

FY 2012 Revenue Update

Maricopa County
Office of Management and Budget
February 21, 2012

State of Uncertainty

"When the mind is in a state of uncertainty the smallest impulse directs it to either side." ~ *Terence*



Elliott D. Pollack and Company

- ▶ “Cautious optimism may be the best phrase for policymakers this January.”

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" I've moved from being *cautiously optimistic* to being *optimistically cautious*. "

Elliott D. Pollack and Company

- ▶ “The weak but positive economic news from this past summer has developed into positive short term trends, and upward adjustments to the forecast are warranted. However, there remains a level of economic uncertainty that is well above normal.”
- ▶ “Thus, one may be upbeat with the data interpretation but still cautious when considering any major spending changes.”
- ▶ “It is recommended that the County consider raising the sales and VLT forecasts, but still remain cautious and budget below the developing revenue trends. This allows for some limited shocks to occur in the second half of the fiscal year that could dampen consumer spending such as the potential for a real estate collapse in China, continued financial problems in Europe, and US consumers incurring additional debt prior to fully reconciling their financial problems and pulling back by spring.”
- ▶ “The full recovery date for the County continues to be 2015 or later for most economic statistics.”

*Elliott D. Pollack and Company,
County at a Glance
January 2012*

Marshall Vest:

Data shows that recovery has begun, but the pace is **painfully slow**.



UofA – Strong Headwinds Persist



Bernanke sticks with low-rate policy at hearing

- ▶ “Bernanke maintained the Fed's position: the economy is improving at a **frustratingly slow pace**”
- ▶ “Bernanke urged senators to resolve debates over tax cuts that expire this month and at the end of the year, saying **uncertainty around both could slow the economy**. Bernanke told senators that he agrees with an analysis by the Congressional Budget Office that growth would slow to 1.1 percent next year...”

<http://www.azcentral.com/arizonarepublic/business/articles/2012/02/07/20120207bernanke-sticks-low-rate-policy-hearing.html>

Martin Crutsinger – Feb. 7, 2012

Associated Press

Legislative Changes to Property Tax Base

- ▶ Compound the decline in valuation
- ▶ Lengthen the time for rebound
- ▶ Limit growth
- ▶ Shrink base by reducing or eliminating classes of personal property or by impacting property classification
- ▶ Shift to Residential

Comparison of General Fund On-Going Revenue Sources

State

Income Tax (41%)

Increasing

Foreclosures positively impact due to less deductions

Forecasting 6% growth in FY 2013

Sales Tax (50%)

Slowly and steadily increasing for all sectors

\$.01 additional sales tax

Forecasting 4% growth in FY 2013

County

Property Tax (45%)

Declining

Foreclosures negatively impact by lowering property values

Forecasting \$52 million (11%) less in FY 2013

Sales Tax (35%)

Slow and steady increase, slightly lagging the base (base at 7.5% YTD; Maricopa County 6.1% YTD)

Forecasting 4% growth in FY 2013

Summary of Legislation and Other Proposals

▶ **Growth/Limits**

- SCR 1025 – Limits increase in valuations (ATRA)
- Prop 13 – Limits tax and limits increase in valuation

