Fiscal Note

BILL # SB 1101

TITLE: Maricopa county; new counties; division

SPONSOR: Hoffman

STATUS: As Amended by Senate GOV

PREPARED BY: Destin Moss

Description

The bill would divide Maricopa County into 4 counties with specified areas effective January 1, 2026. The bill stipulates that any of the 4 counties may enter into a 10-year shared use agreement for the use of existing shared capital assets. The chairperson of each county's Board of Supervisors would serve on an intercounty oversight and accountability board during the 3-year transition period allowed by the bill.

Estimated Impact

We estimate that the bill would potentially generate a General Fund cost, as some of the new counties established by the bill may qualify for state assistance not currently received by Maricopa County. The state could incur costs beginning in FY 2026, but expenses may not be realized until later years depending on how the bill is implemented.

The bill would have a larger fiscal impact at the county level. An accurate estimate of this cost would require significant time and resources to evaluate and is beyond the scope of this fiscal note. The fiscal impact would ultimately depend on future decisions at both the state and county level regarding the specific implementation plan.

Maricopa County estimates the bill would increase county costs by a minimum of $162.3 million annually for new county officials and staff. This amount excludes capital and startup costs, special revenue funds, debt service and special taxing districts. The $162.3 million appears to be a plausible starting point. However, this estimate may increase as the excluded issues are factored into long-term estimates.

The bill also has potential impacts on property tax rates in each of the 4 counties. Maricopa County projects that 3 of the counties would have a higher rate than the existing Maricopa rate (and Mogollon would be lower). The actual rates, however, would depend on tax and spending decisions made by the new Board of Supervisors in each county.

Analysis

The bill would divide Maricopa County into 4 counties:

- The new, smaller Maricopa County would include Tolleson, southern and central Phoenix, Tempe, and Guadalupe. Current population: 1.8 million.
- Hohokam County would include Mesa, Chandler, Gilbert, and Queen Creek. Current population: 1.2 million.
- Mogollon County would include northern Phoenix, Scottsdale, Paradise Valley, and Fountain Hills. Current population: 838,200.
- O'odham County would include Gila Bend, Wickenburg, Avondale, Surprise, Glendale, and Peoria. Current population: 758,800.

County Officials and Staff Costs

The bill stipulates that Maricopa County operations continue in their existing form through a maximum transition period of no more than 3 years after the effective date of the act. Each county is required to hold a special election within 120 days of the bill's January 2026 effective date for purposes of choosing the new county supervisors. Each county would be responsible for the cost of the special election.

Maricopa County estimates the bill would increase county costs by at least $162.3 million annually for 33 new elected county officials and at least 1,000 additional staff positions across the 3 new counties. Of this amount, Maricopa estimates that the salaries and benefits of just the elected officials would cost $7.1 million annually. These salaries are set in state statute.

The $162.3 million estimate assumes that 2.4% of current Maricopa County expenditures would need to be duplicated in each of the 3 newly-created counties. We are unable to determine if this estimate for the fixed cost factor is reasonable within the scope of this fiscal note.

Capital Expenditures

The $162.3 million estimate excludes capital costs. Because the bill stipulates that any of the 4 counties may enter into a 10-year shared use agreement for the use of existing shared capital assets, Maricopa County and the newly established counties might not incur capital expenditures for up to 10 years after the effective date. However, the County Supervisors Association (CSA) notes that the geographical distribution of Maricopa's existing capital assets across the new counties may not align with the new population distribution and the need for those assets, so the counties may still incur capital expenditures within the 10-year period.

County Tax Implications

The total fiscal impact would also depend on tax rates set by the new counties. The new counties would need to set tax rates to generate sufficient revenues for budgetary expenditures. The current Maricopa County property tax rate is $1.16 per $100 of net assessed valuation. According to the Maricopa County analysis, the Hohokam, O'odham and the new Maricopa rates would all be above the current tax rate (the highest would be in Hohokam County at an estimated $1.92 per $100 of net assessed valuation), and the Mogollon rate would be $0.67. Compared to the other 3 districts, Mogollon's property wealth would allow them to set a lower rate.

While we agree that Mogollon's property wealth could allow for a lower rate, Maricopa County's projected rates are speculative. They assume a high degree of proportionality between the new counties' population level and their expenditures and some non-property tax revenues. Those expenditure and revenue decisions would ultimately be made by the new Board of Supervisors in each county. In addition, the Legislature would need to enact future legislation to address how the expenditure limits and levy limits are established for each of the new counties.

The bill could also affect county sales taxes. Under current law, counties with a population of less than 1.5 million are authorized to levy a general county sales tax of up to 0.5% on the same tax base that applies to the state Transaction Privilege Tax (TPT). The imposition of such a tax requires a unanimous vote by the Board of Supervisors. Under the bill, 3 of the 4 new counties would have a population of less than 1.5 million. Therefore, unless the Legislature amends current law, these 3 counties (Hohokam, Mogollon, and O'odham) could start levying a general county sales tax with a rate of up to 0.5%. CSA also states that the division of Maricopa County could divert state-shared TPT revenues away from the 14 other existing counties. The formula for the distribution of state-shared TPT to counties is complex and we would need additional information from CSA to evaluate this statement.

State General Fund Impacts

State assistance programs to counties could be affected by this bill. For example, Maricopa is the only county not currently reimbursed by the state for the costs of their probation programs. The state would incur new costs if any of the new counties seek reimbursement of these costs. A second example is the ongoing appropriation in the annual General Appropriations Act of $550,050 to assist each county with a population of less than 900,000. The new Mogollon and

O'odham Counties would qualify for this program. The state also shares the cost of the Arizona Long Term Care System for the elderly and physically disabled. The state/county dollar split is governed by a complex formula which would be affected by this legislation. We are not able to estimate the impact due to the lack of data on how long-term care utilization, property values, and other components of the formula would shift among the counties as a result of this bill. We are unable to develop an exhaustive list of state-level impacts within the current scope of our analysis.

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