

TOWN OF
QUEEN CREEK
ARIZONA

2013 State Legislative Agenda

Town Council

December 19, 2012



Purpose of the State Legislative Agenda

- Presented to the Town Council on an annual basis.
- Provides direction to Town staff during the legislative session.



Proposed 2013 State Legislative Agenda

Legislative Goal: Protect local revenues and local control and advocate for opportunities to enhance the Town's economic sustainability and infrastructure development

Objective 1: Work to Protect State Shared Revenue.

Objective 2: Strongly oppose changes to the calculation of construction sales tax- Encourage a third party analysis of impacts to state and local government prior to the introduction of legislation.

Objective 3: Work to preserve the current funding distribution for the Maricopa County Library District.

Objective 4: Work to maintain local control and oppose unfunded mandates, including additional regulatory reform legislation.

Objective 5: Advocate for statutory changes that require cities and towns to pay the Alternative Contribution Rate only for those eligible employees hired after July 2011.

Objective 6: Support the League of Arizona Cities and Towns, including the 2013 Municipal Policy Statement.

Objective 7: Work to promote access to more economic development tools to attract new employers and help existing businesses expand.

Objective 8: Support transportation issues that benefit the region and the state.

Objective 9: Support legislation that allows for the taxation on online purchases. Such legislation would be aimed at leveling the playing field between online retailers and brick and mortar businesses. Town staff must carefully evaluate the impact of legislation to ensure no loss of local control over transaction privilege taxes.



Proposed Changes to Calculation of Construction Sales Tax

- In May 2012 Governor Brewer appointed the Transaction Privilege Sales Tax Simplification Task Force.
- Last week the Task Force adopted its final report.
- One of the key items in the report is a potential shift from construction sales tax being paid where construction activity takes place to where construction materials are sold.
- This change would be a crushing blow to the Town's budget- our ability to deliver services and construct new infrastructure would be severely compromised.



Impacts of Shifting Construction Sales Tax to Point of Sale – General Fund

- Based upon a significant increase in building activity, staff is forecasting CST revenue to actually make up 32% (\$4.2 million) of the Town's sales tax collections.
- Home builders do not buy building materials in Queen Creek, if there is shift to paying construction sales tax at the point of sale, Queen Creek and every other growing community will lose CST revenue. The revenue will go to the large central cities that have regional retail centers that sell construction materials- if the materials are even purchased in state.
- Forecasted construction sales tax revenue in the Town's General Fund translates to about 60 positions. As a service organization, a hit like this would result in a serious restructuring of the Town.



Impacts of Shifting Construction Sales Tax to Point of Sale – Capital Improvement Program

- In 2005, the Town Council approved an increase to the Town's construction sales tax.
- The additional tax on construction was adopted to help fund transportation improvements necessary to serve new development.
- A majority of these revenues go to pay debt service- debt service that will not go away simply because a revenue source goes away.



Recommendation to Use a Contract Lobbyist

- Due to budget reductions and consolidation of staff responsibilities, the Town does not have the staff resources available to be a full-time presence at the Capitol from January to late April.
- The magnitude of the proposed change to construction sales tax is so significant, staff is recommending that the Town hire a contract lobbyist.
- The contract lobbyist will allow the Town to have a full-time presence at the Capitol. The recommended firm, Kutak Rock, will be responsible for meeting with legislators to ensure they fully understand the impacts of the proposed change, especially the fact that the impacts to the state and local governments have not been thoroughly analyzed.



Legislative Updates

- During the session, the League provides weekly email updates on the status of the key bills they are tracking.
- Staff will provide supplemental information to Council if there's additional legislation we are tracking.
- Residents can access the League's legislative bulletins through the Town's website and can also sign up to receive legislative action alerts.
- Legislative action alerts are not sent on a regular basis- they are emailed out as critical votes are scheduled.



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Thank You

Questions?

