

Session at a Glance

- Adjourned *sine die* on May 4, 2018; 116 days (122 days in 2017)
- Special session for opioid epidemic legislation
- General Effective Date: August 3, 2018
- 1,206 bills introduced (1,079 in 2017)
- 369 bills sent to the Governor (355 bills in 2017)
- 346 bills signed (344 signed in 2017)
- 23 vetoes (11 in 2017)
- League staff tracked more than 200 bills

Major Legislative Issues

- **Teacher Pay**
- **Digital Goods**
- **VLT/HURF funds**
- **Opioids**
- **School Safety**

League Focus

- **Local Control**
- **Protection of Shared Revenue**
- **Honest Broker/Reliable Data**
- **Pre-session Work**
- **Resolutions**
- **Additional Bills Impacting Cities**

Major Issues: Budget/Revenue

- **HURF – SB 1529 revenues; budget reconciliation; 2018-2019 and SB 1520 general appropriations act; 2018-2019 (Kavanagh:Yarbrough)**
 - HB 2166 (vehicle fees; alternative fuel VLT) creates a Highway Safety Fee that is estimated to generate \$91 million in VLT for FY 2018-2019
 - By funding DPS with fee, HURF sweeps drop from \$99M in FY18 to \$15M in FY19; of the \$84 million dollars that is freed up in HURF, \$42 million goes to cities, towns and counties and \$42 million to the State Highway Fund
 - SB 1529 - A one-time appropriation of \$30 million to cities, towns and counties. (\$14.4 million to cities distributed the same as one-time HURF last year)
 - SB 1520 - \$12 million dollars to cities, towns and counties through regular HURF distribution (\$6.7 million to cities)
 - Small overall increase over last year
 - **(SIGNED)**

Major Issues: Budget/Revenue

- **Additional Budget Items Impacting Cities (Kavanagh: Yarbrough)**
 - SB 1522 allocated \$18.8 million from the State Aviation Fund to plan, construct, develop, and improve state, county, city or town airports as determined by the State Aviation Board (**SIGNED**)
 - SB 1523 allows the Concealed Weapons Permit Fund to be used for the Arizona Peace Officers Standards and Training Board (**SIGNED**)
 - SB 1529 requires that cities and towns continue to pay their proportionate share of \$20.8 million to fund the Department of Revenue operations (**SIGNED**)

Major Issues: Budget/Revenue

- **TPT, Digital Goods & Services – HB 2479 (Rep. Ugenti-Rita)/SB 1392 (Sen. Farnsworth)**
 - Defined “digital goods” in a way that restricted taxability
 - Defined “digital services” in a way that created at least eight new exemptions compared to historical tax treatment
 - 1) Did not view software as tangible personal property
 - 2) Characterized hardware rental as an exempt service
 - League projected ongoing revenue losses: Cities = \$48M; State = \$121M; Prop 301 Schools = \$14.5M
 - Despite sharp criticism, no alternative cost estimates provided
 - League offered alternative bill to codify existing practices; revenue-neutral
 - **(FAILED TO PASS)**

Major Issues: Budget/Revenue

- **TPT, Prime Contracting, Alteration, Replacement – SB 1409 (Sen. Fann)**
 - Excludes contractors that qualify for the ROC license “handyman” exclusion from Prime Contracting
 - Changes the definition of “Alteration” for Commercial projects by removing the limit of not more than 40% of the existing footprint being impacted and no more than 10% of added square footage.
 - Keeps MRRA in place, with limits of 25% of FCV for Residential; all contracts <\$750,000 for Commercial
 - **(SIGNED)**

Major Issues: Local Control

- **Home-Based Businesses - SB 1002 (Farnsworth); SB 1175 (Farnsworth); SB 1387 (Griffin/Weninger); HB 2333 (Weninger)**
 - This bill would have restricted a city's or town's ability to regulate home-based businesses.
 - A municipality would have been prohibited from permitting, licensing or otherwise regulating the operation of a “no-impact” home-based business
 - Would have limited the authority municipalities currently have over other home-based businesses.
 - Would have likely invited lawsuits and SB 1487 claims
 - **(FAILED TO PASS)**

