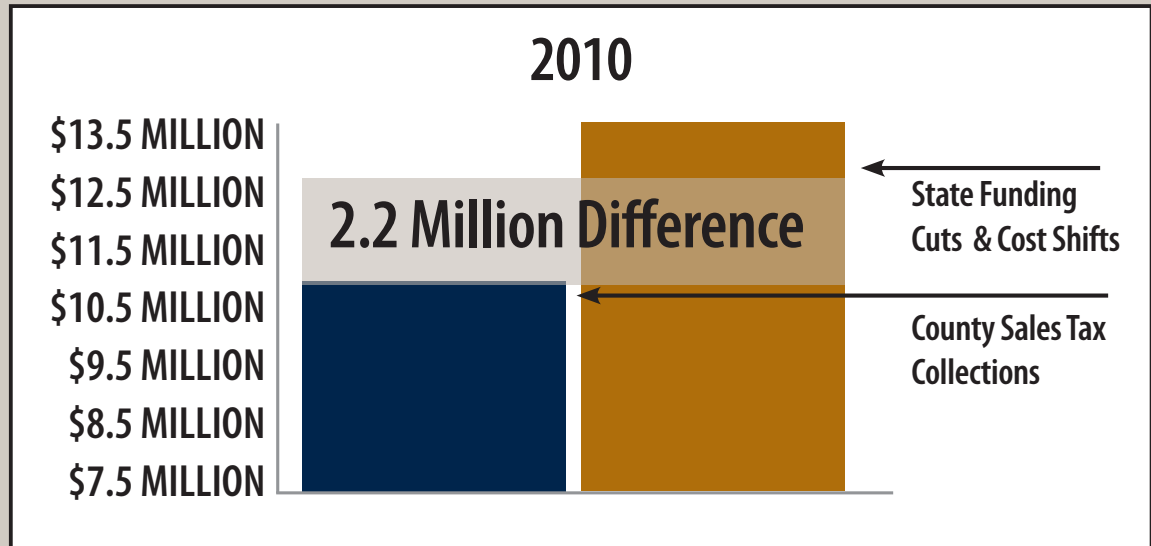


## Declining State Funding for State Mandated Programs

As the state continued to cut funding for County programs, cut state tax collections shared with counties, and shifted state costs to counties, the state finally authorized counties to impose a ½ cent county sales tax for general operations.

However, the maximum amount of the permitted county sales tax was still much less than the state cuts and cost shifts. As the chart shows, the permitted county sales tax generates only \$11 million, while the total of the state cuts and cost shifts total \$13.2 million. **The new revenue is \$2.2 million less than the state cuts and cost shifts.**

## State Funding Cuts and Cost Shifts



The state cut funding for state mandated programs delivered by the County and shifted costs to the County over the past 10 years – long before the current recession. The impact to Coconino County is over \$13 million.

## Examples of State Cuts and Cost Shifts Since 1998

Cuts to Health Services.....	\$480,000
Cuts to Public Safety Services .....	\$885,000
Cuts to Court System.....	\$1 Million
Property Tax Valuation System.....	\$1.9 Million

### State Cuts to Revenues: \*\*

State Shared Sales Tax .....	\$4.3 Million
Gas Tax.....	\$3 Million

\*\* Represents state cuts and difference between funding provided and funding level that meets population growth and Consumer Price Index (CPI)

## When Did the County Recognize that Costs Were Growing Faster Than Revenues, Even with a Tightly Controlled Budget? What Did the County Do?

The Board of Supervisors and staff recognized an emerging structural problem with the General Fund budget in 2007. On-going State program funding reductions, State cost shifts and rising health insurance, retirement, utility and fuel costs contributed to rising expenses while revenue growth remained capped and limited. At that time the evidence was clear that within the next five years the County would experience a budget deficit, unless additional actions were taken.

So, the County took several important actions, including:

- Implementing a 10 Year Financial Plan,
- Aligning revenue types with expenditure types,
- Instituting a more conservative revenue forecasting method that accounted for limited revenues during expected economic recessions within the ten-year planning horizon,
- Paid off debt and built up reserves, and
- Began exploring potential revenue sources, such as establishing a public health services district tax.

## 2000's

State shifts more cost of public health services to counties and relieves cities from any support of public health services

State authorizes counties to establish Public Health Services Districts to partially compensate for state and city funding reductions

Voters approve Prop. 101, which freezes county property tax levy at 2006 level

County voters approve increase to Jail District Sales Tax to address rising jail costs

County begins exploring limited options for increasing revenues in 2007, including establishing a Public Health Services District