

Federal challenges facing Cochise County, Arizona

March 21, 2016

PILT (Payment in Lieu of Taxes)

This program provides payments to counties and local governments to offset losses in tax revenues due to the presence of tax-exempt federal land in their jurisdictions. This program is a critical source of revenue for rural counties like ours with large areas of tax exempt federal land. 22.6% of Cochise County is covered under this program, which in 2014 equaled \$2,142,985. Funding is not secure – we never know for certain if it will be funded each year, and we rarely get the full funding due to federal budget issues (i.e. sequestration). This revenue is vital for use in supporting public safety, health care, and transportation for our residents. In terms of our budget, each \$45,000 lost is one employee position we lose, yet we still must maintain the programs in place. The need for a sustainable long term funding mechanism is crucial to protect this revenue for our County.

Fort Huachuca Army Post – Sequestration and BRAC (Base Realignment and Closure)

Ft. Huachuca, established near Sierra Vista, AZ in 1877, was the home base for the famed “Buffalo Soldiers”. Today, the Fort is home to the Army’s Electronic Proving Ground (EPG) and the largest employer in the County. They provide critical resources, infrastructure, and services for military intelligence, unmanned aerial systems, and cyber-security missions. EPG is the Army’s Command, Control, Communications, Computers and Intelligence (C4I) Developmental Tester headquartered in Arizona. It’s imperative that the base is protected for the services it provides the United States, many which cannot be performed anywhere else in the world because of this area’s unique physical features. Although they are located in our County, the true benefit is to national security. In 2008, the economic impact to our County alone was \$2.4 billion annually, 42% of which was attributable to indirect and induced economic activity. The employment impact was estimated at 26,921 jobs countywide which include the fort’s direct employees, government contracts, and spending by the fort and its employees. They generated \$23.2 million per year in local sales tax, and \$17.3 million in local property tax. The greatest threat to the Fort is sequestration cuts which are automatic cuts between defense and domestic spending programs with no regard to the long term national security of our Nation. Due to the ongoing efforts of the Fort and surrounding communities to conserve water, the long-term availability of water within the Sierra Vista sub-watershed is no longer considered a threat to Fort operations.

Transportation Funding

Congress won’t fund transportation for multiple years and the long term needs of the States. Transportation needs adequate and annually proportioned funding for critical maintenance on our highways. The gas tax, underfunded for years, is not sufficient as a complete funding source. The US economy, public safety, and national defense all depend on functioning infrastructure.

Port of Entries and Transportation (Our County has two: Douglas Port of Entry and Naco Port of Entry. The only road to the Naco Port is a County, not State roadway)

Improvements and staffing are critical to the movement of international freight; nearly 70% of fresh vegetables reach the US through our Arizona ports of Entry. Rural areas grow and move much of the nations' goods as well as serve as the recreational areas for many non-county residents. Cochise County takes on the burden of moving international freight, as well as oversized loads, on our county-maintained roadways. One of these is Davis Road. We were granted a dedicated congressional earmark for improvements to this critical connecting roadway. It connects the historic area of Tombstone to our Douglas Port of Entry. Escalating design costs incurred to satisfy federal regulations have delayed road construction. Inconsistencies between federal agencies on implementing NEPA, is just one of the contributing factors. The County has expended over \$1.17 million in design, to date, for an estimated \$6 million dollar road construction project. About a third of that cost went towards producing 11 environmental reports. The US Dept. of Transportation NEPA process could be less cumbersome if it incorporated best practices from other federal agencies. Time delays due to right of way acquisition are also significant and a costly process. When one penny of federal money is put into a project, the entire project becomes federal dollars and all federal regulations must apply. Full design to federal standards or nothing is not an effective use of limited tax dollars when an incremental or phased improvement may be all that can be funded.

Douglas, AZ Port of Entry (The Raul Hector Castro Port of Entry)

In 2007, the U.S. General Services Administration (GSA) determined through a feasibility study, that there is needed expansion to the Douglas POE facility. In 2013, Arizona Dept. of Transportation (ADOT) determined that the existing port will not allow Customs and Border Protection (CBP) to adequately meet its mission within the next five years. It is too small and outdated to accommodate the thousands of travelers who use the entry every year. The port of entry was built in 1932 and is 83 years old. It's been 30 years since any improvements have been made.

The Douglas port is the second-largest commercial port in Arizona and sees more than \$4 billion worth of trade annually between the US and Mexico. In 2014, more than 64,000 commercial trucks were processed in two-way traffic. Additionally, the port processed 2.9 million cars and 2.3 million pedestrians in 2014, for a combined total of 8.3 million people in two way traffic. Truck traffic has been growing at an annualized rate of more than 5% per year since 2010.

It is a gateway for a large number of overweight and oversized mining related shipments. Facilitating an oversized cargo crossing requires a complete port shut down of several hours, which significantly inhibits the crossing of pedestrians and vehicles in both directions that significantly contribute to local economy on both sides of the border. The mining industry also requires cross border shipments of hazardous chemicals – the existing POE configuration requires these shipments travel through heavily urbanized areas on both sides of the border. The expansion of the commercial port, just west of the City, would create an expanded infrastructure that would support the processing of billions of dollars of cargo resulting in tens of millions of dollars in tax revenue. This new location would also further CBP's mission and ability to provide security for the region

Since 2014, the City of Douglas, in Partnership with Douglas International Port Authority, has been actively engaged with private and public stakeholders on both sides of the border to advance development of a new Douglas Commercial Port of Entry.

