LEGISLATIVE BULLETIN

League of Arizona Cities and Towns
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Legislative Overview

Today is the 96th day of session and this week floor activity remained at a moderate pace as both chambers worked to debate, amend and vote on bills. There has been no visible movement and no certainty of when we will see the FY ’18 budget. Meanwhile, both chambers are gradually processing bills and scheduling conference committees as budget discussions continue in the House and Senate and negotiations continue with the governor.

To date, 171 bills have been passed by the legislature; 149 signed and four have been vetoed by the governor.

ABOR Proposal and State Budget

Small groups continue to meet and we continue to hear the Arizona Board of Regents’ bonding proposal remains a major sticking point. Legislators have not been receptive to the mechanism proposed in the Executive budget for a number of reasons. First and foremost, it undermines our transaction privilege tax and shared revenue systems. Additionally, as legislators start to understand the overall cost of the program, it is becoming equally concerning to them that the proposal would give universities hundreds of millions of dollars without the oversight of the legislative appropriations process.

A number of legislators seem inclined to provide additional funding for a university bonding program but are still unwilling to agree to the proposed mechanism. Local governments have no objection to the universities receiving additional revenues but also oppose the mechanism. However, until this deadlock is broken, it is unlikely a budget agreement will be reached.

We encourage you to continue to reach out to your legislative delegation about our concerns with the bonding proposal.

In other budget news, we hear that restoring some of the Highway User Revenue Funds (HURF) that has traditionally been swept to fund Highway Patrol operations remains a high priority for members. We will continue to encourage the restoration of these monies and ask that you do so as well.

CALL TO ACTION

<u>HB 2419 Now: municipal and county occupational licenses</u> would only allow cities and towns to license those professions they current regulate. Municipalities could not license any new professions without first seeking permission from the state legislature. Additionally, the bill caps fees for existing licenses indefinitely at their current level.

The representatives of the out-of-state think tank that is pursuing the legislation had never reached out to us regarding the strike-everything amendment either before or after the bill was heard in committee. With the help of the sponsor of the underlying bill, Rep. Vince Leach, R-Tucson, LD 11, we had set up our first meeting to discuss our concerns with them. Unfortunately, before we could even hold that meeting to discuss potential ways to resolve our concerns, the proponents pushed the bill through the Senate Committee of the Whole (COW).

The bill was amended in COW to add an exception that allows cities and towns to "impose an occupational fee or licensing requirement that is demonstrated to be necessary to specifically fulfill a public health, safety or welfare concern." This language is cumbersome and vague. If we have no measurable means "to demonstrate" the necessity of the regulation because if it is a new field that does not have any history in the state or city or town, it may mean we would have to allow the occupation to be unregulated for an unspecified period of time until someone is harmed. This is bad public policy.

In our disruptive economy, new technologies and occupations are being developed every day. We cannot anticipate what will emerge in the future. As amended, this bill continues to pose a danger to the public since our local officials may be powerless to protect our residents due the restrictive language.

The bill will probably be voted on in the Senate on Monday. This is our best opportunity to stop this bad legislation so please contact your legislators and ask them to vote "**<u>NO</u>**" for the following reasons:

- There has been no evidence provided to indicate we are over regulating at the local level. In fact, there is agreement that our local licensing protects the public from significant harm.
- There is no local constituency advocating for the bill.

- We cannot predict the future so we do not know what unintended consequences this bill will create.
- This bill has not had the thorough vetting it should have in order to make such a sweeping change to an important public policy.

PSPRS Reform Bills

SB1063 NOW: PSPRS; risk pool, sponsored by Sen. Debbie Lesko, R-Peoria, LD 21, received a do-pass recommendation in House Committee of the Whole on Wednesday. The bill enacts most of the final details from last year's SB 1428 that created a new Tier III for the PSPRS system. Tier III begins with public safety employees hired on or after July 1, 2017. This bill creates a single Risk Pool for Tier III PSPRS members whose plans have 250 or fewer active members and leaves those with more than 250 active members as separate plans. The bill also establishes a 50-50 contribution schedule for employees and employers for the normal costs and unfunded liability for the new tier, and requires employers to pay 100 percent of the cost for any decision that produces a deviation of more than 20 percent above the average of all employers over a 24-month period. The League supported the bill and thanks Senator Lesko for her work over the last two years in leading the reforms of the PSPRS system.

SB 1442 NOW: modifications; corrections officer retirement plan, received final approval in the Senate this week and was sent to the governor for his signature. The bill, sponsored by Sen. Debbie Lesko, R-Peoria, LD 21, deals primarily with members of the CORP (Corrections Officer Retirement Plan) but does have a provision that applies to cities and towns and their Tier I and II unfunded liability. The bill establishes 20 years as the default amortization period for the unfunded liability, but allows an employer to request an amortization period of up to 30 years by passing a resolution of the governing body and sending that resolution along with a written request for the additional amortization time, to the PSPRS Administrator. There is also a requirement to post the employer's funding ratio for each of their PSPRS plans on their public website.

Legislative Bill Monitoring

All bills being actively monitored by the League can be found here.