

County Funding

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
SPECIAL LINE ITEMS			
Coordinated Reentry Planning Services	0	10,000,000	7,000,000
County Sheriff Reentry Planning	500,000	0	0
Elected Officials Retirement Plan Offset	3,000,000	3,000,000	3,000,000
Small County Assistance	7,650,700	7,650,700	7,650,700
AGENCY TOTAL	11,150,700	20,650,700	17,650,700
FUND SOURCES			
General Fund	10,650,700	20,650,700	17,650,700
Other Appropriated Funds			
State Charitable, Penal and Reformatory Institutions Land Fund	500,000	0	0
SUBTOTAL - Other Appropriated Funds	500,000	0	0
SUBTOTAL - Appropriated Funds	11,150,700	20,650,700	17,650,700
TOTAL - ALL SOURCES	11,150,700	20,650,700	17,650,700

AGENCY DESCRIPTION — The Arizona Department of Administration (ADOA) distributes these monies to counties for maintenance of county services and to offset local cost sharing and Elected Officials Retirement Plan liabilities. This section also includes monies for County Sheriff Reentry Planning Services.

Coordinated Reentry Planning Services

The budget includes \$7,000,000 from the General Fund in FY 2023 for Coordinated Reentry Planning Services. FY 2023 adjustments are as follows:

Decreased Coordinated Reentry Services Funding

The budget includes a decrease of \$(3,000,000) from the General Fund in FY 2023 to reduce the level of funding for counties to establish a coordinated reentry planning services program.

This line item provides funding to ADOA for distribution to counties to establish a coordinated reentry planning services program. The FY 2022 General Appropriation Act allocated a total of \$10,000,000: \$5,000,000 to Mohave County, \$4,000,000 to Pinal County, and \$1,000,000 to Yavapai County. The FY 2022 3-year budget plan included \$7,000,000 in both FY 2023 and FY 2024 for this purpose. The FY 2023 General Appropriation Act does not specify a distribution for the FY 2023 appropriation.

Elected Officials Retirement Plan Offset

The budget includes \$3,000,000 from the General Fund in FY 2023 for the Elected Officials Retirement Plan (EORP) Offset. This amount is unchanged from FY 2022.

This amount is allocated equally among counties with a population of less than 300,000 according to the 2020 Decennial Census. Each of the 12 smallest counties receives \$250,000.

Small County Assistance

The budget includes \$7,650,650 from the General Fund in FY 2023 for assistance to small counties. This amount is unchanged from FY 2022.

This line item provides funding for counties with populations less than 900,000 according to the 2020 Decennial Census. With one exception, each county receives \$550,050 (*see Table 1*). Graham County receives \$1,050,050.

Other Issues

Statutory Changes

The Local Government Budget Reconciliation Bill (BRB) makes the following statutory changes:

- As session law, continue to allow counties with a population of less than 250,000 according to the 2020 Decennial Census to use any source of county revenue to meet a county fiscal obligation for FY

2023, up to \$1,250,000 of county revenue for each county. The bill also requires counties using this authority to report to the Director of the Joint Legislative Budget Committee (JLBC) on the intended amount and sources of funds by October 1, 2022.

- Mohave County: \$1,250,000 from the Landfill Fund, ERACE Fund, and Motor Pool Fund to the General Fund for capital projects.
- Navajo County: \$300,000 from the Library District and Flood Control District to the General Fund for operating expenses.

The following 7 counties indicated that they are not utilizing this provision: Cochise, Gila, Graham, Greenlee, Santa Cruz, Yavapai, and Yuma.

Table 2 shows the utilization of the county flexibility language in FY 2021 and FY 2022. Please see FY 2022 Appropriations Report for FY 2016 – FY 2020 usage.

Table 1

Distribution and County Population

<u>County</u>	<u>Ongoing Distribution</u>	<u>2020 Census Population</u>
Apache	\$ 550,050	66,021
Cochise	550,050	125,447
Coconino	550,050	145,101
Gila	550,050	53,272
Graham	1,050,050	38,533
Greenlee	550,050	9,563
La Paz	550,050	16,557
Maricopa	-	4,420,568
Mohave	550,050	213,267
Navajo	550,050	106,717
Pima	-	1,043,433
Pinal	550,050	425,264
Santa Cruz	550,050	47,669
Yavapai	550,050	236,209
Yuma	550,050	203,771
Total	\$7,650,650	7,151,392

Table 2

County Flexibility Language Utilization

	<u>FY 2021</u>	<u>FY 2022</u>
Apache	NR	\$ 900,000
Cochise	-	-
Coconino	\$1,250,000	1,250,000
Gila	-	-
Graham	-	-
Greenlee	-	-
La Paz	600,000	1,250,000
Maricopa	-	-
Mohave	1,000,000	1,250,000
Navajo	830,000	300,000
Pima	-	-
Pinal	-	-
Santa Cruz	-	-
Yavapai	1,250,000	-
Yuma	500,000	-
Total	\$5,430,000	\$4,950,000

NR = County did not respond to the request for information.

