

- [*HB 2703](#) government; budget reconciliation; 2016-2017.
 SPONSOR: MONTENEGRO, LD13 HOUSE
 APPROP 4/28 DP (8-6-0-0-0)
 (No: FERNANDEZ,MEYER,ALSTON,CARDENAS,RIVERO,MACH)
- [*HB 2704](#) budget reconciliation; health; 2016-2017.
 SPONSOR: MONTENEGRO, LD13 HOUSE
 APPROP 4/28 DP (8-6-0-0-0)
 (No: FERNANDEZ,MEYER,ALSTON,CARDENAS,RIVERO,MACH)
- [*HB 2705](#) human services; budget reconciliation; 2016-2017.
 SPONSOR: MONTENEGRO, LD13 HOUSE
 APPROP 4/29 DP (8-6-0-0-0)
 (No: FERNANDEZ,MEYER,ALSTON,CARDENAS,RIVERO,MACH)
- [*HB 2706](#) budget reconciliation; higher education; 2016-2017
 SPONSOR: MONTENEGRO, LD13 HOUSE
 APPROP 4/29 DPA (8-6-0-0-0)
 (No: FERNANDEZ,MEYER,ALSTON,CARDENAS,RIVERO,MACH)
- [*HB 2707](#) K-12 education; budget reconciliation; 2016-2017.
 SPONSOR: MONTENEGRO, LD13 HOUSE
 APPROP 4/29 DP (8-6-0-0-0)
 (No: FERNANDEZ,MEYER,ALSTON,CARDENAS,RIVERO,MACH)
- [*HB 2708](#) revenue; budget reconciliation; 2016-2017
 SPONSOR: MONTENEGRO, LD13 HOUSE
 APPROP 4/29 DPA (7-6-0-1-0)
 (No: FERNANDEZ,MEYER,ALSTON,CARDENAS,RIVERO,MACH; Abs:
 GRAY)
- [*HCR 2051](#) trust land management; budget reconciliation.
 SPONSOR: MONTENEGRO, LD13 HOUSE
 APPROP 4/28 DP (11-3-0-0-0)
 (No: FERNANDEZ,MEYER,CARDENAS)
- [*SB 1505](#) ~~natural gas delivery; tax exemption~~
 (Now: tax exemption; natural gas delivery)
 SPONSOR: WORSLEY, LD25
 SENATE 3/3/2016 (22-8-0-0)
 (No: DALESSANDRO,CAJERO
 BEDFORD,FARLEY,BRADLEY,CONTRERAS,HOBBS,QUEZADA,SHER
 WOOD)
 APPROP 3/23 DP (11-3-0-0-0)
 (No: FERNANDEZ,MEYER,MACH)

Committee on Government and Higher Education

Chairman: Bob Thorpe, LD6
Analyst: Sharon Carpenter

Vice Chairman: J. Christopher Ackerley, LD2
Intern: Taylor McGrew

- [*SB 1402](#) class six property; higher education.
 SPONSOR: YARBROUGH, LD17
 SENATE 2/22/2016 (16-14-0-0)
 (No: PIERCE,DALESSANDRO,CAJERO
 BEDFORD,PANCRAZI,MCGUIRE,FARLEY,DIAL,CONTRERAS,HOBBS,
 MIRANDA,QUEZADA,MEZA,SHERWOOD,DONAHUE)
 GHE 3/10 DP (4-3-0-2-0)
 (No: ACKERLEY,ALSTON,SALDATE; Abs: OLSON,LARKIN)

Committee on Ways and Means
Chairman: Darin Mitchell, LD13
Analyst: Michael Madden

Vice Chairman: Anthony Kern, LD20
Intern: Kaitlyn Yanes

[*SB 1216](#) charitable donations; tax credit amounts
SPONSOR: YARBROUGH, LD17
SENATE 2/22/2016 (29-1-0-0)
(No: DALESSANDRO)
WM 3/14 DP (9-0-0-0-0)

[*SB 1217](#) charitable tax credit; contribution date
SPONSOR: YARBROUGH, LD17
SENATE 2/22/2016 (30-0-0-0)
WM 3/14 DP (8-0-0-1-0)
(Abs: BOLDING)

***PENDING RULES COMMITTEE**



HOUSE OF REPRESENTATIVES

HB 2695

general appropriations act; 2016-2017

Prime Sponsor: Representative Montenegro, LD 13

DP Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2695 makes state General Fund (GF) and other fund (OF) appropriations and transfers for Fiscal Year (FY) 2017 for the operation of state government and makes various budget revisions and supplemental appropriations for FY 2016.

PROVISIONS

1. The tables below indicate GF and OF changes for each appropriated state agency for FY 2017 along with major footnote changes.

Summary of Changes	Fund Source	Comments	FY 2017 Changes
Arizona Department of Administration (ADOA)			
Procurement Funding	GF		500,000
Accounting System Operating Costs	GF		500,000

- States legislative intent that ADOA not replace vehicles until they have an average of 80,000 miles or more. Requires ADOA to submit a report for Joint Legislative Budget Committee (JLBC) review by August 1, 2017 on the maintenance savings achieved by replacing vehicles with an average of 80,000.
- Requires ADOA to submit a report by October 1, 2016 on the structure, allocation and fund sources for all information technology (IT) and automation project oversight Full Time Equivalent (FTE) positions within ADOA.
- Requires certain agencies with one-time IT appropriations in FY 2017 to complete a Project Investment Justification approved by the Arizona Strategic Enterprise Technology Office. The agencies affected are: Board of Barbers, State Board of Funeral Directors and Embalmers, Board of Massage Therapy, Naturopathic Physicians Medical Board, Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers, Arizona Board of Osteopathic Examiners in Medicine and Surgery, Arizona State Board of Pharmacy, Board of Physical Therapy and the Arizona State Veterinary Medical Examining Board.

Arizona Health Care Cost Containment System (AHCCCS)			
Formula Adjustments	GF		(50,900,000)
Arizona Long Term Care System (ALTCS) Adult Dental	GF		1,400,000
Behavioral Health Services Administrative Savings	GF		(500,000)

- Requires AHCCCS to report to the directors of JLBC and the Governor's Office of Strategic Planning and Budgeting (OSPB) by December 1, 2016 on estimates of retroactive capitation rate changes to calendar year 2015 rates for reimbursement of the Affordable Care Act health insurer fee. States the amendments to rates are not subject to JLBC review.
- Requires AHCCCS to transfer \$1,200,000 from the non-Medicaid seriously mentally ill services line item for FY 2017 to the Department of Health Services (DHS) for the costs of prescription medications for persons with a serious mental illness at the Arizona State Hospital (ASH).

Attorney General (AG)			
Post Conviction Fund Shift	GF		800,000

- Requires the AG to submit an expenditure plan by June 1, 2016 for the FY 2017 internet crimes against children enforcement line item for review by JLBC.

Department of Child Safety (DCS)			
Preventative Services	GF		5,000,000
Remove One-Time Backlog Reduction Funding	GF		8,400,000
Permanency Growth	GF		6,400,000
Emergency and Residential Placement	GF		8,000,000
Foster Care Growth	GF		2,000,000
Out of Home Support Services Growth	GF		12,500,000
Child Care Growth	GF		2,000,000
AG Shortfall	GF		1,900,000
Attorneys	GF		3,100,000
Central Administration	GF		6,700,000
Case Aides	GF		2,500,000
Backlog Privatization	GF		2,700,000
Non-GF Solutions	GF		(25,000,000)

- Prohibits the transfer of appropriated amounts for any line item to another line item or the operating budget unless the transfer is reviewed by JLBC.
- Requires all expenditures made by DCS for AG legal services by funded only from the AG legal services line item. Directs monies in DCS line items intended for this purpose to be transferred to the AG legal services line item before expenditure.
- Deletes footnote concerning backlog Request For Proposals.
- Revises the quarterly benchmark report to include: 1) the caseload standard, 2) new backlog benchmark of under 1,000 cases as of June 30, 2017 and thereafter, 3) new backlog benchmark to reduce the number of children in out-of-home care as of June 30, 2016 by an additional 2.5% every quarter through June 30, 2018, reaching a cumulative 20% below the June 30, 2016 level.
- Requires JLBC to inform the General Accounting Office (GAO) of ADOA if DCS has not submitted the quarterly report within 30 days after the last day of the calendar quarter. Requires GAO to withhold 2% of DCS' operating lump sum quarterly budget allocation until the report is submitted.
- Requires DCS, before expending any remaining monies in the overtime pay appropriation or any monies in the backlog privatization and new case aides appropriations, to submit a report for JLBC review on private contractor awards to address the backlog.
- Requires the quarterly report to provide the same information on the total number of FTE positions as is required by the monthly hiring report.
- Requires DCS to submit a report by June 1, 2016 of the number of filled central administrative staff positions as of April 1, 2016, for JLBC review. Requires the report to delineate the filled central administrative staff position by division and position type.
- Outlines intent and job type for some of the new 60 FTEs for central administrative staff: 16 FTEs for the office of contracts, 10 FTEs for finance and accounting, and 10 FTEs for the office of procurement. Requires DCS to submit a report of the proposed hiring plan by September 30, 2016 for JLBC review.
- Requires DCS to provide a summary of the Moss-Adams audit for review by JLBC by July 1, 2016. Requires the summary to detail any deficiencies related to the department's financial processes.
- Details components of the child safety expenditure authority.

Arizona Department of Corrections (ADC)			
Northern Regional Community Corrections Center	GF		1,600,000
Inmate Healthcare	OF		COP Savings
Re-Entry Planner	GF		100,000

- Stipulates that the amount appropriated for the inmate health care contracted services line item includes sufficient monies to fund a 4% adjustment for the fourth year of the contract.

Arizona Criminal Justice Commission (ACJC)			
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- Requires ACJC to report to JLBC by August 31, 2016 regarding noncompliance with the statutory Anti-Racketeering Revolving Fund reporting requirements.

Department of Economic Security (DES)			
Developmental Disabilities (DD) 1% Provider Rate Increase	GF		3,000,000
ALTCS Adult Dental	GF		1,200,000
Vocational Rehabilitation	GF		2,000,000

- Deletes footnote requiring any federal Temporary Assistance for Needy Families (TANF) block grant monies in excess of the original FY 2016 combined DCS and DES TANF appropriations to be reverted to the GF.
- Deletes footnote concerning proportional reduction of GF dollars to DES and DCS for every federal TANF block grant dollar received in excess of their appropriation.
- Requires DES to submit an expenditure plan to JLBC for review of any new Division of Developmental Disabilities salary adjustments not previously reviewed by JLBC.
- Requires DES to report to JLBC by September 1, 2016 the number of filled positions for case managers and non-case managers in the Division of Developmental Disabilities as of June 30, 2016. Requires DES to submit an expenditure plan of its staffing levels for review by JLBC if DES plans on hiring staff for non-case manager, non-case aide, non-case unit supervisor and non-case section manager positions above the staffing level indicated in the September 1, 2016 report.
- Stipulates that the appropriated amount in the home and community based services – Medicaid line item includes \$2,791,800 from the GF and \$6,260,600 in developmental disabilities Medicaid expenditure authority for an across-the-board 1% full-year rate adjustment for home and community based services providers to individuals with developmental disabilities whose current rates are less than 100% of the benchmark rates published in the 2014 rate rebase study, in addition to any adjustment as part of the aggregate 2.5% capitation rate increase. Prohibits a provider rate from inverting to more than 100% of the benchmark rates published in the 2014 rate rebase study as a result of the 1% adjustment. Requires DES to report its distribution plan to JLBC by August 1, 2016.

Arizona Department of Education (ADE)			
Formula	GF		(24,600,000)
Joint Technical Education District (JTED) Funding/Reforms	GF		29,000,000
Small School Weight	GF		1,200,000
Tribal Dual Enrollment	OF		90,000
District-Sponsored Charter Schools	GF	One-Time	600,000
Geographic Literacy	GF	One-Time	100,000

- Reduces the amount appropriated for Basic State Aid from the Permanent State School Fund for FY 2017 by \$172,444,700 if Proposition 123 is not approved by voters.
- Requires ADE to allocate \$74,394,000 of the Basic State Aid appropriation for a separate additional inflation adjustment apart from the Basic State Aid formula if Proposition 123 is not approved by voters.

- Stipulates that the amount appropriated to ADE’s operating budget includes \$500,000 for technical assistance and state level administration of the K-3 Reading Program.
- Allows, after JLBC review, ADE to use a portion of its FY 2017 GF appropriations for Basic State Aid or Additional State Aid to fund a shortfall in funding for Basic State Aid or Additional State Aid that occurred in FY 2016.
- Stipulates that the appropriation for former district-sponsored charter schools for FY 2017 consists of one-time monies to provide additional Base Support Level (BSL) funding on a one-time basis to school districts that operated district-sponsored charter schools in FY 2016 and that qualify for state aid in FY 2017. Requires the appropriated amount to be allocated to school districts on a pro rata basis based on the number of Average Daily Membership pupils who attended district-sponsored charter schools in each school district for FY 2016. Adds monies received from this line item to the district’s BSL for FY 2017, and directs ADE to increase its budget limits accordingly. Requires ADE to make corresponding BSL and budget limit increases for school districts that operated district-sponsored charter schools in FY 2016, but do not qualify for state aid in FY 2017.
- Requires ADE to use the appropriated one-time amount for geographic literacy to issue a grant to a statewide geographic alliance. Exempts the appropriation from lapsing.

Department of Emergency and Military Affairs (DEMA)			
State Match for Army/Air Guard Facilities	GF		1,500,000

Department of Environmental Quality (DEQ)			
Water Quality Assurance Revolving Fund (WQARF) Fund Shift	GF		(4,200,000)

Department of Financial Institutions

- Specifies that of the amount appropriated from the GF, the sum of \$817,000 reverts to the GF if the Board of Appraisal Fund is not repealed in the Fifty-Second Legislature, Second Regular Session.

Department of Fire, Building and Life Safety (FBLS)			
Consolidation with State Forester, Department of Housing, and State Real Estate Department	GF		(2,200,000)

State Forester			
FBLS Consolidation (State Fire Marshal)	GF		900,000
Risk Management Increase	GF		100,000
Fire Management Software	GF	One-Time	100,000
Inmate Fire Crew Carriers	GF	One-Time	200,000
Wildland Fire Engines	GF	One-Time	100,000

Arizona Game and Fish Department

- Stipulates that the operating lump sum appropriation includes \$795,000 from the Game and Fish Fund to increase the minimum salary for a full year by at least \$8,700 for the following positions: wildlife manager, wildlife manager 2, wildlife manager 3, wildlife manager field supervisor, law enforcement specialist 2, law enforcement specialist 3 and law enforcement program manager.

Geological Survey			
Consolidation with the University of Arizona	GF		(900,000)

Department of Health Services (DHS)			
Additional Security Officers and Nurses for ASH	GF		1,500,000

Department of Housing			
FBLS Consolidation (Board of Manufactured Housing)	GF		800,000

Judiciary			
Dependency Caseload	GF		3,000,000
Adult Standard Probation Growth (Contingent)	GF		1,000,000
Two New Justices Funding (Contingent)	GF		500,000
1.5% Judicial Pay Raise (Contingent)	GF		100,000

- Requires monies appropriated in the Dependency Surge Funding line item to be used only as pass-through monies to county superior courts for dependency case processing. Monies in the line item are exempt from lapsing, except that all FY 2017 monies remaining unexpended and unencumbered on June 30, 2018 revert to the GF. Requires the Administrative Office of the Courts to report to JLBC by December 1, 2016 on the amount allocated from the line item by court and judicial function within these courts.
- Conditions spending the sum of \$1,000,000 included in the adult standard probation line item on the number of Supreme Court justices being increased from five to seven in FY 2017.
- Outlines amounts allocated to the first year of a two-year phase-in for a 3% total pay raise for Supreme Court, Court of Appeals and superior court justices. The pay raise is contingent on the number of Supreme Court justices being increased from five to seven in FY 2017.
- Stipulates that the operating lump sum appropriation for the Supreme Court includes \$500,000 and two FTEs for the creation of two new Supreme Court justices, and may only be spent if the number of justices is increased in FY 2017.

