



Memo

To: County Officials
From: CSA Staff
Date: July 7, 2014
Subject: County Revenue & Expenditure Projections for FY2014-2015

Provided below are projections of both major federal and state revenue streams, as well as mandated healthcare related payments required of counties through the state budget process for FY2014-2015.

Federal Revenues

• **Payment In Lieu of Taxes (PILT)**

Full funding of PILT is authorized through FY2014. Final payment amounts for counties are scheduled to be released in June 2014 and will reflect a return to pre-sequestration funding levels. Without congressional action FY2014 will be the last year for PILT as a mandatory program. The National Association of Counties (NACo) is actively formulating a strategy to address the PILT funding issue moving forward. While a funding mechanism and long term authorization are topics for discussion, the immediate threat is related to the FY2015 PILT payments (scheduled to be received in June 2015). Without the mandatory classification, PILT reverts back to a discretionary program and is subject to the appropriation process. While an extension of the mandatory authorization is still on option, there is a push to include PILT funding in the FY2015 Interior Appropriations bill currently being drafted. Historically, PILT was a discretionary program from 1994-2007. In past years when PILT was a discretionary program (1994-2007), funding was usually provided at 66 percent of the formula. Because of the uncertainty surrounding the path forward for the PILT program, CSA has provided a preliminary full funding projection, and an alternative 66 percent funding level projection.

State Revenues

• **Highway User Revenue Fund (HURF)¹**

In FY2014, the legislature diverted \$119.2 million in HURF monies to the Department of Public Safety (DPS). The FY2015 budget continues this diversion at the reduced level of \$89.2 million, but includes an outside the formula distribution provision for the \$30 million restoration that bypasses the State Highway Fund (SHF). After accounting for the DPS diversion and the modified distribution mechanism for the \$30 million restoration, CSA estimates counties will receive \$225,394,300 in FY2015.

• **Vehicle License Tax (VLT)²**

Counties receive two different payments from VLT, 5.83 percent of total VLT revenue to be used for transportation purposes, and 24.59 percent of total VLT revenue to be deposited into the general fund of each county. Based on ADOT forecasts, CSA estimates counties will receive \$45,562,000 in transportation dollars (5.83 percent) and \$192,200,000 in general fund dollars (24.59 percent) in FY2015.

¹ A portion of the HURF distribution formula is based on unincorporated populations, currently reflecting the 2010 census.

² The general portion of VLT is distributed based on a "county of origin" factor. CSA used actual FY2013 numbers to estimate FY2015 distributions. The transportation portion uses 2010 census unincorporated population.

- **State Shared Sales Tax (TPT)**

State shared sales tax, or Transaction Privilege Tax (TPT), is distributed based upon population, secondary net assessed value, and point-of-sale factors. The population figures reflect the 2010 census and the estimates provided by the Arizona Department of Revenue (ADOR) reflect the projected collection between July 1, 2014, and June 30, 2015. ADOR estimates total county share of TPT to be \$740,000,000.

Expenditures

- **Mandated Healthcare-Related Payments**

The counties are required to assist in the funding of the AHCCCS system, through direct payments to the state as created by statute or the state budget process. Most counties make the following four payments to the state:

- Budget Neutrality Compensation Fund (BNCF) payment is designed to provide administrative funding for costs associated with Prop. 204 implementation. Total payment is set by statute and adjusted for inflation. Total FY2015 county payments to the BNCF are \$3,384,400.
- Acute Care (Acute) payment was originally designed to share the burden of state match requirements for federal funds. Acute payments have been the same for most counties since FY1996. The FY2015 Acute Care payments total \$47,553,700.
- Disproportionate Uncompensated Care (DUC) pool, originally established as part of Prop. 204, the monies are now used to offset General Fund expenditures for AHCCCS. FY2015 DUC pool payments remain unchanged from FY2014 at \$2,646,200.
- Arizona Long Term Care System (ALTCS) payments are transfers made by counties and, when combined with state dollars, are used as the state match to pull down federal Medicaid funds. Growth in the program is split 50/50 between the counties and the state. Allocation among the counties is based on previous utilization. Total FY2015 ALTCS contributions are \$245,196,200.

- **Sexually Violent Persons (SVP)**

As session law, the reimbursement percentage for counties drops from a 50/50 split to an estimated 34/66 split for the commitment of an individual determined to be a sexually violent person and confined in the Arizona Community Protection and Treatment Center (ACPTC). This reduction is accomplished by limiting the percentage of the costs associated with the confinement and treatment of an SVP, which the Department of Health Services (DHS) may pass on to the county, to an amount not greater than the percentage rate of the county share of the costs in FY2014. In FY2014, the county share of the SVP costs were reduced by a \$1.8 million appropriation. In consultation with the Joint Legislative Budget Committee (JLBC), CSA estimates this percentage to be approximately 34 percent.

