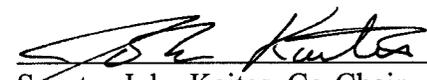


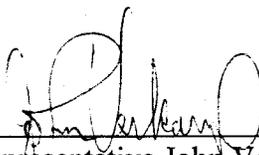
# JOINT LEGISLATIVE STUDY COMMITTEE ON SELECT RURAL COUNTY FINANCIAL BURDENS

DATE: December 5, 1995

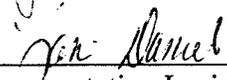
TO: Senator John Greene, President of the Senate  
Representative Mark Killian, Speaker of the House of Representatives

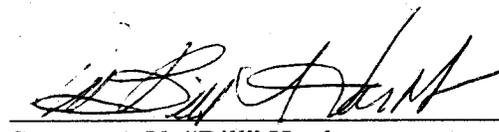
Pursuant to Laws 1995, Chapter 300, the Joint Legislative Study Committee on Select Rural County Financial Burdens conducted interim hearings pertaining to select rural county financial burdens and has compiled an overview of the findings. The following members of the Committee endorse recommendations included in this report:.

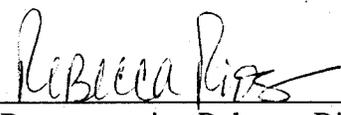
  
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Senator John Kaites, Co-Chair

  
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Representative John Verkamp, Co-Chair

  
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Senator Larry Chesley

  
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Representative Lori S. Daniels

  
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Senator A.V. "Bill" Hardt

  
\_\_\_\_\_  
Representative Rebecca Rios

## FINAL REPORT

### JOINT LEGISLATIVE STUDY COMMITTEE ON SELECT RURAL COUNTY FINANCIAL BURDENS

#### Background

Laws 1995, Chapter 300 appropriated the sum of \$2.5 million to provide temporary financial assistance to three Arizona counties. Gila County received \$1,876,000; Cochise received \$393,000 and Santa Cruz received \$231,000. The appropriation was intended to alleviate for one fiscal year the financial burden of these counties due to a combination of unique economic factors including a disproportionate ratio of public to private land ownership, limited access to both property tax and other revenues and the provision of necessary services to a smaller population. A six-member joint legislative study committee was created to recommend a long-range solution to these problems and submit a report and recommendations to the President of the Senate and the Speaker of the House of Representatives.

The committee focused on two problem areas identified during testimony: 1) county contributions to the Arizona Health Care Cost Containment System (AHCCCS) and the Arizona Long Term Care System (ALTCS) and 2) expenditure limitations in border counties. Several counties provided the Committee with testimony indicating that the AHCCCS/ALTCS problem for some rural counties is based upon indigent health care costs and the State's fixed formula for allocation of those costs among the counties. The counties' testimony suggested that the formula is unfair, disproportionate and imposes a significant burden on local property taxes.

Information provided to the committee explained that county contributions to the AHCCCS acute care program as established by the Legislature are based on county budgets and expenditures for fiscal year 1980-81. The county contributions for the ALTCS long term care program as established by the Legislature are based on fiscal year 1987-88. The formulas establishing the contributions mandate that each county continue to support the state's indigent health care programs in the same ratio that each county was expending in the base year to the total expended by all counties. Fixed percentages for each county are codified in statute.

The argument presented to the committee for changing the formula explained that the fixed formulas for county contributions to AHCCCS/ALTCS were based on one fiscal year, which does not consider unusual circumstances that may have adversely impacted the base fiscal year nor provide for future changes. The committee was asked to revise the historical formulas for indigent health care contributions.

The expenditure limitation for each county is determined by the Economic Estimate Commission and is based on an equation of inflation and population changes. Santa Cruz County explained that the present expenditure limitation formula does not address the average daily crossing number of 42,000 at Nogales which places an additional financial burden on the county's infrastructure, health, law enforcement and criminal justice systems. The Committee was asked to redefine "population" for expenditure limitation determinations only.