Department of Juvenile Corrections (DJC)			
Lower Population and County Savings	GF		(1,500,000)

State Land Department			
Central Arizona Project Fees	GF		32,000

Legislature - Senate			
Additional Funding	GF		1,250,000

Department of Public Safety (DPS)			
Border Security	GF		8,000,000
Pay Raise (3% All Sworn and Highway Patrol Civilian)	GF		4,600,000
Civil Air Patrol	GF		200,000

- Requires DPS to submit an expenditure plan for JLBC review before the expenditure of any monies appropriated in FY 2017 in the Border Strike Force line items.
- Specifies funding available for local governments from the Border Strike Force local support line item.
- Requires DPS to submit a report for JLBC review before spending any monies from the sexual assault kit testing line item. Outlines report requirements.

- Stipulates that the law enforcement virtual training line item includes \$2,100,000 for virtual training for law enforcement officers and must be awarded to a contractor using a competitive bid process. Outlines virtual training requirements, including the use of a simulator.
- Specifies amounts allocated for a 3% aggregate pay full-year pay adjustment for sworn officer and civilian employees of the Highway Patrol Division. Requires DPS to report its pay adjustment plan to JLBC by August 1, 2016.

State Real Estate Department			
FBLs Consolidation	GF		18,000

Department of Revenue (DOR)

- Prohibits DOR from transferring any monies to or from the income tax fraud prevention line item without prior review by JLBC.
- Requires DOR to report to JLBC the results of private fraud prevention investigation services during FY 2016. Requires the report to include the total number and dollar amount of fraudulent returns prevented during FY 2016.

School Facilities Board (SFB)			
Create Public School Credit Enhancement Program		Shifts Existing Funds	(21,500,000)

- Deletes footnote requiring SFB to transfer \$1,000,000 from the building renewal grants line item to the Emergency Deficiencies Correction Fund in FY 2015.
- Requires SFB to report on proposed transfers to the director of JLBC at least 30 days before any monies are transferred out of the new school facilities debt service line item.

Secretary of State (SOS)

- Restricts all monies in the elections services line item to be used only to pay for the statewide election publicity pamphlet and as pass-through monies to county election divisions for reimbursement of the costs of elections.

Arizona Department of Transportation (ADOT)

- Requires ADOT to contract with an independent third-party consultant for the duration of the Motor Vehicle Division (MVD) Legacy System replacement project. Requires the consultant to submit an annual progress report by February 1, 2017 for JLBC review. Details report requirements.
- Requires ADOT to report to the JLBC director by July 31, 2017 on the cost to link local governments, state agencies and other users with the new MVD automated system.
- Requires ADOT to report to the JLBC director by August 1, 2016 on the state's share of fees retained by the Service Arizona vendor in the prior FY. Details report requirements.
- Restricts all expenditures made by ADOT for AG legal services to be funded only from the AG legal services line item. Requires monies in ADOT line items intended for this purpose to be transferred to the AG legal services line item before expenditure.

Universities – Arizona Board of Regents

- Requires JLBC staff to use the overall allocation of GF and appropriated tuition monies for each university in determining a university's specific statewide adjustment.

Universities – Arizona State University (ASU) – Tempe and Downtown Phoenix			
Freedom School	GF		3,000,000

- Requires the appropriated amount for the School of Civic and Economic Thought and Leadership be used by the president of ASU to establish a School of Civic and Economic Thought and Leadership consisting of the former Center for Political Thought and Leadership and the Center for the Study of Economic Liberty. Prohibits the appropriated amount from supplanting any existing state funding or private or external donations to the former centers or to the school. Restricts the appropriated monies and all private and external donations to the school to be used only for the direct operation of the school and not used for indirect costs of the university. Adds a reporting requirement.

Universities – University of Arizona (UA) – Main			
Freedom School	GF		2,000,000

- Prohibits the appropriated amount for the Center for the Philosophy of Freedom from supplanting any existing state funding or private or external donations to the center or the philosophy department. Restricts the appropriated monies and all private and external donations to the center to be used only for the direct operation of the center and not used for indirect costs of the university. Adds a reporting requirement.

FY 2016 SUPPLEMENTAL APPROPRIATIONS AND ADJUSTMENTS

2016 GF and OF Changes		
ADOA – Federal Government Disallowed Costs – Risk Management	OF	3,614,100
ADOA – Reimburse Federal Transfers – Special Employee Health Insurance Trust Fund	OF	6,167,600
Office of Administrative Hearings – Healthcare Group Fund	OF	(12,300)
AHCCCS – Prescription Drug Rebate Fund – State	OF	22,100,000
AHCCCS – Tobacco Products Tax Fund – Emergency Health Services Account	OF	830,800
AHCCCS – Tobacco Products Tax Fund – Medically Needy Account	OF	3,318,500
DCS – Backlog Privatization (non-lapsing until June 30, 2017)	GF	2,700,000
DCS – General Operations or Contracted Services – Federal TANF Block Grant	OF	17,123,600
DCS – Child Safety Expenditure Authority	OF	21,418,500
DCS – Lump Sum	GF	32,264,600
DCS – Litigation Expenses – Risk Management Revolving Fund (non-lapsing until June 30, 2017)	OF	2,867,600
ADC – Inmate Health Care Contracted Services Line Item	GF	5,200,000
DES – Home and Community Based Services Medicaid Line Item	GF	6,752,300
DES – Home and Community Based Services Medicaid Line Item – Long-Term Care Fund Expenditure Authority	OF	14,893,200
DES – TANF Cash Benefits Line – TANF Block Grant	OF	(9,905,000)
ADE – Professional Development Courses – ADE Professional Development Revolving Fund	OF	2,700,000
ADE – Tribal College Dual Enrollment Program – Tribal College Dual Enrollment Program Fund	OF	160,000
DEMA – Service Contracts (non-lapsing until December 31, 2016)	GF	746,700
Forester – Risk Management Premium Payment	GF	146,700
DHS – Medicaid Behavioral Health Capitation Payments – Tobacco Tax and Health Care Fund – Medically Needy Account	OF	9,235,300
DHS – Medicaid Behavioral Health Capitation Payments – Prescription Drug Rebate Fund	OF	8,824,500
DHS – Medicaid Behavioral Health Capitation Payments – Federal Medicaid Authority	OF	112,373,300
SFB – Building Renewal Grants	GF	15,000,000
SFB – New School Facilities Debt Service Line Item	GF	(1,278,700)
SOS – Reimbursing Presidential Preference Election (PPE) Costs	GF	6,130,000
ABOR – Health Care Adjustments	GF	4,076,000
Department of Veterans’ Services – Increased Dietary Service Costs – State Home for Veterans Trust Fund	OF	278,000

2. Increases the sum of \$539,311,600 from the AHCCCS appropriation from the expenditure authority in FY 2016. The total includes the following increases:
 - a. \$421,394,400 from federal Medicaid Authority.
 - b. \$78,318,300 from the Prescription Drug Rebate Fund – Federal.
 - c. \$34,502,000 from the Hospital Assessment Fund.
 - d. \$5,096,900 from the Tobacco Products Tax Fund – Proposition 204 Protection Account.
 - i. Requires AHCCCS to transfer at most \$3,352,200 to DHS in FY 2016 for Medicaid behavioral health capitation payments for persons who are eligible for services.
3. Designates the DES FY 2016 GF appropriation to the home and community based services Medicaid line item to be used to draw down federal matching funds in FY 2016 for the Division of Developmental Disabilities capitation payments. Requires DES to request JLBC review before spending monies for any other purpose.
4. Exempts \$870,800 of the \$25,181,600 appropriated to the Arizona State Retirement System (ASRS) from the ASRS Administration Account in FY 2016 from lapsing until June 30, 2017 for the purpose of paying IT security costs.
5. Requires the SOS to reimburse counties for the PPE based on the number of active voters in that county on January 1, 2016, as follows:
 - a. For counties with an official active voter registration total of 450,000 persons or more, the amount of the actual expenses incurred up to the amount of the estimated cost that was provided by the county to the SOS by October 30, 2015, or \$2.50 per registered voter, whichever is less.
 - b. For counties with an official active voter registration total of 35,000 to 449,999 persons, the amount of the actual expenses incurred up to the amount of the estimated cost that was provided by the county to the SOS by October 30, 2015, or \$3.00 per active registered voter, whichever is less.
 - c. For counties with an official active voter registration total of 34,999 persons or less, the amount of the actual expenses incurred up to the amount of the estimated cost that was provided by the county to the SOS by October 30, 2015, or \$3.50 per registered voter, whichever is less.
6. Requires a county to submit its certified PPE claims to the SOS no later than June 1, 2016.
7. Prohibits, if reimbursing for actual expenses, the SOS from reimbursing counties for the PPE for the following:
 - a. Regular pay and associated employer related expenses for permanent county employees.
 - b. Maintenance of infrastructure, machinery and equipment.
 - c. Any expenditure that is not reimbursable as prescribed by the State of Arizona Accounting Manual in effect on January 1, 2016.
8. Requires the SOS to submit a report to the Joint Legislative Budget Committee and the Office of Strategic Planning and Budgeting regarding PPE reimbursements by October 1, 2016.
9. Specifies that the appropriation and reimbursement rates do not set a precedent that the costs of administration of any process to select party nominees for a presidential election held after March 22, 2016 will be reimbursed by the state at any particular level. Designates responsibility to future legislatures to determine the appropriate funding levels for any future presidential nominee selection process.
10. Divides the FY 2016 GF supplemental appropriation to ABOR for health care adjustments as follows:
 - a. ASU – Tempe and Downtown Phoenix Campuses - \$1,895,000
 - b. ASU – East Campus - \$182,700
 - c. ASU – West Campus - \$205,500
 - d. Northern Arizona University (NAU) - \$40,200
 - e. UA – Main Campus - \$1,330,700
 - f. UA – Health Sciences Center - \$421,900
11. Eliminates the following university payment deferrals, totaling \$200,000,000, through one-time FY 2016 GF appropriations:

University Payment Deferral Elimination	
ASU – Tempe and Downtown Phoenix Campuses	74,760,400
ASU – East Campus	5,750,200
ASU – West Campus	10,064,800
Northern Arizona University	30,494,800
UA – Main Campus	62,153,100
UA – Health Sciences Center	16,776,700

12. Eliminates the following FY 2016 state agency payment deferrals by appropriating the following amounts in FY 2016:

Agency Payment Deferral Elimination	
DCS	11,000,000
DES	21,000,000

13. Divides the \$21,000,000 GF appropriation to DES in FY 2016 for payments of FY 2016 claims as follows:
 - a. \$20,000,000 for the home and community based services Medicaid line item.
 - b. \$1,000,000 for the rehabilitation services line item.
14. Reduces the FY 2017 transfer from the Special Employee Health Insurance Trust Fund (HITF) to the GF from \$100,000,000 to \$50,000,000. The transfer, part of the FY 2016 General Appropriations Act, is to provide adequate support and maintenance for state agencies.

ADDITIONAL FY 2017 APPROPRIATIONS AND ADJUSTMENTS

ADOA

15. Extends, through FY 2017, the exemption from the lapsing of appropriations for ADOA's FY 2015 appropriation of \$4,132,000 for the purpose of paying contingency costs related to the replacement of the AFIS.
 - a. Requires the remaining \$3,103,000 to be used for the replacement of the state's e-procurement system, subject to review by JLBC.
16. Extends, to June 30, 2017, the exemption from the lapsing of appropriations for the GF appropriation to ADOA in FY 2015 of \$19,500,000 for costs associated with the establishment of DCS and the relocation of the data center operated by DES.
17. Appropriates \$5,500,500 from the GF in FY 2017 to ADOA for distribution to counties for maintenance of essential county services. Requires ADOA to allocate the monies equally among all counties with a population of less than 200,000 persons.
18. Appropriates \$500,000 from the GF in FY 2017 to ADOA for distribution to a county with a population between 30,000 and 40,000 persons (Graham) for maintenance of essential county services.
19. Appropriates \$8,000,000 from the GF in FY 2017 to ADOA for a one-time distribution to counties for maintenance of essential county services. Allocates the amount based in each county's proportional share of the aggregate state population according to the 2010 US decennial census:

County Proportional Share	
Apache	89,500
Cochise	164,400
Coconino	168,300
Gila	67,100
Graham	46,600
Greenlee	10,500
La Paz	25,700
Maricopa	4,777,300
Mohave	250,500
Navajo	134,500
Pima	1,226,900
Pinal	470,300
Santa Cruz	59,300
Yavapai	264,100
Yuma	245,000

20. Appropriates \$500,000 from the IT Fund in FY 2017 for additional resources in the Government Transformation Office.

Automation Projects

21. Appropriates the following amounts, including 15 FTEs, to ADOA in FY 2017 from the Automation Projects Fund (APF) for the following automation and information technology (IT) projects:

- a. \$1,050,000 for enhancing enterprise architecture.
 - b. \$1,500,000 for project management of statewide automation and IT projects.
 - c. \$1,300,000 for projects related to e-government.
 - d. \$5,700,000 for improving and maintaining the network and security infrastructure.
 - e. \$3,248,400 for enhancing statewide data security.
22. Makes the following appropriations to ADOA from the APF in FY 2017 for the following automation and IT projects:
 - a. \$800,000 for a third-party IT consolidation audit. Stipulates that the audit includes an assessment of the state software, hardware, data center, network, operations, data security, and the IT Authorization Committee. Requires all current internal agency IT projects to be placed on hold and all new projects delayed until the completion of the audit. Requires, on completion of the audit, ADOA to submit a summary report to the President of the Senate, Speaker of the House of Representatives and JLBC director.
 - b. \$8,000,000 for implementing upgrades to the Adult Information Management System (AIMS) operated by ADC.
 - c. \$4,581,600 for implementing upgrades to the Children's Information Library and Data Source (CHILDS) operated by DCS.
 - d. \$7,300,000 for implementing, upgrading and maintaining the Student Longitudinal Data System (SLDS) and the Education Learning and Accountability System (ELAS).
 - e. \$1,294,700 for implementing IT projects that comply with state and federal security IT standards determined by DES.
 - f. \$1,000,000 for a feasibility study to replace the tax accounting system at DOR.
 23. Appropriates any remaining balances on June 30, 2016 in the University and Community College Subaccount in the Education Learning and Accountability Fund (ELAF) to the APF for implementing, upgrading and maintaining SLDS and ELAS.
 24. Stipulates that the appropriation to the SLDS and ELAS be used first and foremost to complete a significant portion of the replacement of the Student Accountability Information System. Requires ADE to provide quantifiable deliverables of the Legislature's intended progress to the Information Technology Authorization Committee and JLBC before seeking review of the \$7,300,000 FY 2017 expenditure from the APF.
 25. Prohibits monies appropriated for projects at each state agency from the APF from being used for projects at any other state agency without prior review by JLBC.
 26. Requires ADOA to submit quarterly reports to JLBC on or before the last day of each calendar quarter on implementation of projects, including deliverables, timeline for completion and current status.
 27. Stipulates that the FY 2017 funding for ADE's SLDS and ELAS is contingent upon contracting with a third party consultant throughout the life of the project and requiring ADOA and ADE to report on plans for consultant use when seeking IT Authorization Committee and JLBC review of FY 2017 expenditures for the system. Also requires review to continue through the life of the projects.
 28. Stipulates that the FY 2017 funding for ADC's AIMS is contingent upon contracting with a third party consultant throughout the life of the project and requiring ADOA and ADC to report on plans for consultant use when seeking IT Authorization Committee and JLBC review of FY 2017 expenditures for AIMS. Also requires review to continue through the life of the projects.
 29. Appropriates any remaining FY 2016 balances in the APF to ADOA in FY 2017 for the same purposes as specified. Requires ADOA to report any FY 2017 expenditure of remaining balances from FY 2016 in the APF in ADOA's quarterly report to JLBC.
 30. Extends permission to spend FY 2015 appropriations for DCS' CHILDS project, DCS' AIMS project, DEQ's e-licensing project and the replacement of the Arizona Financial Information System through the end of FY 2017.
 31. Appropriates \$12,000,000 from the APF in FY 2017 to ADOA for the replacement of the state's e-procurement system, to be distributed proportionately among other funds.
 32. Appropriates \$3,000,000 from the GF in FY 2017 for deposit into the APF.
 33. Appropriates \$9,000,000 from other funds in FY 2017 for deposit into the APF. Requires JLBC to determine the proportional amount transferred from each appropriated and nonappropriated fund source.
 34. Requires, for all non-GF fund sources, JLBC staff to determine and ADOA to allocate to each agency or department an amount for the cost of replacing the state's e-procurement system. Requires JLBC staff to also determine and ADOA to allocate adjustments, as necessary, in appropriations and expenditure authority to allow for the cost of replacement.
- Arizona Commerce Authority (ACA)*
35. Allocates \$21,500,000 of GF withholding tax revenue in FY 2017 to the ACA, of which \$10,000,000 is credited to the ACA Fund and \$11,500,000 to the Arizona Competes Fund.

