

REFERENCE TITLE: state agencies; credit cards

State of Arizona
House of Representatives
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2015

HB 2587

Introduced by
Representatives Finchem, Borrelli, Cobb, Leach, Livingston, Montenegro:
Barton, Bowers, Cardenas, Norgaard, Weninger, Senators Begay, Farnsworth
D, Smith

AN ACT

AMENDING SECTIONS 35-142 AND 35-315, ARIZONA REVISED STATUTES; RELATING TO
ELECTRONIC TRANSACTIONS PROCESSING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 35-142, Arizona Revised Statutes, is amended to
3 read:

4 35-142. Monies kept in funds separate from state general fund;
5 receipt and withdrawal

6 A. All monies received for and belonging to the state shall be
7 deposited in the state treasury and credited to the state general fund except
8 the following, which shall be placed and retained in separate funds:

9 1. The unexpendable principal of monies received from federal land
10 grants shall be placed in separate funds and the account of each such
11 separate fund shall bear a title indicating the source and the institution or
12 purpose to which such fund belongs.

13 2. The interest, rentals and other expendable money received as income
14 from federal land grants shall be placed in separate accounts, each account
15 bearing a title indicating the source and the institution or purpose to which
16 the fund belongs. Such expendable monies shall be expended only as
17 authorized, regulated and controlled by the general appropriation act or
18 other act of the legislature.

19 3. All private or quasi-private monies authorized by law to be paid to
20 or held by the state treasurer shall be placed in separate accounts, each
21 account bearing a title indicating the source and purpose of such fund.

22 4. All monies legally pledged to retirement of building indebtedness
23 or bonds issued by those institutions authorized to incur such indebtedness
24 or to issue such bonds shall be placed in separate accounts.

25 5. Monies of a multi-county water conservation district authorized by
26 law to be paid to or held by the state treasurer shall be placed in separate
27 accounts, each account bearing a title indicating the source and purpose of
28 such fund.

29 6. All monies collected by the Arizona game and fish department shall
30 be deposited in a special fund known as the state game and fish protection
31 fund for the use of the Arizona game and fish commission in carrying out the
32 provisions of title 17.

33 7. All federal monies that are received by the department of economic
34 security for family assistance benefits and medical eligibility as a result
35 of efficiencies developed by the department of economic security and that
36 would otherwise revert to the state general fund pursuant to section 35-190
37 shall be retained for use by the department of economic security in
38 accordance with the terms and conditions imposed by the federal funding
39 source in an account or accounts established or authorized by the state
40 treasurer.

41 8. Monies designated by law as special state funds shall not be
42 considered a part of the general fund. Unless otherwise prescribed by law,
43 the state treasurer shall be the custodian of all such funds.

1 9. All monies received and any accounts established and maintained by
2 the director of the Arizona state retirement system or the administrator of
3 the public safety personnel retirement system, the corrections officer
4 retirement plan and the elected officials' retirement plan.

5 10. Monies received by a state agency or institution as a gift, devise
6 or donation shall not be considered a part of the state general fund or
7 transferred to the state general fund unless the gift, devise or donation
8 specifically authorizes a general state use for the monies. A state agency
9 or institution that receives a monetary gift, devise or donation shall
10 account for those monies separately.

11 B. No money shall be received or held by the state treasurer except as
12 authorized by law, and in every instance the treasurer shall issue a receipt
13 for money received and shall record the transaction in the statewide
14 accounting system. No money shall be withdrawn from the treasury except on
15 the warrant or electronic funds transfer voucher of the department of
16 administration.

17 C. Monies received for and belonging to the state and resulting from
18 compromises or settlements by or against this state, excluding restitution
19 and reimbursement to state agencies for costs or attorney fees, shall be
20 credited to the state general fund unless specifically credited to another
21 fund by law. A fund consisting of monies other than monies received for
22 restitution, costs or attorney fees shall not be established on the basis of
23 a court order without prior legislative authorization. For the purposes of
24 this subsection, "restitution" means monies intended to compensate a
25 specific, identifiable person, including this state, for economic loss.

26 D. All federal monies granted and paid to the state by the federal
27 government shall be accounted for in the accounts or funds of the state in
28 the necessary detail to meet federal and state accounting, budgetary and
29 auditing requirements, and all appropriations for matching such federal
30 monies shall be transferred from the general fund to such separate funds as
31 needed, except as otherwise required by the federal government.

32 E. Nothing in this section requires the establishment of separate
33 accounts or funds for such federal monies unless otherwise required by
34 federal or state law. The department of administration has the authority to
35 use the most efficient system of accounts and records, consistent with legal
36 requirements and standard and necessary fiscal safeguards.

