



# LEGISLATIVE BULLETIN

**Issue 2 – January 18, 2019**

## Legislative Overview

Today is day five of the legislative session. To date, 647 bills and 33 memorials have been introduced. The legislature will not convene on Monday in observance of Martin Luther King Jr. Day. Committee hearings in the House and Senate will resume on Tuesday.

To recap the first week of session, Monday was opening day of the 54<sup>th</sup> Legislature, 1<sup>st</sup> Regular Session and the swearing ceremony for lawmakers. Governor Ducey provided his yearly state of the state address where he outlined his priorities – ratifying the Lower Basin Drought Contingency Plan, eliminating legislative immunity, increasing investment in public education and ensuring fulfillment of last year's 20x2020 plan, and increasing the balance of the state's rainy-day fund, among others.

## Drought Contingency Plan

The governor earlier this week released the draft package of bills the legislature must approve by Jan 31 to ratify the Drought Contingency Plan or face the potential of the Bureau of Reclamation implementing its own plan. Among the draft's key provisions, it will allow the director of the Arizona Department of Water Resources to enter into the multi-state agreements and allow the reallocation of certain groundwater pumping fees during projected Colorado River water shortage years, coupled with a \$5M appropriation, for financing the construction and rehabilitation of groundwater wells and infrastructure. It also establishes an Arizona System Conservation Fund with a \$30M appropriation for contracting with Colorado River users to forgo water deliveries to address declining water levels in Lake Mead. There has not been any official action taken by the legislature to approve this plan, but we may see in the coming weeks attempts to get the plan finalized.

# State Budget

Governor Ducey unveiled his fiscal year 2020 state budget today, and we have done preliminary review of the documents to determine the impacts to cities and towns.

As a result of last year's House Bill 2166, which created a Highway Safety Fee to fund the state's Highway Patrol, the governor did not propose any further sweeps to the Highway User Revenue Fund (HURF). In last year's budget, the amount of HURF swept dropped significantly to \$15M; however, the governor's budget fully restores HURF. The full restoration should result in an additional \$7.5M combined between cities and counties, of which cities and towns will receive approximately \$4M.

The budget also creates the position of broadband director housed at the Arizona Commerce Authority that will be responsible for coordinating all State broadband planning and serve as a resource for local leaders looking to improve rural broadband connectivity. The broadband director will manage a competitive broadband grant program with \$3M set aside to offset construction costs.

Between FY20 and FY22, the budget sets aside \$130M to accelerate and expand construction of a third highway lane on the I-17 between Anthem and Black Canyon City. In addition to monies available for I-17 widening, the budget includes an additional \$10.5M for deferred maintenance to State Highways, many of which pass through Arizona cities and towns.

Finally, the budget maintains \$20,755,835 assessment to cities, towns, and counties for the Department of Revenue to administer local tax collection. Cities and towns are responsible for greater than \$14M of the assessed amount.

Here is a [link](#) to the governor's budget proposal.

## Resolutions

Each year the League's five policy committees meet after the conclusion of the legislative session to discuss various issues impacting municipalities across the state. After these issues are vetted and formally adopted by the Resolutions Committee at the annual conference, they become the basis for the League's legislative agenda and are included in the yearly Municipal Policy Statement. League staff work with legislators at the state Capitol to advocate for passage of these resolutions. To date, the following League resolutions have been introduced at the legislature:

- [HB2473 state liquor board; membership](#), sponsored by Representative Anthony Kern (R-Glendale), requires one member of the State Liquor Board to be appointed based on recommendations provided by the League to ensure there is a local perspective on Board decisions.
- [HB2365 tax credits; affordable housing](#), sponsored by Representative Ben Toma (R-Peoria), establishes a state housing tax credit that will support the development of a wide range of affordable housing projects for those that have limited income in rural and urban areas. This bill will incentivize development, benefiting our constituents by reducing the homeless population and creating new jobs for the construction, operation, and maintenance of new developments.

League staff will continue to monitor bill activity and report when the other resolutions have been introduced.

## Highway Safety Fee

Last year the legislature established the Highway Safety Fee, collected by ADOT during vehicle registrations, to fund the Department of Public Safety's Highway Patrol division. In previous years, DPS operations had been funded in part by sweeping money out of HURF, resulting in a major loss of transportation funding for cities, counties, and the state.

This practice, which had been used to balance the state's budget for many years, led to a marked deterioration of Arizona's transportation network. By establishing the Highway Safety Fee, the legislature was able to significantly reduce the HURF sweep last year and would finally be able to eliminate the HURF sweep this year for the first time. Unfortunately, SB 1001 (highway safety fee; repeal; VLT), sponsored by Sen. Michelle Ugenti-Rita (R-Scottsdale), once again threatens HURF funding by repealing the Highway Safety Fee, eliminating the new source of DPS funding and potentially leading back to annual HURF sweeps. This would be a major setback for Arizona's transportation network and the League stands opposed to any policy that would jeopardize HURF funding by not providing alternative funding for DPS.

It has been a long, hard-fought battle to restore HURF funding, which has been badly needed for many years. Repealing the Highway Safety Fee without a plan to fully fund DPS and keep HURF whole, the legislature risks doing further damage to Arizona's transportation system; a system which has already been neglected for far too long. The League is ready to support a holistic solution to the problem of DPS/HURF funding but stands in strong opposition to any plan to simply eliminate a source of funding without providing an alternative solution.