



1905 W. Washington St., Ste. 100, Phoenix, AZ 85009
(602) 252-5521 fax: (602) 253-3227

**COUNTY SUPERVISORS ASSOCIATION
BOARD OF DIRECTORS
AGENDA
January 18, 2018
Boardrooms A and B
(Teleconference Available)
County Supervisors Association
1905 W. Washington St.
Phoenix, AZ**

10:00 a.m. Call to Order / Prayer / Pledge ~ *President Anthony Smith*

- 1) Administrative Matters
 - ❖ Approval of the Minutes of the December 14, 2017, Board of Directors Meeting (*previously distributed*)
 - ❖ Approval of the Minutes of the January 12, 2018, Legislative Policy Committee Meeting (*previously distributed*)
- 2) Arizona Attorney General Mark Brnovich
- 3) Take a Position (TAP) With Your Legislators ~ *President Anthony Smith*
- 4) Advocacy Toolkit
- 5) CSA Legislative Report
 - ❖ Executive Budget Report
 - ❖ CSA Legislative Package
 - ❖ Other Bills for Discussion
 - A. [HB2001 indigent defense fund; distribution; purpose](#) (*Cardenas*)
 - B. [HB 2003 coal mining; TPT; repeal](#) (*Finchem*)
 - C. [HB2166 vehicle fees; alternative fuel VLT](#) (*Campbell*)
 - D. [HB2207 public meetings; audiovisual recordings; posting](#) (*Grantham*)
 - E. [HB2290 expenditure limitations; waiver of penalties](#) (*Cobb*)
 - F. [HB2333 home-based businesses; local regulation](#) (*Weninger*) & [SB1175 home-based businesses; local regulation](#). (*Farnsworth*)
 - G. [HB2357 EORP; employer contributions](#) (*Livingston*)
 - H. [SB1076 assault; public safety contractors; workers](#) (*Barto*)
 - I. [HCR2015 municipal and county tax limitations](#) (*Thorpe*)
- 6) Federal Update
 - ❖ PILT/SRS
- 7) NACo Report
 - ❖ National Association of Counties ~ *CSA NACo Board Representative Manny Ruiz, Santa Cruz County*
 - ❖ Western Interstate Region ~ *CSA WIR Board Representatives Tommie Martin, Gila County, and Liz Archuleta, Coconino County*
- 8) County Managers Association Report



CSA Board of Directors Meeting
January 18, 2018
Page Two of the Agenda

- 9) County Caucus Reports
- 10) Other Business (*CSA Legislative/Supervisor Reception: January 17, 2018; and Next Board Meeting: February 15, 2018*)
- 11) Adjourn

Attendance may occur by teleconference or videoconference

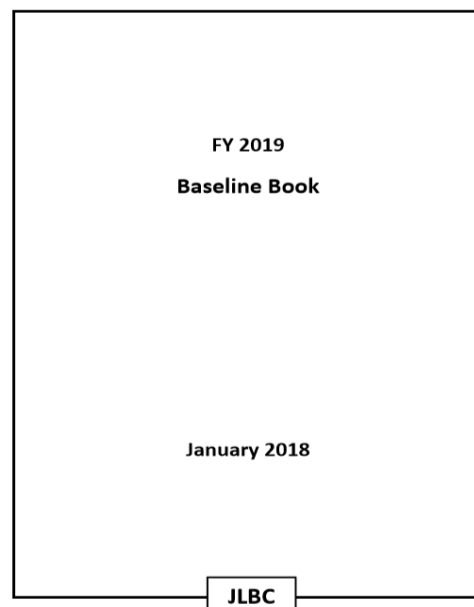
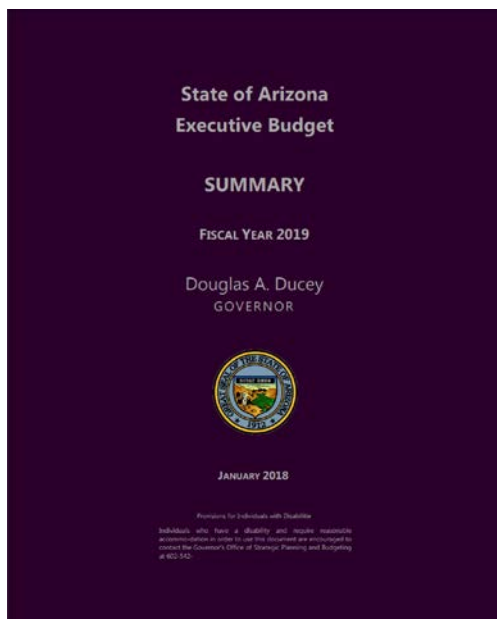
The County Supervisors Association Board of Directors may vote to order an executive session for the purposes of discussion on any of the agenda items. A.R.S. § 38-431.03(A)(1), (3), (4), and (5).

