

# THIRD SPECIAL SESSION



\* Strike-Everything Amendment  
 [E] Emergency Clause  
 [P 105] Proposition 105 Clause  
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 [LIV] Line Item Veto

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### **HB 2001 – Chapter 1 – education appropriations; 2009-2010**

Makes appropriations necessary to support K-12 Education in FY 2009-10.

- Appropriates \$3,677,068,200 from the state GF and \$46,475,500 from the Permanent State School Fund to the Arizona Department of Education for basic state support of K-12 Education in FY 2009-10 as follows:
  - Basic State Aid – \$3,283,073,800.
  - Additional State Aid – \$404,880,500.
  - Other State Aid to Districts – \$983,900.
  - Arizona English Immersion Fund – \$32,508,700.
  - Operating Lump Sum – \$2,096,800.
- Contains appropriations footnotes.

### **HB 2002 – Chapter 2 [E] – K-12 education; budget reconciliation**

Makes statutory and session law changes related to K-12 education and the implementation of the FY 2009-10 budget.

- Increases the charter school Additional Assistance for FY 2009-10 as follows:
  - For pupils in grades K-8, from \$1,474.16 to \$1,588.44.
  - For pupils in grades 9-12, from \$1,718.10 to \$1,851.30.
- Prohibits Basic State Aid for the second year of kindergarten if a school district or charter school admits a child to kindergarten, after the effective date of this act, who has not reached the required age and readmits the child to kindergarten the following school year. Allows the school district or charter school to charge tuition for students who repeat.
- Specifies the Base Level (per-pupil funding) for FY 2009-10 at \$3,267.72.
- Increases, by 2%, the Transportation Support Level per route mile formula for FY 2009-10.
- Prohibits a school district, until October 1, 2009, from adjusting its RCL in FY 2009-10 for Actual Utility costs.
- Specifies that school districts do not have to submit an Excess Utilities Funding Plan for FY 2009-10.
- States that until October 1, 2009, for FY 2009-10, a school district that is eligible to budget for Career Ladder Programs shall not exceed the amount budgeted in FY 2008-09.
- Caps, until October 1, 2009, school district Desegregation budgets at the FY 2008-09 level.
- Reduces, until October 1, 2009, Basic State Aid Soft Capital budget capacity and budget limits for all school districts by \$175,000,000 in FY 2009-10.
  - For districts not eligible to receive Basic State Aid, the Soft Capital allocation is reduced by the amount that would be otherwise reduced if the districts were eligible.
- Contains a retroactivity clause to from and after June 30, 2009.
- Contains an emergency clause.

### **HB 2003 – Chapter 3 [E] – health and welfare; budget reconciliation**

Makes statutory and session law changes related to health and welfare programs and the implementation of the FY 2009-10 budget.

- Specifies the amounts counties shall contribute for the Arizona Long-term Care System (ALTCS) for FY 2009-10 totaling \$190,467,500.

- States that if the ARRA had not been passed, the amounts would have totaled \$262,889,400.
- Modifies for FYs 2008-09 and 2009-10, the 50/50 split for reversions of excess appropriations in ALTCS to 62.2% counties and 37.8 state to comply with ARRA.
- Requires AHCCCS to transfer Acute Care county savings due to ARRA provisions in FY 2009-09 to counties by December 31, 2009.
- Allows AHCCCS to spend federal monies drawn down by local or tribal spending to the extent that it would not reduce enhanced matching funds available pursuant to ARRA.
- Mandates that AHCCCS transfer savings from the Proposition 204 – DES Eligibility line item FYs 2008-09 and 2009-10 to counties to comply with ARRA.
- Contains a retroactivity clause to from and after June 30, 2009.
- Contains an emergency clause.

#### **HB 2004 – Chapter 4 [E] – legislative subsistence payments; exception**

Outlines per-diem subsistence for state legislators during the Forty-ninth Legislature, Third Special Session.

- States that during the Forty-ninth Legislature, Third Special Session, legislators shall only receive per-diem payments for days that both houses of the Legislature convene and record attendance.
- Allows members to continue to receive interim per-diem when the member acts on a legislative matter.
- Contains an emergency clause.

#### **HB 2006 – Chapter 11 [LIV]– general appropriations; fiscal year 2009-2010**

Makes state GF and OF appropriations for FY 2009-10 for the operation of state government and makes various budget reductions, transfers and supplemental appropriations. For complete FY 2009-2010 budget details, refer to the Joint Legislative Budget Committee website at <http://www.azleg.gov/jlbc.htm>.

#### **HB 2008 – Chapter 7 – general government; budget reconciliation**

Makes statutory and session law changes related to general government budget reconciliation in order to implement the FY 2009-10 state budget.

- Requires proof of citizenship or legal presence for the receipt of federal, state and local benefits administered by the state or a political subdivision of the state.
- Establishes the Liquor Licenses Fund (Fund) consisting of liquor license application fees, annual license renewals, and proceeds from liquor lottery revenues, reverts any year-end balance in the Fund over \$700,000 to the state General Fund, and allows for an additional \$700,000 to be deposited into the Fund in FY 2009-10.
- Places a two-year cap on existing development fees, retroactive to June 29, 2009, and exempts any development that received its final approval prior to January 1, 2009.
- Exempts new or commercial buildings approved by a municipality prior to June 1, 2009 from new or modified building codes except if necessary for the receipt of federal stimulus funding, effective retroactively to June 29, 2009.
- Prohibits counties from assessing or collecting development fees from a school district or

charter school, except for fees assessed or collected for street, water and sewer functions.

