Introduction

Welcome to the 2013 New Laws Report of the League of Arizona Cities and Towns. The Report is designed to serve as a guide to those enactments of the first regular session of the 51st Arizona Legislature that have demonstrable impacts on municipalities.

During the past session, 1,158 bills were introduced in the House and Senate. Of these, 282 passed the Legislature and were sent to the Governor, and 256 were signed into law. More than one-fourth of these enactments affect cities and towns and are summarized in the Report.

Scope and Use

This digest is intended only to identify and summarize those new laws with significant impacts on Arizona municipalities. It does not describe every provision of every law in detail, but it does provide a hyperlink to the chaptered version of each law summarized. For a fuller understanding of new laws, readers are encouraged to review the exact language of their provisions, as well as relevant legislative history.

For those new enactments that modify current law, the Report makes no effort to describe the underlying law, other than to provide sufficient context for an understanding of the statutory modification. Furthermore, the Report focuses on only those new laws that have broad statewide applicability to cities and towns.

Effective Dates

Unless otherwise noted, the effective date of the new laws described in the Report is September 13, 2013. This date – 90 days after the conclusion of the legislative session – is the general effective date for all enactments that are passed without an emergency clause or alternative effective date.

The Report does endeavor to identify effective dates that vary from the general effective date. Where appropriate, it also includes other statutory dates, such as repeal dates, implementation dates and deadlines.

Disclaimers

The Report, published as a service to the members of the League of Arizona Cities and Towns, does not necessarily identify every law with impacts on municipalities. It is neither designed nor intended to provide legal advice or counsel. It should be relied upon only as a reference tool and not as a comprehensive guidance document. In certain limited instances, the Report does highlight action items that should be considered by cities and towns. In no case, however, should the Report substitute for the independent judgment of your city or town manager or attorney.
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Part 1 – Courts, Criminal and Civil Justice, and Law Enforcement

HB 2011 (liquefied petroleum gas containers; penalties)

This penalty for filling, emptying, or defacing a liquefied petroleum gas container (such as propane or butane) without authorization from the owner is changed to a Class 3 misdemeanor.

Effective Date: September 13, 2013

HB 2182 (DUI; ignition interlock devices)

This law removes two existing exceptions to the use of the ignition interlock device (IID). First, a person who is required to equip their vehicle with an IID due to driving under the influence is no longer permitted to operate a motor vehicle owned by an employer in specified conditions. Second, a person unable to operate an IID can no longer opt into a continuous alcohol monitoring program instead of equipping his or her vehicle with an IID. All those who were in a continuous alcohol monitoring program before the effective date of this legislation may continue, as long as they comply with all applicable laws.

Effective Date: September 13, 2013

HB 2262 (scrap metal dealers; registration)

The primary purpose of this new statute is to deter the theft and resale of scrap metal. It requires a scrap metal dealer in Arizona to register biennially with the Department of Public Safety (DPS) to conduct business. There are a number of requirements for registration, including payment of a fee to cover the costs of registration incurred by DPS. In addition, scrap metal dealers are required to keep proof of registration and other information at each place of business. Any violations by scrap metal dealers are subject to civil penalties and the suspension or revocation of their business license.

The law also stipulates that DPS must submit a report on scrap metal dealers every two years to the Legislature. All law enforcement agencies are also required to register on a free theft notification website that will allow law enforcement to send detailed descriptions of stolen items to recycling operations and other law enforcement within at least a 100-mile radius of the theft. The website must also provide a way for scrap metal dealers to alert law enforcement when they are offered suspicious materials.
HB 2262 classifies the knowing purchase of prohibited scrap metal as a Class 1 (highest) misdemeanor. It also sets up a Joint Legislative Committee on Metal Theft to review both the effectiveness of these regulations in deterring crime and the costs of compliance to affected industries. The Committee may report its findings to the President of the Senate and the Speaker of the House of Representatives by December 1, 2023. The Committee self-repeals on January 1, 2024.

**Effective Date:** September 13, 2013

**HB 2311 (restitution lien; administrative hearing)**

Chapter 19

This law permits the director of the Arizona Department of Transportation (ADOT) to remove a restitution lien from a vehicle record if, after a hearing, the director finds that a person purchased the vehicle without any knowledge of the lien and that the vehicle seller is an obligor under a filed restitution lien and sold the vehicle without disclosing the lien to the purchaser. ADOT is then required to place a code on the obligor's record that automatically restores the restitution lien on any vehicle that is subsequently titled or registered by the obligor.

**Effective Date:** September 13, 2013

**HB 2312 (solicitation; text message; prohibition)**

Chapter 95

Under this law, it is a Class 2 misdemeanor to use an automated system to send a text message that solicits recipients to purchase goods or services. This prohibition, as well as the prohibition on the use of an automated system to dial telephone numbers and play a recorded message, does not apply if the message is received by a recipient who has given prior express invitation or permission or who has an existing business relationship with the sender.

**Effective Date:** September 13, 2013

**HB 2327 (dangerous drugs; definition)**

Chapter 28

The definition of "dangerous drugs" and the list of Schedule I Controlled Substances are expanded to include drugs that contain "cannabimimetic substances" and their salts, isomers and salts of isomers—otherwise known as synthetic cannabinoids and bath salts.

**Effective date:** April 3, 2013
HB 2386 (utilities; tampering)
Chapter 97

This law adds tampering with utility property to the definition section of the chapter governing criminal damage to property. In addition, it raises the mental culpability standard to “intentional” for criminal damage pertaining to the tampering of utility property.

Effective Date: September 13, 2013

HB 2392 (protective orders; confidential information; injunctions)
Chapter 172

In a petition for an injunction prohibiting harassment or workplace harassment or for a petition for an order of protection, a supplemental information form used by the court or law enforcement agency for the purpose of service of process is required and is confidential.

Effective Date: September 13, 2013

HB 2461 (fireworks; NFPA; 2013 code; adoption)
Chapter 124

This law calls for the State Fire Marshal to adopt the most current edition of the National Fire Protection Association code for regulation of fireworks and pyrotechnic materials. The 2006 edition will be replaced with the 2013 edition, as published in August 2012.

Effective Date: September 13, 2013

HB 2455 (unclaimed property; firearms; disposition)
Chapter 145

This measure prohibits the state, state agencies, political subdivisions, and law enforcement agencies in Arizona from facilitating the destruction of a firearm and from purchasing or otherwise acquiring a firearm for the purpose of destroying it, except as specifically authorized by statute. For unclaimed firearms, after a 30-day notice, the agency in possession must sell the firearm to an authorized business, instead of the court ordering the sale of the firearm to an authorized business. Firearms found and turned over to a government agency are no longer allowed to be returned to the person who found and turned them over.

Effective Date: September 13, 2013
HB 2462 (bail bond agents; lists; loitering)

Chapter 21

HB 2462 modifies regulations that apply to the commercial bail bonding business. First of all, the law makes soliciting bail bond business inside or around a court building or jail a Class 3 (mid-level) misdemeanor. In addition, the list of people authorized to post bail bonds in a county must be updated monthly and transmitted electronically to county and city jails.