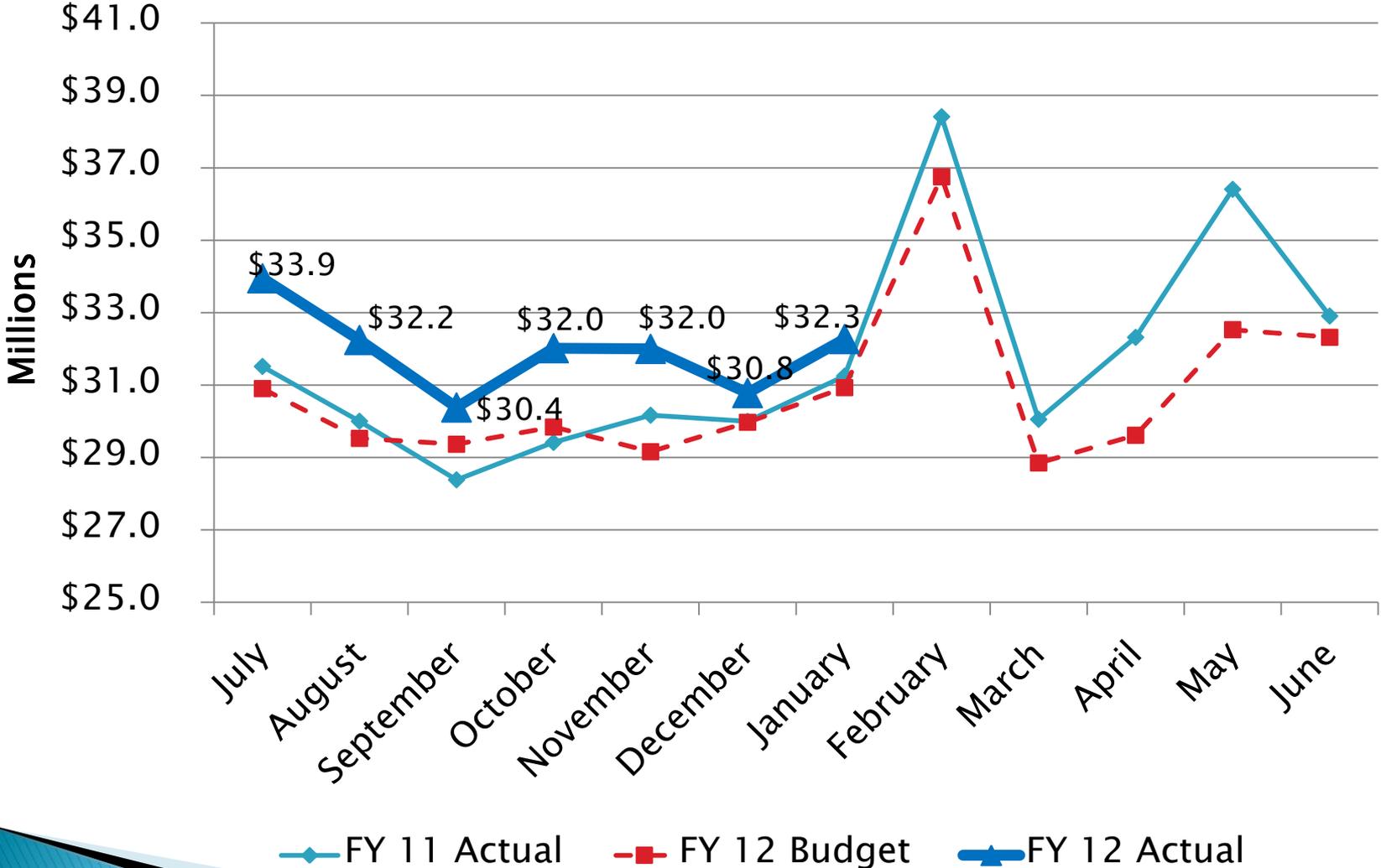
▶ **Personal Property**

- SCR 1012/HCR 2009 – Exemption of business personal property of \$2.4 million
- SB 1367 – Personal Property exemption