## **Recommendations**

### **Joint Legislative Study Committee on Select Rural County Financial Burdens**

The above committee, having met three times during the interim to address rural county financial burdens pursuant to laws 1995, Chapter 300, unanimously makes the following four recommendations:

1. The legislature should address and satisfy the concerns of Gila, Cochise, Santa Cruz and Pinal counties regarding their respective AHCCCS and ALTCS contributions for one additional year only. The long term aspects of these problems should not be addressed until the implications of anticipated changes in Indian Health Services funding and pending federal block grant legislation for AHCCCS and ALTCS are clear. Only then can the legislature prudently address any structural inequities in the current mechanism for allocation of the costs of AHCCCS and ALTCS to the counties.
2. The widest possible number of funding sources, including the "tobacco tax", should be considered to provide monies for the recommended short term solution for the indicated counties.
3. The existing funding mechanism for allocation of the costs of ALTCS should be reviewed and carefully evaluated in view of the rapidly increasing projected costs of these services to the counties. The committee realizes that this will be a long term project.
4. The charge of this committee should be renewed and the committee perpetuated to address the long term issues raised above. To the extent practicable, individual committee members should be retained so that the committee may have the advantage of the expertise developed through interim service to the committee.

By a second motion, your committee, with the exception of Senator Chesley and Representative Daniels, makes the following recommendations:

1. Legislation should be considered to include a percentage of the average daily number of border crossings from the Republic of Mexico in the population base for calculating expenditure limitations for Arizona counties which are contiguous to the border and which have a population of less than two hundred thousand persons (Yuma, Santa Cruz and Cochise counties).
2. In providing fiscal relief to the counties, the legislature should be cognizant of the implications that alternative forms of relief may have upon the expenditure limitations of the counties.

The committee expects that these items will require at least two separate bills.

*Research*

ARIZONA STATE LEGISLATURE

**JOINT COMMITTEE ON SELECT RURAL COUNTIES' FINANCIAL BURDEN**

Minutes of Meeting  
Tuesday, September 12, 1995  
Senate Hearing Room #2 - 10:00 a.m.

Co-Chairman John Kaites called the meeting to order at 10:05 a.m. and the attendance was noted.

Members Present

Senator Larry Chesley  
Senator A.V. "Bill" Hardt  
Representative Lori Daniels  
Representative Rebecca Rios  
Senator John Kaites, Cochair  
Representative John Verkamp, Cochair

Staff

Victoria Clark, Senate  
Kitty Decker, House  
Kathi Knox, House

Members Absent

None

Others Present

See attached list

Senator Kaites explained the scope of the Committee does not include Maricopa and Pima Counties, and is to be used to explore the inequities in financial disbursements in the rural counties. Senator Kaites added the focus of the Committee is to tackle problems that are identifiable by the counties and the issue was brought to the attention of the Legislature by Gila County.

**John Nelson, Financial Director, Gila County**, explained H.B. 2226 (Chapter 300) from 1995 appropriated \$1,876,000 to Gila County, \$393,000 to Cochise County and \$231,000 to Santa Cruz County to alleviate for one fiscal year the financial burden to these counties due to a combination of unique economic factors including a disproportionate ratio of public to private land ownership, limited access to both property tax and other revenues and the provision of necessary services to a smaller population. H.B. 2226 further establishes a study committee to submit a report and recommendations on current and county revenue aspects of the problem to the President of the Senate and Speaker of the House by December 1, 1995. Senator Kaites asked Mr. Nelson how he envisioned the committee working. Mr. Nelson answered he believed the Committee would review revenue problems and other problems associated with rural counties. Mr. Nelson further informed the Committee the cost of running the Arizona Health Care Cost Containment System (AHCCCS) and the Arizona Long Term Care System (ALTCS) is still being charged at the same percentage rate as it was when it was established in the early 1980s. Mr. Nelson

explained that the formula results in Gila County paying \$107 per person rather than the average of \$47 paid within the State. Mr. Nelson further referred the Committee to page 3 of the handout entitled "Pinal County - County Property Financial Burden" which listed the counties and the ALTCS payments made from 1990 through 1996.

Mr. Nelson referred the Committee to the handout entitled "Financial Burden: Small Business & Home Owners" prepared by Gila County. Mr. Nelson explained the changes to the revenue support resulted in an actual decrease from the State to the counties and hurt some small counties. Mr. Nelson directed the Committee to look at page 2 of the handout, noting the loss felt by Gila County through the changes in sales tax distribution.

Mr. Nelson referred the Committee to page 3 of the handout which was related to the Cypress Mine and legislation signed 4/25/94; however, the legislation did not create new assessed value and jobs, it only gave a tax break to the existing facility. This caused a revenue loss to Gila County of \$407,100. Pages 4 and 5 of the handout gave further detail on the loss in relation to mines and utilities. Mr. Nelson continued through the handout for the Committee's information. Senator Kaites asked if the graph on page 9 indeed showed a possible tax increase in taxes by Gila County of 54 cents on the dollar if no action was taken by the Legislature. Mr. Nelson answered affirmatively and continued to direct the Committee members through the pages of the handout.