Furthermore, the sheriff or keeper of a county or city jail is required to accept the secured appearance bond from any employee of a bail bond agent who has proper bail agency identification. If bail is authorized by the court, the sheriff or keeper of a county or city jail is required to directly accept secured appearance bonds, money orders, cashier's checks or cash for the release of persons in their custody, and must be open to do so 24 hours a day, every day, including holidays.

Effective Date: September 13, 2013

HB 2516 (peace officers; firearms; court)

Chapter 177

This statute stipulates that peace officers who are acting in their official capacity and carrying official peace officer identification cannot be prohibited from carrying a firearm when attending court. However, the law also authorizes the presiding judge to establish rules or policies consistent with statute for the protection of the court.

Effective Date: September 13, 2013

SB 1094 (notaries public; impersonation; violation)

Chapter 77

Under this measure a person who knowingly impersonates a notary public is guilty of impersonating a public servant, which is a Class 1 (highest) misdemeanor. The criminal classification for a vendor who provides an official notary seal to a person without a photocopy of the person's notarial commission is increased to a Class 6 (lowest) felony, from a Class 3 (mid-level) misdemeanor.

Effective Date: September 13, 2013
SB 1107 (theft; scrap metal)
Chapter 163
This law amends the classifications of theft to include any of the following actions done knowingly and without lawful authority:

- Controlling the metal of another person with the intent to deprive that person of the metal.
- Controlling metal while knowing or having reason to know that the metal was stolen.
- Purchasing the metal of another while knowing that the metal was stolen.

Effective Date: September 13, 2013

SB 1209 (minors; tobacco-derived products)
Chapter 245
The prohibitions for minors related to tobacco products now include electronic cigarettes.

Effective Date: September 13, 2013

SB 1266 (illegal dumping; penalties)
Chapter 246
The measure sets up mandatory penalties for illegal dumping and requires half of the fines collected due to such acts go into an illegal dumping clean-up fund.

Effective Date: September 13, 2013

SB 1312 (tobacco product manufacturers; cigarette machines)
Chapter 222
SB1312 establishes that it is a Class 3 misdemeanor to have, for commercial purposes, a tobacco product rolling vending machine, unless the owner of the equipment is a federally authorized tobacco product manufacturer. The measure also amends the sections of law relating to the tobacco product manufacturers’ escrow account.

Effective Date: September 13, 2013
SB 1314 (civil judgments; state; renewal)  
Chapter 79

The types of judgments that are exempted from the judgment renewal statute are now expanded to include civil judgments obtained by the state.

Effective Date:    September 13, 2013

SB 1408 (fingerprint clearance card; adoption)  
Chapter 115

For the purpose of an adoption social study, this law mandates that a valid fingerprint clearance card satisfies the requirement for a state and federal criminal records check of the prospective adoptive parent. However, the court may order an additional state and federal criminal records check for good cause.

Effective Date:    September 13, 2013
Part 2 – Campaigns, Elections and Recordkeeping

HB 2156 (elections; public resources prohibited)

The prohibitions on using municipal, county, school district, charter school, community college or university resources for the purpose of influencing elections are each expanded to specifically include: monies, accounts, credit, facilities, vehicles, postage, telecommunications, computer hardware and software, webpages and “any other thing of value.” The law does note some exceptions, however, including for "government-sponsored forums or debates," if the government sponsor remains impartial and the events are purely informational.

The Attorney General, county attorney or any resident of the jurisdiction where the alleged violation of this prohibition took place may file an action in superior court to enforce this legislation. Any person or public entity that knowingly violates this prohibition or aids another person or public entity in violating this prohibition is liable for a civil penalty of up to $5,000 for each violation. The court may also order an additional penalty in an amount equaling the value of the public resources unlawfully used. The person determined to be out of compliance is responsible for the payment of all penalties and misused funds, and public funds or insurance payments cannot be used to pay the penalties or misused funds.

**Effective Date:** September 13, 2013

HB 2157 (public declaration; resign to run)

Under this law, an elected official is no longer required to resign upon formally declaring his or her candidacy for another elected office. Instead, the elected official must resign only upon filing nomination papers for another office.

**Effective Date:** September 13, 2013

HB 2165 (public libraries; circulation records; privacy)

This law adds "E-books" to the prohibition on disclosure of public library records or other information that identifies a library user as requesting or obtaining specific materials or services or otherwise using the library.

**Effective Date:** September 13, 2013
HB 2241 (telecommunications infrastructure; records; nondisclosure)
Chapter 92

This law prohibits municipalities and counties from disclosing records relating to the construction of wireline telecommunications infrastructure, including location of lines, equipment and plants used for telecommunications services on or along public streets or highways. The text also specifies the circumstances under which a municipality or county may disclose this information.

Effective Date: September 13, 2013

HB 2305 (initiatives; filings; circulators)
Chapter 209

This law declares that the constitutional and statutory requirements for initiative, referendum and recall be strictly construed and reiterates that persons using the process must strictly comply with those requirements. In addition, the law specifies the following regarding the initiative process:

- A political committee that files its petitions with the Secretary of State (SOS) must organize and group the signature sheets in three ways: by the county of residence of the majority of the persons signing the signature sheet, by circulator and by the notary public who notarized the circulator’s signature sheet. The SOS is allowed to return as unfiled any signature sheet not so organized and grouped.
- Sole responsibility for compliance is placed on the proponent of the petition.
- Political committees are allowed to submit to the SOS a list of all petition circulators and a copy of a background check performed on each petition. If the background check was performed and conducted by a person or entity in an arm’s length transaction with the committee, a presumption of the circulator’s eligibility is established that is only rebuttable by the showing of a preponderance of evidence to the contrary.
- The SOS must make a reasonable cause finding that a filing committee has failed to comply with the sorting and organizing requirement and then must refer the finding to the Attorney General (AG). The AG may issue a compliance order directing the committee to reorganize the petitions in the proper organization or grouping.
- The time-and-date marked text that accompanies the application for initiative, referendum or recall constitutes the official copy of the text of the measure or constitutional amendment and must be used as the text in all instances. If any subsequent changes are made to the text, the applicant must file a new application and text, receive a new official serial number and use the new time-and-date text.

HB 2305 also amends the section of law governing campaign finance violations; if there is reasonable cause to believe that one of the following individuals has violated the section, the filing officer may refer the matter to the following offices:

- If the AG, then to county attorney;
• If county attorney, then to the AG;
• If city or town attorney, then to the respective county attorney.

This section contains a retroactive applicability clause to apply to reasonable findings and subsequent referrals from 7/31/12. This law also subjects the prohibition against early ballots being collected by a political committee or volunteer worker to a Class 1 misdemeanor (6 months/$2500).

Finally, this law also removes Permanent Early Voting List (PEVL) registrants if they have not voted an early ballot in 2012 and 2014 and have not contacted the county recorder in the last 24 months to reaffirm their intent to remain on PEVL. It also removes those persons whose registration records are sealed. The removal process is delayed to January of 2015 and applies the removal process to those who did not vote in 2012 and 2014. The SOS is directed to implement a statewide public information and voter outreach program to educate and inform voters of the PEVL removal process.

Effective Date: September 13, 2013

HB 2593 (campaign finance; contribution limits)
Chapter 98

This law increases campaign contribution limits. The limits for campaign contributions to elections other than statewide office are increased to $2,500 from an individual or single political committee and to $5,000 from a single political committee certified to contribute at higher limits. The contribution limits for a statewide office are increased to $2,500 from an individual or single political committee.

