

COMMITTEE ON APPROPRIATIONS  
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1614  
(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Title 38, chapter 4, Arizona Revised Statutes, is amended  
3 by adding article 5, to read:

4 ARTICLE 5. EMPLOYEE BENEFITS

5 38-671. Employee benefits; exclusions; definitions

6 A. ANY EMPLOYEE HIRED AFTER THE EFFECTIVE DATE OF THIS SECTION IS NOT  
7 ELIGIBLE FOR STATE EMPLOYEE BENEFITS UNTIL THE EMPLOYEE HAS WORKED REGULARLY  
8 FOR AT LEAST NINETY DAYS.

9 B. NOTWITHSTANDING ANY OTHER LAW, ANY EMPLOYEE HIRED AFTER THE  
10 EFFECTIVE DATE OF THIS SECTION IS NOT ELIGIBLE TO BECOME A MEMBER OF ANY  
11 STATE RETIREMENT SYSTEM UNTIL THE EMPLOYEE HAS WORKED REGULARLY FOR AT LEAST  
12 SIX MONTHS.

13 C. FOR THE PURPOSES OF THIS SECTION:

14 1. "STATE EMPLOYEE BENEFITS" MEANS ANY COVERAGE PROVIDED PURSUANT TO  
15 ARTICLE 4 OF THIS CHAPTER.

16 2. "STATE RETIREMENT SYSTEM" INCLUDES THE ARIZONA STATE RETIREMENT  
17 SYSTEM ESTABLISHED BY CHAPTER 5, ARTICLE 2 OF THIS TITLE, THE LONG-TERM  
18 DISABILITY PROGRAM ESTABLISHED BY CHAPTER 5, ARTICLE 2.1 OF THIS TITLE, THE  
19 ELECTED OFFICIALS' RETIREMENT PLAN ESTABLISHED BY CHAPTER 5, ARTICLE 3 OF  
20 THIS TITLE, THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM ESTABLISHED BY  
21 CHAPTER 5, ARTICLE 4 OF THIS TITLE AND THE CORRECTIONS OFFICER RETIREMENT  
22 PLAN ESTABLISHED BY CHAPTER 5, ARTICLE 6 OF THIS TITLE.

23 Sec. 2. Section 38-736, Arizona Revised Statutes, is amended to read:

24 38-736. Member contributions

25 A. Member contributions are required as a condition of employment and  
26 shall be made by payroll deductions. Member contributions shall begin  
27 simultaneously with membership in ASRS. Beginning July 1, ~~1985~~ 2011, member  
28 contributions are a percentage of a member's compensation equal to ~~the~~  
29 ~~employer contribution required~~ FIFTY-THREE PER CENT OF THE TOTAL  
30 CONTRIBUTIONS, AS DETERMINED pursuant to section 38-737. Amounts so deducted  
31 by employers shall be deposited in the ASRS depository.

32 B. The employer shall pay the member contributions required of members  
33 on account of compensation earned. The paid contributions shall be treated  
34 as employer contributions for the purpose of determining tax treatment under  
35 the internal revenue code. The effective date of the employer payment shall  
36 not be before the date ASRS has received notification from the United States  
37 internal revenue service that pursuant to section 414(h) of the internal  
38 revenue code the member contributions paid will not be included in gross

1 income for income tax purposes until the paid contributions are distributed  
2 by refund or retirement benefit payments. The employer shall pay the member  
3 contributions from monies that are established and available in the  
4 retirement deduction account and that would otherwise have been designated as  
5 member contributions and paid to ASRS. Member contributions paid pursuant to  
6 this subsection shall be treated for all other purposes, in the same manner  
7 and to the same extent, as member contributions made before the approval of  
8 the United States internal revenue service pursuant to this section.

9 Sec. 3. Section 38-737, Arizona Revised Statutes, is amended to read:

10 38-737. Employer contributions

11 A. Employer contributions shall be a percentage of compensation of all  
12 employees of the employers, excluding the compensation of those employees who  
13 are members of the defined contribution program administered by ASRS, as  
14 determined by the ASRS actuary pursuant to this section for June 30 of the  
15 fiscal year immediately preceding the preceding fiscal year, except that  
16 beginning with fiscal year 2001-2002 the contribution rate shall not be less  
17 than two per cent of compensation of all employees of the employers.  
18 BEGINNING JULY 1, 2011, the total employer contribution shall be FORTY-SEVEN  
19 PERCENT OF THE TOTAL CONTRIBUTIONS. THE TOTAL CONTRIBUTIONS SHALL BE  
20 determined on the projected unit credit method. The total ~~employer~~  
21 contributions shall be equal to the ~~employer~~ normal cost plus the amount  
22 required to amortize the past service funding requirement over a rolling  
23 thirty-year period.

