



2023

GFOAz Leg. Update



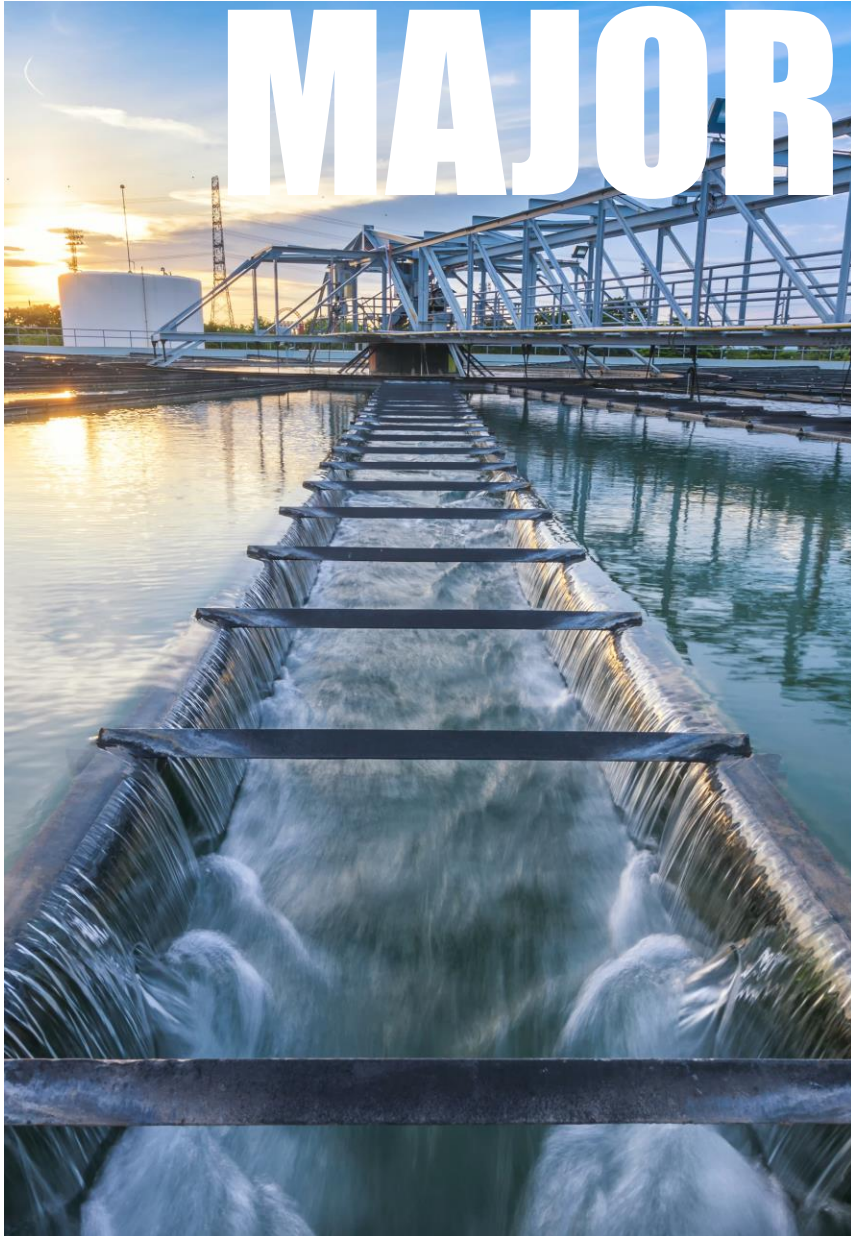
League of Arizona

Cities AND Towns



SESSION AT A GLANCE

- 211 Days - Record
- 1,675 bills - 4th Highest Bill Count
- Bills Signed – 205
- Bills Vetoed – 143 (Record)
- Close Margins (8 caucuses)



MAJOR

LEGISLATIVE ISSUES

- Divided Government
- Ghost of Kari Lake
 - Tax proposals
 - Election Denialism
- Water
- Tamales and other interparty drama





MAJOR ISSUES:

Food Tax Preemption

- JLBC: Loss of up to **\$195.6M** in FY26
- 70 cities and towns
- food; municipal tax; exemption
 - **HB 2061** – Biasiucci – **Dead**
 - **SB 1063** – Borrelli – **Vetoed**
 - **SB 1089** – Kern – **Dead**
- Tough sell with Legislators





