



# City Council Report

**Date:** June 18, 2018  
**To:** City Council  
**From:** Scott Butler, Deputy City Manager  
**Subject:** 2018 Legislative Report  
53<sup>rd</sup> Legislature, Second Regular Session

## **Purpose and Recommendation**

The purpose of this report is to provide the City Council with an overview of the major legislative issues that impacted cities and towns during the 2018 legislative session.

## **Background**

The 2018 53<sup>rd</sup> Arizona State Legislature, Second Regular Session convened on Monday, January 8, 2018 and adjourned sine die on Thursday, May 4, 2018 at 12:26am. Highlights of the 2018 session include the passage of the Opioid Epidemic Act, the extension of Proposition 301, and a 20-percent teacher pay raise by the school year 2020. Of the 1,206 bills introduced, the legislature passed 369 pieces of legislation and Governor Ducey signed 346 bills into law and vetoed 23 bills. Nearly 23 percent of the 346 bills signed by the Governor affect cities and towns. The general effective date for bill enactments is August 3, 2018, unless otherwise stated.

## **Legislative Activity**

### **STATE BUDGET AND STATE SHARED REVENUE**

Governor Doug Ducey signed a package of bills passed by the Legislature to enact a \$10.4 billion budget for FY2019. The state budget is expected to have an ending cash balance of \$240 million and a structural balance of \$150 million.

#### ***State Shared Revenue***

The FY2019 budget did not include any changes to State Shared Revenue.

#### ***Department of Revenue (DOR) Operations fee***

Cities and towns continue to pay its proportionate share of \$20.8 million to cover the cost of service the Arizona Department of Revenue provides to local governments. Mesa's cost for FY18/19 is estimated to be \$1.1 million.

### ***Highway User Revenue Fee (HURF)***

The budget bills did include provisions that reduce the amount of HURF used to fund the Department of Public Safety (DPS) and replace it with monies from the new Highway Safety Fee (see HB 2166). The Highway Safety Fee is estimated to generate \$91 million in VLT for FY19 to fund DPS. The HURF sweep is reduced from \$99 million in FY18 to \$15 million in FY19. Of the \$84 million, \$42 million goes to cities, towns and counties and \$42 million to the State Highway Fund. Of the \$42 million that is distributed to cities, towns and counties, \$30 million goes to cities, towns and counties with the same one-time formula used last year (\$14.4 million to cities distributed the same as one-time HURF last year). The additional \$12 million is distributed to cities, towns and counties through the existing HURF formula. Overall, cities and towns will receive a slight increase in HURF dollars over last year.

## **BUSINESS SERVICES**

### **SB1392/HB2479 TPT; digital goods and services (Sen. Fransworth/Rep. Ugenti-Rita)**

Status: **FAILED TO PASS.**

SB1392 and HB2479 were companion bills introduced in both the Senate and the House which would have had a significant negative impact on tax collections at all levels of government in Arizona. Specifically, the bills proposed eight new tax exemptions on digital products, streaming services, online software, data centers, etc. from TPT or TPP. The Arizona League of Cities and Towns estimated an annual revenue reduction to the state by \$120 million, cities/towns by \$48 million, and Proposition 301 \$14.5 million. The City of Mesa opposed the bill as it was estimated to have a negative financial impact of \$4 million per year.

### **SB 1409 TPT; prime contracting; alteration; replacement**

Status: **PASSED.** *The Governor signed the bill on May 16, 2018.*

SB 1409 modifies the definition of “alteration” for the purposes of prime contracting classification of transaction privilege taxes. Effective January 1, 2019.

### **HB 2532 occupational regulation; municipalities; counties; hearings**

Status: **PASSED.** *The Governor signed the bill on May 16, 2018.*

HB 2532 prohibits counties and municipalities from imposing any new occupational licensing requirements on any occupation, trade or profession unless it is necessary for the public health, safety or welfare. HB 2532 further requires counties and municipalities to conduct at least one public hearing to impose a new occupational licensing requirement and states that an occupational licensing requirement in effect on the effective date of the bill is required to terminate five years after its adoption unless the county or municipality continues the requirement by following this process at least three months before the requirement expires.