24 B. All contributions made by the employer and allocated to the fund  
25 established by section 38-712 are irrevocable and shall be used as benefits  
26 under this article or to pay expenses of ASRS.

27 C. The required ~~employer~~ TOTAL contributions shall be determined on an  
28 annual basis by an actuary who is selected by the board and who is a fellow  
29 of the society of actuaries. ASRS shall provide a preliminary report by  
30 November 1 and a final report by December 15 of each fiscal year to the  
31 governor, the speaker of the house of representatives and the president of  
32 the senate on the contribution rate for the ensuing fiscal year.

33 Sec. 4. Section 38-797.05, Arizona Revised Statutes, is amended to  
34 read:

35 38-797.05. Employer and member contributions

36 A. Beginning July 1, ~~1996~~ 2011, employers shall contribute the  
37 percentage of the compensation of all of the members under their employment  
38 so that the total employer contributions equals the amount that the board  
39 determines is necessary to pay ~~one-half~~ FORTY-SEVEN PER CENT of all benefits  
40 under and costs of administering the LTD program.

1           B. Beginning July 1, ~~1996~~ 2011, a member shall contribute a percentage  
2 of the member's compensation equal to the REMAINDER NECESSARY TO PAY FOR ALL  
3 BENEFITS UNDER AND COSTS OF ADMINISTERING THE LTD PROGRAM AFTER THE employer  
4 contribution for the member required pursuant to subsection A of this section  
5 IS PAID.

6           C. The employer shall pay the member contributions required of members  
7 on account of compensation earned. All employer and member contributions  
8 shall be paid to the board. The board shall allocate the contributions to  
9 the LTD trust fund and shall place the contributions in the LTD program's  
10 depository.

11           D. Each employer shall certify on each payroll the amount to be  
12 contributed to the LTD program and shall remit that amount to the board. The  
13 contributions are irrevocable.

14           E. Payments due pursuant to this article by employers become  
15 delinquent after the due date prescribed in the board's rules and thereafter  
16 shall be increased by interest from and after that date until payment is  
17 received by the board. The board shall charge interest on the delinquent  
18 payments at an annual rate equal to the interest rate assumption approved by  
19 the board for actuarial equivalency pursuant to article 2 of this chapter.  
20 Delinquent payments due under this subsection, together with interest charges  
21 as provided in this subsection, may be recovered by an action in a court of  
22 competent jurisdiction against an employer liable for payments or, at the  
23 request of the director, may be deducted from any monies, including excise  
24 revenue taxes, payable to the employer by any department or agency of this  
25 state.

26           F. If more than the correct amount of contributions required is paid  
27 by an employer, proper adjustment shall be made in connection with subsequent  
28 payments. The board shall return excess contributions to the employer if the  
29 employer requests return of the contributions within one year after the date  
30 of overpayment.

31           G. Member contributions are not refundable and are not included in the  
32 calculation of survivor benefits pursuant to section 38-762.

33           Sec. 5. Section 38-797.06, Arizona Revised Statutes, is amended to  
34 read:

35           38-797.06. Contribution rate; annual report

36           A. The board shall select an actuary to determine required ~~employer~~  
37 contributions on an annual basis. The actuary shall be a fellow of the  
38 society of actuaries.

39           B. ~~Employer~~ Contributions shall be a percentage of compensation of all  
40 employees of the employers, as the ASRS actuary determines pursuant to this

1 section. The actuary shall make this determination in an annual valuation  
2 performed as of June 30. The valuation as of June 30 of a calendar year  
3 shall determine the percentage to be applied to compensation for the fiscal  
4 year beginning July 1 of the following calendar year. The actuary shall  
5 determine the total ~~employer contribution~~ CONTRIBUTIONS using an actuarial  
6 cost method consistent with generally accepted actuarial standards. The  
7 total ~~employer~~ contributions shall be equal to the ~~employer~~ normal cost plus  
8 the amount required to amortize the past service funding requirement over a  
9 period consistent with generally accepted actuarial standards.

10 C. All contributions made by the employer and allocated to the LTD  
11 trust fund established by section 38-797.02 are irrevocable and shall be used  
12 as benefits under this article or to pay expenses of the LTD program.

13 D. ASRS shall provide a preliminary report on or before November 30 of  
14 the valuation year and a final report on or before January 15 of the  
15 following year to the governor, the speaker of the house of representatives  
16 and the president of the senate on the contribution rate for the ensuing  
17 fiscal year.