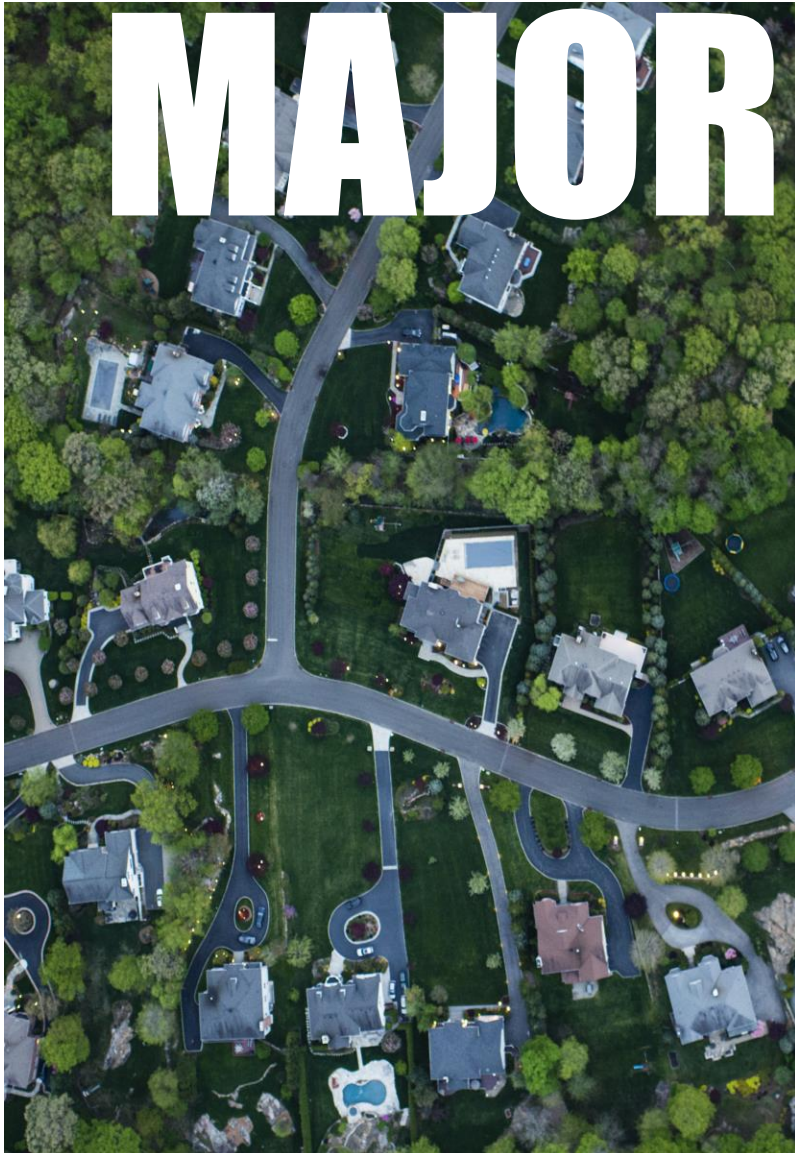
MAJOR

ISSUES:

Res. Rental Preemption →

- JLBC: **\$230M** statewide impact
- 75 cities and towns
- **HB 2067**: residential leases; municipal tax exemption (Carter) – **Dead**
- **SB 1184**: municipal tax exemption: residential leases (Kaiser) – **Vetoed**
- **SB1131**: S/E: residential leases; municipal tax exemption - **Signed**
- Win to Lose?
- Aftermath