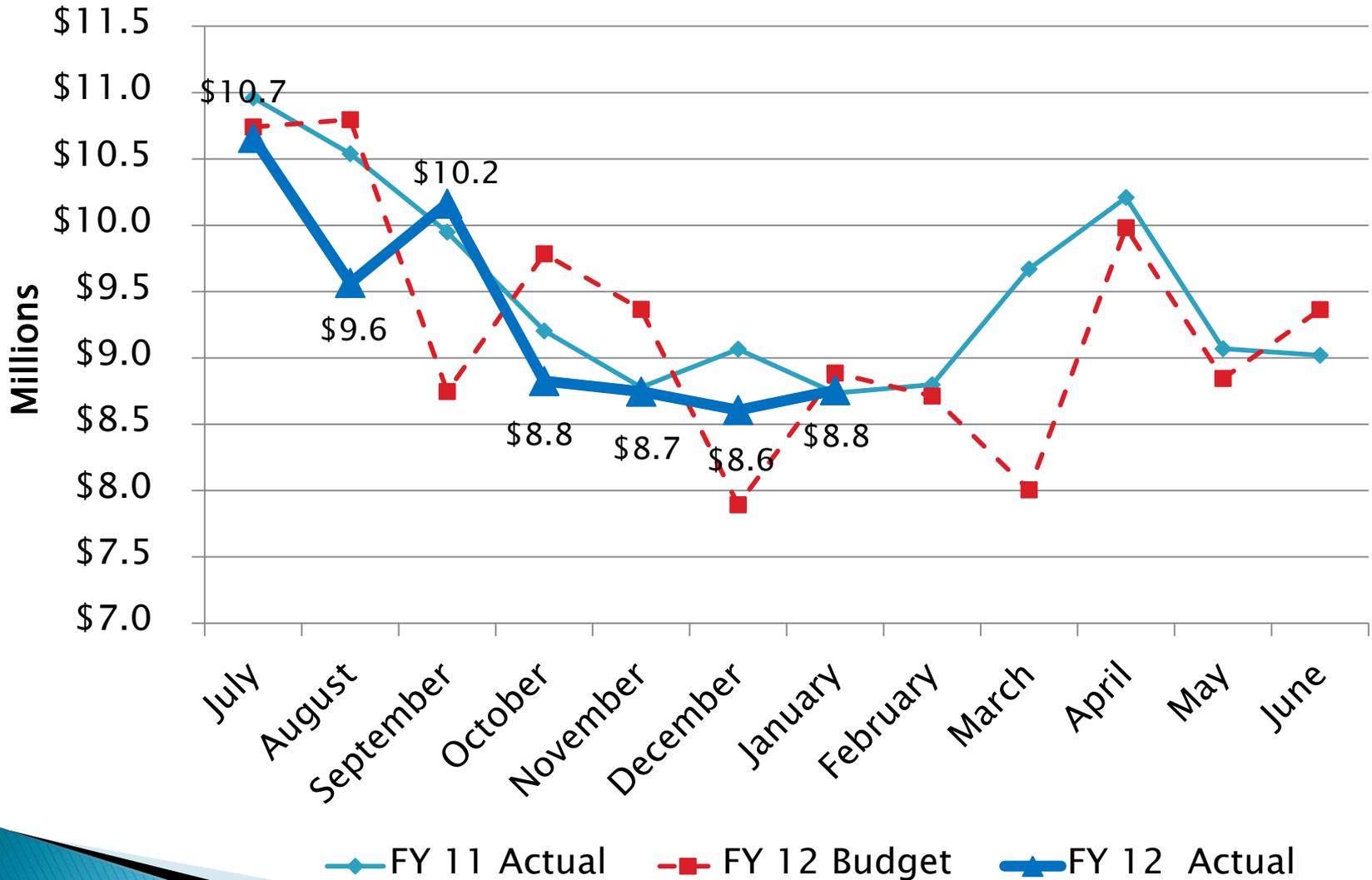
▶ **Classification/Valuation**

- SB 1279 – Computer Software
- SB 1416 – Property Tax Agricultural
- HB 2226 – Property Tax Agriculture

