



2011 Legislative Wrap-Up

After 100 days, the First Regular Session of the 50th Legislature came to a close on Wednesday, April 20, 2011 at 5:25 am.

- 1350 bills were filed
- 386 bills were passed by the Legislature
- 29 bills were vetoed by the Governor
- 357 bills were signed by the Governor

Note: The following information is a summary of key business community measures. For a complete list of GPCC tracked bills, including summaries and action taken, please visit www.phoenixchamber.com/member-benefits/public-affairs/bill-tracking.

Agriculture, Environment, and Water

- **HB 2208 (agriculture; related activities)**

GPCC Position: Support

Action: Signed by the Governor on April 25, 2011.

Overview: Expanded the list of duties of the Department of Environment Quality to include developing dust forecasts for the Maricopa County PM-10 non attainment area. The Federal Clean Air Act requires that emissions from all significant sources in areas not meeting the national ambient air quality standards be controlled through effective programs. The Agricultural Best Management Practices Committee is responsible for reducing PM-10 particulate emissions.

- **HB 2314 (state agency fees; commission)**

GPCC Position: Support

Action: Signed by the Governor on April 29, 2011.

Overview: Amended HB 2314 on the floor of the Senate to include provisions related to the Fee Commission; other provisions of the bill include the Lake Improvement Fund and the Racing Commission.

With respect to the Fee Commission provisions, the new law extends the life of the Fee Commission for an additional five years, with a new sunset date of September 2016. The Commission membership includes a combination of lawmakers, private sector members, state agency directors, and the Director of OSPB. The Commission will meet to evaluate the fee structure of various state agencies and discuss fund sweeps and if current funding mechanisms for agency programs are sustainable for the long term. The Commission will select which agencies they will evaluate each year and submit a report to the Governor and lawmakers annually.



- **HB 2312 (agriculture trust funds)**

GPCC Position: Support

Action: Signed by the Governor on April 27, 2011.

Overview: Designates existing agriculture-related funds as “trust funds” until January 2013. Use of money in the funds is restricted to the exclusive purpose for which the fund was established.

- **HB 2665 (environment; regulatory changes)**

GPCC Position: Support

Action: Signed by the Governor on April 27, 2011.

Overview: Changes various statutes that govern the operation of the Department of Environmental Quality, including the rights of a regulated person whose premises are being inspected. Mandates that if an agency alleges that a regulated person is not in compliance with licensure or regulations requirements as a result of an inspection, the agency must provide that person with a written notice of the allegation.

- **HB 2705 (waste programs; general permits; fees)**

GPCC Position: Support

Action: Signed by the Governor on April 25, 2011.

Overview: Authorizes the Department of Environmental Quality to establish a general waste program permit and fees for various waste related licenses.

HB 2705 eliminates specific fee amounts for ADEQ’s hazardous and solid waste programs and authorizes them to establish new fees by rule by September 30, 2013. Proper notice and comment period are required for the rule-making process. If ADEQ requires any additional fee increases after September 2013, they must seek that authority from the Legislature once again.

- **SB 1110 (navigable stream adjudication comm; extension)**

GPCC Position: Support

Action: Signed by the Governor on April 7, 2011.

Overview: Extends the Arizona Navigable Stream Adjudication Commission for four years, through June 2016. The Commission is a five-member body whose responsibility is to determine the ownership of the beds of each of Arizona’s 39,039 streams and rivers.

- **SB 1598 (cities; counties; regulatory review)**

GPCC Position: Support

Action: Signed by the Governor on April 28, 2011.

Overview: Establishes a “regulatory bill of rights” related to municipal and county regulations.



This bill ensures fair and open regulation by local governments. The bill will guarantee that person will receive notice regarding inspections, will receive licensing based solely upon requirements as determined by statute, and will be approved or denied for a license within the predetermined period of time set in statute. Requirements for inspections and licensing are also clarified in the bill, making the process easier to navigate.

Budget and Tax

- **HB 2008 (IRS code conformity)**

GPCC Position: Support

Action: Signed by the Governor on February 14, 2011.

Overview: Makes changes to the state's income tax laws so that they conform to the IRS Code.