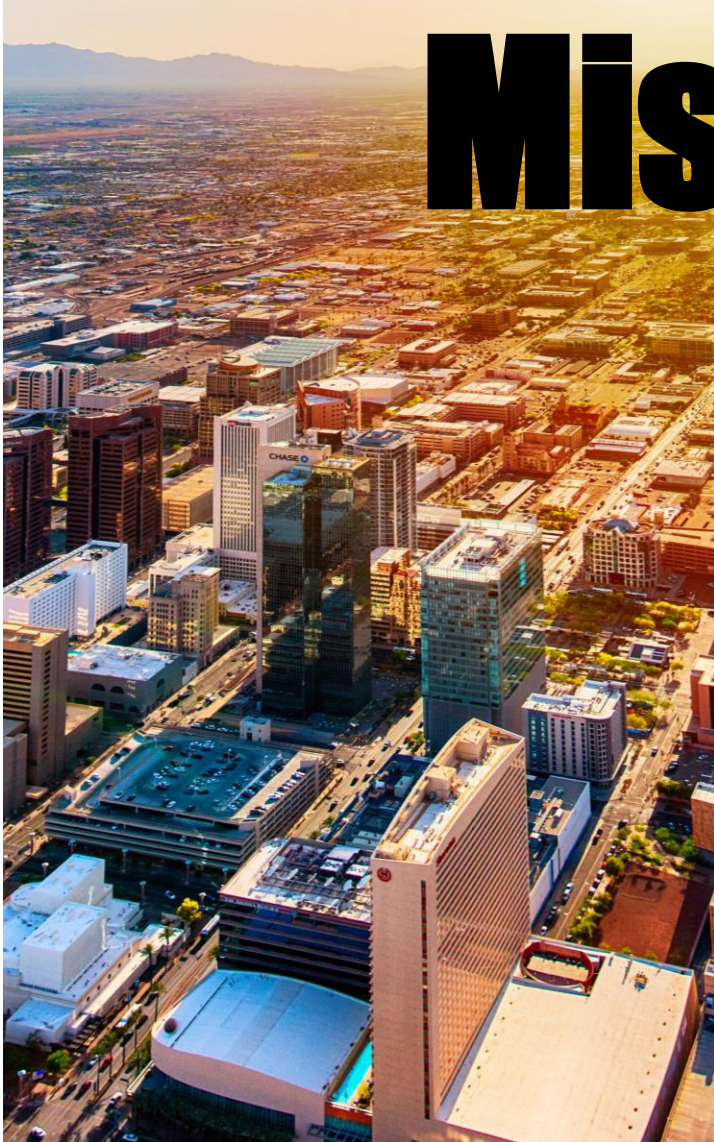


ISSUES: HOUSING



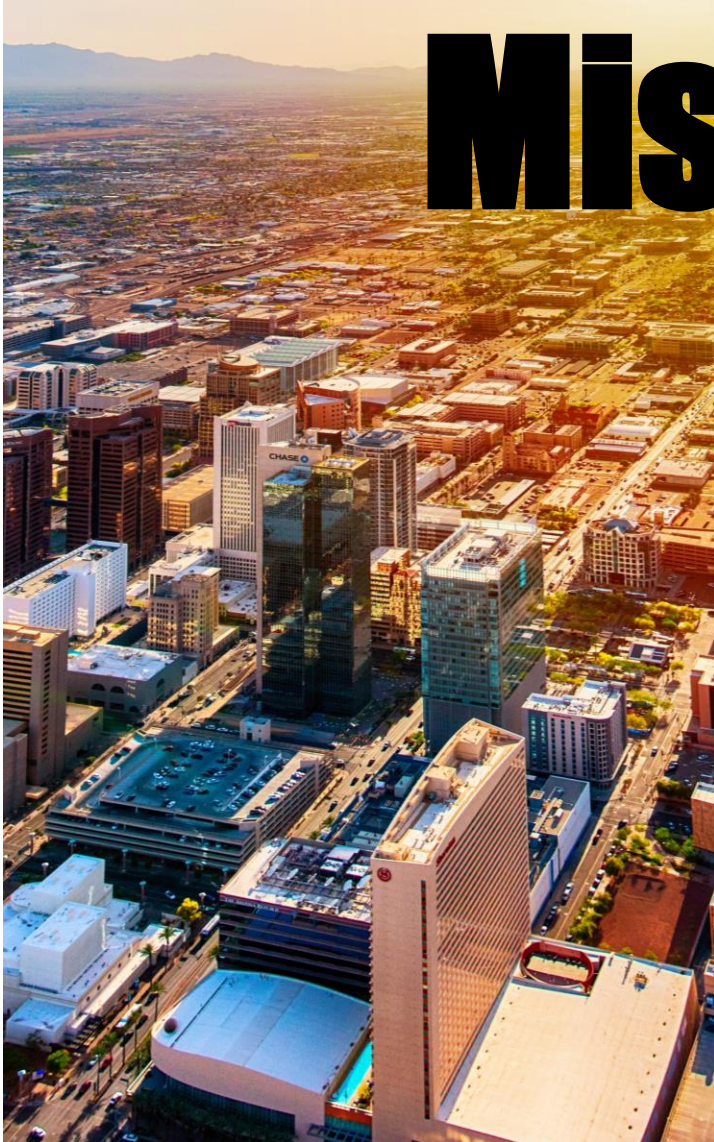
- Nationwide Issue
- **SB1117:** NOW: housing; infrastructure; regulation; administration (Kaiser)
- **HB2536:** S/E: housing; infrastructure
- **SB1161:** S/E affordable housing; development standards; report
- **SB1163:** S/E municipal; zoning; housing assessment; report
- Strange bedfellows and the Freedom Caucus
- Where do we stand and what's next?





Misc. Bills

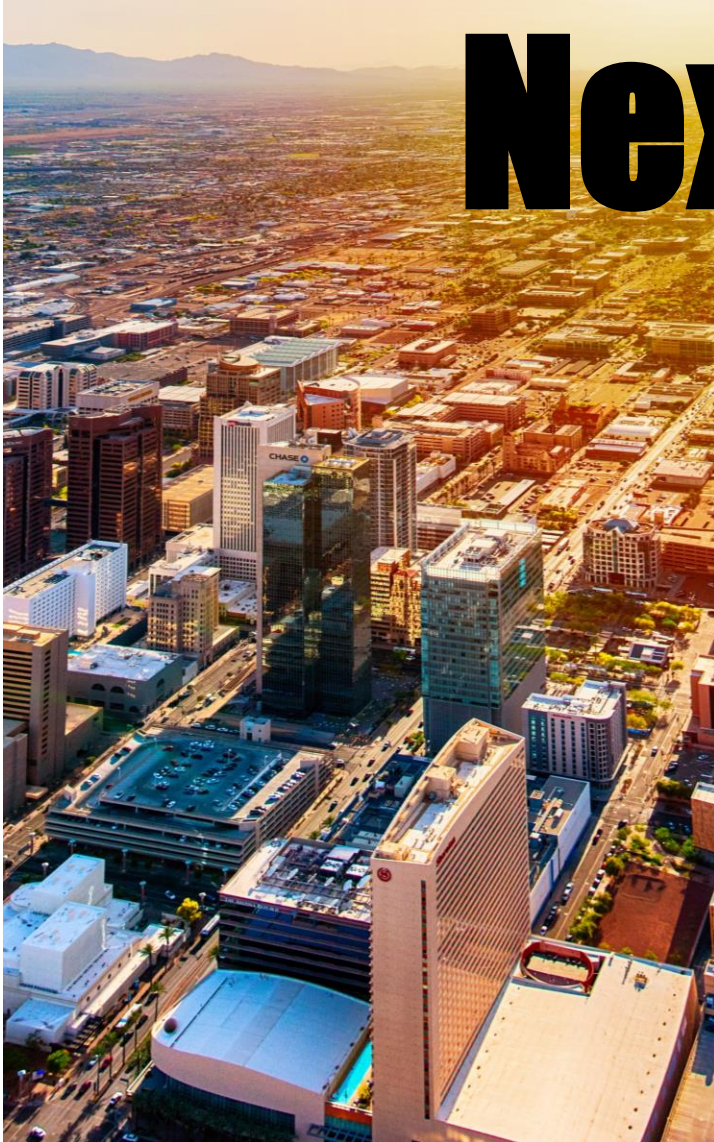
- **HB2808:** public records; time frame (Carbone) – **DEAD**
- **SB1006:** municipal notices and ordinances; posting (Kavanagh) – **SIGNED**
- **SB1148:** law enforcement; video recordings; fee (Kavanagh) – **SIGNED**
- **SB1162:** home-based businesses; restrictions; prohibition (Kaiser) – **VETOED**