Major Issues: Local Control

- **Food Trucks – HB 2371 (Rep. Payne)**
 - Establishes statewide food and health safety licensing standards for and standardizes local regulation of food truck operations
 - Cities and towns may continue to enforce current regulations and zoning codes unless prohibited by law; restricts operation in residential areas and at locations with insufficient parking capacity, among others
 - Local licensing requirements maintained
 - **(SIGNED)**

Major Issues: Local Control

- **Occupational Licensing – SB 1404 (Sen. Smith)/HB 2532 (Rep. Payne)**
 - SB 1404 would have prohibited cities, towns or counties from imposing new licensing requirements, levying new occupational fees or increasing any existing occupational fees on an individual **(FAILED TO PASS)**
 - HB 2532 was the compromise bill that requires a local government to hold a public hearing to demonstrate necessity before adopting an occupational licensing requirement on any occupation, trade or profession and to review existing licenses within five years of the effective date of the legislation and then every five years thereafter **(SIGNED)**

Major Issues: Local Control

- **Cable Operators – HB 2579/SB 1140 (Rep. Norgaard/Sen. Griffin)**
 - Establishes a uniform video service license and allows cable companies to terminate existing franchise license agreements after January 1, 2020
 - Prohibits public hearing and council action on license; cost recovery for license application; buildout and line extension requirements; and regulation beyond license issuance and ROW management
 - Cable-related disputes overseen by the Office of Administrative Hearings
 - **(SIGNED)**

Major Issues: Courts

- **SB 1487 Reforms - SB 1374/HB 2120 (Sen. Brophy-McGee)**
 - League proposed modifications to SB 1487:
 - Increased timeline for AG and municipality responses
 - Requirement that claims against municipalities may only come from a legislator who has all or a portion of that municipality within their legislative district
 - Municipality given access to courts for a “does violate”
 - Reimbursement for municipality fees and costs for a “does not violate”
 - Elimination of bond requirement for a “may violate”
 - **(FAILED TO PASS) - SB1374, (FAILED TO PASS) - HB2120**

Major Issues: Public Safety

- **PTSD Counseling – HB 2501/2502 (Rep. Boyer)**
 - In 2016 the Legislature approved a bill requiring employers to provide 12 counseling visits for employees who may have PTSD
 - Original version of 2018 legislation created PTSD presumption, tolling of workers' compensation, unlimited counseling visits, employer payment of salary when employee is unfit for duty, prohibition from employer doing independent medical exam, etc.
 - Negotiated version increases visits from 12 to 36, focuses on treatment from psychologists and psychiatrists only, provides up to 30 days of employer-paid salary and benefits if employee is determined unfit for duty and exhausts all other benefits
 - **(SIGNED)**

Major Issues: Resolutions

- **Sober Living Homes - SB 1465 (Sen. Brophy McGee)**
 - Establishes a licensing system under the Arizona Department of Health Services for all sober living homes
 - Rules to take effect January 1, 2019
 - **(SIGNED)**

- **Local Campaign Filings - HB 2078 (Rep. Finchem)**
 - 1) Lowers the threshold amount that triggers candidate committee registration from \$1,100 to \$500 for city and town candidates, 2) exempts the \$500 threshold from the biennial increase every two years; and 3) removes the fee assessed to a city or town for opting into the Secretary of State's campaign finance system (not yet operational for local governments).
 - **(SIGNED)**

Major Issues: Resolutions

- **Campaign Fund Transfers - HB 2182 (Rep. Coleman)**
 - Would have allowed a candidate committee for a municipal office to transfer contributions to that same candidate's committee for a statewide or legislative office.
 - State law currently allows county and statewide candidates to transfer these contributions.
 - **(FAILED TO PASS)**

- **Street Light Improvement Districts - SB 1281 (Sen. Kavanagh)**
 - Allows the consolidation of two or more SLIDs that have contiguous boundaries and allows the addition of new territory into an existing SLID
 - **(SIGNED)**

