

Appropriations Committee

Senator Don Shooter, Chairman



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APPROPRIATIONS COMMITTEE

LEGISLATION ENACTED

appropriation; border security advisory committee (S.B. 1104) – Chapter 247

An emergency measure, effective April 11, 2012, appropriating the monies in the Border Security Trust Fund to the Joint Border Security Advisory Committee for FYs 2012 and 2013 for the purpose of administering and managing construction and maintenance of the border fence. The bill also prohibits committee members from receiving compensation or reimbursement of expenses for committee activities.

~~capital outlay stabilization fund; report~~ (NOW: rental cars; liability insurance; subrogation (S.B. 1153) – Chapter 345

Effective November 1, 2012, modifies public liability insurance obligations for rental car company owners (owner) and renters as follows: 1) clarifies that an owner must maintain primary liability up to the financial limits specified in current law unless an owner shifts its liability through an appropriate contractual disclosure or the renter has purchased supplemental liability insurance from the car rental company; 2) Maintains that an owner must respond to third party claims, provide financial responsibility, and provide a defense when the renter does not have other liability insurance available and applicable to the loss, within 20 days of being notified, the owner is not able to provide the name and address of the renter and the name and policy or claim number of the applicable insurance company to the third party claimant; 3) prevents an owner from tendering a claim to the excess insurer without a written agreement with the excess insurer and specifies that the excess insurer is not responsible for any costs incurred by the owner before the tender is accepted; 4) clarifies that if the renter does not have any other liability coverage, the rental car company has no obligation to provide a defense after they have paid the coverage limits; and 5) stipulates that the public liability insurance or obligation of a self-insured owner must provide excess coverage up to the financial limits specified in current law in a situation where the owner does not provide primary coverage.

Stipulates that the bill does not apply to claims arising out of rental or lease agreements entered into before November 1, 2012.

~~water banking authority; report~~ (NOW: condominium recovery fund; repeal) (S.B. 1154) – Chapter 139 E

SEE THE WATER, LAND USE AND RURAL DEVELOPMENT COMMITTEE.

~~technical correction; child hearing programs~~ (NOW accidents; failure to stop; penalties) (S.B. 1163) – Chapter 191

Excludes incarceration time in the revocation of driving privileges for a person who fails to stop at the scene of an accident involving serious physical injury or death. The bill allows a person to apply to have their driving privileges reinstated five or more years after the revocation period, excluding any time the person is incarcerated, and providing they meet the requirements designated by the Arizona Department of Transportation. Finally the bill allows this act to be cited as “Joey’s Law.”

appropriation; attorney general; habitat destruction (S.B. 1231) – Chapter 346

Requires that monies appropriated to the Arizona Department of Administration for the Apache County Attorney's Office are to be used to represent the people of Arizona and Apache County for legal action against the United States Forest Service for the destruction of endangered species habitat due to the lack of forest thinning and forage fuel removal activities.

agricultural trust funds (S.B. 1233) – Chapter 248

Grants permanent trust fund status to the following funds:

- a) Agricultural Consulting and Training Fund,
- b) Aquaculture Fund,
- c) Arizona Grain Research Fund,
- d) Arizona Protected Native Plant Fund,
- e) Citrus, Fruit and Vegetable Revolving Fund,
- f) Commercial Feed Fund,
- g) Dangerous Plants, Pests and Diseases Fund,
- h) Fertilizer Materials Fund,
- i) Livestock Custody Fund,
- j) Pesticide Fund,
- k) Seed Law Fund, and the
- l) State Egg Inspection Fund.

The bill also deletes statute that exempts the Agricultural Marketing Commission and its staff from participation in the Arizona State Retirement System.

appropriations; named claimants (S.B. 1274) – Chapter 291

Effective May 7, 2012, S.B. 1274 is the annual general relief bill for named claimants. It appropriates \$198,343.16 to the Arizona Department of Administration for payment of various claims made against state agencies. Of that amount \$176,619.10 is from the state General Fund, \$16,724.06 is from the Risk Management Fund and \$5,000 is from the Emergency Medical Services Operating Fund.

general appropriations; 2012-2013. (S.B. 1523/H.B. 2852) – Chapter 294

Effective May 7, 2012, S.B. 1523 is the General Appropriations Act for FY 2013. The bill makes state General Fund (GF) and Other Fund (OF) appropriations for the operation of state government. The state budget, as represented by S.B. 1523, largely continues FY 2012 baseline spending with a few exceptions. It spends approximately \$8.57 billion in state GF monies in FY 2013 and contains several supplemental appropriations for FY 2012. S.B. 1523 deposits \$450 million into the Budget Stabilization Fund (Rainy Day Fund) over FYs 2012 and 2013.

FY 2012 Appropriations – The bill provides the following appropriations for the indicated purposes in FY 2012:

Summary of Changes	Fund Source	Comments	FY 2012 Supplementals
Arizona Health Care Cost Containment System (AHCCCS)			
Elimination of the Rollover	GF		112,600,700
Department of Health Services (DHS)			
Arizona State Hospital	GF		2,500,000
School Facilities Board			
Building Renewal	GF		12,000,000
Secretary of State			
Eighth Congressional District Special Election	GF		1,900,000
Other			
Reverse Arizona State Retirement System 47/53 Employer/Employee Split	GF	Separate Bill (H.B.2264)	41,266,900

S.B. 1523 added \$199.7 million in state GF monies to FY 2012 spending. As a result total spending for FY 2012 is \$8.53 billion.

