

THE ISSUE

In order to prioritize and guide staff's lobbying efforts, we recommend that the Mayor and Council endorse familiar, but critical, guiding principles as our highest priorities – maintaining and preserving **shared revenues**, opposing **unfunded mandates**, protecting **local authority**, and continued involvement in **water resource** matters.

Preserve Shared Revenues – The City's budget includes revenues from several State sources, most importantly "shared revenues" from state income, sales, and vehicle license taxes. Shared revenues make up approximately 33 percent of the City's general fund, helping to pay for police, fire, streets, parks, and other critical City services. Staff recommends the City oppose any reduction of shared revenues.

The state shared revenue system first came into existence in 1942, when Arizona voters approved an initiative requiring that a percentage of state sales taxes be shared with cities and towns. In 1960, statewide voters approved a measure to share the gas tax with municipalities. And, in 1972, statewide voters approved the sharing of a percentage of state income taxes with local governments. Shared revenues have become a critical component of the City's general fund budget.

Oppose Unfunded Mandates – Staff recommends the City oppose state legislative efforts to shift new responsibilities to the City without accompanying funds.

Protect Local Authority – The City's Charter empowers Phoenix residents to determine the structure and authority of City government in our community. Staff recommends the City work to protect the ability of the Mayor and Council to set policy at the local level and oppose legislation that preempts local authority.

Maintain Sustainable Water Resources – While Phoenix and the Valley have sufficient water resources for now and the foreseeable future, the Arizona Department of Water Resources and stakeholders from statewide organizations are working to coordinate efforts in building adequate infrastructure and protecting water resources. Staff recommends that the City participate in these efforts to ensure that Phoenix's water supply is protected.

2020 State Legislative Agenda

PUBLIC SAFETY

Increase Funding for Police Officer Training - Revenues in the Criminal Justice Enhancement Fund (CJEF) have been declining for the past several years. A portion of these funds helps pay for training police officers at the Academy. The Phoenix Police Department is faced with training more candidates with fewer resources.

Staff recommends supporting efforts to seek additional funds to help pay for candidates in Phoenix's Police Training Academy.

Firefighter Cancer Prevention – In 2017, the Arizona State Legislature passed HB 2161 (occupational diseases; workers' compensation; presumptions), which established a presumption of compensability for a firefighter's disability or death caused by certain cancers. Over the interim, the Legislature has been researching best practices for cancer screening and prevention for first responders. In addition, the state is working on developing future legislation to address this issue along with potential funding options.

Staff recommends supporting efforts to pass legislation that protects first responders and efforts for additional funding.

Support 9-1-1 Public Safety Funding - The Arizona Department of Administration has implemented a 9-1-1 Grant funded by the Emergency Telecommunications Fund that is managed by the State. The grant funds allow agencies to manage the 9-1-1 contracts, procurement of 9-1-1 equipment and secure 9-1-1 services on a local level. The grant provides reimbursement directly to the contracting agencies across the entire State. The new process for disseminating the Emergency Telecommunication Fund (9-1-1 Tax) does not change the critical nature of these funds and should be protected from any sweeps to ensure that this mission critical system stays sustainable.

Staff recommends supporting efforts to protect resources for the 9-1-1 public safety network.

Continued Public Safety Funding - While the protection of state shared revenue remains a priority, other public safety-related funds are also important to the City. The following contains a list of some of these funds:

- a. Continued funds for the Arizona Counter Terrorism Information Center (ACTIC).
- b. Authorization of monies for Internet Crimes Against Children (ICAC) investigations.
- c. Adequate Arizona State Hospital funding to ensure the safety of residential areas that are located near the facility.

Staff requests authority to pursue these public safety-related funds.

Increase Resources for the Mental Health System – In order to reduce recidivism and ensure patients and the community are considered.

Staff recommends supporting efforts to allocate additional resources to the State's mental health system and to monitor any potential legislation that may involve police in matters of care for mental health patients.

STREETS DEPARTMENT

Increase or indexing of Gas Fuel Tax and Use Fuel Tax - The state taxes on gas and motor fuel have not been increased or indexed to adjust for inflation since 1991. Despite increases in the population and number of vehicles on the road, City revenues from these taxes have been offset. Over the years, there have been increases to fuel efficiency in vehicles and more vehicles that use alternative fuels that do not pay for their impact on the State's roadways. During this time, the State's and Phoenix's roadway system has grown significantly (in miles) while our roads have aged as well, putting a greater maintenance burden on Phoenix taxpayers. Despite other local and regional transportation funding options, there is a significant lack of funding across the State to adequately build and maintain our state's roadways, highways, and bridges.

The legislative change would explore ways to increase roadway infrastructure construction and maintenance funding at the state level through higher user fees. Potential changes could mirror similar funding changes made in states across the country over the past 5-7 years.