- **HB 2202 (department of revenue closing agreements)**

GPCC Position: Support

Action: Signed by the Governor on April 28, 2011.

Overview: Requires the Department of Revenue to make an initial determination regarding whether a class of affected taxpayer exists. If the Department agrees that such a class exists, it must hold a hearing to rule on the nature of the misunderstanding or misapplication of the affected taxpayer.

- **SB 1160 (municipal sales tax; residential rentals)**

GPCC Position: Support

Action: Signed by the Governor on April 7, 2011.

Overview: Prohibits municipalities from imposing or increasing transaction privilege taxes on renting residential property unless the increase is approved by the voters at a regular election.

- **SB 1165 (municipal taxes; auditors and collectors)**

GPCC Position: Support

Action: Signed by the Governor on April 12, 2011.

Overview: Prohibits cities from contracting with for-profit companies for the collection and auditing of sales taxes on a contingency fee basis.

- **SB 1552 (corporate income tax; sales factor)**

GPCC Position: Support

Action: Vetoed by the Governor on April 13, 2011.



Overview: Allows a multistate service provider to elect to treat revenue from sales of services according to the state of the customer, for the purpose of calculating income tax liability.

- **SB 1609 (retirement systems; plans; plan design)**

GPCC Position: Support

Action: Signed by the Governor on April 29, 2011.

Overview: Makes various changes to Arizona's public pension systems, including changing contribution rates, pension amounts, and normal retirement dates. Establishes an alternate contribution rate for retired members of any of the plans who return to work and modifies the DROP program.

Speaker Adams and Senator Yarbrough worked with various stakeholders to craft a pension reform plan that will lead to greater stability for the state's retirement plans, which are currently underfunded at the following levels: ASRS is funded at 76.1%, PSPRS at 65.8%, CORP at 80.3%, and EORP at 66.7%. This bill makes important changes to public retirement, making the system more fair, realistic, and financially sound.

Economic Development

- **HB 2001 (commerce authority; business incentives) – Arizona Competitiveness Bill**

GPCC Position: Support

Action: Passed by the Legislature during the Second Special Session; signed by the Governor on February 17, 2011.

Overview: Establishes the Arizona Commerce Authority (and, in turn, eliminates the Arizona Department of Commerce); reduces property, business personal property, and corporate income tax assessments; and provides incentives for net new jobs created.

- Formally creates the Arizona Commerce Authority
- Provides tax credits- \$3,000/FTE (full-time employees) for 3 years for net new qualifying jobs created by companies in Arizona, capped at 400 FTE's
- Provides for R&D- 10% excess-additional credit for basic research payments made to a state university-total cap of \$10 million (effective TY 2012)
- Creates a deal closing fund
- Repeals the existing Enterprise Zone law



➤ Property Tax Assessment Ration Reductions

Class 1, commercial property		Class 2, agricultural property	
TY 2013	19.5% (down from 20%)	TY 2016	15% (down from 16%)
TY 2014	19%		
TY 2015	18.5%		
TY 2016	18%		

➤ Residential Property Tax Reform

Beginning in 2012, to take advantage of the homeowners rebate (“state aid” on tax bills), Class 3 property owners (residential property/primary residence) will be required to remit a signed affidavit stating their primary residence. The affidavit will be required every other even year.

➤ Business Personal Property Tax Reductions

The depreciation schedule is further accelerated.

Assessment	Percentage of Scheduled Depreciated Value	
Year	Current Percentages	Effective Tax Year 2012
1	30%	25%
2	46%	41%
3	62%	57%
4	78%	73%
5	94%	89%
6	DOR Schedule	DOR Schedule

➤ Increase in Personal Property Tax Exemption (TY 2011)

Increased annually to the maximum amount by the employee cost index in the two most recent years (replaces the Gross Domestic Product Cost Deflator index)

➤ Corporate Income Tax Changes

Reductions in Rate		Increase in Elective Sales Factor	
TY 2014	6.5% (down from 6.968%)	TY 2014	85% (up from 80%)
TY 2015	6%	TY 2015	90%
TY 2016	5.5%	TY 2016	95%
TY 2017	4.9%	TY 2017	100%

• **SB 1014 (procurement; in-state bidder preference) – Arizona Competitive Bidding Bill**

GPCC Position: Oppose

Action: Retained on the House COW calendar and did not receive a full House vote.