- Stipulates that construction sales tax rates may not be increased for two years, retroactive to June 29, 2009, and exempts any transaction privilege tax rate adopted before June 1, 2009.
- Authorizes county governments to implement reductions in classified civil servant employee work hours in order to address budget shortfalls or structural imbalances and exempts mandatory county furloughs for civil service employees from the appeals process.
- Authorizes the Director of DOI to require private mortgage insurers that fail to meet the minimum collateral to insured mortgage liability ratio to cease business transactions.
- Allows DOI to use up to \$100,000 from the Captive Insurance Regulatory and Supervision Fund to administer programs in accordance with DOI's statutory obligations.
- Extends the time period for aestheticians and laser technicians to apply for and receive certification for a laser or IPL device from the Radiation Regulatory Agency.
- Allows members of the Arizona State Board of Accountancy to be eligible to receive compensation and reimbursement for time spent and expenses incurred.
- Enables a certified public accountant or public accountant who qualifies for limited reciprocity to cancel their certificates in lieu of renewal or placing the certification on inactive status.
- Eliminates state GF funding for nursing assistant applicant fingerprinting.
- Mandates that a copy of a foreclosure notice be sent to the tenants of rental properties.
- Allows the SOS to publish the Landlord and Tenant Act electronically.
- Eliminates the prohibition on using state monies for the health care directives registry.
- Increases the personnel pro rate charge within the Personnel Board from 1.07% to 1.10% of payroll and directs the increase to be deposited in a separate subaccount and used for the operations of the Personnel Board, retroactive to June 30, 2009.
- Modifies the composition of the BOD for a special taxing district.
- Eliminates the \$25,000,000 advance appropriation to the 21<sup>st</sup> Century Fund for FY 2009-10.
- Repeals ADOA's authority to enter into a lease-purchase agreement for the design and construction of a state emergency operations center.
- Suspends the appropriations format for biennial state budget units.
- Reduces the state GF appropriation for the Military Installation Fund by \$2,800,000 in FY 2009-10.
- Reduces the aggregate amount of liabilities that may be incurred under any emergency declared by the Governor to \$2,900,000 in FY 2009-10.
- Suspends the Tourism Fund formula for FY 2009-10.
- Prohibits state agencies from adopting rules that result in monetary or regulatory cost increases to other agencies, political subdivisions, or Arizona citizens in FY 2009-10 with exceptions.
- Requires state agencies to report on use of ARRA funds and allows for the electronic submission of those reports, retroactive to September 30, 2009.
- Reverts non-lapsing state GF appropriated monies that remain unexpended and unencumbered at the close of FY 2009-10 to the state GF.

- Requires all non-ARRA unrestricted federal monies received from July 1, 2009 through June 30, 2010 be deposited into the state GF for the payment of essential government services, retroactive to June 30, 2009.
- Authorizes state agency directors to implement reductions in covered employee work hours to comply with mandated fiscal year 2009-10 state GF appropriation reductions.
- Specifies that procedures for implementing reductions will be prescribed by the Director of ADOA and exempts the Director from rule making requirements.
- Modifies the timing of mutual fund notice filing fee deposits to the state GF from continuously deposited to February and June.
- Requires state agencies to submit reports on wireless equipment usage and cost, including the usage by health and safety positions to the JCCR.
- Allows the Transportation Board to sell \$200,000,000 of Board Funding Obligations to a financial institution if they are not purchased by the State Treasurer, subject to JCCR review.
- Requires ADOA to allow vendors to demonstrate the availability and savings associated with Business Intelligence software and directs ADOA to enter into contracts with those vendors only if the vendors agree to receive payment through savings realized from the software.
- Requires ADOA to quantify all savings from state agency use of Business Intelligence software and report those savings annually to JLBC and JLAC.
- Suspends requirement for the OAH to hear appealed actions and contested cases within 60 days of the filing.
- Allows ADOC to utilize the Lottery Fund, Bond Fund and Commerce and Economic Development Fund to administer programs and for associated costs.
- Allows ADOT to transfer \$10,000,000 from subaccounts of the STAN account to restore funding for a project that was previously approved by the State Transportation Board.
- Removes the requirement that a trustor have lived in a trust property for at least six consecutive months and for which a certificate of occupancy has been issued in order for a deficiency judgment against that trustor to be prohibited.

#### **HB 2009 – Chapter 8 – assets; budget reconciliation**

Authorizes the sale of certain state property in order to implement the FY 2009-10 state budget.

- Requires ADOA to sell the state property located at 2422 W. Holly in Phoenix, AZ after two independent appraisals and an independent title search are conducted, excludes the two trailers located on the property from the sale, and directs all proceeds into the state GF.
- Mandates the sale of the state property be completed prior to July 1, 2010, and stipulates that the sale is subject to review by the JCCR.

#### **HB 2010 – Chapter 6 – criminal justice; budget reconciliation**

Made statutory and session law changes related to criminal justice in order to implement the FY 2009-10 state budget.

- Increases the probation surcharge from \$10 to \$20.
- Increases the average number of adults supervised by each deputy adult probation officer from 60 to 65.

