

SIGNIFICANT LEGISLATIVE ENACTMENTS

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President of the Senate**

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APPROPRIATIONS COMMITTEE

general appropriations (H.B. 2001) - Chapter 1 - Eighth Special Session

NOTE: H.B. 2001, which was identical in all respects, was substituted for S.B. 1001 at third reading.

Appropriates a total of \$4,128,033,400 from the state general fund and \$667,642,300 from other funds in FY 1994-1995 for the support and operation of state agencies as follows:

<u>Operating Budgets by Functional Area</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>All Funds</u>	<u>Functional%</u>
General Government	\$247,591,000	\$162,115,700	409,706,700	8.54
Health & Welfare	1,084,304,600	29,871,400	1,114,176,000	23.23
Inspection & Regulation	34,574,000	41,179,700	75,753,700	1.58
Education	2,323,100,800	153,266,800	2,476,367,600	51.64
Protection & Safety	408,637,300	67,145,300	475,782,600	9.92
Transportation	73,800	194,740,700	194,814,500	4.06
Natural Resources	29,697,800	19,281,200	48,979,000	1.02
Misc/Unallocated	54,100	41,500	95,600	0.00
TOTAL	4,128,033,400	667,642,300	4,795,675,700	100.00

Designates a total of \$46,500,000 from the state general fund and other funds for state employees salary and health insurance adjustments, of which no more than \$40,700,000 shall come from the general fund.

Appropriates \$3,000,000 from the state general fund to DOA for a special cost adjustment for certain contracted services. These adjustments shall be applied to DYTR, DES, DHS and Arizona judiciary probation services for increasing provider employee salary and wages wherever possible. Requires the Health and Welfare Subcommittees of the Appropriation Committees to report to the Speaker and the President by January 1, 1995, the expenditure of these monies. Also requires the departments receiving these monies to track and report to the speaker and the president by October 1, 1994, the expenditures of these monies.

Appropriates to the budget stabilization fund any general fund balance in excess of \$160,700,000 as of the end of FY 1993-1994.

Appropriates to the budget stabilization fund any FY 1994-1995 ending general fund balance in excess of the combined total of the forecast balance of \$107,200,000 and the appropriation required by the education ORB (see H.B. 2003, 8th Special Session) of up to \$53,500,000 to basic state.

Prorates a \$4,444,000 reduction in risk management premiums across state agencies, including a \$3,000,000 reduction in the risk management allocation from the state general fund. Appropriates a total of \$44,400 from funds of self-supporting regulatory agencies (90/10 agencies) for adjustments related to employee expenditures and risk management premiums.

Expresses that it is legislative intent to require reporting of actual, estimated and requested expenditures consistent with historical format from all agencies receiving lump sum appropriations.

Makes all FTE's subject to appropriation, and requires the Department of Administration to develop systems to account for use of all appropriated FTE's and to assure that authorized appropriation levels are not exceeded.

Appropriates a total of \$74,200 from the general fund and other funds, of which not more than \$49,800 shall be from the general fund, for additional lease-purchase payments for properties acquired for state office spaces. Appropriates a total of \$21,400 from the general fund and other funds, of which not more than \$4,300 shall be from the general fund, for additional rent of state-owned space at 1400 W. Washington, and associated costs.

capital outlay (H.B. 2002) - Chapter 2 - Eighth Special Session

Appropriates \$30,359,000* from the general fund and \$217,292,800 from other funds in FY 1994-1995 for planning, building renewal and other capital outlay projects.

Exempts all appropriations other than those related to certain tenant improvements from lapsing until the purpose for which the appropriation made is accomplished, unless no expenditures or encumbrances are made by July 1, 1995 at which time they revert.