36. Appropriates \$300,000 from the GF in FY 2017 to the ACA to operate a trade office in Mexico City.
37. Requires the ACA to report by August 31, 2016 for JLBC review on progress made in implementing the Auditor General's recommendation included in the September 2015 audit of the ACA.

Arizona Corporation Commission (ACC)

38. Appropriates \$2,000,000 in one-time funding from the GF in FY 2017 to the ACC for replacing the Corporations Division database system. Exempts the appropriation from lapsing until June 30, 2018.

DES

39. Appropriates \$50,000 from the GF in FY 2017 to DES for a one-time allocation to a facility that has a capacity of at least 100 beds and that provides crisis response and transitional housing services to assist victims of domestic violence in a county with a population of more than 1,000,000 persons (Maricopa).
40. Appropriates \$50,000 from the GF in FY 2017 to DES for a one-time allocation to a victim center that provides a crisis response team to assist victims of domestic violence, child abuse, adult sexual assault and elder abuse and that is in a county with a population of more than 150,000 persons and less than 200,000 (Yuma).
41. Appropriates \$700,000 in one-time funding from the Health Services Lottery Monies Fund in FY 2017 to DES for area agencies on aging.
42. Appropriates the following one-time amounts from the Special Administration Fund to DES:
- a. \$600,000 for room and board in state-funded long-term care services.
 - b. \$2,000,000 for caseload growth in Adult Protective Services.

ADE

43. Appropriates \$15,500,000 in one-time funding from the GF in FY 2017 to the Classroom Site Fund.

DHS

44. Appropriates \$1,000,000 from the Tobacco Tax and Health Care Fund – Health Research Account in FY 2017 to DHS for a one-time allocation for Alzheimer's disease research.

Legislative Council

45. Appropriates \$250,000 from the Telecommunication Fund for the Deaf in FY 2017 to Legislative Council for the purpose of installing looping hearing aid service systems in the House of Representatives and Senate buildings. Exempts the appropriation from lapsing.

Arizona Parents Commission on Drug Education and Prevention (Commission)

46. Appropriates \$300,000 from the Drug Treatment and Education Fund in FY 2017 to the Commission for a prevention education program for middle and high school students. Requires the commission to distribute monies on a competitive grant basis to grant applicants to implement a proactive prevention education program in all middle and high schools in Arizona. Outlines program requirements and exempts the appropriation from lapsing.

Arizona State Parks

47. Appropriates \$150,000 from the State Parks Revenue Fund in FY 2017 to the Arizona Trail Fund.

ABOR

48. Appropriates \$19,000,000 from the GF in FY 2017 to ABOR for distribution for capital improvements or operating expenditures in the following amounts:
- a. ASU - \$7,000,000
 - b. NAU - \$4,000,000
 - c. UA - \$8,000,000
49. Requires the universities to report the intended use of the monies to JLBC by August 1, 2016.
50. Requires the universities to submit the scope, purpose and estimated cost of the capital improvements for review by the Joint Committee on Capital Review before an expenditure of the monies appropriated for

capital improvements.

Water Infrastructure Finance Authority (WIFA)

51. Appropriates \$500,000 in one-time funding from the GF in FY 2017 to the Small Water Systems Fund for emergency grants to interim operators of small water systems. Exempts the appropriation from lapsing.
52. Requires the ACC and WIFA to jointly report the total amount of expenditures from the Small Water Systems Fund during FY 2017 to the director of JLBC by August 1, 2017.
53. Appropriates \$250,000 from the GF in FY 2017 to the Water Protection Fund.

DEBT SERVICE PAYMENTS

54. Appropriates \$60,105,600 from the GF in FY 2017 to ADOA for the debt service payments on the sale and lease-back of state buildings authorized by Laws 2009, Third Special Session, Chapter 6.
55. Appropriates \$24,011,800 from the GF in FY 2017 to ADOA for the debt service payment on the sale and lease back of state buildings authorized by Laws 2010, Sixth Special Session, Chapter 4.
56. Allocates \$20,449,000 of GF revenue in FY 2017 to the Arizona Convention Center Development Fund.

ESTIMATED DISTRIBUTIONS

57. Stipulates that the Rio Nuevo Multipurpose Facility District is estimated to receive \$10,000,000 from a portion of state transaction privilege tax revenues in FY 2017 and specifies that the actual amount of distribution will be made as outlined in statute.

FUND TRANSFERS

58. Transfers, by June 30, 2017, the following amounts from the following sources to the GF for the purposes of providing adequate support and maintenance for state agencies:
 - a. \$300,000 from the Alternative Dispute Resolution Fund (Judiciary – Supreme Court).
 - b. \$300,000 from the Arizona Lengthy Trial Fund (Judiciary – Supreme Court).
 - c. \$500,000 from the Court Appointed Special Advocate Fund (Judiciary – Supreme Court).
 - d. \$250,000 from the Drug Treatment Education Fund (Judiciary – Superior Court).
 - e. \$4,650,000 from the Juvenile Probation Services Fund (Judiciary – Superior Court).
 - f. \$461,600 from the Automation Operations Fund (ADOA).
59. Transfers \$4,076,000 from the Special Employee Health Insurance Trust Fund to the GF after July 1, 2015 but by June 30, 2016 to provide adequate support and maintenance for agencies of this state.
60. Appropriates \$11,881,600 from the GF in FY 2017 to the APF.
61. Transfers the following amounts in FY 2017 to the APF from the following sources:
 - a. Any remaining balances as of June 30, 2016 from fees collected from universities and community college districts in the Education Learning and Accountability Fund.
 - b. \$7,420,600 from the Automation Operations Fund.
 - c. \$5,650,000 from the State Web Portal Fund.
 - d. \$527,800 from the IT Fund.
 - e. \$1,000,000 from the Arizona Correctional Industries Revolving Fund.
 - f. \$1,000,000 from the Inmate Store Proceeds Fund.
 - g. \$4,000,000 from the Special Services Fund.
 - h. \$1,000,000 from the State Charitable, Penal and Reformatory Institutions Land Fund.
 - i. \$1,000,000 from the Penitentiary Land Fund.
 - j. \$1,294,700 from the Special Administration Fund.
 - k. \$1,000,000 from the Liability Setoff Program Revolving Fund.
62. Transfers \$1,100,000 from the Motor Vehicle Liability Insurance Enforcement Fund to the Safety Enforcement and Transportation Infrastructure Fund by June 30, 2017.

63. Transfers the following amounts in FY 2017 to the Corrections Fund from the following sources for the purpose of purchasing replacement radios:
- \$1,000,00 from the Inmate Store Proceeds Fund.
 - \$500,000 from the State Department of Corrections Revolving Fund.
 - \$500,000 from the State Charitable, Penal and Reformatory Institutions Land Fund.
 - \$400,000 from the Special Services Fund.
 - \$400,000 from the Penitentiary Land Fund.
64. Transfers \$2,400,000 from the Health Services Lottery Monies Fund to the ASH Fund by June 30, 2016.

PAYMENT DEFERRALS

ADE

65. Defers \$930,727,700 in Basic State Aid (BSA) and Additional State Aid (ASIA) payments made to ADE in FY 2017 to until after July 1, 2017, but no later than July 12, 2017. Excludes charter schools and school districts with a student count of less than 600 pupils from the deferral.
66. Requires ADE to disburse the FY 2017 appropriation of \$930,727,700 to the counties for the school districts by July 1, 2017, and no later than July 12, 2017, in amounts equal to the reductions in apportionment of BSA and ASIA.
67. Mandates that school districts include in the revenue estimates that they use for computing their FY 2017 tax rates the deferred monies that they will receive between July 1, 2017 and July 12, 2017.

STATEWIDE OPERATING ADJUSTMENTS

Area of Adjustment	GF	OF	Total
AFIS Collections	461,600	521,600	983,200
Employer Health Insurance Contribution Rate	(8,047,400)	(8,561,500)	(16,608,900)

68. Provides statewide adjustment procedures and instructions.
69. Outlines FY 2017 individual agency charges totaling \$1,809,500 for general agency counsel provided by the AG.

MISCELLANEOUS

70. States legislative intent that all departments, agencies or budget units receiving appropriations under this act are to continue to report actual, estimated, and requested expenditures in a specified format.
71. Provides footnote instructions.
72. Contains other reporting requirements.
73. Contains definitions sections.



HOUSE OF REPRESENTATIVES

HB 2696

appropriations; capital outlay; 2016-2017.

Prime Sponsor: Representative Montenegro, LD 13

DPA Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2696 appropriates funds for Fiscal Year (FY) 2017 to applicable agencies for maintenance, repair, building renewal and preventative maintenance of state buildings, structures and highways.

PROVISIONS

Capital Outlay Appropriations

1. Appropriates the following amounts for major maintenance and repair activities for state buildings in FY 2017:
 - a. **Arizona Department of Administration (ADOA)**
 - \$10,000,000 from the state General Fund (GF)
 - \$19,000,000 from the Capital Outlay Stabilization Fund
 - b. **Arizona Department of Corrections (ADC)**
 - \$5,464,300 from the Department of Corrections Building Renewal Fund
 - c. **Arizona Game and Fish Department (AGFD)**
 - \$530,000 from the Game and Fish Fund
 - d. **Department of Juvenile Corrections**
 - \$1,100,000 from the Criminal Justice Enhancement Fund
 - e. **Arizona State Lottery Commission**
 - \$118,100 from the State Lottery Fund
 - f. **Arizona Department of Transportation (ADOT)**
 - \$4,000,000 from the State Highway Fund
 - \$232,300 from the State Aviation Fund

Capital Outlay Appropriation Requirements and Report Requirements

2. States that all monies used for capital outlay appropriations cannot be spent on personal services or employee-related expenditures or for maintenance contracts on building components and equipment without review by JCCR.

Arizona Department of Administration

3. Permits ADOA to use up to \$275,000 of appropriated monies in personal services and employee-related expenditures for up to five FTE positions for each FY until building renewal projects are completed.
4. Requires ADOA to allocate \$4,200,000 of appropriated monies to go to the renovation of the Department of Health Services (DHS) building.
5. Directs ADOA to submit a report on tenant relocation to JCCR before spending \$4,200,000 of appropriated monies on the renovation of the DHS building. The report must include:
 - a. any planned consolidation of state agencies
 - b. the current commitment of new tenants
 - c. the timeline and estimated costs for relocation
6. States \$120,000 of appropriated monies to ADOA must go to replace the roof at the civic building on the state fairgrounds if ADOA receives matching monies from the city of Phoenix and the state maintains control and ownership of the building.
7. Directs ADOA to allocate monies to state agencies for necessary building renewal.
8. States that if monies in the Capital Outlay Stabilization Fund (COSF) are insufficient to fund the appropriation to ADOA for building renewal the amount appropriated must be reduced by the difference between the appropriation amount and the current balance of COSF.

9. Requires ADOA to report by both January 31, 2017 and July 31, 2017, to the Joint Legislative Budget Committee (JLBC) staff on the status of all building renewal projects and expenditures.

Arizona Department of Corrections

10. Requires ADC to report by both January 31, 2017 and July 31, 2017 to JLBC staff on the status of all building renewal projects and expenditures.
11. States that ADC may not spend any of the \$5,464,300 appropriation on personal services or overhead expenses related to the management of the funded projects.

FY 2017 Capital Improvement Projects

Department	Project	Fund Source	Amount
Arizona Game and Fish Department	Capital Improvements To Radio Towers	Game and Fish Fund	\$306,000
	Capital Improvements To Boat Structures	Watercraft Licensing Fund	\$874,900
	Capital Improvements	Game and Fish Fund	\$3,867,000
TOTAL (AGFD):			\$5,047,900
Arizona State Parks Board	Capital Improvements	State Parks Revenue Fund	\$1,500,000
TOTAL (ASPB):			\$1,500,000
Arizona Department of Veterans' Services	Flagstaff Veterans' Home Facility	State General Fund	\$10,000,000
TOTAL (ADVS):			\$10,000,000
Arizona Department of Transportation	Vehicle Wash Systems	State Highway Fund	\$5,530,000
	Interstate 10 Widening Projects	State General Fund	\$30,000,000
	State Route 189 Construction Project	State General Fund	\$25,000,000
	Route H60 Construction Project	State General Fund	\$1,500,000
Arizona Department of Transportation	State Highway Construction	State Highway Fund	\$270,615,000
	Airport Planning and Development	State Aviation Fund	\$19,079,900
	State Highway Construction - One Time	State General Fund	\$9,500,000
TOTAL (ADOT):			\$361,224,900

Capital Improvement Appropriation Requirements and Report Requirements

12. Requires AGFD, ASPB, ADVS, and ADOT to submit the scope, purpose and estimated cost of the capital improvements to the Joint Committee on Capital Review (JCCR).

Department of Veterans' Services

13. Requires ADVS to use the \$10,000,000 appropriation solely on the construction of a veterans' home facility in Flagstaff and only if ADVS receives an irrevocable commitment from the federal government to fund at least 65% of the total cost of constructing a veterans' home facility in Flagstaff.

14. Exempts the \$10,000,000 appropriation from lapsing.

Arizona Department of Transportation

15. States that the \$30,000,000 appropriation must be combined with funding from the federal fostering advancements in shipping and transportation for the long-term achievement of national efficiencies grant (Grant) to widen Interstate 10 from Earley Road to Interstate 8 and the Interstate 10 interchange with state route 87.
16. Specifies that the \$30,000,000 appropriation from the GF in FY 2017 for the Interstate 10 widening projects is not subject to review by JCCR.
17. Stipulates that the \$30,000,000 appropriation be used for statewide highway construction as part of the five year transportation facilities construction program (Program) if ADOT does not receive the Grant.
18. States that the \$25,000,000 appropriation from the GF in FY 2017 for the acceleration of the State Route 189 construction project from the Mariposa port of entry to Interstate 19 is not subject to review by JCCR.
19. Directs the \$25,000,000 appropriation to be used for statewide highway construction as part of the Program if ADOT is unable to use the appropriation to accelerate construction of the State Route 189 project from FY 2021 to at least FY 2019 or if ADOT is successful in its application for a \$25,000,000 transportation investment generating economic recovery grant.
20. Stipulates that the \$1,500,000 appropriation in FY 2017 to the Navajo Nation for the Route H60 construction project is not subject to review by JCCR.
21. Mandates that ADOT report its actual prior year, estimated current year and upcoming budget year highway construction expenses from all fund sources by November 1, 2016 to JCCR, in the same format as in the prior year, unless modifications are approved by the directors of JLBC and the Governor's Office of Strategic Planning and Budgeting (OSPB).
22. Requires ADOT to report capital outlay information for FYs 2016, 2017 and 2018 to the directors of JLBC and the OSPB in the same format found in the FY 2016 Appropriations Report.
23. Requires ADOT to report its estimated outstanding debt principal balance at the end of FY 2018 and the estimated debt service payment amount for FY 2018 to the directors of JLBC and the OSPB.
 - a. Specifies that the report must include State Highway Fund state wide construction bonds, Arizona Highway User Revenue Fund, Maricopa Association of Governments and Pima Association of Governments controlled access bonds, Maricopa regional area road fund bonds and grant anticipation notes.
 - b. Directs the report to be comparable to the information contained in the FY 2016 Appropriations Report.
24. States that the appropriations made for the Interstate 10, State Route 189 Construction, Route H60 Construction and the State Highway Construction projects do not lapse until the project has been completed or abandoned, or the appropriation stands for a full FY without an expenditure or an encumbrance.

