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Cities worry about state plans for local impact fees

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Legislative leaders are looking for another \$600 million in cuts as they come down to the wire on their cash-strapped 2009-10 state budget.

One of the ideas on the list of \$600 million in cuts, which leaked out Monday, is drawing the ire of local municipalities.

That proposal would sweep \$210 million from municipal impact fee coffers across the state. Municipalities collect the impact fees on new homes to help cover new growth infrastructure costs.

Prescott Mayor [Jack Wilson](#) sent legislators and the governor a letter Tuesday calling that proposal "insane" and a "slap in the face to our citizens" who want growth to pay for growth.

It also would harm the city's bond rating, which would "seriously jeopardize the city's ability to repay those bonds" and force an increase in interest payments, he said. Cities generally use impact fee revenues to guarantee bonds for infrastructure.

All nine mayors in Yavapai County signed another April 20 letter opposing a Legislative idea to put a moratorium on local impact fees as a way to stimulate home sales. That letter also points to the creed that growth should pay its own way.

A budget overview that legislative leaders produced Monday estimates the state could bring in \$210 million from the city impact fee fund sweep.

In exchange, the Legislature would allow cities to temporarily use their remaining impact fee revenues for maintenance and operations needs, explained House Majority Whip Andy Tobin, R-Paulden.

He and other legislators are fighting hard to protect state-shared revenues that go to counties and municipalities, Tobin added, and the impact fee sweep might help.

Tobin said the impact fee moratorium has been part of the overall impact fee discussion, but local municipalities' letter was premature.

"We're billions in the hole, and we're looking for everything," Tobin said. "They're opposing something before they even see a written proposal."

The idea for an impact fee moratorium isn't even in writing, Tobin said.

Legislative District One Sen. Steve Pierce, R-Prescott, and Rep. Lucy Mason, R-Prescott, said some municipal impact fees are too high.

Legislative leaders cancelled a Tuesday joint committee hearing on the impact fee sweep idea, telling the Associated Press that some people were questioning whether the plan would work, and the idea's chief proponent (Arizona Home Builders Association of Central Arizona) wasn't ready to make a presentation.

The Legislature needs to reduce the total budget by \$2.7 billion compared to the current year ending June 30. The current year also had major cuts compared to previous years.

Ideas for the last \$600 million worth of cuts under discussion also include a \$300 million sweep of school district cash balances.

Prescott Unified School District Supt. Kevin Kapp told school board members Monday that districts don't have that much money in their carryover funds.

That idea is "very controversial" and "just an option," Tobin said.

Other options for closing the last \$600 million gap include:

- Rolling over some current year payments to next year to save \$265 million, but leaders are trying to avoid that, Tobin said.
- Using \$55 million in cash balances from Maricopa and Pima counties, an idea under negotiation with the counties.
- And adding computer systems that would help catch fraud in services such as Medicare, saving \$50 million.

Kapp generally liked the broader draft budget proposal that leaked out Monday, saying it was better than previous drafts. He estimated it would cut PUSD's state money by \$700,000, basically through the loss of soft capital money.

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