway User Revenue Funds (HURF) to balance the State's budget. Historically, over \$1 billion in HURF monies has been diverted by the Legislature to balance the State's budget. Just this last year, \$96 million was diverted to support the State's police agency, the Department of Public Safety. No city, town or county uses HURF to finance its police agency; neither should the State of Arizona. If these diverted funds were returned and distributed in accordance with the existing distribution formulas, this region would see significant additional transportation revenues.

3. Increase overall transportation revenues statewide. Arizona's gas tax was last increased in October 1990, over 27 years ago. The gas tax must either be increased or replaced with another revenue source to fund the investment necessary for a modern, economically competitive transportation system. Increasing the gas tax or converting the existing cents-per-gallon gas tax to an excise tax makes little difference; what matters is that transportation revenues increase statewide to finance a modern, economically competitive transportation system for Arizona.

4. Local gas tax option. Last year, a proposal was made to allow counties the option of adopting and enacting a local gas tax. This option should be supported again this year. Perhaps we should follow the Clark County, Nevada model where the Board of Supervisors was given the authority to enact an additional countywide gas tax, but was required to place a ballot question in the next General Election where the voters were able to decide whether the gas tax should be permanent or be repealed. The voters in Clark County overwhelmingly approved making the gas tax permanent.

### **Property Tax Reduction**

In order to reduce our property tax, I suggest the Board of Supervisors support three important legislative initiatives: 1) eliminating and reducing State cost transfers to the County, 2) excise tax authority that can be reasonably enacted if it results in direct reduction of the Pima County primary property tax rate, and 3) authority to transfer hospital obligations to the secondary property tax rate, similar to Maricopa County. These three initiatives are discussed below.

1. Eliminating and reducing certain State cost transfers to the County. Last year, for the first time, we highlighted on property tax statements the fact that more than 25 percent of their primary property tax is paid to the State. We have received numerous inquiries from taxpayers who were unaware the State took such a large portion of their County property tax; hence, our first and primary objective is to reduce these State cost transfers that have to be passed along to our property taxpayers.

Eliminating State cost transfers, particularly those imposed by the Legislature to balance their own budget during the Great Recession would allow Pima County to significantly reduce our primary property tax rate.

2. Property tax reduction excise tax. All other Arizona counties avail themselves of excise taxes to reduce their property taxes that pay for county programs. Pima County is the only county that has not taken advantage of this provision in State law. In addition to their general one-half-cent excise tax, some counties also have a full half-cent tax directed to transportation. Our inability to enact an excise tax results from the legislation requiring a unanimous vote of the Board of Supervisors.

3. Special healthcare taxing districts. Allow Pima County, similar to Maricopa County, to transfer its hospital funding obligations from the primary property tax rate to the secondary property tax rate. This would directly reduce our 1 percent property tax exceedance that is directly paid by the State. Maricopa County, under special legislation a number of years ago, transferred their hospital expenses from the county primary property tax levy to a secondary special taxing district. Pima County and Maricopa County differ substantially in their methods of providing medical services. Maricopa County provides support directly through ownership of hospital facilities and physician groups, while Pima County contracts with a private, nonprofit provider to operate our community-based hospital facility. Pima County historically has provided direct property tax support to the entity operating our hospital. This support has averaged \$15 million annually, which is included in our primary property tax levy. In Maricopa County, their property tax support has now reached \$109 million, which is funded through a special-district secondary tax levy at a rate of \$0.2851. We ask that the Legislature consider giving Pima County the same flexibility to create a special hospital district and transfer our \$15 million appropriation from our primary property tax to a secondary property tax.

These reduced property taxes would further enhance our statewide economic competitiveness, position the County for significantly increased tax base expansion, and be more in line with all other counties in Arizona.

### **Economy Recovery and Job Creation**

The County would also support any other legislation that provides additional flexibility in local economic development incentives that encourage new employers to relocate to Pima County, and existing employers to remain and expand within the community.

Numerous legislative initiatives may 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 likely to produce tangible results in our community.

### **Criminal Justice Reform**

Historically, the largest expense of County government has been financing the criminal justice system, which includes a Sheriff, County Attorney, indigent defense, courts, adult and juvenile detention facilities, constables and other related expenses. In just the last 10 years these expenditures have grown by \$46 million. In Arizona, we spend far too much on prisons and far too little on education. Clearly, State policy regarding criminal justice, which has not been substantively reformed in several decades, is in need of change and improvement. The past Justice for All report and recommendations of the taskforce formed by the Chief Justice of the Arizona Supreme Court lay the foundation for reform that should be supported by all.

