



COUNTY SUPERVISORS ASSOCIATION

# COCHISE COUNTY BOARD BRIEFING

CRAIG SULLIVAN, CSA EXECUTIVE DIRECTOR

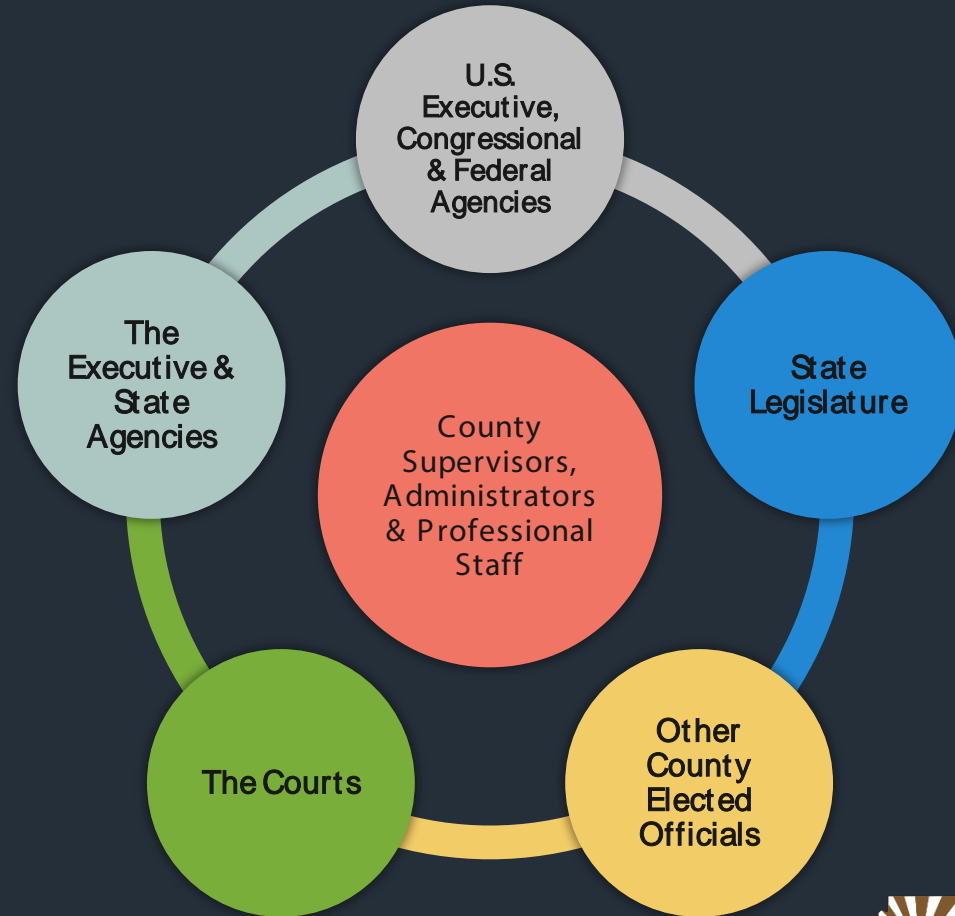
07.16.19



# CSA Mission Statement

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Intergovernmental office that provides capacity development, research, and advocacy for supervisors and county professional staff to support responsive, efficient local services.



# Capacity Development

## Recent Guest Speakers

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- Governor Doug Ducey
- Secretary of State Katie Hobbs
- State Treasurer Kimberly Yee
- Senate President Karen Fann
- House Minority Leader Charlene Fernandez
- Rep. Regina Cobb, Chair, Appropriations
- Rep. Tim Dunn, Chair, Land & Agriculture
- Senator Lisa Otondo, Minority Whip
- Lisa Atkins, Land Commissioner
- Allie Bones, Deputy Secretary of State
- Bob Broscheid, Director, Arizona State Parks & Trails
- Matt Gress, Director, Office of Strategic Planning and Budgeting
- Karl Heckart, CIO, AOC
- Colonel Frank Milstead, Director, DPS
- Hunter Moore, Policy Advisor, AZ Governor's Office
- Janine Perry, Deputy State Election Director
- Jeff Sobotka, State Broadband Director, ACA
- Jared Smout, Administrator, PSPRS
- Richard Stavneak, Director, Joint Legislative Budget Committee
- David Tenney, Director, Department of Forestry/Fire Management
- Keith Watkins, Sr. Vice-President, Economic/Rural Development, ACA
- Dan Bogert, Arizona Restaurant Association
- Buchanan Davis, Senior Director, County Strategic Initiatives, The U of A
- Kevin McCarthy, President, AZ Tax Research Association
- Jonathan Shuffield, Legislative Associate, NACo