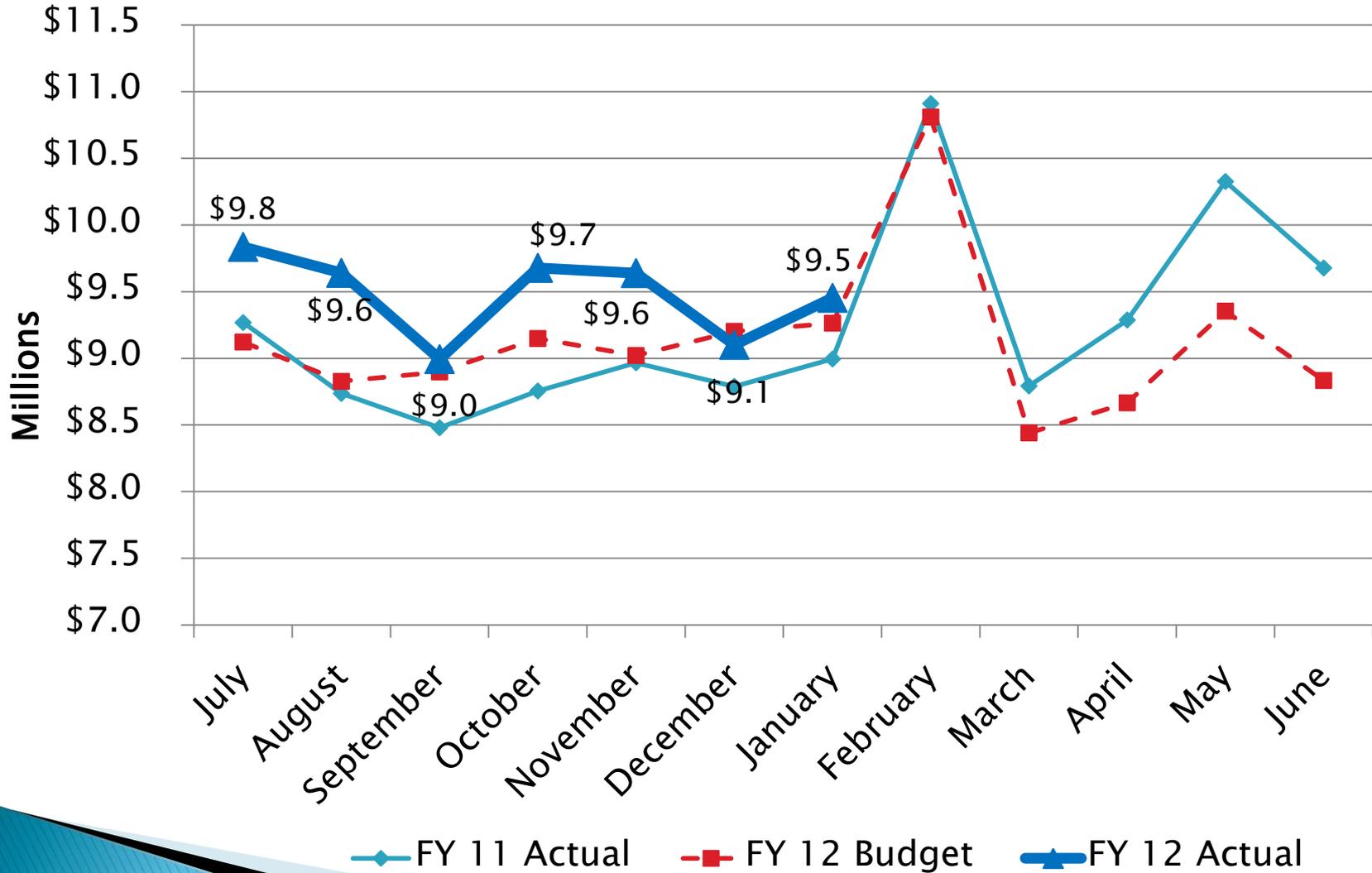
Sales Tax: Monthly Actual vs. Budget



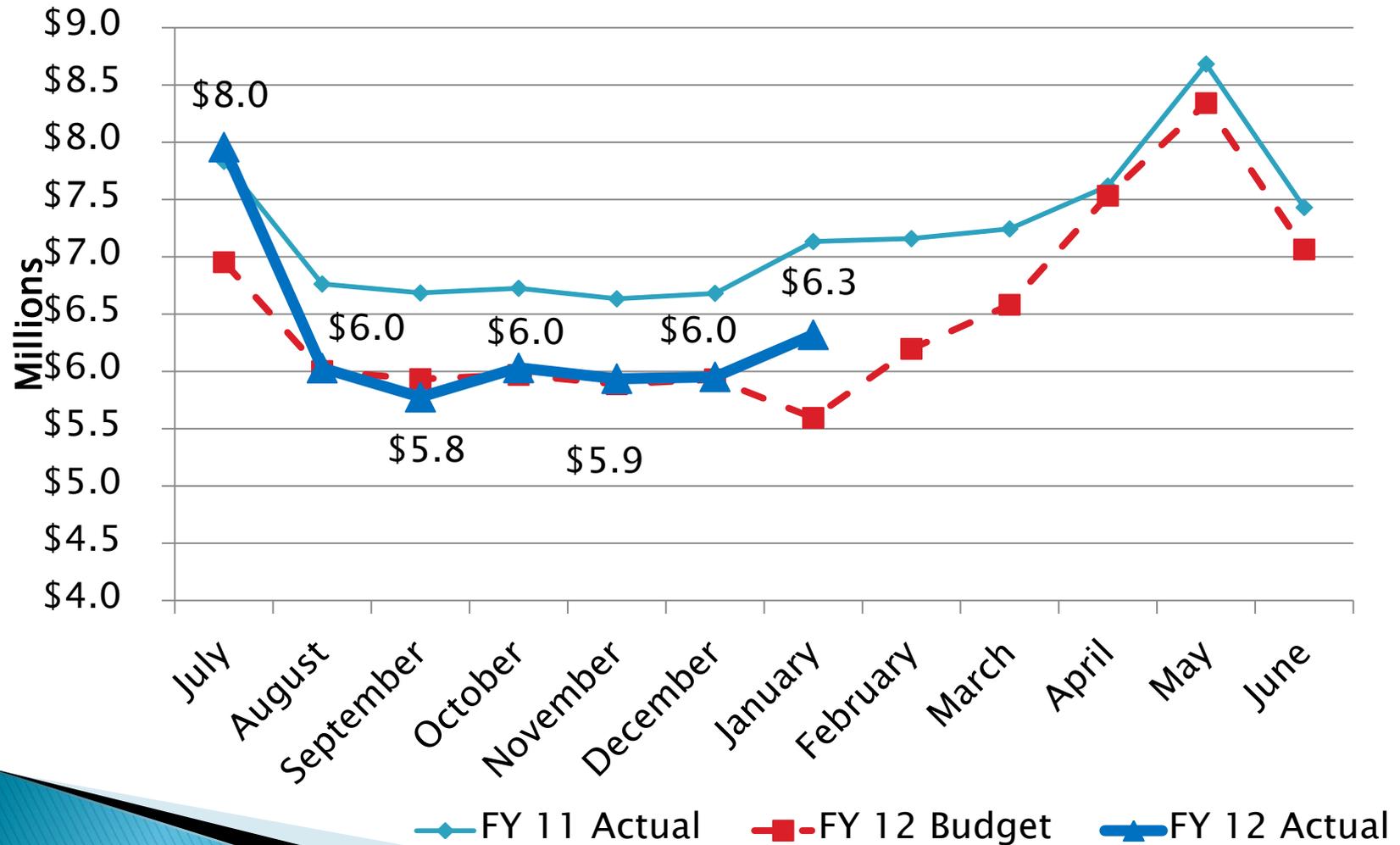
VLT: Monthly Actual vs. Budget