Summary of Capital Outlay Appropriations

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Fund</u>
<u>Building Renewal:</u>			
ADOT		\$1,149,100	\$1,149,100
AZ Coliseum Bd.		636,500	636,500
Game & Fish		109,800	109,800
Lottery Comm.		11,500	11,500
Subtotal:	\$ 0	<u>\$1,906,900</u>	<u>\$1,906,900</u>
<u>Capital Projects:</u>			
DOA	\$9,035,300	\$16,804,700	\$25,840,000
Bd. of Regents	13,602,400		13,602,400
ADOT		198,213,600	198,213,600
AZ Historical	272,000		272,000
DPS	480,000		480,000
DYTR	30,000		30,000
Game & Fish		300,000	300,000
DES	268,500		268,500
DHS	30,000		30,000
Lottery Comm		67,600	67,600
Navajo C.C.	<u>200,000</u>		<u>200,000</u>
Subtotal:	<u>23,918,200</u>	<u>215,385,900</u>	<u>239,304,100</u>
GRAND TOTAL:	\$23,918,200*	\$217,292,800	\$241,211,000*

* Note: The general fund and total fund amounts are less than the appropriated amount because of an interfund transfer of \$6.4 million from the general fund to the corrections fund. An additional \$7.0 million of \$13.4 million earmarked for construction projects will be transferred from the general fund to the corrections fund in FY 1995-1996.

education; omnibus budget reconciliation (H.B. 2003) - Chapter 3 - Eighth Special Session

NOTE: H.B. 2003, which was identical in all respects, was substituted for S.B. 1003 at third reading.

Retracts the three year transfer of financial responsibility for the career ladders program to participating districts and freezes respective state-local financial responsibility for the program at a ratio of 2:1.

Sets the school district growth rate for FY 1994-1995 at 2.0 per cent and requires transfer to the classroom improvement fund. Specifies that monies in the classroom improvement fund are intended for use in the classroom for textbooks, library books, computers and computer software and related subject matter and instructional aids. Authorizes the use of monies in the fund for maintenance and operation but prohibits their use to supplant existing monies or for salary or benefit increases of currently employed personnel whose duties have not changed. Requires maintenance of effort in the capital outlay section of the fiscal year 1994-1995 budget based on the fiscal year 1993-1994 capital outlay amount prorated by student count. Authorizes exemption from this provision for districts which document hardship to the State Board of Education.

Requires any cash balance remaining in the classroom improvement fund on June 30, 1995 to be used to reduce school district taxes for fiscal year 1995-1996 unless monies are placed in the reserve of the capital outlay fund.

Requires the State Board of Education to reduce the June, 1994 apportionment of basic and additional state aid to districts required by section 15-973 by \$53,500,000, effectively reducing the "rollover" by \$89,000,000 for FY 1993-1994.

Appropriates for FY 1993-1994 any ending general fund balance in excess of the forecast balance of \$107,200,000 up to a total of \$53,500,000 for basic state aid. Appropriates for FY 1994-1995 any general fund revenues in excess of the revenue forecast of \$4,237,100,000 up to a total of \$53,500,000 for basic state aid, provided that any monies appropriated pursuant to this provision and the preceding provision in combination do not exceed \$53,500,000.

Requires JLBC and OSPB to present revised forecasts of general fund revenue and year end balance to the State Treasurer by June 9, 1995. This is to be used for certification of the amount of estimated revenues in excess of \$4,237,100,000 that is the basis for determination of the appropriations in excess of projected year-end balance and general fund revenues required by the preceding provisions.

Requires the State Board of Education to reduce the June 15, 1995 apportionment of basic and additional state aid to districts by \$53,500,000 minus any appropriations required in excess of projected year-end balance and estimated general fund revenues required by the preceding provisions. Appropriates in FY 1995-1996 for basic state aid for fiscal year 1994-1995 that amount which when added to appropriations in excess of year-end balance and estimated general fund revenues required by the preceding provisions equals \$53,500,000.

States that it is the intent of the legislature that the final deferral of basic state aid occur in FY 1994-1995.

Eliminates interest payments on deferred state aid to districts.

Exempts the Arizona state schools for the deaf and blind from participation in the state motor vehicle fleet.