Misc.

Bills (Cont.)

- **HB2252: NOW: motor vehicle manufacturers; TPT; exemption (Wilmeth) - VETOED**
- **SB1189: NOW: municipal tax code commission (Mesnard) – SIGNED**
- **SB1577: income tax rate; reduction; surplus (Mesnard) – DEAD**



Next

Year?

- Revenue Replacement
- Food tax
- Housing
- ESAs
- Income Tax
- Budget Cuts?
- **Everything is political and logic doesn't matter**

Road to the FY 2024 State Budget Deal

Hobbs seeks ESA repeal in budget proposal, GOP offers 'continuation' with no new spending

[Nick Phillips Arizona Capitol Times](#)//January 13, 2023

Jan.

As session shifts into gear, bipartisan overtures turn to politicking

[Nick Phillips Arizona Capitol Times](#)//January 24, 2023

Budget bills advance through the Senate and House

[Camryn Sanchez And Jakob Thorington Arizona Capitol Times](#)//February 1, 2023

Republican budget proposal fails in House after Harris votes against caucus

[Jakob Thorington Arizona Capitol Times](#)//February 6, 2023

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2/16

Hobbs, GOP leaders agree to talk budget

[Nick Phillips Arizona Capitol Times](#)//March 2, 2023

Hobbs vetoes Republican skinny budget

[Nick Phillips Arizona Capitol Times](#)//February 16, 2023

3/2

Budget moves through committees with almost no Democrat support

[Nick Phillips Arizona Capitol Times](#)//May 9, 2023

GOP Lawmakers to get Budget Allowance

[Arizona Legislative Report](#)//April 18, 2023

4/18

Vetoes define first 100 days of Hobbs' term

[Nick Phillips Arizona Capitol Times](#)//April 12, 2023

Legislative leaders want to pass budget ASAP, governor's staff says it's 'false urgency'

[Camryn Sanchez Arizona Capitol Times](#)//March 21, 2023

\$17.8 b budget proposal clears House; on to Gov. Hobbs

[Jakob Thorington Arizona Capitol Times](#)//May 10, 2023

Hobbs, GOP lawmakers tout wins in budget as battle to define spending ahead

[Nick Phillips And Camryn Sanchez Arizona Capitol Times](#)//May 15, 2023

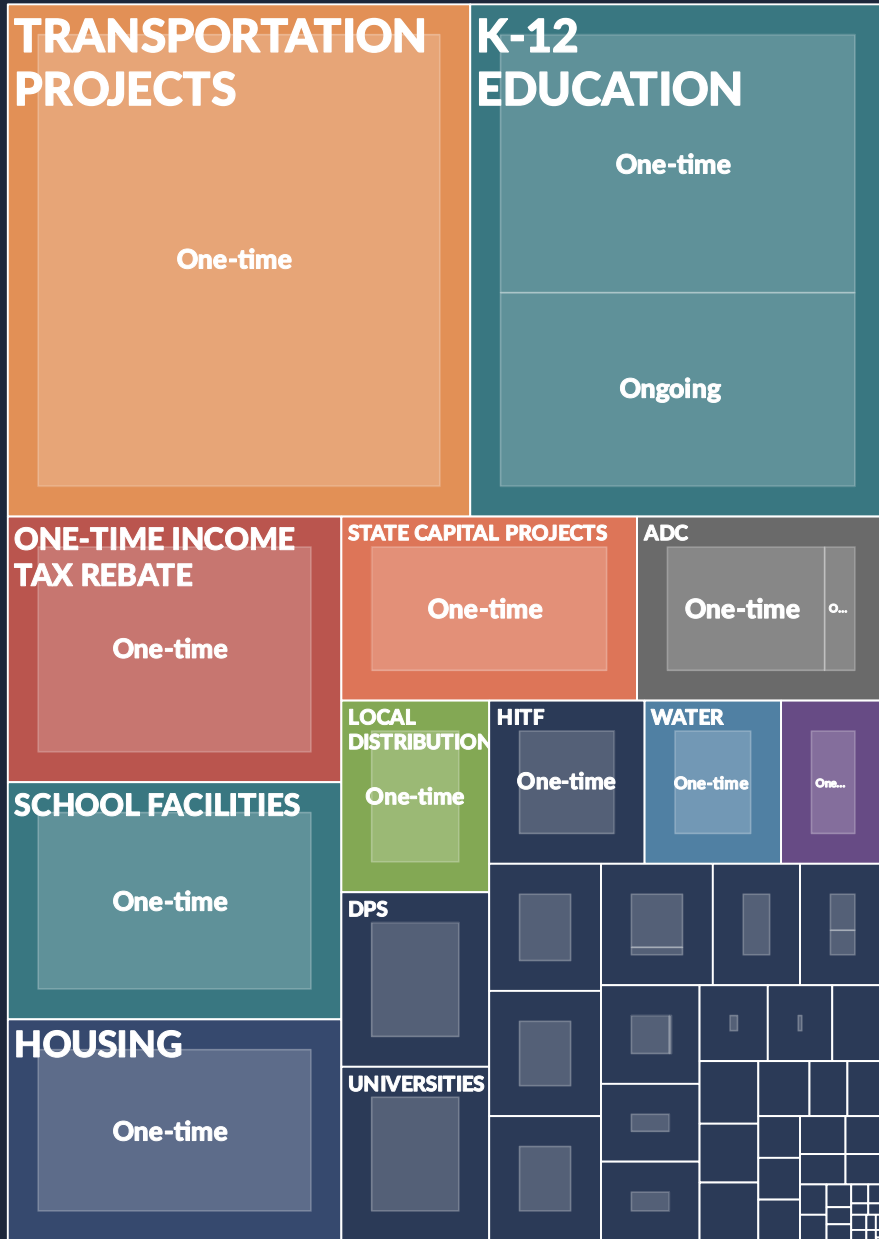
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May