- **Restoration To Competency (RTC)**

Carried forward to FY2015 as session law, counties are required to reimburse the Department of Health Services 100 percent of the cost incurred by the state for the inpatient competency restoration treatment of a defendant at the Arizona State Hospital (ASH).

Additional information on these items appears in the following attachments.

Estimated FY2015 County Revenue and Expenditures

	Revenue					Expenditures /6			
	PILT Payments/1	HURF /2	VLT (Transportation) /3	VLT (General Fund) /4	State Shared Sales Tax /5	ALTCS	ACUTE Care	DUC Pool	BNCF
Apache	\$ 1,681,596	\$ 6,225,941	\$ 2,036,166	\$ 586,997	\$ 4,943,000	\$ 616,900	\$ 268,800	\$ 87,300	\$ 111,500
Cochise	\$ 2,092,813	\$ 7,383,069	\$ 1,743,658	\$ 3,700,413	\$ 12,350,000	\$ 5,138,300	\$ 2,214,800	\$ 162,700	\$ 208,100
Coconino	\$ 1,656,791	\$ 8,560,500	\$ 1,782,385	\$ 3,324,504	\$ 19,235,000	\$ 1,851,400	\$ 742,900	\$ 160,500	\$ 205,300
Gila	\$ 3,369,374	\$ 3,453,844	\$ 852,009	\$ 1,638,888	\$ 5,268,000	\$ 2,107,400	\$ 1,413,200	\$ 65,900	\$ 84,300
Graham	\$ 2,778,581	\$ 2,310,278	\$ 678,874	\$ 884,717	\$ 3,875,000	\$ 1,442,600	\$ 536,200	\$ 46,800	\$ 59,900
Greenlee	\$ 825,264	\$ 870,885	\$ 148,532	\$ 354,178	\$ 5,778,000	\$ 76,200	\$ 190,700	\$ 12,000	\$ 15,400
La Paz	\$ 1,896,841	\$ 3,644,179	\$ 456,987	\$ 572,581	\$ 2,262,000	\$ 712,200	\$ 212,100	\$ 24,900	\$ 31,900
Maricopa	\$ 2,931,340	\$ 93,937,472	\$ 9,463,227	\$ 125,796,221	\$ 468,706,000	\$ 150,220,100	\$ 19,523,400	\$ -	\$ -
Mohave	\$ 3,412,630	\$ 11,243,015	\$ 2,503,176	\$ 6,208,862	\$ 20,612,000	\$ 7,972,700	\$ 1,237,700	\$ 187,400	\$ 239,600
Navajo	\$ 1,493,859	\$ 7,420,903	\$ 2,265,798	\$ 2,090,736	\$ 11,029,000	\$ 2,552,500	\$ 310,800	\$ 122,800	\$ 157,000
Pima	\$ 3,081,249	\$ 39,870,380	\$ 11,754,540	\$ 24,713,433	\$ 105,554,000	\$ 38,919,400	\$ 14,951,800	\$ 1,115,900	\$ 1,427,200
Pinal	\$ 1,215,622	\$ 17,448,698	\$ 6,239,260	\$ 8,819,292	\$ 30,539,000	\$ 15,294,300	\$ 2,715,600	\$ 218,300	\$ 279,200
Santa Cruz	\$ 959,459	\$ 2,956,490	\$ 854,288	\$ 1,485,198	\$ 4,626,000	\$ 1,914,800	\$ 482,800	\$ 51,600	\$ 66,000
Yavapai	\$ 3,119,764	\$ 10,574,523	\$ 2,786,116	\$ 7,144,531	\$ 25,677,000	\$ 8,314,700	\$ 1,427,800	\$ 206,200	\$ 263,800
Yuma	\$ 3,419,328	\$ 9,494,123	\$ 1,996,982	\$ 4,879,450	\$ 19,546,000	\$ 8,062,700	\$ 1,325,100	\$ 183,900	\$ 235,200
Total	\$ 33,934,512	\$ 225,394,300	\$ 45,562,000	\$ 192,200,000	\$ 740,000,000	\$ 245,196,200	\$ 47,553,700	\$ 2,646,200	\$ 3,384,400

/1 Source: U.S. Department of the Interior, Payments are estimated by using FY2013 actual payments adjusted up by 5.1% to exclude the effects of the Sequester

/2 CSA calculations based upon estimates provided by the Arizona Department of Transportation, after accounting for FY2015 sweeps and the \$30 million restoration