Department of Administration Full Time Equivalent (FTE) Reports, Positions and Reallocations

25. States ADOA must report on the status of project specific FTE positions for capital projects in its annual capital budget requests.
26. Allows ADOA to allocate FTE positions authorized for specific projects to other projects provided that the funding is cost allocated and requires ADOA to report on any FTE position reallocations to JCCR by December 31, 2016.

Miscellaneous

27. Stipulates that appropriated monies are not to be spent for personal services or employee-related expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities.
28. Stipulates that the appropriations for FY 2017 that are unexpended on June 30, 2018 revert back to the originating fund.
29. Requires JCCR to review the scope, purpose, and estimated cost of a new capital project that has an estimated cost of more than \$250,000.

AMENDMENTS IN APPROPRIATIONS COMMITTEE

1. Reduces the state GF appropriation for capital outlay to ADOA by \$2,000,000.
2. Removes the one-time \$9,500,000 appropriation from the state GF to ADOT for statewide highway construction.
3. Appropriates \$1,000,000 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair Board for capital improvements.
4. Makes technical and conforming changes.



HOUSE OF REPRESENTATIVES

HB 2697

bonus depreciation; budget reconciliation; 2016-2017.

Prime Sponsor: Representative Montenegro, LD 13

DP Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2697 increases the amount a taxpayer may deduct from Arizona gross income for bonus depreciation.

PROVISIONS

1. Increases the bonus depreciation allowance that a taxpayer may deduct from Arizona gross income as follows:
 - a. From 10% to 55% of the federal allowance in tax year (TY) 2016.
 - b. From 55% to 100% of the federal allowance in TY 2017 and beyond.

Sections 167(a) and 168(k) of the Internal Revenue Code allow for a one-year depreciation deduction of 50% for newly purchased property.



HOUSE OF REPRESENTATIVES

HB 2698

budget procedures; 2016-2017.

Prime Sponsor: Representative Montenegro, LD 13

DP Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2698 makes statutory and session law changes relating to budget procedures in order to implement the Fiscal Year (FY) 2017 state budget.

PROVISIONS

1. Requires the director of the Arizona Department of Administration (ADOA) to submit a report to the director of the Joint Legislative Budget Committee (JLBC), on or before November 1st of each year, that list the written approvals granted by the director of ADOA for administrative adjustment of orders for goods or services made in one FY and received on or after August 31st of the next FY.
2. Mandates Legislative Council to pay legal fees incurred jointly by the House of Representatives and the Senate upon authorization of the Speaker of the House of Representatives and the President of the Senate.
3. Requires a budget unit to submit a report from the independent third party to the Information Technology Authorization Committee and JLBC regarding the progress of each ongoing project, on or before the 30th day following the last day of each calendar quarter.
4. States that lottery ticket sales commissions in the amount of \$27,227,600 earned beginning January 1, 2015 through June 30, 2015 must be paid only from the FY 2015 ending balance of the State Lottery Fund.
5. Requires any unrestricted federal monies received by this state beginning July 1, 2016 through June 30, 2017 be deposited in the state General Fund (GF) and be used for the payment of essential governmental services.
6. Sets the FY 2017 Capital Outlay Stabilization Fund (COSF) rental rates for state-owned buildings at \$13.08 per square foot for office space and \$4.74 per square foot for storage space.
7. States if ADOA disposes of property located on East Doubletree Ranch Road in Scottsdale, or any right, title or other interest in the property, it must report the terms and conditions of the transaction, including the sale price, if any, to JLBC within 30 days after the transaction.
8. Permits appropriations for all budget units to be limited to a single FY.
9. Requires the Governor to submit a budget for only the next FY no later than five days after the regular session of the Legislature convenes in 2017.
10. Requires the head of each budget unit to submit a budget estimate for only the next FY in calendar year 2016.
11. Suspends the requirement that the Legislature appropriate monies to and transfer monies from the Budget Stabilization Fund through FY 2019.
12. Makes technical and conforming changes.



HOUSE OF REPRESENTATIVES

HB 2699

agency consolidation; budget reconciliation; 2016-2017.

Prime Sponsor: Representative Montenegro, LD 13

DPA Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2699 consolidates several existing state agencies and programs, including the related property, personnel and appropriations.

PROVISIONS

State Forester, Department of Housing and Department of Real Estate Department of Fire, Building and Life Safety (DFBLS)

1. Eliminates DFBLS and transfers agency duties, responsibilities and programs to the State Forester, the Department of Housing and the Department of Real Estate as follows:
 - a. *Office of State Fire Marshall to the State Forester.*
 - i. Renames the chapter heading from *Forests* to the *Arizona Department of Forestry and Fire Management*, transfers and renumbers relevant sections of law, including State Forester, Community Protection Initiative, Compact for Interstate Cooperation on Forests, Reduced Cigarette Ignition Propensity and Trampoline Courts.
 - ii. Transfers to the State Forester, all unspent and unencumbered monies remaining in the Arson Detection Reward Fund, the IGA and ISA Fund and the Trampoline Court Safety Fund.
 - iii. Stipulates that if a Federal reduced cigarette ignition propensity standard is enacted into law, then Arizona's related statutes are repealed.
 - iv. Directs the State Fire Marshall to notify the director of Legislative Council in writing if such Federal legislation is enacted.
 - b. *Office of Manufactured Housing to the Department of Housing (DOH).*
 - i. Adopts the current process for administrative hearings and the adjudication of complaints relating to the Mobile Home Parks Residential Landlord and Tenant Act.
 - ii. Transfers to DOH, all unspent and unencumbered monies remaining in the Federal Grant Fund, the DPS/FBI Fingerprint Fund, the Building and Fire Safety Fund, the Consumer Recovery Fund, the Manufactured Housing Cash Bonds Fund and the Mobile Home Relocation Fund.
 - iii. Deletes the statutory definition of *installation supervision*.
 - c. *Condominium and Planned Community Homeowners' Association (HOA) Dispute Process to the Arizona Department of Real Estate (ADRE)* and transfers to ADRE, all unspent and unencumbered monies remaining in the Condominium and Planned Community Hearing Office Fund.
2. Repeals the State Wildland-Urban Fire Safety Committee.
3. Stipulates that the State Forester, DOH and ADRE succeed to the authority, powers and duties of DFBLS, with prior actions remaining valid and unimpaired.
4. Confirms the effectiveness and status of all actions, administrative rules and orders adopted by DFBLS until superseded by the appropriate agency after transfer.
5. Retains the validity of all certificates, licenses, registrations, permits and other documents issued by DFBLS.
6. Transfers all state personnel system employees of DFBLS to comparable pay grades and positions in the respective administrative units of the pertinent agencies.

Arizona Department of Administration (ADOA)

7. Allows ADOA Special Services Revolving Fund monies to be utilized for all agencies, not just those that are self-supporting regulatory agencies.
8. Charges the ADOA Director with determining the transfer of property, data, investigative findings, obligations and appropriated monies of DFBS to the various agencies.

Industrial Commission of Arizona (ICA)

9. Places the *Division of Occupational Safety and Health (OSHA) Review Board* under the regulatory authority of the *Industrial Commission of Arizona (ICA)*.
10. Transfers to the ICA, any unspent and unencumbered appropriated monies for the prescribed uses of the Review Board.

***Department of Environmental Quality (DEQ)
Oil and Gas Conservation Commission (Commission)***

11. Places the *Oil and Gas Conservation Commission (Commission)* under *DEQ*.
 - a. States that DEQ succeeds to the administrative powers and duties of the Geological Survey as it pertains to the Commission and transfers all related property, data, investigative findings, obligations and any remaining appropriated monies to DEQ.
 - b. Transfers to DEQ and the Permit Administration Fund, all unspent and unencumbered monies appropriated for the support of the Commission.
 - c. Merges into DEQ in comparable pay grades and positions, the Commission personnel employed under the state personnel system.

***University of Arizona
Arizona Geological Survey***

12. Transfers the statutory responsibilities of the *Arizona Geological Survey* to the University of Arizona and no longer requires administrative and staff support for the *Oil and Gas Conservation Commission*.

Miscellaneous

13. Makes the provisions and transfers effective on the general effective date of this legislation.
14. Removes archaic language.
15. Includes numerous technical and conforming changes.

AMENDMENTS

16. Makes a technical correction.



HOUSE OF REPRESENTATIVES

HB 2700

credit enhancement; budget reconciliation; 2016-2017.

Prime Sponsor: Representative Montenegro , LD 13

DP Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2700 establishes the Arizona Public School Credit Enhancement Program (Program).

PROVISIONS

Credit Enhancement Eligibility Board

1. Establishes the Credit Enhancement Eligibility Board (Board) consisting of the following:
 - a. The Governor or his/her designee.
 - b. The State Treasurer or his/her designee.
 - c. The Director of the Arizona Department of Administration or his/her designee.
2. Prohibits Board members from being eligible for compensation for services.
3. Establishes the Board as a public body and makes Board members public officers.
4. Establishes the Board as a body corporate and politic and permits the Board to have a judicially noticed official seal.
5. Outlines the powers and duties of the Board.
6. Directs the School Facilities Board (SFB) to provide staff, as requested, to support the Board.
7. Requires the Board to establish an application process, forms and selection criteria for a public school or charter school to qualify as an achievement district school.
8. Outlines the criteria for a public school or charter school to be eligible for achievement district school qualification.
9. Requires the Board to meet regularly to evaluate achievement district school applications, approve or deny each application and report its decision to the school within 10 days.
10. Qualifies schools whose application has been approved as an achievement district school and permits achievement district schools to participate in the Program.
11. Sunsets the Board on July 1, 2026.

Public School Credit Enhancement Fund (Fund)

12. Establishes the Fund and prescribes the monies that may be deposited in the Fund.
13. Directs monies and assets in the Fund to be held and disbursed separate from all other monies or assets of the state or political subdivisions.
14. Prescribes how the State Treasurer and the Board may expend Fund monies.
15. Requires the State Treasurer to administer the Fund and disburse monies as required by law and as directed by the Board.
16. Directs the State Treasurer to separately account for monies received from each source and permits the establishment of accounts and subaccounts as necessary to account for monies in the Fund.
17. Prohibits received monies from being used for any purpose except guaranteeing or making payments of principal and interest on guaranteed financings of approved achievement district schools and any costs or expenses of the Program or Board.
18. Directs the State Treasurer to invest and divest monies in the Fund and instructs investment earnings to be credited to the Fund.

19. Exempts monies in the Fund from lapsing.

Arizona Public School Credit Enhancement Program

20. Establishes the Program to assist achievement district schools in obtaining more favorable financings by guaranteeing principal and interest payments on guaranteed financings by achievement district schools.

21. Directs achievement district schools to be considered for guaranteed financing by submitting an application to the Board and specifies the information that must be included in the application.

22. Directs the Board to regularly meet to evaluate applications and approve or reject each application.

23. Requires the Board to ensure that if an application is approved:

- a. The program leverage ratio will not exceed three and one-half to one as a result of the approval of guaranteed financing; and
- b. After 10 guaranteed financings have been approved by the Board, no more than 25% of the aggregate principal amount of guaranteed financings will be rated less than “BB-“ or a comparable rating by a nationally recognized bond rating agency.

24. Instructs the Board to report each application decision to the achievement district school within 10 business days.

25. Requires each achievement district school approved for guaranteed financing to pay an annual program participation fee of 0.25% of the outstanding principal amount of the guaranteed financing, as determined by the Board, as long as the financing is outstanding.

26. Requires program participation fees to be paid in equal amounts on the date that interest is due and payable to investors under the guaranteed financing or at other such time as required by the Board.

27. Requires program participation fees to be paid to the State Treasurer on behalf of the Program for deposit in the Fund.

28. Permits the terms and conditions of the Board in approving guaranteed financing to be set forth in a written agreement between the Board and school.

Program Financing and Reporting

29. Directs fiduciaries drawing from the Debt Service Reserve Fund to pay principal or interest on guaranteed financings to deliver written notice within 10 days to the Board and State Treasurer.

30. Requires fiduciaries to notify the Board and State Treasurer in writing at least five days before a debt service payment date on guaranteed financing if an achievement district school does not expect to make a timely payment of guaranteed financing after monies in a Debt Service Reserve Fund securing the financing are fully expended.

- a. Directs the State Treasurer, within two business days, to pay the bank trustee, paying agent or other fiduciary from the Fund the amount solely for making the guaranteed financing payment.

31. Requires achievement district schools, if the State Treasurer makes a guaranteed financing payment for the school, to repay the amount of the payment plus interest at a rate of 100 Basis Points higher than the true interest rate on the guaranteed financing, as determined by the Board.

32. Directs repayment to be made in equal monthly installments over a 12 month or other period as determined by the Board.

33. Instructs repayment to be made to the State Treasurer for deposit in the Fund and determines outstanding repayment balances after the stated repayment period to become immediately due and payable.

34. Determines any repayment amount owed to the Fund that is not otherwise paid to remain a lawful obligation of the achievement district school and be paid from any other monies lawfully available to the school.

35. Directs the Board and Fund to be entitled to protections and remedies relating to the repayment amount, if any, from the Fund and the payment of program participation fees in exchange for the guarantee of the payments of guaranteed financing amounts for an achievement district school.

36. Provides protections and remedies, including:

- a. The right to all or a portion of the proceeds from the sale or lease of property serving as collateral for guaranteed financing.
- b. The right to intercept payments or monies otherwise payable to the achievement district school.
- c. The right to insurance proceeds otherwise payable to the school.

37. Requires the Attorney General to take any actions necessary to enforce repayment of Fund monies by an achievement district school on request of the Board.

38. Permits the Board to deliver nonnegotiable program funding obligations (PFO) in one or more series in an aggregate principal amount up to \$80 million.
 - a. Directs the Board to sell any PFOs to the State Treasurer and requires the State Treasurer to buy the PFOs as an allowable investment of the Fund.
 - b. Prohibits total principal amounts of outstanding PFOs from exceeding \$80 million.
 - c. Permits the Board to reissue to the State Treasurer called PFOs on the same terms as the PFOs that were called and in a principal that does not exceed the principal amount called.
39. Directs the Board to authorize each PFO by a resolution that sets forth specified information.
40. Sets the interest rate on PFOs at the sum of:
 - a. The actual rate of interest earned on the investment of the proceeds from the sale of the PFOs; and
 - b. An additional interest rate of at least 100 Basis Points, as determined by the Board, for any period during which guaranteed financings are outstanding.
41. Requires the principal and interest of PFOs to be secured by and paid from monies deposited in the Fund on the terms of the resolution and be subordinate to payments necessary for guaranteed financings.
42. Directs principal payments to be paid on a proportional basis to the reduction in outstanding principal of guaranteed financings.
43. Directs interest to be paid on an annual or more frequent basis as set forth in the resolution.
44. Instructs monies pledged to PFOs to be immediately subject to the lien of the pledge without any future physical delivery or further act.
 - a. Directs a lien of any pledge to be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Board, irrespective of whether the parties have notice of the lien.
 - b. Stipulates that the resolution by which the pledge is created is notice to all concerned of the creation when placed in the Board's records.
45. Requires PFOs to be sold at private sale to the State Treasurer at a price and on terms provided by the Board in its resolution.
46. Directs the proceeds from the sale to be deposited into the Fund.
47. Establishes that PFOs are:
 - a. Special obligations of the Board.
 - b. Not general, special or other obligations of the state.
 - c. Not a legal debt of the state.
 - d. Payable and enforceable only from the monies and funds pledged and assigned by the Board in its resolution.
48. Exempts Board members or persons executing a PFO from personal liability of the payment of the PFO.
49. Excludes PFOs from the State Treasurer's determination of monies available for payment of warrants or electronic fund transfer vouchers.
50. Requires SFB, in collaboration with the Board, to submit a quarterly report within 30 days of the end of the quarter to the Speaker of the House of Representatives, the President of the Senate, the Director of the Joint Legislative Budget Committee and the Director of the Governor's Office of Strategic Planning and Budgeting on the implementation of the Program and outlines required information.
51. Sunsets the Articles containing the Program, the Board and the Fund on January 1, 2027, if:
 - a. The Board has no outstanding PFOs issued;
 - b. Achievement district schools have no outstanding guaranteed financings approved; and
 - c. The Legislature has otherwise provided for paying or retiring any PFOs.
52. Determines that if the previous conditions are not met the Articles sunset 30 days after the retirement of all outstanding PFOs and all outstanding guaranteed financings.

