



Issue 23 – June 25, 2021

Legislative Update

Today is the 166th day of the legislative session. With a new fiscal year less than a week away, the Legislature has spent long days that have stretched into the night debating the FY 22 budget.

State Budget

Early in the week, rumors of a tentative deal on a budget circulated in the Capitol community. For several weeks, Republican lawmakers have negotiated behind the scenes to reach an agreement on the much-debated flat tax proposal, paying down state obligations, increasing university funding and addressing losses in shared revenue to municipalities. The agreed-upon deal includes a phase-in of a 2.5% flat income tax in three different stages if specified state revenue triggers are met, pays down nearly \$2 billion in state debt and increases municipalities' share of income tax collections to offset losses deriving from the phased-in flat tax.

On Tuesday, the Senate began debate on 11 budget measures in Committee of the Whole, adopting a number of amendments. Each measure ultimately passed the chamber, with all but one bill passing on a party-line vote. Meanwhile, the House was unable to reach a quorum on Tuesday and adjourned until Thursday when all members of the Republican Caucus could be present to vote.

A floor amendment adopted to both SB 1828 and HB 2900, the mirror omnibus tax bills, increases cities and towns' share of urban revenue from 15% to 18% starting in FY 2023. The League advocated for this increase to help offset losses to local revenues due to changes in individual income tax rates that would otherwise drastically diminish city and town voter approved local revenues. Both chambers passed SB 1828 on a party-line vote. The bill, along with other budget measures, awaits transmission to the governor.

Though lawmakers are anxious to end session and adjourn sine-die, the Senate and the House have passed different iterations of the K-12 and the criminal justice budget

reconciliation bills. This means that the chambers will have to reconcile the differences next week before the bills can be sent to the governor. Both the House and the Senate are scheduled to reconvene Monday morning.

SB 1487 Expansion

A last-minute amendment to the budget expands the ability for the legislature to request the attorney general review administrative policies of local governments and, if found in violation of state statute or the Constitution, could result in state-shared revenues withheld. Rep. John Kavanagh (R-Fountain Hills) proposed the amendment, a significant expansion of SB1487 passed into law in 2016, suggesting the change is needed to combat violations of the law beyond council-adopted ordinances. However, his amendment will further set a dangerous precedent of avoiding proper courts of jurisdiction to adjudicate these fact-specific issues for an expedited prima facie review of consistency with the statute and the Constitution. This process is sudden and does not provide for proper assessments of facts, case laws, municipal charter authority, and the expansion of the law will likely overwhelm the complaint process.

Despite our attempts to convince otherwise, the House included the amendment in the larger HB2893 criminal justice; budget reconciliation; 2021-2022. The bill passed on a party-line vote, where it will proceed to the Senate for a vote. Please reach out to your senators and ask they reject this dangerous and unnecessary expansion of SB1487 that is unrelated to the state budget.

Firefighter Cancer

A floor amendment to the budget adopted establishes the Municipal Firefighter Cancer Reimbursement Fund. The fund will be housed at the Industrial Commission of Arizona (ICA) and consist of fees assessed to cities and towns by the ICA, replacing a fee currently assessed to municipalities to fund the Department of Revenue, which [SB1827](#) repeals. The fee is capped at \$15 million and is based on a city or town's population. Monies in the fund will be used to reimburse municipalities for worker's compensation paid to municipal firefighters and fire investigators for occupational cancer. The League was supportive of this effort and is glad to see this important measure move forward.

Legislative Bill Monitoring

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