/3 CSA calculation based upon estimates provided by the Arizona Department of Transportation and using unincorporated population as the distribution factor

/4 CSA calculation based upon estimates provided by the Arizona Department of Transportation and using actual FY2013 county of origin as the distribution factor

/5 Official estimates provided by the Arizona Department of Revenue

/6 Figures are from the FY2015 state budget and unchanged from the FY2015 JLBC Baseline

PILT Payments to Arizona Counties

	FY2015 Estimated PILT /1	FY2015 Estimated PILT, 66% Funding /2
Apache	\$ 1,681,596	\$ 1,109,854
Cochise	\$ 2,092,813	\$ 1,381,257
Coconino	\$ 1,656,791	\$ 1,093,482
Gila	\$ 3,369,374	\$ 2,223,787
Graham	\$ 2,778,581	\$ 1,833,863
Greenlee	\$ 825,264	\$ 544,675
La Paz	\$ 1,896,841	\$ 1,251,915
Maricopa	\$ 2,931,340	\$ 1,934,685
Mohave	\$ 3,412,630	\$ 2,252,336
Navajo	\$ 1,493,859	\$ 985,947
Pima	\$ 3,081,249	\$ 2,033,624
Pinal	\$ 1,215,622	\$ 802,310
Santa Cruz	\$ 959,459	\$ 633,243
Yavapai	\$ 3,119,764	\$ 2,059,044
Yuma	\$ 3,419,328	\$ 2,256,756
Total	\$ 33,934,512	\$ 22,396,778

/1 Payments are estimated by using FY2013 actual payments adjusted to remove the 5.1% reduction due to sequestration

FY2013 numbers provided by the U.S. Department of the Interior

<http://www.doi.gov/pilt/county-payments.cfm>

/2 Assumes PILT is a discretionary program; payments are estimated by using FY2013 estimated non-sequestered payments and applying a 34% reduction

HURF Revenue Estimates for FY2015

Counties 19% Forecast HURF Distribution - \$ 225,394,300 /1

DISTRIBUTION FACTORS

	Fuel Factor (72%) /2	Uninc. Pop.	HURF Estimate /4
	1-year	Factor (28%) /3	1-year
Apache	0.02099	0.04469	\$ 6,225,941
Cochise	0.03061	0.03827	\$ 7,383,069
Coconino	0.03754	0.03912	\$ 8,560,500
Gila	0.01401	0.01870	\$ 3,453,844
Graham	0.00844	0.01490	\$ 2,310,278
Greenlee	0.00410	0.00326	\$ 870,885
La Paz	0.01856	0.01003	\$ 3,644,179
Maricopa	0.49807	0.20770	\$ 93,937,472
Mohave	0.04791	0.05494	\$ 11,243,015
Navajo	0.02639	0.04973	\$ 7,420,903
Pima	0.14535	0.25799	\$ 39,870,380
Pinal	0.05427	0.13694	\$ 17,448,698
Santa Cruz	0.01093	0.01875	\$ 2,956,490
Yavapai	0.04138	0.06115	\$ 10,574,523
Yuma	0.04146	0.04383	\$ 9,494,123
Total	1.0000	1.0000	\$ 225,394,300

/1 Based on ADOT November 2013 Official Forecast for FY2015. "Off the top" HURF distributions based on FY2015 budgeted levels which include \$89.3 million to DPS, \$0.62 million to MVD for the registration compliance program, and \$1.0 million to the Economic Strength Project Fund per statute

/2 One year average fuel factor for MAR 13 - FEB 14

/3 Unincorporated population factors based on Census 2010 figures dated April 1, 2010

/4 HURF distribution to counties is based on 72% on the fuel factor and 28% on the unincorporated population factor

Note from ADOT: Individual estimates to counties could materially change due to changes in the distribution of gasoline by county.