Miscellaneous

53. Exempts the Board from rulemaking for two years after the effective date.
54. Transfers \$23.9 million from the Access Our Best Public Schools Fund to the Fund in Fiscal Year (FY) 2017.
55. Repeals the Access Our Best Public Schools Fund.

56. Appropriates \$500,000 from the state General Fund (GF) in FY 2017 to the SFB for one-time funding for transaction costs associated with the Program.
 - a. Exempts the appropriation from lapsing, except that remaining unexpended and unencumbered monies on June 30, 2018, revert to the GF.
57. Declares the Legislature's intent to assist public schools in obtaining more favorable financing.
58. Defines terms.
59. Makes technical and conforming changes.



HOUSE OF REPRESENTATIVES

HB 2701

criminal justice; budget reconciliation; 2016-2017.

Prime Sponsor: Representative Montenegro, LD 13

DPA Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2701 makes statutory and session law changes related to criminal justice agencies and programs to implement the fiscal year (FY) 2017 budget.

PROVISIONS

Arizona Department of Corrections (ADC)

Prisoner Health Care

1. Allows the ADC Director to require, as a condition of release to community supervision, a prisoner to apply for health benefits through the Arizona Health Care Cost Containment System (AHCCCS).
2. Requires ADC to enter into an enrollment suspense agreement with AHCCCS to reinstate benefits for prisoners sentenced to 12 months or less and who were previously enrolled in AHCCCS immediately before incarceration.
3. Requires ADC to submit a pre-release application for prisoners who are not covered under the enrollment suspense agreement to AHCCCS at least 30 days prior to the prisoner's release date.
4. Allows ADC to coordinate with community-based organizations or the Department of Economic Security to assist prisoners in applying for AHCCCS.
5. Permits the Director of ADC to share prisoner health care information with the regional behavioral health authority (RBHA) or AHCCCS to facilitate the transition of care for released prisoners.
6. Requires the ADC Director to adopt policies and procedures that establish a team to convene and discuss the services and resources that may be needed for safe transition into the community by the prisoner. The team must include the RBHA or AHCCCS contractor and the health care provider.

Contracted Beds

7. Requires ADC to notify the Joint Legislative Capital Review Committee (JCCR) by 11/30/2016 if the male inmate population is at least 1,000 higher than the 4/22/2016 count of 38,762 for at least 30 consecutive days after that date.
 - a. If the trigger notice is provided, JCCR must review and approve the RFP and opening timeline prior to the issuance of an RFP.
 - b. JCCR may not review or approve an RFP before January 1, 2017.
 - c. If approved by JCCR, ADC must award a contract or contracts for 1,000 medium-security male beds for a total of 1,000 beds at new or existing contracted bed facilities or expansions of contracted facilities.
 - d. Counties have first right of refusal to enter into a contract with ADC for at least 250 beds if the county's contract meets RFP requirements and the per diem is the same or less than other bids.
 - e. Authorization to enter into a contract for these beds ceases if the trigger notice is not provided by 11/30/2016 and JCCR review and approval does not occur before January 1, 2017.
8. Reduces the number of medium security prison beds authorized under the FY 2016 budget ([Laws 2015, Ch. 17, § 11](#)) at new, existing or expanded contracted bed facilities from 2,000 to 1,000, removing the option for the Legislature to authorize an additional 1,000 beds. Applies retroactively to 7/1/2016.
 - a. *The FY 2016 budget authorized ADC to award a contract to open up to 1,000 beds on 7/1/2016 and gave the Legislature an option to authorize another 1,000 beds for up to a total of 2,000 medium security prison beds at new or existing contracted bed facilities or expansions of contracted bed facilities.*

Financing Agreement

9. Allows the Arizona Department of Administration (ADOA) in coordination with ADC to enter into a financing agreement in FY 2017 to generate a savings on the cost of housing prisoners by at least \$25 million from FY 2017-FY 2025.
 - a. ADOA, in coordination with ADC, must submit the following to JCCR for review prior to entering into the agreement:
 - b. The proposed terms of the agreement;
 - c. The total annual cost savings for the term of the agreement; and
 - d. The ADC allocation of the savings.
10. Prohibits ADC cost reductions from varying by more than \$1 million in any FY between FY 2017 and FY 2025.
11. Reductions in ADC contract payments as a direct result of the financing agreement must be included in the calculation of savings.

Prisoner Transition Program (Program)

12. Requires the Prisoner Transition Program (Program) to provide eligible inmates with transition services in the community for up to 90 days.
13. Expands eligibility for the Program by removing offenses related to driving under the influence from the list of precluding offenses.
14. Strikes language stating that inmates participating in the Program are not required to receive an early release.
 - a. *[A.R.S. § 31-285](#) requires inmates in the Program to be released from confinement three months prior to the inmate's earliest release date. An inmate who participates in the program but who is not low risk cannot be released earlier than the inmates earliest release date.*
15. Adds the following Program eligibility requirements for inmates:
 - a. Classified by ADC as a medium or minimum custody inmate;
 - b. Comply with all programming on the individualized corrections plan; and
 - c. Not be found in violation of any major rule or violent rule within the previous six months.
16. Removes the following Program eligibility requirements for inmates:
 - a. Be current on statutorily prescribed restitution payments;
 - b. Have maintained civil behavior while incarcerated;
 - c. Have a need and ability to benefit from the Program; and
 - d. Have a nonviolent risk score.
17. Adds psychoeducational counseling and case management services to the list of services that must be provided to inmates in the Program.
18. Requires ADC to include the recidivism rate of inmates who have been released from confinement for a minimum of three years after release as part of their annual study to determine recidivism rates on inmates who have received services as part of the Program. This information must also be included in the ADC's annual report on the Program.
19. Allows the annual report to be submitted electronically.
20. Requires ADC to provide Program information to specific inmates.
21. Requires the information provided to inmates to include all admission requirements, as well as all disqualifying factors.
22. Defines *recidivism*.
 - a. *[A.R.S. § 31-281](#) establishes the Program, which is administered by ADC. Statute outlines eligibility requirements that each inmate must meet in order to participate in the Program. ADC is required to contract with private or nonprofit entities in order to provide services for the Program and must submit an annual report detailing recidivism rates of inmates who receive services.*

Miscellaneous

23. Requires ADC to administer the State Corrections Fund ([A.R.S. § 41-1641](#)) and makes it subject to legislative appropriation.
24. Permits ADC to transfer monies from the Special Services Fund to the Automation Projects Fund in FY 2017 for costs related to the replacement of the adult image management system.
25. Requires ADC to report actual FY 2016, estimated FY 2017 and requested FY 2018 expenditures in the same structure and detail as the prior FY when submitting the FY 2018 budget request. The submission must contain as much detail as previously submitted years for prior line items.

- a. *Continuation of previous year.*

Department of Public Safety

- 26. Suspends the statutory cap of \$10 million for transfers of Highway User Revenue Fund (HURF) monies to the Department of Public Safety (ADPS) Highway Patrol in FY 2017.
 - a. *Continuation of previous year.*
 - b. [A.R.S. § 28-6537](#) limits the amount of HURF monies that can be transferred to ADPS to \$10 million per year.
- 27. Allows ADPS to use up to \$137,700 of the FY 2017 general fund (GF) appropriation to the Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount (GIITEM Subaccount) for costs related to increases in the Public Safety Personnel Retirement System employer contribution rate.
 - a. *The GIITEM Subaccount is established in [A.R.S. § 41-1724\(E\)](#) and receives \$4 of the \$13 surcharge on civil and criminal violations ([A.R.S. 12-116.04](#)).*
- 28. Requires ADPS to submit the expenditure plan for the GIITEM Subaccount to JLBC for review prior to spending any monies appropriated for FY 2017.
 - a. *Continuation of previous year.*
- 29. Allows ADPS to use monies in the State Aid to Indigent Defense Fund ([A.R.S. § 11-588](#)) in FY 2017 for operating expenses.
 - a. *Continuation of previous year.*
- 30. Allows ADPS to use monies in the Automobile Theft Authority Fund ([A.R.S. § 41-3451](#)) in FY 2017 to provide virtual training for law enforcement officers.
- 31. Allows ADPS to use monies in the following funds in FY 2017 for costs associated with the Border Strike Task Force:
 - a. Concealed Weapons Permit Fund ([A.R.S. § 41-1722](#));
 - b. Resource Center Fund ([A.R.S. § 41-2402](#)); and
 - c. Automobile Theft Authority Fund ([A.R.S. § 41-3451](#))

Drug and Gang Enforcement Fund (DGE Fund)

- 32. Removes the Drug and Gang Enforcement Account from the Criminal Justice Enhancement Fund (CJEF) and makes it a standalone fund (DGE Fund). Makes no substantive changes to the way monies are deposited or expended from the DGE Fund.
- 33. Clarifies that the Arizona Criminal Justice Commission (ACJC) administers the DGE Fund and the Resource Center Fund.
- 34. Provides a copy of the annual report of law enforcement activities that are funded by the DGE Fund to the Secretary of State.
- 35. Removes language that refers to the drug and gang enforcement account as a subaccount of CJEF.

Study Committee on Incompetent, Nonrestorable and Dangerous Defendants (Committee)

- 36. Establishes the Study Committee on Incompetent, Nonrestorable and Dangerous Defendants (Committee) to research and make recommendations for a program to provide long-term treatment and supervisions of persons:
 - a. Charged with crimes involving violent or dangerous behavior, and
 - b. Who have been found incompetent and nonrestorable.
- 37. Requires research and recommendations to include:
 - a. The legal and administrative framework for a program;
 - b. The number of people who might be eligible;
 - c. Facility types, staffing and services that would be necessary; and
 - d. Costs associated with the program.
- 38. Outlines Committee membership.
- 39. Allows the Committee to request information, data and reports from any state agency or political subdivision, including the courts. Requires information to be provided electronically if possible.
- 40. Allows the Committee to hold hearings, conduct fact-finding tours and take testimony.
- 41. Requires all Committee meetings to be open to the public.
- 42. States that the Legislature will provide staff and support services to the Committee.
- 43. Prohibits Committee members from receiving compensation.

44. Requires the Committee to submit a report of findings and recommendations by December 15, 2016 to the Governor, Speaker of the House, President of the Senate and Secretary of State.
45. Repeals the Committee on 1/1/2017.

Miscellaneous

46. Makes clarifying changes to the annual report required by agencies on the source of funds deposited into the Attorney General Legal Services Cost Allocation Fund (Fund).
 - a. *Current law requires agencies to pay into the Fund to offset general counsel services provided by the AG to the agencies.*
47. Extends the exemption from lapsing for an appropriation made in FY 2015 to the Administrative Office of the Courts (AOC) for one year, from 6/30/2016 until 6/30/2017. Applies retroactively to 7/1/2016.
 - a. *[Laws 2014, Ch. 18, § 131](#) appropriated \$250,000 to the AOC for distribution to Maricopa County to fund a contract with a provider offering integrated delivery of services using evidence-based treatment standards and providing an online case management system to report client progress to the court.*
48. Suspends county nonsupplanting provisions related to specific judicial programs in FY 2017 and requires the Arizona Supreme Court to report to JLBC on any decrease in county funding related to the suspensions, including reasons for the decrease.
 - a. *Continuation of previous year.*
49. States that it is the intent of the Legislature that each county pay an amount assessed for committed youth in secure care facilities, determined based on the county's proportional share of \$11,260,000.
 - a. *Continuation of previous year, except that the total amount is reduced from \$12 million in FY 2016.*
50. Makes technical, conforming and clarifying changes.

APPROPRIATIONS COMMITTEE AMENDMENT

1. Includes the Chief Executive Officer of the Arizona State Hospital (ASH) as a member of the Committee, instead of the Chief Medical Officer of ASH.
2. Continues to require the Auditor General (OAG) to annually perform a full and complete audit of the DGE Fund, instead of the CJEF.
 - a. *Current law requires the OAG to provide an annual audit the Drug and Gang Enforcement Account.*



HOUSE OF REPRESENTATIVES

HB 2702

environment; budget reconciliation; 2016-2017.

Prime Sponsor: Representative Montenegro, LD 13

DPA Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2702 makes statutory and session law changes related to the environment in order to reconcile the FY 17 state budget.

PROVISIONS

Distributed Generation Systems (DG system)

- Amends Laws 2016, Chapter 56 ([SB 1417](#)) to require applicants seeking to interconnect a DG system to the power grid to follow the utility's interconnection requirements rather than standards established by the Corporation Commission.

Department of Environmental Quality (ADEQ)

- Instructs the State Treasurer to invest and divest monies in the Underground Storage Tank Revolving Fund (UST Fund) and credit investment earnings to the fund.
- Continues to allow ADEQ to use a combined total of \$6,531,000 from the UST Fund for department administrative expenses.
- Continues to suspend the annual General Fund statutory appropriation of \$15,000,000 to the Water Quality Assurance Revolving Fund (WQARF). Appropriates monies to the WQARF from the following sources:

<u>Source</u>	<u>Amount</u>
General Fund	\$2,823,600 (maximum amount)
Vehicle Emissions Inspection (VEI) Fund	\$4,250,000
Air Quality Fund	\$2,875,000
Total Appropriated	\$9,948,600

- Includes a statement of legislative intent that fund balances in the VEI and Air Quality funds be evaluated to determine if sufficient monies are available for continued use in FY 18 for the WQARF.
- Continues to allow the use of up to \$1.8 million from the VEI Fund for ADEQ's safe drinking water program.
 - Instructs the Director to decrease VEI fees in the Phoenix metropolitan area by \$3/test and exempts ADEQ from statutory rulemaking requirements until July 1, 2017 for the purpose of reducing fees.

State Parks Board (ASPB)

- Continues to allow ASPB to spend up to \$692,100 from its portion of the Off-Highway Vehicle Recreation Fund for agency operating costs.

Navigable Stream Adjudication Commission (ANSAC)

- Continues to allow monies appropriated to ANSAC from the Water Banking Fund to be used in FY 17 to pay for legal fees.

Department of Water Resources (ADWR)

- Continues to allow the Water Protection Fund Commission to grant ADWR up to \$336,000 of the unobligated balance in the Water Protection Fund to pay for administrative costs.
- Authorizes ADWR to increase fees for services in FY 17 and requires fee revenues to be deposited in the Water Resources Fund.
 - Includes legislative intent limiting revenue generated from fees to \$100,200.
 - Exempts ADWR from rulemaking for the purpose of establishing fees until July 1, 2017.

Trust Land Administration Fund (Fund)

11. Repeals statutory changes made in the FY 16 ([SB 1474](#)) budget that would have established a new Fund upon voters approving [SCR 1018](#) at the November election. This change is consistent with HCR 2051 that requests the Secretary of State transmit the resolution back to the Legislature. As a result of HCR 2051, the resolution will not be included on the November ballot.

AMENDMENTS IN APPROPRIATIONS

1. Strikes language requiring applicants to follow interconnection standards before interconnecting a DG system.



HOUSE OF REPRESENTATIVES

HB 2703

government; budget reconciliation; 2016-2017.

Prime Sponsor: Representative Montenegro, LD 13

DP Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2703 makes changes to implement the fiscal year (FY) 2017 budget.