Overview: Gives preference to in-state, headquartered bidders for government contracts over out-of-state bidders and those companies that are in Arizona, but may not have a main or regional headquarters located in Arizona.



- **SB 1041 (property taxes; capital investment; new jobs) – Invest Arizona**

GPCC Position: Support

Action: Vetoed by the Governor on April 29, 2011.

Overview: Complements HB 2001.

Businesses qualifying under the Arizona Quality Jobs Incentives Program (HB 2001, Second Special Session of the 50th Legislature) may have the real and personal property of only their new investment reclassified at the Class 6 assessment rate of 5% (effectively reducing property tax by 75%) for 10 years.

- Reclassification is on new investment only.
- A consenting resolution from the local government in which the business is locating or expanding must be obtained for the business to be eligible for the property tax reduction incentive.
- After the 10 year reclassification period, the parcel that was reclassified under this program is ineligible from any future reclassification.

Health Care

- **SB 1519 (AHCCCS; termination)**

GPCC Position: Oppose

Action: Passed Senate Appropriations, but did not progress further.

Overview: Would have repealed AHCCCS (state Medicaid program), as of October 1, 2011.

- **HB 2666 (health insurance; exchange)**

GPCC Position: Support

Action: Passed House Banking and Insurance Committee, but did not progress further.

Overview: Creates the Arizona Health Insurance Exchange as required by the federal Affordable Care Act. An exchange is a new insurance marketplace intended to simplify the shopping experience for individuals and small groups by enabling consumers to purchase health insurance online. The bill would have created an Arizona-based exchange, rather than allow the federal government to develop a “one-size-fits-all” approach, and would incorporate competitive, free-market principles into the exchange, offering consumers a variety of choices.

- **SB 1590 (employers; group insurance pooling)**

GPCC Position: Oppose

Action: Passed the Senate; held in the House Banking and Insurance Committee.

Overview: Authorizes two or more employers to enter into contracts or agreements to establish a health benefits plan or to pool their risks for coverage of health care services.



The Chamber was concerned about the bill because it allowed two or more employers to enter into contracts or agreements to establish a nearly unregulated health benefits plan or pool; would leave consumers engaging in the insurance pool without vital protections to ensure their claims are paid and their contracts are honored (currently, they are offered protections when dealing with private insurance); and would have created an unlevel playing field between insurers, which are subject to the stringent regulations of title 20, and these insurance pools, which are subject to virtually no regulation.

- **SB 1591 (health insurance claims; info; disclosure)**

GPCC Position: Oppose

Action: Passed the Senate; passed the House with amendments; bill died in conference committee process.

Overview: Requires health insurance issuers to provide detailed claims information, including employee-specific health information, at an employer's request.

The Chamber was concerned about the bill because it endangered employee medical privacy by allowing employers access to details of an employee's medical condition, including specifics about diagnoses, course of treatment and prognosis; provided a small group with detailed claims information, without giving the employer an accurate depiction of the pooled group as a whole, which is what rates are primarily based upon; and mandated insurers to provide claims information that requires a time consuming, expensive, manual process.

- **SB 1593 (health insurance; interstate purchase)**

GPCC Position: Oppose

Action: Vetoed by the Governor on April 28, 2011.

Overview: Allows a health insurer from another state to do business in Arizona without an Arizona-issued license if it is subject to the jurisdiction of another state's insurance department.

The Chamber was concerned about the bill because it would leave Arizona consumers, who purchase insurance from a carrier from another state, with no recourse if they have problems with their insurance coverage because the Arizona Department of Insurance has limited jurisdiction over out-of-state insurers and it created an unlevel playing field by exempting out-of-state insurers from all Arizona benefit mandates and various regulatory requirements that in-state carriers must abide by.

Workforce

- **HB 2167 (dangerous drugs; definition; synthetic)**

GPCC Position: Support

Action: Signed by the Governor on February 18, 2011.



Overview: Includes forms and components of synthetic marijuana on the list of “dangerous drugs.” Prior to the passage of this bill, the Drug Enforcement Agency issued a temporary ban on such substances.