18 Sec. 6. Title 41, chapter 4, article 5, Arizona Revised Statutes, is  
19 amended by adding section 41-763.05, to read:

20 41-763.05. Required reduction in hours

21 AN AGENCY DIRECTOR MAY REQUIRE AGENCY COVERED EMPLOYEES TO WORK REDUCED  
22 HOURS IN ORDER TO COMPLY WITH ANY REDUCTION IN APPROPRIATIONS. THE DIRECTOR  
23 OF THE DEPARTMENT OF ADMINISTRATION SHALL PRESCRIBE PROCEDURES TO IMPLEMENT  
24 THESE REDUCTIONS.

25 Sec. 7. Laws 2010, seventh special session, chapter 3, section 9 is  
26 amended to read:

27 Sec. 9. Mandatory furloughs; 2009-2010; 2010-2011; terms;  
28 exceptions; definitions

29 A. In order to the implement the expenditure reductions for personnel  
30 expenses in the 2010-2011 general appropriations act, the joint legislative  
31 budget committee staff shall determine and the department of administration  
32 shall allocate to each state agency, department, board or commission an  
33 amount sufficient to implement the mandatory furloughs pursuant to this  
34 section. All monies from other appropriated funds and nonfederal  
35 nonappropriated funds that are reduced pursuant to this section shall be  
36 transferred to the state general fund. The joint legislative budget  
37 committee staff also shall determine and the department of administration  
38 shall allocate reductions, as necessary, in total expenditure authority  
39 resulting from the mandatory furloughs required by this section.

1           B. Unless otherwise exempted by this section, each state agency,  
2 department, board or commission, in addition to any other furlough program  
3 implemented by the agency, shall furlough employees as follows:

- 4           1. In fiscal year 2009-2010: One day
- 5           2. In fiscal year 2010-2011: ~~Six~~ FIVE days
- 6           ~~3. In fiscal year 2011-2012: Six days~~

7           C. It is the intent of the legislature that the furlough days required  
8 by this section be taken no more than once a month and in a way that  
9 maximizes utility savings and minimizes customer inconvenience. The  
10 department of administration shall publish a list of the preferred furlough  
11 dates that best achieve these goals. These published dates shall be the  
12 presumptive furlough dates for all governmental units unless otherwise  
13 approved by the department of administration. Notwithstanding any other law,  
14 for fiscal years 2009-2010, ~~AND~~ 2010-2011 ~~and 2011-2012,~~ the furlough dates  
15 published by the department of administration shall authorize participating  
16 state offices to be closed on those dates in order to meet the furlough  
17 requirements of this section.

18           D. Employees who are subject to the furlough requirement of this  
19 section shall be on leave without pay and are not eligible to use any form of  
20 paid leave on a designated furlough day unless allowance for the use of paid  
21 leave in any specific case is otherwise required by state or federal law.

22           E. On or before April 16, 2010, the department of administration shall  
23 develop a list of governmental unit functions or services requiring  
24 continuous operations throughout the entire week or workweek that would be  
25 significantly and negatively affected by the implementation of a furlough  
26 program due to either:

27           1. The critical nature of the services delivered, such as direct  
28 public safety activities or direct care of patients, residents, inmates,  
29 detainees or other similar service populations.

30           2. Other compelling demands for a governmental unit's functions or  
31 services.

32           F. Employees whose services are determined to be essential pursuant to  
33 subsection E to ensuring that functions or services are delivered safely and  
34 effectively are exempt from the furlough requirements of this section. It is  
35 the intent of the legislature to exempt from the furlough requirements of  
36 this section only those employees considered absolutely essential for the  
37 proper performance and oversight of these essential functions or services.

38           G. In lieu of mandatory furlough participation, the director of a  
39 governmental unit may elect, on written approval of the director of the  
40 department of administration, to reduce employee pay for personnel not

1 otherwise determined exempt pursuant to subsection F within the governmental  
2 unit by amounts that, when totaled, equal the savings generated by the  
3 furlough days otherwise required in this section. The director of the  
4 department of administration may approve only those written requests in which  
5 the director of the governmental unit establishes, to the satisfaction of the  
6 director of the department of administration, that the governmental unit's  
7 implementation of mandatory furlough days would not be in the best interests  
8 of this state and that an equivalent pay reduction program is more  
9 appropriate. The director of the department of administration may approve or  
10 disapprove only written requests that fully substitute the required furlough  
11 days with an equivalent salary rate and employee related expenditure  
12 reduction. Governmental units shall submit written requests pursuant to this  
13 subsection no later than April 16, 2010.