PROVISIONS

Emergency Management Assistance Compact Revolving Fund (Fund)

1. Establishes, retroactive to May 1, 2016, the Fund consisting of monies appropriated by the Legislature and monies received as reimbursement for costs incurred while rendering aid to another state in accordance with the [Emergency Management Assistance Compact](#).
2. Appropriates \$300,000 from the state General Fund (GF) in FY 2016 to the Fund.
3. Reduces the allowable amount authorized in the [Governor's Emergency Fund](#) in FY 2016 by \$300,000.
Current Law: The Governor may, through emergency declarations, authorize up to \$4,000,000 annually from the GF for disaster prevention and mitigation without specific appropriation authority ([A.R.S. § 35-192](#)).
4. Specifies Fund monies are to be used for costs incurred while assisting other states with emergencies or natural disasters.
5. Directs the Arizona Department of Emergency and Military Affairs to administer the Fund.
6. States Fund monies are continuously appropriated and exempt from lapsing.

Arizona Medical Board (Board)

7. Permits, retroactive to July 1, 2015, the Board to continue to expend monies appropriated in FY 2014 to contract with an in-state credentials verification service through the end of FY 2016.
Current Law: [Laws 2014, Chapter 251](#) included a one-time supplemental appropriation of \$855,000 from the Board Fund in FY 2014 for review of applications received after the Ombudsman-Citizens Aid Office found an expedited licensing process had not followed state statute and rule. The Board may also expend these monies in FY 2015. As of November 2015, the Board has spent \$839,300 with the remaining \$15,700 expected to be spent by March 2016 ([JLBC](#)).
8. Declares, effective July 1, 2016, a claim arising out of contract is not subject to [administrative adjustment](#).

Arizona Department of Transportation (ADOT)

9. Prescribes the safety oversight responsibilities of ADOT for light rail transit and car systems to include all of the following:
 - a. enforcement and investigative authority over engineering, construction and revenue services;
 - b. enforcement of safety requirements;
 - c. oversight and enforcement over the implementation of safety plans;
 - d. authority to enforce federal and state laws pertaining to light rail transit system safety; and
 - e. authority to compel light rail transit and street car systems to address, in a timely manner, deficiencies identified through investigations and audits.
10. Requires the Maricopa Association of Governments (MAG) and the Pima Association of Governments (PAG) to pay for any risk management costs incurred and judgements against this state resulting from ADOT's safety oversight of a transit provider and eliminates the requirement that the light rail transit system pay the safety administration costs.

Current Law: The organization that operates the light rail transit system must pay these costs ([A.R.S. § 28-9203](#)) and [federal law](#) requires the state safety oversight agency to be financially and legally independent from the public transportation entity providers.

11. Provides a [public entity](#) absolute immunity for the establishment, implementation and enforcement of minimum safety standards for street car systems.

Current Law: [Laws 2002, Chapter 205](#) extended absolute immunity to ADOT to establish, implement and enforce minimum safety standards for light rail systems ([A.R.S. § 12-820.01](#)).

Safety Enforcement and Transportation Infrastructure Fund (Fund)

12. Creates the ADOT Subaccount and the Department of Public Safety (DPS) Subaccount within the Fund.
13. Directs 55% of the monies deposited into the Fund each month to the ADOT Subaccount and 45% of the monies deposited into the Fund each month to the DPS Subaccount.

Current Law: The Fund source consists of fees for commercial vehicle permits collected at southern ports of entry on the Mexico border plus interest earnings. The Fund's purpose is to enforce vehicle safety requirements by DPS and ADOT and maintain and construct transportation facilities within 25 miles of the Arizona-Mexico border ([JLBC](#)).

14. States the ADOT and DPS Subaccount monies are subject to Legislative appropriation and continuously appropriated.

Retirement

15. Requires an estimate of the aggregate fees paid for private equity investments, including management and performance fees, in the annual report submitted by the Arizona State Retirement System Board and the Public Safety Personnel Retirement System Board to the Governor and Legislature.

Miscellaneous

16. Makes technical and conforming changes.



HOUSE OF REPRESENTATIVES

HB 2704

budget reconciliation; health; 2016-2017

Prime Sponsor: Representative Montenegro, LD 13

DP Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2704 is the health budget reconciliation bill for Fiscal Year (FY) 2017. The affected entities are the Arizona Department of Economic Security (ADES), the Arizona Department of Health Services (ADHS), the Arizona Health Care Cost Containment System (AHCCCS), cities, counties and hospitals.

PROVISIONS

ADHS and AHCCCS

1. Transfers responsibility for the administration of services for addictive behavior, including alcohol and drug abuse, from ADHS to AHCCCS.
2. Designates AHCCCS, rather than ADHS, as the single state agency to develop and administer the state plans for alcohol and drug abuse.
3. Authorizes AHCCCS, rather than ADHS, to administer the Substance Abuse Services Fund.
4. Transfers to AHCCCS from ADHS the responsibility for the Intergovernmental Agreements for County Behavioral Health Services Fund consisting of county monies received by AHCCCS to provide behavioral health services to persons identified through agreements with the counties. AHCCCS must administer the Fund and Fund monies are continuously appropriated.
5. Specifies that AHCCCS, rather than ADHS, must to report to the directors of the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB) on the efforts to increase third-party liability payments for behavioral health services by December 31, 2016.
6. Requires, by January 1, 2017, the directors of AHCCCS and ADHS to submit a joint report on hospital charge master transparency to the Governor, the Legislature and the Secretary of State. The report must provide a summary of the current charge master reporting process, a summary of hospital billed charges compared to costs and an example of how charge masters or hospital prices are reported and used in other states. The report must include recommendations to improve the use of hospital charge master information, including oversight changes and reporting.

ADHS

7. Allows monies in the Interagency Service Agreement for Behavioral Health Services Fund (Fund) to be used only to pay for Title XIX behavioral health services provided by July 1, 2016. Transfers all unexpended and unencumbered monies remaining in the Fund on July 1 of FYs 2018-20 to the state General Fund (GF).
8. Eliminates the Fund on September 1, 2020.
9. Allows ADHS to use monies in the Health Research Account in an amount specified in the general appropriations act for Alzheimer's disease research.

ADES and AHCCCS

10. Provides up to \$1,000 annually for dental services for adults with a developmental disability and the elderly and physically disabled members of the Arizona Long-term Care System (ALTCs).

AHCCCS

11. Permits monies deposited into the Tobacco Tax and Health Care Fund to be used for *behavioral health care services* in addition to health care services.
12. Requires AHCCCS to transfer to the counties the portion necessary to comply with the Patient Protection and Affordable Care Act regarding the counties proportional share of the state's contributions by December 31, 2017.

13. Allows AHCCCS to continue the risk contingency rate setting at funding levels imposed for contract year beginning October 1, 2010 for all managed care organizations for the contract year beginning October 1, 2016.
14. Appropriates to AHCCCS all monies received for critical access hospital payments from political subdivisions, tribal governments and any university and federal monies used to match those payments that are received in FY 2017 by AHCCCS. Before expenditure of these monies, AHCCCS must notify JLBC and OSPB of the expenditure amount.
15. Permits AHCCCS to participate in any Special Disability Workload 1115 Demonstration Waiver offered by the Centers for Medicare and Medicaid Services (CMS). Specifies that any credits must be used in the FY when those credits are made available to fund the state share of any medical assistance expenditures that qualify for federal financial participation. AHCCCS must report the receipt of any credits to the director of JLBC by December 31, 2016 and June 30, 2017.
16. Requires AHCCCS to report to the directors of JLBC and OSBP on the use of emergency departments for the nonemergency purposes by AHCCCS enrollees by December 1, 2016.
17. Stipulates that AHCCCS must report to the director of JLBC on the availability of inpatient psychiatric treatment for children and adolescents who receive services from the Regional Behavioral Health Authorities by January 2, 2017. The report must include all of the following information on treatment for individuals who are 21 years of age or younger:
 - a. The total number of inpatient psychiatric treatment beds available and the occupancy rate for those beds.
 - b. Expenditures on inpatient psychiatric treatment.
 - c. The total number of individuals in this state who are sent out of state for inpatient psychiatric care.
 - d. The prevalence of psychiatric boarding or the holding of psychiatric patients in emergency rooms for at least 24 hours before transferring the patient to a psychiatric facility.
18. States it is the intent of the Legislature that AHCCCS implement a program within the available appropriation.

AHCCCS Report on Health Care Services for Native Americans

19. Requires AHCCCS, by December 1, 2016, to submit a report for review to JLBC on Medicaid payments for health care services for the Native American population. The report must include:
 - a. An estimate of AHCCCS' annual total fund expenditures on acute care, long-term care and behavioral health services for Native Americans, including an estimate of total state expenditures on such services. AHCCCS must provide separate estimates of total fee-for-service expenditures and total Medicaid capitation expenditures for services furnished to Native Americans.
 - b. An assessment of the state fiscal implications associated with federal policy guidance issued by CMS in the State Health Official Letter #16-002 (Letter) dated February 26, 2016. The assessment must include an estimate of the state fiscal impact of the following practices addressed in the Letter:
 - i. The 100% federal matching assistance percentage (FMAP) for services furnished by non-Indian service providers to Native Americans through a written care coordination agreement.
 - ii. The 100% FMAP for services furnished by an Indian health service facility or tribal facility that did not previously qualify for a 100% FMAP, including home and community-based services, transportation services and other nonfacility-based services.
 - c. A report on AHCCCS' strategies to encourage written care coordination agreements, as prescribed in the Letter, between Indian health service providers and non-Indian health service providers.
 - d. An analysis of the impact of the federal policy guidance issued by CMS in the Letter on access to care and population health for Native Americans.

340B Pricing Program

20. Sets forth the later of January 1, 2017 or on approval of CMS:
 - a. 340B covered entities must submit point-of-sale prescription and physician-administered drug claims for members for drugs that are identified in the 340B pricing file, whether or not the drugs are purchased under the 340B drug pricing program. The claims must include a professional fee and the lesser of either:
 - i. The actual acquisition cost.
 - ii. The 340B ceiling price.
 - b. AHCCCS or a contractor must reimburse claims for drugs that are identified in the 340B pricing file and dispensed by 340B covered providers, whether or not the drugs are purchased under the 340B drug pricing program, at the amount submitted and outlined above plus a professional fee determined by AHCCCS unless a contract between the 340B covered entity and AHCCCS or a contractor specifies a different professional fee.
 - c. AHCCCS and its contractors may not reimburse any contracted pharmacy for drugs dispensed as part of the 340B drug pricing program. AHCCCS and its contractors must reimburse contracted pharmacies for drugs not purchased, dispensed or

administered as part of or subject to the 340B drug pricing program. A contracted pharmacy must be reimbursed at the price and professional fee set forth in the contract between the contracted pharmacy and AHCCCS or its contractor.

- d. AHCCCS or its contractors are not required to reimburse a pharmacy that does not have a contract with them.
 - i. Defines *340B ceiling price*, *340B covered entity*, *340B drug pricing program*, *actual acquisition cost*, *administration*, *contracted pharmacy*, *contractor* and *professional fee*.

21. Exempts AHCCCS, for purposes relating to the 340B drug pricing, from the rulemaking requirements for one year after the effective date of this act.

Delivery System Reform Incentive Payment (DSRIP) Fund

22. Establishes the Fund to pay all costs incurred pursuant to the Section 1115 Waiver authority associated with delivery system reform incentive payments and designated state health programs.

23. Requires AHCCCS to administer the Fund which is continuously appropriated. The state treasurer, on notice from AHCCCS, must invest and divest monies in the Fund and monies earned from investment must be credited to the Fund.

24. Allows separate accounts to be established within the Fund for each designated state health program.

25. Outlines that the Fund consists of:

- a. All monies deposited in the Fund with delivery system reform incentive payments and designated state health programs.
- b. Gifts, donations and grants from any source.
- c. Federal monies available to the state.
- d. Interest on monies deposited in to the Fund.

26. Exempts monies in the Fund from the lapsing of appropriations.

27. Requires AHCCCS, before the initial deposit of any monies in the Fund, to submit an expenditure plan for review by JLBC.

Counties

28. Sets the county ALTCS contributions for FY 2017 at \$249,980,000.

29. Requires counties to reimburse ADHS 31% of the costs for the commitment of a sexually violent person, excludes the county contributions from the county expenditure limitation and defines *cost of commitment*.

30. Mandates a city or county to reimburse ADHS for 100% of the costs of inpatient competency restoration treatment and excludes the county contributions from the county expenditure limitation.

31. Establishes the county acute care contributions at \$47,041,500 for FY 2017 and states it is the intent of the Legislature that the Maricopa County contribution be reduced in each subsequent year according to the changes in the GDP price deflator.

32. Sets the amount of \$2,646,200 to be collected from the counties, other than Maricopa, for the disproportionate uncompensated care county contribution for hospitalization and medical care services administered by AHCCCS. Excludes the county contributions from the county expenditure limitation.

33. Continues to exclude the Proposition 204 administration costs from the county expenditure limitation.

Hospitals

34. Establishes the Disproportionate Share Payments (DSH) for FY 2017 as follows:

- a. Maricopa County Special Health Care District (District) - \$113,818,500.
- b. Arizona State Hospital - \$28,474,900.
- c. Qualifying private DSH hospitals - \$884,800.

35. Provides that if the certification is greater than \$113,818,500, AHCCCS must distribute \$4,202,300 to the District and deposit \$74,605,500 in the state GF. If the certification is less than \$113,818,500 AHCCCS must distribute \$4,202,300 to the District and deposit the balance in the state GF.

36. States that after the distributions noted above are made, allocations of DSH payments must be made first to qualifying private hospitals located outside of the Phoenix and Tucson statistical metropolitan areas and then to qualifying hospitals within those areas.

Miscellaneous

37. Repeals the Interagency Coordinating Council, which expired in 1973, responsible for the coordination and implementation of programs for drug abuse and makes applicable statutory changes.

38. Specifies monies in the Health Services Lottery Monies Fund may be used for purposes specified in the FY 2017 general appropriations act, including the reduction of a projected shortfall in the Arizona State Hospital Fund and funding for the Area Agencies on the Aging.



HOUSE OF REPRESENTATIVES

HB 2705

human services; budget reconciliation; 2016-2017.

Prime Sponsor: Representative Montenegro, LD 13

DP Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2705 makes statutory and session law changes relating to human services in order to reconcile the Fiscal Year (FY) 2017 state budget. The affected entities are the Department of Economic Security (DES), the Department of Child Safety (DCS), the Office of the Auditor General (OAG) and the Arizona Early Childhood Development and Health Board.

PROVISIONS

The Department of Economic Security (DES)

1. Requires DES to submit an annual update to the Joint Legislative Budget Committee (JLBC) on DES' plans for the Arizona Training Program and associated group homes, beginning November 1, 2016.
2. Requires the annual update to include:
 - a. A potential time table for the closure of any facilities;
 - b. A timeline for the completion of the transition of the residents in those facilities to new residential settings; and
 - c. The expected fiscal impact, which must include an estimate of the costs necessary to:
 - i. Maintain existing service levels for transitioning individuals;
 - ii. Build capacity in the community to support transitioning individuals;
 - iii. Provide enhanced and independent monitoring and oversight of each new placement; and
 - iv. Provide protection and advocacy services and medical and behavioral health care support for transitioning individuals.
3. Requires DES to send a written notice to each affected individual and the individual's legal guardian of DES' intention to develop a person-centered service plan for each affected individual to identify potential residential setting and in-home service options that are based on each person's needs and personal choices before DES submits their initial update.
4. Stipulates that DES must conduct meetings with all affected persons and their legal guardians regarding the transition process and provide each person and guardian with a list of potential residential settings and in-home service options.
5. Mandates that final decisions regarding residential settings and services must be based on person-centered plans, individual assessed needs and individual preferences.
6. Permits DES to reduce maximum income eligibility levels for child care assistance in order to manage within appropriated and available monies for FY 2017.
7. Requires DES to notify JLBC within 15 days of implementing any change in maximum income eligibility levels for child care assistance.
8. Requires DES, in FY 2017, to screen and test each adult recipient who is otherwise eligible for temporary assistance to needy families (TANF) cash benefits and who DES has reasonable cause to believe engages in the illegal use of controlled substances.
9. Prohibits any recipient who tested positive for the use of a controlled substance that was not prescribed for the recipient by a licensed health care provider from being eligible to receive benefits for one year.

