

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.

2022 State Legislative Agenda

PUBLIC SAFETY

Police and the Mental Health System – To reduce recidivism and ensure patients and the community are considered it is essential that additional resources be allocated to the mental health system. Furthermore, police are currently the first responders in many cases involving an individual that is in need of mental health treatment.

Staff recommends supporting efforts to allocate additional resources to the State's mental health system and to work on potential legislation that reduces the involvement of police in matters of care for mental health patients.

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.

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

Authorized Transporters – Current law requires the use of peace officers for the transport of patients to evaluation agencies. This is the case even if the transport is from a health care facility and a different type of transport would be in the best interest of the patient and result in a more efficient use of law enforcement resources.

Staff recommends amending A.R.S. § 36-524 to permit an authorized transporter other than a peace officer to complete transportation of patients in need of evaluation for hospitalization.

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.

Support Proposition 400 Extension – The voter-approved half-cent sales tax that supports transportation throughout the state is set to expire in 2025. Work has been underway to draft a proposal that would extend this tax to support future transportation development.

Staff recommends supporting efforts to extend Proposition 400.

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.

Protect the State Aviation Fund - The State Aviation Fund is funded by flight property tax, aircraft registration fees, and aviation fuel tax. Even though these are clearly user fees, more than \$114M was transferred from the State Aviation Fund into the State General Fund between 2002 and 2015 to make up for budget deficits. Every year, all three Phoenix-owned airports are eligible for, on average, approximately 2 million dollars each, which may be used for projects that improve airport safety, security and capacity. In addition, State Aviation Fund is used to fund airport development projects that may not otherwise be funded or are not eligible for FAA grants. The City of Phoenix should oppose any legislation that would divert money from the State Aviation Fund.

Staff recommends opposing any legislation that would divert money from the State Aviation Fund.

Airport Curb and Ground Transportation Regulations - Phoenix Sky Harbor International Airport is a wholly self-sustaining business enterprise and must maintain the ability to generate commercial revenues sufficient to operate, maintain, and develop infrastructure to meet current and future demand. It must also maintain the authority to regulate its own terminals, curbs, and roadways to ensure safe and efficient provision of services to the public. Roadway and curb congestion continue to be a significant challenge for the 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.

Air National Guard - The Arizona Air National Guard 161st Refueling Wing occupies approximately 70 acres on the south side of Phoenix Sky Harbor International Airport. The operation is heavily subsidized by the City of Phoenix Aviation Department and the guard pays a nominal rent. The Arizona Air National Guard now needs to expand its footprint at Phoenix Sky Harbor in order to accept new refueling tankers. The base serves as a state-wide economic asset and operates under the jurisdiction of the Governor of Arizona. Federal grant assurances prohibit the City of Phoenix Aviation Department from paying for development costs that solely benefit a tenant unless that money is recovered.

Staff recommends advocating for the State of Arizona to provide compensation for the cost of enabling development activities to support the Air National Guard expansion.

Affordable Clean Energy - Phoenix Sky Harbor International Airport is actively working toward achieving net zero carbon emissions. Over 90% of the airport's current carbon footprint (exclusive of aircraft emissions) is attributable to power generation and consumption. The most important resource to achieve net zero carbon emissions is access to affordable clean energy.

Staff recommends monitoring and opposing any attempt to block opportunities for competition in the supply of renewable energy and supporting any programs that would provide funding or incentives for development and implementation of sustainable energy or technology, including electric vehicles, charging stations, and related infrastructure.

NEIGHBORHOODS & QUALITY OF LIFE

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.

Homelessness - Across the country and in the City of Phoenix, the number of unsheltered individuals and families experiencing homelessness has increased significantly with the COVID-19 pandemic exacerbating the plight of those experiencing homelessness. The Emergency Solutions Grant (ESG), allocated through a formula by the U.S. Department of Health and Human Services, is one of the City's primary

sources of funding dedicated to individuals and families experiencing homelessness. ESG funds support the following types of services for youth, Veterans, individuals, and families experiencing homelessness:

- Street Outreach. Outreach workers connect individuals/families to coordinated entry, emergency services, and shelter.
- Diversion and prevention. Prevention assistance aids households in preserving their current housing situation while diversion prevents homelessness by helping individuals/families identify immediate alternate housing arrangements
- Emergency shelter. Individuals/families experiencing a housing crisis or fleeing an unsafe situation need to find a place to stay, quickly. Emergency shelter and interim housing can fill this role.
- Permanent supportive housing. Permanent supportive housing provides long term housing subsidies coupled with supportive (wrap around) services for those who are chronically homeless.
- Rapid re-housing. Rapid rehousing works with landlords to assist individuals/families locate appropriate housing, provide short-term financial support, and helps ensure individuals/families remain housed through supportive services, largely focused on employment.

Staff recommends supporting continued and increased funding for ESG. A reduction in ESG would result in a decrease of homeless services at a time when the need continues to increase to provide resources to end homelessness.

