



ISSUE 3 - JANUARY 21, 2011

Eye on the Capitol

The schedule for the second week of the first regular session of the 50th Legislature, already foreshortened by the Martin Luther King holiday, was further compressed by the Governor's proclamation convening a special session on January 19 to address a time-sensitive budget matter. There was, however, a sharp spike in the number of new bills introduced in the House and Senate. Of the 739 measures that have been introduced to date, the League is closely monitoring 124 that have potential impacts on cities and towns.

On January 18, Governor Brewer issued her policy agenda for the year ahead. The document, *The Four Cornerstones of Government Reform*, is a surrogate of sorts for the State of the State address that the Governor had intended to deliver on January 10. That policy-laden speech, however, was shelved following the shootings in Tucson on January 8. The four cornerstones of reform identified in the paper are economic competitiveness, education, state government and renewed federalism. The entire document can be viewed [here](#).

A full calendar of legislative activity is slated for the week of January 24. House and Senate committees will consider legislation that would, among other things, affect regulation of lot splits, modify a municipality's right to abandon a federal General Land Office Patent Easement, and limit regulation of residential fire sprinklers. As always, the League deeply values your input with respect to these and other legislative issues affecting cities and towns.

FY 2012 Budget

Overview

The Fiscal Year 2012 budget presented by Governor Brewer on January 14 tackles the enormous challenge of eliminating a deficit that the Office of the Governor estimates to be \$764 million in fiscal year 2011 and \$1.15 billion in fiscal year 2012. According to a recent study of the Brookings Institution and the Morrison Institute for Public Policy, Arizona has by far the largest structural deficit (on a percentage basis) of any state in the Intermountain West.

The budget proposes to achieve balance through a series of reductions, rollbacks and gimmicks. The Governor's options are limited, largely because of previous reductions and the fact that fully 88% of the State's budget is composed of expenditures for education, corrections and the Arizona Health Care Cost Containment System (AHCCCS).

The explosion in the AHCCCS budget over recent years has been particularly alarming. Medicaid spending (administered through AHCCCS), which now consumes 29% of the State budget, has increased by nearly 65% over the past four years. Approximately 20% of Arizonans are now eligible for AHCCCS funding of medical care.

The Governor's budget proposes a reduction of \$541.5 million in Medicaid spending in Fiscal Year 2012. This is achieved by curtailing the eligibility of certain populations to receive state-funded medical care. Approximately 280,000 Arizonans would

lose Medicaid coverage under the proposal. To accomplish such a reduction in the Medicaid rolls, Arizona must first receive a waiver of maintenance-of-effort requirements by the Obama Administration. To secure specific authority to seek such a waiver, Governor Brewer called the Legislature into special session on January 19. Both the House and Senate approved legislation on January 20 granting the authority sought by the Governor.

Other significant budget elements include: a \$170 million reduction in university funding; a \$73 million cut to community colleges; a one-day "rollover loan" in the amount of \$330 million from First Things First to the State; and the consolidation of various state agencies. Significantly, the Governor's proposed budget does not propose any changes to State Shared Revenue formulae. It does, however, include certain provisions that directly impact cities and towns, as described below.

Municipal Impact: Department of Water Resources Fee

Severe budget reductions to the Department of Water Resources (DWR) have inspired efforts to base the department's budget on the collection of fees for services rendered. Because the success of those efforts has been very limited to date, the Office of the Governor has proposed to expand the universe of customers from whom such fees are collected. Having determined that municipalities directly share in the benefit of DWR work, the Governor proposes to impose a new fee on cities and towns to help support the department.

Details regarding this initiative have yet to be fully developed. The following description of the proposal is extracted from the Agency Detail Book:

For FY 2012, the Executive recommends implementing user fees to be paid by municipalities in an effort to replace the unrealized fees established for FY 2011. These fees are expected to raise up to \$7.0 million per year. Each municipality's fee will be population based. It is the Executive's recommendation that municipalities with populations under 10,000 be exempt from these fees.

The League of Cities and Towns will continue to work closely with the Executive Branch and the Legislature as this initiative is considered and its details are developed in the much larger context of the overall state budget for fiscal year 2012.