Staff recommends supporting efforts that lead to increased statewide funding for transportation infrastructure.

AVIATION

Luke Air Force Base - Luke Air Force Base (Luke AFB) was established in 1941 on land donated to the federal government by the City. It has evolved in the decades since to become a major economic force in the Phoenix region, having a total economic impact of more than \$2 billion as reported by the Arizona Commerce Authority. The City partners with West Valley cities and Maricopa County to protect and enhance Luke AFB.

Staff recommends opposing any legislation that negatively impacts the mission of Luke AFB.

Rental Car Operations - Phoenix has one of the top rental car markets in the U.S. Currently, there are 13 rental car companies that operate out of the Sky Harbor Rental Car Center. Those companies pay taxes and fees, which support city, county and state services, along with ground transportation infrastructure at Sky Harbor.

A new private rental car market is emerging and in many cases, these rental vehicles are delivered to customers at Sky Harbor. These businesses are directly competing with rental car companies at Sky Harbor but not paying the taxes and fees that the rental car companies at Sky Harbor pay.

Staff recommends supporting efforts to apply one set of regulatory and tax requirements for all vehicle rentals.

Airport Curb and Ground Transportation Regulations - Roadway and curb congestion continue to be a significant challenge for Phoenix Sky Harbor International Airport. The ability to regulate the use of airport curbs and other facilities by commercial, for profit businesses is vital to the operation of a safe, self-sustaining, and customer-friendly airport operation.

Staff recommends monitoring and opposing any legislation that limits the ability of an airport to regulate or set its own fees for ground transportation businesses or any commercial operation on its property.

NEIGHBORHOODS

Short-term Rentals - Over the past several years, short-term rentals have become popular, but they have also led to unintended consequences for neighborhoods. Issues arise when renters take advantage of the benefits of a residential home but do not have the same accountability as a long-term renter or owner. Furthermore, the rise of short-term rentals has reduced the availability of housing options and a loss of economic benefits derived from hotels and other tourism revenues. To address concerns, the Legislature passed HB 2672 (vacation rentals; short-term rentals; regulation) during the 2019 legislative session. While this was a step in the right direction it did not address all the local concerns.

Staff recommends supporting efforts that continue to allow local or state regulation of short-term rentals that would address issues.

Methadone Clinics - The opioid crisis has led to an increased utilization of methadone clinics by individuals working to combat addiction. Last year, the state passed legislation that established reporting requirements for methadone clinics that receive reimbursement from the Arizona Health Care Cost Containment System Administration (AHCCCS) and its contractors. Part of the reporting requirement includes a neighborhood engagement plan.

Staff recommends participating in stakeholder discussions as it relates to the implementation of the legislation adopted.

Homelessness - Homelessness impacts more than half a million vulnerable Americans on any given night, including approximately 6,000 in Maricopa County. Without a stable home, it is difficult to maintain employment and provide for dependent children. It is challenging to address health, mental health, and addiction issues. People who are homeless are frequently victims of crimes.

Staff recommends supporting efforts that increase resources to combat homelessness.

Affordable Housing – Demand for affordable housing continues to increase in Maricopa County. The State Housing Trust Fund (HTF) was established in 1988 by the

Legislature to provide a flexible funding source to help meet the housing needs of low-income families in Arizona. This past legislative session, the Legislature appropriate \$15 Million to the HTF.

Staff recommends supporting efforts to continue funding the Housing Trust Fund and efforts that adequately address the affordable housing issue.

ENVIRONMENTAL PROGRAMS

Water Quality Assurance Revolving Fund (WQARF) – The WQARF program was created in 1986 by the State to support the Arizona Department of Environmental Quality (ADEQ) identify, prioritize, assess and resolve threats of contaminated soil and groundwater sites in the state. Currently, WQARF should be funded as stipulated by statute, A.R.S. § 49-282, at \$15 million from the Corporate Income Tax (CIT). Over the years, WQARF has been underfunded and last year it was funded via other ADEQ funds, not the CIT. A lack of appropriate funding for WQARF means that contaminated groundwater is not being adequately cleaned.

Staff recommends supporting efforts to fund WQARF as stipulated in statute.

MISCELLANEOUS

Arizona Commission on the Arts - The Arizona Commission on the Arts is an agency of the State of Arizona whose mission is to create opportunities for all Arizonans to participate in and experience the arts. The Commission awards grants and works to cultivate sustainable arts communities and promote statewide public access to arts and cultural activities. The Commission provides nearly \$1 million in grant funding to Phoenix based organizations annually. The Commission primarily relies on the state general fund in order to accomplish its goals. The Commission currently requests the State include a \$2.3 million appropriation in the 2020 budget.

Staff seeks the authority to support funding for the Arizona Commission on the Arts.