In addition, candidates are no longer restricted as to the total amount of money they may lawfully receive from all political committees, excluding political parties. Likewise, individuals are no longer restricted as to the total amount that they may contribute to candidates and political committees. However, candidates or their campaign committees are required to give notice to the filing officer if they receive a contribution of at least $1,000 from a single source less than 20 days before the election. The notice must be filed within 72 hours after receipt of the contribution. A knowing violation of this notice requirement is subject to a civil penalty of up to three times the amount improperly reported, and the person or committee is liable in a civil action.

Effective Date: September 13, 2013

SB 1324 (critical infrastructure; information disclosure)
Chapter 69

This law exempts from public disclosure and public records laws all critical infrastructure and key resource information protected by federal law and provided to or in the possession of any state agency, rather than only the Department of Public Safety, or any political subdivision. The definition of "critical infrastructure
information" is expanded to include emergency response plans and certain information related to a computer-based or natural disaster.

**Effective Date:** September 13, 2013

**SB 1370 (municipal franchise elections; rates; estimate)**  
*Chapter 80*

This bill requires the ballot of a proposed franchise election to include an estimate of any proposed fees or taxes that are not related to franchise work or franchise fees.

**Effective Date:** September 13, 2013

**SB 1454 (campaign finance; in-kind contributions; disclosure)**  
*Chapter 254*

SB 1454 contains provisions to address incorporation elections, length of terms and alternative expenditure limitation. The section on term lengths only allows lengthening terms, not shortening. The ability of municipalities to require planned communities now only pertains to the maintenance of private, common or community owned improvements. There are also sections dealing with campaign signs and in-kind contributions, and the establishment of a study committee on approval voting for municipal primary elections.

**Effective Date:** September 13, 2013
Part 3 – Taxes, Budget and Finance

HB 2001 (2013-2014; general appropriations)
Chapter 1 (of the First Special Session)

This law is the enactment of the general appropriations or “feed” bill. It specifies amounts appropriated to individual state agencies and programs, as well as the revenue sources for those appropriations. Of direct and substantial impact to municipalities is the diversion of Highway User Revenue Fund (HURF) monies to fund the Arizona Department of Public Safety. The diversion for the FY 2014 budget of $120 million is the exact same amount as last year’s budget. This diversion results in a continued loss of $36.6 million to the portion of HURF funding dedicated to cities and towns.

Effective Date: June 17, 2013

HB 2009 (2013-2014; revenue; budget reconciliation)
Chapter 9 (of the First Special Session)

This law makes temporary and permanent statutory changes relating to state revenues in order to implement the Fiscal Year (FY) 2013-14 state budget. Beginning September 1, 2013, owners, operators or qualified colocation tenants of a computer data center certified by the Arizona Commerce Authority will be eligible for tax relief. Tax relief is defined as the deduction of the gross income from the sale of qualified equipment. In order to qualify for tax relief, the data center must either create a minimum investment in the first five years after certification of at least $50 million in counties with a population of 800,000 or more (Maricopa and Pima) or at least $25 million in counties with a population of fewer than 800,000, or must have created an investment of at least $250 million during the 72 months immediately before September 1, 2013. The list of deductions from the transaction privilege tax and use tax base and the list of items that municipalities and special taxing districts are prohibited from levying a transaction privilege tax on are each expanded to include computer data center equipment purchased for use in a certified computer data center.

This law also makes retroactive changes to the maximum amount of the individual income tax credit for contributions to a “qualifying foster care charitable organization” in a single tax year. Effective January 1, 2013, the credit is increased to $400 from $200 for a single individual or head of household and to $800 for a married couple filing jointly, from $400.

Another provision that impacts municipalities directs the State Treasurer to transmit up to five percent or $875,000, whichever is less, of transaction privilege tax revenues received from sources located on the Navajo Indian Reservation to the Navajo Technical College.
Finally, the law appropriates $1 million from interest income earned from investment of Budget Stabilization Fund monies to the Arizona State Parks Board and the Arizona Commission on the Arts.

**Effective Date:** September 12, 2013

**HB 2111 (transaction privilege tax changes)**

*Chapter 255*

**Transaction Privilege Tax (TPT) Administration**

This new law requires the Arizona Department of Revenue (DOR) to modify the online portal so that taxpayers can pay any and all state, county or municipal TPT and affiliated excise taxes online. The online portal will be administered by DOR, and cities and towns that do not have an intergovernmental contract or agreement with DOR (self-collecting cities) as of January 1, 2013 will be responsible for the costs. The portal must contain a single point for licensing, allow for the filing of a single tax return and provide a single point for remittance of TPT. The portal must also consolidate data in a manner compatible with DOR data systems while still ensuring that data is captured with sufficient specificity to meet the needs of all taxing jurisdictions. The portal must also provide for proper identification of the taxing jurisdiction and tax rate. This law allows a taxpayer that does not pay required taxes through the online portal to pay taxes to DOR, provided that DOR has developed electronic and non-electronic means to capture data with sufficient specificity to meet the needs of all taxing jurisdictions.

**Prime Contracting Classification**

This new law exempts from the TPT prime contracting classification service contractors who work directly for the property owner and whose work is limited to the maintenance, repair or replacement of existing property. This exemption does not include modification activities. Contractors that work directly for a property owner to maintain, repair or replace existing property are subject to a retail tax on materials purchased as part of the service contract. Design phase and professional services are exempt from prime contracting TPT if the contract is executed before modification begins and includes terms, conditions and pricing stated separately from construction phase services. The law clarifies that modification does not include alteration or repair.

A contractor that meets the following criteria is exempt from retail TPT:

- Presents a DOR-issued exemption certificate to the retailer.
- Purchases tangible personal property to be incorporated or fabricated into a project.
- Does not have a delinquent tax balance.

DOR is required to issue a project-specific retail classification certificate to any contractor that meets the following criteria:
• Is not working for the property owner.
• Uses the certificate only for materials incorporated into a project subject to prime contracting TPT.
• Submits documentation to DOR that requirements are met.
• Does not have a delinquent tax balance.

This law also provides guidelines in determining the taxable situs of sales of manufactured buildings.

**Audits**
This law allows DOR, subject to statutory guidelines, to disclose confidential information related to TPT collected by the department from any jurisdiction to any county, city or town tax official if it relates to a taxpayer who is subject to a DOR audit. The law also stipulates that taxpayers are subject to a single audit, eliminating possible subsequent or joint audits by cities and towns.

The DOR director and cities and towns that levy TPT must enter into agreements with each other to provide for unified or coordinated licensing, collection and auditing programs.

As part of those agreements, DOR must provide denial criteria for city and town requests to audit multi-city taxpayers. The intergovernmental agreements must include the following stipulations:

• All audits must be conducted in accordance with the DOR manual and performed by a DOR-certified auditor.
• All auditors must be trained in accordance with DOR policies.
• All audits must include all taxing jurisdictions, regardless of who conducts the audit.
• Audits of multi-city taxpayers must be conducted by DOR.
• Cities and towns must have the option to audit single-city taxpayers and any other taxpayer that is authorized by DOR.
• DOR must issue a single notice to a taxpayer of all audit assessments.
• All audit appeals must go to DOR.
• DOR must notify affected cities and towns before resolving issues relating to taxes levied by those cities and towns.