FY 2013 Appropriations – The following represents the major categories of FY2013 spending over FY 2012. Please refer to the Joint Legislative Budget Committee’s *FY 2013 Appropriations Report* for a full description of the state budget. (<http://www.azleg.gov/jlbc.htm>).

Summary of Changes	Fund Source	Comments	FY 2013 above FY 2012
Arizona Department of Education (ADOA)			
White Mountain Apache Water Rights	GF	For settlement	2,000,000
AHCCCS			
Breast Cancer Treatment	GF		2,000,000
Eliminate Rollover	GF	Continues from FY2012	5,672,400
Department of Corrections			
500 maximum Security Beds	GF	Separate Bill (S.B. 1524) - \$30,000,000 is also appropriated in FY 2014	20,000,000
Correctional Officers	GF		3,766,100

Department of Economic Security			
Child Protective Services	GF		3,710,000
Developmentally Disabled (DD) Provider Rates	OF	Long Term Care (LTC) Services Fund (Beginning 4/1/13)	1,733,800
TANF Backfill/Child Support/Permanent Guardianship	OF	LTC Fund	24,456,100
Adoption Services - Caseload	OF	LTC Fund	17,027,400

Arizona Department of Education (ADE)			
Competitive Grants	GF	State Board of Education (SBE)	3,000,000
K-3 Reading Grants	GF	SBE - Up to \$1,500,000 may be used for program administration	40,000,000
CORL/Additional Assistance Increase	GF		15,000,000
Teacher Certification	GF	Investigations/FTEs	686,600
Data System	GF	Continuation of FY 2012 Funding	5,000,000
Data System	OF	Continuation of FY 2012 Funding	1,200,000

State Forester			
Additional Fire Suppression	GF		1,000,000

DHS			
Non-Medicaid SMI Services	GF	Arnold v. Sarn	38,692,000
State Hospital Funding	GF		2,600,000
Increase Newborn Screening Fees	OF		1,320,200
Behavioral Health Services Provider Rate Increase	OF	LTC Fund (Beginning 4/1/13)	1,379,600

Independent Redistricting Commission			
Operating Expenses	GF	May be used for FY 2012 expenses	1,450,000

Office of Tourism			
Tourism Funding	GF	S.B. 1526 repeals the funding formula	7,000,000

Universities – Arizona Board of Regents (ABOR)			
Performance Funding	GF		5,000,000
Parity Funding/Course Redesign and Capital Improvement	GF		15,273,700

Universities – Arizona State University (ASU) – Main			
ASU Main – Enrollment Growth	OF		14,116,000
Shift to ABOR Performance Funding	GF		(2,030,000)

Universities – ASU – East Campus			
ASU East – Enrollment Growth	OF		352,100
Shift to ABOR Performance Funding	GF		(156,300)

Universities – ASU– West Campus			
ASU West – Enrollment Growth	OF		(947,900)
Shift to ABOR Performance Funding	GF		(271,700)

Universities – Northern Arizona University (NAU)			
NAU – Enrollment Growth	OF		1,921,800
Shift to ABOR Performance Funding	GF		(834,600)

Universities – University of Arizona (UA) –Main			
UA Main – Enrollment Growth	OF		8,901,000
Shift to ABOR Performance Funding	GF		(1,707,400)

Universities – UA – Health Sciences Center (HSC)			
UA – HSC – Enrollment Growth	OF		632,200
Medical Center Funding	GF		6,000,000

Department of Water Resources			
Reverse Shift to New City Fees	GF		6,300,000
Eliminate City Fee	OF	Separate Bill (S.B. 1532)	(6,300,000)

Other			
Reverse Arizona State Retirement System 47/53 Employer/Employee Split	GF	Separate Bill (H.B.2264) – ongoing cost	39,317,700
Statewide Retirement Adjustments	GF		9,202,800

Fund Transfers – Transfers the following amounts from the corresponding sources in the indicated years for the purposes of providing adequate support and maintenance for agencies of this state:

Source		FY 2013	FY 2014
ADOA	State Employee Health Insurance Trust Fund	30,000,000	-
Arizona Department of Environmental Quality	Emissions Inspection Fund	10,000,000	-
Judiciary – Supreme Court	State Aid to Courts Fund	50,000	50,000
	Alternative Dispute Resolution Fund	200,000	200,000
	Arizona Lengthy Trial Fund	100,000	100,000
	Public Defender Training Fund	25,000	25,000
Judiciary – Superior Court	Judicial Collection Enhancement Fund	400,000	400,000
	Criminal Justice Enhancement Fund	75,000	75,000
	Drug Treatment and Education Fund	150,000	150,000
	Juvenile Probation Services Fund	5,000,000	5,000,000

S.B. 1523 also requires the Attorney General, by June 30, 2013, to direct \$50,000,000 received pursuant to the consent judgments in the National Mortgage Settlement to the state GF to compensate the state for costs resulting from alleged unlawful conduct of the defendants.

Automation Projects – The state budget provides the following amounts from the indicated sources and in the indicated years for implementing, upgrading or maintaining automation and information technology projects for any state agency:

Purpose	Fund Source	FY 2013	FY 2014	FY 2015	FY 2016
Executive Agencies	State GF	16,800,00	20,000,000	20,000,000	23,000,000
	Information Technology Fund	1,500,000	-	-	-
	State Web Portal Fund	5,600,000	-	-	-
	Automation Operations Fund	4,200,000	-	-	-
Legislature	State GF	3,000,000	-	-	-

Payment Deferrals (Rollovers) – The state budget continues the following payment deferrals through FY 2013:

- 1) ABOR - \$200 million;
- 2) ADE - \$952,627,700 in Basic State Aid and Additional State Aid payments; and
- 3) DES - \$35,000,000.