- **HB 2541 (medical marijuana; employer monitoring)**

GPCC Position: Support

Action: Signed by the Governor on April 29, 2011.

Overview: Defines the terms *safety-sensitive positions* and *current use of drugs*, and creates a more robust definition of *impairment*. Allows an employer to take action against an employee based on the good faith belief that an employee had an impairment or used or possessed any drug while on the employer’s premises or during the hours of employment. Allows an employer to exclude an employee from performing a safety-sensitive position based on the good faith belief that an employee is engaged in the current use of any drug, whether legal, prescribed by a physician or otherwise, if the drug could cause an impairment or decrease the employee’s job performance or duties. Permits an employer to use the medical marijuana verification system to verify a registry identification card that is provided to the employer by an employee or applicant.

- **HB 2619 (unemployment insurance; special assessment)**

GPCC Position: Support

Action: Signed by the Governor on April 25, 2011.

Overview: Establishes a special assessment to meet federally imposed unemployment insurance trust fund obligations.

The increased number of unemployment insurance claims has placed a tremendous strain on the state’s Unemployment Insurance Trust Fund, forcing the state to take a loan from the federal government in order to pay unemployment benefits to claimants. The loan plus accrued interest must be repaid, per the agreement with the federal government. The new law provides for a temporary, two-year assessment – starting this calendar year – on unemployment insurance, allowing for the repayment of the loan and interest, as well as to help stabilize the Trust Fund. In 2011, a 0.4 percent assessment will be applied to the first \$7,000 of taxable wages of each employee, amounting to \$28 per employee. The assessment will sunset after December 31, 2012.

- **SB 1201 (firearms omnibus)**

GPCC Position: Moved from Oppose to Neutral once the private property rights issues were addressed by the bill proponents.

Action: Vetoed by the Governor on April 29, 2011.



Overview: Permits possession of a firearm on school grounds if it is carried in a means of transportation under the control of an adult and it is not visible from outside the locked vehicle. Permits the state or an agency of the state to prohibit firearms in a public establishment if certain requirements are met. Modifies the definition of *public establishment* and expands the definition of *political subdivision* to include community colleges and universities. Private property was amended out of the bill, as were public establishments when they are used by private entities.

- **SB 1363 (employer protections; labor relations)**

GPCC Position: Support

Action: Signed by the Governor on April 18, 2011.

Overview: Prohibits unlawful picketing, trespassory assembly, unlawful mass assembly, defamation, and concerted interference with lawful exercise of business activity.

- **SB 1365 (paycheck deductions; political purposes)**

GPCC Position: Support

Action: Signed by the Governor on April 26, 2011.

Overview: Prohibits public and private employers from deducting any payment from an employee's paycheck for political purposes, unless the employee provides written authorization for the deduction.

- **SB 1403 (public contracts; unions)**

GPCC Position: Support

Action: Signed by the Governor on April 6, 2011.

Overview: Prohibits state agencies and political subdivisions from requiring public works contracts to contain provisions that require the employment of union members.

Immigration

- **SB 1308 (birth certificates; citizenship; interstate compact)**

GPCC Position: Oppose

Action: Failed to pass Senate.

Overview: Authorizes the Governor to enter into a compact with other states to make a distinction in birth certificates. Each state in the Compact would be required to make a distinction in birth records between those "born subject to the jurisdiction of the United States," and those "not born subject to the jurisdiction of the United States." The bill defines "subject to the jurisdiction of the United States" as a person who is the child of at least one parent who owes no allegiance to any foreign sovereignty, or a child without



citizenship or nationality in any foreign country. The compact would not take effect until the U.S. Congress has given its consent. Proponents of the bill were trying to incite a lawsuit for the courts to address the 14th Amendment of the US Constitution.

- **SB 1309 (Arizona citizenship)**

GPCC Position: Oppose

Action: Failed to pass Senate.

Overview: Defines citizenship for Arizona and served as a companion to SB 1308.

- **SB 1405 (immigration status; hospital admissions)**

GPCC Position: Oppose

Action: Failed to pass Senate.