**Miscellaneous**
The new law makes several other changes to the statutes regarding TPT:

• Modifies provisions regarding sourcing of certain transactions involving tangible personal property.
• Provides that the sale of a motor vehicle to a nonresident delivered and intended for use outside of Arizona is exempt from state and municipal TPT.
• Removes retail TPT exemption for personal tangible property shipped or delivered directly to a location outside of the United States that is to be used in that location.
• Provides that all county transportation excise taxes will be levied and collected at a rate not more than 10 percent of the rate described in A.R.S. 42-5352 (A).
This law allows DOR to adopt emergency rules necessary to administer the act and requires the Joint Legislative Budget Committee to prepare a revenue impact analysis report on or before September 30, 2016. The legislation also includes a legislative intent statement specifying that the law is meant to simplify administration of TPT and not meant to change the taxability of contractors engaged in modification of real property as part of a major remodel project.

**Effective Date:** January 1, 2015

**HB 2259 (orthodontic devices; transaction privilege tax)**

*Chapter 120*

The lists of items exempt from retail transaction privilege taxes (TPT) and municipal TPT is expanded to include orthodontic devices dispensed to a patient by a licensed dental professional. This law is retroactive to tax periods beginning October 1, 2007.

**Effective Date:** September 13, 2013

**HB 2324 (commercial lease exemption)**

*Chapter 27*

This law clarifies that lease arrangements between affiliated companies, businesses or persons, or by a reciprocal insurer are not subject to commercial lease transaction privilege taxes. Companies, businesses or persons are considered affiliated in the following cases: (1) when the lessor owns at least 80 percent interest in the lessee, (2) when the lessee owns at least 80 percent interest in the lessor, or (3) when an affiliated entity or unrelated person owns at least 80 percent interest in both. Leasing real property by a “reciprocal insurer” is also not included in the commercial lease classification for TPT.

**Effective Date:** September 13, 2013

**HB 2325 (personal property; exemptions)**

*Chapter 123*

This law increases the maximum value of certain personal property that is exempt from debt collection, including various personal items and money in a single checking account. Any household furniture, goods and appliances with an aggregate market value of up to $6,000, instead of only furniture specifically listed with an aggregate value of up to $4,000, is exempt from debt collection. In order to be exempt, household items may be used by a dependent of the debtor instead of only the debtor. The list of items used in a commercial activity or business that are exempt from debt collection is expanded to include client or customer
information and marketing tools such as websites, domain names and other intangible work products. The maximum amount of commercial property exempt from debt collection is increased to $5,000, from $2,500.

**Effective Date:** September 13, 2013

### HB 2336 (taxation; retail classification; cash equivalents)

[Chapter 233](#)

The list of items exempt from retail transaction privilege taxes (TPT) is expanded to include “cash equivalents.” The law defines “cash equivalents” as items or intangibles through which a value denominated in money is purchased in advance, including: gift cards, vouchers, traveler's checks and money orders or other instruments. The gross proceeds of sales or gross income derived from the redemption of any cash equivalent as a means of payment for taxable goods or services will remain subject to transaction privilege tax. Session law declares the intent of the Legislature to clarify and reaffirm an existing exemption from TPT for cash equivalents. The law is retroactive to tax period beginning January 1, 1999. Any claim for a refund of TPT based on the retroactive application must be submitted to the Department of Revenue by December 31, 2013. The aggregate amount of refunds cannot exceed $10,000, including interest.

**Effective Date:** September 13, 2013

### HB 2344 (property tax penalty waiver)

[Chapter 9](#)

A county treasurer, in consultation with the board of supervisors, is authorized to waive a penalty required for failure to respond to a request for information about classification of residential property for good cause. This law is retroactive to July 1, 2012, and self-repeals on July 1, 2014.

**Effective Date:** September 13, 2013

### HB 2347 (tax levy; bond costs)

[Chapter 188](#)

Under this law, local governments are prohibited from levying a property tax in excess of the net amount necessary to make the annual payment for principal and interest of bonds and refunding bonds. However, the law does allow local governments to include a reasonable tax delinquency factor, as well as an amount necessary to correct prior year errors in the levy and any expenses and fees required by federal tax laws. Property tax-levying jurisdictions are also allowed to use a single debt service fund, designated the “interest and redemption fund,” rather than two separate funds for payment of interest and bonds.
The law also allows local government treasurers to invest in any bonds, debentures, notes, or other evidences of indebtedness that are denominated in U.S. currency and rated “A” or above by two nationally recognized rating agencies. The requirement that bonds or notes invested in by treasurers be issued by corporations organized and doing business in the U.S. is eliminated.

**Effective Date:** September 13, 2013

**HB 2531 (income tax; instant depreciation)**

When computing federal income tax liability, Section 179 of the Internal Revenue Code allows individual and corporate tax filers to immediately deduct the full value of qualified new or used property up to a certain allowance. Beginning in tax year 2013, this new law conforms Arizona tax statutes to the Section 179 federal deduction limit which would effectively increase the maximum first year deduction that filers may take on qualified property purchased and placed in service. According to a JLBC analysis, this change is estimated to cost the state general fund $24.8 million in FY 2014 and municipal revenue sharing $3.7 million in FY 2016.

**Effective Date:** September 13, 2013

**HB 2535 (independent functional utility)**

This law, retroactive to July 1, 1997, specifies that machinery or equipment that is exempt from taxation under the retail classification and that has independent functional utility, as defined in the law, is not considered taxable under the prime contracting classification. Independent functional utility is defined as able to independently perform its function without attachment to real property. Retroactive claims are required to be filed with the Arizona Department of Revenue (DOR) by December 31, 2013. A failure to file a claim by that date constitutes a waiver of the claim for refund. The aggregate amount of the refund is limited to $10,000.

**Effective Date:** September 13, 2013

**HB 2619 (public deposits; pooled collateral)**

This law establishes the Statewide Collateral Pool Administrator in the Office of the State Treasurer. The Administrator has the responsibility to prescribe and enforce policies that fix the terms and conditions under which uninsured public deposits must be secured by collateral. The Administrator must have the necessary policies and procedures in place to implement this legislation by July 1, 2014. Uninsured public deposits required to be secured by collateral must be deposited in an eligible depository; however, the City of Phoenix,
with a written notice to the Administrator, is exempt because it is a chartered city with a population of over a million people. An eligible depository is prohibited from accepting any public deposit without the required collateral being deposited with a qualified escrow agent or the Administrator. The required collateral must be 102 percent of public deposits, less any applicable deposit insurance, and must be valued at current market value.

HB 2619 also establishes procedures for payment of losses and civil penalties for noncompliance. The Administrator is required to annually assess a fee on every eligible depository. The list of acceptable collateral that an eligible depository of uninsured public monies is required to deliver is expanded to include letters of credit issued by a federal home loan bank that have been delivered to the Administrator and meet other specified requirements.

**Effective Date:** September 13, 2013

**SB 1169 (proposition 117; conformity)**

Chapter 66

Effective January 1, 2015, this law makes various changes to statute in order to conform to Proposition 117 from the 2012 general election ballot (property tax assessed valuation; limitation). This law is applicable beginning with property tax valuations made in 2014 for tax year 2015.