Miscellaneous – The General Appropriations Act further requires ADOA to not collect health insurance premiums for two pay periods in FY 2013 for purposes of instituting a one-time insurance premium holiday and generate \$25,000,000 in state GF savings. The premium holiday applies to all premiums, including employer, employee and retiree contributions.

S.B. 1523 also provides \$16,633,400 in FY 2013 from the state GF and \$11,695,200 from OFs, after September 29, 2012, to state agencies for one-time critical retention payments to uncovered employees.

Finally, the legislation provides funding for the Arizona Department of Transportation’s Motor Vehicle Division from the State Highway Fund rather than the Highway User Revenue Fund.

capital outlay; 2012-2013. (S.B. 1524/H.B. 2853) – Chapter 295

Effective May 7, 2012, S.B. 1524 makes appropriations related to capital outlay necessary to implement the FY 2013 state budget.

Building Renewal – Appropriates the following amounts in FY 2013 from the specified funds to the listed agencies for major maintenance, repair and renewal of state buildings:

Agency	Fund Source	Amount
Arizona Department of Administration (ADOA)	Capital Outlay Stabilization Fund (COSF)	\$10,372,600
Arizona Department of Corrections (DOC)	DOC Building Renewal Fund	\$4,630,500
Arizona Department of Transportation (ADOT)	State Highway Fund (SHF)	\$1,000,000
	State Aviation Fund	\$50,000
Arizona Lottery Commission	Arizona State Lottery Fund (ASLF)	\$85,200
Arizona Game and Fish Department (G&F)	G&F Fund	\$523,300

Allows ADOA to allocate \$275,000 of its appropriated amounts to personal services and employee-related expenditures for up to five FTE positions each fiscal year until the building renewal projects are completed. Requires ADOA to allocate \$1,700,000 from the COSF appropriation to purchase a generator for the Arizona State Hospital.

Major Capital Projects – Appropriates the following amounts in FY 2013 from the specified funds to the listed agencies for major capital projects:

Agency	Purpose	Fund	Amount
Arizona Lottery Commission	Fire Alarm Replacement	ASLF	\$156,300
G&F	Statewide Preventative Maintenance	G&F Fund	\$30,000
	Property Maintenance	G&F Capital Improvement Fund	\$500,000
	Dam Maintenance	G&F Capital Improvement Fund	\$500,000
ADOT	Statewide Highway Construction	State Highway Fund (SHF)	\$224,807,000
	Airport Planning and Development	State Aviation Fund (SAF)	\$21,924,900

S.B. 1524 also appropriates \$20,000,000 from the state GF in FY 2013 and \$30,000,000 in FY 2014 to ADOA for the construction of 500 maximum security prison beds.

state budget procedures; 2012-2013. (S.B. 1525/H.B. 2854) – Chapter 296

S.B. 1525 makes statutory and session law changes relating to state budget procedures in order to reconcile the FY 2013 state budget.

State Buildings/Rent – Effective January 1, 2013, the bill exempts the Arizona State Schools for the Deaf and the Blind and the Arizona Historical Society’s Papago Park Museum from paying Capital Outlay Stabilization Fund (COSF) rent to the Arizona Department of Administration (ADOA).

The legislation also makes the annual adjustments to COSF rental rates for qualifying buildings and clarifies which buildings are subject to paying rent. S.B. 1525 clarifies that buildings leased through the sale and lease-back deficit financing mechanism are considered state-owned buildings.

Also effective January 1, 2013, S.B. 1525 establishes the Joint Legislative Budget Committee’s building as legislative property.

Miscellaneous – Repeals session law that authorized non-lapsing monies appropriated from the state GF that remain unexpended and unencumbered at the close of FY 2012 to be included in the closing balance (midnight reversions). Finally, the bill requires all executive agencies to submit five-year strategic plans to the Governor along with the agency budget estimates required for FY 2014.

revenue; budget reconciliation; 2012-2013. (S.B. 1526/H.B. 2855) – Chapter 297

Makes necessary statutory and session law changes relating to general revenues to reconcile the FY 2013 state budget.

Reorganizes the annual distribution of \$3.5 million made from the Lottery Fund to the Arizona Competes Fund, so that the distribution occurs after the state General Fund (GF) has received its statutory limit. Deposits pari-mutuel taxes from wagering at horse and dog racing facilities into the Racing Regulation Fund instead of the state GF, and continues the FY 2012 rulemaking exemption relating to establishing fees for the Arizona Department of Racing. The bill allows the Department of Real Estate (ADRE) to set fees for licensing real estate school and instructors by rule and exempts ADRE from rulemaking related to these fees in FY 2013. Continues the fee raising authority in FY 2013 for the Radiation Regulatory Agency, but limits additional revenue to \$561,000. Eliminates the statutory tourism funding formula. S.B. 1526 also notwithstanding the requirements for any deposit to or withdrawals from the Budget Stabilization Fund through FY 2015.

government budget reconciliation; 2012-2013. (S.B. 1527/H.B. 2866) – Chapter 298

Makes necessary statutory and session law changes relating to general government to reconcile the FY 2013 state budget.

S.B. 1527 establishes the Automation Projects Fund, which is administered by the Arizona Department of Administration and consists of legislative appropriations for the purpose of implementing information technology improvements subject to review by the Joint Legislative Budget Committee (JLBC).