## Professional Staff Support

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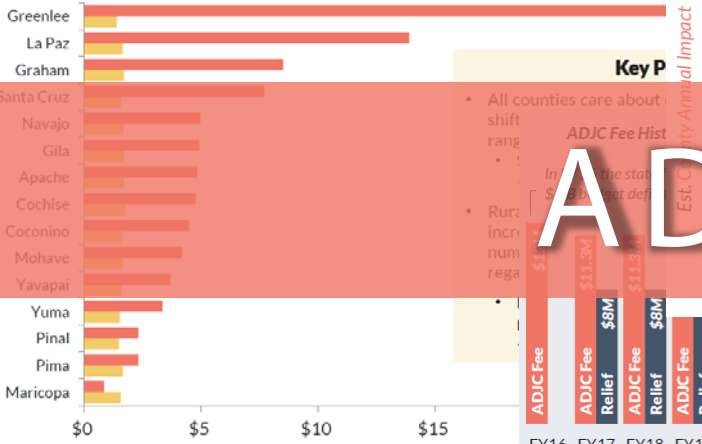
- County Managers Association
- County Planning Directors & Code Enforcement Officials
- County Finance Officers Organization
- Association of County Engineers
- County Directors of Environment Health Services Association
- Civil Deputy Attorneys Association
- County Clerks Association
- Local Health Officers Association



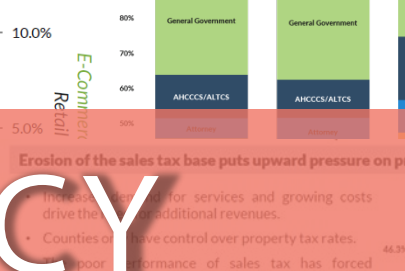


### Cost Shift Costs Per Person

■ EORP Per Person Cost ■ ADJC Per Person Cost



As e-commerce has grown to almost 10% of nationwide retail sales...



County	FY20 EORP Impact		FY20 Proposed EORP Relier
	As a Property Tax	As a State GF Equivalent	
Apache	\$0.08	\$265.4M	\$250,000
Cochise	\$0.07	\$124.4M	\$250,000
Coconino	\$0.04	\$105.9M	\$250,000
Gila	\$0.06	\$82.4M	\$250,000
Graham	\$0.17	\$188.4M	\$250,000
Greenlee	\$0.07	\$223.9M	\$250,000
La Paz	\$0.15	\$231.7M	\$250,000
Mohave	\$0.05	\$118.0M	\$250,000
Navajo	\$0.07	\$171.4M	\$250,000
Santa Cruz	\$0.13	\$178.9M	\$250,000
Yavapai	\$0.03	\$77.7M	\$250,000
Yuma	\$0.07	\$102.0M	\$250,000
Total			\$3,000,000

# ADVOCACY

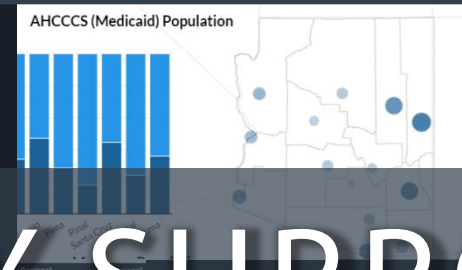
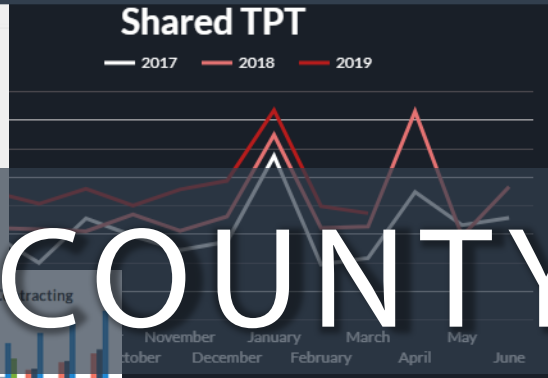
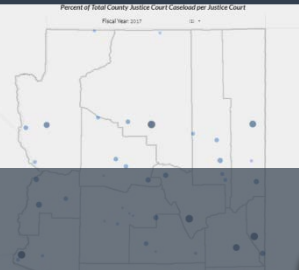
... county sales tax losses have increased over \$25M ann