14 H. On or before April 30, 2010, the department of administration shall  
15 report to the joint legislative budget committee those job classifications  
16 and the numbers, by governmental unit, of employees that have been exempted  
17 from the furlough program pursuant to this section. The department shall  
18 provide report updates to the joint legislative budget committee whenever  
19 changes are made to the exempted job classifications or the numbers, by  
20 governmental unit, of exempted employees. The report shall also include any  
21 written requests that were approved to fully substitute the required furlough  
22 days with an equivalent salary rate and employee related expenditure  
23 reduction pursuant to subsection G.

24 I. This section does not apply to:

25 1. Employees of universities under the jurisdiction of the Arizona  
26 board of regents while the maintenance of effort provisions of the federal  
27 education stabilization program are in effect, as required by the American  
28 recovery and reinvestment act of 2009 (P.L. 111-5).

29 2. Employees of elected state officers.

30 J. For the purposes of this section:

31 1. "Employees of elected state officers" means employees of the house  
32 of representatives, the senate, any budget unit that reports to the  
33 legislature, the judiciary, the secretary of state, the state treasurer, the  
34 attorney general, the corporation commission, the state mine inspector, the  
35 Arizona board of regents and the superintendent of public instruction.

36 2. "Governmental unit" means all agencies, departments, boards and  
37 commissions of this state unless otherwise exempt under this section.

38 Sec. 8. Arizona state retirement system; employer contributions

39 A. In addition to any other appropriation reductions made in fiscal  
40 year 2011-2012, notwithstanding any other law, the total reduction in

1 employer contributions to the Arizona state retirement system required by  
2 this act is reduced from state general fund appropriations and other state  
3 funds appropriated to state agency units and from nonfederal nonappropriated  
4 funds for personnel expenses and related benefit costs and is transferred or  
5 reverted to the state general fund for the purposes of providing adequate  
6 support and maintenance for agencies of this state.

7 B. The joint legislative budget committee staff shall determine and  
8 the department of administration shall allocate to each state agency,  
9 department, board or commission an amount sufficient to decrease the employer  
10 contributions to the Arizona state retirement system as specified in this  
11 act. All monies from other appropriated funds and nonfederal nonappropriated  
12 funds that are reduced pursuant to this act shall be transferred to the state  
13 general fund.

14 C. The joint legislative budget committee staff shall also determine  
15 and the department of administration shall allocate reductions, as necessary,  
16 in total expenditure authority resulting from the reduction in employer  
17 contributions to the Arizona state retirement system required by this act.

18 D. In addition to the allocations made pursuant to subsections B and  
19 C, and in addition to reductions required by any other law, for fiscal year  
20 2011-2012, the department of education shall reduce equalization assistance  
21 to school districts and charter schools by the amount that their employer  
22 contributions to the Arizona state retirement system are reduced pursuant to  
23 this act and shall reduce school district budget limits accordingly.

24 E. In addition to reductions required by any other law, for fiscal  
25 year 2011-2012, the department of education shall reduce the capital outlay  
26 revenue limit for a school district that is not eligible to receive  
27 equalization assistance for fiscal year 2011-2012 by the amount that its  
28 equalization assistance would be reduced pursuant to subsection D if the  
29 district was eligible to receive equalization assistance for fiscal year  
30 2011-2012 and shall reduce school district budget limits accordingly.

31 Sec. 9. Federal stimulus funding; reporting; definitions

32 A. The governor has allocated the government services portion of the  
33 fiscal stabilization fund from the American recovery and reinvestment act of  
34 2009 (P.L. 111-5) to the following expenditure categories and subexpenditure  
35 categories:

36 1. Education reform.

37 (a) Teach for America - \$2,000,000.

38 (b) Education information systems - \$3,000,000.

39 (c) Education innovation project - \$1,636,374.

