



To: Mayor Truitt
Councilmember Alton
Councilmember Foro
Councilmember Johnson
Councilmember Longabaugh
Councilmember Villanueva
Councilmember Williams

From: Michelle Lehman, Intergovernmental Relations Director

Date: January 24, 2008

Re: 2008 State Legislative Agenda

Purpose: For consideration and action on the proposed 2008 City of Surprise State Legislative Agenda.

Background: The 48th Arizona State Legislature convened for its second regular session on Monday, January 14, 2008. During its first regular session in 2007, Legislators introduced 1548 bills, memorials and resolutions, and sent 318 bills to the Governor.

This agenda, as approved, will give direction for the City's legislative activities at the Arizona State Legislature during the 2008 session. Approval of general concepts and principles at this stage is important to ensure timely navigation of the legislative process. During session you will receive weekly progress reports of key bills through bill tracking reports. Intergovernmental Relations will update and seek additional direction from the Council on bills and amendments during session as warranted.

Guiding Principles: This report recommends two core principles to guide the City's lobbying efforts during the 2008 State Legislative session:

I. Protect Existing State Revenue Sources

Staff recommends the City:

- Support efforts to maintain existing state revenue sources and to hold cities harmless from future state tax cuts
- Oppose any State action that would reduce current funding sources and / or funding formulas

II. Maintain Local Control

Staff recommends the City:

- Support efforts to protect the ability to set municipal policy at the local level

- Oppose all preemptions and mandates that diminishes local decision-making authority

Legislative Priorities:

I. Financial:

- a. Protect Shared Revenues:** Since 1972, Arizona cities and towns have received shared income tax revenues as a result of a series of statewide, voter approved initiatives. In exchange, cities and towns gave up the right to enact municipal taxes on income and luxury goods. These revenues assist municipalities in funding primary services such as public safety, and basic infrastructure including water, sewer, and streets.

There is a two-year lag between state collections and the distribution to cities and towns.

Shared revenues comprise 35% of Surprise's general fund (26% of our operating budget). Due to the state budget shortfalls projected for both FY09 and FY10, these funds will likely be targeted as a resource to reduce the state deficit.

Staff recommends the City work to ensure the State Legislature holds cities and towns harmless against the effect of income tax cuts enacted in the 48th Legislature Second Regular Session, and any future tax cuts, by adjusting the formula for urban revenue sharing rather than direct appropriations.

- b. Local Taxing Authority:** Staff recommends the City support legislation that allows cities to make tax collection more efficient and responsive to local needs and oppose legislation that would limit local taxing authority or to mandate state collection of local taxes.

- II. Transportation:** The enormous amount of growth in Surprise and the State over the past several years has placed a huge burden on street, highway and road systems. The need for increased infrastructure funding is further driven by large increases in construction costs.

- a. Funding:** Staff recommends support of new and increased sources of transportation funding to enhance safety, decrease congestion and support economic development, and to support regional transportation projects that will benefit Surprise.
- b. Public Rights of Way:** Staff recommends support of the exemption of cities and towns from the State Trust Land auction requirements for public rights of way.

III. Public Safety:

- a. Critical Infrastructure:** Staff recommends supporting legislation that protects critical infrastructure information from public records requests to allow for greater sharing of this information by utility companies.

This was a Surprise-submitted resolution at the Arizona League of Cities and Towns Resolutions committee, and was accepted for both the League's State and Federal legislative agenda.

- b. **Restore the State Telecom Fund:** Restore the \$15 million that was transferred from the 911 emergency system fund.

IV. **Community Development:**

- a. **Impact Fee Protection:** Staff recommends opposing legislation that attempts to restrict or otherwise prohibit cities' and town's abilities to administer impact fee programs.
- b. **Development Rights Transfers:** Staff recommends allowing development rights transfers between cities and counties to encourage smart development and reduce sprawl.
- c. **Heritage Fund Funding:** Staff recommends supporting full allocation of Heritage Fund monies to continue community development projects.

- V. **Economic Development Incentives:** In past years, legislation has aggressively pursued the restriction of cities to offer tax incentives for economic development purposes. During the 2007 session, the Legislature passed a bill that puts some restrictions and penalties on the use of sales tax incentives to lure retailers. It is anticipated that additional bills designed to further restrict or penalize cities for using these tools will be introduced during the 2008 session.

Staff recommends supporting state economic development programs funding and development, and opposing any addition restrictions on local government to determine what investment is necessary to attract economic development without additional penalties.

- VI. **Education:** Surprise states in its vision statement that, "Surprise defines vibrant southwest living; a place of educational excellence where community, family and traditions are built."

Staff recommends supporting legislation that better equips school districts to address growth pressures.

Fiscal Impact:

This report is for information and to receive general policy guidance and direction from the City Council. Fiscal impacts of each bill must be individually reviewed for potential impact to the city. Staff will provide information on the fiscal impact of these bills as they progress through the 2008 legislative session.