

REFERENCE TITLE: general revenues; budget reconciliation

State of Arizona
House of Representatives
Forty-eighth Legislature
First Regular Session
2007

HB 2786

Introduced by
Representative McComish (with permission of committee on Rules)

AN ACT

AMENDING SECTIONS 35-131, 44-302 AND 44-312, ARIZONA REVISED STATUTES;
RELATING TO GENERAL REVENUES BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 35-131, Arizona Revised Statutes, is amended to
3 read:

4 35-131. Accounting system; reports; notice of deficiency; forms

5 A. In accordance with generally accepted governmental accounting
6 principles, the department of administration shall develop and prescribe for
7 the use of all budget units a uniform accounting system so designed as to
8 ensure compliance with all legal and constitutional requirements including
9 those respecting the receipt and expenditure of and the accountability for
10 public monies.

11 B. The department of administration shall maintain complete, accurate
12 and current financial records relating to state monies and to other public
13 monies in the state treasury available to, encumbered by or expended by each
14 budget unit, including trust monies or other monies not subject to
15 appropriation, setting out all revenues, charges against all funds, fund and
16 appropriation balances, interfund transfers, outstanding warrants and
17 encumbrances, in a manner consistent with the uniform state accounting
18 system, for the preparation of statewide financial statements in accordance
19 with generally accepted governmental accounting principles.

20 C. Each month the department of administration shall prepare and
21 submit to the governor a report summarizing by budget unit and appropriation
22 or other fund source the above information in such form as will most clearly
23 and accurately set out the current fiscal condition of the state and shall
24 furnish to each budget unit a report of its transactions by appropriation or
25 other fund source in a form that will clearly and accurately show the fiscal
26 activity and condition of such appropriation or fund source.

27 D. The responsible official for each budget unit shall monitor reports
28 prepared pursuant to subsection C of this section to identify any projected
29 total deficiency for the budget unit fiscal year. On a determination of a
30 projected deficiency, the official shall take any action necessary to assure
31 continuing compliance with section 1-254 by notifying the governor, the
32 speaker of the house of representatives, the president of the senate and the
33 chairman of the joint legislative budget committee of the deficiency and the
34 reasons for the deficiency. The initial notification of the deficiency shall
35 be followed within ten business days by a report from the responsible budget
36 unit official that includes the following:

37 1. A complete explanation of the causes of the deficiency.

38 2. A plan that assures that the deficiency will be resolved within the
39 fiscal year without supplemental appropriation and that includes the policy
40 and programmatic implications of the deficiency and the plan.

41 3. A commitment to provide a progress report if the projected degree
42 of deficiency changes substantially. The report shall include additional
43 measures necessary to assure resolution of the deficiency within the fiscal
44 year.

1 E. On or before December 1 of each year, the director of the
2 department of administration shall submit to the governor a complete report
3 of the financial transactions of the preceding fiscal year and of the
4 financial condition of the state at the end of that year with such comments
5 and supplementary data as the director of the department of administration
6 deems necessary to make the report complete and readily understandable. The
7 report shall include all appropriated and nonappropriated monies in no less
8 detail than the state general fund.

9 F. On or before February 1 of each year, the director of the
10 department of administration and the state treasurer shall submit to the
11 joint legislative budget committee a report explaining any differences
12 between the department of administration's estimate of the previous fiscal
13 year's state general fund ending balance submitted pursuant to subsection E
14 of this section and the state treasurer's estimate of the invested balance
15 including the general fund share of that balance as of June 30 of the
16 previous fiscal year submitted pursuant to section 41-172.

17 G. IN PREPARING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT PUBLISHED IN
18 ACCORDANCE WITH THE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, THE DEPARTMENT
19 OF ADMINISTRATION SHALL INCLUDE SUPPLEMENTARY SCHEDULES THAT RECONCILE ANY
20 DIFFERENCES BETWEEN THE STATE GENERAL FUND AS REPORTED IN THE COMPREHENSIVE
21 ANNUAL FINANCIAL REPORT AND THE STATE GENERAL FUND AS REPORTED IN THE ANNUAL
22 FINANCIAL REPORT REQUIRED BY SUBSECTION E OF THIS SECTION. THIS
23 RECONCILIATION SHALL ADDRESS REVENUES, EXPENDITURES AND FUND BALANCES.