Senator Chesley asked for clarification on the AHCCCS/ALTCS contributions. Mr. Nelson explained mandated county contributions are based on a percentage each county spent on indigent care when the program was created. There is no correction in the formula to reflect population shifts, changes in operations (i.e., closing area hospitals), or the change in economic climate. Page 12 of the handout reflects AHCCCS/ALTCS contributions per capita by counties for FY 1995-96 while page 13 shows the change from FY 1994-95 to FY 1995-96. Mr. Nelson continued through the handout, which addressed areas such as the tax rate required by Gila County required to offset lost revenue and AHCCCS/ALTCS overcharge in addition to the ownership of private lands among counties and how it affects each county's tax base.

Representative Verkamp stated Mr. Nelson's testimony points out exactly what is happening around the State -- each time certain things are done by the Legislature, others the Legislature doesn't even think about are impacted. Representative Verkamp told the members he felt the Legislature should focus on all appropriate issues in the State and not just address problems with a "patchwork" solution. Representative Verkamp spoke in favor of addressing problems and possible solutions through this Committee. Senator Kaites agreed it was clear problems needed to be addressed as evidenced by Gila County's presentation. Senator Hardt suggested looking further at the property tax issue and its effects on all the rural counties.

Representative Daniels stressed it was her goal not to shift taxes by class or to the individual counties.

**Larry Richmond, representing Pinal and Santa Cruz Counties,** commented on the scope of the Committee and explained three or four of the counties involved had decided to present to the Committee the problems realized by their individual areas. Mr. Richmond noted the problems presented to the Committee are reflective of many of the rural counties. Mr. Richmond recommended to the Committee that a standing committee to address county issues be formed.

**Sandie Smith, Board of Supervisors, Pinal County,** spoke of the new jail presently being constructed in Pinal County with a private company and the innovative way it will be run. Ms. Smith spoke of the necessity of the counties delivering services to its constituents by ordering a 90-day county hiring freeze and trying to keep taxes low. Senator Chesley asked who would be running the new jail. Ms. Smith answered the sheriff would run it.

**Terry Doolittle, Deputy County Manager, Pinal County,** referred the Committee to page 4 of the document entitled "Pinal County - County Property Financial Burden" which lists ALTCS payments for FY 1990-96. Senator Hardt asked how figures for Coconino County were determined. Mr. Doolittle explained each of the amounts was estimated based on the formula set in statute based on 1987-88 mandates. Mr. Doolittle proceeded to list the headings on each page of the Committee member's handouts and proposed solutions to the inequity problem such as a property tax reduction, a general excise tax, the creation of an enterprise zone, public/private partnerships such as that presently held with "Corrections Corporation of America", the privatization of the Pinal General Hospital, the nursing home and landfill operations. Senator Chesley asked if "Evergreen" had started work yet in Pinal County. Mr. Doolittle responded "Evergreen" was in the process of hiring personnel.

**Ron Morriss, Chairman, Santa Cruz County Board of Supervisors,** thanked the Committee for allowing him to present his County's view of the financial problems facing rural Arizona. Mr. Morriss explained Santa Cruz is a border county and has different problems than some of the other rural counties in the area of criminal justice. Mr. Morriss explained Santa Cruz County was sanctioned for exceeding the limit in 1994 and in 1995, the limit would have been exceeded if there was no carry forward expenditure limit from prior years. The balance of the carry forward limitation is projected to be depleted during the 1995-96 fiscal year. Mr. Morriss added he supported Mr. Richmond's suggestion of a legislative standing committee dedicated solely to county issues.

**Dennis Miller, County Manager, Santa Cruz County,** explained although Santa Cruz county is small, it is dealing with a huge problem related to the criminal justice system. Mr. Miller noted Santa Cruz County is the third largest in bank deposits because of its proximity

to the Mexican border. Mr. Miller noted that with increased mandates come increased costs for carrying out those requests. Mr. Miller added that 70% - 80% of the jail inmate population in Santa Cruz county is from south of the border. The majority of those people will be prosecuted by the County Attorney's Office and will be appointed a defense attorney at Santa Cruz County taxpayer expense. The County will also feed, clothe and provide medical care for these individuals. Mr. Verkamp asked what sort of relationship the County has with the Federal Justice Department. Mr. Miller said the relationship is a good one, with both parties working closely together. Mr. Miller added the County does not take on any legal cases it is not forced to take on.

