

House Engrossed

budget procedures; late filing penalty

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HOUSE BILL 2015

AN ACT

AMENDING SECTION 35-131, ARIZONA REVISED STATUTES; RELATING TO ACCOUNTING REPORTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 35-131, Arizona Revised Statutes, is amended to
3 read:

4 35-131. Accounting system; reports; notice of deficiency;
5 forms

6 A. In accordance with generally accepted governmental accounting
7 principles, the department of administration shall develop and prescribe
8 for the use of all budget units a uniform accounting system so designed as
9 to ensure compliance with all legal and constitutional requirements,
10 including those respecting receiving, spending and accounting for public
11 monies.

12 B. The department of administration shall maintain complete,
13 accurate and current financial records relating to state monies and to
14 other public monies in the state treasury available to, encumbered by or
15 expended by each budget unit, including trust monies or other monies not
16 subject to appropriation, setting out all revenues, charges against all
17 funds, fund and appropriation balances, interfund transfers, outstanding
18 warrants, checks, electronic funds transfer vouchers and encumbrances, in
19 a manner consistent with the uniform state accounting system, to prepare
20 statewide financial statements in accordance with generally accepted
21 governmental accounting principles.

22 C. Each month the department of administration shall prepare and
23 submit to the governor a report summarizing by budget unit and
24 appropriation or other fund source the information prescribed in
25 subsection B of this section in a form that will most clearly and
26 accurately set out the current fiscal condition of the state and shall
27 furnish to each budget unit a report of its transactions by appropriation
28 or other fund source in a form that will clearly and accurately show the
29 fiscal activity and condition of the appropriation or fund source.

30 D. The responsible official for each budget unit shall monitor
31 reports prepared pursuant to subsection C of this section to identify any
32 projected total deficiency for the budget unit fiscal year. On a
33 determination of a projected deficiency, the official shall take any
34 action necessary to ensure continuing compliance with section 1-254 by
35 notifying the governor, the speaker of the house of representatives, the
36 president of the senate and the chairman of the joint legislative budget
37 committee of the deficiency and the reasons for the deficiency. The
38 initial notification of the deficiency shall be followed within ten
39 business days by a report from the responsible budget unit official that
40 includes the following:

41 1. A complete explanation of the causes of the deficiency.

42 2. A plan that ensures that the deficiency will be resolved within
43 the fiscal year without supplemental appropriation and that includes the
44 policy and programmatic implications of the deficiency and the plan.

1 3. A commitment to provide a progress report if the projected
2 degree of deficiency changes substantially. The report shall include
3 additional measures necessary to ensure resolution of the deficiency
4 within the fiscal year.

5 E. On or before December 1 of each year, the director of the
6 department of administration shall submit to the governor a complete
7 report of the financial transactions of the preceding fiscal year and of
8 the financial condition of the state at the end of that year with such
9 comments and supplementary data as the director of the department of
10 administration deems necessary to make the report complete and readily
11 understandable. The report shall include all appropriated and
12 nonappropriated monies in no less detail than the state general fund.

13 F. On or before February 1 of each year, the director of the
14 department of administration and the state treasurer shall submit to the
15 joint legislative budget committee a report explaining any differences
16 between the department of administration's estimate of the previous fiscal
17 year's state general fund ending balance submitted pursuant to subsection
18 E of this section and the state treasurer's estimate of the invested
19 balance, including the state general fund share of that balance, as of
20 June 30 of the previous fiscal year submitted pursuant to section 41-172.

21 G. In preparing the comprehensive annual financial report published
22 in accordance with generally accepted accounting principles, the
23 department of administration shall include supplementary schedules that
24 reconcile any differences between the state general fund as reported in
25 the comprehensive annual financial report and the state general fund as
26 reported in the annual financial report required by subsection E of this
27 section. This reconciliation shall address revenues, expenditures and
28 fund balances.

29 H. The director of the department of administration shall prescribe
30 uniform classifications for assets, liabilities, receipts and expenditures
31 and forms for the periodic reporting of financial accounts, transactions
32 and other matters by budget units compatible with the reports required of
33 the director of the department of administration under this section. Such
34 records and accounts shall be maintained and reconciled by budget units.
35 If required for reporting, the department of administration may establish
36 or delete funds and budget units may maintain additional records for
37 reporting to the federal government or other funding source.