Housing Trust Fund – 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. The Housing Trust Fund is used throughout the state to financially support services such as rental assistance, foreclosure and eviction prevention, construction for affordable housing and emergency transitional housing needs. Restoring funding would provide much needed flexible dollars to support various housing programs across Arizona. At its peak in 2007, the HTF received \$40 million and provided housing relief for more than 12,000 households. A large source of the Housing Trust Fund's budget was derived from the sale of unclaimed property until 2010, when recession-era cutbacks resulted in an annual \$2.5 million cap on the HTF's main source of financing. Housing recommends supporting efforts to continue funding the Housing Trust Fund and efforts that adequately address the affordable housing issue.

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Veterans Affairs Supportive Housing - The Housing Department currently has an allocation of 903 U.S. Department of Housing and Urban Development (HUD) Veterans Affairs Supportive Housing (VASH) program vouchers. HUD-VASH is a collaborative program between HUD and the U.S. Department of Veterans Affairs (VA) that combines HUD housing vouchers with VA supportive services to help Veterans who are

homeless, and their families, find and sustain permanent housing. The Housing Department vouchers provide housing to homeless veterans through case referrals from the VA. Due to limited staffing at the local VA, new referrals and processing of active referrals is delayed. The House of Representatives introduced House Bill (HB) 2035 which specifically appropriates an additional \$1.2 million from the state general fund to the department of veterans' services to hire additional benefits counselors.

Staff recommends supporting HB 2035 to hire more VA counselors to help decrease the turnaround time and more seamlessly connect homeless Veterans and their families to much needed housing and supportive services.

Street Feeding - Street feeding, while often well-intentioned, can result in negative impacts for people experiencing homelessness and the surrounding community, especially if that food is not prepared within the standards outlined by the state in order to ensure health and sanitation. By allowing this loophole, our most vulnerable residents are put at more risk by those who may or may not be well-intentioned—especially during the health crisis resulting from the COVID-19 pandemic.

Staff recommends revising ARS 36-136.I.4.a and Arizona Administrative Code R9-8-118 to add language that differentiates between excluded food served at a noncommercial social event, such as a potluck, from food served to the general public or targeted non-associated populations, such as those experiencing homelessness, which should be included.

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 to accomplish its goals. In fiscal years 2021 and 2022, the agency has not received a general fund appropriation but was funded through CARES Act funding in FY21 and ARPA funding in FY22. The Commission currently requests the State include a \$5 million appropriation in the next fiscal year budget. In addition, the Arizona Commission on the Arts will have its reauthorization hearing in the next legislative session. The last reauthorization was in 2012, and the Commission was renewed for ten years. The Arizona Commission on the Arts grantmaking supports and cultivates sustainable arts communities and promotes public access to arts and cultural activities. Grant funding is made in every county of the state, distributed equitably to large and small organizations, and supports arts education in communities with limited access. Arizona Commission on the Arts is eligible for a partnership grant through the National Endowment for the Arts (NEA), an independent federal agency. The NEA grant is only accessible if the State of Arizona matches the federal government's contribution.

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

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

FINANCE

Convention Center Revenue - Under ARS § 9-626, the Arizona Auditor General is required to conduct an annual economic analysis of Convention Center activity and the resulting impact to the State General Fund. Between 2009 and 2020 the Convention Center Expansion Project has generated a total of \$226,078,00 in qualified event and construction impact revenue to the State General Fund. The state has distributed \$195,384,100, equating to a net State General Fund impact of \$30,693,900. As a result of the global COVID-19 pandemic the net State General Fund impact was reduced by almost \$17 million from the previous year. When the original legislation was created it was never envisioned an event such as the global COVID-19 pandemic would have such a far-reaching impact on the convention industry. The latest economic impact analysis of the Convention Center activity shows that while calendar year 2020 was severely impacted it is expected that 2021 will continue to be impacted by the pandemic. The impact of the global COVID-19 pandemic has been beyond the control of the Convention Center. Legislative action on this issue would avert a situation where the State could withhold their portion of debt service payments for the Convention Center expansion project.

Staff recommends seeking legislative action which would hold them harmless for the impact the global COVID-19 pandemic has had on the State General Fund revenues as it relates to Convention Center event activity.

Increase State Reimbursement Cap for Semiconductor Infrastructure - Currently, there are only two cities that have qualifying “manufacturing facilities” under ARS 42-5032.02: Chandler (with the Intel facility) and now Phoenix (for the facility that TSMC is building). Chandler has obtained about \$7 million under the statute, and Phoenix just executed the intergovernmental agreement with ADOR to start obtaining money for its public infrastructure work. Because of the \$50 million total cap, Phoenix only will be able to get \$43 million, and Chandler will further cut into that amount for work it is doing related to Intel’s expansion. Modifying the cap will prevent Chandler and Phoenix from competing to complete their infrastructure projects, and allow for the additional expansion of the

TSMC facility. Amending the law would allow Phoenix to get reimbursed for more of the \$205 million in public infrastructure work that it is spending to bring thousands of high-wage jobs to Arizona, and potentially use that savings to build more infrastructure to allow for additional expansion of the manufacturing facility that the Taiwan Semiconductor Manufacturing Company (TSMC) is building in North Phoenix.

Staff recommends amending ARS 42-5032.02 (distribution of TPT revenues to cities for infrastructure improvements related to semiconductor manufacturing facilities), to increase the total cap on reimbursements made to all cities to \$100 million (up from \$50 million), and further provide that the most a single city could obtain under the statute is \$50 million.