

State of Arizona  
House of Representatives  
Fifty-first Legislature  
Second Regular Session  
2014

# HOUSE BILL 2708

AN ACT

AMENDING SECTIONS 38-848, 41-3504 AND 49-1023, ARIZONA REVISED STATUTES;  
REPEALING LAWS 2004, CHAPTER 273, SECTION 8, AS AMENDED BY LAWS 2013, CHAPTER  
244, SECTION 3; AMENDING LAWS 2004, CHAPTER 273, SECTION 9, AS AMENDED BY  
LAWS 2013, CHAPTER 244, SECTION 4; RELATING TO STATE BUDGET PROCEDURES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 38-848, Arizona Revised Statutes, is amended to  
3 read:

4 38-848. Board of trustees; powers and duties; independent trust  
5 fund; administrator; agents and employees

6 A. The board of trustees shall consist of seven members and shall have  
7 the rights, powers and duties that are set forth in this section. The term  
8 of office of members shall be five years to expire on the third Monday in  
9 January of the appropriate year. Members are eligible to receive  
10 compensation in an amount of fifty dollars a day, but not to exceed one  
11 thousand dollars in any one fiscal year, and are eligible for reimbursement  
12 of expenses pursuant to chapter 4, article 2 of this title. The board  
13 consists of the following members appointed by the governor pursuant to  
14 section 38-211:

15 1. Two elected members from a local board to represent the employees.

16 2. One member to represent this state as an employer of public safety  
17 personnel. This member shall have the qualifications prescribed in  
18 subsection T of this section.

19 3. One member to represent the cities as employers of public safety  
20 personnel.

21 4. An elected county or state official or a judge of the superior  
22 court, court of appeals or supreme court.

23 5. Two public members. These members shall have the qualifications  
24 prescribed in subsection T of this section.

25 B. All monies in the fund shall be deposited and held in a public  
26 safety personnel retirement system depository. Monies in the fund shall be  
27 disbursed from the depository separate and apart from all monies or funds of  
28 this state and the agencies, instrumentalities and subdivisions of this  
29 state, except that the board may commingle the assets of the fund and the  
30 assets of all other plans entrusted to its management in one or more group  
31 trusts, subject to the crediting of receipts and earnings and charging of  
32 payments to the appropriate employer, system or plan. The monies shall be  
33 secured by the depository in which they are deposited and held to the same  
34 extent and in the same manner as required by the general depository law of  
35 this state. For purposes of making the decision to invest in securities  
36 owned by the fund or any plan or trust administered by the board, the fund  
37 and assets of the plans and the plans' trusts are subject to the sole  
38 management of the board for the purpose of this article except that, on the  
39 board's election to invest in a particular security or make a particular  
40 investment, the assets comprising the security or investment may be chosen  
41 and managed by third parties approved by the board. The board may invest in  
42 portfolios of securities chosen and managed by a third party. The board's  
43 decision to invest in securities such as mutual funds, commingled investment  
44 funds, exchange traded funds, private equity or venture capital limited  
45 partnerships, real estate limited partnerships or limited liability companies

1 and real estate investment trusts whose assets are chosen and managed by  
2 third parties does not constitute an improper delegation of the board's  
3 investment authority.

4 C. All contributions under this system and other retirement plans that  
5 the board administers shall be forwarded to the board and shall be held,  
6 invested and reinvested by the board as provided in this article. All  
7 property and monies of the fund and other retirement plans that the board  
8 administers, including income from investments and from all other sources,  
9 shall be retained for the exclusive benefit of members, as provided in the  
10 system and other retirement plans that the board administers, and shall be  
11 used to pay benefits to members or their beneficiaries or to pay expenses of  
12 operation and administration of the system and fund and other retirement  
13 plans that the board administers.

14 D. The board shall have the full power in its sole discretion to  
15 invest and reinvest, alter and change the monies accumulated under the system  
16 and other retirement plans and trusts that the board administers as provided  
17 in this article. In addition to its power to make investments managed by  
18 others, the board may delegate the authority the board deems necessary and  
19 prudent to investment management pursuant to section 38-848.03, as well as to  
20 the administrator, employed by the board pursuant to subsection K, paragraph  
21 6 of this section, and any assistant administrators to invest the monies of  
22 the system and other retirement plans and trusts that the board administers  
23 if the administrator, investment management and any assistant administrators  
24 follow the investment policies that are adopted by the board. The board may  
25 commingle securities and monies of the fund, the elected officials'  
26 retirement plan, the corrections officer retirement plan and other plans or  
27 monies entrusted to its care, subject to the crediting of receipts and  
28 earnings and charging of payments to the account of the appropriate employer,  
29 system or plan. In making every investment, the board shall exercise the  
30 judgment and care under the circumstances then prevailing that persons of  
31 ordinary prudence, discretion and intelligence exercise in the management of  
32 their own affairs, not in regard to speculation but in regard to the  
33 permanent disposition of their funds, considering the probable income from  
34 their funds as well as the probable safety of their capital, provided:

35 1. That not more than eighty per cent of the combined assets of the  
36 system or other plans that the board manages shall be invested at any given  
37 time in corporate stocks, based on cost value of such stocks irrespective of  
38 capital appreciation.