County	ADJC Fee	Relief
Navajo	\$189,300	
Pima	\$1,726,900	
Pinal	\$661,900	
Santa Cruz	\$83,500	
Yavapai	\$371,700	
Yuma	\$344,800	
<b>Total</b>	<b>\$11,260,000</b>	

County	Rate	County	Rate
Apache	3.0¢	Greenlee	3.2¢
Cochise	7.1¢	La Paz	7.5¢
Coconino	5.4¢	Maricopa	4.0¢
Gila	4.9¢	Mohave	3.8¢
Graham	6.7¢	Navajo	5.4¢
		Yuma	9.3¢
		Pinal	6.0¢
		Santa Cruz	6.8¢
		Yavapai	4.7¢

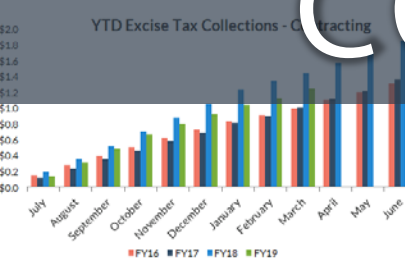
Property Tax Revenue

Maricopa County and Pima County do not have a general fund excise tax.

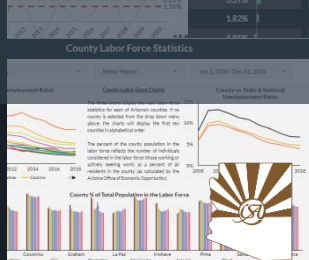
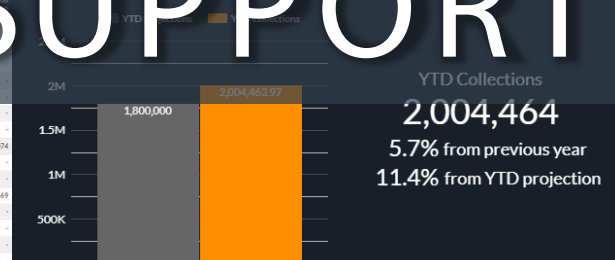


Date	County	YTD % Growth	YOY % change
Mar 2019	Greenlee	13.13%	27.14%
Mar 2019	La Paz	9.38%	3.15%
			5.09%
			-4.91%
			2.5%
			-2.83%
			10.42%
			-3.52%
			2.76%
			3.77%
			1.82%

# COUNTY SUPPORT



Month	2016	2017	2018	2019
October	\$4,219,749	\$561,443		
November	\$108,715,045	\$11,976,346		
December	\$12,802,123	\$3,116,777		
January	\$8,503,218	\$2,883,473		
February	\$44,638,649	\$14,959,429		
March	\$20,425,501	\$7,940,959		
April	\$3,612,787	\$1,087,021		
May	\$12,147,669	\$3,547,732		
June	\$10,920,888	\$2,541,209		





# 2019 Session by the Numbers

*General effective date for bills:  
August 27, 2019  
90 days after Sne Die*

## Bills

Introduced	1,318
Passed	331
<i>County Relevant</i>	<i>210</i>
Signed	320
Vetoed	11
Enacted Rate	24.3%

# FY2020 County Budget Priorities

- 📌 **Eliminate the Arizona Department of Juvenile Corrections (ADJC) Fee - \$11.3M ongoing**  
SB 1140 county contributions; committed youth; repeal (Leach)
- 📌 **Provide permanent relief to 12 rural counties for increased EORP liability - \$3.0M ongoing**  
HB 2429 approp; EORP contributions; counties (Thorpe)  
SB 1293 approp; EORP contributions; counties (Gowan)
- 📌 **Maintain financial "flexibility language" as a tool to meet county fiscal obligations in FY20**

## Why eliminate the ADJC Fee?

- In 2015, the state shifted **25%** of the cost of ADJC to counties to patch a state budget shortfall.
- The fee is bad policy and shifts a state obligation to the county taxpayer.
- Counties pay millions locally in juvenile justice costs associated with detention and courts.
- Because of this, lawmakers have worked to provide counties partial or full relief each year after the initial enactment.

County	FY20 ADJC Fee Absent Action
Apache	\$126,000
Cochise	\$231,400
Coconino	\$236,900
Gila	\$94,400
Graham	\$65,600
Greenlee	\$14,800
La Paz	\$36,200
Maricopa	\$6,724,000
Mohave	\$352,600
Navajo	\$189,300
Pima	\$1,726,900
Pinal	\$661,900
Santa Cruz	\$83,500
Yavapai	\$371,700
Yuma	\$344,800
<b>Total</b>	<b>\$11,260,000</b>

## Why is permanent EORP relief important for 12 rural counties?

- State actions and court decisions caused the EORP plan to become drastically underfunded.
- SB 1478 employer contributions; EORP uncapped the employer contribution rate, increasing county costs by **\$20.2 million** (162% increase).
- The state must provide relief to protect taxpayers in rural Arizona from the increased liability.