FY2019 Executive Budget Recommendations and JLBC Baseline

Governor Ducey's FY2019 budget calls for a \$10.1 billion spending plan with the continued goal of a structurally balanced budget in FY2019. The Governor's budget outlines \$237 million of new initiative spending, including:

- **\$190 million** for K-12 Education; \$100 million in additional assistance, \$2 million to fully fund large JTED's, \$34 million for the second year of the permanent teacher pay increases, \$5 million for new school construction, \$35 million for building renewal grants and \$14 million for other targeted investments including expanding enhanced broadband access at schools.
- **\$8 million** for one-time operating and capital projects at the three state universities.
- **\$24 million** in state and federal funds for construction of a Tucson National Guard readiness center.
- **\$9.5 million** for enhancements to the new mobile solution used by the Department of Child Safety (DCS).
- **\$6.5 million** from State Park's funds for improvements to the Oracle and Buckskin Mountain State Parks.
- **\$1 million** in National Guard tuition reimbursement.

The JLBC Baseline generally continues FY2018 funding levels into FY2019 while making relevant formula adjustments.



JLBC Baseline Compared to Executive Recommendations

Revenue and Expenditure Projections

Some of the major differences between the Governor's budget recommendations and the JLBC Baseline are revenue projections.

<i>(Dollars in Millions)</i> <i>*Figures may not add due to rounding</i>	FY2019		FY2020		FY2021	
	Exec.	JLBC	Exec.	JLBC	Exec.	JLBC
Beginning Balance	\$42.6	(\$20.4)*	\$67.2	\$0.0	\$92.3	\$0.0
Total Revenues	\$10,168.2	\$9,947.4	\$10,509.9	\$10,378.7	\$10,944.3	\$10,862.4
Total Expenditures	\$10,143.7	\$10,055.7	\$10,484.7	\$10,392.0	\$10,837.1	\$10,678.0
Ending Balance	\$67.2	(\$108.2)*	\$92.3	(\$13.2)*	\$199.6	\$184.4
On-going Revenues	\$10,092.1	\$9,947.4	\$10,509.9	\$10,378.7	\$10,944.3	\$10,862.4
On-going Expenditures	\$10,087.2	\$9,958.8	\$10,481.2	\$10,334.1	\$10,837.1	\$10,650.8
Structural Balance	\$4.8	(\$11.4)	\$28.7	\$44.7	\$107.2	\$211.6

*Projected cash short falls are presumed to be solved as part of the FY19 budget process

Select Executive Recommendations

- **Opioids:** The Executive declared a state wide emergency to address the growing threat of opioid abuse and establishes the Arizona Pharmaceutical Diversion and Drug Theft Task Force within the Department of Public Safety to coordinate with federal, state and local law enforcement agencies.
- **Arizona Department of Revenue (ADOR):** Increase state sales tax collections by hiring 25 additional audit and collection positions at the ADOR. This is estimated to generate an additional \$31 million in sales tax collections, \$25 million for the state general fund and \$6 million distributed to cities and counties. Expands the use of outside fraud prevention services provided by private data analytics firms that identify tax evaders through credit card and other merchant data records. County sales tax revenue will increase if these efforts increase sales tax compliance.
- **Secretary of State:** Allocates \$1.9 million to call a Special Primary Election and Special General Election to fill the vacancy in Arizona's 8th Congressional District.
- **Department of Transportation (ADOT):** Provides an additional \$26 million to the State Highway Fund for preservation treatment for over 3,000 lane miles. Directs ADOT to engage stakeholders to develop a transportation funding system that can support the continued development and preservation of Arizona's highways.
- **Department of Corrections (ADC):** Provides \$1.7 million for increased substance abuse treatment capacity, \$1.4 million for education programming to expand the opportunity for basic education and provides \$449,000 to expand employment center programming in prisons facilities.

One-Time Funding Items

- Executive Recommendation and JLBC Baseline do not continue the one time funding provided to counties to offset Department of Juvenile Corrections cost shift (\$8 million in FY18).
- Both baseline budgets continue the required contribution to the Department of Revenue.
- Both Executive and JLBC Baselines remove one-time in-lieu lottery funds for Pinal, Mohave, Yavapai counties.
- The JLBC Baseline continues county flexibility language.

