

Week of January 18 - 22, 2016



Legislative Update

General Issues

January 23, 2016 is the 13th day of the 52st Legislature, Second Regular Session. To date, 800 bills have been introduced.

Public Safety Pension Reform

Legislative leaders have been busy preparing legislation to make changes to the State's Public Safety Personnel Retirement System (PSPRS). Once ready, identical bills will likely be introduced in the House and Senate with the goal of "fast tracking" the legislation to meet deadlines for a Constitutional measure to be included on the ballot for the May Special Election.

The majority of the changes will impact only newly hired public safety employees (those hired after the date the law goes into effect). Those provisions may include: a matching 50-50 contribution ratio between the employer and employee; pension spiking prevention measures, and an increased retirement age. The proposed legislation will also contemplate replacing the existing pension benefit index mechanism (PBI) with a more sustainable cost of living allowance (COLA).

A more thorough analysis will be provided once the bills are introduced.

Scottsdale Legislation

HB 2028 – Taxes; Payment; Condemned Property – HB 2028 states that if a municipality acquires real or personal property by condemnation, that entity is not required to pay unpaid taxes, penalties and interest in an amount that exceeds the fair market value of the property interest acquired. **The City of Scottsdale has requested that this bill be HELD in committee due to an inability to reach consensus on language between various county treasurers and the City. We are working with the counties to develop consensus language and will reassess when that language will be introduced.**

Status: *HB 2026 was introduced by Representative Darin Mitchell (Litchfield Park) and will be HELD in the House Ways and Means Committee.*

Recommendation: *HOLD*

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New Legislation

HB 2497 – Local Governments; Permits; Equipment – HB 2497 would require municipalities to allow specific companies to install and operate “microcell equipment” in a municipality’s public highways.

The bill requires that application and permit fees must be levied on a competitively neutral and nondiscriminatory basis and must be directly related to the costs incurred by the municipality in providing services relating to the permits. Recurring fees and rent for the use of microcell equipment are prohibited.

A municipal licensing authority is required to issue to a cable operator that applies a permit to attach "permitted wi-fi radio equipment" to the cable television system in public streets, roads and alleys in the area of jurisdiction.

Status: *HB 2497 was introduced by Representative Darin Mitchell (Litchfield Park) but has not yet been assigned to a committee.*

Recommendation: *Pending. Scottsdale staff is currently reviewing the provisions of this bill.*

Updates on Introduced Legislation

SB 1118 – Office of Tourism Continuation – SB 1118 will extend the statutory life of the Arizona Office of Tourism for eight years, ending on to July 1, 2024. The Office is currently set to sunset on July 1, 2016.

Status: *SB 1118 was introduced by Senator Kimberly Yee (Phoenix) and will be heard on Monday, January 25th in the Senate Commerce and Workforce Development Committee.*

Recommendation: *SUPPORT*

HB 2026 – Municipal Tax Exemption; Residential Lease – HB 2026 will prohibit municipalities with a population of more than 100,000 persons located in Maricopa and Pima counties from levying a transaction privilege tax on the business of renting or leasing real property for residential purposes. The bill provides a schedule to phase out existing residential rental tax levies by 25% each year over a four year period. The bill is retroactive to January 1, 2016. **This legislation is estimated to have a negative \$90 million impact to local governments statewide including a \$6.2 million negative impact to Scottsdale.**

Status: *HB 2026 was introduced by Representative Darin Mitchell (Litchfield Park) and is assigned to the House Ways and Means Committee. This bill is not on an agenda to be heard next week.*

Recommendation: *OPPOSE*

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HB 2267 – Prime Contracting Classification; Repeal – HB 2267 is an attempt to remedy the ambiguity of current law for a specific segment of contractors that is the result of previous changes to the TPT statutes (Tax Simplification). This bill would eliminate the current prime contracting transaction privilege tax classification and would be replaced with the manufactured building dealer classification for the business of selling manufactured buildings. Many of the deductions from the tax base for this tax classification are eliminated. The sale of construction material to a contractor is considered to be a sale or purchase at retail and is subject to taxation under the retail classification of transaction privilege taxes unless the personal property purchased will be used for a purpose that is otherwise exempt.

Municipalities are prohibited from assessing a transaction privilege or other excise tax on the business of contracting or on the gross proceeds of sales or gross income derived from the sale of construction materials to a licensed contractor for use in any project for which a building permit is required.

A tax is levied on the gross proceeds of sales or gross income derived from the sale of construction materials to a licensed contractor for use in any project for which a building permit is required at a rate of two percent of the tax base.

The Department of Revenue is required to collect this tax on behalf of and distribute the tax revenues to municipalities based on their proportionate share of the total value of building permits issued by all municipalities during the prior fiscal year.

Status: *HB 2267 was introduced by Representative Regina Cobb (Kingman) and has been assigned to the House Ways and Means Committee. **At this time, due to the complexity of bill and the system it would create, there appears to be substantial opposition from both the contracting industry and municipal interests.***

Recommendation: *OPPOSE*

HB 2391 – Municipalities; Water Rates; Requirements – HB 2391 proposes several changes to municipal water and wastewater rate structuring and requirements to ensure that water service fee revenues are used only for direct water and wastewater functions. However, the bill also contains language that would prohibit a municipality from using water service fees to acquire a private water business or company.

Status: *HB 2391 was introduced by Representative Rusty Bowers (Mesa) and is awaiting assignment to a standing committee.*

Recommendation: *OPPOSE unless the prohibition on water company acquisition language is removed.*

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HB 2483 – Municipal Population Estimates; Use – HB 2483 is a city-sponsored bill that would give cities and towns the option to use either the results of a special census (performed by the U.S. Census Bureau and paid by the requesting city or town) or use “population estimates” from the U.S. Census Bureau to determine their annual population. This consensus legislation is an attempt to provide current population data to cities and towns without the expense and aggravation that can be incurred from the current special census process.

Status: *HB 2483 was introduced by Representative Justin Olson (Mesa) and is awaiting assignment to a standing committee.*

Recommendation: *SUPPORT. This is consensus legislation and is also supported by a League of Arizona Cities and Towns Resolution.*

HB 2486 – Telecommunications; Utilities; Relocation Reimbursement – HB 2486 would require municipalities to reimburse telecommunications utility companies for the costs of relocating the utilities’ infrastructure if a municipality is to initiate a construction project that was the result of a voter-approved bond election. The legislation provides the methodology and additional requirements for the reimbursement.

Status: *HB 2486 was introduced by Representative Justin Olson (Mesa) and is awaiting assignment to a standing committee.*

Recommendation: *Pending. Scottsdale staff is currently reviewing the provisions of this bill.*