**Effective Date:** September 13, 2013

**SB 1179 (tax incentives; omnibus)**

Chapter 236

This law makes various changes relating to tax incentives, deductions, and exemptions. First, the list of transaction privilege tax exemptions is expanded to include the gross proceeds of income that a qualified destination management company (QDMC) derives from qualified contracts for destination management services. A QDMC is defined as a person that receives on an annual basis at least 80% of its gross proceeds of sales or gross income derived from destination management services. The bill classifies a QDMC as a final consumer and user of any taxable tangible personal property, activity, or service that the QDMC arranges pursuant to a qualified contract for destination management services. Destination management services are defined as the business of coordinating, designing, and implementing the delivery by a third party of four or more of the following: transportation, entertainment, food or beverage, recreational or amusement activity, tours, event venue, or theme décor. A qualified contract is defined as a contract for the provision of destination management services by a QDMC where both of the following apply: 1) the QDMC receives payment from or on behalf of the QDMC’s client for the cost of the destination management services arranged by the QDMC; and 2) the QDMC pays the vendor supplying destination management services arranged by the QDMC, including any applicable TPT or collection of use tax charged by the vendor to the QDMC. These
provisions apply retroactively to tax years beginning January 1, 2002. Any claim for a refund based on the
retroactive application must be submitted to the Department of Revenue (DOR) by December 31, 2013. The
total amount of refunds issued is limited to $10,000.

The law also exempts leasing or renting certified ignition interlock devices as a penalty of driving under the
influence from the personal property rental tax under the transaction privilege tax provisions. The law applies
retroactively to taxable periods beginning September 1, 2004. Claims for refunds based on the retroactive
application must be submitted to the Department of Revenue by December 31, 2013, and the burden is on the
taxpayer to establish by competent evidence the amount of tax paid. The aggregate amount of the refunds
cannot exceed $10,000. This exemption also applies to municipalities and special taxing districts.

The law also conforms to federal regulations by replacing statutory references to the “Food Stamp Program”
established by the Food Stamp Act of 1977 with the “Supplemental Nutrition Assistance Program” established
by the Food and Nutrition Act of 2008. “Eligible grocery business” is redefined as an establishment that is
eligible to participate in the Supplemental Nutrition Assistance Program established by the Food and Nutrition
Act of 2008. The DOR is no longer required to annually publish and distribute a list of categories of food items
purchased from qualifying retailers that are exempt from TPT and affiliated excise taxes. Any ready-to-drink,
non-alcoholic beverage contained in any closed or sealed bottle, can, or carton intended for human
consumption which is intended for home consumption is categorized as food and medicines or dietary
supplements such as vitamins or protein supplements are excluded from the definition of beverage.

Property and improvements used specifically and solely to manufacture biodiesel fuel that is 100 percent
biodiesel and its by-products are classified as class 6 property for property tax purposes through December 31,
2023, instead of December 31, 2016. This classification is expanded to include property and improvements
used specifically and solely to manufacture “motor vehicle biofuel” and its by-products. The provisions are
retroactive to the tax year beginning January 1, 2013.

The maximum amount of contributions to 529 college savings plans that were not deducted from federal
adjusted gross income and may be subtracted from Arizona individual income taxes is increased to $2,000 for
a single individual or head of household and to $4,000 for a married couple filing a joint return.

The state income tax credit for voluntary cash contributions to a qualifying charitable organization is allowed
even if the taxpayer does not itemize deductions for the taxable year.

Effective January 1, 2014, a taxpayer that is a regionally accredited institution of higher education with at least
one university campus in Arizona may elect to treat sales from services as being in this state based on a
combination of income producing activity sales and market sales. The election is limited to the treatment of
sales for educational services – defined as tuition and fees required for enrollment and fees required for
courses of instruction, transcripts, and graduation. The law does not apply retroactively.

**Effective Date:** September 13, 2013
SB 1311 (public monies; investment)

Chapter 48

The list of items that the State Treasurer may invest trust and treasury monies in is expanded to include institutional common trust funds whose underlying investments are invested in securities allowed by state law. For the purpose of statute that allows the State Treasurer to invest monies in equity securities and regulating those investments, equity securities do not include exchange-traded products whose underlying investments are fixed income securities allowed by state law.

Effective Date: September 13, 2013
Part 4 – General Government

HB 2176 (registrar of contractors)
Chapter 187

This law, among other things, alters the definition of *alarm agent* to exclude anyone acting on behalf of an alarm business if the person’s duties do not include visiting the site of alarm installation. It also allows a controlling person to forego a fingerprint background check if he or she is already complying with the statutory requirement. Finally, the law also provides a limited exemption from licensure by the Registrar of Contractors for those alarm agents already licensed by the Arizona Board of Technical Registration.

**Effective Date:** September 13, 2013

HB 2209 (industrial development authorities)
Chapter 130

Corporations approved by the governing body of a municipality or county having a population of more than seven percent—decreased from nine percent—of the total state population (currently Maricopa County, Pima County, Phoenix and Tucson) are exempt from the prohibition on corporations issuing bonds for certain types of housing projects without project approval from the Department of Housing.

**Effective Date:** September 13, 2013

HB 2326 (firearms; records; prohibited acts)
Chapter 141

Statute prohibits political subdivisions from maintaining or requiring records containing certain types of information, and this law expands that prohibition to include the identifying information of persons who possess or own a firearm. It also no longer allows political subdivisions to require or maintain records that contain identifying information of persons who were part of a firearms transaction involving a federally licensed firearms dealer.

**Effective Date:** September 13, 2013
**HB 2355 (license fees; working dogs; waiver)**

Chapter 56

Municipalities and county boards of supervisors are prohibited from charging a dog license fee to disabled individuals who use a service animal or to individuals who use a search and rescue dog. License applicants are required to provide adequate proof that the dog is a search and rescue dog or to sign a written statement that the dog is a service animal. Making a false statement about a service animal is a petty offense, punishable by a fine of up to $50.

**Effective Date:** September 13, 2013

**HB 2393 (state agencies; licensure; time frames)**

Chapter 58

This law allows a person who is (or could be) required to obtain a license may request that the Governor's Regulatory Review Council require an agency to consider including a recommendation to reduce a licensing time frame in its five-year report.

**Effective Date:** September 13, 2013

**HB 2401 (service animal; definition)**

Chapter 59

This law updates the definition of *service animal* and includes miniature horses as service animals.

**Effective Date:** September 13, 2013

**HB 2443 (cities; counties; regulatory review)**

Chapter 74

This law makes various changes to the Regulatory Bill of Rights for municipalities, counties and county flood control districts. Unless otherwise specified, for the purposes of this summary *local government* means a city, town, county or flood control district.

The changes are as follows:

*Licensed Time Frames; Local Governments*

- Licensing time frames must now be posted on the local government’s website (or on the website of an association of local governments if the local government does not have a website).
• Licensing time frames do not include the time required for an applicant to obtain other licenses or to participate in meetings as required by statute.
• When determining licensing time frames, a local government must factor in any delays that might be caused by the need for public hearings, state or federal approval or approvals from public utilities on residential or commercial development projects.
• Nothing shall prevent a local government from continuing to process applications during the suspension of applicable review time frames.
• The length of an extension of a time frame—which may be granted by mutual consent of the local government and applicant—is extended from not more than 25% to not more than 50% of the overall time frame.
• Licensing time frames do not apply to licenses for the construction or development of a residential lot, including swimming pools, hardscape and property walls, subdivisions or master planned communities.