37 F. Nothing in this section precludes the creation by the department of
38 administration of a clearing account or other acceptable accounting method to
39 effect prompt payment of claims from an approved budget or appropriation.
40 The department of administration shall report each account or fund
41 established or cancelled to the directors of the joint legislative budget
42 committee and the governor's office of strategic planning and budgeting.

43 G. Nothing in this section or any other section precludes the use of
44 monies kept in funds separate from the general fund, the interest from which
45 accrues to the general fund, for payment of claims against the general fund,

1 provided sufficient monies remain available for payment of claims against
2 such funds.

3 H. The department of administration may issue warrants for qualified
4 expenditures of federal program monies before they are deposited in the state
5 treasury. The receipt of federal monies shall be timed to coincide, as
6 closely as administratively feasible, with the redemption of warrants by the
7 state treasurer. The department of administration shall limit expenditures
8 to the amount that has been made available for the use under the grant award
9 by the federal government. The state agency initiating the expenditures is
10 responsible for ensuring that expenditures qualify for coverage under the
11 guidelines of the federal grant award.

12 I. The department of administration shall establish the policies and
13 procedures for all state agencies for drawing federal monies. When the
14 established method results in federal monies being held by this state, the
15 department of administration may use the interest earned on the monies to pay
16 the federal government for any related interest liability. If an interest
17 liability is incurred due to a state agency varying from the established
18 policies and procedures, the department of administration shall charge the
19 appropriate agency account or fund. Any federal interest liability owed to
20 this state as a result of the delayed federal disbursements shall be used to
21 offset this state's interest liability to the federal government. Any
22 remaining interest earnings shall be deposited in the state general fund.

23 J. Any state agency or authorized agent of a state agency may accept
24 credit cards pursuant to an agreement entered into by the state treasurer
25 pursuant to section 35-315 for the payment of any amount due to that agency
26 or agent or this state.

27 K. Except for the department of revenue, agencies or authorized agents
28 on behalf of state agencies that accept credit cards shall deduct any
29 applicable discount fee and processing fee associated with the transaction
30 amount before depositing the net amount in the appropriate state fund. No
31 other reduction is permitted against the transaction amount. The net amount
32 deposited in the appropriate state fund shall be considered as the full
33 deposit required by law of monies received by the agency or the authorized
34 agent. Payment of any applicable discount fee and processing fee shall be
35 accounted for in the annual report submitted to the governor's office of
36 strategic planning and budgeting in accordance with section 41-1273. The
37 transaction amount of any credit card transaction shall not be reduced by any
38 discount fee or processing fee in an amount in excess of the merchant card
39 settlement fees reflected in the state banking contract with the state
40 treasurer's office.

41 L. ~~Any state agency that~~ IF THE STATE TREASURER contracts with an
42 authorized agent for the electronic processing of transactions ~~pursuant to~~
43 ~~title 41, chapter 23,~~ THE STATE TREASURER may include a provision in the
44 contract to allow the authorized agent to impose a convenience fee. THE
45 SELECTION OF AN AUTHORIZED AGENT FOR THE ELECTRONIC PROCESSING OF

1 TRANSACTIONS IS EXEMPT FROM TITLE 41, CHAPTER 23 BUT SHALL BE CONDUCTED BY A
2 PROCESS THAT IS SUBSTANTIALLY SIMILAR TO PROCEDURES PRESCRIBED BY TITLE 41,
3 CHAPTER 23. If allowed, the convenience fee shall be charged to the
4 cardholder in addition to the transaction amount, except for the following:
5 1. Except as provided in subsection S of this section, any permits,
6 licenses or other authorizations needed to pursue a trade or occupation in
7 this state.
8 2. Except as provided in subsection S of this section, any permits,
9 licenses or other authorizations needed to establish, expand or operate a
10 business in this state.
11 3. Except as provided in subsection S of this section, any permits,
12 licenses or other authorizations needed to register a vehicle or license a
13 driver in this state.
14 M. Each state agency or its authorized agent shall:
15 1. Deduct the amount of the convenience fee before depositing the
16 transaction amount or the transaction amount reduced by the discount fee or
17 the processing fee, or both, into the appropriate state fund.
18 2. Not deduct any part of the convenience fee from the transaction
19 amount before depositing the net amount into the appropriate state fund.
20 3. Deduct the amount of the discount fee or the processing fee, or
21 both, from the transaction amount before depositing the net amount into the
22 appropriate state fund.
23 N. The net amount deposited in the appropriate state fund pursuant to
24 subsection L or M of this section shall be considered as the full deposit of
25 monies that is required by law and that is received by the agency.
26 O. Notwithstanding section 35-142.01, convenience fees received by a
27 state agency or its authorized agent are limited to, and may be used to
28 offset, the costs imposed by the authorized agent in processing the
29 transactions.
30 P. When the percentage of electronic transactions first exceeds at
31 least thirty ~~per-cent~~ PERCENT of a state agency's total transactions, the
32 state agency shall perform a cost benefit report, including costs of
33 convenience fees, the amount of revenue generated and any realized cost
34 savings.
35 Q. State agencies shall report the number of transactions, the number
36 of electronic transactions, the total dollar amount of transactions
37 processed, the total dollar amount of any discount fee, the total dollar
38 amount of any processing fee and the total dollar amount of any convenience
39 fee charged, deducted or paid pursuant to subsections K and L of this section
40 annually by October 1 to the governor, the department of administration and
41 the joint legislative budget committee.
42 R. Nothing in this section or any other provision of law authorizes
43 any state agency, authorized agent of any state agency or budget unit to
44 establish a bank account for any government monies. All monies received by
45 or on behalf of this state shall be deposited with and in the custody of the