24 ~~G.~~ H. The director of the department of administration shall
25 prescribe uniform classifications for assets, liabilities, receipts and
26 expenditures and forms for the periodic reporting of financial accounts,
27 transactions and other matters by budget units compatible with the reports
28 required of the director of the department of administration under this
29 section. Such records and accounts shall be maintained and reconciled by
30 budget units. If required for reporting, the department of administration
31 may establish or delete funds and budget units may maintain additional
32 records for reporting to the federal government or other funding source.

33 ~~H.~~ I. Each organization that is included in the state's reporting
34 entity as defined by generally accepted accounting principles shall submit
35 all necessary financial statements or information to the department of
36 administration on a basis of accounting that is consistent with generally
37 accepted accounting principles and that is in accordance with the policies
38 and procedures of the department of administration.

39 Sec. 2. Section 44-302, Arizona Revised Statutes, is amended to read:

40 44-302. Presumptions of abandonment

41 A. Property is presumed abandoned if it is unclaimed by the apparent
42 owner according to the following schedule:

43 1. A traveler's check is presumed abandoned fifteen years after
44 issuance.

- 1 2. A money order or similar written instrument, other than a third
2 party bank check, is presumed abandoned seven years after issuance.
- 3 3. Any stock or other equity interest in a business association or
4 financial organization, including a security entitlement under title 47,
5 chapter 8, is presumed abandoned three years after any of the following,
6 whichever occurs first:
- 7 (a) The date of the most recent dividend, stock split or other
8 distribution that is unclaimed by the apparent owner.
- 9 (b) The date of the second mailing of a statement of account or other
10 notification or communication that was returned as undeliverable.
- 11 (c) The date the holder discontinued mailings, notifications or
12 communications to the apparent owner.
- 13 4. The principal on debt, other than a bearer bond or an original
14 issue discount bond, of a business association or financial organization is
15 presumed abandoned ~~five~~ THREE years after the maturity date and the interest
16 on the debt is presumed abandoned ~~five~~ THREE years after the payment date.
- 17 5. A demand, savings or time deposit, including a deposit that is
18 automatically renewable, and any interest or dividends are presumed abandoned
19 five years after maturity or the date of the last indication by the owner of
20 interest in the property, whichever occurs first. For the purposes of this
21 paragraph, a deposit that is automatically renewable is deemed matured on its
22 initial date of maturity, unless the owner has consented to a renewal at or
23 about the time of the renewal and the consent is in writing or is evidenced
24 by any memorandum or other record on file with the holder.
- 25 6. Credits owed to a customer as a result of a retail business
26 transaction are presumed abandoned five years after the obligation accrued.
- 27 7. An amount owed by an insurance company on a life or endowment
28 insurance policy or an annuity that has matured or terminated is presumed
29 abandoned five years after the obligation to pay arose or, in the case of a
30 policy or annuity that is payable on proof of death, the amount is presumed
31 abandoned two years after the insured has attained, or would have attained if
32 the insured were living, the limiting age under the mortality table on which
33 the reserve is based. For the purposes of this paragraph, all of the
34 following conditions apply:
- 35 (a) If a person other than the insured or annuitant is entitled to the
36 owed amount and the person's address is not known to the company or it is not
37 definite and certain from the records of the company who is entitled to the
38 amount, it is presumed that the last known address of the person who is
39 entitled to the amount is the same as the last known address of the insured
40 or annuitant according to the company's records.
- 41 (b) Notwithstanding any law, if the company learns of the death of the
42 insured or annuitant and the beneficiary has not communicated with the
43 insurer within four months after the death, the company shall take reasonable
44 steps to pay the proceeds to the beneficiary.

1 (c) Every change of beneficiary form issued by an insurance company
2 under any life or endowment insurance policy or annuity contract to an
3 insured or owner who is a resident of this state shall request the following
4 information:

5 (i) The name of each beneficiary, or if a class of beneficiaries is
6 named, the name of each current beneficiary in the class.

7 (ii) The address of each beneficiary.

8 (iii) The relationship of each beneficiary to the insured.

9 8. A life or endowment insurance policy or annuity contract not
10 matured by actual proof of the death of the insured or annuitant according to
11 the company's records is deemed matured and the proceeds are deemed due and
12 payable and are presumed abandoned after two years if all of the following
13 conditions apply:

14 (a) The insured has attained, or would have attained if the insured
15 were living, the limiting age under the mortality table on which the reserve
16 is based.