Major Issues: Resolutions

- **Special Event Liquor License Approvals - HB 2334 (Rep. Weninger)**
 - Allows City/Town Clerks to approve special event liquor licenses if authorized
 - Further amended to allow cities/towns to receive special event liquor licenses directly without having to contract with a non-profit
 - Worked with stakeholders to avoid unintended consequences of changing definition of “acts of violence” as it relates to liquor establishments
 - **(SIGNED)**

Bills We Helped Fix

- **Private School Zoning - HB 2461 (Rep. Leach)**
 - Would have exempted all private schools from zoning requirements
 - Amended bill to allow private schools to locate on parcels of under one acre or less
 - **(SIGNED)**

- **Civil Traffic Violations - SB 1455 (Sen. Petersen)**
 - Would have voided all traffic citations that required certain technical amendments (date, time, location)
 - Amended bill to restate the current Rules of Civil Procedure for Traffic
 - **(SIGNED)**

Bills We Helped Fix

- **Gov't Property Abatement, Slum & Blight - HB 2126 (Rep. Leach)**
 - Restricts the size of a central business (CBD) for purposes of Government Property Lease Excise Tax (GPLET) to the greatest of: a) the existing total land area of the central business district as of January 1, 2018; b) 2.5% of the total land area within the exterior boundaries of the city or town; or c) 960 acres.
 - Provides for automatic termination of a slum or blighted area within a CBD that was originally designated prior to October 1, 2018, after 10 years, unless formally renewed or modified by the city or town
 - Requires a city or town to review a slum or blighted area within a CBD before the 10th anniversary of its designation and to renew, modify or terminate the designation pursuant to the review. If modification or renewal of the original slum or blighted area designation occurs, subsequent reviews must occur every 10 years.
 - **(SIGNED)**

Bills That Failed to Pass

- **Statute of Repose, Dedicated Property - HB 2116 (Rep. Kern)**
 - Would have limited a developer's liability on a project that received a permit from a city or town to eight years from the date of substantial completion
- **Assumed Rate of Return - SB 1262 (Sen. Petersen)**
 - Would have required PSPRS, EORP, and CORP plans to reduce assumed rates of return to 4.7%, increasing contribution rates by >30% per employer
- **Photo Radar Ban - HB 2208 (Rep. Grantham)**
 - Would have banned ALL photo enforcement (e.g. red lights, school zones)

Bills That Failed to Pass

- **GPLET Tax Limit HB 2330 (Rep. Leach)**
 - Would have required the state treasurer to withhold shared revenues and that these monies would be used to pay an affected school district for additional state aid
- **Municipal Economic Development, Sale/Lease HB 2005 (Rep. Leach)**
 - Would have required a city or town to appoint an appraiser to determine the valuation of any sold or leased land or building valued over \$50,000 and to sell or lease land only at a public auction to the highest responsible bidder

Bills That Failed to Pass

- **Fire Flow - SB 1153 (Sen. Allen)**
 - Would have exempted builders from ensuring sufficient water quantity/pressure is available per the fire code in counties under 500K
 - More dangerous than last year's proposal allowing for an individual waiver
- **Fire Sprinklers - SB 1093 (Sen. Griffin)**
 - Would have prohibited cities from enforcing fire sprinkler requirements on single family residences IF their ordinance did not apply to ALL single family residences of the municipality

Bills That Failed to Pass

- **Food Producers; Prohibited Ordinances – SB1250 (Sen. Farnsworth)**
 - Would have prohibited local governments from restricting the rights of an owner, proprietor or tenant of agricultural lands, orchards, farms and gardens, including residential and community gardens, to produce food products
 - Food products would have included every product of the soil, in addition to beef, swine, fowl and dairy as well as livestock raised for production or use
- **County Excise Tax for Transportation - HB 2165/SB 1147/HB 2162 (Rep. Campbell, Sen. Worsley)**
 - Would have allowed small counties to submit to the voters a transportation plan and supplemental excise tax for approval
 - Would have allowed Maricopa, Pinal and Pima counties to, upon voter approval, renew and extend their transportation excise tax