Preempts statutory funding formulas for operating state aid, capital outlay and equalization aid for community college districts by the amounts appropriated in the general appropriations act for FY 1994-1995.

appropriations adjustments; 1993-1994 fiscal year (H.B.2006) - Chapter 6 - Eighth Special Session

Makes supplemental appropriations for FY 1993-1994 of \$163,810,900 and \$9,893,738 from the general fund and other funds respectively.

Increases AHCCCS total expenditure authority by \$21,866,900 of which \$5,210,300 is appropriated from the general fund and \$16,656,600 is federal funding. Increases the DES-AHCCCS expenditure authority by \$4,802,500 comprised totally of federal funds.

Increases disproportionate share payments for county hospitals to \$83,191,700 (v. \$71,675,100 in FY 1994); for ASH disproportionate share \$10,258,400 (v. \$8,838,300 in FY 1994); other hospitals \$12,300,900 (v. \$10,598,000 in FY 1994); for in-lieu payments \$1,641,900 (v. \$1,414,600 in FY 1994). Increases the minimum in-lieu disproportionate guarantees for counties of five hundred thousand persons or less to \$195,700 (standard) and \$97,800 (additional) from \$168,600 and \$84,300 respectively.

Includes footnote which requires that monies appropriated for Children's Behavioral Health Services shall be restricted to provide services for non-Title XIX children, unless a transfer of monies is approved by JLBC.

Appropriates \$89,000,000 in FY 1993-1994 to reduce the K-12 deferral of basic state aid ("the rollover") and eliminates payment of interest on the deferral of apportionment of basic state aid and additional state aid to school districts for FY 1993-1994.

Appropriates \$42,000,000 to the Budget Stabilization Fund for FY 1993-1994.

Exempts from lapsing the \$2,000,000 appropriation from the Criminal Justice Enhancement Fund for the Arizona fingerprint Identification Network, permitting DPS to pay cash for the System's acquisition in-lieu of lease-purchase financing.

Increases the FY 1993-1994 appropriation to the Department of Youth Treatment and Rehabilitation by \$2,663,900 to meet the requirements of the Johnson vs. Upchurch consent decree.

Strikes authority for use of up to one-half the monies in the State Parks Enhancement Fund in FY 1993-1994 for capital improvement projects recommended by the state parks board.

Extends authority to the Governor to authorize an additional \$1,720,600 for FY 1993-1994 without consent of the Wild Land Fire Emergency Council to offset expenses incurred with an increased number of fires in the summer of 1993.

Appropriates \$3,974,600 to the Arizona Lottery Commission for initial expenses associated with the Powerball multistate lottery.

BANKING AND INSURANCE COMMITTEE

insurance fraud unit (S.B. 1071) - Chapter

Creates a fraud unit in the Department of Insurance to begin operation on July 1, 1994, to investigate insurance fraud committed against any entity licensed by the Department. Repeals the fraud unit as of June 30, 1999.

FRAUD UNIT ACTIVITIES

Allows insurers to report suspected acts of fraud to the director. Provides the director power to investigate suspected acts of fraud. Grants confidentiality to fraud unit materials during an ongoing investigation. Requires the Department to submit an annual report to the Legislature beginning in 1996.

FUNDING

Requires the department to charge each covered insurance entity an initial fee of \$500.00; appropriates to the Department the lesser of \$750,000 or the amount collected. In subsequent years, the Director is required to assess the insurance entities up to \$500.00 for deposit in the general fund; further requires the Director to annually revise the amount of the assessment so that the total amount collected equals at least 95 percent but not more than 110 percent of the prior year's fraud unit budget.