## **ECONOMIC DEVELOPMENT**

### **HB 2126 Government Property; abatement; slum; blight (Rep. Leach)**

Status: **PASSED.** *The Governor signed the bill on April 17, 2018.*

HB 2126 makes numerous changes to the Government Properly Lease Excise Tax (GPLET) statutes. Specifically, the bill modifies the maximum size of a Central Business District from 5% of the total land area of the municipality to the greatest of 2.5% of the total land area of the municipality, 960 acres, or the total land area of an existing central business district as of January 1, 2018. Additionally, municipalities are required to review any area within its boundaries that has been designated as slum and blighted for over ten years and to renew or terminate the designation within one year of the effective date of the bill. The City of Mesa worked with the sponsor and proponents of the bill to find consensus language agreeable to all the stakeholders. The City of Mesa ultimately took a neutral position on the bill once our major concerns were addressed, including the amendment language to grandfather Mesa's recently expanded Central Business District.

## **PUBLIC SAFETY**

### **HB 2208 prohibition; photo radar (Rep. Grantham)**

Status: **FAILED TO PASS.**

HB 2208 prohibits municipalities from using a photo enforcement system to identify violators of traffic control devices and speed regulations. The bill narrowly passed the House with a 31-27 vote but failed to receive a hearing in the Senate.

### **HB 2502 s/e public safety; traumatic event counseling (Rep. Boyer)**

Status: **PASSED.** *The Governor signed HB 2502 on April 23, 2018.*

HB 2502 expands the number of licensed counseling visits authorized in the traumatic event counseling program from 12 to 36 if a licensed mental health professional determines that a peace officer or firefighter needs the additional visits. The employer is required to pay for the additional visits and is prohibited from requiring a peace officer or firefighter who is receiving mental health treatment under the program to use his/her accrued paid vacation, personal leave or sick leave to attend a treatment visit. If it is determined that the peace officer or firefighter is not fit for duty while receiving treatment under the program, the employer is required to ensure that the employee has no loss of pay and benefits for up to 30 calendar days per incident if a list of specified circumstances apply. HB 2502 also requires the state and political subdivisions to compile a list of specified data on program participation and submit the data by September 1 of each year, beginning with 2019, to the Department of Administration. By October 1 of each year, the Dept is required to compile the data into a report and submit the report to the Governor and the Legislature. The City of Mesa supported HB 2502, following a successful stakeholder process that addressed our primary concerns.

## **REGULATORY REFORM**

### **HB 2371 mobile food vendors; state licensure (Rep. Payne)**

*Status: **PASSED.** The bill was signed by the Governor on May 14, 2018.*

HB 2371 establishes a state licensing scheme, minimum food safety regulations and inspection standards for food truck vendors to be administered by the Department of Health Services and county health departments. Municipalities and other taxing jurisdictions are authorized to levy a transaction privilege, sales, use or other similar tax or fee on a person engaging in business as a mobile food vendor if the adopted tax meets a list of specified requirements. Counties with a population of more than 500,000 persons and municipalities with a population of more than 50,000 persons are required to make mobile food vendor business license applications available online and cannot require a mobile food vendor to apply in person. HB 2371 was amended to address several municipal concerns including the unrestricted use of public property and timeframes for operation on private property.

### **SB 1140 s/e video service; certificate of authority (Sen. Griffin)**

*Status: **PASSED.** The bill was signed by the Governor on May 16, 2018.*

SB 1140 states that the licensing of video service providers and the use of video service are of statewide concern and are not subject to further regulation by a local government except as specifically provided in statute. The bill establishes a uniform video service license, which is issued by the city, and allows cable companies to terminate existing cable franchise license agreements for the uniform license after January 1, 2020. Cities and Towns must adopt a standard uniform video service license agreement and application for the uniform license by July 1, 2019. SB 1140 also requires the Office of Administrative Hearings to oversee license-related disputes, including disputes regarding license fees.