Application; Request for Corrections

• A local government may make one comprehensive written or electronic request for corrections during the substantive review time frame.
• A local government may amend a comprehensive request for corrections once—if identified legal requirements were left out of the original request.
• A local government and an applicant are no longer allowed to mutually agree to allow the local government to submit supplemental requests for additional information.
• If an applicant fails to resolve an issue identified in a request for corrections, the local government may make supplemental requests, as long as they are limited to those issues previously identified in a comprehensive request for corrections.
• If an applicant requests significant changes or amendments to an application that are consistent with the purposes of the original application and are not in response to the original request, a local government may make one additional comprehensive request for corrections and receive an extension of not more than 50% of the original substantive review time frame.
• Nothing in the provisions prohibit communication between a local government and an applicant regarding comprehensive or supplemental requests for additional information or corrections.

Application Resubmission; Fees

• If an application for licensure is denied or withdrawn, a local government must include in the notice an explanation of an applicant’s right to resubmit the application and the total fee amount and fee calculation methodology associated with a resubmittal.
• An applicant may not waive the right to receive a refund of fees charged for reviewing and acting on an application for licensure.
• If an application is denied and subsequently resubmitted with only revisions or corrections to the original, a municipality may not assess any additional application fees exceeding the cost of processing.
• If an application is withdrawn and subsequently resubmitted for the original purpose, a municipality may not assess any additional application fees that exceed 50% of the original fees that have not been refunded to the applicant.
A county and a flood control district may not assess any additional fees that exceed 50% of the original application fees that have not been refunded to the applicant, as long as the original application for licensure was denied due to missing revisions or corrections and provided that the application is resubmitted for the same purposes before the time of destruction of the original application pursuant to statute.

None of these provisions apply to license applications that were denied for disqualifying criminal convictions or that were submitted fraudulently.

Withdrawn Application

If, within a specified time frame, an applicant for licensure does not supply the documentation or information requested or an explanation of why the information cannot be provided in time, the local government may consider the application withdrawn.

Regulatory Bill of Rights: Local Governments

A person is entitled to have a local government not request or initiate discussions about waiving any of the rights prescribed in the Regulatory Bill of Rights.

A local government may not request or initiate discussions with a person about waiving his or her rights.

Regulatory Bill of Rights: Exemptions

A fire and life safety inspection of areas that are accessible to the general public is exempt from the provisions of both the municipal and county Regulatory Bill of Rights.

The inspection provisions of a local government’s Regulatory Bill of Rights do not apply to inspections requested and scheduled by the regulated person.

The function or operation of a municipal airport, public safety department, police department, town marshal’s office, fire department, ambulance service or statutory zoning adjustment process is exempt from the municipal Regulatory Bill of Rights.

A design-build project is removed from the requirements of the county Regulatory Bill of Rights if, at the request of the applicant, the county agrees to the exemption.

Effective Date: September 13, 2013

HB 2485 (health and safety audit privilege)

In the case of an audit to evaluate compliance with a health or safety law or an industry standard with respect to safety, reliability or training, the audit report is required to include each document and communication that is created in the process. The types of documents and information that may be included in an audit are specified in the law. Any part of one of these audit reports is privileged and not admissible as evidence or subject to discovery in a legal or equitable civil action or an administrative proceeding. There are a few exceptions clarified in the law. In specified circumstances, a witness cannot be compelled to testify or produce
a document related to an audit. However, this law does not provide civil or criminal immunity to an organization or affect any other privilege available under the law. It also does not apply to a health professional or health care institution.

Effective Date: September 13, 2013

HB 2492 (municipalities; wastewater utility; acquisition; repeal)  
Chapter 22

This law removes the authority of a city or town to acquire all or any portion of wastewater utilities owned or operated by the county. (Before, voters in a municipality could vote to give authority to the city or town to operate wastewater utilities owned or operated by the county.) The law also repeals session law that required the Department of Environmental Quality to immediately transfer all permits relating to the ownership and operations of a wastewater utility to the municipality that has acquired the facility.

HB 2492 has a conditional enactment clause stating that the provisions of the Act are not effective unless Pima County and the town of Marana reach a wastewater settlement on or before July 1, 2014. However, the town of Marana and Pima County have already reached this settlement.

Effective Date: September 13, 2013

SB 1080 (underground storage tank program changes)  
Chapter 244

This law delays the repeal of the Underground Storage Tank (UST) Tax and the Underground Storage Tank Assurance Account until December 31, 2015. It also makes a number of specifications, including the following:

- No more than $60 million will be transferred from the UST Assurance Account into the Regulated Substance Fund, and any monies deposited in the UST Assurance Account in excess of $60 million shall be deposited into the State Highway Fund.
- Coverage for corrective action costs from the UST Assurance Account is extended to include any release (UST spill or leak) that could not have been reported with reasonable diligence before July 1, 2006.
- If the UST Assurance Account does not have enough funds to pay for coverage of all releases, then releases reported before July 1, 2006, are given priority over those reported on or after that date.
- Applications for reimbursement or direct payment of eligible costs from the UST Assurance Account must be filed by December 31, 2015, instead of June 30, 2010.
- If the UST Assurance Account does not have enough funds to pay all claims by the date of termination, any unpaid claims on that date are extinguished without regard to whether those claims were eligible for coverage.
• Funds in the Regulated Substance Fund are continuously appropriated.

This law also establishes a 17-member UST Program Study Committee to consider needs and possible sources for future funding of the UST program and related issues. The Committee must submit a report of its findings and recommendations to the Governor and the Legislature by December 31, 2013. The Committee self-repeals March 1, 2014.

Effective Date: September 13, 2013

SB 1103 (charter schools; zoning procedures)

Chapter 178

A charter school is now allowed to use a third party as its representative in any zoning applications and actions. In addition, SB 1103 prohibits municipalities and counties from enforcing or attempting to enforce any ordinance, procedure or process against a charter school that cannot be legally enforced against a school district. Furthermore, the law clarifies that a school district’s voluntary compliance in the zoning regulations of a municipality or county does not result in the application of those zoning regulations to a charter school.

Effective Date: September 13, 2013

SB 1143 (golf course pesticide license; fee)

Chapter 64

For the purpose of structural pest management regulations, this law defines "pest management" to include the management by persons for hire of health-related pests, aquatic pests, household pests, wood-destroying organisms or other pests, including weeds, that exist on golf courses. The maximum fee for a license or certificate for pesticide use on golf courses is set by the Department of Agriculture by rule.

Effective Date: September 13, 2013

SB 1231 (public buildings; construction; indemnity)

Chapter 238

This law declares the regulation and use of indemnity agreements in construction and design professional services contracts a matter of statewide concern and not subject to further regulation by political subdivisions. If a contractor, subcontractor or design professional provides work or services in connection with a public building or improvement, the contracting agent may require the contractor or professional to indemnify or hold harmless the agent and its officers and employees only from damages or losses caused by the contractor's or professional's negligence, recklessness or intentional wrongful conduct. The law does not
prohibit the requirement of insurance coverage, including the designation of any person as an additional insured on a policy provided in connection with a contract or subcontract. If any provision of this legislation conflicts with a provision in a contract, the conflicting provision in statute does not apply to the contract, but all provisions of statute that do not conflict still apply. The law does not affect contracts or subcontracts entered into before the effective date of this legislation.