More information appears below on these items and others.

County Specific Issues	JLBC Baseline	Exec. Recommendation
<p>Juvenile Corrections – In FY2018, the state shifted \$11.3 million of the Arizona Department of Juvenile Corrections (ADJC) to counties, allocated based on total county population. Additionally the legislature appropriated \$8 million in one-time funds to offset a portion of this cost.</p>	<p>Requires counties to contribute \$11.3 million to the agency while maintaining statutory fee requirement.</p>	
<p>Department of Revenue – In FY2018, a total of \$20.8 million of the Arizona Department of Revenue’s budget was shifted to local governments, of which counties were required to contribute \$6.6 million.</p>	<p>Both budgets maintain the current \$20.8 million shift impacting counties by \$6.6 million.</p>	
<p>HURF Funds – In FY2018, the state swept \$99M from HURF to fund DPS operations. To partially offset this, the state continued a \$30M local government HURF restoration, and added an additional \$30 million in ongoing funds for a total of \$60 million to offset the HURF shift to DPS.</p>	<p>Both budgets maintain the current HURF shift of \$99M to DPS and a \$60M restoration to local governments in FY2019.</p>	
<p>Community Colleges – In FY2018 the Out-of-County Tuition Subsidy was provided to Apache and Greenlee counties in the amount of 1.3M.</p>	<p>Both baselines appropriate \$1.3M as a subsidy to assist counties with the cost of out-of-county community college tuition.</p>	

County Specific Issues	JLBC Baseline	Exec. Recommendation
Flexibility Language – Language was included in the FY2018 budget which allows counties under 250,000 persons to use any source of county revenue to meet any county fiscal obligations up to \$1,250,000 per county. Report to JLBC required.	Continued for FY19.	Not addressed.
1 Percent Property Tax Cap – In July 2016 tax court found a law change related to county liability for a residential cap unconstitutional.	Both proposals appropriate state funds related to total primary property taxes exceeding the 1% cap.	
Restoration to Competency (RTC) – Starting in FY2010, counties were required to pay 100 percent for RTC services.	Both budgets continue to require counties to pay 100 percent of the cost for RTC services.	
Sexually Violent Persons (SVP) – In FY2018 counties were required to pay for 31 percent of the cost to house and treat SVPs at the Arizona State Hospital.	Both budgets continue to require counties to pay 31 percent of the cost for SVP services.	
County Lottery Revenue – The FY2018 budget provided an ongoing direct appropriation, in-lieu of lottery revenue, of \$550,050 to the 10 smallest counties and one-time appropriation of \$550,050 for Pinal, Mohave, and Yavapai Counties.	Both budgets continue to provide the in-lieu appropriation to the 10 counties under 200,000 persons while also eliminating the one-time appropriations to Pinal, Mohave and Yavapai.	
Forestry - Environmental County Grants – Used by Greenlee, Graham, Gila, Navajo and Apache Counties for environmental projects that impact economic development.	Both budgets include a \$250,000 appropriation for county environmental grants.	
AHCCCS/ALTCS – FY2018 budget required counties to contribute \$317.8 million towards state match.	The JLBC Baseline increases contributions to \$320.7 million because of enrollment growth and Prop 206.	

NOTE: Not all impacts to counties are listed. This is a preliminary review of the major issues and the direct county impacts.