Bills That Failed to Pass

- **Real Estate Signs - HB 2500 (Rep. Grantham)**
 - Would have allowed a property owner to advertise property for sale or rent with a sign within a public or private right-of-way
- **HURF Distribution, Cities/Towns, Counties - HB 2514 (Rep. Cook)**
 - Would have altered the Casa Grande Accord distribution by taking \$18M from HURF funds and distributes those funds to cities with a population of less than 7,500 and counties with a population of less than 250,000

Other Bills of Interest

- **ASRS Non-Participating Employer - SB 1054 (Sen. Fann)**
 - Requires an employer to pay their accrued liabilities in ASRS if the employer meets certain criteria to be defined as a non-participating employer
(SIGNED)
- **Photo Radar Review - SB 1110 (Sen. Borrelli)**
 - Requires a peace officer to review each photo radar ticket before issuance
(SIGNED)
- **TPT Online Lodging - SB 1382 (Sen. Kavanagh)**
 - Starting in tax year 2019, requires all online lodging market places to register with DOR for a TPT license **(SIGNED)**

Other Bills of Interest

- **EORP, Employer Contributions – SB 1478 (Sen. Fann)**
 - Removes the employer contribution rate cap in EORP from 23.5% to the rate as determined by the actuary; for FY19 the employer rate will be 61.5% (**SIGNED**)
- **Pension Funding Policy Requirement - HB 2097 (Rep. Livingston)**
 - Requires all employers participating in PSPRS to approve an annual funding policy indicating how the employer intends to pay their unfunded liabilities (**SIGNED**)
- **Community Facilities Districts - SB 1499 (Sen. Smith)**
 - Corrects a drafting error in last year's community facilities district legislation and provides for the designation of subsequent board members upon term expiration or vacancy caused by death, resignation or an inability to discharge duties (**SIGNED**)

Other Bills of Interest

- **Police/Fire Leave of Absence Definition of “Day” - HB 2412 (Rep. Shope)**
 - Defines “day” for the purposes of police and fire personnel who take a leave of absence for military duty, as the shift of work for that individual (**SIGNED**)
- **Prime Contracting Study Appropriation – HB 2416 (Rep. Cobb)**
 - Appropriates \$75,000 for an independent study of the rate of non-compliance in the Prime Contracting classification (**SIGNED**)
- **Local Food Tax/Soda Tax - HB 2484 (Rep. Shope)**
 - Requires cities/towns to only impose one rate on Food for Home Consumption [groceries] and one rate on food for consumption on premises [Restaurant & Bar] (**SIGNED**)
- **Consolidated Elections – HB 2604 (Rep. Mesnard)**
 - Requires Cities and Towns to hold elections on a statewide election date if its previous elections on a non-statewide election date resulted in a significant decrease in voter turnout (**SIGNED**)

League Policy Committees

- Participation in five League Policy Committees is the opportunity for city/town elected officials and staff to research and discuss issues that become the basis for League legislative policy
- Compressed meeting schedule: One meeting per month May-July
- Issues forwarded by Policy Committees are discussed and adopted at the League Annual Conference
- **Budget, Finance and Economic Development**
Chair: Mayor Daryl Seymore of Show Low, League Staff: Tom Savage
- **General Administration, Human Resources and Elections**
Chair: Mayor Lana Mook of El Mirage, League Staff: Tom Belshe
- **Neighborhoods, Quality of Life and Sustainability**
Chair: Mayor Linda Kavanagh of Fountain Hills, League Staff: Alex Vidal
- **Public Safety, Military Affairs and Courts**
Chair: Mayor Jerry Weiers of Glendale, League Staff: Alex Vidal
- **Transportation, Infrastructure and Public Works**
Chair: Mayor Bob Rivera of Thatcher, League Staff: Tom Savage

League Programs and Tools

- League Annual Conference, August 21-24, Phoenix
- Publications, webinars, training classes, implementation guidelines, model city tax code, annexation and incorporation
- Affiliate organizations
- Legislative Resources
 - Monday Legislative Calls
 - Legislative Bill Monitoring
 - Legislative Bulletin
 - Legislative Alerts

Questions?

1820 W. Washington St.
Phoenix, AZ 85007

www.azleague.org



@AZCities

602-258-5786