- Increases the adult intensive probation fee from \$50 to \$75 and specifies that all of these monies must be deposited into each county's Adult Probation Services Fund, rather than any amount over \$40.
- Expands the definition of *adult intensive probation team* to include two adult probation officers.
- Establishes the following minimum monthly supervision fees:
  - \$50 for persons on parole;
  - \$65 for persons on probation; and
  - \$75 for persons on intensive probation.
- Suspends the county non-supplanting requirements associated with the following:
  - Criminal case processing (A.R.S. §§12-102.02, 12-102.03);
  - Alternative dispute resolution programs (A.R.S. § 12-135);
  - Probation services for adults and juveniles (A.R.S. §§ 12-267, 12-268, 12-299.01); and
  - Community based sentencing (A.R.S. §12-299.01).
- Suspends the requirements for the following reports in FY 2009-10 and further requires the following annual reports to be submitted electronically beginning in FY 2011-12:
  - Juvenile Intensive Probation;
  - Community Punishment Program;
  - Drug Treatment and Education Fund;
  - Annual Lengthy Trial Fund;
  - Domestic Relations Committee;
  - Child Support Committee; and
  - Emancipation of Minors.
- Mandates the state to pay 19.25% of compensation and employee-related expenditures of a justice of the peace, and requires the county to pay the other 80.75%. Further requires the county to pay the full amount of the employer contribution of the state retirement system or plan or any county health plan.
- Continues to exempt the photo radar citations issued from being included in the judicial productivity credit calculations in FY 2010, retroactive to June 30, 2009.
- Stipulates that if a prisoner in a secure care facility requires health care services that DOC, the facility or a private prison provider contracted by DOC cannot provide, DOC must pay approved claims from a facility or provider that provides the following:
  - For inpatient and outpatient hospital services, DOC must reimburse at a level that does not exceed the hospital reimbursement methodology outlined in A.R.S. § 36-2903.01.
  - For health and medical services, DOC must reimburse at a level that does not exceed the capped fee-for-service schedule that is adopted by AHCCCS and that is in effect at the time the services are delivered.
- Requires that the 11.70% of the Criminal Justice Enhancement monies designated for county sheriffs be allocated through the State Treasurer rather than DOC.
- Requires DOC to report actual FY 2008-09, estimated FY 2009-10 and requested FY 2010-11 expenditures for each line item delineated in FY 2009-10 General Appropriations Act when DOC submits its FY 2010-11 budget request.
- Effective from and after September 30, 2009, requires DOC to issue a request for proposal to privatize correctional health services, including medical and dental services. The request for proposal must be submitted to JLBC before it is issued. This contract must:
  - Cost less than these services did in FY 2007-08; and
  - Be awarded by May 1, 2010.

- Allows monies deposited in the Transition Office Fund to be used for any costs of operating transition programs.
- Requires ADOA to enter into a lease purchase agreement for the state's prisons or other state owned facilities and specifies that the agreement must be awarded by June 30, 2010 and must:
  - Result in net available proceeds of \$735,419,300 million in the GF;
  - Be for a fixed term of up to 20 years; and
  - Require the initial payment due in FY 2010-11.
- Clarifies that net available proceeds of the lease-purchase agreements need not be more than \$250 million by December 31, 2009.
- Allows the ADOA to use any state owned facility as collateral and to transfer interest in any other state owned facility in the lease purchase finance agreements.
- Requires ADOA to issue a request for information before October 1, 2009 to identify the feasibility of a concession agreement that would allow a private vendor to operate a prison facility. The request for proposal must be submitted to JCCR for review.
- Requires ADOA to issue a request for proposals for a concession agreement that would allow private vendors to operate one or more prison facilities other than the prison complex at Yuma. The request for proposal must be submitted to JCCR by April 1, 2010 for review. The terms must include the cost efficiency savings be equally divided between the state and the private vendor and an annual cost efficiency savings to the state.
- Clarifies that the intent of the Legislature is that the privatization of prison operations generate at least \$100 million from private vendors at the beginning of the term.
- Permits DOC to use any non-appropriated monies for the payment of inmate health care expenditures incurred during FY 2007-08.
- Requires DOC to issue request for proposals and contract for 5000 private prison beds for either an expansion of current private prisons in this state or new locations in this state.
 

Allows:

  - The private vendor to bid for all or a portion of the 5000 beds;
  - DOC to award the contract to one or more private vendors;
  - DOC to use any non-appropriated monies for any start up and operating costs that are associated with the 4000 new state beds authorized in 2007.

Requires:

  - The request for proposals to specify the length of the contract period, which must not exceed 20 years;
  - The request for proposal be submitted for review to JLBC by November 1, 2009;
  - All contracts to be awarded by June 30, 2010; and
  - DOC, each calendar quarter until all new beds are occupied, to submit a report to the JLBC on the status of the beds.
- Establishes the Crime Laboratory Operations Fund (CLOF) and, retroactively from and after June 30, 2009, requires the State Treasurer to deposit the first \$10.4 million in annual revenue generated from defensive driving school surcharges in the CLOF and the remaining revenue in the state GF.
- Specifies that monies in the CLOF are to be used for crime laboratory operations.
- Reduces the amount appropriated to the DNA Identification System Fund in Laws 2007, Chapter 261, from \$3,484,000 to \$980,000 for FY 2009-10.