1 state treasurer or in an account that is authorized by the state treasurer
2 pursuant to this section. This subsection does not apply to monies received
3 and any accounts established and maintained by the director of the Arizona
4 state retirement system or the administrator of the public safety personnel
5 retirement system, the corrections officer retirement plan and the elected
6 officials' retirement plan.

7 ~~S. If a state agency provides an alternative method of payment,~~ The
8 convenience fee may be charged to the cardholder in addition to the
9 transaction amount **PURSUANT TO THE PAYMENT PROCESSING CONTRACTOR'S RULES.**

10 Sec. 2. Section 35-315, Arizona Revised Statutes, is amended to read:
11 **35-315. Servicing banks; qualifications; proposals**

12 A. Any bank eligible to become an eligible depository having a total
13 capital structure of ten million dollars or more and assets of two hundred
14 million dollars or more and being otherwise in a sound condition is eligible
15 to be the servicing bank for the state.

16 B. On the first Monday in March of each year of award, the state board
17 of investment shall provide for public notice to the banks qualified to be a
18 servicing bank of the time and place at which servicing proposals will be
19 received. Requests for proposals shall clearly specify all services required
20 to be performed by the servicing bank. The servicing proposal submitted
21 shall be the compensation for which the qualified bank will agree to perform
22 the required services as a servicing bank for the ensuing period of
23 designation as established by the board of investment. The award shall be
24 made for a period not to exceed five years and may be paid from general fund
25 interest earnings according to rules adopted by the board of investment.

26 C. On the fourth Monday in April of the year of the award, the state
27 treasurer shall receive the servicing proposals in writing. Only those
28 proposals that conform to the specifications set forth in the request for
29 proposals shall be considered. The qualified bank submitting the proposal
30 with the highest value to this state, as determined by the state treasurer
31 and the board of investment, shall be designated as the servicing bank.
32 Designations shall be evidenced by the signing of the final proposal by the
33 state treasurer, the board of investment and the designee bank. The state
34 treasurer may maintain a bank account in conjunction with the servicing bank
35 account, which must have on deposit at all times a sum of money approximating
36 the average dollar value of daily warrants paid by the bank the previous
37 month.

38 D. The state treasurer may request and qualified banks may submit
39 proposals for any or all of the services required. The state treasurer may
40 specify differing contract periods for any or all of the services required.

41 E. The state treasurer or servicing bank may terminate a servicing
42 bank contract at any time after sixty days' prior written notice is given.

43 F. In addition to the services required of the servicing bank, the
44 state treasurer shall contract for all other banking services required by any
45 state agency. No state agency shall contract for banking services except

1 with the written permission of the state treasurer. THE STATE TREASURER
2 SHALL CONTRACT WITH NOT MORE THAN TWO AUTHORIZED AGENTS FOR THE ELECTRONIC
3 PROCESSING OF TRANSACTIONS. THE SELECTION OF AN AUTHORIZED AGENT FOR THE
4 ELECTRONIC PROCESSING OF TRANSACTIONS IS EXEMPT FROM TITLE 41, CHAPTER 23 BUT
5 SHALL BE CONDUCTED BY A PROCESS THAT IS SUBSTANTIALLY SIMILAR TO PROCEDURES
6 PRESCRIBED BY TITLE 41, CHAPTER 23.

7 G. This section does not require the state treasurer to utilize a
8 servicing bank.

9 H. This section or the specifications set forth in the request for
10 proposals shall not be construed to require the servicing bank to purchase
11 warrants.

12 I. Deposits and withdrawals of monies shall be made by the state
13 treasurer on the servicing bank.

14 Sec. 3. State treasurer; request for proposals; prohibition

15 A. On or before January 1, 2017, the state treasurer shall issue a
16 request for proposals for the electronic processing of transactions for all
17 state agencies that accept credit cards for payment. The state treasurer
18 shall award two contracts to two separate entities.

19 B. On expiration of any outstanding contract for the electronic
20 processing of transactions, a state agency may not enter into a contract or
21 renew any contract for the electronic processing of transactions.