## **TRANSPORTATION**

### **SB 1147/HB 2162 county transportation excise tax; reauthorization (Sen. Worsley)**

*Status: **FAILED TO PASS***

SB 1147/HB 2162 were companion bills introduced in both the Senate and the House that would have authorized the county board of supervisors with a population of 400,000 or more to conduct a countywide election to approve the extension of the countywide transportation excise tax. The bill also authorized the county board of supervisors of a population less than 400,000 to submit to the voters a transportation plan funded by an excise tax that is in addition to a county transportation excise tax.

**HB 2514 HURF distribution; cities; towns; counties (Rep. Cook)**

Status: **FAILED TO PASS.**

HB 2514 would have changed the HURF distribution formula by allocating \$18m to counties below a population of 215,000 and cities with a population under 7,500. The \$18m shift, by statute, would have been allocated prior to the calculation of individual shares, resulting in an approximate \$400,000 reduction in HURF revenues for the City of Mesa if the bill had passed. HB 2514 passed the House by a 36-20 vote but failed to move to the Senate floor for a vote.

**SB 1146/HB 2166 vehicle fees; alternative fuel VLT (Sen. Worsley/Rep. Campbell)**

Status: **PASSED.** *The Governor signed HB 2166 on April 25, 2018.*

SB 1146/HB 2166 were identical bills introduced in both the Senate and House, which established a highway safety fee in an amount to be determined by the Director of the Department of Transportation annually. The bill provides the Department of Public Safety (DPS) a dedicated funding source, in lieu of sweeping the Highway User Revenue Fund, by permitting the director of the Arizona Department of Transportation (ADOT) to establish a highway safety fee to fund 110% of the highway patrol budget. Alternative fuel vehicles currently receive a near exemption for registration fees, only requiring owners to pay basic registration processing charges to ADOT.

**MISCELLANEOUS**

**SB 1465 sober living homes; licensure (Sen. Brophy McGee)**

Status: **PASSED.** *The bill was signed by the Governor on April 11, 2018.*

SB 1465 establishes a state-wide licensing system for sober living homes under the Arizona Department of Health Services (DHS). The bill restricts a person from establishing or maintaining a sober living home unless the person is licensed by the DHS and is subject to a civil penalty of up to \$1,000 for this requirement. A sober living home that is certified by a national certifying organization is authorized to operate in Arizona using the certification in lieu of licensure until two years after the Dept has notified the certifying agency that licensure under this legislation has been implemented. Repeals statutes authorizing counties and municipalities to adopt standards for structured sober living homes 90 days after the date that DHS finalizes rules for sober living home licensure.

**HB 2500 real estate signs; cities; counties (Rep. Grantham)**

Status: **FAILED TO PASS.**

HB 2500 prohibits counties and municipalities from banning real property owners or the owner's agent from displaying a sign on the property and/or in an area within a public or private right-of-way, advertising that the property is for sale or rent, an open house, the owner or agent's name and contact information, and directions to the property. HB 2500 passed the House by a 39-20 vote but never made it to the Senate floor for a vote.

**HB 2304 public buildings; omnibus (Rep. Campbell)**

Status: **PASSED.** *The bill was signed by the Governor on April 10, 2018.*

HB 2304 makes various changes to statutes related to procurement of professional services for public buildings. HB 2304 is retroactive to June 30, 2018.

**HB 2461 zoning regulations; private schools (Rep. Campbell)**

Status: **PASSED.** *The bill was signed by the Governor on March 27, 2018.*

HB 2461 prohibits counties and municipalities from adopting or enforcing a land use regulation that requires the property on which a nongovernmental primary or secondary school operates to be larger than one acre.