

Weeks of January 12-23, 2015



Legislative Update

General Issues

The 52st Legislature, First Regular Session began on January 12, 2015. There are 18 new legislators, a new Speaker of the House, David Gowen (Sierra Vista) and a new Governor, Doug Ducey. Senate President, Andy Biggs (Gilbert) was reelected to his previous leadership position.

Governor's Budget

Governor Doug Ducey released his budget on Friday, January 16th. The Governor's budget proposes a combination of one-time measures and major cuts to higher education and Medicaid providers to balance the \$9 billion state budget.

Arizona currently faces a deficit of approximately \$160 million in the current fiscal year and \$533 million shortfall in FY 2016. The Governor's budget assumes the state will win its appeal in the lawsuit over K-12 funding. If the state does not prevail in this lawsuit, it will be responsible for an additional \$300 million in K-funding each year.

The Governor's budget also proposes transferring \$8.2 million annually of state-shared revenues from cities and towns and \$5.9 million from counties to pay for operations of the State Department of Revenue (DOR). Previous year's legislation has move tax collection and accounting from local municipalities to the state and this is seen as a way for the state to pay for administering the city and town portion of DOR's TPT operations.

Additionally, there is a proposed \$0.76 charge per resident of the 18 non-programs cities (includes Scottsdale) to hire temporary staff to implement the TPT simplification measures passed in previous sessions.

The Governor's budget also proposes spending \$2 million annually to hire an additional 30 FTE at the DOR to capture an estimated \$300 million in uncollected TPT revenues. These funds will come out of the base TPT revenues, before distribution to the state, counties and cities. The estimated impact to cities and towns is approximately \$500,000. This is planned to be a permanent requirement, however, it is believed that future demand for these additional FTE may necessitate reducing their amount. The Governor's office estimates there will be an additional \$6.5 million in TPT revenue to cities due to the enhance collection activities.

The budget also provides a new funding source for the Department of Public Safety in an attempt to reduce the amount of HURF revenues now funding the Department. It proposes a new \$8.00 fee on vehicle registration that would generate approximately \$35 million each year.

[Governor's Budget Overview](#)

[Budget Executive Summary](#)

Legislative Update

Legislation

Introduction of bills this year is off to somewhat of a slow start and few bills have been scheduled for action in committees. To date, 782 bills have been introduced and one bill, HB 2064 (Graduation Requirements; Civics Test) has been signed by the Governor.

HB 2212 – Licensing; Accountability; Enforcement; Exceeding Regulation – HB 2212 would prohibit municipalities, counties, and state agencies from basing licensing decisions on requirements or conditions that are not specifically authorized by statute, rule, ordinance, or code. Enforcement is provided by a private right of action and relief may be awarded against a municipality, county, or state agency. The court is required to award attorney fees, costs, damages and license application fees to a party that prevails in an action. The bill also requires that the language of these statutes must be prominently printed on all license applications. A similar bill was vetoed last year by Governor Brewer. Scottsdale and other cities are working with the bill sponsor to tone down the more egregious portions of the bill. If the sponsor is unwilling to accept any changes to the bill then I would recommend that the City should oppose the bill.

Status: *HB 2212 was introduced by Representative Warren Petersen (Gilbert) and has been referred to the Judiciary Committee and the Committee on Government and Higher Education .*

Recommended Action: *Neutral with amendments.*

HB 2254 – Municipal Tax Exemption; Residential Rental – HB 2254 would prohibit municipalities from levying a TPT on businesses who rent or lease real property for residential purposes. The bill would require municipalities to completely phase-out their residential rental tax over a four-year period. Scottsdale collected \$5.1 million in residential rental tax (December 2013 to November 2014).

Status: *HB 2245 was introduced by Representative Darin Mitchell (Litchfield Park) and has been assigned to the House Ways & Means Committee where he is the committee Chair.*

Recommended Action: *OPPOSE*

SB 1066 – Political Subdivisions; Financial Audit Reports – SB 1066 would require municipalities, counties, and community college districts to post financial statements on their websites for at least 5 years. Governing bodies that fail to file financial statements within 18 months after the close of the fiscal year would be prohibited from adopting a general fund budget in the subsequent fiscal year that exceeds the amount budgeted in the current fiscal year.

Status: *SB 1066 was introduced by Senator Steve Pierce (Prescott) and has been assigned to the Senate Government Committee.*

Recommended Action: *Watch to see if bill gets hearing.*

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SB 1072 - Local Planning; Residential Housing; Prohibitions – SB 1072 would prohibit municipalities and counties from adopting a land use regulation or general or specific plan provision, or imposing as a condition for approving a building or use permit, requirement or fee that has the effect of establishing the sales or lease price for a housing unit or residential building lot or that requires a housing unit or residential building lot to be designated for sale or lease to any particular class or group of residents. It is believed that the bill's intent is to prohibit a requirement of affordable housing units as a condition for a permit, but the language is broad enough that it may encompass unintended classes of residents.

Status: *SB 1072 was introduced by Senator Steve Smith (Maricopa) and will be heard in the Senate Government Committee on Wednesday January 28th.*

Recommended Action: *Oppose.*