Senator Kaites asked how indigent defense is handled. Mr. Miller answered outside attorneys are hired as the County's financial situation does not allow more employees to be added although some cuts have been made to County agencies. Mr. Miller added there is a 20% unemployment rate in Santa Cruz County.

**Jody Klein, Cochise County Administrator, Cochise County**, noted his County has a lot of the same border problems as Santa Cruz County and noted that the three border counties are among the top six counties as far as tax rate. Mr. Klein added assessed valuation is impacted simply by being a border county which has resulted in lower tax revenues. Mr. Klein added the elimination of the tax on livestock has further impacted Cochise County. Representative Daniels requested a breakdown comparing the loss of income due to the elimination of the livestock tax and the impact of changes in the personal property tax. Mr. Klein noted Cochise County is also paying a disproportionate share on acute care and is interested in looking statewide at a long-term, equitable solution. Mr. Klein added 60% of the prison population in his County is from Mexico. Senator Hardt pointed out AHCCCS had reverted \$53 million to the General Fund that maybe should be returned to the counties.

**Ron Christensen, Supervisor, Gila County**, told the Committee his County was looking at possible expansion of its jail facility and landfills in addition to its tax base overall. Mr. Christensen noted the timber industry had been wiped out and the cattle industry had been hit hard which were both areas which contributed to County revenues. Mr. Christensen stated 85.5% of primary property taxes in Gila County are spent on indigent care and criminal justice. Mr. Christensen stated the copper industry is a big chunk of the current Gila County economy, and that it was time for the Legislature to reevaluate the situation.

Senator Kaites noted the presentations by the counties were excellent and that the Legislature was committed to working towards a solution. Senator Kaites asked Mr. Richardson to get together with all of the rural counties to work on solutions to discuss at the next meeting with a draft report. Senator Kaites suggested the counties contact Staff in order to narrow the focus of possible proposals and solutions to be offered as legislation

MINUTES OF THE JOINT COMMITTEE ON SELECT  
RURAL COUNTIES' FINANCIAL BURDEN

September 12, 1995  
Page 5

in the next session. Representative Verkamp stressed the need for all the rural counties to be involved in the process.

Senator Hardt cautioned the Committee about addressing too many issues, and asked the counties to provide information on the amount spent for indigent defense. Senator Kaites added there is currently a study committee on indigent defense to specifically study those problems.

Without objection, the meeting was adjourned at 11:40 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Arlene Seagraves". The signature is written in dark ink and is positioned above a horizontal line.

Arlene Seagraves, Committee Secretary

(Tapes on file in the Office of the Secretary of the Senate)

**REVISED**  
**Arizona State Legislature**

**Meeting Notice**

Open to the Public

**Joint Committee on Select Rural Counties'**  
**Financial Burden**

DATE: September 12, 1995

TIME: 10:00 a.m.

PLACE: Senate Hearing Room #2

SUBJECT:

1. Call to Order 10:05 AM
2. Discussion of scope of committee as it relates to rural counties
3. Discussion of issues
4. Presentation by invited guests
5. Public Testimony
6. Adjourn

Senator John Kaites ✓  
Co-Chairperson

Representative John Verkamp ✓  
Co-Chairperson

Members

Senator Chesley ✓

Senator Hardt ✓

Representative Daniels ✓

Representative Rios ✓

*Title II of the Americans With Disabilities Act prohibits the Arizona Senate from discriminating on the basis of disability in the provision of its services and public meetings. Individuals with disabilities may request reasonable accommodations, such as interpreters or alternative formats, by contacting the Senate Secretary's Office at (602) 542-4231 (voice) as soon as possible. Please be specific about the agenda item in which you are interested and for which you are requesting an accommodation. The Senate may not be able to provide certain accommodations prior to the meeting unless they are requested a reasonable time in advance of the meeting. This agenda will be made available in an alternative format on request.*

BM/cmh

*Committee 1*

# Arizona State Legislature

## Meeting Notice

Open to the Public

### Joint Committee on Select Rural Counties' Financial Burden

DATE: September 12, 1995

TIME: 10:00 a.m.