Ongoing LPC Bills

Bill Number	Short Title	Prime Sponsor	Summary/LPC Comments & Position	Status
HB 2017	state land department; continuation	<i>Mitchell</i>	Continues the State Land Department for an additional eight years until July 1, 2026. Comments: <u>CSA Staff noted that the State Land commissioner asked for CSA's support. LPC moved to SUPPORT the bill.</u>	Referred to House Land, Agriculture & Rural Affairs
HB 2033	drug overdose; good Samaritan; evidence	<i>Lawrence</i>	Stipulates that a person who, in good faith, seeks medical assistance for someone experiencing a drug-related overdose and a person who experiences a drug-related overdose and who is in need of medical assistance cannot be charged with or prosecuted for the possession or use of a controlled substance or drug paraphernalia if the evidence for the violation was gained as a result of seeking medical assistance. Comments: <u>Staff discussed upcoming special session that Gov. Ducey is expected to call on the opioid epidemic. CSA will bring the opioid bill to LPC once it becomes available.</u>	
HB 2165	county excise tax for transportation	<i>Campbell</i>	The board of supervisors of any county is permitted to submit to the voters a transportation plan funded by an excise tax. The board is required to present the issue on the ballot as a single question for approval of both the transportation plan and the tax. If approved by the voters, the county is required to levy and the Department of Revenue is required to collect the tax beginning January 1 or July 1, whichever occurs first after voter approval, on the same tax base that applies to other excise taxes in the county. The tax must be levied at a rate that, together with any other county transportation excise taxes, will not exceed a total of one percent of the gross proceeds of sales or gross income derived from a business subject to the tax. In its initial submission to the	
SB 1001	home-based businesses; regulations restrictions	<i>Farnsworth</i>	Specifies that county ordinances cannot restrict or otherwise regulate the owner of a home-based business that holds a valid license from using 50 percent or less of the square footage of the primary residential dwelling to conduct home-based business activity, or from using a 400 square foot or smaller "accessory structure" (defined) or garage for home-based business activity. Comments: <u>CSA Staff explained the legislation, noting that the sponsor offer similar proposals last year that CSA opposed. The LPC moved to OPPOSE the bill.</u>	Referred to Senate Government; Senate Commerce & Public Safety 1/22 Senate Commerce & Public Safety
SB 1043	county recorder; recording fees	<i>Kavanagh</i>	The fees received by the county recorder are modified as follows: \$30 for recording papers required or authorized by law, instead of \$5 for the first 5 pages plus \$1 for each additional page, and \$15 for recording papers to which a government entity is the requesting party, instead of \$3 for the first 5 pages plus 50 cents for each additional page. Separate fee amounts for recording deeds affecting interest in real property and deeds of trust or mortgage are eliminated. Additional fees such as the special recording surcharge, the fee for real estate transfers, and the fee for an affidavit of annual work, are included in the total fee instead of being charged separately. Comments: <u>CSA Staff explained the bill, sharing that it would be brought to the full BOD next week. Discussion explored concerns that this favors companies over individuals.</u>	Referred to Senate Government
Updated 01/16/18				

CSA Legislative Agenda

Bill Number	Short Title	Prime Sponsor	Summary/LPC Comments	Status
HB 2190	county improvement districts; repayment agreements	<i>Mitchell</i>	Allow a county improvement district to acquire, construct, or improve a domestic drinking water treatment and distribution system or a combination of such projects with funds from the Water Infrastructure Finance Authority.	Referred to House Energy, Environment and Natural Resources
HB 2274	county contributions; hospitalization; medical; repeal	<i>Thorpe</i>	Eliminate the county Disproportionate Uncompensated Care (DUC) payments to the state. This payment costs 14 counties \$2.6 million annually.	
HB 2413	public road maintenance; primitive designation	<i>Cook</i>	Clarify the universe of road systems that are eligible to be brought into the county roadway system and expand the number of roads that are eligible to be declared as "primitive" by a county board to include those roadways not built to county standards opened prior to June 13, 1990.	
SB 1038	state land payments; payment method	<i>Griffin</i>	Enables the State Land Commissioner to accept additional payment options, instead of only cashier's checks, on sales and auctions of state land.	1/18 Senate Natural Resources, Energy & Water
SB 1113	zoning violations; notice; service	<i>Fann</i>	Provide more flexibility and clarity for the serving of zoning violations. Currently statute only permits the zoning inspector to serve such notices, but the Arizona Rules of Civil Procedure (ARCP) affords more flexibility.	Referred to Senate Government.
Folder # 479	resources for juvenile dependency representation	<i>Cobb</i>	Allocate financial resources to counties to assist with providing mandated attorney services for indigent defendants in juvenile dependency matters, due to recent increases in costs associated with these cases as a result of the overhaul of the child protective services system in Arizona.	
Folder # 1316	transient lodging tax	<i>Borrelli</i>	Enable smaller counties, with a population of fewer than 500,000 persons, to levy a tax on transient lodging in both incorporated and unincorporated areas of the county.	
Folder # TBD	supermajority to levy county excise taxes	<i>TBD</i>	Change the existing general fund one-half cent sales tax authority to allow a five-member board of supervisors to levy the tax with a super-majority vote, rather than a unanimous vote.	