County	FY20 EORP Impact		FY20 Proposed EORP Relief
	As a Property Tax	As a State GF Equivalent	
Apache	\$0.08	\$265.4M	\$250,000
Cochise	\$0.07	\$124.4M	\$250,000
Coconino	\$0.04	\$105.9M	\$250,000
Gila	\$0.06	\$82.4M	\$250,000
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Santa Cruz	\$0.13	\$178.9M	\$250,000
Yavapai	\$0.03	\$77.7M	\$250,000
Yuma	\$0.07	\$102.0M	\$250,000
<b>Total</b>			<b>\$3,000,000</b>

# FY 2020 Cochise County Relief

- Eliminate the ADJC fee - **\$231,400**
- Permanent EORP relief for 12 rural counties - **\$250,000**
- Extend county "flexibility language" as a tool to meet county fiscal obligations

FY20 GF Relief – **\$481,400**

2-year Ongoing Improvement - **\$676,600**

# FY 2019-2020 STATE BUDGET

As Enacted by the Legislature on May 27, 2019

## SUMMARY

The Arizona House of Representatives passed the FY 2019-2020 budget early on May 24, 2019, with the Arizona State Senate moving the budget on May 27, 2019. The budget bills outline an \$11.9 billion spending plan that increases spending over the Joint Legislative Budget Committee (JLBC) Baseline by \$1.2 billion. The budget fully offsets increased revenues from conforming to the federal tax code and allowing for the collection of sales tax on remote purchases. Additionally, the highway safety fee (HSF) enacted as a part of the FY 2019 budget is repealed starting in FY 2022. Some major spending items include: a total deposit of \$542 million into the Rainy Day Fund over two years, \$245 million in one-time spending for statewide infrastructure, fully funding the 20x2020 teacher pay plan, debt reduction of \$220 million, and \$74 million to provide pay increases to public safety personnel. Additionally the budget increases funding for healthcare providers in the Arizona Long Term Care System (ALTCS) and developmentally disabled programs.

	FY 2019	FY 2020	FY 2021	FY 2022
Beginning Balance	\$449.6	\$764.3	\$64.7	\$42.6
Total Revenues	\$11,428.6	\$11,917.8	\$11,515.3	\$11,924.6
Total Expenditures	\$10,664.2	\$11,853.2	\$11,472.7	\$11,913.3
Ending Balance	\$764.4	\$64.7	\$42.6	\$11.3
Ongoing Revenues	\$10,878.3	\$11,100.9	\$11,443.9	\$11,855.3
Ongoing Expenditures	\$10,112.2	\$10,790.9	\$11,305.5	\$11,828.5
Structural Balance	\$766.1	\$310.0	\$138.4	\$26.9

## MAJOR COUNTY ISSUES

- **Arizona Department of Juvenile Corrections (ADJC) One-Year Full Cost Relief:** Amends statute to limit the local cost sharing fee to counties with a population higher than 500,000 persons (Maricopa and Pima). As session law, notwithstanding the statute to prohibit the Department from assessing all counties the fee in FY 2020. This effectively provides one-time relief from the fee for Maricopa and Pima and permanently eliminates the fee for the remaining counties. **\$11.26 million savings for counties.**
- **Elected Officials Retirement Plan (EORP) Relief:** As session law, appropriates \$3.0 million from the state General Fund in FY 2020 to be distributed equally across counties with a population under 300,000. Budget spreadsheet scores the appropriation as ongoing. **\$3.0 million increase to counties.**
- **Restricted Flexibility Language:** As session law, allows counties with under 250,000 persons to use up to \$1.25 million of any county-wide special district funds to meet any county fiscal obligation. Counties are still required to report to the JLBC by October 1, 2019 if the county used the flexibility language and if so, the specific amount and source of revenue used.