PLACE: Senate Hearing Room #2

SUBJECT:

1. Call to Order
2. Discussion of scope of committee as it relates to rural counties
3. Discussion of issues
4. Presentation by invited guests
5. Adjourn

Senator John Kaites  
Co-Chairperson

Representative John Verkamp  
Co-Chairperson

#### Members

Senator Chesley  
Senator Hardt  
Representative Daniels  
Representative Rios

*Title II of the Americans With Disabilities Act prohibits the Arizona Senate from discriminating on the basis of disability in the provision of its services and public meetings. Individuals with disabilities may request reasonable accommodations, such as interpreters or alternative formats, by contacting the Senate Secretary's Office at (602) 542-4231 (voice) as soon as possible. Please be specific about the agenda item in which you are interested and for which you are requesting an accommodation. The Senate may not be able to provide certain accommodations prior to the meeting unless they are requested a reasonable time in advance of the meeting. This agenda will be made available in an alternative format on request.*

BM/cmh

MEETING OF COMMITTEE ON  
JOINT COMM. ON  
SELECT COUNTIES FINANCIAL BURDEN

Hearing Room No. = 2

DATE 9-12-95

TIME 10:00 AM

NAME  
Please Print

REPRESENTING

BILL NO.

DENNIS MILLEY

SANTA CRUZ CO

Douglas Hill

Santa Cruz County

Judy Klein

Cochise County

ZON CHRISTENSEN

Gila County

RON MORRIS

SANTA CRUZ COUNTY

JOLD NELSON

Gila County

ARIZONA STATE LEGISLATURE

JOINT LEGISLATIVE STUDY COMMITTEE ON SELECT  
RURAL COUNTY FINANCIAL BURDENS

Minutes of Meeting  
November 1, 1995 - 1:30 p.m.  
House Hearing Room 3

Members Present

Senator Chesley  
Senator Hardt  
Representative Rios  
Senator John Kaites, Co-Chair  
Representative John Verkamp, Co-Chair

Staff

Victoria Clark, Senate  
Kathi Knox, House

Members Excused

Representative Daniels

Co-Chairman Verkamp called the meeting to order at 1:35 p.m. and attendance was noted. See attached sheet for other attendees.

**Larry Richmond, representing Pima and Santa Cruz Counties**, thanked the Legislative Staff members for their cooperation and assistance and told the Committee he had prepared a position paper (filed with original minutes) which outlined agreements made by the Counties in a meeting held recently which Legislative Staff also attended. Mr. Richmond noted as far as he knew, there was no opposition by the Counties to the proposal and that included Maricopa and Pima Counties who also attended the meeting.

Mr. Richmond gave a brief synopsis of the last Committee meeting held on September 12, 1995 and the history of H.B. 2226, 1995. Mr. Richmond said his position paper discusses the issues and makes specific recommendations. He added while this Committee cannot address the full extent of the financial problems of the four counties affected (Gila, Cochise, Santa Cruz and Pinal), it should address the two problem areas that have been identified and the proposed solutions. The two problem areas identified are the Arizona Health Care Cost Containment System (AHCCCS) and the Arizona Long Term Care System (ALTCS) and the expenditure limitation experienced by the border counties.

Mr. Richmond's suggestion for the AHCCCS/ALTCS dilemma is to partially adjust the State mandated contributions to insure that small counties with limited assessed values and high property tax rates are not required by the State to maintain a high local tax effort. The adjusted AHCCCS/ALTCS formula will allow these counties to reduce their high property tax rates, thereby reducing the financial penalties on their taxpayers and removing present barriers to economic development opportunities. Mr. Richmond noted the average cost to provide AHCCCS coverage is \$47 and should be adjusted so those counties paying more

**MINUTES OF THE JOINT LEGISLATIVE STUDY COMMITTEE  
ON SELECT RURAL COUNTY FINANCIAL BURDENS**

**Page 2  
November 1, 1995**

are paying the average. He suggested using part of the revenues collected as a result of the recently implemented tobacco tax to offset the increased cost to the smaller counties. Mr. Richmond outlined the second problem experienced by some of the rural counties and explained to the Committee the present expenditure limitation does not address the issue of the more than two-fold population increase of Santa Cruz County created by daily border crossings and the increase expenditure of county funds to accommodate this transient population. He added the North American Free Trade Agreement (NAFTA) was expected to make things even worse. He suggested as a solution that the Committee adopt language to redefine "population" for expenditure limitation determinations only and add a percentage of the average daily international border crossings as annually determined by the U.S. Border Patrol to the County's permanent population base. Mr. Richmond added when the issue of raising expenditure limits is put to the citizens of the County, they perceive it as raising taxes.

Senator Kaites asked if there is Federal grant money available as it relates to the immigrant jail population. Mr. Richmond affirmed this, but further noted approximately \$179 million is collected in crossing revenues but he was unable to confirm where that money is. Senator Kaites thanked Mr. Richmond for his proposal and suggested another meeting be scheduled after Staff and the Committee members have a chance to go over the information.