39 2. That no more than five per cent of the combined assets of the  
40 system or other plans that the board manages shall be invested in corporate  
41 stock issued by any one corporation, other than corporate stock issued by  
42 corporations chartered by the United States government or corporate stock  
43 issued by a bank or insurance company.

44 3. That not more than five per cent of the voting stock of any one  
45 corporation shall be owned by the system and other plans that the board

1 administers, except that this limitation does not apply to membership  
2 interests in limited liability companies.

3 4. That corporate stocks and exchange traded funds eligible for direct  
4 purchase shall be restricted to stocks and exchange traded funds that, except  
5 for bank stocks, insurance stocks, stocks acquired for coinvestment in  
6 connection with the system's or the plans' or trusts' commingled investments  
7 and interests in limited liability companies and mutual funds, are either:

8 (a) Listed or approved on issuance for listing on an exchange  
9 registered under the securities exchange act of 1934, as amended (15 United  
10 States Code sections 78a through 7811).

11 (b) Designated or approved on notice of issuance for designation on  
12 the national market system of a national securities association registered  
13 under the securities exchange act of 1934, as amended (15 United States Code  
14 sections 78a through 7811).

15 (c) Listed or approved on issuance for listing on an exchange  
16 registered under the laws of this state or any other state.

17 (d) Listed or approved on issuance for listing on an exchange of a  
18 foreign country with which the United States is maintaining diplomatic  
19 relations at the time of purchase, except that no more than twenty per cent  
20 of the combined assets of the system and other plans that the board manages  
21 shall be invested in foreign securities, based on the cost value of the  
22 stocks irrespective of capital appreciation.

23 (e) An exchange traded fund that is recommended by the chief  
24 investment officer of the system, that is registered under the investment  
25 company act of 1940 (15 United States Code sections 80a-1 through 80a-64) and  
26 that is both traded on a public exchange and based on a publicly recognized  
27 index.

28 E. Notwithstanding any other law, the board shall not be required to  
29 invest in any type of investment that is dictated or required by any entity  
30 of the federal government and that is intended to fund economic development  
31 projects, public works or social programs, but may consider such economically  
32 targeted investments pursuant to its fiduciary responsibility. The board, on  
33 behalf of the system and all other plans or trusts the board administers, may  
34 invest in, lend monies to or guarantee the repayment of monies by a limited  
35 liability company, limited partnership, joint venture, partnership, limited  
36 liability partnership or trust in which the system and plans or trusts have a  
37 financial interest, whether the entity is closely held or publicly traded and  
38 that, in turn, may be engaged in any lawful activity, including venture  
39 capital, private equity, the ownership, development, management, improvement  
40 or operation of real property and any improvements or businesses on real  
41 property or the lending of monies.

42 F. Conference call meetings of the board that are held for investment  
43 purposes only are not subject to chapter 3, article 3.1 of this title, except  
44 that the board shall maintain minutes of these conference call meetings and  
45 make them available for public inspection within twenty-four hours after the

1 meeting. The board shall review the minutes of each conference call meeting  
2 and shall ratify all legal actions taken during each conference call meeting  
3 at the next scheduled meeting of the board.

4 G. The board shall not be held liable for the exercise of more than  
5 ordinary care and prudence in the selection of investments and performance of  
6 its duties under the system and shall not be limited to so-called "legal  
7 investments for trustees", but all monies of the system and other plans that  
8 the board administers shall be invested subject to all of the conditions,  
9 limitations and restrictions imposed by law.

10 H. Except as provided in subsection D of this section, the board may:

11 1. Invest and reinvest the principal and income of all assets that the  
12 board manages without distinction between principal and income.

13 2. Sell, exchange, convey, transfer or otherwise dispose of any  
14 investments made on behalf of the system or other plans the board administers  
15 in the name of the system or plans by private contract or at public auction.

16 3. Also:

17 (a) Vote on any stocks, bonds or other securities.

18 (b) Give general or special proxies or powers of attorney with or  
19 without power of substitution.