17 (b) The policy was in force at the time the insured attained or would
18 have attained the limiting age specified in subdivision (a) of this
19 paragraph.

20 (c) Neither the insured nor any other person who appears to have an
21 interest in the policy within the last two years according to the company's
22 records has assigned, readjusted or paid premiums on the policy or subjected
23 the policy to a loan, corresponded in writing with the company concerning the
24 policy or otherwise indicated an interest as evidenced by a memorandum or any
25 other record on file with and prepared by an employee of the company.

26 9. Property that is distributable by a business association or
27 financial organization in a course of dissolution is presumed abandoned one
28 year after the property becomes distributable.

29 10. Property that is received by a court as proceeds of a class action
30 and that is not distributed pursuant to the judgment is presumed abandoned
31 one year after the distribution date.

32 11. Property that is held by a court, government or governmental
33 subdivision, agency or instrumentality, except for support as defined in
34 section 25-500 or for spousal maintenance, is presumed abandoned three years
35 after the property becomes distributable. Monies held for the payment of
36 warrants by a state agency that remain unclaimed by the owner at the time of
37 the void date printed on the face of the warrant are presumed abandoned. For
38 THE purposes of this paragraph, ~~"governmental subdivision"~~ does not include
39 a special taxing district AS defined in section 48-241.

40 12. Wages or other compensation for personal services is presumed
41 abandoned one year after the compensation becomes payable.

42 13. Property in any individual retirement account, defined benefit plan
43 or other account or plan that qualifies for tax deferral under the income tax
44 laws of the United States is presumed abandoned three years after any of the
45 following, whichever occurs first:

1 (a) The date of the distribution or attempted distribution of the
2 property.

3 (b) The date of the required distribution as stated in the plan or
4 trust agreement that governs the plan.

5 (c) If determinable by the holder, the date specified in the income
6 tax laws of the United States by which distribution of the property must
7 begin in order to avoid a tax penalty.

8 14. Any amount that is payable on a check, draft or similar instrument
9 on which a financial organization or business association is directly liable,
10 including a cashier's check and a certified check, and that has been
11 outstanding for more than five years after the check, draft or similar
12 instrument was payable or after issuance if payable on demand is presumed
13 abandoned unless within five years the owner has communicated in writing with
14 the financial organization or business association concerning the check,
15 draft or similar instrument or otherwise indicated an interest as evidenced
16 by a memorandum or any other record on file and prepared by an employee of
17 the financial organization or business association.

18 15. All other property is presumed abandoned five years after the
19 owner's rights to demand the property or after the obligation to pay or
20 distribute the property arises, whichever occurs first.

21 16. Excess proceeds deposited with the county treasurer pursuant to
22 section 33-812 are presumed abandoned if the monies remain with the treasurer
23 for at least three years from the date of deposit and there is no pending
24 application for distribution.

25 17. ANY DIVIDEND, PROFIT, DISTRIBUTION, INTEREST, REDEMPTION, PAYMENT
26 ON PRINCIPAL OR OTHER SUM HELD OR OWING BY A BUSINESS ASSOCIATION FOR OR TO
27 ITS SHAREHOLDER, CERTIFICATE HOLDER, MEMBER, BONDHOLDER OR OTHER SECURITY
28 HOLDER WHO HAS NOT CLAIMED IT, OR CORRESPONDED IN WRITING WITH THE BUSINESS
29 ASSOCIATION CONCERNING IT, IS PRESUMED ABANDONED THREE YEARS AFTER THE DATE
30 PRESCRIBED FOR PAYMENT OR DELIVERY.

31 B. At the time that an interest is presumed abandoned under subsection
32 A of this section, any other property right accrued or accruing to the owner
33 as a result of the interest, and not previously presumed abandoned, is also
34 presumed abandoned.

35 C. Property is unclaimed if, for the applicable period prescribed in
36 subsection A of this section, the apparent owner has not communicated in
37 writing with the holder or communicated by other means reflected in a
38 contemporaneous record that is prepared by or on behalf of the holder and
39 that concerns the property or the account or accounts in which the property
40 is held and has not otherwise indicated an interest in the property and if
41 the holder has not communicated in writing with regard to the property that
42 would otherwise be unclaimed. A communication with an owner by a person
43 other than the holder or the holder's representative who has not identified
44 the property in writing to the owner is not an indication of interest in the
45 property by the owner.