The bill continues to limit the aggregate amount of all liabilities incurred during a declaration of emergency to \$2,900,000, and requires the Office of Administrative Hearings to conduct hearings for appealable agency actions and contested cases as soon as reasonably possible after a notice of appeal is filed or a request for a hearing is made.

JLBC is now required to report annually, by December 1st, a listing of funds that were deleted, created, or that changed appropriated status from the prior fiscal year.

health; welfare; budget reconciliation; 2012-2013. (S.B. 1528/H.B. 2857) – Chapter 299

Makes statutory and session law changes relating to health and welfare in order to reconcile the FY 2013 state budget.

Arizona Health Care Cost Containment System (AHCCCS)

Fund Reimbursement – Stipulates that when monies are appropriated to the AHCCCS Administration (Administration) or the Department of Health Services (DHS) for a specific purpose that is subject to reimbursement for reconciliation from program contractors or health plans, such reimbursements are deposited into the fund of origin. Prohibits reimbursements from being credited against future payments to the contractor or plan.

Ambulance Rates – Removes the requirement for the Administration to reimburse ambulance providers proportional to the rates set by DHS and instead, directs the Administration to

set the rates. For contract year (CY) 2013, sets the reimbursement rate for ambulance providers at 68.59 percent of the DHS rate.

Provider Rates – Continues within AHCCCS the five percent reduction in payments for institutional and noninstitutional services that was in effect October 1, 2011, for CY 2013.

Rulemaking – Repeals the exemption from rulemaking requirements granted to the Administration last year, and stipulates that any rules adopted implementing program changes pursuant to the exemption are in effect through December 31, 2013.

County Contributions – Modifies the distribution and payment of county contributions (contributions) in FY 2013 as follows: 1) establishes total contributions for Arizona Long-Term Care System (ALTCs) at \$243,220,500; 2) requires the Administration to transfer the excess state match monies, if any, to the counties proportional to the counties' share by December 31, 2013; 3) establishes total contributions for acute care at \$48,255,500, which includes a decrease in Maricopa County's contribution to \$20,225,200; continues acute care contributions and related requirements for all other counties at the FY 2012 levels; 4) continues contributions for hospitalization and medical care at FY 2012 levels, for a total amount of \$2,646,200; continues to exempt Maricopa County and continues to exclude these payments from county expenditure limitations; and 5) continues to exclude contributions for Proposition 204 administrative costs from county expenditure limitations.

Disproportionate Share Hospital (DSH) Payments – Requires the Maricopa County Special Health Care District (District) and the Arizona State Hospital to provide a certified public expense form for qualifying DSH expenditures, with assistance from the Administration. Establishes DSH payments in FY 2013 and specifies payment distribution. Continues to allow political subdivisions, tribal governments and public state universities to provide matching monies for DSH payments and designate hospitals to receive those funds, subject to federal law. Limits the DSH payment attributed to the District in FY 2012 and FY 2013 and retroactive to May 31, 2012, requires the Administration to deposit \$8,541,500 in DSH revenues into the Department of Economic Security Long-Term Care System Fund for FY 2012.

Medicare Liability Waiver – Continues the Administration's ability to participate in any special disability workload 1115 Demonstration Waiver offered by the Centers for Medicare and Medicaid Services (CMS) and requires any credits received to be reported and used as outlined.

Miscellaneous – Continues the risk contingency rate setting and funding for all managed care organizations. Authorizes the Administration to apply and receive from CMS additional federal monies as outlined. Requires the Administration to monitor contractor compliance of dental services for eligible members and allows the Administration to elect not to adjust outpatient fee schedule rates by any inflation index for contracts beginning October 1, 2012. Contains legislative intent clauses.

Department of Health Services (DHS)

Arizona State Hospital (ASH) – Requires counties to reimburse DHS for 50 percent of the costs of commitment to ASH of sexually violent persons (SVP) in FY 2013. Continues to require cities and counties to pay 100 percent of the restoration to competency treatment costs in FY 2013. Specifies procedures for making reimbursement payments, and excludes these payments from county expenditure limitations.

Miscellaneous – Eliminates the capped fee for the second test within the Newborn Screening Program. Expands the health providers that can screen for breast and cervical cancer, and clarifies that an eligible person must have an income at or below 250 percent of the federal poverty guidelines. Allows DHS to use monies in the Health Research Account for Alzheimer's disease research. Requires DHS to annually report to the Joint Legislative Budget Committee (JLBC) on behavioral health expenditures.

Department of Economic Security (DES)

Allows DES to use monies in the Long-Term Care System Fund for any operational or programmatic expenses in FY 2013. Continues, as session law: 1) the ability of DES to reduce the maximum income eligibility levels for child care assistance; and 2) the requirement for DES to drug test cash assistance recipients whom DES has reasonable cause to believe engage in illegal use of controlled substances. Specifies that a positive drug test renders the recipient ineligible for benefits for one year.

Arizona Department of Administration (ADOA)

Requires ADOA to submit to JLBC a plan for dental self-insurance, including a cost and benefits analysis associated with switching to self-insurance compared to other options. Prohibits ADOA from implementing a differentiated health insurance premium based on the integrated or nonintegrated status of a state employee health insurance provider in FY 2013.

K-12 education; budget reconciliation; 2012-2013. (S.B. 1529/H.B. 2858) – Chapter 300

S.B. 1529 makes statutory and session law changes relating to K-12 education in order to reconcile the FY 2013 state budget.