The Department of Child Safety (DCS)

10. Prohibits DES and DCS from spending any federal TANF Block Grant monies in excess of \$218,728,100 in FY 2016, unless they receive a supplemental appropriation of the Block Grant monies in FY 2016.
 - a. Stipulates that the state General Fund (GF) appropriations for DES and DCS are not reduced in relation to any federal TANF Block Grant monies received in excess of \$218,728,100 in FY 2016.

- b. Applies retroactive to July 1, 2016.
11. Continues the requirement that DCS establish a mechanism to direct complaints to the Office of the Ombudsman-Citizens Aide until June 30, 2018.
 - a. Applies retroactive to July 1, 2016.
 12. Permits DCS to use \$3,800,000 of the monies appropriated to DCS from the state lottery fund in FY 2016 for in-home preventative support services.
 - a. Applies retroactive to July 1, 2016.
 13. Requires DCS to:
 - a. Review the implementation of foster home licensing rules, guidelines and checklists;
 - b. Review the cases in which foster home licenses were denied;
 - c. Hold public meetings to solicit input from foster families on the implementation of new foster home licensing rules, guidelines and checklists; and
 - d. Identify any modifications required in new foster home licensing rules, guidelines and checklists.
 - i. DCS is required to submit a report of its findings to the Legislature by December 31, 2016.

The Department of Child Safety (DCS) and The Arizona Early Childhood Development and Health Board (Board)

14. Requires DCS and the Board to jointly report to JLBC on their collaborative efforts to address child welfare issues of common concern.
 - a. Requires the report to:
 - i. Include information about the level of coordination between DCS, the Board, and community groups to promote the well-being of children and families that are identified in reports of abuse or neglect; and
 - ii. Be submitted by February 1, 2017.

The Office of the Auditor General (OAG)

15. Requires OAG to provide reports concerning DCS to the Governor, Legislature and Directors of JLBC and the Governor's Office of Strategic Planning and Budgeting.
16. Requires the reports to address DCS':
 - a. Administrative staffing level, which must:
 - i. Assess the reasonability of the current administrative staffing level and its staffing level compared to other state agencies and best practices;
 - ii. Address DCS' staffing analysis process; and
 - iii. Be submitted by February 1, 2017.
 - b. Recruiting, training, retention, and use of staff, which must:
 - i. Review recruiting, training, retention and use of staff who are critical to the mission of child safety, including caseworkers, supervisors, case aids, assistance program managers and the Office of Child Welfare Investigations staff, as compared to other states and best practices;
 - ii. Determine the availability of services and the use of supportive practices, such as reflective supervision, peer review and mental health support for caseworkers; and
 - iii. Be submitted by September 30, 2017.
 - c. Substance abuse treatment program, Arizona Families in Recovery Succeeding Together (Families F.I.R.S.T.), which must:
 - i. Evaluate the program by comparing it to other states' practices and best practices and recommending improvements;
 - ii. Include a component to address other state's use of adult substance abuse treatment intervention programs listed by the California evidence-based clearinghouse for child welfare;
 - iii. Examine the roles of recovery coaches, halfway houses, transportation, counseling, drug testing, housing assistance and other services in the program;
 - iv. Examine the prevalence of waiting lists or other barriers to substance abuse treatment for parents whose children are in out-of-home care or receiving in-home preventive support services; and
 - v. Be submitted by March 31, 2018.
17. Makes technical and conforming changes.



HOUSE OF REPRESENTATIVES

HB 2706

budget reconciliation; higher education; 2016-2017

Prime Sponsor: Representative Montenegro, LD 13

DPA Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2706 makes statutory and session law changes related to higher education and the implementation of the Fiscal Year (FY) 2017 state budget.

PROVISIONS

1. Requires the amount of tuition and fees included in the operating budget for each university to be deposited in a separate subaccount for each university rather than deposited with the State Treasurer, subject to legislative appropriation.
 - a. Contains an effective date of July 1, 2018.

Currently registration fees and other revenues are included in the operating budget.

2. Requires all other tuition and fee revenue to be retained in a separate local tuition and fees subaccount for each university.
 - a. Requires the subaccount to consist of only tuition and fees.

3. Outlines a General Fund (GF) appropriation schedule for lease-purchase capital financing for research infrastructure projects for all three public universities for FY 2017-2031.

Current law annually appropriates \$14,472,000 to Arizona State University, \$14,253,000 to the University of Arizona and \$5,900,000 to Northern Arizona University for lease-purchase capital financing for research infrastructure projects until FY 2031.

4. Suspends the requirement that the Legislature provide 2:1 match for every dollar of student registration fees deposited into the Arizona Financial Aid Trust Fund.

This provision has been suspended since FY 2009.

5. Stipulates that FY 2017 state aid for community college science, technology, engineering and mathematics and workforce programs is as specified in the General Appropriations Act.

6. Makes technical and conforming changes.

AMENDMENTS IN APPROPRIATIONS COMMITTEE

1. Reverts back to current law for FY 2017 appropriations for lease-purchase capital financing for research infrastructure projects.
2. Modifies the appropriation schedule for lease-purchase capital financing for research infrastructure projects for Arizona State University and Northern Arizona University.
3. Increases GF appropriation reductions to Arizona State University for FY 2017 from \$2,329,800 to \$3,281,700.
 - a. Contains a retroactive effective date of June 30, 2016.
4. Eliminates the requirement Arizona State University be budgeted into three different units and consolidates to one budget unit.
5. Makes technical and conforming changes.



HOUSE OF REPRESENTATIVES

HB 2707

K-12 education; budget reconciliation; 2016-2017.

Prime Sponsor: Representative Montenegro, LD 13

DP Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2707 makes statutory and session law changes related to K-12 education and the implementation of the Fiscal Year (FY) 2017 state budget.

PROVISIONS

School Funding

1. Removes the definition change scheduled to begin in FY 2017 of *student count* to the current year Average Daily Membership (ADM).
2. Defines *student count* for Base Support Level calculations as the ADM for the current year, except that for calculating the Base Support Level for school district rollover allocations and budget override amounts, the student count is the ADM of the prior year.
3. Repeals statute allowing school districts to adjust student counts for growth in the current year.

School Districts

4. Increases the Base Level by 0.99% for FY 2017 from \$3,426.74 to \$3,460.66 or from \$3,600 to \$3,635.64 if Proposition 123 is approved by the voters.
5. Increases the school district Transportation Support Level per route mile formula by 0.99%.
6. Continues to direct the Arizona Department of Education (ADE) to reduce the amount of Basic State Aid (BSA) by \$352,442,700 that otherwise would be apportioned to school districts for FY 2017 as District Additional Assistance (DAA) and requires school district budget limits to be reduced accordingly.
 - a. Directs ADE to reduce DAA for school districts that are not eligible to receive BSA funding by the amount that would be reduced if the district was eligible for BSA funding and reduce the school district's budget limits accordingly.
7. Continues to declare that it is the intent of the Governor and Legislature that school districts increase the total percentage of classroom spending over the previous year's percentages in the combined categories of instruction, student support and instructional support.
8. Continues to cap the sum of DAA reductions in FY 2017 for school districts with a student count of less than 1,100 at \$5 million.

Charter Schools

9. Removes the authority for a school district to sponsor a charter school and deletes all applicable statutes.
10. Prohibits a charter school applicant from submitting an application to any person or entity other than those authorized to sponsor a charter school.
11. Removes the requirement for district sponsored charter schools that convert back to a district school to repay the total Charter Additional Assistance (CAA) received for all years the charter school was in operation, retroactive to June 30, 2016.
12. Prohibits FY 2015 students who attended district sponsored charter schools that converted in FY 2014 and are being counted as if they attended a school district school in FY 2016 from making the school district eligible for DAA growth funding.
13. Directs ADE, for FY 2017, to compute DAA for students attending district sponsored charter schools in FY 2016 as if the students had attended a school district school and adjust DAA student counts and budget limits accordingly, except that the adjustment does not make the school district eligible for DAA growth funding.
14. Contains a retroactive effective date for the previous two sections of June 30, 2015.

15. Enacts a delayed repeal of July 1, 2016, for session law prohibiting the ADM of district sponsored charter schools in FY 2015 onwards from being more than 20% of the ADM of all students attending district sponsored charter schools in the district in FY 2013.
16. Decreases the enacted FY 2017 reduction to multi-site charter holders for Small School Weights (SSW) from 67% to 53%.
17. Requires ADE to reduce for FY 2018 forwards, the amount provided by the SSW for charter schools affiliated with a multi-site charter holder by 73%, except that the SSW amount for grades K-8 and 9-12 for a charter school that is located less than three miles from an affiliated charter school that also serves the same grade levels (elementary or secondary) is reduced by 100%. This does not apply if the combined ADM of the affiliated charter schools that provide instruction in the same grade levels and that are located within three miles of each other is less than 600 in the respective secondary or elementary grade levels; in this case the 73% reduction applies.
 - a. Defines *less than three miles*.
18. Increases CAA by 0.99% to the following amounts:
 - a. For students in preschool programs for children with disabilities and grades K-8, from \$1,734.92 to \$1,752.10.
 - b. For students in grades 9-12, from \$2,022.02 to \$2,042.04.
19. Continues to require ADE to reduce the amount of CAA by \$18,656,000 that otherwise would be apportioned to charter schools for FY 2017 and requires budget limits to be reduced accordingly.
 - a. Directs the reduction to be made on a proportional basis based on the CAA funding that each charter school would have received without the prescribed reduction.

Joint Technical Education Districts (JTEDs)

20. Requires the annual JTED report to include for each district the percentage of students enrolled in the second year of each program and course relative to the number of students in the same cohort enrolled in the first year and the percentage of students who completed relative to the number who began the program.
21. Removes the ability for a student who has not graduated and was enrolled in a JTED on January 1, 2016, to continue to participate in the JTED program.
22. Permits a JTED student under 21 years old, including those who have graduated from high school or received a general equivalency diploma to:
 - a. During FY 2016, continue to participate in the JTED program and remain in the JTED's ADM through the end of FY 2016; and
 - b. On February 1, 2016, continue to participate in the JTED program and remain in the JTED's ADM until the student completes the JTED program or through the end of FY 2017, whichever is first.
23. Applies the previous provision retroactive to June 30, 2015.
24. Continues to fund JTEDs with a student count of more than 2,000 at 95.5% of what would otherwise be provided by law for FY 2017 and requires ADE to reduce budget limits accordingly.
 - a. Directs the reduction to be computed as if the Base Support Level portion of the equalization formula funding for FY 2017 was based on the prior year ADM.

School Emergency Pilot Program

25. Continues to designate \$100,000 for the School Emergency Readiness Pilot Program from the FY 2017 GF appropriation to ADE for the School Safety Program and establishes the same programmatic requirements for FY 2017 as previously enacted with updated report dates.

K-6 Technology-Based Language Development and Literacy Intervention Pilot Program

26. Extends the K-6 Technology-Based Language Development and Literacy Intervention Pilot Program reporting and termination dates by two years.
27. Modifies the FY 2015 appropriation for the K-6 Technology-Based Language Development and Literacy Intervention Pilot Program to go to the Superintendent of Public Instruction (SPI) rather than SBE and appropriates \$246,800 in FY 2016 to the SPI.
 - a. Exempts the FY 2015 appropriations from lapsing through FY 2017 and the FY 2016 from lapsing through FY 2018.

Code Writers Initiative Pilot Program

28. Appropriates, as one-time funding, \$500,000 in FY 2017 from the State Web Portal Fund to ADE to provide competitive grants for participation in the Code Writers Initiative Pilot Program.

29. Directs the American Indian Advisory Council in ADE to evaluate grant applications and make award recommendations to ADE.
30. Requires ADE to maximize available funding by awarding grants to participations who will secure gifts, grants and donations from other sources.
31. Establishes requirements for grantees in the Code Writers Initiative Pilot Program.
32. Requires ADE to summarize submitted reports and submit summaries by December 1, 2017 and 2018 to the President of the Senate, Speaker of the House of Representatives, Director of the Joint Legislative Budget Committee (JLBC) and Secretary of State.
33. Exempts the appropriation from lapsing and sunsets the program on July 1, 2019.

College Credit by Examination Incentive Pilot Program

34. Establishes the College Credit by Examination Incentive Pilot Program in ADE to prove incentive bonuses to teachers, school districts and charter schools for students who obtain college credit through qualifying examinations while in high school.
35. Requires the Arizona Board of Regents (ABOR) to maintain a list of qualifying examinations from ABOR universities and scores and provide the list to ADE and JLBC by September 1, 2016 for review.
36. Directs ADE to pay an incentive bonus in FY 2018 to public high schools for students who pass a qualifying examination in the previous year of:
 - a. \$450 per student for students enrolled in schools with a 50% or higher free or reduced price lunch population; and
 - b. \$300 per student for students enrolled in a school with less than a 50% free or reduced price lunch population.
37. Directs bonuses to be proportionally reduced if the statewide sum of bonuses exceeds the appropriations.
38. Requires at least 50% of the bonus to be distributed to the associated classroom teacher in addition to regular wages, compensation or other bonuses and directs the remainder to be used for teacher professional development, instructional support or materials.
 - a. Instructs bonus monies to be separately accounted for in the annual financial report.
39. Prohibits incentive bonuses from being subject to collective bargaining.
40. Requires ADE to report by December 15, 2018, to the President of the Senate, Speaker of the House of Representatives and the Governor on specified information.
41. Appropriates \$5 million in one-time time funding from the GF to ADE in FY 2017 for bonuses.
42. Exempts the appropriation from lapsing.
43. Sunsets the program on January 1, 2019.

Miscellaneous

44. Increases the maximum annual amount of unclaimed lottery prize money that may be transferred to the Tribal College Dual Enrollment Program Fund from \$160,000 to \$250,000.
45. Establishes the ADE subaccount within the Teacher Certification Fund consisting of 85% of the funds deposited each month and the SBE subaccount consisting of the remaining 15% of deposits.
 - a. Subjects subaccount monies to appropriation.
46. Requires ADE to submit a copy of annual desegregation reports to the Secretary of State.
47. Reduces the amount of excess square footage not funded by SFB that may be excluded from net square footage calculations for SFB funding for school districts that provide instruction to over 7,500 students from 25% to 10%. Maintains the 25% exclusion for school districts under 7,500 students and applies retroactive to December 31, 2015.
48. Permits the Classroom Site Fund to receive appropriated monies from the GF in FY 2017 and sets the per pupil amount for FY 2017 at \$343.50.
49. Makes technical and conforming changes.



HOUSE OF REPRESENTATIVES

HB 2708

revenue; budget reconciliation; 2016-2017

Prime Sponsor: Representative Montenegro, LD 13

DPA Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HB 2708 makes temporary and permanent statutory changes relating to state revenues in order to implement the Fiscal Year (FY) 2017 budget.

PROVISIONS

Department of Agriculture (ADA)

1. Allows the Director of ADA, with the assistance of the ADA Advisory Council, to continue existing fees from FY 2016 into FY 2017.
2. Declares that it is the intent of the Legislature that the additional revenues generated by fees do not exceed:
 - a. \$218,000 to the state General Fund (GF).
 - b. \$113,000 to the Pesticide Trust Fund.
 - c. \$26,000 to the Dangerous Plants, Pests and Diseases Trust Fund.
3. Exempts ADA from rulemaking requirements for the purpose of establishing fees until July 1, 2017.

Department of Corrections

4. Extends the distribution of luxury tax revenues to the Corrections Fund, permanently, retroactive to July 1, 2015.
 - a. *Allocation of revenues ended in FY 2015.*

Counties and Municipalities

5. Permits a county with a population of less than 200,000 to use any source of county revenue to meet its fiscal obligations in FY 2017.
 - a. Prohibits a county from using more than \$1 million for purposes other than the purposes of the revenue source.
 - b. Stipulates that the county must report the specific source and amount of revenues the county intends to use to the Joint Legislative Budget Committee (JLBC) by October 1, 2016.
6. Requires the Maricopa County Board of Supervisors to spend all remaining monies in the Elderly Assistance Fund after December 31, 2015 solely on the Elderly Assistance Program.
 - a. Specifies that all subsequent appropriations made to the Fund must be spent on the Program.
 - b. Applies retroactively to January 1, 2016.
7. Exempts La Paz County from penalties for exceeding its expenditure limit in FY 2014, FY 2015 and FY 2016 due to its contract with Los Angeles County to import incinerator ash for disposal.