County Flexible Revenue Report

The FY 2022 Revenue BRB permits counties with a population of less than 250,000 according to the 2010 Census to use any source of county revenue, up to \$1,250,000, for purposes other than the purpose of the revenue source to meet a county fiscal obligation for FY 2022. Counties using the authority were required to report to the Director of the JLBC on the intended amount and sources of funds by October 1, 2021.

Of the 12 eligible counties, 5 reported using the flexibility in FY 2022:

- Apache County: \$900,000 from the Library District, Junior College District, and Flood Control District to the Jail District for Jail District Operations.
- Coconino County: \$1,250,000 from the Jail District to the General Fund to pay down the Public Safety Personnel Retirement System (PSPRS) debt and pay for information technology needs for the Sheriff's Department.
- La Paz County: \$1,250,000 from the Vehicle License Tax to the General Fund to pay down a General Fund shortfall.

New County Allocations

The budget includes the following distributions to counties from various state agencies:

- ADOA: A total of \$74,905,000 is allocated to ADOA in FY 2023 for the following:
 - \$53,405,000 from the Department of Military Affairs' (DEMA) Border Security Fund for deputy sheriff and county detention officer compensation.
 - \$20,000,000 from the School Safety Interoperability Fund for county sheriffs and city police departments.

- \$1,500,000 from the General Fund to ADOA's Election Security Grants Line Item which includes \$1,000,000 for one or more County Recorders to test ballot paper and \$500,000 for ballot box surveillance in Cochise County, Yuma County, and Pinal County.
- Arizona Criminal Justice Commission: \$10,000,000 in FY 2023 from the General Fund to the Rural County Diversion Programs Line Item for alternative prosecution and diversion programs.
- DEMA: A total of 73,000,000 is allocated to DEMA in FY 2023 for the following:
 - \$30,000,000 from the Border Security Fund to cities, towns, or counties for costs associated with prosecuting and imprisoning individuals with drug trafficking, human smuggling, illegal immigration and other border-related crimes.
 - \$20,000,000 from the Border Security Fund to Cochise County to construct a new county jail facility (contingent on other funding collections).
 - \$15,000,000 from the Border Security Fund for reimbursements to county and local law enforcement agencies for costs incurred for participating in a program with the United States Immigration and Customs Enforcement.
 - \$8,000,000 from the Antihuman Trafficking Grant Fund to city, town, and county law enforcement agencies for programs that reduce human trafficking.
- State Treasurer: The budget's 3-year spending plan includes \$6,000,000 in FY 2024 from the General Fund to be distributed to County Recorders Offices in counties with a population of more than 200,000 persons according to the 2020 Decennial Census; and \$5,000,000 in FY 2024 and \$6,000,000 in FY 2025 for proportional distribution to County Recorders that purchase ballot paper that uses specific security features.

(Please see the specific agency narratives for more details on these allocations.)

New County Expenditures and Savings

The budget includes the following estimated costs and savings to counties:

- Justice of the Peace Salaries: The FY 2023 Courts BRB amends A.R.S. § 22-117 to raise the portion of Justice of the Peace compensation and employee related expenditures paid by the state to 40% from 19.25%. The budget includes an increase of \$1,409,100 from the General Fund for the State Treasurer to fund the increase in the proportion of Justice of the Peace

salaries paid by the state. *(Please see the State Treasurer section for more information.)*

- Department of Revenue (DOR) IT System Cost-Sharing: The FY 2023 budget includes the first year of 6 years of funding for a \$104.8 million new income tax modernization system for DOR. Of this amount, across all years \$41.0 million is to be assessed to certain state government funds, local governments, and other taxing authorities to recover a portion of the administrative, development and operating costs for the system. The FY 2023 Tax Omnibus BRB included a legislative intent statement limiting the amount to be charged to all counties, cities, towns, council of governments (Maricopa Association of Governments) and the regional transportation authorities in a county with a population of more than 800,000 persons (Pima Regional Transportation Authority) to \$5,388,200 for FY 2023. Based on the BRB provision, the assessment is to be allocated among these jurisdictions based on the proportionate share of certain FY 2021 revenues, which results in the following amounts for the FY 2023 charge:
 - Cities: \$3,866,300
 - Counties: \$1,054,700
 - Maricopa Association of Governments: \$395,600
 - Pima Regional Transportation Authority: \$71,600
 The enacted budget assumes that 34.1% of the monies for the income tax modernization system in FY 2023 will come from local governments. The total amount assessed to local governments will vary in future years as the 34.1% proportion is applied to the modernization system's project budget during the funding schedule through FY 2028. In future years, the total local government charge will then be allocated across counties, cities and other local governments based on their proportionate share of certain revenues. The allocation among each type of local government (for example, a specific county's payment within the total amount charged to counties) will continue to be based on population counts according to the most recent decennial census. *(For additional discussion of the scope and total costs of the project, please see the Department of Revenue – Other Issues section and the ADOA-Automation Projects Fund section.)*