- 1 D. An indication of an owner's interest in property includes:
- 2 1. The presentment of any check or other instrument of payment of any
- 3 dividend or other distribution that is made with respect to any account,
- 4 underlying stock or other interest in a business association or financial
- 5 organization. If the distribution is made by electronic or similar means, an
- 6 indication of an owner's interest includes evidence that the distribution has
- 7 been received.
- 8 2. Activity directed by the owner in the account in which the property
- 9 is held, including a direction by the owner to increase, decrease or change
- 10 the amount or type of property held in the account.
- 11 3. The making of a deposit to or withdrawal from a bank account.
- 12 4. The payment of a premium with respect to a property interest in an
- 13 insurance policy. The application of an automatic premium loan provision or
- 14 any other nonforfeiture provision in an insurance policy does not prevent a
- 15 policy from maturing or terminating if the insured has died or if the insured
- 16 or the beneficiary of the policy has otherwise become entitled to the
- 17 proceeds before the depletion of the cash surrender value of a policy by the
- 18 application of those provisions.

19 E. Property is payable or distributable notwithstanding the owner's

20 failure to make demand or present an instrument or document otherwise

21 required to obtain payment.

22 Sec. 3. Section 44-312, Arizona Revised Statutes, is amended to read:

23 44-312. Public sale of abandoned property

24 A. Except as otherwise provided in this section, within three years

25 after receiving abandoned property, the department shall sell the property to

26 the highest bidder at a public sale at a location in this state that in the

27 judgment of the department affords the most favorable market for the

28 property. The department may decline the highest bid and reoffer the

29 property for sale if the department considers the bid to be insufficient.

30 The department is not required to offer the property for sale if the

31 department determines that the probable cost of the sale will exceed the

32 proceeds from the sale. Before conducting a sale pursuant to this section,

33 the department shall cause a notice to be published at least three weeks

34 before the sale in a newspaper of general circulation in the county in which

35 the sale will occur.

36 B. The department shall sell securities that are listed on an

37 established stock exchange at prices prevailing on the exchange at the time

38 of the sale. The department may sell other securities over the counter at

39 prices prevailing at the time of the sale or by any reasonable method

40 selected by the department.

41 ~~C. If the department sells the securities before the expiration of~~

42 ~~three years after the holder delivers the securities to the department, a~~

43 ~~person who makes a claim pursuant to this chapter before the end of the three~~

44 ~~year period is entitled to receive from the department the proceeds of the~~

45 ~~sale of the securities or the market value of the securities at the time the~~

1 ~~claim is made, whichever is more, plus dividends, interest and other~~
2 ~~increments accrued up to the time the claim is made, minus all expenses of~~
3 ~~the sale.~~ A person who makes a claim pursuant to this chapter ~~after the~~
4 ~~expiration of the three year period~~ FOR SECURITIES is entitled to receive
5 from the department the securities that the holder delivered to the
6 department if the securities remain in the department's custody or the person
7 is entitled to receive the net proceeds of the sale. Except in a case of
8 intentional misconduct or malfeasance by the department, the person is not
9 entitled to receive any appreciation in the value of the property that
10 occurred after the delivery to the department.

11 D. A purchaser of property at a sale conducted by the department
12 pursuant to this chapter takes the property free of all claims of the owner
13 or previous holder and of all persons claiming through or under the owner or
14 previous holder. The department shall execute all documents necessary to
15 complete the transfer of ownership.

16 Sec. 4. Securities sales; distribution of proceeds

17 Notwithstanding any other law, any proceeds from the sales of
18 securities pursuant to section 44-312, Arizona Revised Statutes, as amended
19 by this act, in fiscal year 2007-2008 shall be deposited in the state general
20 fund.

21 Sec. 5. Unrestricted federal monies; retroactivity

22 A. Any unrestricted federal monies received from May 1, 2007 through
23 June 30, 2008 shall be deposited in the state general fund. The monies shall
24 be used for the payment of essential governmental services.

25 B. This section is effective retroactively to from and after April 30,
26 2007.