Representative Verkamp thanked Mr. Richmond for his work on behalf of the Committee and asked if it was possible to address concerns regarding border crossings in statute rather than constitutionally. Mr. Richmond said it was.

Senator Hardt asked for verification that if the State changed the formula to \$47 per person for all counties for AHCCCS/ALTCS coverage, it would cost the State \$6 million. Mr. Richmond verified that information. Senator Hardt said that solution seemed simple and reasonable if it could be worked out legislatively.

**Ron Morriss, County Supervisor, Santa Cruz County**, explained corrections were made to the Santa Cruz County expenditure limit base in 1985; however, the corrections did not take into consideration the "floating population" experienced through border crossing problems. He noted the entire criminal justice system is impacted because of that "floating population" and that Santa Cruz is currently 50 cents below the tax levy limit but is at or exceeding the spending limit and possibly subject to sanctions. Mr. Morriss informed the Committee of how difficult it is to convince constituents in his County to increase the expenditure limit. In response to Senator Kaites concerns regarding prisoners, he added the Federal government is billed for Federal prisoners. Representative Verkamp asked if any of the other border counties were near their expenditure limit. Mr. Morriss said he was unaware of the other border counties' expenditure limits, but noted the legislation suggested for relief for Santa Cruz County would be specific to those counties which

experience a large foreign population impact.

Representative Verkamp cautioned the Committee against establishing only a "patchwork" solution in this situation. Senator Chesley agreed.

**Sandie Smith, Pinal County Supervisor**, thanked the Committee for its work and explained Pinal County had increased its assessed valuation by \$25 million but because of recent tax shifts, it only received an increased revenue of \$4 million. She added half of the total property tax rate goes to schools and questioned the probability of cutting services while still retaining a good quality of life for Pinal County citizens. Ms. Smith stressed the uniqueness of Pinal County, noting it is a rural county between two urban counties - Pima and Maricopa.

**Ron Christensen, Gila County Supervisor**, told the Committee Gila County had received \$2.4 million in relief and used \$674,475 for a 25 cent reduction in the property tax rate, \$201,500 for AHCCCS/ALTCS relief, and \$1 million had been placed in the Property Tax Stabilization Fund for anticipated decreased revenues. Mr. Christensen spoke in favor of a permanent solution and revealed Gila County receives the least amount of private property tax revenues in the State. Senator Hardt asked if the \$47 average was assessed for all counties if it would provide the relief Mr. Christensen needed for his county. Mr. Christensen said it would, but cautioned it would affect other counties adversely. Senator Hardt stated Staff would need to study the issue further and work on a proposal for consideration by the Committee.

Representative Verkamp pointed out there had been no opposition to the proposal by representatives at the recent County Supervisors Association meeting. Mr. Christensen agreed, noting the proposal prepared by Mr. Richmond would not hurt any of the counties significantly but stressed the need for reevaluating AHCCCS/ALTCS. Representative Verkamp stated the position paper could not be adopted as the report of the Committee as further work needed to be done by Staff to address all concerns.

Senator Kaites requested that Staff work with the Joint Legislative Budget Committee (JLBC) for an analytical approach of the proposal and the costs involved with the position paper.

Senator Chesley commented on Mr. Richmond's statement in the position paper that read "It is axiomatic that previously enacted federal and state unfunded mandates, passed on to counties has and will continue to cause local fiscal chaos." He stated that these were not unfunded mandates.

**MINUTES OF THE JOINT LEGISLATIVE STUDY COMMITTEE  
ON SELECT RURAL COUNTY FINANCIAL BURDENS**

**Page 4  
November 1, 1995**

Senator Hardt agreed with Senator Kaites' plan to have another meeting and asked that all the counties, not just the rural ones, be contacted for their opinions on whatever proposal Staff and JLBC come up with. Representative Verkamp agreed.

Mr. Richmond stated the CSA was proposing adjustments to AHCCCS/ALTCS as part of their legislative agenda for next session.

Representative Verkamp stated another meeting would be scheduled upon completion of the work requested by the Committee.

Without objection, the meeting was adjourned at 2:30 p.m.