Current LPC Bills

Bill Number	Short Title	Prime Sponsor	Summary/LPC Comments & Position	Status
HB 2001	indigent defense fund; distribution; purpose	Cardenas	The Arizona Criminal Justice Commission is required to distribute monies in the State Aid to Indigent Defense Fund each fiscal year to each county for the sole purpose of providing state aid to the county public defender, legal defender and contract indigent defense counsel for the processing of criminal cases.	Referred to Local and International Affairs (LIA) & Appropriations 1/17 House LIA
HB 2003	coal mining; TPT; repeal	Finchem	The list of exemptions from the retail classification of transaction privilege taxes is expanded to include the gross proceeds of sales or gross income from sales of coal. The list of items that municipalities and special taxing districts are prohibited from levying a transaction privilege, use or other similar tax on is expanded to include the sale, storage, use or consumption of coal. Comments: <u>Staff suggested bill be brought back to next week's BOD meeting to discuss opposition. Exploring potential fiscal impact. Members shared that this would have a negative impact on counties that rely on coal revenues.</u>	Referred to House Ways & Means
HB 2166	vehicle fees; alternative fuel VLT	Campbell	Repeals the separate vehicle license tax classification for motor vehicles powered by alternative fuels. Establishes a highway safety fee in an amount to be determined by the Director of the Department of Transportation annually. The fee will be collected at the time of application for vehicle registration. The fee is required to fully fund 110 percent of the Department of Public Safety Highway Patrol budget for each fiscal year. Comments: <u>CSA Staff explained the bill for informational purposes.</u>	Referred to House Transportation & Infrastructure (Removed from 1/17 Agenda)
HB 2207	public meetings; audiovisual recordings; posting	Grantham	All public bodies are required to provide for a complete audiovisual recording of all their meetings except executive sessions, and are required to post the audiovisual recording of a meeting on its website within five days after the meeting and retain the recording on its website for at least five years. Comments: <u>CSA Staff explained this bill for informational purposes. Discussion addressed the positive aspects of making meetings more accessible to the public, while noting the potential negative cost impact or "unfunded mandate." Further clarification regarding definition of a "public body" in the bill.</u>	
HB 2290	expenditure limitations; waiver of penalties	Cobb	Waives statutory penalties for excess expenditures of local revenues by La Paz County in FY 2014 through FY 2018, and prohibits La Paz County from seeking a legislative waiver of penalties for excess expenditures of local revenues for a minimum of five years after the effective date of this legislation.	
HB 2333 & SB 1175	home-based businesses; local regulations	Weninger & Farnsworth	A county or municipality cannot prohibit the operation of a "no-impact home-based business" (defined) or otherwise require a person to obtain any permit, license or other prior approval to operate a no-impact home-based business. Establishes a list of factors that qualify a residential property for use as a no-impact home-based business. Counties and municipalities are permitted to establish reasonable regulations on a home-based business if the regulations are narrowly tailored for specified purposes, including protecting public health and safety.	

Bill Number	Short Title	Prime Sponsor	Summary/LPC Comments & Position	Status
HB 2357	EORP; employer contributions	Livingston	Beginning July 1, 2018, each Elected Officials' Retirement Plan employer is required to make contributions on a level percent of compensation basis for all member employees sufficient under an actuarial valuation to meet both the normal cost plus the actuarially determined amount required to amortize the unfunded accrued liability over a closed period of 20-30 years. In any fiscal year, an employer's contribution to EORP in combination with member contributions may not be less than the actuarially determined normal cost for that fiscal year.	1/18 & 1/22 House Banking and Insurance
SB 1076	assault; public safety contractors; workers	Barto	For the purpose of statute allowing public safety employees or volunteers to petition the court for an order authorizing testing of another person for certain diseases if there is probable cause to believe that the person bit, scratched, spat or transferred blood or other bodily fluid on or through the skin of the employee or volunteer who was performing an official duty, the definition of "public safety employee or volunteer" is expanded to include a contractor of a state or local law enforcement agency or correctional facility, any employee or volunteer of a correctional facility, and any other person who is authorized to perform official duties or be present within a correctional facility.	Referred to Senate Judiciary
HCR 2015	municipal and county tax limitations	Thorpe	The 2018 general election ballot is to carry the question of whether to amend the state Constitution to require, beginning January 1, 2017, any increase in the ad valorem tax levy of a county or municipality greater than 1 percent more than the levy in the preceding year to be approved by the voters of the county or municipality, and to require any increase of any amount in the ad valorem tax levy of a county or municipality in any three consecutive years to be approved by the voters of the county or municipality. Also to require, beginning January 1, 2017, a county or municipality that initiates the levy or increases the rate of a transaction privilege or other similar excise tax to distinctly state the amount of the tax or rate increase and the specific purpose for which the revenues may be spent, and to submit the tax or tax rate increase and the purpose to the voters of the county or municipality for approval. If approved by the voters, this resolution is retroactive to January 1, 2017	
Updated 01/16/18				