FY 2024 State Budget New Initiatives

Includes new spending items, excludes decreases in spending areas.



State Budget: Key Numbers

\$260M one-time income tax rebate in FY 2024

\$2.25B in net new one-time spending from FY 2023 to FY 2026

- \$2.58B in new one-time spending
- \$(270)M in previously enacted one-time spending

\$(6)M in ongoing spending changes in FY 2024

- \$133M in new ongoing spending
- \$(119)M in previously enacted ongoing spending

Dollars in millions*	FY2023	FY2024	FY2025	FY2026
Beginning Balance	\$4,709.4	\$2,528.9	\$7.8	\$118.9
Total Revenues	\$18,122.7	\$17,827.3	\$16,280.2	\$17,352.2
Total Expenditures	\$15,593.8	\$17,819.5	\$16,161.3	\$16,564.8
Ending Balance [^]	\$2,528.9	\$7.8	\$118.9	\$787.4
Ongoing Revenues	\$16,378.7	\$15,558.4	\$16,272.5	\$17,233.5
Ongoing Expenditures	\$14,451.3	\$14,937.1	\$15,576.7	\$16,320.2
Structural Balance	\$1,927.40	\$621.30	\$695.80	\$913.30



FY 2024 STATE BUDGET

Local Projects

by county (as region)

\$633M in Transportation Projects

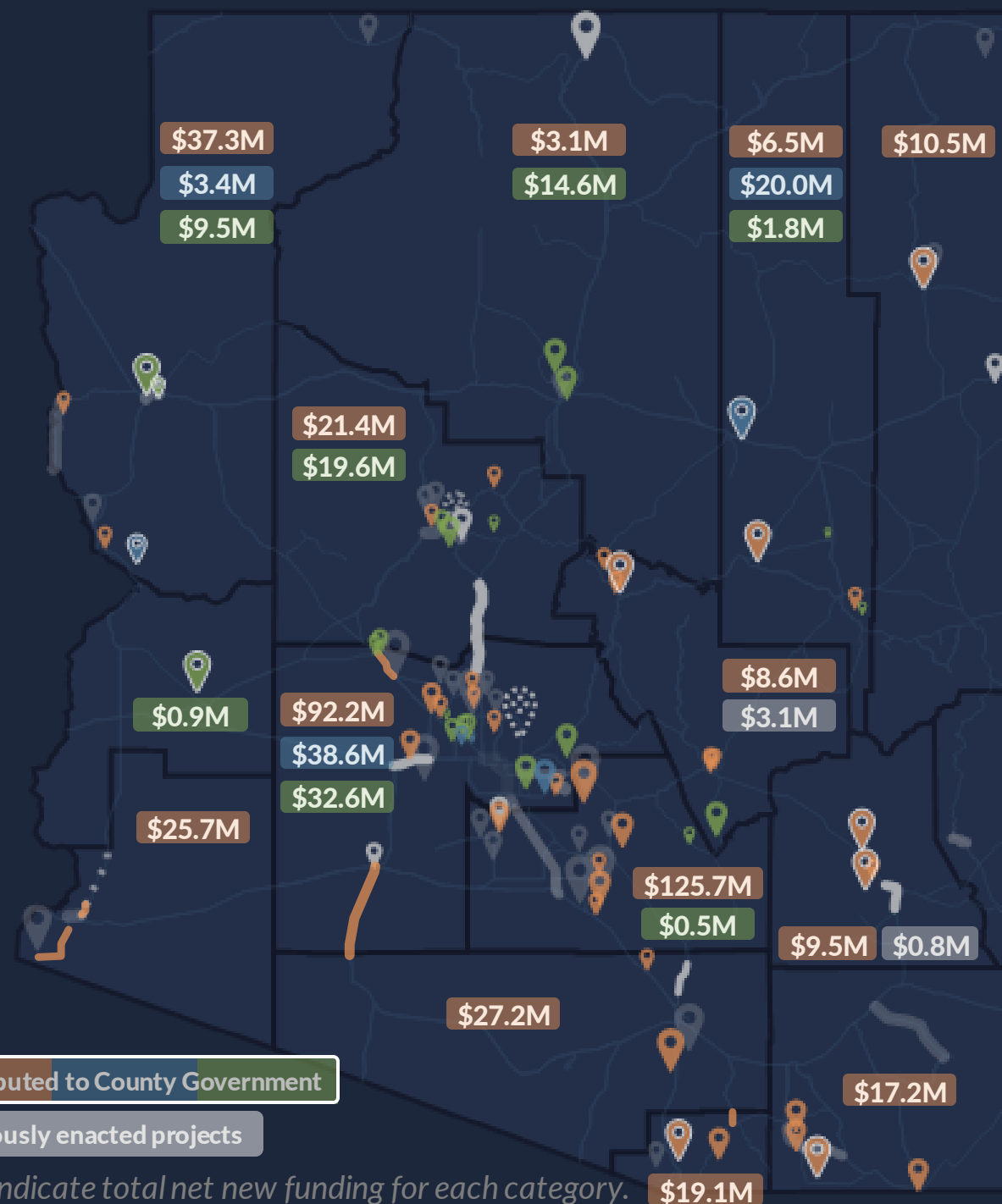
- \$54.3M for Rural payment rehabilitation
- \$12.5M SMART Fund Deposit
- \$89.0M for I-10 Expansion
- \$76.2M for I-17 Shortfall