While sentencing reform and providing more latitude for judges in sentencing is beyond the scope of our County Legislative Agenda, there are several criminal justice reforms we can and should support, including:

1. Reclassify certain criminal misdemeanor charges to civil violations for first-time offenders. Certain low-level, nonviolent offenses are treated as criminal misdemeanors, creating a criminal arrest record and risk of incarceration and conviction, which have unnecessarily harsh impacts on the individual defendant and result in unnecessarily high costs for the courts and the County. Examples of such offenses include 1) driving on a suspended license, 2) driver's license restriction violations (such as failure to use corrective lenses), and 3) littering.
2. Authorize judges to mitigate mandatory fines, fees, surcharges and penalties for defendants who cannot afford to pay the full amount. Various Arizona statutes set mandatory minimum fines, fees, surcharges and penalties; and a sentencing judge has no discretion regarding the amount of the penalty, regardless of the defendant's financial circumstances. Imposition of a financial sanction on a low-income individual who has no ability to pay can promote frustration and disrespect for the justice system and contribute to continued poverty.
3. Expand the use of community restitution (community service) as a sentencing alternative to fines, fees and incarceration in misdemeanor cases. Judges in municipal and justice courts have the authority to allow defendants to "work off" fines through community service if they cannot afford to pay the fines [ARS 13-824]. This provides an option for the courts to mitigate the impact of financial penalties on low-income individuals in some cases; however, the provision does not allow for either state-imposed surcharges or Superior Court fines or other financial obligations to be worked off through community service.
4. State surcharges, fees and assessments often exceed the amount of the fine itself. The courts should have the discretion to waive State surcharges.

The Honorable Chair and Members, Pima County Board of Supervisors  
Re: **Recommended Legislative Agenda for 2018**  
December 19, 2017  
Page 5

5. Reduce the interest rate on criminal restitution orders. Request amendment of A.R.S. 13-805(E) to reduce the annual interest rate on a Criminal Restitution Order (currently 10 percent) to the rate provided for civil judgments in A.R.S. 44-1201(1% plus the prime rate as published by the Federal Reserve).

6. Eliminate mandatory vehicle towing and impoundment for DSL violations. Amend A.R.S. 28-3511 to 1) provide the law enforcement officer with discretion as to whether a vehicle should be impounded and towed in the circumstances set forth (eliminating the mandatory towing and impoundment in connection with an arrest for driving on a suspended license) and 2) eliminate the mandatory 30-day impoundment period for those vehicles that are impounded pursuant to such statute.

Finally, Attachment 3 includes information regarding additional issues in which the County has an interest and will be monitoring. I in particular support the educational funding proposals of the Superintendent of Schools. If related legislation is introduced for any of these areas of specific interest, the County will support same.

#### **Recommendation**

I recommend the Board of Supervisors approve Resolution No. 2017-\_\_\_\_\_ setting forth Pima County's Legislative Agenda for 2018.

Respectfully submitted,



C.H. Huckelberry  
County Administrator

CHH/dr – December 6, 2017

#### Attachments

c: Jan Leshar, Chief Deputy County Administrator  
Carmine DeBonis, Deputy County Administrator for Public Works  
Tom Burke, Deputy County Administrator for Administration  
Ellen Wheeler, Assistant County Administrator  
Michael Racy, Racy Associates, Inc.

## ATTACHMENT 1

**PIMA COUNTY**

**RESOLUTION NO. 2017 - \_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF SUPERVISORS IN PIMA COUNTY,  
ARIZONA ADOPTING A PIMA COUNTY LEGISLATIVE PROGRAM FOR 2018**

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 authorize 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. Property Tax Reduction

- 1. Facilitate property tax reduction by creating and implementing a sales or excise tax to lower county property taxes
- 2. Facilitate primary property tax reduction by creation of a hospital secondary property tax special district.

3. Support any legislation that would assist the County in reducing the property tax.

B. Recently Enacted State Cost Transfers

Eliminate certain recently enacted state cost transfers in order to provide for local county property tax relief.

C. New State Programs

Oppose any new state programs that increase direct or indirect costs to counties without full reimbursement of those costs from the new or expanded state programs.

D. Transportation Funding

Support any increase in funding for transportation.

E. 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.

F. Criminal Justice Reform

1. Reclassify certain criminal misdemeanor charges to civil violations for first-time offenders.
2. Authorize judges to mitigate mandatory fines, fees, surcharges and penalties for defendants who cannot afford to pay the full amount.
3. Expand the use of community restitution (community service) as a sentencing alternative to fines, fees and incarceration in misdemeanor cases for low-income defendants who cannot afford to pay in cash.
4. Support court's waiver of State surcharges, fees and assessments that often exceed the amount of the fine itself.
5. Reduce the interest rate on criminal restitution orders.
6. Eliminate mandatory vehicle towing and impoundment for DSL violations.

[SIGNATURE PAGE FOLLOWS]

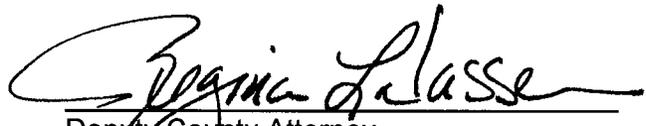
**PASSED, ADOPTED AND APPROVED** this \_\_\_\_ day of \_\_\_\_\_, 2017 by the Board of Supervisors of Pima County.

\_\_\_\_\_  
Chair of the Board of Supervisors

ATTEST:

\_\_\_\_\_  
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Deputy County Attorney  
**REGINA NASSEN**