Basic State Aid – Continues the FY 2012 base level amount of \$3,267.72 and increases the transportation support level per route mile formula amount by two percent for FY 2013. Increases charter school additional assistance amounts for FY 2013 from \$1,621.97 to \$1,654.41 for students in grades K-8; and from \$1,890.38 to \$1,928.19 for students in grades 9-12. Directs the Arizona Department of Education (ADE) to proportionally reduce the FY 2013 additional assistance amounts apportioned to charter schools by an amount specified in the General Appropriations Act, S.B. 1523.

Directs ADE to reduce school districts' soft capital allocation (SCA) and budget limits by \$158,120,700 for FY 2013. Also directs ADE for FY 2013 to reduce the amount of basic state aid that would be otherwise allocated for Capital Outlay Revenue Limit (CORL) by \$80,864,800. However, for FY 2013, the sum of SCA and CORL reductions for school districts with fewer than 1,100 average daily membership (ADM) shall not exceed \$5,000,000.

Joint Technological Education District (JTED) – Funds state aid for JTEDs in FY 2013 at 91 percent of the amount that otherwise would be provided by law. Additionally, the bill allows JTEDs to use property tax monies to fund eighth grade students who attend JTEDs.

ADE Education Learning and Accountability Fund (ELAF) – Establishes the state General Fund (GF) subaccount within the ELAF consisting of appropriations from the state GF. The monies in the subaccount are continuously appropriated. S.B. 1529 also establishes the University and Community College Fee subaccount within the ELAF consisting of fees collected from universities and community college districts. The monies in the Fee subaccount are subject to legislative

appropriation. By December 31, 2012, each community college district and each university under the jurisdiction of ABOR is required to transmit \$6 per full-time student equivalent to the ELAF.

K-3 Reading Program – Requires the State Board of Education (SBE), in collaboration with ADE, to establish a K-3 Reading Program to improve the reading proficiency of public school pupils in kindergarten through third grade. On or before October 1, 2012, requires each school district and charter school to submit to SBE a plan for improving the reading proficiency of its pupils in kindergarten through third grade. S.B. 1529 also specifies what the plan shall include. The K-3 Reading Program is repealed on July 1, 2022.

School Facilities Board (SFB) – Suspends the building renewal formula for FY 2013. The SFB may not authorize or award funding for the design, construction or school site acquisition for any new school facility in FY 2013. School districts must submit capital plans and the SFB may review and award new school facilities in FY 2013, subject to future appropriations. S.B. 1529 also specifies that it is the intent of the Legislature to evaluate long-term funding for new school facilities on review of additional demographic data and other information, as submitted by school districts during the capital review process.

Early Graduation Scholarship Program (EGSP) – Limits the EGSP to students admitted before July 1, 2009 and continues funding for these existing students, subject to sufficient available funds. In FY 2013, a school district or charter school may not adjust its student count and per-pupil funding for pupils who graduate high school early and the ADE may not transfer any monies to the Commission for Post Secondary Education for the EGSP.

higher education; budget reconciliation; 2012-2013. (S.B. 1530) – Chapter 301

Makes statutory and session law changes relating to higher education to reconcile the FY 2013 state budget.

Community Colleges – Continues to suspend capital outlay funding and allow a community college district to use any portion of its capital outlay funding for operating aid expenses for FY 2013. Allows direct distribution of workforce development funding to provisional community college districts and prohibits community college districts from counting provisional students in calculating workforce development funding.

Universities – Continues to allow the Legislature to appropriate state matching funds on a less than 2:1 ratio for surcharges on student registration fees deposited into the Arizona Financial Aid Trust for FY 2013.

Arizona Board of Regents (ABOR) – Requires ABOR to adopt a performance funding model and requires the model to use certain performance metrics. Allows the funding model to give added weight to certain degrees and requires ABOR to use the funding model in developing and submitting budget requests.

Indian Tribal Postsecondary Educational Institutions – Requires a qualifying Indian tribe to enter into an initial compact with Arizona by September 1, 2012 in order to receive certain revenues for community colleges that are owned, operated or chartered by each qualifying Indian tribe on its own Indian reservation.

criminal justice; budget reconciliation; 2012-2013. (S.B. 1531/H.B.2860) – Chapter 302

Makes necessary statutory and session law changes relating to the criminal justice system to reconcile the FY 2013 state budget.

Department of Corrections (ADC) – Repeals, retroactive to July 1, 2012, the requirement that counties reimburse ADC for incarcerating persons sentenced to one year or less in ADC facilities or, alternatively, house those persons in a county jail. Repeals the FY 2010 requirement that ADC issue and award a request for proposal (RFP) for 5,000 private prison beds. Requires ADC to award contracts by September 1, 2012, to open up to 500 medium-security beds on January 1, 2014, and up to 500 additional beds on January 1, 2015, from the February 2, 2012, RFP. Details legislative authorization requirements for certain contracts. Eliminates the cost and quality review requirement regarding correctional services contracts.

Repeals the Transition Services Fund and moves Fund deposits to the Transition Programs Fund (TPF). Permits ADC to use monies from the TPF and the ADC Interagency Service Agreement Fund for operating expenses. Moves the administration of the ADC Building Renewal Fund from the Director of the Department of Administration to the Director of ADC. Continues certain expenditure reporting requirements when ADC submits its FY 2014 budget request.

Attorney General (AG) – Increases the non-lapsing, excess distribution cap from \$100,000 to \$500,000 for monies remaining in the Collection Enforcement Revolving Fund and specifies distribution basis. Eliminates the pro rata charge, permits the AG to charge certain agencies for general counsel and requires the amount to be detailed in the General Appropriations Act (S.B. 1523).

