



County Priorities – 2012 Legislative Session

ARIZONA COUNTIES ARE REELING FROM THE RECESSION AND STATE BUDGET IMPACTS

County supervisors and management were quick to respond to the recession

- In the fall of 2007, county supervisors and managers noted that revenues were declining and acted quickly to reduce spending by:
 - Suspending major capital and road construction projects
 - Freezing capital purchases and hiring
 - Laying off employees and eliminating vacant positions
- Counties were confident that they could effectively respond to decreases in revenue, but state budget impacts have been arbitrary, changing, and unpredictable, severely complicating budget balancing efforts

State budget impacts and the recession have strained county budgets

- Since 2008, Arizona counties have absorbed \$288 million in state budget impacts, including:
 - \$130 million in mandated county ‘contributions’
 - \$73 million in diverted HURF revenue (road building and maintenance money)
 - \$66 million in program shifts

COUNTIES FACE SIGNIFICANT LOSSES IN LOCAL AND FEDERAL REVENUE

Counties’ property tax bases are contracting

- Statewide, assessed values have fallen for two consecutive years (5% in FY11 and 15% in FY12)
- Lower assessed valuations force supervisors to either absorb losses in revenue or raise property tax rates

Counties face significant reductions in federal payments

- Congress likely to reduce federal expenditures by ending or modifying:
 - Payment in Lieu of Taxes – Compensates counties for tax-exempt federal land
 - Secure Rural Schools – Provides support to counties for road maintenance and emergency response activities
 - Community Development Block Grants – Supports services for low-income and elderly residents

COUNTY LEGISLATIVE PRIORITIES REFLECT THE NEED FOR FINANCIAL STABILITY

1. Repeal the prisoner shift contained in SB1621

- Jeopardizes public safety and threatens fiscal solvency of county governments
- Continues disturbing pattern of funding state functions with county tax dollars
- Represents an abdication of state responsibility by shifting prisoners the state no longer wishes to fund

2. Eliminate mandated county ‘contributions’

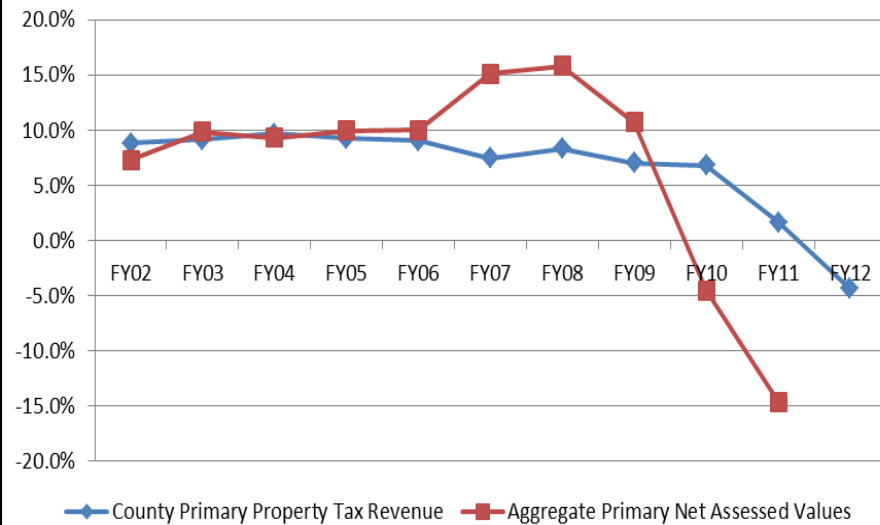
- Represents an arbitrary and unfair ‘taking’ of county resources
- Exacerbates county budget shortfalls
- State needs to wean itself off the county tax base

3. Freeze HURF shifts to DPS and MVD

- HURF was created to fund state and local road building and maintenance efforts, not state agencies
- County roads are not being maintained adequately, requiring costly future repairs
- Constituents are angry

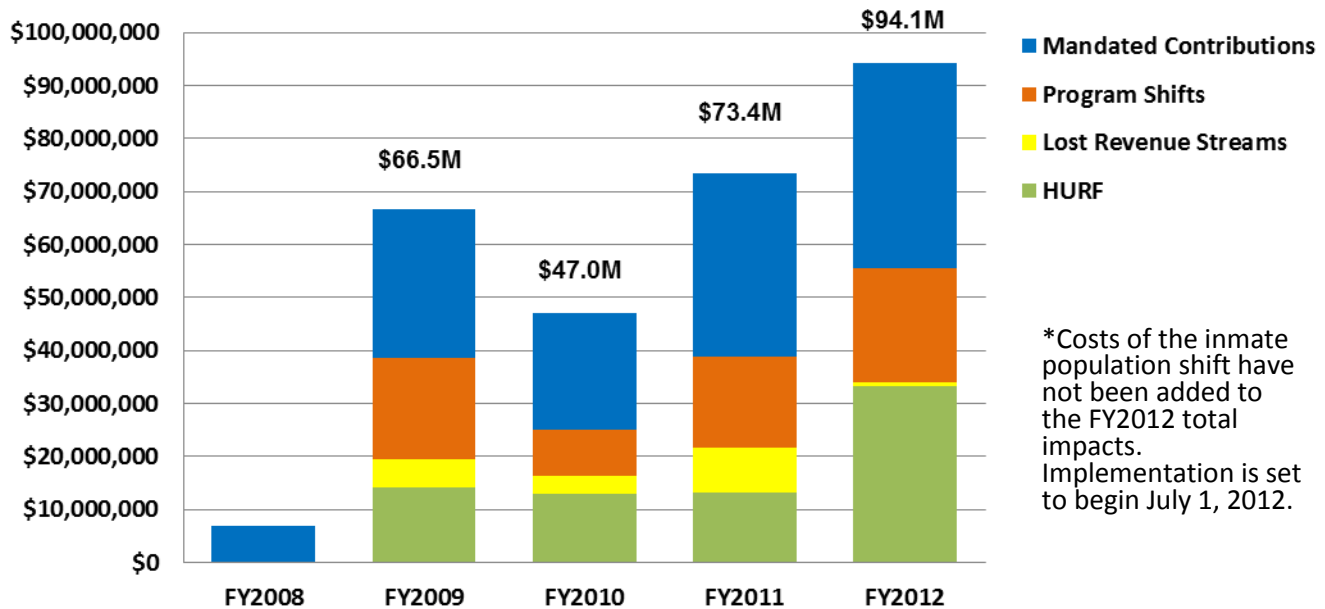
Difficult financial times ahead for counties

(Statewide net assessed values and primary tax revenue)



PROPERTY VALUES AND REVENUE HAVE DECLINED AS BUDGET IMPACTS HAVE ESCALATED

County impacts in the state budget have escalated since FY08



*Costs of the inmate population shift have not been added to the FY2012 total impacts. Implementation is set to begin July 1, 2012.

STATE BUDGET IMPACTS TO COUNTIES, FY08 – FY12

STATEWIDE COUNTY IMPACT

HURF Shifts	(\$73.6 million)
Lost Revenue Streams	(\$17.8 million)
Program Shifts	(\$66.5 million)
Mandated Contributions	(\$130.1 million)

Estimated Fiscal Impact to Counties

(\$288 million)