20 (c) Exercise any conversion privileges, subscription rights or other  
21 options and make any payments incidental to the exercise of the conversion  
22 privileges, subscription rights or other options.

23 (d) Consent to or otherwise participate in corporate reorganizations  
24 or other changes affecting corporate securities, delegate discretionary  
25 powers and pay any assessments or charges in connection therewith.

26 (e) Generally exercise any of the powers of an owner with respect to  
27 stocks, bonds, securities or other investments held in or owned by the system  
28 or other plans whose assets the board administers.

29 4. Make, execute, acknowledge and deliver any other instruments that  
30 may be necessary or appropriate to carry out the powers granted in this  
31 section.

32 5. Register any investment held by the system or other plans whose  
33 assets the board administers in the name of the system or plan or in the name  
34 of a nominee or trust.

35 6. At the expense of the system or other plans that the board  
36 administers, enter into an agreement with any bank or banks for the  
37 safekeeping and handling of securities and other investments coming into the  
38 possession of the board. The agreement shall be entered into under terms and  
39 conditions that secure the proper safeguarding, inventory, withdrawal and  
40 handling of the securities and other investments. No access to and no  
41 deposit or withdrawal of the securities from any place of deposit selected by  
42 the board shall be permitted or made except as the terms of the agreement may  
43 provide.

44 7. Appear before local boards and the courts of this state and  
45 political subdivisions of this state through counsel or appointed

1 representative to protect the fund or the assets of other plans that the  
2 board administers. The board is not responsible for the actions or omissions  
3 of the local boards under this system but may seek review or rehearing of  
4 actions or omissions of local boards. The board does not have a duty to  
5 review actions of the local boards but may do so in its discretion in order  
6 to protect the fund. No limitations period precludes the board or  
7 administrator from contesting, or requires the board or administrator to  
8 implement or comply with, a local board decision that violates the internal  
9 revenue code or that threatens to impair the tax qualified status of the  
10 system or any plan administered by the board or administrator.

11 8. Empower the fund administrator to take actions on behalf of the  
12 board that are necessary for the protection and administration of the fund or  
13 the assets of other plans that the board administers pursuant to the  
14 guidelines of the board.

15 9. Do all acts, whether or not expressly authorized, that may be  
16 deemed necessary or proper for the protection of the investments held in the  
17 fund or owned by other plans or trusts that the board administers.

18 10. Settle threatened or actual litigation against any system or plan  
19 that the board administers.

20 I. Investment expenses and operation and administrative expenses of  
21 the board shall be accounted for separately and allocated against investment  
22 income.

23 J. The board, as soon as possible within a period of six months  
24 following the close of any fiscal year, shall transmit to the governor and  
25 the legislature a comprehensive annual financial report on the operation of  
26 the system and other plans that the board administers containing, among other  
27 things:

- 28 1. A balance sheet.
- 29 2. A statement of income and expenditures for the year.
- 30 3. A report on an actuarial valuation of its assets and liabilities.
- 31 4. A list of investments owned.
- 32 5. The total rate of return, yield on cost, and per cent of cost to  
33 market value of the fund and the assets of other plans that the board  
34 administers.

35 6. Any other statistical and financial data that may be necessary for  
36 the proper understanding of the financial condition of the system and other  
37 plans that the board administers and the results of their operations. A  
38 synopsis of the annual report shall be published for the information of  
39 members of the system, the elected officials' retirement plan or the  
40 corrections officer retirement plan.

41 7. An analysis of the long-term level per cent of employer  
42 contributions and compensation structure and whether the funding methodology  
43 is sufficient to pay one hundred per cent of the unfunded accrued liability  
44 under the elected officials' retirement plan.

1           8. AN ESTIMATE OF THE AGGREGATE EMPLOYER CONTRIBUTION RATE FOR THE  
2 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM FOR THE NEXT TEN FISCAL YEARS AND  
3 AN ESTIMATE OF THE AGGREGATE EMPLOYER CONTRIBUTION RATE FOR THE CORRECTIONS  
4 OFFICER RETIREMENT PLAN FOR THE NEXT TEN FISCAL YEARS.

5           9. AN ESTIMATE OF THE EMPLOYER CONTRIBUTION RATES FOR THE NEXT TEN  
6 FISCAL YEARS FOR EACH OF THE FOLLOWING EMPLOYERS WITHIN THE PUBLIC SAFETY  
7 PERSONNEL RETIREMENT SYSTEM:

- 8           (a) DEPARTMENT OF LIQUOR LICENSES AND CONTROL.
- 9           (b) DEPARTMENT OF PUBLIC SAFETY.
- 10          (c) NORTHERN ARIZONA UNIVERSITY.
- 11          (d) UNIVERSITY OF ARIZONA.
- 12          (e) ARIZONA STATE UNIVERSITY.
- 13          (f) ARIZONA GAME AND FISH DEPARTMENT.
- 14          (g) DEPARTMENT OF LAW.
- 15          (h) DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS.
- 16          (i) ARIZONA STATE PARKS BOARD.