- Suspends the statutory caps limiting the level of the HURF and the SHF monies available to fund DPS highway patrol costs for FY 2009-10.
- Requires any monies distributed from the Criminal Justice Enhancement Fund to be deposited in the Crime Laboratory Assessment Fund for use by the DPS.
- Allows the AG to use the monies in the Consumer Protection-Consumer Fraud Revolving Fund for any operating expenses, including any cost or expense associated with the Tobacco Master Settlement Agreement arbitration
- Allows the AG to use monies in the Collection Enforcement Revolving Fund for operating expenses incurred by the Department of Law.
- Changes the definition of *compensation* in relation to DPS salaries to specify that for the purposes of computing retirement benefits, *compensation* does not include payments for work performed by DPS employees for a third party on a contracted basis or where a third party pays or reimburses DPS for the work performed, but does include, for the purpose of calculating retirement benefits, third party contracts performed with another public safety agency for primary police enforcement activities
- Requires new dispatchers to participate in ASRS, rather than CORP.
- Requires the Chairman of the Board of Executive Clemency to also act as the Executive Director of the Board in FY 2009-10.
- Requires all the members of the Board of Executive Clemency, except for the Chairman, to serve on a part-time basis. The members are not permitted to work more than 30 hours per week and are not eligible for paid leave or benefits.
- As permanent law, requires the Drug and Gang Prevention Resource Center to enter into an agreement with the Arizona Criminal Justice Commission (ACJC) to provide \$235,200 to the ACJC for the Arizona Youth Survey.

### **HB 2011 – Chapter 12 [LIV] – K-12: budget reconciliation**

Makes statutory and session law changes related to K-12 education in order to implement the FY 2009-10 state budget.

#### ***State Aid and School Funding***

- Allows school districts to revise their FY 2009-10 budgets before November 1, 2009 to conform with the provisions of this act.
- Authorizes school districts to expend Soft Capital monies in FY 2009-10 for any operating or capital expense.
- Modifies the State Aid apportionment schedule for charter schools to move the payment date from the 15<sup>th</sup> of every month to the first business day of every month, except that July's payment is on the last business day of June.
- Changes the State Aid apportionment schedule for school districts as follows:
  - Increases the number of payments from 10 to 12.
  - Stipulates each payment is equal to 1/12 of the total apportionment.
  - Moves the payment date from the 15<sup>th</sup> of each month to the first business day of each month, except that July's payment is on the last business day of June.
  - Specifies a payment schedule for FY 2009-10 if the effective date of this act prevents the payments from being made pursuant to the new apportionment schedule.

- Caps the ADM per-pupil amount at 1.0, unless otherwise specified by law, for a full-time high school pupil concurrently enrolled in two school districts, two charter schools, a school district and a charter school, or AOI and another school district or charter school.
- Repeals Rapid Decline funding and the Local Education Accountability Program.
- Prohibits a school district from adjusting its RCL in FY 2009-10 for Actual Utility costs and specifies that school districts do not have to submit Excess Utilities Funding Plans for 2009.
- Retroactive to June 30, 2009, makes technical changes necessary to implement the May 2009 apportionment funding deferral and calculate school districts' ending excess cash balances, and delays the apportionment date from October 15, 2010 to November 2, 2010.

#### ***K-12 Rollover***

- Defers \$602,627,700 in Basic State Aid and Additional State Aid payments that would otherwise be apportioned in June, 2010 until July 1, 2010 but no later than August 29, 2010.
- Appropriates \$886,200 in FY 2010-11 from the GF to SBE for costs to school districts associated with the FY 2009-10 funding deferral.
- Allows school districts that incur interest expenses in FY 2009-10 or expect to incur interest expenses in FY 2010-11 to budget an estimated amount for those expenses, which are specifically exempt from the RCL in FY 2010-11.
- Requires school districts to include the monies they will receive in FY 2010-11 for the FY 2009-10 funding deferral in their FY 2009-10 revenue estimates for the purpose of computing their FY 2009-10 tax rates.

#### ***Property Tax***

- Prohibits a school district from fixing, levying, or assessing a primary property tax rate that is higher than the current year's rate if the district meets the following criteria:
  - The total primary property taxes levied for all taxing jurisdictions results in at least 50% of the homeowners exceeding the 1% constitutional cap.
  - The primary property tax rate exceeds 150% of the qualifying tax rate.
- Requires the PTOC to notify a school district that meets the criteria prohibiting a primary property tax rate that is higher than the current year's and notify the county school superintendent and BOS in the county where the district is located.
- Caps future school district Desegregation budgets at their FY 2008-09 levels.
- Directs the county assessor to determine the value of government property lease excise tax (GPLET) properties and report those values to ADE. Instructs ADE to include the assessed valuation of all GPLET properties for the purpose of calculating the local share of funding under the Basic State Aid formula.

#### ***Full-Day Kindergarten (FDK)***

- Requires a school district that offers FDK to provide meaningful half-day kindergarten instruction in every school with enough pupils to fill a half-day class with approximately the same number of pupils as the average kindergarten class size for the district as a whole.
- Authorizes a school district or charter school to charge tuition for FDK in FY 2009-10 if the district or charter school decides not to provide free FDK due to the funding reductions proposed by the FY 2009-10 state budget.

#### ***Career Ladder Programs***

- Sets the maximum Base Level increase for Career Ladder Programs at 5% for FY 2009-10 and limits participation to teachers who participated during the prior fiscal year.

### ***Charter School Tuition***

- Allows a charter school to admit pupils who are not residents of Arizona, but requires the charter school to charge tuition for those pupils in the same manner a school district would charge tuition for nonresident pupils.