38 I. Each organization that is included in the state's reporting
39 entity as defined by generally accepted accounting principles shall submit
40 all necessary, ACCURATE AND COMPLETE FINAL financial statements or
41 information to the department of administration on a basis of accounting
42 that is consistent with generally accepted accounting principles and that
43 is in accordance with the policies and procedures of the department of
44 administration TO MEET THE FINANCIAL REPORTING AND FEDERAL SINGLE AUDIT
45 REQUIREMENTS AND DEADLINES OF THIS STATE.

1 J. IF AN ORGANIZATION FAILS TO SUBMIT ACCURATE AND COMPLETE FINAL
2 FINANCIAL STATEMENTS OR INFORMATION TO THE DEPARTMENT OF ADMINISTRATION ON
3 OR BEFORE OCTOBER 31 OF A YEAR PURSUANT TO SUBSECTION I OF THIS SECTION,
4 THE DEPARTMENT OF ADMINISTRATION SHALL ASSESS A PENALTY OF ONE TWELFTH OF
5 ONE PERCENT OF THE ORGANIZATION'S STATE GENERAL FUND APPROPRIATION FOR THE
6 ENSUING FISCAL YEAR FOR EVERY THIRTY DAYS THE SUBMISSION IS LATE AND SHALL
7 WITHHOLD THE PENALTY AMOUNT FROM THE ORGANIZATION'S STATE GENERAL FUND
8 APPROPRIATION ALLOTMENT SCHEDULE FOR THE ENSUING FISCAL YEAR. THE TOTAL
9 PENALTY ASSESSED PURSUANT TO THIS SUBSECTION IN ANY FISCAL YEAR MAY NOT
10 EXCEED \$8,000,000 OR ONE PERCENT OF THE ORGANIZATION'S STATE GENERAL FUND
11 APPROPRIATION FOR THE FISCAL YEAR IN WHICH THE PENALTY IS ASSESSED,
12 WHICHEVER IS LESS.

13 K. EACH ORGANIZATION THAT IS INCLUDED IN THE STATE'S REPORTING
14 ENTITY AS DEFINED BY GENERALLY ACCEPTED GOVERNMENTAL ACCOUNTING PRINCIPLES
15 AND THAT SPENDS FEDERAL MONIES SHALL SUBMIT ALL NECESSARY, ACCURATE AND
16 COMPLETE FINAL FEDERAL EXPENDITURE OR PROGRAM INFORMATION TO THE
17 DEPARTMENT OF ADMINISTRATION TO MEET THE FEDERAL SINGLE AUDIT REQUIREMENTS
18 AND DEADLINES.

19 L. IF AN ORGANIZATION FAILS TO SUBMIT ACCURATE AND COMPLETE FINAL
20 FEDERAL EXPENDITURE OR PROGRAM INFORMATION TO THE DEPARTMENT OF
21 ADMINISTRATION ON OR BEFORE DECEMBER 31 OF A YEAR PURSUANT TO SUBSECTION K
22 OF THIS SECTION, THE DEPARTMENT OF ADMINISTRATION SHALL ASSESS A PENALTY
23 OF ONE TWELFTH OF ONE PERCENT OF THE ORGANIZATION'S STATE GENERAL FUND
24 APPROPRIATION FOR THE ENSUING FISCAL YEAR FOR EVERY THIRTY DAYS THE
25 SUBMISSION IS LATE AND SHALL WITHHOLD THE PENALTY AMOUNT FROM THE
26 ORGANIZATION'S STATE GENERAL FUND APPROPRIATION ALLOTMENT SCHEDULE FOR THE
27 ENSUING YEAR. THE TOTAL PENALTY ASSESSED PURSUANT TO THIS SECTION IN ANY
28 FISCAL YEAR MAY NOT EXCEED \$8,000,000 OR ONE PERCENT OF THE ORGANIZATION'S
29 STATE GENERAL FUND APPROPRIATION FOR THE FISCAL YEAR IN WHICH THE PENALTY
30 IS ASSESSED, WHICHEVER IS LESS.

31 M. THE MAXIMUM TOTAL PENALTY AMOUNTS PRESCRIBED IN SUBSECTIONS J
32 AND L OF THIS SECTION SHALL BE ANNUALLY ADJUSTED BY THE PERCENTAGE
33 INCREASE OR DECREASE IN THE MAXIMUM AMOUNT OF MONIES AVAILABLE IN THE
34 STATE GENERAL FUND FOR LEGISLATIVE APPROPRIATIONS AS DETERMINED AND
35 PUBLISHED BY THE ECONOMIC ESTIMATES COMMISSION PURSUANT TO SECTION 41-562.