17          10. AN ESTIMATE OF THE EMPLOYER CONTRIBUTION RATES FOR THE NEXT TEN  
18 FISCAL YEARS FOR EACH OF THE FOLLOWING EMPLOYERS WITHIN THE CORRECTIONS  
19 OFFICER RETIREMENT PLAN:

- 20          (a) STATE DEPARTMENT OF CORRECTIONS.
- 21          (b) DEPARTMENT OF PUBLIC SAFETY.
- 22          (c) THE JUDICIARY.
- 23          (d) DEPARTMENT OF JUVENILE CORRECTIONS.

24          K. The board shall:

25           1. Maintain the accounts of the system and other plans that the board  
26 administers and issue statements to each employer annually and to each member  
27 who may request it.

28           2. Report the results of the actuarial valuations to the local boards  
29 and employers.

30           3. Contract on a fee basis with an independent investment counsel to  
31 advise the board in the investment management of the fund and assets of other  
32 plans that the board administers and with an independent auditing firm to  
33 audit the board's accounting.

34           4. Permit the auditor general to make an annual audit and the results  
35 shall be transmitted to the governor and the legislature.

36           5. Contract on a fee basis with an actuary who shall make actuarial  
37 valuations of the system and other plans that the board administers, be the  
38 technical adviser of the board on matters regarding the operation of the  
39 funds created by the provisions of the system, the elected officials'  
40 retirement plan, the corrections officer retirement plan and the fire fighter  
41 and peace officer cancer insurance policy program and perform other duties  
42 required in connection therewith. The actuary must be a member of a  
43 nationally recognized association or society of actuaries.

44           6. Employ, as administrator, a person, state department or other body  
45 to serve at the pleasure of the board.

1           7. Establish procedures and guidelines for contracts with actuaries,  
2 auditors, investment counsel and legal counsel and for safeguarding of  
3 securities.

4           L. The administrator, under the direction of the board, shall:

5           1. Administer this article.

6           2. Be responsible for the recruitment, hiring and day-to-day  
7 management of employees.

8           3. Invest the funds of the system and other plans that the board  
9 administers as the board deems necessary and prudent as provided in  
10 subsections D and H of this section and subject to the investment policies  
11 and fund objectives adopted by the board.

12           4. Establish and maintain an adequate system of accounts and records  
13 for the system and other plans that the board administers, which shall be  
14 integrated with the accounts, records and procedures of the employers so that  
15 the system and other plans that the board administers operates most  
16 effectively and at minimum expense and that duplication of records and  
17 accounts is avoided.

18           5. In accordance with the board's governance policy and procedures and  
19 the budget adopted by the board, hire such employees and services the  
20 administrator deems necessary and prescribe their duties, including the  
21 hiring of one or more assistant administrators to manage the system's  
22 operations, investments and legal affairs.

23           6. Be responsible for income, the collection of the income and the  
24 accuracy of all expenditures.

25           7. Recommend to the board annual contracts for the system's actuary,  
26 auditor, investment counsel, legal counsel and safeguarding of securities.

27           8. Perform additional duties and powers prescribed by the board and  
28 delegated to the administrator.

29           M. The system is an independent trust fund and the board is not  
30 subject to title 41, chapter 6. Contracts for goods and services approved by  
31 the board are not subject to title 41, chapter 23. As an independent trust  
32 fund whose assets are separate and apart from all other funds of this state,  
33 the system and the board are not subject to the restrictions prescribed in  
34 section 35-154 or article IX, sections 5 and 8, Constitution of Arizona.  
35 Loans, guarantees, investment management agreements and investment contracts  
36 that are entered into by the board are contracts memorializing obligations or  
37 interests in securities that the board has concluded, after thorough due  
38 diligence, do not involve investments in Sudan or Iran or otherwise provide  
39 support to terrorists or in any way facilitate illegal immigration into the  
40 United States. These contracts do not involve the procurement, supply or  
41 provision of goods, equipment, labor, materials or services that would  
42 require the ~~certifications or~~ warranties required by ~~sections 35-391.06,~~  
43 ~~35-393.06 and~~ SECTION 41-4401.

44           N. The board, the administrator, the assistant administrators and all  
45 persons employed by them are subject to title 41, chapter 4, article 4. The

1 administrator, assistant administrators and other employees of the board are  
2 entitled to receive compensation pursuant to section 38-611.