Department of Financial Institutions (DFI)

8. Allows the Superintendent of DFI to use monies in the Receivership Revolving Fund for expenditures on an electronic licensing system through FY 2017.
 - a. Declares that it is the Legislature's intent that expenditures on the electronic licensing system do not exceed \$850,000.
9. Allows DFI to use the Financial Services Fund for general operating expenditures in FY 2017.

Department of Gaming

10. Requires the Department of Gaming to transfer the remaining balance of \$23,700 from the Racing Administration Fund to the Racing Regulation Fund.

Department of Insurance (DOI)

11. Prohibits the Director of DOI from modifying fees or assessments in FY 2017 for the purpose of meeting the statutory requirement that DOI recover at least 95%, but not more than 110% of its appropriated budget.

Department of Liquor Licenses and Control (DLLC)

12. Exempts the \$626,700 appropriation in FY 2015 and the \$400,000 appropriation in FY 2016 received by DLLC for a licensing replacement system from the statutory lapsing of appropriations restriction.

Radiation Regulatory Agency (ARRA)

13. Permits the Director of ARRA to increase fees in FY 2017.
14. Declares that it is the intent of the Legislature that the revenues generated by collected fees do not exceed \$561,000.
15. Requires ARRA to deposit monies generated from fees in the Radiation Regulatory Fee Fund.
16. Exempts ARRA from rulemaking for the purpose of increasing fees until July 1, 2017.

Department of Transportation (ADOT)

17. Requires, prior to Highway User Revenue Fund distribution, ADOT to allocate and the Treasurer to distribute \$30 million in FY 2018, used only for the direct costs of construction and maintenance of roads and bridges and acquisitions of rights-of-way, as follows:
- a. 33.231% to counties.
 - b. 48.097% to incorporated cities and towns.
 - c. 5.247% to incorporated cities with a population of 300,000 or more persons.
 - d. 13.425% to counties with a population greater than 800,000 persons.
18. Appropriates \$30 million on a one-time basis from the GF in FY 2017 to ADOT to distribute in the same manner and for the same purpose as outlined above.

Department of Revenue

19. Requires DOR to report the amount of individual and corporate income tax credits claimed in the preceding FY to the Director of JLBC and the Director of the Governor's Office of Strategic Planning and Budgeting, by September 30th of each year.
20. Declares that it is the Legislature's intent that the total fees collected by DOR for administrative costs do not exceed \$20,755,835 in any FY and that the fees assessed to each local government be in proportion to the distribution of revenues in the FY two years prior.
- a. Specifies that the population of a county, city or town as determined by the most recent decennial census plus any revision by the U.S. Census bureau is to be the basis for apportioning money.

Tobacco Stamps

21. Allows a tobacco distributor to purchase tobacco stamps from DOR at the following rates:
- a. 96% of the stamp's face value if purchased between October 1, 2014 and September 30, 2016.
 - b. 96.48% of the stamp's face value if purchased after September 30, 2016.
22. Requires DOR to remit \$3.52 per stamp to each distributor as an administrative allowance, upon confirmation of affixation of stamps for the following stamp categories:
- a. Stamps with a face value of \$0.
 - b. Stamps that do not require a precollected tax.
23. Stipulates that any refunded stamps or redemption of unused or spoiled stamps must be issued as follows:
- a. The total face value of the stamps, minus 4% if the stamps were purchased or acquired between October 1, 2014 and September 30, 2016.
 - b. The total face value of the stamps, minus 3.52%, if the stamps were purchased or acquired after September 30, 2016.
24. Specifies that any rebate of stamps in which no precollected tax was required is to be reimbursed at the full face value of the stamps.

25. Allows tobacco distributors to *acquire* tobacco stamps from DOR pursuant to DOR procedures.

Tax Recovery Program (Program)

26. Requires DOR to establish a Program through December 31, 2018 for the purposes of abating and waiving civil penalties and interest for unpaid tax liabilities.

- a. Taxpayers may only seek a waiving or abatement of tax penalties for any taxable period ending before:
 - i. January 1, 2014 for taxpayers filing annually; and
 - ii. February 1, 2015 for all other taxpayers.

27. Outlines qualifications and application requirements for the Program.

28. Allows a taxpayer to pay their unpaid tax liability in full at one time or over a period of three years.

29. Specifies the requirements and responsibilities of DOR with regards to the Program.

30. Requires DOR to submit a report to the Governor, President of the Senate and the Speaker of the House of Representatives, including specified information, by January 1st of each year.

Veterans Income Tax Settlement

31. Establishes the Veteran's Income Tax Settlement Fund (Fund), which consists of legislative appropriations and donations.

- a. Monies in the Fund are continuously appropriated to DOR.

32. Appropriates \$2 million from the GF in FY 2017 to the Fund.

33. Requires DOR to administer the Fund.

34. Directs the state Treasurer to invest and divest monies in the Fund.

35. Specifies that Fund monies are exempt from laws relating to the lapsing of appropriations.

36. Stipulates that unexpended and unencumbered monies remaining in the Fund on June 30, 2019 revert back to the GF.

37. Allows 5% of Fund monies to be used for administrative purposes.

38. Permits a veteran or the veterans' surviving spouse, personal representative, executor or other official of the estate to file a claim for a settlement payment for any period of active duty if the veteran:

- a. was an enrolled member of a Native American tribe;
- b. maintained a domicile within the reservation boundaries of the veteran or veteran's spouse; and
- c. had taxes withheld from their active duty military pay.

39. Requires a claim to provide evidence of eligibility, the amount of the claim and all of the following:

- a. A copy of the veteran's DD Form 214 or other proof of service;
- b. A signed statement attesting to the veteran's tribal status;
- c. Evidence that the veteran's domicile meets eligibility requirements;
- d. Evidence of the amount of state income taxes withheld from the veteran's military pay; and
- e. A signed statement, under the penalty of perjury, specifying that the veteran has not received an income tax refund.

40. States that a claim must be filed by an eligible individual.

41. Specifies that if an eligible veteran is deceased and a claim is filed by another person, the following criteria must be met:

- a. A death certificate must be provided;
- b. A claim may only be filed by a surviving spouse, representative, executor or other official representative of the estate, if the decedent's estate is valued at more than \$30,000; and
- c. A claim filed by a successor must include a notarized and dated statement that:
 - i. Indicates the value of the estate;
 - ii. Verifies that at least 30 days has passed since the veteran's death; and
 - iii. Verifies the individual's eligibility to receive the settlement.
- d. A claim filed by a personal representative, executor or other official representative of the estate, must provide:
 - i. A signed and notarized statement which states that the claimant has been appointed to represent the estate; and
 - ii. A copy of the claimant's appointment.

42. Provides that a settlement claim must be denied for any amount of withholding tax that can be claimed as a refund pursuant to statute.
 - a. A refund may be filed by a veteran by the later of December 31st of the year three years after separation from service or the year in which state taxes were withheld from the veteran's active duty pay.
43. Specifies that a settlement payment claim must be made on a claim form prescribed by DOR and filed with Department of Veterans Services (DVS) by December 31, 2017.
44. Requires DVS to determine whether a submitted claim form meets the prescribed requirements within 210 days and transmit the claim form to DOR.
 - a. States that a failure to respond by DVS within 210 days is considered to be a denial.
45. Requires DOR, within 210 days, to validate a claim and inform the claimant and DVS of its approval or denial.
 - a. Specifies that a failure to respond by DOR within 210 days is considered to be a denial.
46. Requires DOR to pay approved claims, on a first come first serve basis, from the Fund and in a manner prescribed by statute.
47. Specifies that settlement payments must include interest, computed daily, from the date of withholding through the date of payment.
 - a. Outlines method for determining the date of withholding.
48. Requires all appealable agency actions and contested cases to be governed pursuant to statute.
49. Requires the Directors of DOR and DVS to collaborate in adopting any additional rules deemed necessary to administer the provisions of this Act.
50. States that the Director of DOR is required to report the following information to the Legislature by October 1, each year from 2017 to 2019:
 - a. Estimates of the amount of taxes subject to payment;
 - b. The number of eligible veterans affected by withholdings subject to payment;
 - c. Expenditures from the Fund during the previous fiscal year;
 - d. Anticipated expenditures from the Fund during the current fiscal year; and
 - e. Anticipated appropriations to the Fund needed to meet expected payments in the next fiscal year.
51. Contains an intent clause.
52. Repeals Veterans Income Tax Settlement provisions on January 1, 2020.

Miscellaneous

53. Defines terms.
54. Makes technical and conforming changes.

AMENDMENTS IN APPROPRIATIONS COMMITTEE

1. Increases the cap on a county's use of alternative revenue sources to meet fiscal obligations from \$1 million to \$1.25 million.
2. Increases the maximum size of a county eligible to use alternative revenue sources to meet fiscal obligations to include counties with a population of less than 250,000.



HOUSE OF REPRESENTATIVES

HCR 2051

trust land management; budget reconciliation.

Prime Sponsor: Representative Montenegro, LD 13

DP Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

HCR 2051 requests the Secretary of State return back to the Legislature the resolution proposing an amendment to the Arizona Constitution that would allow up to 10% of proceeds derived from trust lands to be used for administration and disposition of lands.

BACKGROUND AND PROVISIONS

The FY 16 budget included [SCR 1018](#) that proposed an amendment to the Arizona Constitution allowing up to 10% of the annual proceeds derived from trust lands to be used for administration and disposition of lands to increase the value of the trust. In addition, [SB 1474](#), the FY 16 environment budget reconciliation bill, made statutory changes to the Trust Land Administration Fund that would take effect if voters approved the resolution at the November election.

1. Requests the Secretary of State return SCR 1018 back to the Legislature. As a result, the resolution will not be included on the November ballot.



HOUSE OF REPRESENTATIVES

SB 1505

tax exemption; natural gas delivery

Prime Sponsor: Senator Worsley, LD 25

DP Committee on Appropriations

X Caucus and COW

House Engrossed

OVERVIEW

SB 1505 exempts gas transportation services from transaction privilege tax (TPT) and use tax unless the tax is levied by a city or town that chooses to tax electric or gas companies.

PROVISIONS

1. Exempts gas transportation services from TPT and use tax.
2. Directs municipalities that levy a tax on electric or gas companies to either tax or exempt, in whole, gas transportation services.
3. Makes technical changes.

CURRENT LAW

Gas transportation services are the services of transporting natural gas to a natural gas customer or a natural gas distribution facility if the natural gas was purchased from a supplier other than the utility ([A.R.S. § 42-5063](#)).

[A.R.S. § 42-5063 subsection C, paragraph 6](#) tax exempts the gross proceeds of sales or gross income derived from sales of electricity or natural gas from a business that is principally engaged in manufacturing or smelting operations and that uses at least 51% of the electricity or natural gas in the manufacturing or smelting operations. This statute does not currently apply to gas transportation services.

[A.R.S. § 42-5159 subsection G, paragraph 1](#) tax exempts the purchase price of electricity or natural gas by a business that is principally engaged in manufacturing or smelting operations and that uses at least 51% of the electricity or natural gas in the manufacturing or smelting operations. This statute does not currently apply to gas transportation services.

A city or town that levies a transaction privilege, sales, gross receipts, use, franchise or other similar fee or tax on businesses that produce, provide or furnish electricity, electric lights, current, power or natural gas must either tax or exempt the gross proceeds of sales or gross income from sales by businesses that use at least 51% of the electricity, electric lights, current, power or natural gas in a manufacturing or smelting operation located in that city or town. This statute does not currently apply to gas transportation services ([A.R.S. § 42-6012](#)).

ADDITIONAL INFORMATION

According to a [Joint Legislative Budget Committee fiscal note](#), SB 1505 is estimated to reduce General Fund revenue by \$870,000 in Fiscal Year 2017.



HOUSE OF REPRESENTATIVES

SB 1402

class six property; higher education.

Prime Sponsor: Senator Yarbrough, LD 17

DP Committee on Government and Higher Education

X Caucus and COW

House Engrossed

OVERVIEW

SB 1402 classifies property used by an institution of higher education as class six property.

PROVISIONS

1. Classifies real and personal property used by a nationally recognized institution of higher education that offers baccalaureate or post baccalaureate degree programs as class six property.
2. Makes technical changes.

CURRENT LAW

Property in Arizona is classified into nine legal classes based on the use of the property and each class has an assessment ratio ranging from 1% to 18%. Class six property includes noncommercial historic property, foreign trade zone property, military reuse zone property and improvements, qualifying environmental technology manufacturing, producing or processing facility property and improvements, and qualifying environmental remediation property ([A.R.S. § 42-12006](#)). Class six properties are assessed at 5% of the full cash value or limited valuation ([A.R.S. § 42-15006](#)). Class one property includes real or personal property devoted to commercial or industrial use ([A.R.S. § 42-12001](#)). Class one properties are assessed at 18% of the full cash value or limited valuation ([A.R.S. § 42-15001](#)).

Property of educational, charitable and religious associations or institutions not used or held for profit are exempt from taxation ([Arizona Constitution, Article 9, § 2](#)).

ADDITIONAL INFORMATION

According to the [Joint Legislative Budget Committee](#), SB 1402 could have an estimated \$2.6 million impact to the state General Fund beginning in Fiscal Year (FY) 2018 by increasing the cost for K-12 funding under the Basic State Aid formula. The impact could be reduced to an estimated \$350,000 beginning in FY 2018 if the truth-in-taxation adjustment automatically takes effect.



HOUSE OF REPRESENTATIVES

SB 1216

charitable donations; tax credit amounts
Prime Sponsor: Senator Yarbrough, LD 17

DP Committee on Ways and Means

X Caucus and COW

House Engrossed

OVERVIEW

SB 1216 increases the amount a taxpayer may claim as a tax credit for contributions made to a charitable organization.

PROVISIONS

1. Increases the amount of tax credit a taxpayer may claim for contributions to a qualifying charitable organization from \$200 to \$400 for individuals and \$400 to \$800 for married couples.
2. Increases the amount of tax credit a taxpayer may claim for contributions to a foster care charitable organization from \$400 to \$500 for individuals and from \$800 to \$1000 for married couples.
3. Contains a retroactive effective date of January 1, 2016.

CURRENT LAW

A taxpayer may receive a tax credit for up to \$200 for individuals and \$400 for married couples for making voluntary cash contributions to a qualifying charitable organization. The cap rises to \$400 for individuals and \$800 for married couples if the organization is a qualifying foster care charitable organization. Taxpayers are required to report the name of the charitable organization and the amount of contribution to the Department of Revenue (DOR). Each qualifying charitable organization is required to provide DOR with a written certification that it meets all the criteria to be considered a qualifying charitable organization. *Qualifying charitable organization* is defined as a nonprofit organization that spends at least 50% of its budget on services to residents. *Qualifying foster care charitable organization* is defined as a qualifying charitable organization that provides services to at least 200 foster children and spends at least 50% of its budget on services to foster children (A.R.S. 43-1088).



HOUSE OF REPRESENTATIVES

SB 1217

charitable tax credit; contribution date

Prime Sponsor: Senator Yarbrough, LD 17

DP Committee on Ways and Means

X Caucus and COW

House Engrossed

OVERVIEW

SB 1217 allows a tax credit for contributions made to a charitable organization to be applied to the current or preceding taxable year, if made on or before April 15th.

PROVISIONS

1. Allows a tax credit for contributions made to a charitable organization, on or before April 15th, to be applied to the current or preceding taxable year.
2. Contains a retroactive effective date of January 1, 2016.
3. Makes conforming changes.

CURRENT LAW

A taxpayer may receive a tax credit for up to \$200 for individuals and \$400 for married couples for making voluntary cash contributions to a qualifying charitable organization. The cap rises to \$400 for individuals and \$800 for married couples if the organization is a qualifying foster care charitable organization. Taxpayers are required to report the name of the charitable organization and the amount of contribution to the Department of Revenue (DOR). Each qualifying charitable organization is required to provide DOR with a written certification that it meets all the criteria to be considered a qualifying charitable organization.