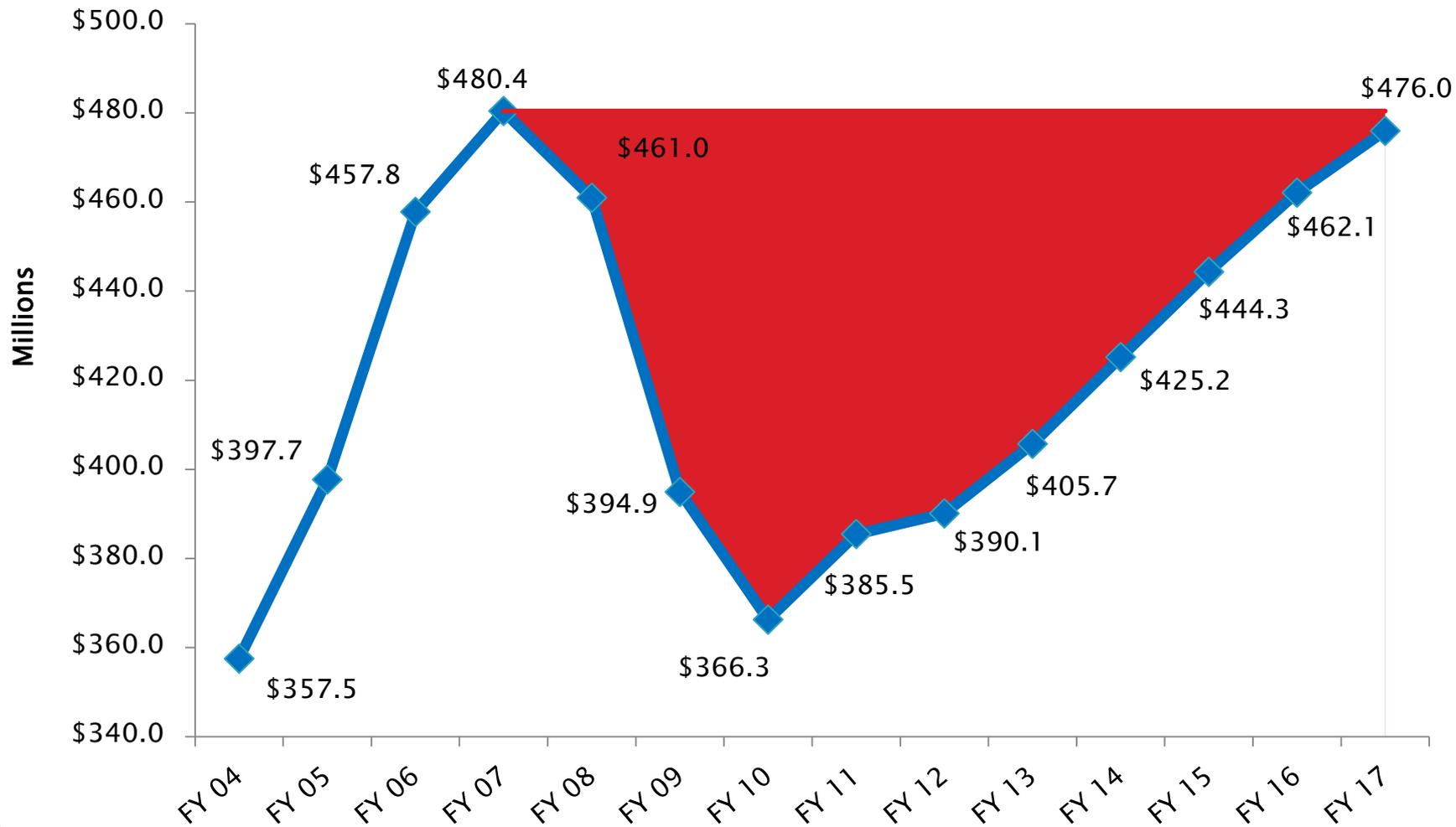
Jail Tax: Monthly Actual vs. Budget



HURF: Monthly Actual vs. Budget

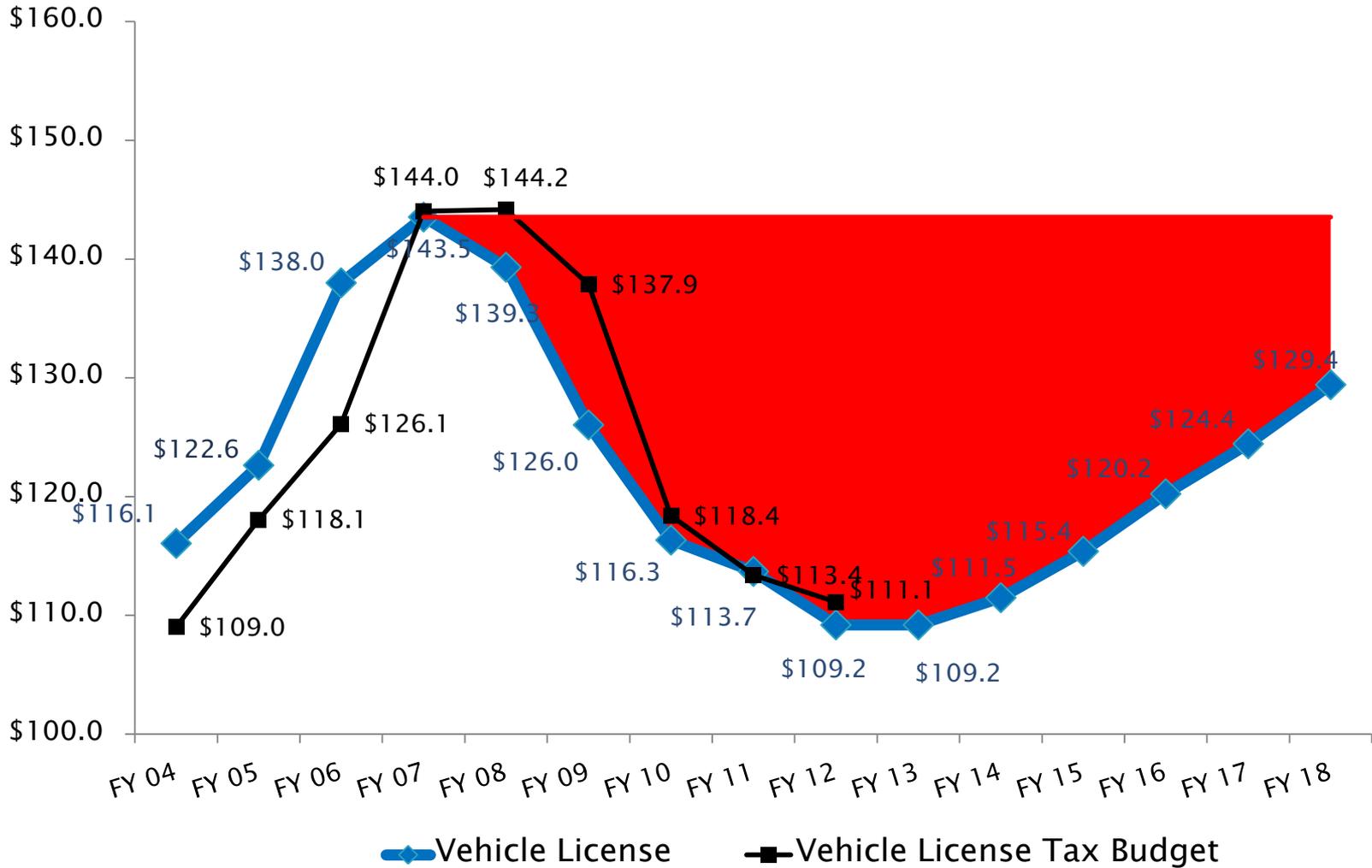