3 0. In consultation with the director of the department of  
4 administration, the board may enter into employment agreements and establish  
5 the terms of those agreements with persons holding any of the following  
6 system positions:

- 7 1. Administrator.
- 8 2. Deputy or assistant administrator.
- 9 3. Chief investment officer.
- 10 4. Deputy chief investment officer.
- 11 5. Fiduciary or investment counsel.

12 P. The attorney general or an attorney approved by the attorney  
13 general and paid by the fund shall be the attorney for the board and shall  
14 represent the board in any legal proceeding or forum that the board deems  
15 appropriate. The board, administrator, assistant administrators and  
16 employees of the board are not personally liable for any acts done in their  
17 official capacity in good faith reliance on the written opinions of the  
18 board's attorney.

19 Q. At least once in each five-year period after the effective date,  
20 the actuary shall make an actuarial investigation into the mortality, service  
21 and compensation experience of the members and beneficiaries of the system  
22 and other plans that the board administers and shall make a special valuation  
23 of the assets and liabilities of the monies of the system and plans. Taking  
24 into account the results of the investigation and special valuation, the  
25 board shall adopt for the system and other plans that the board administers  
26 those mortality, service and other tables deemed necessary.

27 R. On the basis of the tables the board adopts, the actuary shall make  
28 a valuation of the assets and liabilities of the funds of the system and  
29 other plans that the board administers not less frequently than every year.  
30 By November 1 of each year the board shall provide a preliminary report and  
31 by December 15 of each year provide a final report to the governor, the  
32 speaker of the house of representatives and the president of the senate on  
33 the contribution rate for the ensuing fiscal year.

34 S. Neither the board nor any member or employee of the board shall  
35 directly or indirectly, for himself or as an agent, in any manner use the  
36 monies or deposits of the fund except to make current and necessary payments,  
37 nor shall the board or any member or employee become an endorser or surety or  
38 in any manner an obligor for monies loaned by or borrowed from the fund or  
39 the assets of any other plans that the board administers.

40 T. The members of the board who are appointed pursuant to subsection  
41 A, paragraphs 2 and 5 of this section shall have at least ten years'  
42 substantial experience as any one or a combination of the following:

- 43 1. A portfolio manager acting in a fiduciary capacity.
- 44 2. A securities analyst.

1           3. An employee or principal of a trust institution, investment  
2 organization or endowment fund acting either in a management or an investment  
3 related capacity.

4           4. A chartered financial analyst in good standing as determined by the  
5 association for investment management and research.

6           5. A professor at the university level teaching economics or  
7 investment related subjects.

8           6. An economist.

9           7. Any other professional engaged in the field of public or private  
10 finances.

11           U. Financial or commercial information that is provided to the board,  
12 employees of the board and attorneys of the board in connection with  
13 investments in which the board has invested or investments the board has  
14 considered for investment is confidential, proprietary and not a public  
15 record if the information is information that would customarily not be  
16 released to the public by the person or entity from whom the information was  
17 obtained.

18           Sec. 2. Section 41-3504, Arizona Revised Statutes, is amended to read:  
19 41-3504. Powers and duties of the department; violation;  
20 classification

21           A. The department shall:

22           1. Develop, implement and maintain a coordinated statewide plan for  
23 information technology. This includes:

24           (a) Adopting statewide technical, coordination and security standards  
25 for information technology.

26           (b) Serving as statewide coordinator for information technology  
27 resources.

28           (c) Developing a statewide disaster recovery plan.

29           (d) Developing a list of approved department projects by priority  
30 category.

31           (e) Developing a detailed list of information technology assets owned,  
32 leased or employed by this state.

33           (f) Evaluating and either approving or disapproving budget unit  
34 information technology plans. Budget units shall submit information  
35 technology plans that include quality assurance plans and disaster recovery  
36 plans to the department each year on or before September 1. The legislative  
37 and judicial departments of state government shall submit information  
38 technology plans for information purposes.