\$62.0M in Local Water Projects

- Funded through prior \$1B WIFA appropriation

\$82.5M in Local Distributions

- Includes distributions to cities, towns, county or other entities within the county.



Distributed to County Government

Previously enacted projects

Figures indicate total net new funding for each category.

\$19.1M

Other New Initiatives with County Touchpoints



Public Safety

- \$7.0M** Coordinated Reentry Funding (baseline)
- \$2.5M** County Sheriffs Search and Rescue Equipment Fund
- \$1.0M** for local Law Enforcement Retention Initiative grants (50% match in urban counties; 25% match in rural counties)
- \$0.9M** for firearm training simulators for Mohave County Probation Department. Navajo County SO, Maricopa County SO
- \$76,000** for County Jail Education Program
- \$52,600** for Juvenile Center School Capital Improvements (Yavapai, Pinal, Maricopa)
- \$0.4M** Fund County Personnel Costs for Vehicle Theft Prosecution
- \$10,000** for Gila County Jail Education Program

Elections

- \$5.9M** for PPE funding
- \$5.0M** HAVA funding; 75% available for county election systems improvements

Water

- \$3.0M** for Water Project Assistance Grants in Navajo, Apache, Graham and Cochise (cities/towns/irrigation districts only)
- \$20.0M** for Little Colorado River levee
- \$3.4M** Mohave Wash Recharge Basin

Local Projects

- \$9.0M** Mohave County Sheriff Substations
- \$0.5M** Mohave Co. Mobile Command Sheriff Vehicles
- \$0.9M** La Paz County Dispatch Center
- \$3.0M** Gila County Veterans Retreat
- \$0.8M** to DES for Graham County Rehabilitation Center

Transportation Projects

- \$0.5M** Graham County Norton Rd/Reay Lane Intersection
- \$6.1M** Cochise County Moson Rd Drainage
- \$4.3M** Navajo County SR260 Improvements
- \$0.2M** Gila County Houston Mesa Rd SR260 to NF Route 199
- \$1.8M** Graham County Safford Bryce Road Improvements
- \$8.6M** Santa Cruz County I19 Rio Rico/Ruby Road Interchange

Misc.

- \$6.8M** ADOR Tax System Modernization fee on counties, cities and towns (2nd year)
- \$0.1M** County Title Protection Software Optin (SB 1110)
- \$0.3M** ongoing for State share 2 new judges (Yavapai, Yuma)



CSA Priorities

ADJC Cost Shift: Partially continued; **\$6.7M cost to Maricopa County, \$1.7M savings to Pima County**

Probation Officer Salaries:

- A late-night floor amendment **removed** language requiring counties to absorb additional costs to the state as a result of FY2024 salary adjustments
- Appropriated **\$6.75M** to cover the remaining state share of FY 2023 salary adjustments

EORP Debt Payoff: **Not included**

Flexibility Language: **Continued for FY 2024**

Local Infrastructure Matching Funds:

- New **Rural Broadband Accelerated Match (RBAM) fund;** **\$23.6M** deposit (*Counties eligible for 50%*)
- **\$12.5M** deposit to the **State Match Advantage for Rural Transportation (SMART)** program.