Effective Date: September 13, 2013

SB 1290 (office of pest management)  
Chapter 125

This law provides for the permanent transfer of administrative authority of the Office of Pest Management (OPM) to the Arizona Department of Agriculture (ADA). It also institutes a number of changes to statutes regulating structural pest management, including the following:

- The powers and duties of the acting director of the OPM are transferred to the director of ADA.
- ADA must provide management and administrative services to OPM through an interagency agreement, and OPM must reimburse ADA in an agreed-upon amount.
- Session law provides for continuing fee authority for OPM.
- The director must establish by rule a Pest Management Advisory Committee and appoint five members to the committee, including one public member.
- The director must adopt rules for licensure and registration, including application, registration and renewal fees, training requirements, and financial security standards.
- The director is authorized to enter into consent agreements and provide for certain exemptions from licensure or registration.

This law also establishes provisions for disciplinary action and civil penalties and dictates that the regulation of pest management is of statewide concern and not subject to further regulation by political subdivisions. SB 1290 also modifies the list of persons exempt from structural pest management licensure and registration—for example, political subdivisions and their employees that use pesticides on property owned, leased or managed by the political subdivision are not required to be licensed. Finally, this law repeals a number of pest management-related regulations and reports.

Effective Date: September 13, 2013

SB 1466 (cities; towns; dilapidated buildings)  
Chapter 82

Municipal ordinances requiring the property owner or occupant to remove dilapidated "structures" is modified to instead provide for removal of "dilapidated buildings," which is defined as any real property
structure that is likely to burn or collapse and its condition endangers the life, health, safety or property of the public.

**Effective Date:** September 13, 2013
Part 5 – Transportation and Traffic Enforcement

HB 2138 (municipalities; right-of-way; transfer)

Chapter 127

This law allows a county right-of-way or roadway to be transferred to a municipality, as long as there is mutual consent of the county and municipal governing boards. Previously, the right-of-way or roadway could only be annexed through mutual consent of the governing bodies. This law also removes the requirement for the right-of-way or roadway to be directly adjacent to the municipality along the entire length of the annexation; instead, the law simply requires the transferred right-of-way or roadway to be adjacent to the city or town.

Effective Date: September 13, 2013

HB 2188 (procurement; construction-manager-at-risk)

Chapter 107

This law establishes a two-step competition process for certain procurements by cities or separate legal entities. Specifically, it allows a city with a population of more than 1 million (City of Phoenix) or its legal agent to use a two-step competition process to procure a single contract for construction-manager-at-risk (CMAR) construction, as long as the project meets the following requirements: (1) it is for horizontal construction; (2) the U.S. Federal Aviation Administration or the U.S. Federal Transit Administration is a funding source for the project; and (3) price competition is required by the funding federal agency or applicable federal law.

Effective Date: September 13, 2013

HB 2477 (photo radar on state highways)

Chapter 75

Procedures and requirements are prescribed for cities and towns to place photo enforcement systems on state highways. Municipalities are not allowed to place photo enforcement systems on a state highway unless the municipality provides proof to the Arizona Department of Transportation (ADOT) that the system is necessary for public safety and then obtains a permit or enters into a contract with ADOT for use of the right-of-way. ADOT must publish on its website specific information it needs in order to determine if the photo enforcement system is necessary for public safety, including operational speed studies and reports of motor vehicle accidents. The term of a permit or contract for use of a right-of-way cannot exceed three years. Before the renewal of a permit or contract, the municipality is required to submit information to ADOT to show the impact of the photo enforcement system. This new law does not apply to any photo enforcement system that
exists on state highways on the effective date except when the permit or contract for the system expires or is renewed.

**Effective Date:** September 13, 2013

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**SB 1278 (homeowners’ associations; public roadways)**
Chapter 103

This law prohibits a homeowners’ association (HOA) whose declaration is recorded after December 31, 2014, from regulating any roadway owned or held by a government entity.

**Effective Date:** September 13, 2013

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**SB 1317 (tribal airports; state aviation fund)**
Chapter 239

Publicly owned and operated airports on Indian Reservations are now eligible to receive money from the state aviation fund.

**Effective Date:** September 13, 2013
Part 6 – Labor, Employment, Retirement and Benefits

HB 2204 (law enforcement; surviving spouse; insurance)  
Chapter 54

HB 2204 rewrites the health insurance eligibility requirements for surviving spouses and dependents of law enforcement officers killed in the line of duty. The officer’s employer is required to make payments if the surviving spouse or dependent is enrolled either in the employer's health insurance program or in the state retirement system from which the individual is receiving benefits. The text of the law specifies the payment amounts and the circumstances under which payments will be discontinued.

The law also expands the definition of “law enforcement officer” to include firefighters, correction officers and firefighters who work for the state through a contract with a private company.

**Effective Date:** April 5, 2013

HB 2279 (employer; exception; officiating services)  
Chapter 18

For the purposes of unemployment insurance, this law specifies that the definition of employee does not include an individual who performs "officiating services" in recreational, interscholastic or intercollegiate sporting events on a contest-by-contest basis and is not otherwise employed by the sporting event’s sponsor.

**Effective Date:** September 13, 2013

HB 2280 (employee benefits; state preemption)  
Chapter 139

This law establishes that the regulation of employee benefits is of statewide concern and not subject to further regulation by municipalities or other political subdivisions. This stipulation, however, does not apply to any employee benefit that a municipality or other political subdivision provides to its employees.

**Effective Date:** September 13, 2013
HB 2303 (overtime compensation; law enforcement)

Chapter 200

For the purposes of required overtime compensation rates for law enforcement officers, this law expands the definition of "person engaged in law enforcement activities" to include any Department of Public Safety personnel who directly assist officers in law enforcement activities.

Effective Date: September 13, 2013

HB 2389 (peace officers; omnibus)

Chapter 211

The measure makes a variety of changes related to public safety personnel (and their spouses and children) and elected officials. It allows for early termination of leases for officers, the keeping of certain information off the public record for officers’ families and elected officials who have been the victim of a dangerous offense and also specifies effective dates for health insurance premiums for surviving spouses and dependents of fallen officers.

Effective Date: September 13, 2013

HB 2517 (domestic violence; arrest)

Chapter 213

HB2517 establishes that an officer need not arrest a person under fifteen for the crime of domestic violence involving a deadly weapon or a dangerous instrument. It also requires officers to provide pertinent websites to victims of domestic violence.

Effective Date: September 13, 2013

HB 2546 (insurance; guaranty fund)

Chapter 214

This law makes numerous changes to the administration of life and disability insurance insolvenices and the Life and Disability Insurance Guaranty Fund to conform statute to the National Association of Insurance Commissioners’ Life and Disability Insurance Guaranty Fund Model Act. The law specifies which policies and contracts are covered in the administration of life and disability insurance insolvenices and the Life and Disability Insurance Guaranty Fund. It also sets up limitations on the amount of benefits that the Fund may become obligated to cover. The Fund is authorized to assume the rights and obligations of a ceding member insurer that relate to policies or annuities covered by the Fund, subject to specified conditions. The total of all
assessments on a member insurer for each account is prohibited from exceeding in any calendar year two percent of the member insurer's average annual premiums received in Arizona.