Respectfully submitted,



Arlene Seagraves, Committee Secretary

(Tapes on file in the Office of the Secretary of the Senate)

**ARIZONA HOUSE OF REPRESENTATIVES**

**GUESTS ATTENDING MEETING**

Hearing Room 5

Time 1:30

Date 11/1/95

Meeting Joint Legislative Study Committee on Select  
Rural County Financial Burdens

Name and Title (please print)	Representing	Bill No.
Bill CHAMBERLAIN	CILA COUNTY	
Kimmie Howard	County Treasurers Assoc.	
JOHN Blackburn	MCAO	
Sandie Smith	Pinal County -	
Terry Doolittle	" "	
RON MORRIS	Santa Cruz COUNTY	
Jody Klein	Cochise County	
L. Besich	Gila County	

ARIZONA STATE LEGISLATURE

**JOINT LEGISLATIVE STUDY COMMITTEE ON SELECT  
RURAL COUNTY FINANCIAL BURDENS**

Minutes of Meeting  
November 29, 1995 - 10:30 a.m.  
Senate Hearing Room 3

Members Present

- Senator Chesley
- Senator Hardt
- Representative Daniels
- Representative Rios
- Senator John Kaites, Co-Chair
- Representative John Verkamp, Co-Chair

Staff

- Victoria Clark, Senate
- Kathi Knox, House
- Bill McCullough, Senate

Co-Chairman Kaites called the meeting to order at 10:45 a.m. and attendance was noted. See attached sheet for other attendees.

**Michael Bradley, Senior Analyst, Joint Legislative Budget Committee (JLBC),** informed the Committee JLBC had been asked to run numbers detailing an alternative method of calculating county Arizona Health Care Cost Containment System (AHCCCS) contributions (filed with original minutes). It had been determined by JLBC what each county pays into AHCCCS and Arizona Long Term Care (ALTCS) had not changed in years and that the spreadsheet submitted to the Committee (filed with original minutes) illustrates the distribution of Fiscal Year (FY) 1996 county contributions to AHCCCS based on FY 1995 actual expenditures by county. Mr. Bradley explained the first columns of each block "Acute Care Current %" and "ALTCS Care Current %" represent the fixed county contribution percentages currently in statute and that the "Acute Care Current \$ and ALTCS Current \$" represent estimated FY 1996 county expenditures based upon the current fixed county contribution percentages. He added the third column of each block "Acute Care Alternative %" and "ALTCS Alternative %", represent the county contribution percentages if they were based upon actual FY 1995 county expenditures. "Acute Care Alternative \$" and "ALTCS Alternative \$" represent estimated FY 1996 county expenditures based upon the alternative county contribution percentages. The "Acute Care \$ Change" and "ALTCS \$ Change" represent the difference between the estimated FY 1996 county expenditures based upon the current and alternative percentages. Gila, Greenlee, Maricopa, Pima, Pinal and Santa Cruz counties would all save money if this plan was adopted; however, Apache, Cochise, Coconino, Graham, La Paz, Mohave, Yavapai, and Yuma would have to pay additional dollars based on the population served in their counties.

Mr. Bradley noted some of those counties have a unique situation in that they have had to provide more services to the Indian reservations who do not pay taxes. Senator Kaites noted even if a plan of this sort could be put into place, it would need more than a one year cycle to phase it in. Senator Hardt said the plan would not work as the counties have no way to raise the additional money.

Senator Kaites commented on the possible changes in Congress regarding the way block grants are distributed as this could result in the states having to make sizeable overhauls of their own formulas for funding health care. Senator Kaites recommended that the goal of the Committee be a temporary financial relief bill for those counties now in a distressed situation while continuing to work on the formula after it is known what the Federal government is planning to do.

Mr. Bradley said it was his understanding block grants were likely to be vetoed by this administration and the State would have until March to come up with changes. He further suggested adjustments to the formula for those counties which have revenue problems.

**Jerry Orrick, Executive Director, County Supervisor's Association**, referred to the charts put out by JLBC. Senator Kaites assured Mr. Orrick that the Committee was not planning to follow up on the JLBC recommendations. Mr. Orrick expressed concern with the approach Senator Kaites was suggesting; i.e., a one year "fix". He added the counties will have to appropriate more money to accommodate growth.

**Larry Richmond, representing Pinal and Santa Cruz Counties**, expressed understanding with the approach Senator Kaites was suggesting and urged the Committee to allocate \$6 million to cover the shortfall realized by the counties and for the Committee to continue to work towards a long term solution.