Overview: Requires a hospital admissions officer or representative to confirm, at some point during the course of admission or treatment for emergency or nonemergency medical care, that the person is a citizen, legal resident, or lawfully present in the United States, if the person cannot provide valid health insurance information. Annual compliance reports are required. This bill is incompatible with the federal Emergency Medical Treatment and Labor Act, which requires hospitals to provide an examination and stabilizing treatment to any patient that needs emergency medical care.

- **SB 1407 (schools; data; noncitizen students)**

GPCC Position: Oppose

Action: Failed to pass Senate.

Overview: Requires the Arizona Department of Education (ADE) to collect data from school districts on populations of students who are enrolled and who cannot prove lawful residence in the United States (U.S.). The report must include research on the adverse impact of the enrollment of students who cannot provide proof of lawful residence in the U.S. and a detailed estimate of the total cost to the taxpayers for the education of students who are not U.S. citizens, including a separate detailed estimate of the total cost to taxpayers for the education of students who cannot prove lawful residence in the U.S. The Superintendent may withhold a school district's apportionment of state aid if the Superintendent determines that the school district is not in compliance with this legislation.

- **SB 1490 (illegal alien; food service workers)**

GPCC Position: Oppose

Action: Passed the Senate; bill was never heard in a House committee.



Overview: Prohibits counties from issuing a food service worker card to an individual who does not provide documentation of citizenship or lawful alien status.

- **SB 1611 (immigration omnibus)**

GPCC Position: Oppose

Action: Failed to pass Senate.

Overview: Changes eligibility for public benefits, increases penalties for using a false identity, makes it illegal for an alien to operate a motor vehicle, requires citizenship information from K-12 schools and colleges, removes licenses from businesses not participating in E-Verify, and requires proof of legal status for public housing.

This bill was opposed because it used the Legal Arizona Workers Act and SB 1070 as the base point from which these provisions were created. The legality and constitutionality of the aforementioned laws are currently being challenged by the courts.

Workers' Compensation

- **HB 2476 (workers' compensation; certain diseases; exposure)**

GPCC Position: Neutral

Action: Signed by the Governor on April 28, 2011.

Overview: Expands the prima facie statute for MRSA by extending the period that an individual can report an exposure and diagnosis.

- **HB 2584 (workers' compensation; directed care)**

GPCC Position: Support

Action: Signed by the Governor on April 13, 2011.

Overview: Current statute permits a private, self-insured employer to create a medical network for injured workers to receive care; a self-insured government is not currently permitted to do so. HB 2584 creates a two-year pilot program to allow the AZ County Insurance Pool and one self-insured city above 150,000 persons to direct care.

- **HB 2616 (workers' comp; controlled substances)**

GPCC Position: Support

Action: Signed by the Governor on April 29, 2011.

Overview: Expands the duty of the prescribing physician to justify the continued use of narcotics in workers' compensation cases.



- **HB 2617 (workers' comp; settlement of claims)**

GPCC Position: Support

Action: Signed by the Governor on April 18, 2011.

Overview: Allows the insurance carrier or employer and the injured worker to agree to a final settlement and release of a claim for undisputed entitlement to supportive medical maintenance benefits after the period of temporary disability is terminated by a final notice of claim status or award of the ICA.

- **SB 1102 (state compensation fund; conforming changes)**

GPCC Position: Support

Action: Signed by the Governor on April 18, 2011.

Overview: When legislation was passed last year to allow the State Compensation Fund (SCF) to transition into a private mutual insurance company, follow up legislation was needed to remove references to SCF in statute. One such section of law set forth how self-insured employers pay an in lieu tax/fee to the Industrial Commission. It is currently based on one of the policies written by SCF. An agreement was reached with the Industrial Commission to codify, through 2015, that the in lieu tax would be based on the base NCCI/ADOI rate, with a deviation of 10 percent (this is the deviation rate that has been filed by SCF for the past 8 years). This language will keep the tax rate for self-insured's stable through calendar year 2015. However, a longer term solution still needs to be determined.

- **SB 1264 (workers' compensation; reasonable accommodations)**

GPCC Position: Support

Action: Signed by the Governor on April 29, 2011.

Overview: Protects employers from being penalized when they provide a reasonable accommodation to an employee, pursuant to the Americans with Disabilities Act Amendment Act, to allow an employee to return to work after an injury. Also requires that all new presumptions of compensability go through the sunrise process.