39           (g) Evaluating specific information technology projects relating to  
40 the approved budget unit and statewide information technology plans. The  
41 department shall approve or reject projects with total costs of at least  
42 twenty-five thousand dollars but not more than one million dollars and may  
43 establish conditional approval criteria, including procurement purchase  
44 authority. If the total project costs exceed one million dollars, the  
45 department shall evaluate the project and make recommendations to the

1 committee. IF THE TOTAL PROJECT COSTS EXCEED FIVE MILLION DOLLARS, THE  
2 DEPARTMENT SHALL REQUIRE THE BUDGET UNIT TO CONTRACT WITH AN INDEPENDENT  
3 THIRD PARTY FOR REVIEW OF AND GUIDANCE ON THE TECHNOLOGY APPROACH, SCOPE,  
4 ESTIMATED COST, TIMELINE FOR COMPLETION AND OVERALL FEASIBILITY OF THE  
5 PROJECT BEFORE MAKING RECOMMENDATIONS TO THE COMMITTEE. ~~Beginning on June 1,~~  
6 ~~1998,~~ As part of a budget request for an information technology project that  
7 has total costs of at least twenty-five thousand dollars, a budget unit shall  
8 indicate the status of review by the department. Projects shall not be  
9 artificially divided to avoid review by the department.

10 2. Require that budget units incorporate A life cycle analysis into  
11 the information technology planning, budgeting and procurement processes.

12 3. Require that budget units demonstrate expertise to carry out  
13 information technology plans, either by employing staff or contracting for  
14 outside services.

15 4. Monitor information technology projects that the department  
16 considers to be major or critical, including expenditure and activity reports  
17 and periodic review.

18 5. Temporarily suspend the expenditure of monies if the department  
19 determines that the information technology project is at risk of failing to  
20 achieve its intended results or does not comply with the requirements of this  
21 section.

22 6. Continuously study emergent technology and evaluate its impact on  
23 this state's system.

24 7. Advise each budget unit as necessary and report to the committee on  
25 an annual basis.

26 8. Provide to budget units information technology consulting services  
27 it deems necessary, either directly or by procuring outside consulting  
28 services.

29 9. Maintain all otherwise confidential information received from a  
30 budget unit pursuant to this section as confidential.

31 10. Provide staff support to the committee.

32 11. Subject to section 35-149, accept, spend and account for grants,  
33 monies and direct payments from public or private sources and other grants of  
34 monies or property for the conduct of programs that it deems consistent with  
35 the government information technology purposes and objectives of the  
36 department.

37 12. Adopt rules it deems necessary or desirable to further the  
38 government information technology objectives and programs of the department.

39 13. Formulate policies, plans and programs to effectuate the government  
40 information technology purposes of the department.

41 14. Advise and make recommendations to the governor and the legislature  
42 on all matters concerning its objectives.

43 15. Contract and enter into interagency and intergovernmental  
44 agreements pursuant to title 11, chapter 7, article 3 with any public or  
45 private party.

1           16. Have an official seal that shall be judicially noticed.  
2           17. On or before December 31, 2015, establish an interactive online  
3 directory of codes, rules, ordinances, if available electronically, and  
4 statutes to assist individuals and businesses with regulatory requirements  
5 and obligations. As provided in this paragraph, counties, municipalities and  
6 budget units shall submit information in a manner and format prescribed by  
7 the agency.  
8           B. The department shall advise the judicial and legislative branches  
9 of state government concerning information technology.  
10          C. The department may examine all books, papers, records and documents  
11 in the office of any budget unit and may require any state officer of the  
12 budget unit to furnish information or statements necessary to carry out ~~the~~  
13 ~~provisions of~~ this chapter.  
14          D. The director, any member of the director's staff or any employee  
15 who knowingly divulges or makes known in any manner not permitted by law any  
16 particulars of any confidential record, document or information is guilty of  
17 a class 5 felony.  
18          Sec. 3. Section 49-1023, Arizona Revised Statutes, is amended to read:  
19          49-1023. Delivery prohibition; stop use tag; definitions  
20          A. ~~Beginning January 1, 2009,~~ A product deliverer shall not deliver,  
21 deposit or place a regulated substance into an underground storage tank that  
22 has a stop use tag from the director affixed to a fill pipe of the  
23 underground storage tank pursuant to subsection B of this section.  
24          B. The director may issue a stop use order to the owner and operator  
25 of the underground storage tank and affix a stop use tag that is easily  
26 visible to the product deliverer on all fill pipes of the underground storage  
27 tank to stop operation of the underground storage tank if ~~both~~ EITHER of the  
28 following exist:  
29           1. The director has determined that the underground storage tank is in  
30 violation of section 49-1003 or 49-1009 or the rules adopted pursuant to  
31 those sections, as applicable-  
32           ~~2.~~ AND the continued operation of the underground storage tank may  
33 result in a continued release or new release from the underground storage  
34 tank.  
35           2. THE DIRECTOR HAS DETERMINED THAT THE UNDERGROUND STORAGE TANK IS IN  
36 VIOLATION OF SECTION 49-1006 OR THE RULES ADOPTED PURSUANT TO THAT SECTION,  
37 AFTER PROVIDING THE OWNER AND OPERATOR WITH THIRTY DAYS NOTICE AND AN  
38 OPPORTUNITY TO DEMONSTRATE COMPLIANCE.  
39          C. A stop use order becomes effective immediately on issuance and  
40 suspends use of the underground storage tank.  
41          D. The owner and operator of an underground storage tank that has  
42 received a stop use tag pursuant to subsection B of this section shall ensure  
43 that no person removes or tampers with the stop use tag until the  
44 requirements for return of the underground storage tank to operation pursuant  
45 to subsection E of this section are met, and shall immediately empty the

1 underground storage tank and comply with the remaining temporary closure  
2 requirements adopted under section 49-1008.