Department of Public Safety (DPS) – Permits Public Safety Equipment Fund monies to be used to purchase vehicles. Specifies that Gang and Immigration Intelligence Team Enforcement Mission Border Security and Law Enforcement Subaccount monies are distributed each fiscal year to local entities and clarifies that DPS administers the Subaccount. Permits monies in the Crime Laboratory Operations Fund to be used for other DPS operations. Suspends the statutory caps and transfers that govern the level of Highway User Revenue Fund monies and State Highway Fund monies available to fund DPS Highway Patrol costs. Transfers, effective July 1, 2012, monies remaining in the Photo Enforcement Fund to the state General Fund (GF) and deposits, effective July 1, 2012, monies collected from the photo enforcement system in the state GF.

Courts – Continues to suspend the following: a) various court reporting requirements; b) county non-supplanting requirements related to funding for probation services, criminal case processing and alternative dispute resolution programs, and specifies reporting requirements for identifying decreases in county funding; and c) certain reimbursement requirements to counties for state funded representation of indigent defendants in capital postconviction relief proceedings and for grand jury expenses.

Miscellaneous – Compensates Board of Executive Clemency members, except the Chairman, on an hourly basis and restricts members from eligibility regarding paid leave or any state employee benefits. Eliminates the State Capital Postconviction Public Defender Office (PPD). Transfers, effective July 1, 2012, monies remaining in the PPD Fund to the state GF.

environment; budget reconciliation; 2012-2013. (S.B. 1532/H.B. 2861) – Chapter 303

S.B. 1532 makes statutory and session law changes relating to the environment in order to reconcile the FY 2013 state budget.

Arizona Department of Environmental Quality (ADEQ) – Authorizes ADEQ to use up to \$1,800,000 of Emissions Inspection Fund monies to fund its Safe Drinking Water Act programs in FY 2013. Requires the State Agency Fee Commission to review the fees ADEQ charges for the state’s vehicle emissions inspection program and to make recommendations by December 31, 2012. Caps the annual transfer to the Water Quality Assurance Fund at \$7,000,000. Authorizes ADEQ to transfer a combined total of \$6,531,000 from two underground storage tank funds for department administrative costs. The bill also requires ADEQ to immediately transfer all water quality permits to a city or town that operates a wastewater treatment plant and meets other criteria.

Arizona Department of Water Resources (ADWR) – As permanent law, repeals ADWR’s municipality water fees and the Director’s authority to assess and collect them. Continues the ADWR Director’s authority to increase fees in FY 2013 and exempts ADWR from rulemaking requirements until July 1, 2013 for that purpose. Authorizes the Arizona Water Protection Fund Commission to grant up to \$336,000 from the Water Protection Fund for ADWR administrative costs in FY 2013.

Arizona State Parks Board (Board) – As permanent law, establishes the legislatively-appropriated State Parks Revenue Fund (Revenue Fund) for park operations, maintenance, acquisition and development. Appropriates \$12,557,000 to the Revenue Fund in FY 2013. Repeals the State Parks Enhancement Fund. Continues to allow the Board to spend up to \$692,100 from its portion of the Off-Highway Vehicle Recreation Fund for operating expenses.

Miscellaneous – Allows the State Land Commissioner, before June 30, 2013, to extend delinquent payments on certain certificates of purchase for an additional five years. Continues to allow \$80,000 from the state’s Risk Management Revolving Fund to be used by the Arizona Navigable Stream Adjudication Commission in FY 2013 to pay legal fees. Allows the Director of the Arizona Department of Agriculture to continue charging existing fee amounts up to specified levels.

~~appropriation; secretary of state (NOW: public electronic posting; government bodies) (H.B. 2033) – Chapter 361~~

Modifies election law as follows: a) requires certain counties, cities or towns that operate a website to post the names of candidates who have filed a threshold exemption statement and specifies posting requirements for cities or towns that do not operate a website; b) requires the Secretary of State (SOS) to develop an electronic database for financial disclosures; c) authorizes an entity designated by the SOS as a voter registration agency to utilize the voter registration database; d) eliminates certain registered voter counting requirements; e) requires certain office vacancies to be filled by a person who is of the same political party as the vacating office holder was initially at the time of election or appointment; f) specifies candidate notice of withdrawal posting requirements for early voting purposes; g) modifies certain presidential preference election (PPE) statutes related to proclamations, candidate nomination paper filing deadlines and petition signature requirements, and filing deadlines for new political party recognition petitions; h) permits a candidate to qualify to appear on the PPE primary ballot by meeting certain filing and notice requirements; i) reimburses counties 100 percent of the costs incurred to conduct the PPE; j) details SOS requirements regarding new political party recognition related to statewide petitions and timeframes for valid signature determination, and decreases the determining timeframe by one month in which a political

organization is entitled to continued representation as a new political party on the ballot on the basis of votes cast; k) modifies the size of nomination petition forms; l) permits a court to award reasonable expenses to an elections officer incurred in a nomination petition signature verification challenge; m) permits, rather than requires, copies of poll lists in precincts that do not use electronic poll books to be provided; n) requires political committees that intend to accept contributions or make expenditures between more than \$250 and up to \$500 to file a signed exemption statement; o) includes corporations, limited liability companies and labor organizations in statute regarding independent expenditures for literature or advertisement relating to a candidate or office and specifies that certain expenditures that do not meet the independent expenditure definition are in-kind contributions, unless otherwise exempted; p) adds recall elections to the additional campaign finance reporting requirements related to special elections and includes a committee acting in support of, or in opposition to, a recall election to statute related to contribution reporting requirements; q) details candidate name rotation requirements in certain all mail ballot elections; r) permits precinct committeemen to assist voters in the voting booth; and s) and permits, as session law, the SOS to hire independent counsel in place of the Attorney General through December 31, 2014.