### ***Early Graduation Scholarship Program (EGSP)***

- Retroactive to September 26, 2008, removes pupils who graduate a semester early from the EGSP, but allows a pupil who qualified for the EGSP by graduating one semester early prior to effective date of this act to continue participating for the duration of that pupil's eligibility.
- Prohibits the student count and per-pupil funding of a school district or charter school from being adjusted under the EGSP in FY 2009-10 for pupils who graduate high school early.
- Stipulates that ADE will not transfer any monies to ACPE in FY 2009-10 for the EGSP.
- Prohibits pupils not admitted to the EGSP before July 1, 2009 from participating and continues to fund pupils admitted before July 1, 2009 if sufficient monies are available.
- Allows the ACPE to solicit, receive, and administer private and corporate donations, federal grants, and other federal monies in support of the EGSP for FY 2009-10.

### ***Budget Overrides and Bonding***

- Raises the maximum amount a school district may request to increase their budget under M&O budget override from 10% of the district's RCL to 15% of the district's RCL.
- Establishes a special program budget override by expanding the scope of the K-3 budget override for programs targeted for kindergarten through grade 3 to allow a budget override request for programs designed for kindergarten through grade 12.
- Specifies that if a school district requests a special program override, the maximum amount a school district may request for an M&O override is 10% of the district's RCL.
- States that any K-3 override in effect on the effective date of this bill will continue for the duration previously authorized by the voters or until the voters subsequently approve an M&O override equal to 15% of the RCL.
- Authorizes a school district to conduct an override election on the second Tuesday in March, 2010 and submit one of the following proposals to the voters of the district:
  - A 15% M&O override that, if approved, replaces any previously authorized M&O and K-3 overrides.
  - A 5% M&O or special program override that, if approved, is in addition to a 10% M&O override authorized by the voters at the November 2009 election.
  - A 17% M&O override for a common school district, if an M&O and K-3 override are still in effect on the effective date of this act. The 17% override, if approved, replaces any previously approved M&O and K-3 overrides and continues for the number of years of the previously approved K-3 override.
- Permits a school district governing board to cancel any override election previously scheduled for November 2009 by August 15, 2009.
- Specifies ballot language related to elections for the continuation of a currently-authorized budget override.
- Limits the amount a school district may request for a capital budget override to 10% of the district's RCL.
- Specifies the Base Level at \$3,291.42 for calculating a district's RCL to determine the budget increase that can be requested in an override election conducted in FY 2009-10.

- Authorizes school districts to issue Class B bonds for furniture, equipment, and technology, provided the bonds mature within five fiscal years after they are issued.
- Prospectively extends the timeframe during which a school district may issue a bond from six years after obtaining voter approval to ten years after obtaining voter approval.
- Exempts a person who contacts a school district employee or governing board member about the procurement of bonding services from registering with the SOS as a lobbyist.
- Allows the Cave Creek Unified School District to expend remaining proceeds from a bond election conducted in November of 2000 to make modifications to an existing school rather than build a new school facility.

#### ***JTEDs***

- Funds JTEDs at 91% of State Aid that would otherwise be provided by law for FY 2009-10.
- Specifies that no JTED will receive less equalization formula funding for FY 2009-10 than it received in FY 2008-09 except for reductions due to changes in student counts, net assessed property values or other technical factors, or due to prior year adjustments.

#### ***SFB***

- Removes the requirement for SFB to count kindergarten pupils as full-time students for the purpose of calculating new school construction needs.
- Restricts SFB from providing inflationary funding above the formula amount for new school construction projects.
- Suspends the Building Renewal Formula for FY 2009-10.
- Authorizes SFB, by December 31, 2010, to enter into lease-to-own transactions up to \$100,000,000 for qualified school construction bonds as authorized by ARRA for new construction projects and directs SFB to give priority in awarding new school construction funding to school districts whose projected FY 2009-10 ADM exceeds their capacity.
- Prohibits SFB from authorizing or awarding funding, other than funding through the qualified school construction bonds, for the design or construction of any new school facility or for school site acquisitions for FY 2009-10.
- Requires school districts to submit capital plans to SFB during FY 2009-10 and allows SFB to review and award new school facilities, subject to future appropriations.

#### ***AIMS Test***

- Prohibits standards measured by the AIMS test in content areas other than reading, writing, and mathematics from being required for high school graduation and requires any additional assessments adopted for high school pupils to measure college and career readiness.
- Lifts the one-year contract limit on SBE for new AIMS test contracts.
- Establishes the nine-member Task Force on Assessments to Measure College and Career Readiness (Task Force) to examine and evaluate existing tests that measure college and career readiness, are used for admission to postsecondary institutions, or are used by postsecondary institutions to award academic credit or placement.
- Directs the Task Force to recommend a process for the selection of one or more tests to be administered in grade 9 beginning in 2011 and in grade 11 beginning in 2012.

#### ***Audits***

- Permanently authorizes ADE to conduct financial, compliance, or ADM audits of school districts and charter schools.

- Specifies that the OAG may conduct financial, program, compliance, or ADM audits of school districts and charter schools.
- Allows a school district, if permitted by federal law, to convert to a biennial audit schedule for its financial and compliance audits if its previous annual audit did not contain a *significant negative finding*.
- Requires a school district on a biennial audit schedule to convert back to an annual audit schedule if a biennial audit contains a significant negative finding. The district may convert back to the biennial schedule after two annual audits without significant negative findings.