# FY 2020 State Budget Summary

## County Touchpoints

### Other county issues:

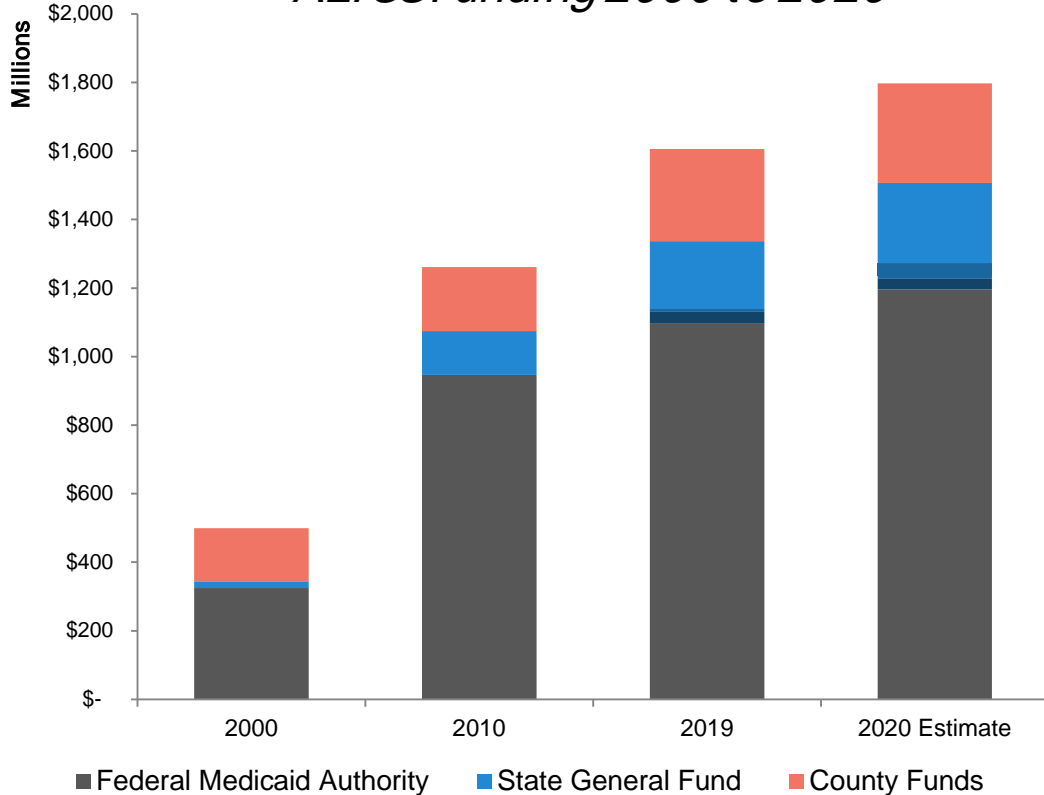
- **ALTCS cost increase**
  - **\$35.3M** to state GF
  - **\$21.7M** to counties, (\$113K) reduction for Cochise
- **Partial Presidential Preference Election Funding - \$4.4M total**
- **AOC probation CORP increase funded - \$2.4M**
- **Maintains ADOR fee to Local Governments - \$20.8M total, \$4.0M to counties, \$126K to Cochise**





# ALTCs Statewide Trends

## ALTCs Funding 2000 to 2020



Change from 2000 to 2020	
	\$ (Millions)
County Funds	\$135.7
State General Fund	\$214.2
Federal Funds	\$871.0
<b>Total ALTCs*</b>	<b>\$1,297.9</b>

Change from 2019 to 2020	
	\$ (Millions)
County Funds	\$21.7
State General Fund	\$35.3
Federal Funds	\$97.7
<b>Total ALTCs*</b>	<b>\$191.2</b>

\*County, State GF and Federal funds do not sum to total. The state also uses several other funds to cover the cost of ALTCs

