State of Arizona
House of Representatives
Fifty-fifth Legislature
Second Regular Session
2022

HOUSE BILL 2371

AN ACT
AMENDING SECTION 35-142, ARIZONA REVISED STATUTES; RELATING TO FISCAL PROVISIONS FOR STATE AGENCIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

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

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

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

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

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

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

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

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

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

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

8. Monies designated by law as special state funds shall not be considered a part of the state general fund. Unless otherwise prescribed by law, the state treasurer shall be the custodian of all such funds.
9. All monies received and any accounts established and maintained by the director of the Arizona state retirement system or the administrator of the public safety personnel retirement system, the corrections officer retirement plan and the elected officials' retirement plan.

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

11. All monies received by the Arizona game and fish commission in connection with clean water act in-lieu fee projects shall be deposited in a special trust fund, known as the game and fish in-lieu fee program restoration endowment trust fund, established by section 17-265 for the use of the Arizona game and fish commission solely for the following:
   (a) The purposes authorized under any enabling instrument between the commission and the department of environmental quality or between the commission, the United States army corps of engineers and the United States environmental protection agency.
   (b) Site selection, design, implementation, monitoring, management and administrative costs related to the Arizona game and fish department's responsibilities as an in-lieu fee sponsor pursuant to sections 401 and 404 of the clean water act.

B. Monies shall not be received or held by the state treasurer except as authorized by law, and in every instance the treasurer shall issue a receipt for monies received and shall record the transaction in the statewide accounting system. Monies shall not be withdrawn from the treasury except on the warrant, check or substitute check, or electronic funds transfer voucher of the department of administration.

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

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

E. This section does not require the establishment of separate
accounts or funds for such federal monies unless otherwise required by
federal or state law. The department of administration may use the most
efficient system of accounts and records, consistent with legal
requirements and standard and necessary fiscal safeguards.

F. This section does not preclude the department of administration
from establishing a clearing account or other acceptable accounting method
to effect prompt payment of claims from an approved budget or
appropriation. The department of administration shall report each account
or fund established or cancelled to the directors of the joint legislative
budget committee and the governor's office of strategic planning and
budgeting.

G. This section and any other section do not preclude the use of
monies kept in funds separate from the state general fund, the interest
from which accrues to the state general fund, to pay claims against the
state general fund if sufficient monies remain available to pay claims
against such funds.

H. The department of administration may issue warrants, checks or
electronic funds transfer vouchers for qualified expenditures of federal
program monies before they are deposited in the state treasury. The
receipt of federal monies shall be timed to coincide, as closely as
administratively feasible, with the redemption of warrants, checks or
substitute checks, or electronic funds transfer vouchers by the state
treasurer. The department of administration shall limit expenditures to
the amount that has been made available to use under the grant award by
the federal government. The state agency initiating the expenditures is
responsible for ensuring that expenditures qualify for coverage under the
guidelines of the federal grant award.

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

J. EACH STATE AGENCY OR AUTHORIZED AGENT OF A STATE AGENCY MUST
ACCEPT CASH AND MONEY ORDERS TO PAY ANY AMOUNT DUE TO THAT AGENCY OR AGENT
OR THIS STATE. Any state agency or authorized agent of a state agency may
accept credit cards pursuant to an agreement entered into by the state treasurer pursuant to section 35-315 to pay any amount due to that agency or agent or this state.

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

L. Any state agency that contracts with an authorized agent to electronically process transactions pursuant to title 41, chapter 23 may include a provision in the contract to allow the authorized agent to impose a convenience fee or a service fee or surcharge. If allowed, the convenience fee or the service fee or surcharge shall be charged to the cardholder in addition to the transaction amount, except for the following:

1. Except as provided in subsection R of this section, any permits, licenses or other authorizations needed to pursue a trade or occupation in this state.

2. Except as provided in subsection R of this section, any permits, licenses or other authorizations needed to establish, expand or operate a business in this state.

3. Except as provided in subsection R of this section, any permits, licenses or other authorizations needed to register a vehicle or license a driver in this state.

M. Each state agency or its authorized agent shall:

1. Deduct the amount of the convenience fee or the service fee or surcharge before depositing the transaction amount or the transaction amount reduced by the discount fee or the processing fee, or both, into the appropriate state fund.

2. Not deduct any part of the convenience fee or the service fee or surcharge from the transaction amount before depositing the net amount into the appropriate state fund.

3. Deduct the amount of the discount fee or the processing fee, or both, from the transaction amount before depositing the net amount into the appropriate state fund.
N. The net amount deposited in the appropriate state fund pursuant
to subsection L or M of this section shall be considered as the full
deposit of monies that is required by law and that is received by the
agency.

O. Before charging a convenience fee or a service fee or surcharge,
a state agency shall submit the proposed convenience fee or the proposed
service fee or surcharge to the state treasurer for approval. If the
state treasurer determines that the proposed convenience fee or the
proposed service fee or surcharge is necessary to ensure the efficient
processing of payments to the state agency and complies with the standards
of the credit card industry, the state treasurer shall approve the
convenience fee or the service fee or surcharge. Notwithstanding section
35-142.01, convenience fees received by a state agency or its authorized
agent may be used to offset the costs imposed by the authorized agent in
processing the transactions.

P. When the percentage of electronic transactions first exceeds at
least thirty percent of a state agency's total transactions, the state
agency shall perform a cost benefit report, including costs of convenience
fees or the service fee or surcharge, the amount of revenue generated and
any realized cost savings.

Q. This section and any other provision of law do not authorize any
state agency, authorized agent of any state agency or budget unit to
establish a bank account for any government monies. All monies received
by or on behalf of this state shall be deposited with and in the custody
of the state treasurer or in an account that is authorized by the state
treasurer pursuant to this section. This subsection does not apply to
monies received and any accounts established and maintained by the
director of the Arizona state retirement system or the administrator of
the public safety personnel retirement system, the corrections officer
retirement plan and the elected officials' retirement plan.

R. If a state agency provides an alternative method of payment, the
convenience fee or the service fee or surcharge may be charged to the
cardholder in addition to the transaction amount.