State Shared Sales Tax



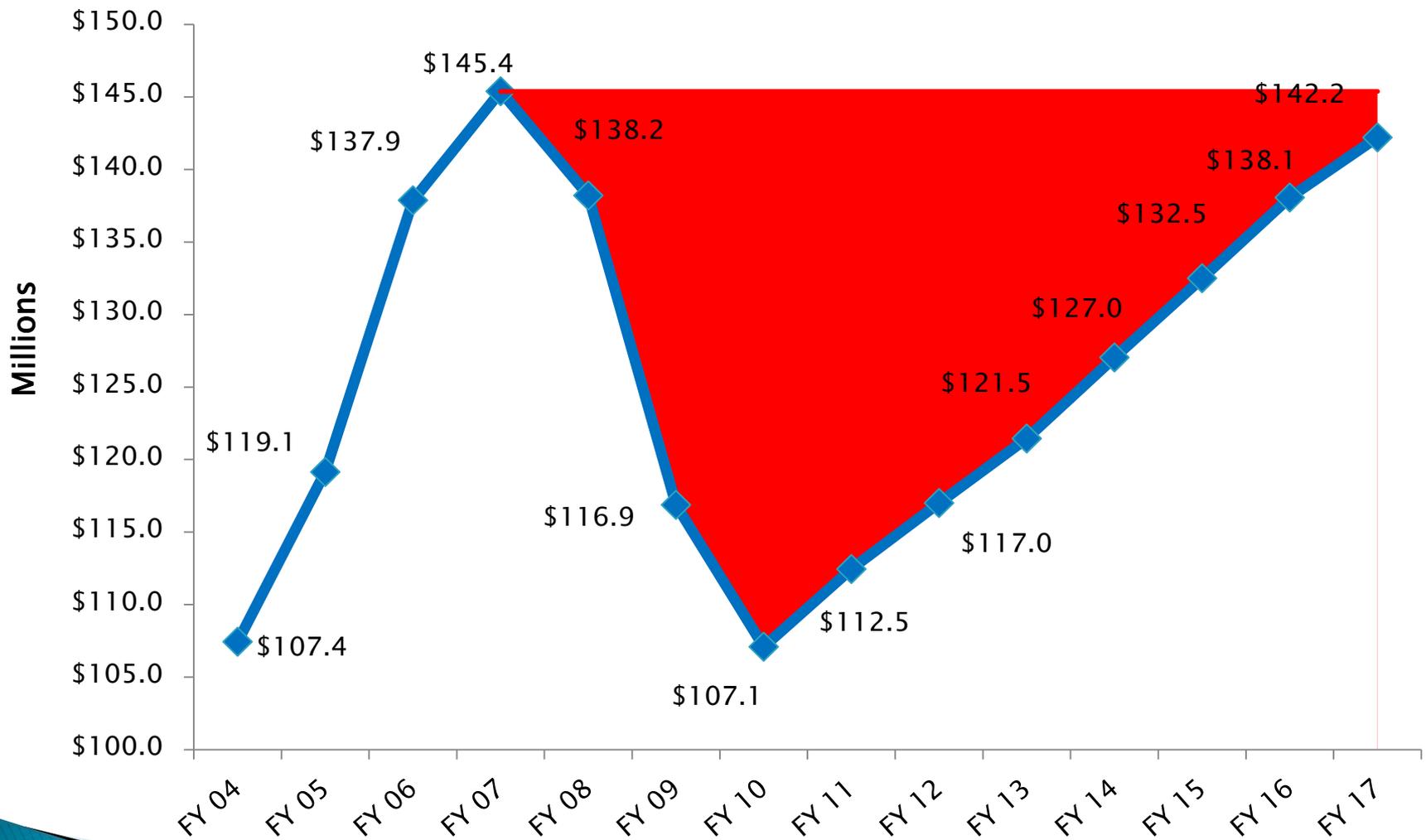
January 2012 pessimistic forecasted growth rate Elliott D. Pollack and Co.