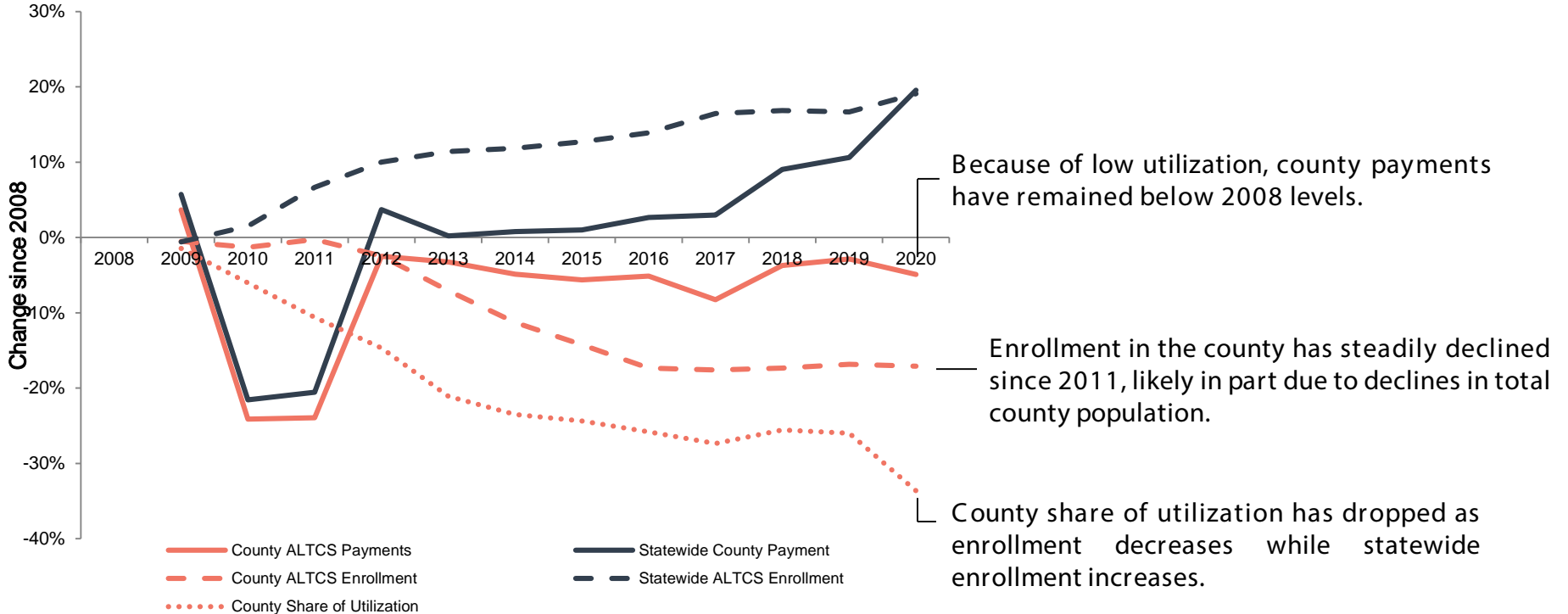
# ALTCS Trends

*Cochise County*

## Cochise County ALTCS Payment

	2020 Baseline	2020 Enacted
Estimated Payment	\$4,950,800	\$5,176,200
Difference from 2019	-\$338,100	-\$112,700

## ALTCS Enrollment v. Payments



# State Budget: Infrastructure Spending

## \$254M in Infrastructure Spending:

- Expand I-17 north & southbound from Anthem to Black Canyon City - \$130M
- Widen US95 from Avenue 9E to Fortuna Road between Yuma and Yuma Proving Grounds - \$28M
- Two new traffic interchanges on I-40 in East Kingman - \$20M
- Study and design for widening of I-10 from Phoenix to Casa Grande - \$10M
- ADOT aviation projects - \$10M
- Second interchange bridge from SR 24 near Mesa/Gateway Airport - \$6.5M
- Repair Jesse Hayes Road bridge in Globe - \$2.8M
- Help farmers begin building wells in Pinal County - \$20M
- ADEQ Sewage Discharge Remediation - \$6.5M from other funds
- Nogales Wash and International Outfall Interceptor Project - \$2.6M from other funds
- One-time transportation funding for cities & towns - \$18M



# Internet Sales Taxation

## 2019 County Priorities



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



### Resolution Number 1-18

A Resolution of the County Supervisors Association of Arizona Urging the Arizona State Legislature, the Office of the Governor and Arizona Department of Revenue to Take the Necessary Legislative and Regulatory Steps to Allow the Collection of Sales Tax on Online Remote Purchases:

**WHEREAS**, the Supreme Court of the United States has ruled (*South Dakota v. Wayfair*) that online remote purchases can be subject to state and local sales taxes even in situations where the seller is not physically located within the state, and

Resolution Number 1-18

**WHEREAS**, the Supreme Court decision was created rather than resolved; and the issue of "market place dynamics" is

Page Two

**WHEREAS**, requiring that states end the unfair tax advantage businesses, and

**NOW, THEREFORE, BE IT RESOLVED**, the County Supervisors Association of Arizona urges the Arizona State Legislature, the Governor's office and Arizona Department of Revenue to take the necessary legislative and regulatory steps to allow the collection of sales tax on online remote purchases.

**APPROVED AND ADOPTED** this 5<sup>th</sup> day of October, 2018.

**WHEREAS**, advances in technology have opened up new opportunities for businesses in other countries to access the Arizona market,

**WHEREAS**, e-commerce is expected to continue to grow

Handwritten signature of Anthony Smith in black ink.