~~state parks; reservation surcharge fund~~ (NOW: resisting arrest; classification) (H.B. 2071) – Chapter 265

Establishes, as a class 1 misdemeanor, the violation of engaging in passive resistance to prevent arrest. Defines *passive resistance* as a nonviolent physical act or failure to act that is intended to impede, hinder or delay the effecting of an arrest.

~~technical correction; prepaid legal insurance~~ (NOW: property taxes; refund; forgiveness) (H.B. 2178) – Chapter 200

As session law, directs a county treasurer to issue a refund to owners of property in the 225-acre region referred to as the “Disputed Triangle” for tax years 1987 through 2009 and forgives unpaid property taxes and associated penalties for the same period.

~~ASRS; employee; employer contributions; rate~~ (H.B. 2264) – Chapter 304

SEE THE FINANCE COMMITTEE.

~~community colleges; bonds; lease purchase~~ (NOW: bonds; community colleges) (H.B. 2333) – Chapter 253

H.B. 2333 prohibits revenue bonds for any community college district from exceeding more than eight percent of the institution’s maximum annual expenditures, with the exception of any expense related to the retirement of general obligations bonds.

~~legislative consideration; trust funds; requirements~~ (H.B. 2340) – Chapter 238

H.B. 2340 establishes criteria for the reclassification of funds into trust funds. In order to be reclassified a fund must protect the public’s health or safety, provide consumer protection by ensuring quality standards of an industry or provide research grants for projects designed to further the program’s purpose. The fund must also be primarily funded by industry fees assessed on a specified group and designated for a particular purpose and be subject to independent industry council review. The standing legislative committee(s) considering the reclassification of the fund must affirm that the above criteria is met.

judicial actions; children; names; redaction (NOW: transportation omnibus) (H.B. 2398) – Chapter 255

Allows a motorcycle dealer to sue a manufacturer for civil damages when the dealer suffers monetary loss or other harm as a result of an unlawful act by a manufacturer or distributor. Modifies the definition of *sales finance company* in the motor vehicle financing statutes. Removes language in the gas tax collection statute to clarify that suppliers are still responsible for gas tax collection in Arizona.

secured appearance bond exoneration; remission (NOW: special district petitions; multiple ownership) (H.B. 2432) – Chapter 264

H.B. 2432 delineates the number of persons owning property for purposes of determining the validity of petitions, when property is held in multiple ownership, for creation or change in boundary of a special district. Petition signatures are invalidated for elections for creation of a fire district, community park maintenance district, sanitary district or hospital district, if taxes and assessments on the parcel are not current at the time of petition review. The bill also prevents a leaseholder in a community park maintenance district from signing a formation petition or a boundary change petition.

state employee suggestion program; awards (H.B. 2464) – Chapter 358

Changes the amount of the award that a state employee may receive for adopting procedures that result in the elimination or reduction of state expenditures to no more than 10 percent of the amount saved rather than \$1,000. The legislation outlines the payment process and prohibits state General Fund monies from being used as award monies.

budget planning; revenue; expenditure estimates (H.B. 2567) – Chapter 244

Requires the General Appropriations Act (Act) to include revenue and expenditure estimates, based on existing statutory requirements, for the following three fiscal years. The Legislature is required to discuss the estimates in a public hearing before the final adoption of the Act.

public employees; unlawful acts; termination (NOW: state personnel system) (H.B.2571) – Chapter 321

State Personnel System

Effective September 29, 2012, establishes a new State Personnel System (SPS) and outlines rules and procedures relating to personnel and personnel administration for both covered and uncovered employees.

H.B. 2571 states that beginning September 29, 2012, unless specifically exempted, all new hires are *at will uncovered employees* and defines an *at will uncovered employee* as an employee who meets any of the following criteria: 1) is employed as an attorney; 2) is a supervisor; 3) is at a pay grade of 19 or above; 4) is in a position assigned to the information technology salary schedule; or 5) is a covered employee who voluntarily accepts a change in assignment to a position in the uncovered service.

A *covered employee* is defined as an employee who meets the following criteria: 1) before September 29, 2012, is in state service and has been in covered status without a break in service; 2) a

correctional officer I, II, III or a community corrections officer; or 3) is a certified full authority peace officer. A covered employee may voluntarily elect to become an at will uncovered employee; however, the change from covered employee to at will uncovered employee is irrevocable. An employee in covered service is entitled to remain so as long as the employee remains in covered status without a break in service.

Uncovered service consists of all employees in the state agencies not included in the covered service; employees in uncovered service are *at will* and not entitled to rights of appeal.

ADOA Director

The Director of ADOA (Director) is responsible for the direction and control of personnel administration and must employ staff necessary to administer the SPS.

The Director must also establish reduction in force (RIF) procedures to be used by all state agencies if RIFs are required. RIF procedures are required to use a person's performance record as the sole basis for determining retention.

The legislation requires the Director to develop procedures and standard forms for all state agencies to verify a candidate's education and work history including a requirement that an agency head make documented, good faith efforts to contact current and previous employers of a candidate.

State Personnel Board (SPB) and Law Enforcement Merit Council(LEMSC)

Increases the membership of both the SPB and LEMSC from three to five persons and allows members to receive \$100 for each meeting attended, prorated for partial days.

