

EXPLORER

News

State leaders seek budget compromise

Municipalities could retain right to charge impact fees; rates would remain unchanged for 2 years

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After months of debate, the Republican-led Arizona State Legislature and Gov. Jan Brewer have yet to agree on a fiscal 2009-'10 budget.

The tentative compromise between Brewer and Republicans had some local government leaders holding their breath as the fiscal year wound down Tuesday.

The issue of principal concern for many municipalities is a budget proposal, passed in June, which would place a three-year hold on the collection of impact fees.

Impact fees, charges applied to new construction to help pay for the infrastructure needs that it creates, are an important source of revenue for local governments.

"It's horrible legislation at best," Oro Valley Town Manager David Andrews said last week about the plan. "It impacts the whole region's ability to build roadway projects through the RTA."

Oro Valley leaders anticipate the fees and construction sales taxes would bring in \$3.5 million in fiscal 2009-'10, which begins in July. The money collected would go, in part, to fund local governments' matching contributions for the regional transportation administration plan.

The fees, along with sales taxes, comprise one of the few local sources of revenue the town has.

Oro Valley does not have a local property tax. About 70 percent of its income comes from state-shared revenue.

A compromise proposed by Brewer would still forbid local governments from raising impact fees for two years, but was still preferable to the Legislature-passed version that would eliminate municipalities from collecting the fees for three years, Andrews said.

A moratorium on impact fee collection would essentially place the burden of new infrastructure on current residents, Andrews said.

"They're subsidizing development at the expense of citizens," Andrews said.

Members of the building community have said the move would help jump-start the ailing homebuilding industry, which in the past year has seen little or no movement.

Oro Valley, for example, lowered its projections for new home construction from 100 to 75 in its fiscal 2009-'10 budget. Construction in Oro Valley has dropped off significantly since the boom in 2001, when the town issued 777 new-home permits.

During the current fiscal year, the town of Marana budgeted for 425 single-family housing permits. It now expects 155 such permits. Next fiscal year, the number might be 70. "Things have slowed down drastically," finance director Erik Montague told the council this spring.

Budget proposal

Legislators and Gov. Jan Brewer hope to hammer out a deal on the \$8.4 billion budget package. The proposed compromise includes the following changes:

A flat income tax to begin in 2012; the rate has not been determined, but would be capped at 2.8 percent.

Takes \$22 million intended for cities and gives it to education.

Cuts to state programs totaling \$630 million.

University funding to remain at levels that would qualify for federal stimulus dollars.

Repeal of the state equalization tax that goes to school districts.

A temporary sales-tax increase that would be put to a vote in November.

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