Anthony Smith  
President, County Supervisors Association of Arizona  
Final County Supervisors, District 4

**WHEREAS**, sales taxes levied by counties to support essential services such as health, human services and transportation

**ATTEST:**

**WHEREAS**, the establishment of e-commerce by governments to have an equitable market towards e-commerce:

Handwritten signature of Craig A. Sullivan in black ink.

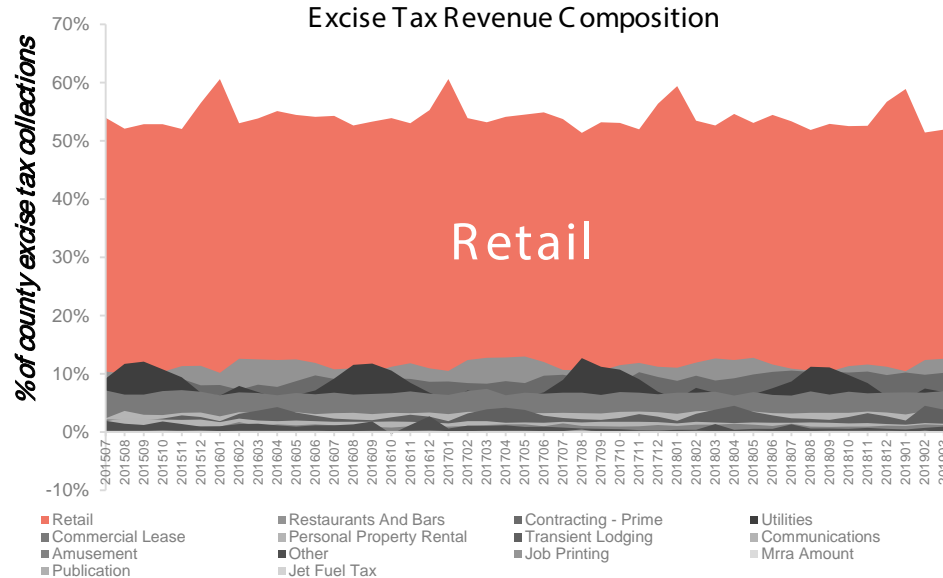
Craig A. Sullivan, Executive Director  
County Supervisors Association of Arizona

# Internet Sales Taxation: County Impact

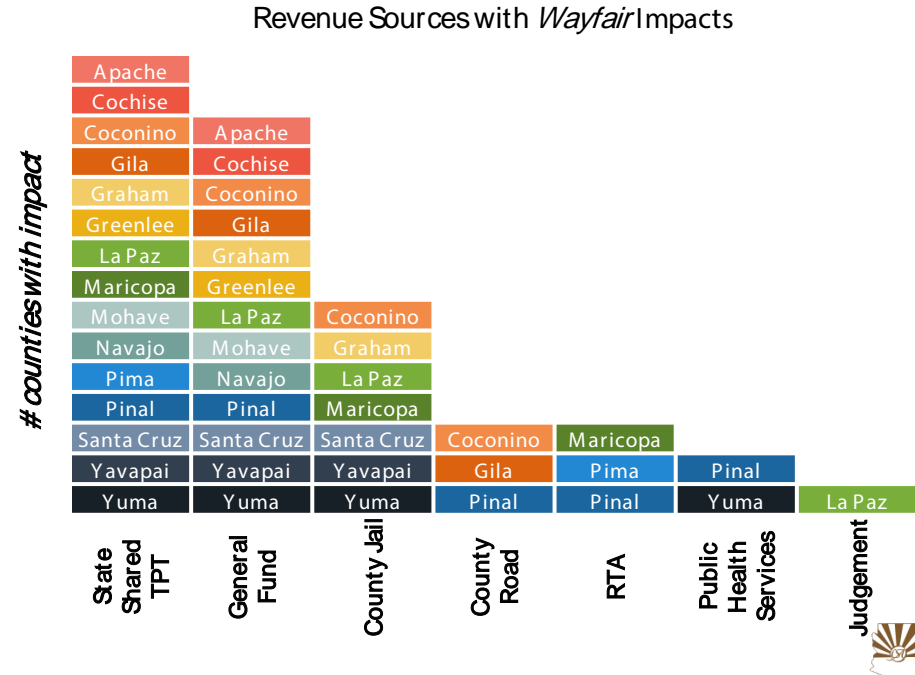
*HB2757 tax provisions; omnibus (Toma)*

*Prevents further erosion of the retail class of the sales tax base as more purchases are made online.*