**Steve Besich, Gila County Administrator**, noted it was his intention to continue to support the efforts of the Committee, and added the inequities in the property tax system were irrefutable. He requested that the Committee continue to work until a formal report is issued. Senator Kaites stated it was an excellent suggestion to keep the Committee intact and that it was important to make it part of the Committee recommendation in order to work out a permanent solution. Mr. Besich said he would recommend the support of his Board.

**Sandie Smith, Pinal County Board of Supervisors**, stated support for Mr. Richmond's proposal and Senator Kaites' comments. She added she was willing to help in any way possible.

**John Nelson, Gila County Financial Director**, noted the providing of services to Native Americans skews the true picture in Gila County and that Gila County, as illustrated by the JLBC chart could have been overpaying the State by even more.

**Michael Racy, representing Pima County**, informed the Committee according to the JLBC charts, Pima County is subsidizing \$6.9 million for the other smaller counties and noted the rural counties have serious problems to address.

**Rory Hays, representing Maricopa County**, expressed concern with appropriations that will be needed to fund health programs for older Arizonans.

**Ron Morriss, County Supervisor, Santa Cruz County**, thanked the Committee for its efforts and said it was his belief the Committee should continue. He noted the seriousness of the expenditure limit problem in his county.

Senator Kaites thanked all the county representatives for their work on the financial issues addressed by the Committee. He directed Staff to prepare a recommendation that will appropriate \$6 million out of the General Fund or the Tobacco Tax Fund. He asked Mr. Bradley if it was possible to utilize \$6 million of the Tobacco Tax Fund for this purpose. Mr. Bradley responded the argument in its favor would be that the \$6 million would be offsetting increased costs of ALTCS, although it could be argued either way.

Senator Kaites added to the recommendations that the Committee continue in existence to come up with a permanent plan to address the rural counties issues including ALTCS. Representative Verkamp said he was concerned with using Tobacco Tax dollars and advocated using General Fund monies instead. He spoke in favor of developing a long term solution after the Federal government resolves the questions regarding block grants. Senator Kaites spoke in favor of using the Tobacco Tax dollars, adding it would be easier to claim a portion at this point before it is divided up in a permanent manner by other interests.

Senator Chesley said he supported making the system of paying into ALTCS and AHCCCS more fair, and advocated using the Tobacco Tax Fund to cover the \$6 million shortfall. He expressed concern regarding the continued increase of spending for Native American issues.

**Senator Hardt moved recommendations be made that would request the \$6 million dollars from both funds referred to and that the other recommendations made by Senator Kaites be adopted with the caveat that all members will have a chance to review and sign the final report prepared by Staff for the Committee.**

Senator Kaites stated he had been delighted to work on this Committee, and that he was happy to be making progress to the ultimate solution by addressing the needs and inequities experienced by the rural counties.

Representative Verkamp apologized for being late to the Committee meeting and thanked the Committee and those participants who had been attending the meetings during the interim.

Mr. Richmond inquired as to whether or not the Committee would be including in its recommendations the expenditure limit problem experienced by Santa Cruz and some of the smaller counties. Senator Kaites said it would be a separate motion.

**Motion CARRIED by voice vote.**

Mr. Richmond suggested a recommendation be drafted that a percentage of the average daily border crossings be counted into the permanent population base for the expenditure limit only. Senator Chesley expressed his concerns about adopting a proposal that had been rejected by the counties' constituents; adding he felt the State would be imposing a mandate.

Senator Hardt asked if the request was that language be adopted to redefine population in the border counties. Mr. Richmond answered affirmatively. Senator Hardt said he would support that concept and that he did not believe the Committee was doing what Senator Chesley feared.

Mr. Morriss said he understood Senator Chesley's concerns and explained the situation regarding the vote for home rule and for raising the expenditure limit that took place in Santa Cruz County. Representative Verkamp added he did not believe what was being suggested was a mandate; rather, it is a request of the Legislature to change the population formula in limited cases.

Senator Kaites asked Staff to investigate the possibility of this legislation affecting only border counties. Senator Chesley stated he believed the Legislature was opening a "Pandora's box" with such a recommendation.

**Senator Hardt moved that legislation be drafted to provide a percentage of the daily border crossings at the Mexican border be counted into the permanent population base for the expenditure limit only. The motion CARRIED by voice vote.**

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Senator Kaites informed the Committee a report would be provided to the Committee members by Staff when it was completed. He thanked the Committee, Staff, and all those who had participated from the counties.

Without objection, the meeting was adjourned at 11:55 a.m.

Respectfully submitted,

  
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Arlene Seagraves, Committee Secretary

(Tapes on file in the Office of the Secretary of the Senate)