ALTCS: County contributions increase **\$13.5M (+3.8%)** from FY 2023



ENACTED

- **HB 2015** Retirement plans; plan election; rehire (Livingston)
 - *Allows members to make a new plan election in the event of a transfer to a new agency or a bona fide separation of service.*
- **HB 2028** PSPRS; contribution rates (Livingston)
 - *Reduces Tier 2 and Tier 1 gap PSPRS member contributions to 7.65%, allows previously siloed employee contributions to be used to calculate the employer rate.*
- **SB 1173** public retirement systems; plan election (Mesnard)
 - *Administrative bill, includes change to allow members to make a new plan election in the event they move into a role with different election options.*
- **SB 1376** NOW: appropriation; deputies; detention officers (Gowan)
 - *Modifies FY 2023 retention/recruitment stipend requirements for sheriff's deputies and detention officers. Requires funds to be distributed to officers by October 30, 2023 and allows any unspent retention funds to be spent on recruitment bonuses.*

NOT ENACTED

- **SB 1246** Election; transportation tax; Maricopa county (Farnsworth)
 - Prop 400 extension
- **SB 1263** business personal property; tax exemption (Mesnard)
- **SB 1276** assessed valuation; class one property (Mesnard)

Select Bills: Pension/Finance

Arizona House of Representatives



FY '24 BUDGET

- Appropriates **\$150 M** to ADOH for deposit in the *Housing Trust Fund*.
- Appropriates **\$40 M** to ADOH for the *Homeless Shelter and Services Fund*.
- Appropriates **\$5 M** for transitional and reentry housing and **\$2 M** for transitional housing grants to ADCRR.

ENACTED

General

- **HB 2381** mobile homes; recreational vehicles; fund (*Gress*)

NOT ENACTED

Housing

- **SB 1117 S/E** housing; infrastructure; regulation; administration (*Kaiser*)
- **SB 1161 S/E** affordable housing; development standards; report (*Kaiser*)
- **SB 1163 S/E** municipal; zoning; housing assessment; report (*Kaiser*)
- **HB 2536 S/E** housing; zoning; regulation; preemption (*Toma*)

Homelessness

- **SB 1022** pedestrians; selling goods; begging; medians (*Kavanagh*)
- **SB 1024** public rights-of-way; unlawful acts (*Kavanagh*)
- **SB 1413** homeless encampment; removal (*Wadsack*)
- **HB 2284** homelessness; housing; facilities (*Livingston*)
- **HB 2379** hotel; motel; vouchers; homeless; prohibition (*Gress*)
- **HB 2649 S/E** homeless encampments; requirements; liability (*Martinez*)

Select Bills: Housing & Homelessness



End of Session Materials

56th Legislature 1st Regular Session

2023 Legislative Summary

FY 2023-2024 STATE BUDGET
As Passed by the House and Senate on May 10, 2023

SUMMARY

The Arizona House and Senate passed budget bills throughout the day on Wednesday, May 10, 2023. The budget bills were amended in both the Senate and the House to add some additional appropriations. The passed budget outlines a \$17.8 billion spending plan for FY 2024 that largely enacts one-time spending and revenue changes. This includes additional one-time funding for education, a realization of results-based funding for an ongoing increase in K-12 funding, an individual income tax rebate, capital and transportation infrastructure investments and a significant number of smaller one-time appropriations.

Colleges in Distress	17.9	119.4
Total Revenues	119,389.2	119,389.2
Total Expenditures	119,389.2	119,389.2
Funding Balance*	119.4	119.4
Operating Expenses	119,270.8	119,270.8
Operating Income	118,600.0	118,600.0
Revenue Change	913.20	913.20

MAJOR COUNTY ISSUES

- Arizona Department of Juvenile Corrections (ADJC) proposes \$6.7 million from the Department of Juvenile Corrections (ADJC) to counties to meet the matching requirement for the federal BEAD program and deposits \$25.6 million into the fund. Allocates 50% to counties, with half for counties with a population above 100,000 and half for counties with a population below 100,000. Additionally, appropriates \$12.5 million to the SMART grant program for rural transportation local match grants. HB 2810/SB 1720 Sec. 19; HB 2812/SB 1722 Sec. 15; HB 2813/SB 1723 Sec. 2.
- 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

County Finance Officer Guide 2023

County Supervisors FY 2023-2024 Revenue and Expenditure Projections

MEMORANDUM

DATE: May 16, 2023
TO: County Officials
FROM: CSA Staff
SUBJECT: County Revenue & Expenditure Projections for FY 2023-2024

Provided below are the projections of major federal and state revenue streams, as well as mandated payments required of counties through federal law for FY 2023-2024.

FY 2024 County Revenue & Expenditure Report

Payment in Lieu of Taxes (PILOT)
Full payment of PILOT was included through federal fiscal year 2023 (FY 2023) in the Consolidated Appropriations Act. PILOT payments for FY 2024 will be reduced to 75% of the amount paid in FY 2023. Counties may elect to receive an additional \$100 million in PILOT payments for FY 2024. Counties that elect to receive an additional \$100 million in PILOT payments for FY 2024 will receive an additional \$100 million in PILOT payments for FY 2024.

Secure the Future (STF)
The Infrastructure Investment and Jobs Act (IIJA) provides for an additional \$100 million in STF payments for FY 2021 to FY 2023. Prior to the reauthorization of STF payments had been subject to annual decreases in funding. However, the IIJA set the authorization for FY 2021 full funding levels. Estimates below include the Title I payments, designated for public safety projects, and Title II payments, designated for county projects.

Highway User Revenue Fund (HURF)
As signed by the Governor on May 11, 2023, the FY 2024 budget does not include any new off-the-top diversions of HURF resources, maintaining the statutory gross level distribution. ADOT's official forecast projected \$244.9 million to be distributed to counties in FY 2024. Additionally, CSA has provided an additional HURF distribution.