#### ***School Districts and School District Governing Boards***

- Specifies that a school district is not required to engage in competitive bidding to place a pupil in an ADE-approved private school that provides special education services as required by that pupil's Individualized Education Program.
- Eliminates the requirement for a school district to annually submit a report to SBE if it uses construction-manager-at-risk, design-build, qualified select bidders list, or job-order-contracting to procure construction services.
- Removes requirements for a school district governing board to employ a real estate attorney to negotiate a lease longer than five years and annually assign an employee to participate in multi-hazard crisis training.
- Authorizes a school district to confidentially maintain all documentation regarding incidents of bullying, harassment, or intimidation of pupils, but stipulates that documentation cannot be used to impose disciplinary action unless the reported incidents have been investigated and determined to have occurred.
- Exempts IGAs between two school districts or between a school district and another public governing body from the competitive bidding requirements established by SBE.
- Lifts restrictions on the use of monies obtained by a school district from the sale of advertising space on school buses and allows a school district to sell advertising space on its athletic facilities and on its websites.
- Permits a school district governing board to adopt a policy or decide by vote to have all pupil expulsion hearings conducted by an independent hearing officer.
- Provides that a school district must conduct a public hearing before revising its budget only if the budget exceeds the general budget limit by 1% or \$100,000, whichever is less.
- Permits any school district to apply to the SBE for accounting responsibility independent of the county school superintendent.

#### ***School Personnel***

- Removes all statutorily mandated deadlines for notifying teachers of the school district governing board's decision to not renew a teaching contract.
- Removes the statutorily mandated deadline for notifying tenured teachers of a general salary reduction.
- Eliminates the current prohibition against the salary reduction of a tenured teacher except under a general salary reduction applied equitably to all tenured teachers.
- Prohibits school districts and charter schools from adopting policies that give employment retention priority to teachers based on tenure or seniority.

- Deletes the requirement for a school district to give a preferred right of reappointment to teachers in the order of original employment.
- Prohibits school district employment contracts from including compensated days for *professional association activities*, but specifies that employees may use compensated leave time for any personal, professional, or other lawful purpose.
- States that SBE cannot require a school district superintendent or business manager to obtain state certification.
- Allows a school district to hire a business manager with *expertise in finance*.
- Permits a school district governing board to set the qualifications for the superintendent of the district at a public meeting and requires a superintendent to have a valid FPCC.
- Changes the effective date for dismissal or suspension without pay of a teacher from 30 days to 10 days after giving notice of the intent to dismiss or suspend, and reduces the amount of time given for a teacher to file a written request for a hearing from 30 days to 10 days after receiving notice of the intent to dismiss or suspend.
- Reduces the amount of time a school district must allow a teacher to correct inadequate classroom performance from 85 days to 60 days after giving notice of inadequacy.
- Extends the timeframe by which a school district governing board must conduct a hearing requested by a teacher who has been dismissed or suspended without pay from at least 10 but no more than 25 days to at least 15 but no more than 30 days after the request is filed.

#### ***Transportation School Districts***

- Allows a county school superintendent, until July 1, 2010, to suspend a *transportation school district* and report the suspension to the county BOS if the transportation school district:
  - Is located in a county with a population between 120,000 and 150,000 persons.
  - Has an average daily membership of less than 50 pupils between the ages of 6 and 21 for three months during the school year.
- Authorizes the county BOS to declare the transportation school district lapsed and annex the territory to one or more adjoining school districts.

#### ***Miscellaneous***

- Removes the requirement for IGAs to be filed with the SOS or appropriate county recorder.
- Instructs JLBC to factor in prior year shortfalls or surpluses when estimating the per-pupil Classroom Site Fund amounts for each budget year.
- Allows the oath of office to be taken at the commencement of the term of office.
- Suspends the annual performance audit of the AIMS Intervention and Dropout Prevention Program for FY 2009-10.
- Suspends the ADE biennial cost study of special education programs in FYs 2009-10 and 2010-11.

#### **HB 2012 – Chapter 9 – higher education; budget reconciliation**

Makes statutory and session law changes related to higher education in order to implement the FY 2009-10 state budget.

#### ***Community College Districts***

- Eliminates the “hold harmless” provision that prevents a community college district from receiving less operating state aid than the previous year even if enrollment declined.

- Changes the eligibility threshold for growth funding from growth above the district's FY 2003-04 enrollment to any growth that exceeds the district's prior year enrollment level.
- Suspends capital outlay funding for community college districts in FY 2009-10.
- Stipulates that operating state aid for community college districts in FY 2009-10 is the amount provided in the general appropriations act.
- Allows a community college district to use any portion of its capital outlay funding for operating aid purposes in FY 2009-10.
- Authorizes a community college district that provides services to a provisional community college district to include the students from the provisional district in its student count for the purpose of computing its constitutional expenditure limitation in FYs 2009-10 and 2010-11.
- Beginning in FY 2010-11, funds community college district dual enrollment at 50% of the state aid the community college district would otherwise receive for those students.
- Consolidates reporting on students, faculty, and dual enrollment into the annual report required to be submitted by each community college district by November 1.
- Instructs a community college district governing board to publish their proposed budget on the district's website.