**Effective Date:** September 13, 2013

**HB 2562 (public retirement systems; ineligible employees)**

This law establishes a defined contribution plan for public employees who are ineligible for a state retirement system. The plan is administered by the Arizona State Retirement System (ASRS) Board, and public employees hired after the effective date of this legislation who are not eligible for ASRS or other public retirement systems are enrolled in the ASRS defined contribution plan at the employer’s option.

The defined contribution plan has the following stipulations:

- Mandatory enrollment in the plan is limited to ASRS participating employers who do not require employee participation in an alternative retirement plan or participate in a compensation agreement.
- To ensure proper enrollment of employees, employers must follow ASRS procedures and cooperate with ASRS.
- An employer must enroll an employee in the plan during a case where there is disagreement regarding the employee’s eligibility in ASRS and during the appeal process.
- At the employer’s discretion, enrollment in the plan is optional for employees who have already retired from a state retirement system or in a case where the employer and employee have entered an alternative employment agreement.
- An employer must enroll an employee in ASRS, when the employee is determined eligible, or in the plan, if the employee is determined ineligible, unless the employee is retired and the employer has opted to not participate in the plan.
- Assets in an employee’s annuity account immediately vest.
- Local boards are required to make determinations regarding employee eligibility for membership in Public Safety Personnel Retirement System (PSPRS).
- Employers participating in PSPRS must provide materials necessary to eligibility determination to the local board, including the employee’s hire date, position title and description.
- Each employee enrolled in the plan and each employer must contribute one-half of the ASRS total normal cost plus 1.5 percent of compensation into the employee’s annuity account.
- Each plan employee and employer must also contribute to the ASRS Long-Term Disability Program.

**Effective Date:** September 13, 2013
HB 2608 (EORP; closure; defined contributions)  
Chapter 217

This law closes the current Elected Officials Retirement Plan (EORP), which functions as a *defined benefit* program, and establishes the Elected Officials’ *Defined Contribution* Retirement System (EODCRS) and Disability Program. EODCRS will apply to elected officials who are elected or appointed on or after January 1, 2014, and who were not members of EORP on December 31, 2013. The Public Safety Personnel Retirement System (PSPRS) Board is responsible for the administration of EODCRS and must annually report the status of EODCRS to the Governor and the Legislature.

Here are a few of the specifics regarding EODCRS and its implementation:

- Each member must contribute eight percent of gross compensation by salary reduction, which is deposited in the member’s annuity account.
- Each employer must annually make a contribution equal to six percent of each member’s gross compensation.
- Retired members may elect to obtain group health insurance coverage through the Arizona State Retirement System but must pay the premium for the coverage selected and are not eligible for premium assistance benefits.
- EORP is available only to elected officials who were a member of the plan before January 1, 2014.
- Beginning January 1, 2014, through June 30, 2044, each EORP employer is required to make level percent compensation contributions of 23.5 percent of the compensation of all employees who are members of EORP or EODCRS to meet the normal cost plus an amount to amortize the unfunded accrued liability. This employer contribution cannot be used to pay for an increase in benefits to members.

This law also establishes an EODCRS disability program and requires all EODCRS members to participate in the disability program, with the following specifications:

- Beginning January 1, 2014, employers must contribute a percentage of the gross compensation of all the EODCRS members under their employment that is equal to the amount necessary to pay 1/2 of all benefits under the program and the costs of its administration. This amount is determined by the PSPRS Board.
- Members are required to contribute the same amount as the employer.
- Employer and employee disability contributions must be determined by the system actuary in an annual valuation.
- Eligibility for a disability benefit and the amount of the benefit is determined in the same manner as EORP disability benefits.
- Anyone who knowingly falsifies any record of the disability program with intent to defraud is guilty of a class 6 (lowest) felony.

**Effective Date:** September 13, 2013
SB 1170 (ASRS; amendments)  
Chapter 110

This law makes various changes to statutes governing the Arizona State Retirement System (ASRS), including making the statutory formulas for permanent benefit increases apply only to ASRS members whose membership began before the effective date of this legislation. The law also allows the ASRS Board to set the period of time used to determine employer contributions, rather than requiring a rolling 30-year period. When determining the period, the Board is required to seek to improve the funded status if the ASRS trust fund is ever less than 100 percent funded.

There are a number of other changes made by SB 1170, including the following: (1) information about ASRS members is not subject to inspection under public records laws, with specified exceptions; (2) a member's right to normal retirement benefits cannot be forfeited by an employer or by ASRS when the member hits his or her normal retirement date; (3) the calculations for limitations on benefits based on the age of the member when benefits commence are repealed and replaced; (4) the ASRS Board is authorized to establish a self-insurance program for group health insurance coverage for eligible retired and disabled members and their dependents, as long as the Board determines that self-insurance would be less expensive than and at least as effective as a fully insured plan. The self-insurance program must include all health coverage benefits that are required by state law; (5) beneficiaries of deceased members who are receiving a survivor benefit are added to the types of members eligible for ASRS group health insurance; and (6) beneficiaries of survivor benefits no longer have the option of receiving benefits as a monthly income for a certain number of years, but they may elect to receive the benefit as monthly income for life if the resulting monthly amount is at least a certain threshold amount determined by the ASRS Board.

This law also appropriates $200,000 from the ASRS Administration Account Fund in FY2013-14 to the ASRS for implementation. The law is effective January 1, 2014, with various sections retroactive to July 1, 2013.

Effective Date: January 1, 2014

SB 1174 (EORP; amendments)  
Chapter 111

This law makes various changes to statutes governing the Elected Officials' Retirement Plan, including the following: (1) members are prohibited from taking a loan against or removing contributions from their account prior to termination of membership or receipt of a pension; (2) members of a municipal retirement system or EORP who become a member of one or the other systems are allowed to transfer service credits, as long as specified conditions are met; (3) EORP will no longer pay part of the single coverage premium of any group health insurance premium for members who retire or become a survivor on or after the effective date of this legislation and who are then reemployed and participate in employer-provided health care coverage; and (4) the EORP Board is required to establish a separate account for health insurance premium benefits, and health
insurance premium benefits cannot exceed 25 percent of the total actual employer and employee contributions to the plan after the day the account is established.

**Effective Date:** September 13, 2013

**SB 1310 (special fund; workers’ compensation)**

This law requires the Industrial Commission of Arizona (ICA) to publish a report on the Special Fund for Workers’ Compensation (Special Fund). This report must show the amount of cash and assets held by the Special Fund that are attributable or allocated to the payment of claims of insolvent insurers as of June 30, 2013. The report must also be accompanied by a statement of actuarial opinion by an actuary and must include specified information. The report must be published at the last ICA meeting in 2013. SB 1310 also specifies that Laws 2013, Chapter 34, which modifies reciprocity for workers' compensation insurance, applies to any claim that has not been accepted as compensable or adjudicated as compensable as of the effective date of that legislation.

**Effective Date:** September 13, 2013