County Supervisors FY 2023-2024 Revenue and Expenditure Projections

COUNTY FLEXIBILITY LANGUAGE

In addition to statutory provisions, the State Budget signed by the Governor on May 11, 2023 included provisions for county financial flexibility. Please see below for a breakdown of the flexibility language contained in various parts of the state budget and statute.

Comprehensive Flexibility Language

As session law, allows counties with fewer than 250,000 persons (Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Navajo, Santa Cruz, Yavapai, and Yuma) to use up to \$1.25 million from any source of county revenue, including countywide special districts controlled by the board of supervisors, to meet a county fiscal obligation for FY 2024. Counties are required to report whether the county used the flexibility language to the Joint Legislative Budget Committee (JLBC) by October 1, 2023, with the specific amount and revenue source.

FY 2024 County Flexibility Language

Restoration to Competency (RTC) Payments
A.R.S. § 13-4512 includes "flexibility language" allowing counties to use any source of county revenue to meet the matching requirement for the federal BEAD program and deposits \$25.6 million into the fund. Allocates 50% to counties, with half for counties with a population above 100,000 and half for counties with a population below 100,000. Additionally, appropriates \$12.5 million to the SMART grant program for rural transportation local match grants. HB 2810/SB 1720 Sec. 19; HB 2812/SB 1722 Sec. 15; HB 2813/SB 1723 Sec. 2.

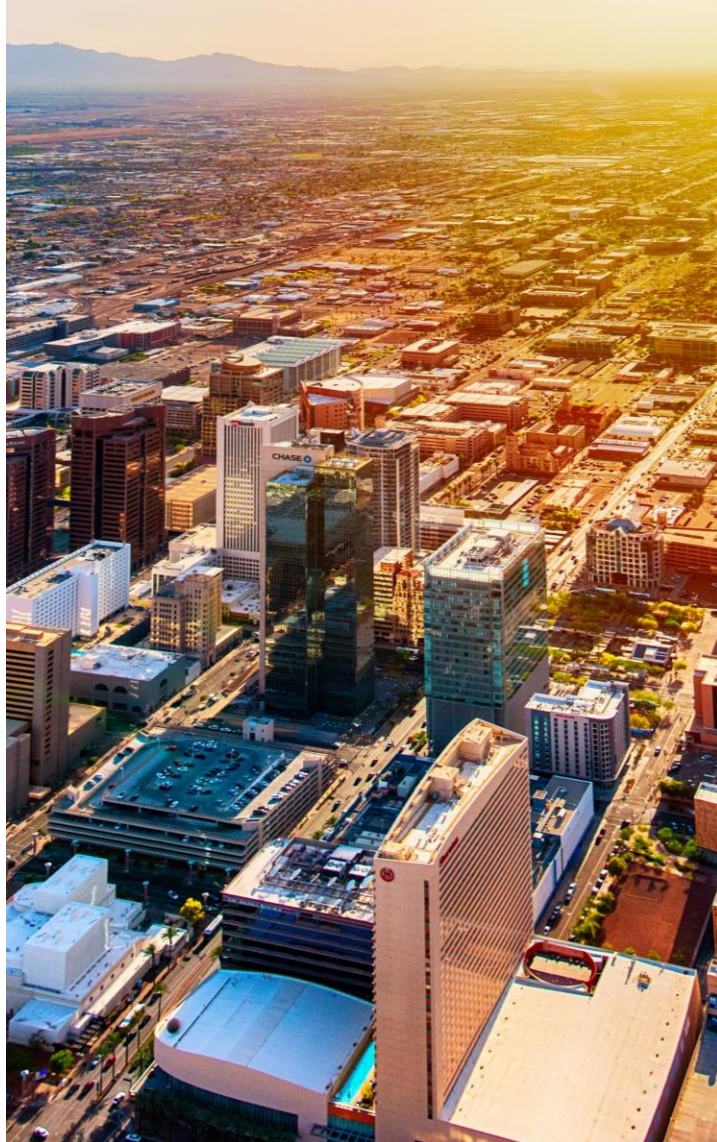
Municipal Improvement District Formation Process – Legislation Summary

Improvement Bonds – ARS 48-576

Description/ Formation Steps	Before 2016	Current Situation After 2016 Legislative Amendments
Property Owners Who Benefit from Public Infrastructure – pay their fair share of capital costs based on benefit.*	Yes	Yes
Public Hearing(s) allow Property Owners to Protest the Improvements and object to being included in the District.	Yes	Yes
Preliminary Engineering Plans and Specifications Completed and Contract Awarded.**	Yes	Maybe. Additional requirements below would add costs/delays to the transaction. Very unlikely a contractor could be found who would hold bid during required process.
After the Final Resolution of Protests –a New Petition (or added steps) was added requiring:	Not Required	<ol style="list-style-type: none"> 1. Petition requires signatures from owners of more than one-half of the taxable property units within the area of the proposed ID, and 2. Signatures from property owners owning collectively more than one-half of the assessed valuation of property within the proposed ID <p>*Must be gathered within 120 days of final resolution of any protests</p>
Proposed Legislative Solution:		See attached. Simply removes the above additional petition requirements – reverting back to the law as written prior to 2016.

* ASSESSMENTS ARE NOT A PROPERTY TAX. Assessments allocated to each property owner based on benefit calculation.

** Additional opportunities to protest during these processes.



Thank you!