#### ***Universities and ABOR***

- Reduces the appropriation made from the state GF to ABOR in FY 2009-10 by \$100,000,000 and requires ABOR to proportionally reduce funding to the universities.
- Appropriates \$100,000,000 from the GF to ABOR in FY 2010-11 for the deferral of payments in FY 2009-10 which is to be distributed by ABOR to the universities no later than October 1, 2010.
- Stipulates that state lottery distributions made to the University Capital Improvement Lease-to-Own and Bond Fund (Fund) for FY 2009-10 and FY 2010-11 cannot exceed 80% of the annual payments for the \$167,671,200 lease-to-own and bond agreements that were previously favorably reviewed by JCCR.
- Prohibits ABOR from obligating state lottery revenues above the amounts previously authorized or obligating any GF monies for lease-to-own and bond transactions.
- Allows, beginning in FY 2011-12, up to \$800,000,000 of state lottery revenues to be distributed to the Fund for the remaining new lease-to-own and bond agreements.
- Suspends the requirement for the Legislature to appropriate \$2 for every \$1 raised by student fees deposited into the Arizona Financial Aid Trust for FY 2009-10.
- Identifies the Arizona State University (ASU) West campus and the ASU East campus as individual budget units separate from ASU Main.
- Requires ASU Main to provide administrative support for the ASU West and East campuses.
- Directs ABOR and the OAG to develop a uniform accounting and reporting system for universities. The system must be reviewed by the JLBC before final adoption by ABOR.
- Requires ABOR to separately report the basic actual full-time equivalent student enrollment for resident students, which must be annually audited by the OAG.
- Directs ABOR, by March 31, 2010, to electronically submit a report to JLBC that includes a list of invited paid speakers and their associated costs for FY 2009-10.

### ***Miscellaneous***

- Specifies that a student is not eligible to participate in the Leveraging Educational Assistance Program (Program) unless the student meets all of the following requirements:
  - Is an Arizona resident.
  - Demonstrates financial need under the criteria established for the Program.
  - Attends an approved Arizona university program at least half-time.
- Changes the date, from August 1 to November 1, by which each state agency and community college district must submit information to the Governor's Council on Workforce Policy (Council) for the Council's annual report. Also changes the date, from September 1 to December 1, by which the Council must submit its annual report to the JLBC.
- Retroactive to June 30, 2009, allows the Board of Medical Student Loans to apportion less than 50% of the monies in the Medical Student Loan Fund in FY 2009-10 to students attending private medical schools.

### **HB 2013 – Chapter 10 – health and welfare; budget reconciliation**

Makes statutory and session law changes related to health and welfare programs in order to implement the FY 2009-10 state budget.

- States that DHS shall give priority to services such as assessment, crisis intervention, case management, and screenings when allocating monies for behavioral health services, and stipulates that providers shall not be held liable for refusing to provide uncompensated, non-emergency behavioral health services to persons who are not seriously mentally ill.
- Eliminates health care institution, child care facility, and child care group home licensure fees and allows the Director of the DHS to establish and collect fees for those entities.
- Creates the Health Services Licensing Fund (HSL Fund) to be administered by the DHS, the monies of which are to be subject to legislative appropriation and exempt from lapsing.
- Requires counties to pay 100% of the costs of restoration-to-competency in FY 2009-10, and exempts counties from expenditure limitations for this purpose.
- Requires the DHS when allocating resources to behavior health services to establish a list of priority services to be posted on their Website for the non-title XIX population.
- Requires cities and counties to reimburse the DHS for 25% of the costs of commitment for sexually violent persons in FY 2009-10.
- Eliminates dentures as an AHCCCS covered service retroactive to June 30, 2009.
- Repeals the Temporary Medical Coverage Program.
- Eliminates the KidsCare Parents program.
- Specifies the DSH funding formula for FY 2009-10 to include payments for the Maricopa County Special Health Care District, the Arizona State Hospital, and qualifying private hospitals.
- Specifies the amounts the counties shall contribute for acute care in FY 2009-10 totaling \$51,711,900.
- Stipulates that county contributions for the administrative costs of implementing Proposition 204 of 2000 are excluded from the county expenditure limitations.
- Requires the AHCCCS system administrator to analyze a variety of methods for provider assessments for federally matched programs retroactive to September 30, 2009.

- Stipulates that ambulance reimbursement by the AHCCCS is not subject to the rates established for those services by the DHS for FY 2009-10.
- Permits AHCCCS, for contract year 2010, to reduce by one level the thresholds beyond which patient costs are paid by reinsurance retroactive to September 30, 2009.
- Allows AHCCCS to reduce the risk contingency rate setting for all managed care organizations by 50% and impose a 5.88% reduction on funding for all managed care organizations administrative funding levels for contract year 2010 retroactive to September 30, 2009.
- States the intent of the Legislature for AHCCCS comply with the federal False Claims Act to maximize savings, and continue to consider best available technologies for detecting fraud.
- Eliminates the allowance for AHCCCS to reduce institutional provider rates by up to 5%, but maintains that allowance for non-institutional providers retroactive to September 30, 2009.
- Stipulates that AHCCCS one-month rollover payment will bear interest of 0.5% a year.
- Requires ADOA, for the purposes of state employee health insurance to define *dependent* as a spouse, a child under the age of 19, or a child under the age of 23 who is a full-time student retroactive to September 30, 2009.
- Stipulates that ADOA shall not implement a differentiated health insurance premium based on the integrated or nonintegrated status of a health insurance plan available to state employees.
- Requires DES to test recipients of Temporary Assistance for Needy Families (TANF) when there is reasonable cause to believe they are engaging in the illegal use of controlled substances for which they do not have a prescription, and further stipulates that recipients who test positive are to be ineligible for TANF benefits for one year.
- Allows DES to reduce maximum income eligibility levels for child care assistance in order to manage within available monies in FY 2009-10, and requires the DES to report to JLBC within fifteen days after implementing any change.
- Eliminates the public regenerative tissue repository funding enacted in FY 2007-08 of \$1 million a year for five years to the Arizona Biomedical Research Commission.
- Makes a variety of conforming changes to account for the previous elimination of the General Assistance program.