Requires the SPB to hear and review appeals relating to the dismissal, suspension for more than 80 hours or involuntary demotion of a covered employee. Requires the LEMSC to hear and review appeals relating to the dismissal from service, suspension for more than 40 working hours or involuntary demotion of a covered employee who is a full authority peace officer.

Both the SPB and LEMSC may recommend modification of a disciplinary action if the agency does not prove by a preponderance of the evidence the material facts on which the discipline was based or if the disciplinary decision is found to be arbitrary and capricious. They must reverse a disciplinary decision if they find that cause did not exist for any discipline to be imposed and, in the case of dismissal or demotion, return the covered employee to the same position the employee held before the dismissal or demotion with or without back pay. An agency director must accept, modify or reverse the SPB or LEMSC decision within 14 days of receipt of the findings or recommendation. An agency director's decision is final and binding.

Any party may appeal a final determination of the SPB, LEMSC or the final decision of the agency to the superior court on one or more of the following grounds that the order was: 1) founded on or contained an error of law, 2) unsupported by any evidence as disclosed by the entire record, 3) materially affected by unlawful procedure, or 4) based on a violation of any constitutional provision, or arbitrary and capricious.

Miscellaneous

Allows the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) to administer an incentive compensation plan for investment related

personnel and prohibits ASRS and PSPRS from establishing any other compensation plans without the approval of the Director of ADOA.

Requires the Industrial Commission to employ a Director, subject to Senate confirmation, and states that the Director of the Industrial Commission serves at the pleasure of the Governor.

Repeals the requirement that the Governor appoint a selection committee for filling a vacancy on the Board of Executive Clemency.

Establishes, for state agencies of the state personnel system, the state work week as the period of seven consecutive days starting Saturday at 12:00 A.M. and ending Friday at 11:59 P.M.

Allows a budget unit to spend monies for the following: 1) transportation or other travel expenses necessary to bring any person to Arizona for a job interview; 2) transportation or moving expenses for any person newly employed or retained; and 3) reasonable relocation expenses for employees subject to management initiated geographical reassignment of more than 50 miles from an employee's current work site.

H.B. 2571 establishes a civil penalty of up to \$10,000 for an employee who knowingly commits a prohibited personnel practice against an employee who disclosed information that the employee reasonably evidenced a violation of the law. The amount of attorney fees that a court may award an employee who prevails in an action concerning prohibited personnel practices is limited to \$10,000.

state emergency council; report; posting (H.B. 2592) – Chapter 307 E

SEE THE VETERANS, MILITARY AND GOVERNMENT AFFAIRS COMMITTEE.

local government budgets; posting; contents (H.B. 2621) – Chapter 126

Beginning in FY 2014, H.B. 2621 requires the budget proposals of community college districts, cities and towns to include: 1) the total estimated personnel compensation, which separately includes employee salaries and employee related expenses for retirement and health care costs; and 2) all unencumbered cash, restricted and unrestricted.

The bill also directs the community college districts, fire districts, counties, cities and towns to post a copy of their final adopted budget in a prominent location on their official websites for 60 months.

~~Arizona long-term care trust~~ (NOW: long-term care insurance premiums; deduction) (H.B. 2713) – Chapter 351

H.B. 2713 provides a subtraction from Arizona adjusted gross income for those individuals who do not itemize for the payment of long-term care insurance premium costs, beginning in TY 2013. It also provides a subtraction for individuals for an amount deposited by a taxpayer in a long-term health care savings account, to the extent that the contributions are included in the individual's federal adjusted gross income.

supplemental appropriation; independent redistricting commission (H.B. 2862/S.B. 1533) – Chapter 108

Effective March 27, 2012, H.B. 2862 makes a supplemental appropriation of \$700,000 from the state General Fund to the Arizona Independent Redistricting Commission (AIRC) in FY 2012 for operating expenses. Requires the Arizona Department of Administration to report at least monthly to the Legislature on AIRC expenditures, and requires the Auditor General to audit FY 2011 and FY 2012 AIRC revenues and expenditures.

federal balanced budget amendment (H.C.M 2007)

SEE THE MEMORIALS AND RESOLUTIONS SECTION.

minimum wage; younger workers (NOW: permanent state land fund; distribution) (H.C.R. 2056)

SEE THE MEMORIALS AND RESOLUTIONS SECTION.

LEGISLATION VETOED

state budget; appropriation limit; hearing (S.B. 1275) – VETOED

S.B. 1275 establishes Truth in Spending estimates (estimates) consisting of current fiscal year state General Fund appropriations, and all appropriations from all sources, adjusted for population and inflation. The Joint Legislative Budget Committee is required to calculate and transmit those estimates to the Legislature by February 15th of each year. If proposed appropriations exceed the estimates in any fiscal year, the bill also allows the Legislature to hold a joint hearing of the Appropriations Committees.

In her veto letter, the Governor states that the provisions of the bill are already within the Legislature's authority. She also states that an appropriation limit based on population and inflation is not effective, too restrictive and has been tried and rejected by other states.

state parks revenue fund (H.B. 2362) – VETOED

SEE THE NATURAL RESOURCES AND TRANSPORTATION COMMITTEE.

wireless telecommunications carrier; records access (NOW: intersection; definition) (H.B. 2557) – VETOED

Modifies the definition of *intersection* to provide for those intersections that are managed by traffic control signals.

The Governor indicates in her veto message that H.B. 2557 modifies the definition of intersection in a dangerous way that will increase the possibility of traffic collisions.