40 Subtotal - Education reform - \$ 6,636,374.

- 1           2. Health care and children's programs.
- 2           (a) Department of health services community health - \$11,600,000.
- 3           (b) Department of health services Arizona state hospital - \$116,273.
- 4           (c) Department of economic security autism - \$2,297,824.
- 5           (d) Department of economic security developmentally disabled -
- 6           \$15,000,000.
- 7           (e) Department of economic security children's services - \$18,000,000.
- 8           (f) Department of economic security adoption services - \$2,500,000.
- 9           (g) Department of economic security child protective services -
- 10          \$5,500,000.
- 11          Subtotal - Health care and children's programs - \$55,014,097.
- 12          3. Public safety
- 13          (a) Department of corrections - \$50,000,000.
- 14          (b) Border security enhancement - \$10,000,000.
- 15          (c) Public safety stabilization - \$10,000,000.
- 16          (d) Supplemental public safety projects - \$6,545,494.
- 17          (e) Department of administration public safety project - \$1,700,000.
- 18          Subtotal - Public safety - \$78,245,494.
- 19          4. Innovation, technology and economic development.
- 20          (a) Commerce economic development - \$15,000,000.
- 21          (b) Commerce job training - \$12,000,000.
- 22          (c) Commerce jobs agenda - \$12,000,000.
- 23          (d) Arizona technology enhancement (department of administration) -
- 24          \$182,079.
- 25          Subtotal - Innovation, technology and economic development -
- 26          \$39,182,079.
- 27          5. Arizona county projects (including all categories) - \$4,007,797.
- 28          6. Office of economic recovery state fiscal stabilization fund costs -
- 29          \$2,000,000.
- 30          Total - Government services fiscal stabilization fund - \$185,085,841.
- 31          B. Within thirty days after the last day of each calendar quarter, the
- 32          governor's office of economic recovery shall provide a report to the joint
- 33          legislative budget committee outlining the allocation of monies to the
- 34          designated categories.
- 35          C. For the designated categories, the report shall include the amount
- 36          newly allocated and newly expended in the calendar quarter immediately
- 37          preceding the report date listed in subsection B and the total amount
- 38          allocated and expended to date by the following:
- 39              1. Each state agency that has received an allocation of monies.
- 40              2. Each individual grantee that has received an allocation of monies.

1 D. For the purposes of this section:

2 1. "Designated category" means an expenditure category or  
3 subexpenditure category listed in subsection A as education information  
4 systems, education innovation project, supplemental public safety projects,  
5 department of administration public safety project, commerce economic  
6 development, commerce job training, commerce jobs agenda or Arizona  
7 technology enhancement (department of administration).

8 2. "State agency" means any department, office, agency, commission,  
9 board or other instrumentality of state government.

10 Sec. 10. Unrestricted federal monies

11 Any unrestricted federal monies received from July 1, 2011 through June  
12 30, 2012 shall be deposited in the state general fund. The monies shall be  
13 used for the payment of essential governmental services.

14 Sec. 11. Rental rates; state-owned buildings; fiscal year  
15 2011-2012; intent

16 Notwithstanding section 41-792.01, subsection D, Arizona Revised  
17 Statutes, the capital outlay stabilization fund rental rates for state-owned  
18 buildings in fiscal year 2011-2012 shall decrease from \$21.02 per square foot  
19 for office space to \$15.08 per square foot and from \$7.62 per square foot for  
20 storage space to \$5.47 per square foot. It is the intent of the legislature  
21 that the square footage calculations are based on the methodology currently  
22 used by the department of administration.

23 Sec. 12. Annual budgets

24 Notwithstanding section 35-121, Arizona Revised Statutes, for fiscal  
25 year 2011-2012, appropriations for all budget units may be limited to one  
26 fiscal year.

27 Sec. 13. Calculation adjustments; fiscal year 2011-2012;  
28 closing state general fund balance

29 Notwithstanding any other law, for the purposes of calculating the  
30 state general fund balance at the close of fiscal year 2011-2012, any monies  
31 that are appropriated from the state general fund that are exempt from  
32 lapsing pursuant to section 35-190, Arizona Revised Statutes, and that remain  
33 unexpended and unencumbered at the close of fiscal year 2011-2012 shall be  
34 included in the closing balance as if the appropriations had lapsed or  
35 otherwise reverted to the state general fund.

36 Sec. 14. Rule making exemption

37 The director of the department of administration is exempt from the  
38 rule making requirements of title 41, chapter 6, Arizona Revised Statutes,  
39 until July 1, 2012 for the purposes of prescribing the procedures required by  
40 41-763.05, Arizona Revised Statutes, as added by this act.

1                   Sec. 15. Retroactivity  
2                   A. Laws 2010, seventh special session, chapter 3, section 9, as  
3 amended by this act, applies retroactively to April 1, 2011.  
4                   B. Sections 38-736, 38-737, 38-797.05 and 38-797.06, Arizona Revised  
5 Statutes, as amended by this act, apply retroactively to from and after June  
6 30, 2011."  
7 Amend title to conform

and, as so amended, it do pass

JOHN KAVANAGH  
Chairman

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H:jmb

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C: meb