Vehicle License Tax



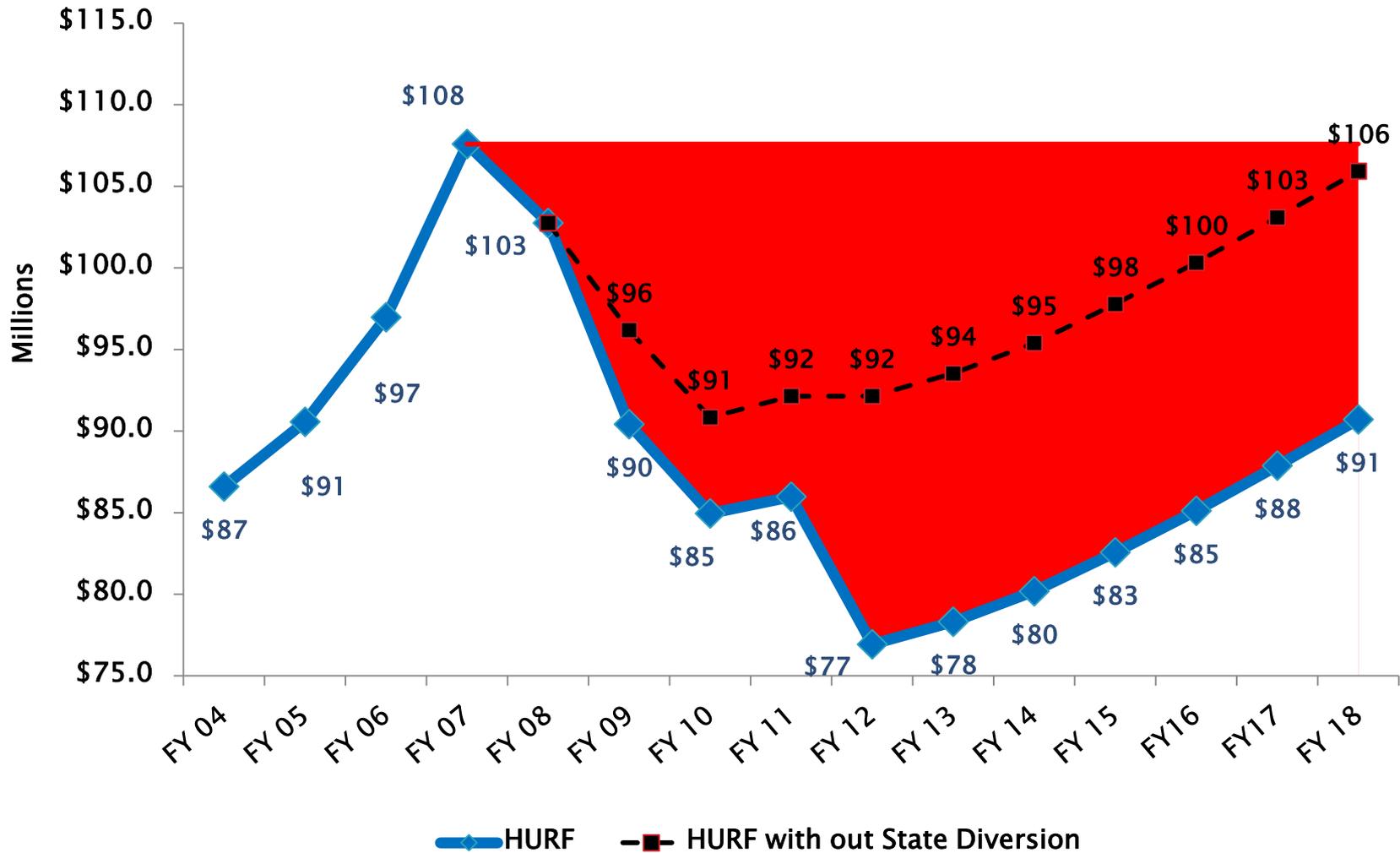
January 2012 pessimistic forecast, Elliott D. Pollack and Co.

