



FY2019-20 CSA Budget Priorities

Although the growing economy has helped many counties out of an immediate fiscal crisis, lingering recession-era cost shifts and structural problems in major funding sources are preventing counties from investing in constituent services.

The state must address these issues to allow counties to have sustainable revenue sources they can count on to create long-term plans that modernize county government and better serve Arizonans.

Provide Permanent County Relief –ADJC and EORP–

During the 2018 legislative session, the legislature and counties worked together to eliminate several recession-era cost shifts and fix the underfunded Elected Officials Retirement Plan (EORP). As a part of that deal, counties took on a **\$20.2 million** increase in pension liability, and the state eliminated or provided one-time relief for the cost shifts, a total of **\$20.5 million** in FY19.

Now, counties need the state to make the deal permanent, as the EORP liability is an ongoing increase in county costs.

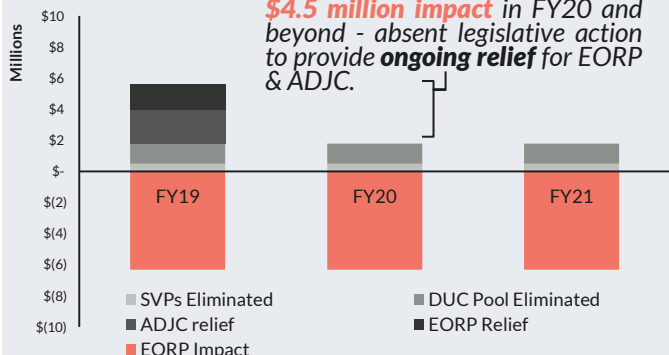
Eliminate Arizona Department of Juvenile Corrections (ADJC) Fee

- Counties pay millions locally in juvenile justice costs associated with detention and courts and do not determine when juveniles are sent to ADJC.
- In 2015, the state shifted 25% of the cost associated with the ADJC budget to counties. However, counties have received relief in 3 of the last 4 years.
- The FY19 budget included **\$11.3 million** to ADJC from the counties but gave a one-time appropriation to offset the full cost to counties.

Provide Permanent Relief for Increased Elected Officials Retirement Plan (EORP) Liability

- EORP is currently funded at 30%, which is the result of state decisions, court rulings and PSPRS board actions.
- In 2018, the legislature uncapped the employer contribution rate, causing mandated county contributions to increase by **\$20.2 million**.
- To offset the increase in FY19, the state eliminated several cost shifts, but rural counties require additional relief to be held harmless. To fill the gap, the legislature provided **\$1.7 million** in one-time relief to the 8 smallest counties.

County Impact – Absent Action



Require Transaction Privilege Tax (TPT) to be Collected on Online Remote Sales

- In June, the U.S. Supreme Court ruled in *South Dakota v. Wayfair, Inc.* that online remote purchases can be subject to state and local sales taxes if the seller has an economic nexus in the state.
- Current law inconsistently taxes similar purchases which results in market distortions that make it cheaper for Arizonians to purchase goods from online sellers that don't collect sales tax, rather than local brick and mortar stores.
- Consumers are currently required to remit use tax on these online purchases, but compliance is incredibly low.

National Retail Sales



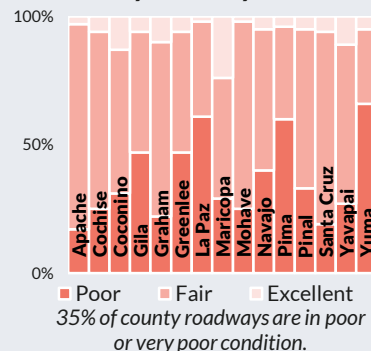
- Counties rely heavily on sales taxes to support essential functions.
- If no changes are made to allow for ADOR to collect sales taxes from remote sellers, a major funding source for the state and counties will continue to degrade over time and force an increase in tax rates on a smaller base.

Increase Funding for Transportation Infrastructure

County engineers estimate that the funding for the county transportation system will fall short by **\$2.2 billion** over the next 10 years.

- High quality roadways are critical for public safety and economic development.
- HURF and VLT are major funding sources for transportation, and are not set up to deal with trends towards alternative fuels and more fuel efficient vehicles.
- New funding sources at the local and state level need to be enacted to provide for an effective transportation system.

County Roadway Conditions



Maintain Financial “Flexibility Language” as a Tool to Meet County Fiscal Obligations in FY 2020

- Continuing the “Flexibility Language” in the state budget is necessitated by the confluence of state shifts, costs drivers, restrictions on accessing the tax base, and weak local economic conditions.
- Without the “Flexibility Language”, some counties are unable to meet state mandated requirements.



2019 CSA Legislative Priorities

Juvenile Dependency Representation

Restore the indigent defense fund to counties, rather than diverting it to the Department of Public Safety, to assist with the increase in juvenile dependency cases.

- Counties are responsible for providing defense attorneys to children and their families in juvenile dependency cases.
- The 2014 reorganization of the Department of Child Safety has caused an increase in these cases, although the initial backlog of cases has been cleared.

Allow counties to make the most cost effective decisions when dealing with structures that pose a public health and safety risk for sanitary issues and provide counties with the authority to temporarily remove vehicles during the abatement process.

- Extreme sanitary issues, often caused by hoarding, make determining the extent of structural issues difficult.
- Remediating property with content that creates an imminent health hazard puts workers at risk and is frequently more expensive to remediate than to tear down the structure.
- Counties can only tear down structures if they are structurally unsound or are a fire hazard.
- Currently counties are unable to temporarily remove vehicles from a property during the abatement process.

Dilapidated Buildings & Junk Car Removal

Rural Transient Lodging Tax

Provide counties with a population of 500,000 or less the authority to levy a transient lodging tax up to 6% to support regional tourism and economic development.

- Tourism is the leading industry in many of Arizona's rural counties.
- Many rural counties don't have the resources to allocate towards tourism or economic development projects.

Allow counties to follow a more cost effective path to be reimbursed for burying individuals if the decedent had real personal property.

- Counties must bury individuals if they are not claimed by a next of kin or if their next of kin is unable or unwilling to bury them.
- Currently counties must go through an expensive court process to recover these costs.

County Burial Cost Recovery

Water Basin Advisory Councils

Allow for the implementation of local stakeholder processes regarding groundwater issues in La Paz and Mohave Counties.

- The creation of local groundwater users advisory councils gives local stakeholders a process to evaluate local water resource supply and demand.
- Advisory councils would be able to make formal recommendations to ADWR on best management practices in local basins.