Municipal Impact - HURF Diversion

The Executive Budget also includes a proposal to reduce the city and town allotment of Highway User Revenue Fund (HURF) dollars by approximately \$12.5 million. These funds would be diverted to support the budget of the Arizona Department of Public Safety (DPS). While this initiative may have a significant impact on cities and towns, the proposal includes neither a permanent decrease in HURF allotments nor a statutory change to the HURF distribution formula. According to the Arizona Constitution, HURF funds may be used only for construction and maintenance of streets, roads and highways, and for the enforcement of *traffic laws on state highways*. Accordingly, the prospective diversion of funds to DPS seems to represent a legally permissible use of HURF dollars.

Subdivision Regulation

HB 2005, introduced in the House of Representatives by Rep. Burges, chair of the House Committee on Government, would affect local regulation of subdivisions. Among other things, the bill requires that, for subdivisions of ten or fewer lots, municipalities either expedite processing or waive preliminary plat requirements altogether. At a committee hearing on January 18, the bill encountered stiff resistance. The League of Arizona Cities and Towns registered its opposition to the bill, as did the County Supervisors Association of Arizona and individual political subdivisions.

As a consequence, the bill was held in order to provide an opportunity for stakeholders to negotiate a compromise with the legislation's principal proponent, an independent broker. The League participated in a stakeholder meeting on January 21 and continues to work with legislators and other interested parties to eliminate or mitigate the measure's impact on cities and towns.

Spice

During Thursday's House Judiciary Committee meeting, House Bill 2167 (definition of dangerous drugs; synthetic) passed unanimously. Representative Amanda Reeve (R - Phoenix) sponsored the legislation, designed to remove a synthetic marijuana-like drug from the market. The substance, nicknamed "Spice," has been known to cause severe impairment (including loss of speech) in users. The League was party to stakeholder meetings on the bill and supported the measure as a means to enhance public safety and health.

Legislator Profile - Representative Amanda Reeve

When Amanda Reeve was very young, her father, a C-level executive with a Fortune 500 pedigree, retired from corporate America to follow a dream: to become a cowboy in the wide open spaces of the West. Following a stint as a cattle rancher in Texas, he ultimately established the Reeve Hereford Ranch in Durango, Colorado, where the future representative was reared.

Representative Reeve, the proud product of a tight-knit family, learned many life lessons from her father, not the least of which were the value of thorough research and the importance of following one's dreams. *"My father researches everything,"* Rep. Reeve fondly explains. When he reinvented himself as a cattleman, he researched different breeds of cattle and learned that Herefords were among the tamest. Consequently, he acquired a herd of the mellow creatures and put his family to work. *"They were more like pets,"* remembers Rep. Reeve, who often shared living space with the cows who wandered into her family's ranch house.



As the 34-year-old lawmaker discharges her duties as the chair of the Committee on Environment, the research gene that she inherited is getting quite a workout. The detail-oriented northwest Phoenix Republican, representing District 6, also serves on the Committee on Energy and Natural Resources and the Committee on Higher Education, Innovation and Reform.

Rep. Reeve was appointed to the House on February 17, 2010 to fill the vacancy left by the departure of former Rep. Sam Crump, who resigned to run for Congress. She was elected to her first full term this past November. Resisting both the lure of Clean Elections funding and the counsel of advisers to send negative mailers, Rep. Reeve was the top vote-getter in the 2010 primary and general elections for a District 6 House seat.

Energetic, smart and tireless, Rep. Reeve powers through her jam-packed days on the fuel of dedication, rather than the stimulant of caffeine. In addition to her legislative responsibilities, Rep. Reeve works in the environmental and natural resources practice group of Polsinelli Shugart and is a master's candidate in the Environmental Technology Management graduate program at Arizona State University. Managing multiple responsibilities is nothing new for Rep. Reeve. Growing up in Durango, she simultaneously worked on the ranch, attended school, participated in 4-H, and helped out with the family's hotel business. While other youth were relaxing and attending parties, Rep. Reeve found social engagement in cattle branding and inoculation shindigs.

A supporter of local autonomy, Rep. Reeve believes that cities and towns should not be subjected to unfunded mandates by the state. Recognizing that localities have already absorbed substantial budgetary cuts, she would oppose efforts to reduce local government's share of state-collected tax revenues.

Following her graduation from California State University at Sacramento (where she studied communications and public relations), Rep. Reeve moved to Phoenix and fell in love with the state. She finds that Arizona is a great place to pursue dreams and make a difference. And that ain't no bull - Hereford or otherwise.