#### **HB 2014 – Chapter 5 – environment; budget reconciliation**

Makes statutory and session law changes related to the environment in order to implement the FY 2009-10 state budget.

- Increases the time livestock officers and inspectors have to inspect livestock from 12 hours to 48 hours.
- Eliminates requirement for monies in the Land Conservation Fund Administration Account unobligated at the end of the fiscal year be credited to the Public Conservation Account.
- Appropriates investment earnings exceeding \$500,000 from the Land Conservation Fund to the Arizona State Parks Board for operating state parks.
- As session law, authorizes the Arizona State Parks Board to spend up to \$692,100 of its portion of the Off-Highway Vehicle Recreation Fund in FY 2009-10 for operating expenses.

- As session law, specifies that all monies in the State Parks Enhancement Fund are available in FY 2009-10 for either:
  - The operation of state parks, as appropriated by the Legislature.
  - Capital needs as determined by the Arizona State Parks Board with JCCR approval.
- As session law, makes two transfers of \$1,500,000 from the Arizona State Parks Board Heritage Fund to the Fire Suppression Revolving Fund in FY 2009-10.
- As session law, stipulates that any remaining monies transferred from the Heritage Fund to the Fire Suppression Revolving Fund exceeding \$2,000,000 at the end of calendar years 2009 and 2010 revert to the Heritage Fund.
- Requires the Department, by October 1, 2009, to transfer \$3,819,700 to the state GF.
- Requires the Department, on or before June 30, 2010, to transfer \$3,257,800 to the GF.
- Establishes the TLMF, consisting of up to 10% of the annual proceeds of:
  - Each beneficiary's trust lands.
  - The sales of natural products or property from each beneficiary's trust lands.
- Authorizes the State Land Commissioner (Commissioner) to determine the percentage of proceeds to be deposited in the TLMF each year, requires the percentage to be the same for all beneficiaries, and directs the Commissioner to notify JLBC and the Governor's Office of Strategic Planning and Budgeting (OSPB) of the percentage by September 1 of the preceding fiscal year.
- Stipulates that monies in the TLMF are subject to legislative appropriation and must be used exclusively to manage trust lands.
- Authorizes the State Treasurer, on notice from the Commissioner, to invest and divest monies in the TLMF with returns on investments credited to the TLMF.
- Exempts monies in the TLMF from lapsing. However, if the fiscal year end-balance is more than twice the Department's budget for the next fiscal year, the excess amount is credited to the permanent funds proportionately.
- Deposits \$600,000 from the fees collected by the Department into the TLMF in FY 2009-10.
- Appropriates \$9,773,500 in FY 2009-10 from the Trust Land Management Fund (TLMF) to the Department for the management of state trust lands.
- Specifies that within 30 days of the effective date of this act, the Commissioner must notify JLBC and OSPB of the percentage to be deposited in the TLMF.
- Applies the provisions relating to the TLMF retroactively to June 30, 2009.
- As session law, stipulates that the annual appropriation to the Arizona Water Protection Fund from the GF is specified in the General Appropriations Act.
- Requires the Arizona Department of Water Resources to include separate accounting for the Nevada water banking subaccount in its budget request.
- As session law, suspends the administrative cap on the Assurance Account of the Underground Storage Tank Revolving Fund for FY 2009-10 and authorizes DEQ to transfer \$6,531,000 from the Assurance Account for administrative costs of the Underground Storage Tank Leak Prevention Program and for the Used Oil Program.
- As session law, authorizes sanitation districts of less than 50,000 persons, cities, towns and counties to accept WIFA without an election during FY 2009-10 and FY 2010-11, provided the funding was made available by ARRA.

# VETOED BILLS (THIRD SPECIAL SESSION)



\* Strike-Everything Amendment  
[E] Emergency Clause  
[P 105] Proposition 105 Clause  
[P 108] Proposition 108 Clause  
[LIV] Line Item Veto

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**SB 1025 – VETOED – \*general revenues; budget reconciliation**

Made statutory and session law changes to state revenues to implement the FY 2009-2010 state budget:

- Accelerated the presumption of abandonment schedule for unclaimed property and redistributed the proceeds from the sale of abandoned property to the state General Fund.
- Required that Vehicle License Tax revenues collected as a result of the five year vehicle registration period option which exceeded the amount that would have been collected had the vehicles been registered for two years be deposited into the state General Fund.
- Required municipalities to contribute \$22,000,000 of local Vehicle License Tax (VLT) collections to county treasurers for distribution to local school districts in FY 2009-10.
- Permanently set the assessment ratio for secondary property tax purposes on Class One property at 16% beginning in tax year 2012.
- Required Maricopa County to transfer \$19,014,600 into the state General Fund.
- Required Pima County to transfer \$2,985,400 into the state General Fund.
- Required nonresident taxpayers to prorate their standard deduction based on Arizona income as a percent of total income.
- Permanently repealed the state equalization rate for property tax purposes.