Jail Excise Tax



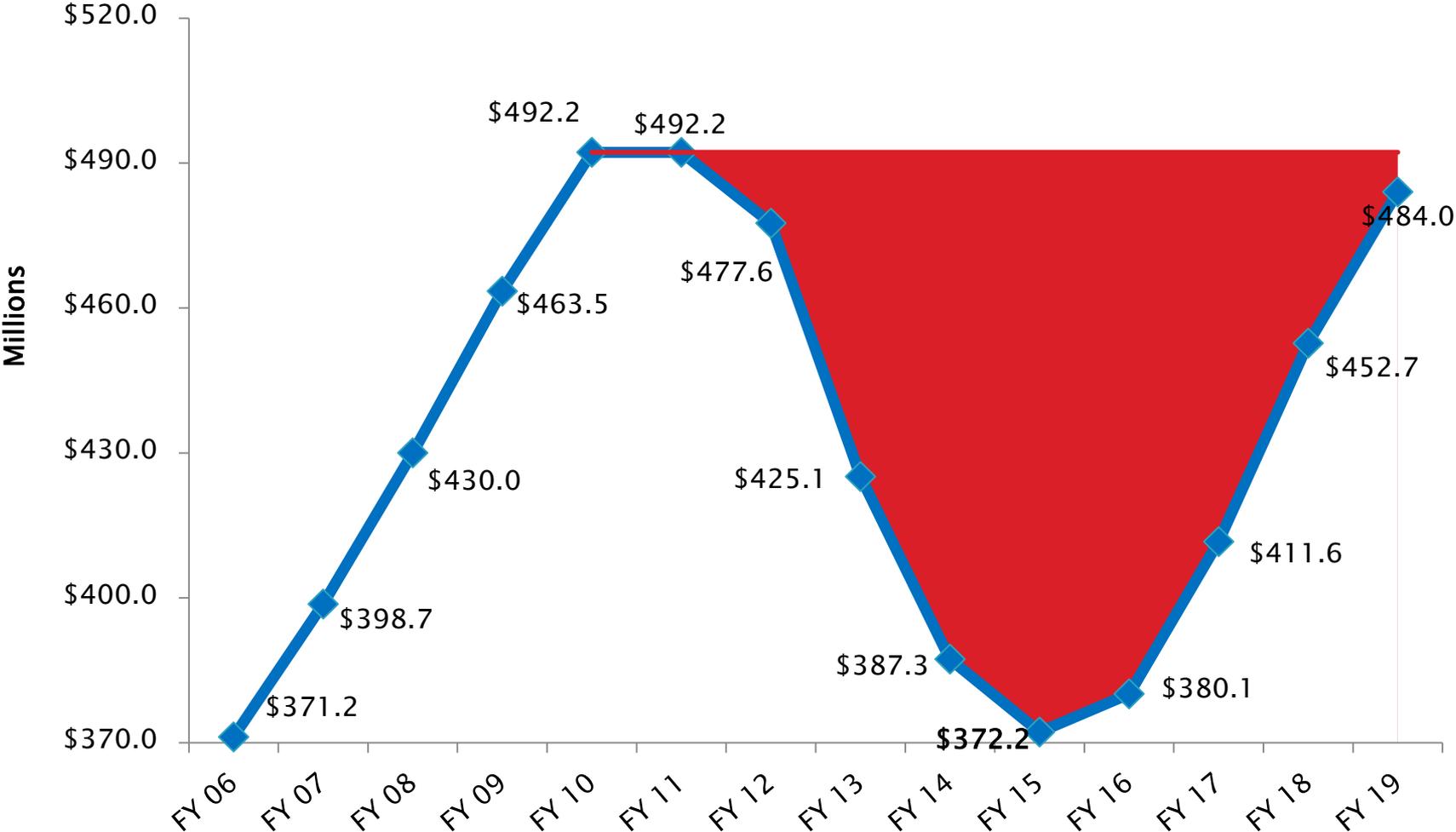
January 2012 pessimistic forecast, Elliott D. Pollack and Co.

Highway User Revenues



January 2012 pessimistic forecast, Elliott D. Pollack and Co.

Property Tax



January 2012 pessimistic forecast NAV Growth rates, Elliott D. Pollack and Co.

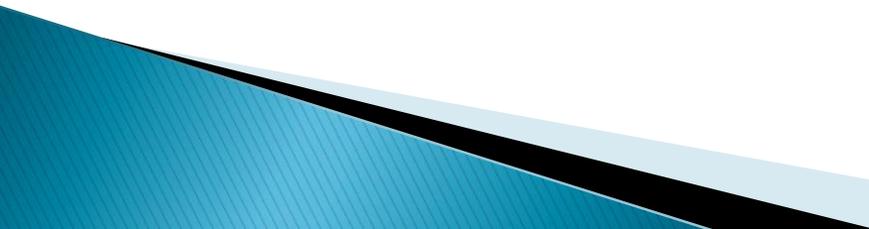
Updated Property Tax

	FY 2012 Budget		FY 2013 with Flat Tax Rate		Variance
Primary Net Assessed Valuation	\$	38,492,098,635	\$	34,263,842,274	\$ (4,228,256,361)
Tax Rate	\$	1.2407	\$	1.2407	\$ -
Tax Levy	\$	477,571,468	\$	425,111,491	\$ (52,459,977)

Levy based on November estimated NAV and flat rate was \$45.0 Million less than FY 2012

Levy based on February 10th NAV and flat rate is \$52.5 Million less than FY 2012
(an additional \$7.5 million)

New Developments Since Budget Guidelines

- ▶ Governor's Budget and JLBC Baseline budget removes County contribution to State
 - ▶ Legislation introduced to reverse Inmate Shift
 - ▶ Court Decision and Proposed Legislation to Change to ASRS Cost Share back to 50%/50% (from 53%/47%)
- 

Emerging Issues Since Guidelines

	General Fund	Detention Fund
Operating Revenue Reductions	\$ 13,900,000	
Operating Expenditures Increases*	\$ 1,600,000	
Operating Requests	\$ 14,000,000	\$ 5,350,000
Total Operating	\$ 29,500,000	\$ 5,350,000
Non Recurring Expenditure Increases*	\$ 11,525,000	
Non Recurring Requests**	\$ 65,655,000	\$15,500,000
Total Non Recurring	\$ 77,180,000	\$15,500,000
TOTAL	\$106,680,000	\$20,850,000

* Mandated/Necessary

**Does not include new CIP or major maintenance

FY 2013 Guidelines

- ▶ No call for reductions, but be prepared to submit up to 5% of operating budget to retain structural balance



Office of Management and Budget

