



Issue 20 – May 28, 2021

Legislative Update

Today is the 138th day of the legislative session. Only the 2013 regular session has continued beyond this point in the past decade, adjourning at 151 days.

With no agreed-upon budget, Governor Ducey issued a [statement](#) this afternoon, vetoing 22 measures that reached his desk. The governor indicated that the Legislature needs to focus on first passing a budget given that the end of the fiscal year is near. Until a budget is passed, the governor will not be signing any additional bills into law.

At this point, 381 measures have been signed into law. With today's announcement, a total of 27 bills were vetoed. Twelve bills are ready for Third Read in both chambers combined. 28 House bills await consideration in the Senate Committee of the Whole (COW), while 22 Senate bills are pending review in House COW.

State Budget

It was an eventful week at the Legislature as both chambers attempted to move forward and pass a budget. On Monday, both the House and Senate introduced 11 mirror budget bills, and on Tuesday, each chamber's Appropriations committee passed the measures. The effort to fast-track the budget was ultimately unsuccessful as many lawmakers could not agree on the FY 22 budget terms. Outstanding concerns remain as key legislators expressed unease over the impact of a flat tax rate on local governments. Another area of debate among Republicans is spending for the FY 22 budget, with several conservative legislators urging for less spending overall.

Though the Senate hoped to pass a budget on Thursday, at approximately 2:30 pm, they announced they would be following the House and take a prolonged recess. The House and Senate have adjourned until June 10th but may reconvene sooner if an agreement is reached before then. As of today, the House has indicated they intend to tentatively return on Tuesday to continue negotiations with the Senate and the governor.

With no agreement reached, discussions on the FY 22 budget will continue, including creating a 2.5% flat income tax. Cities and towns have worked to communicate concerns

to lawmakers about the negative impact a flat tax would have on local governments – emphasizing the need to hold cities and towns harmless by permanently increasing municipalities' share of state income tax collections.

The League met with Senate negotiators to advocate holding harmless provisions and increasing the percentage of local revenue sharing. At this point, only one thing is clear; legislative leadership heard local governments' concerns, and the proposed tax package cannot move forward as drafted. As it became clear the budget would not pass this week, House Majority Leader Ben Toma (R-Peoria) quoted as saying, "I think you can safely expect something for the cities." While the House, Senate, and Governor's office have met to discuss the path ahead, we have no indications of what that path looks like or whether it includes a flat tax or other approaches to tax cuts.

From now on, we hope that the League is involved in discussions to ensure local governments and the role we play in Arizona's economy will be considered. Thank you to local elected officials that reached out to lawmakers during this critical time to express your concerns on how a flat tax would impact your community. These efforts have made all the difference in safeguarding long-standing local revenues. We will continue to keep you apprised as events transpire.

Utility Condemnation

HB2049 eminent domain; existing contracts, sponsored by Representative Jeff Weninger (R-Chandler) was heard in the Senate Committee of the Whole and received a final vote. The amendment adopted in COW modified the bill to require cities and towns that exercise eminent domain to acquire utility infrastructure to accept all existing assets and contractual obligations related to providing utility service and financing agreements for building and extending utility infrastructure. The League opposed the underlying bill and amendment because it would have forced the taxpayers to honor contracts that provide no public benefit and risk taxpayer dollars for purely private matters, among other concerns.

However, the bill failed to pass the Senate with a vote of 12-18. We sincerely appreciate the senators who voted NO on this legislation.

Legislative Bill Monitoring

All bills being actively monitored by the League can be found [here](#).