3 E. An owner or operator shall not bring an underground storage tank  
4 that has received a stop use tag pursuant to subsection B of this section  
5 back into operation until the owner or operator has demonstrated to the  
6 director that the underground storage tank meets the requirements of sections  
7 49-1003, 49-1006 and 49-1009 and the rules adopted pursuant to those  
8 sections, as applicable, and the owner or operator has received written  
9 confirmation from the director that the requirements of sections 49-1003,  
10 49-1006 and 49-1009 and the rules adopted pursuant to those sections, as  
11 applicable, have been met. The director shall provide written confirmation  
12 as soon as practicable, but not later than five business days, to the owner  
13 or operator that the requirements of sections 49-1003, 49-1006 and 49-1009  
14 and the rules adopted pursuant to those sections have been met.

15 F. Upon issuance of a stop use order, the director shall notify  
16 product deliverers by posting on the department's website the name and  
17 location of a facility with an underground storage tank that has a stop use  
18 tag. The notice shall also specify which underground storage tank at the  
19 facility has a stop use tag.

20 G. The director shall remove the stop use notice from the department's  
21 website within five business days after determining that the requirements of  
22 subsection E of this section have been met.

23 H. The director may adopt rules to implement this section.

24 I. For the purposes of this section:

25 1. "Product deliverer" means a person, including an owner, operator or  
26 oil company, or a distributor as defined in section 28-5601, a supplier as  
27 defined in section 28-5601, a petroleum transportation company and any other  
28 entity that delivers, deposits or places a regulated substance into an  
29 underground storage tank.

30 2. "Stop use tag" means a tag, device or mechanism that is prescribed  
31 by the director, that is designed to be affixed to a fill pipe of an  
32 underground storage tank and that clearly states and conveys that it is  
33 unlawful to deliver, deposit or place a regulated substance into the  
34 underground storage tank to which it is affixed.

35 Sec. 4. Repeal

36 Laws 2004, chapter 273, section 8, as amended by Laws 2013, chapter  
37 244, section 3, is repealed.

38 Sec. 5. Laws 2004, chapter 273, section 9, as amended by Laws 2013,  
39 chapter 244, section 4, is amended to read:

40 Sec. 9. Underground storage tank assurance account; termination  
41 of eligibility

42 Notwithstanding any other law:

43 1. From and after June 30, 2006, only releases of a regulated  
44 substance that are reported before July 1, 2006 as provided in section  
45 49-1004, Arizona Revised Statutes, are subject to coverage for corrective

1 action costs from the underground storage tank assurance account ~~except that~~  
2 ~~releases that are reported on or after July 1, 2006 and that are reported at~~  
3 ~~a site that is otherwise in compliance with title 49, Arizona Revised~~  
4 ~~Statutes, and rules enacted under that authority and that could not have been~~  
5 ~~reported before July 1, 2006 with the exercise of reasonable diligence are~~  
6 ~~eligible for coverage. If the underground storage tank assurance account~~  
7 ~~does not have sufficient monies to pay for coverage of all releases, releases~~  
8 ~~that are reported on or after July 1, 2006 are eligible for coverage for~~  
9 ~~corrective action costs from the underground storage tank assurance account~~  
10 ~~in priority after releases of a regulated substance that are reported before~~  
11 ~~July 1, 2006.~~

12 2. An application for reimbursement for or direct payment of eligible  
13 reasonable and necessary costs from the underground storage tank assurance  
14 account shall be filed with the department of environmental quality no later  
15 than 5:00 p.m. on December 31, 2015.

16 3. An application for preapproval made pursuant to section 49-1052,  
17 subsection I, Arizona Revised Statutes, or section 49-1053, Arizona Revised  
18 Statutes, shall be filed with the department of environmental quality no  
19 later than 5:00 p.m. on December 31, 2014.

20 4. Any application made or expense incurred after December 31, 2015 is  
21 not eligible for coverage from the underground storage tank assurance account  
22 and all such claims are extinguished.