Understanding the Federal Gov't has limited funds, the City developed a public-private partnership. In 2015, the City's Section 559 Donation Acceptance Authority Application was denied. The Federal government currently has billions of dollars worth of pending improvements at the northern and southern borders; some that do not have near the traffic, growth, or economic investment opportunity that the Douglas POE project represents to the local, regional and national economy

Employment Law, Health Care and the Affordable Care Act (ACA)

Proposed sweeping changes to the Dept. of Labor's Fair Labor Standards Act (FLSA) regulations, if approved in their current form, pose a significant challenge to a small rural county. If the exempt salary is raised, from \$23,660 to \$50,440 and employees who are now exempt must be paid overtime, we will be forced to either make all of the affected employees non-exempt or, raise all of those salaries, which is impossible in our current economic situation. This proposal costs us one of three ways: higher salaries, lost productivity, or in newly acquired payments for those extra work hours now being performed by exempt staff. As written and poised to go into place, the revisions are neither fair to employees or employers. We anticipate approximately 73 employees impacted at an estimated cost to our County of \$631,102.

Local governments are also struggling to comply with all the rapidly moving Affordable Care Act (ACA) provisions as well. We have a self-funded employee health trust fund, which, due to management oversight and employee engagement, enables us to provide excellent health care for our employees. We should not be penalized with "Cadillac taxes" because of our due diligence. Also, due to reporting requirements, we are now faced with the additional cost to have our entire payroll system reconfigured in order for us to complete federally mandated reporting requirements in 2016. Over regulation by the Federal government is being shifted to employers who are already understaffed and overburdened by unnecessary compliance issues. (Congress just gave 2 year "Cadillac Tax" Delay 12/18/15) However, we need a long term solution fix.

Environmental Law (Clean Water Act and Endangered Species)

Dozens of federal environmental laws that are on the books need to be revised to assure implementation meets the original intent. The true costs and benefits must be weighed without bias such that informed decisions are made. The two laws impacting Cochise County the most, with the least benefit to the environment, are the Endangered Species Act and the Clean Water Act. Millions of dollars a year are spent on jaguars, wolves, cuckoos, owls, frogs and snakes without any true benefit to the species, the County or the nation.

Millions of dollars will be spent each year on the EPA's new Clean Water Act "Waters of the US" definition with no tangible benefit to clean water, if the definition is implemented. These laws threaten the continued existence of Fort Huachuca and the economic stability of both the City of Sierra Vista and Cochise County. However, implementation under the current bureaucracies does little if anything to protect or improve the environment. The focus is wrong. Politics, emotion, propaganda and public policy decisions have been allowed to override facts, science and economic data to the detriment of our local economy and the nation as a whole.

Bureau of Land Management (Sub-watershed Adjudication)

The BLM is attempting to stop development in the San Pedro Watershed until their Federal Reserve water rights are adjudicated. This long standing court battle, the first of its kind in Arizona, with a claim to halt development, is actually a test case in our small, rural area. If successful, the BLM could take control of groundwater away from the states and place it under the control of the federal government. This legal action has been in court since 1974 as part of the Gila River adjudication. The issue at hand is not so much establishing Federal Reserve water rights, but rather the attempt by the federal government to stop commercial and residential development or growth in a particular area. This legal case impacts the whole western United States, which is already struggling with water issues in the Colorado River. If they are successful in this court case, it would cripple our county from an economic development standpoint as our current population and tax base are not enough to sustain growth.

Impairments to watersheds, waterways, surface water, and downstream allocation of water due to excessive federal agency regulations are damaging local economies and historic uses in the United States. These matters need to be left up to States and local jurisdictions, not the Federal government. This issue is not only critical to residents of the County, but to the over 200,000 tourists who visit the County each year which provide needed tax dollars through tourism.

Reauthorization of STATE CRIMINAL ALIEN ASSISTANCE PROGRAM (SCAAP)

Brian McIntyre, County Attorney

Since October, our county has taken the initiative to prosecute juvenile drug smugglers along with their adult counter parts when apprehended by U.S. Border Patrol or Customs agents. For approximately 40 years in this county alone, such prosecutions were not permitted and the tremendous problem went ignored. An individual could be apprehended with significant quantities of illegal drugs and be returned immediately to Mexico solely because of the badge the arresting officer wore or the age of the individual. The resulting revolving door simply encouraged further efforts to utilize young offenders to facilitate the drug trade. (Either by statute or by policy, the U.S. Attorney's Office will not charge a juvenile for drug trafficking offenses.) Since standing up the program to coordinate with federal agencies along our border, our office has initiated prosecution of 38 suspects, 24 juveniles and 14 adults. Each of the offenders must be housed in our local jail, at great expense to the county, until being sentenced to the Arizona Department of Corrections, at great expense to the State. While the monetary loss is significant, the continued cost of allowing the illegal drug trade to run undeterred through our county is surely much greater. The personal loss to families, the danger trafficking poses to our citizens, and the overall decrease in quality of life in our county can no longer be tolerated.

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