FY2015 County Vehicle License Tax (VLT) Estimated Distributions

Counties VLT 24.59% (General Fund) Forecast Distribution - \$ 192,200,000 /1

Counties 5.83% (Transportation) Forecast VLT Distribution - \$ 45,562,000 /1

	FY2013 County of Origin Factor /2	FY2015 Estimated General Fund VLT /3	Uninc. Pop Factor /4	FY2015 Estimated Transportation VLT /5
Apache	0.003054	\$ 586,997	0.04469	\$ 2,036,166
Cochise	0.019253	\$ 3,700,413	0.03827	\$ 1,743,658
Coconino	0.017297	\$ 3,324,504	0.03912	\$ 1,782,385
Gila	0.008527	\$ 1,638,888	0.01870	\$ 852,009
Graham	0.004603	\$ 884,717	0.01490	\$ 678,874
Greenlee	0.001843	\$ 354,178	0.00326	\$ 148,532
La Paz	0.002979	\$ 572,581	0.01003	\$ 456,987
Maricopa	0.654507	\$ 125,796,221	0.20770	\$ 9,463,227
Mohave	0.032304	\$ 6,208,862	0.05494	\$ 2,503,176
Navajo	0.010878	\$ 2,090,736	0.04973	\$ 2,265,798
Pima	0.128582	\$ 24,713,433	0.25799	\$ 11,754,540
Pinal	0.045886	\$ 8,819,292	0.13694	\$ 6,239,260
Santa Cruz	0.007727	\$ 1,485,198	0.01875	\$ 854,288
Yavapai	0.037172	\$ 7,144,531	0.06115	\$ 2,786,116
Yuma	0.025387	\$ 4,879,450	0.04383	\$ 1,996,982
Total	1.0000	\$ 192,200,000	1.0000	\$ 45,562,000

/1 Based on ADOT November 2013 Official Forecast for FY2015

/2 County of Origin for FY2013. Represents in which county the vehicles were registered

/3 CSA estimates based on FY2013 actual "County of Origin Factors" reported by ADOT

/4 Unincorporated population factors based on Census 2010 figures dated April 1, 2010

/5 CSA estimates based on unincorporated population factor as reported by ADOT

FY2015 Estimated State Shared Sales Tax Revenue to Counties

	FY2015 DOR Estimated State Shared Sales Tax /1
Apache	\$ 4,943,000
Cochise	\$ 12,350,000
Coconino	\$ 19,235,000
Gila	\$ 5,268,000
Graham	\$ 3,875,000
Greenlee	\$ 5,778,000
La Paz	\$ 2,262,000
Maricopa	\$ 468,706,000
Mohave	\$ 20,612,000
Navajo	\$ 11,029,000
Pima	\$ 105,554,000
Pinal	\$ 30,539,000
Santa Cruz	\$ 4,626,000
Yavapai	\$ 25,677,000
Yuma	\$ 19,546,000
Total	\$ 740,000,000

/1 Official estimate provided by Arizona Department of Revenue (ADOR) published July 3, 2014. This estimate corresponds to ADOR collections that will occur between July 1, 2014 and June 30, 2015

FY2015 County Contributions to State AHCCCS System

Expenditures /1					
	ALTCS	ACUTE Care	DUC Pool	BNCF	Total
Apache	\$ 616,900	\$ 268,800	\$ 87,300	\$ 111,500	\$ 1,084,500
Cochise	\$ 5,138,300	\$ 2,214,800	\$ 162,700	\$ 208,100	\$ 7,723,900
Coconino	\$ 1,851,400	\$ 742,900	\$ 160,500	\$ 205,300	\$ 2,960,100
Gila	\$ 2,107,400	\$ 1,413,200	\$ 65,900	\$ 84,300	\$ 3,670,800
Graham	\$ 1,442,600	\$ 536,200	\$ 46,800	\$ 59,900	\$ 2,085,500
Greenlee	\$ 76,200	\$ 190,700	\$ 12,000	\$ 15,400	\$ 294,300
La Paz	\$ 712,200	\$ 212,100	\$ 24,900	\$ 31,900	\$ 981,100
Maricopa	\$ 150,220,100	\$ 19,523,400	\$ -	\$ -	\$ 169,743,500
Mohave	\$ 7,972,700	\$ 1,237,700	\$ 187,400	\$ 239,600	\$ 9,637,400
Navajo	\$ 2,552,500	\$ 310,800	\$ 122,800	\$ 157,000	\$ 3,143,100
Pima	\$ 38,919,400	\$ 14,951,800	\$ 1,115,900	\$ 1,427,200	\$ 56,414,300
Pinal	\$ 15,294,300	\$ 2,715,600	\$ 218,300	\$ 279,200	\$ 18,507,400
Santa Cruz	\$ 1,914,800	\$ 482,800	\$ 51,600	\$ 66,000	\$ 2,515,200
Yavapai	\$ 8,314,700	\$ 1,427,800	\$ 206,200	\$ 263,800	\$ 10,212,500
Yuma	\$ 8,062,700	\$ 1,325,100	\$ 183,900	\$ 235,200	\$ 9,806,900
Total	\$ 245,196,200	\$ 47,553,700	\$ 2,646,200	\$ 3,384,400	\$ 298,780,500

/1 Figures are from the FY2015 state budget as passed (awaiting Governor's signature) and unchanged from the FY2015 JLBC Baseline