23 5. The department of environmental quality is not required to take any  
24 action on an application for coverage, reimbursement or payment from the  
25 underground storage tank assurance account or on an application for  
26 preapproval ~~until after the underground storage tank program study committee~~  
27 ~~submits a report of its findings and recommendations to the governor, the~~  
28 ~~president of the senate and the speaker of the house of representatives and~~  
29 ~~only if the underground storage tank assurance account has sufficient monies~~  
30 ~~to pay claims~~ UNTIL A NEW REVISED UNDERGROUND STORAGE TANK CORRECTIVE ACTION  
31 PROGRAM IS EFFECTIVE.

32 6. If the underground storage tank assurance account does not have  
33 sufficient monies to pay all claims by the date of the termination of the  
34 account as otherwise provided by law, any claims unpaid on the date of  
35 termination of the account are extinguished without regard to whether those  
36 claims were eligible for coverage from the account.

37 Sec. 6. Unrestricted federal monies

38 Any unrestricted federal monies received by this state beginning July  
39 1, 2014 through June 30, 2015 must be deposited in the state general fund.  
40 The monies must be used for the payment of essential governmental services.

41 Sec. 7. Rental rates; state-owned buildings; fiscal year  
42 2014-2015

43 Notwithstanding section 41-792.01, subsection D, Arizona Revised  
44 Statutes, the capital outlay stabilization fund rental rates for state-owned

1 buildings in fiscal year 2014-2015 are \$13.08 per square foot for office  
2 space and \$4.74 per square foot for storage space.

3 Sec. 8. Annual budgets

4 A. Notwithstanding section 35-121, Arizona Revised Statutes, for  
5 fiscal years 2014-2015, 2015-2016 and 2016-2017, appropriations for all  
6 budget units may be limited to one fiscal year.

7 B. Notwithstanding section 35-111, Arizona Revised Statutes, the  
8 governor shall submit a budget only for the next fiscal year not later than  
9 five days after the regular session of the legislature convenes in 2015.

10 C. Notwithstanding section 35-113, Arizona Revised Statutes, the head  
11 of each budget unit shall submit a budget estimate only for the next fiscal  
12 year in calendar year 2014.

13 Sec. 9. Department of administration; Arizona financial  
14 information system; replacement; exemption

15 Of the \$28,638,000 appropriated to the department of administration in  
16 fiscal year 2013-2014 by Laws 2013, first special session, chapter 1, section  
17 115, subsection A, the sum of \$4,132,000 is exempt from the provisions of  
18 section 35-190, Arizona Revised Statutes, relating to lapsing of  
19 appropriations for fiscal years 2014-2015 and 2015-2016 for the purpose of  
20 paying contingency costs related to the replacement of the Arizona financial  
21 information system.

22 Sec. 10. State lottery fund; use

23 Lottery ticket sales commissions in the amount of \$25,836,400 earned  
24 beginning January 1, 2013 through June 30, 2013 must be paid only from the  
25 fiscal year 2012-2013 ending balance of the state lottery fund established by  
26 section 5-571, Arizona Revised Statutes.

27 Sec. 11. Department of administration; building renewal;  
28 demolition

29 Notwithstanding title 41, chapter 4, article 7, Arizona Revised  
30 Statutes, the department of administration may use monies appropriated for  
31 building renewal for fiscal year 2014-2015 for building demolition.

32 Sec. 12. Legislative intent; underground storage tank assurance  
33 account

34 It is the intent of the legislature that the monies in the underground  
35 storage tank assurance account established by section 49-1015, Arizona  
36 Revised Statutes, be used to fund a new and revised underground storage tank  
37 corrective action program and implement both the new corrective action  
38 program and the existing underground storage tank leak prevention  
39 program. The new program must require the department of environmental  
40 quality to use assurance account monies to conduct a baseline assessment of  
41 all existing underground storage tanks to determine whether they are leaking  
42 and to perform any corrective action necessary in consultation with the owner  
43 and operator. The department of environmental quality shall use assurance  
44 account monies to remove underground storage tanks at the request of the  
45 owner or operator. The new program must include a requirement that all

1 owners and operators of underground storage tanks who use private insurance  
2 to meet financial responsibility requirements obtain a standard policy to be  
3 developed by the department of environmental quality in cooperation with the  
4 department of insurance and insurance carriers. The new program also shall  
5 provide the department of environmental quality with the authority to  
6 prohibit delivery of fuel to any underground storage tank system that fails  
7 to meet the requirements of the new program and to establish reasonable  
8 deductibles to be paid by owners and operators to defray the costs for the  
9 baseline assessments, corrective actions and tank removals.