- Reduces pressure on property taxes to make up for lost sales tax revenue



*Provides additional resources to essential county services.*





# CSA Initiated Legislation

*SIGNED*

HB 2467 NOW: committee; west basin water users (Cobb) **Ch. 243**  
SB 1084 funeral; last illness; expenses; lien (Borrelli) **Ch. 193**

*BUDGET  
MESSAGING*

HB 2429 appropriations; EORP contributions; counties (Thorpe) **BRB**  
HB 2277 indigent defense funds (Biasiucci) **DNP**  
SB 1140 county contributions; committed youth; repeal (Leach) **BRB**  
SB 1293 appropriations; EORP contributions; counties (Gowan) **BRB**

*DID NOT  
ADVANCE*

HB 2316 junk vehicles; removal; counties (Campbell)  
Rural Transient Lodging Tax

# Evaluating Legislation & Playing Defense

In 2019, the Legislature introduced 1,318 bills, (approx. 830 bills with a county nexus; 210 made it to the Governor's desk) CSA staff actively worked to defeat or favorably amend 40 bills that posed a serious concern to counties.

## Noteworthy County Related Bills

### *Water Policy*

- SJR 1001 Colorado River drought contingency plan (Fann) **Ch. 2**
- SB 1227 Colorado River drought contingency amendments (Fann) **Ch. 1**
- HB 2095 agricultural property classification; water reduction (Cook) **Ch. 49**
- HB 2609 Harquahala non-expansion area; groundwater transfer (Peterson) **DNP**

### *Public Works*

- SB 1285 construction contracts; public works; payments (Borrelli) **DNP**
- SB 1590 flood control districts; procedures (Kerr) **DNP**

### *Taxation*

- HB 2109 county transportation excise tax (Shope) **Ch. 50**
- HB 2536 fuel; electric cars; hybrids; taxes (Campbell) **DNP**
- HB 2752 criminal justice; budget reconciliation; 2019-2020 **Ch. 268**
  - *Repeals Highway Safety fee beginning in FY2022*
- HB 2757 tax provisions; omnibus (Toma) **Ch. 273**
- SB 1332 alternative fuel vehicles; VLT (Livingston) **Ch. 1332**
- SB 1460 TPT; digital goods & services (Ugenti-Rita) **DNP**

### *Budgeting & Audit*

- HB 2001 law enforcement; prosecution; grants; acceptance (Finchem) **DNP**
- HB 2241 JLAC; political subdivision; investigation (Kern) **Ch.209**
- HB 2677 JLAC; auditor general (Kern) **Vetoed**



# Evaluating Legislation & Playing Defense

## *Board Authorities—Public Health & Safety*

- SB 1003 industrial hemp; licensing; effective date (Borrelli) **Ch. 5**
- SB 1147 NOW: tobacco products; vapor products (Leach) **DNP**
- HB 2229 cable licensing; video service providers (J. Allen) **Ch. 76**
- HB 2231 non health professions; occupations; regulations (Kern) **DNP**
- HB 2318 NOW: texting while driving; prohibition; enforcement (Campbell) **Ch. 112**
- HB 2515 mobile home parks; abandonment (Biasiucci) **DNP**
- HB 2556 agricultural property; uses; rural activities (Finchem) **Ch. 294**
- HB 2672 vacation rentals; short-term; regulation (Kavanagh) **Ch. 240**

## *Human Resources*

- SB 1146 PSPRS; EORP; CORP; modifications (Livingston) **Ch. 38**
- HB 2190 CORP; accidental disability; definition (Payne) **Ch. 286**
- HB 2460 PTSD; workers' compensation; presumption (Townsend) **DNP**

## *Other County Officers*

- SB 1090 emergency voting procedures; board action (Ugenti-Rita) **Ch. 107**
- SB 1064 court security officers; certification; powers (Borrelli) **Ch. 300**
- HB 2493 appraisal methods; solar energy devices (Cobb) **Ch. 291**
- HB 2363 tax lien sales; procedures (Toma) **Ch. 31**
- HB 2521 carrying of firearms; constables (Roberts) **DNP**



# 2019 Summary: By the Numbers

County FY20  
GF Relief



2-Year Combined  
GF Relief

CSA Initiated  
Bills Signed  
or in Budget



Bad Bills  
Defeated  
Or Amended





# Policy Development Process

Due : 08.12.19

## Legislative Proposals

County legislative proposals should be submitted to be considered by the Board at the CSA Summit.

09.19.19

## CSA Board Meeting

June/July/August – Not meeting

10.28.19 – 10.30.19

## CSA Legislative Policy Summit

Hosted by Pinal County  
*Harrah's Ak-Chin*  
*Maricopa, Arizona*