PENALTIES

Prescribes that anyone who knowingly provides an insurer false information dealing with an insurance claim is guilty of a class six felony. Protects from liability a person acting without malice who provides information to the fraud unit.

escrow agents (S.B. 1231) - Chapter

Addresses five primary areas concerning escrow agent regulation and protection of escrow accountholders. The areas are as follows:

- **examinations and audits of escrow companies**: Increases the number and scope of Banking Department examinations and private audits of escrow companies, and also increases the role of the escrow company's board of directors in responding to the examinations.
- **licensing of escrow companies**: Adds to the criteria on which the Banking Superintendent may refuse to license an escrow agent, or may suspend or revoke a license.
- **escrow agents' responsibilities**: Specifically defines escrow agents' duties as fiduciary, and places a fiduciary duty on the agent's employees, directors and officers who have actual knowledge of misapplication of escrow funds. The bill also mandates certain disclosures by the escrow agent to its customers, and requires disclosure to the Banking Department of returned checks and overdrafts on escrow accounts.
- **recovery fund**: Increases funding by changing the formula on which contributions are calculated and by changing standards for determining the fund cap. (The recovery fund continues to be funded by the industry.)
- **payment of claims**: The recovery fund is structured so that it pays claims that are not covered by the general assets of the company as marshaled by the receiver. Under present law, all general creditors have the same rights to the general assets; the bill sets priorities among those claims. Also under present law, no claims can be paid to account holders who have suffered losses until a receivership is concluded and the court orders payment. The bill, however, allows for expedited treatment of up to \$2,500 of any claim.

COMMERCE AND ECONOMIC DEVELOPMENT COMMITTEE**administrative procedure; rule making (S.B. 1236) - Chapter**

This act makes numerous revisions to the administrative procedures act. The changes affect the Arizona Administrative Register, the Governor's Regulatory Review Council (GRRC), the Attorney General's Office and delegation agreements between state agencies and political subdivisions.

Modifications to the Arizona Administrative Register (Register)

Requires a Notice of Docket Opening to be published in the Register for all rules subject to the administrative procedures act, excluding summary and emergency rules, and eliminates the requirement that agencies maintain a list of persons requesting a notice of the rule making docket and the requirement that agencies mail a notice to those persons. Also requires publication in the Register of all open meetings and hearings on rules which are proceeding through the rule making process.

Requires the full text of proposed and final rules, as well as rules exempt from the administrative procedures act, to be published in the Register, and that supplemental notices of repropoed rules and summary rules also be published. Requires that a preamble be published in the Register for all proposed and final rules, including summary and emergency rules.

In addition, requires that GRRRC action on all adopted and summary rules be published in the Register. Requires that the publication of significant agency guidance documents and policy decisions be identified in the Register.

The Rule Making Process

Provides for informal public input on rules before they are formally proposed, and moves the formal agency hearing of a proposed rule ahead of GRRRC's review of the adopted rule. Requires that all written and oral testimony taken by an agency on a rule be forwarded to GRRRC for consideration in their review.

Removes rule certification authority from the office of the Attorney General, but requires the Attorney General to review both emergency rules and rules which are exempt from GRRRC review. Limits the number of renewals for rules granted an emergency exemption to the regular rule making process. Provides for a summary (abbreviated) rule making process for rules made obsolete due to removal of an agency's statutory authority.

Modifies what is to be included in economic and small business impact statement, and provides for additional information on consumer impact. Requires GRRRC to review all rules subject to their review, taking into consideration, materials forwarded to them from agencies, including public comments. Allows the use of examples in rules.

Delegation Agreements

Specifies standards to be met in agreements which delegate regulatory or enforcement authority from an agency to a political subdivision of this state, and specifies that a delegation agreement does not include intergovernmental agreements for the joint exercise of power.

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Provides that proposed delegation agreements be noticed in the Register, and the public be given the opportunity to comment on all agreements for thirty days after publication. Requires hearings on proposed agreements if there is sufficient interest. Further requires that the agency prepare a written response to public comments.

Provides that a delegation agreement is effective thirty days after an agency gives notice to interested parties that it has decided to enter into the agreement, unless the agreement is appealed to GRRC within the thirty day period. Permits persons to appeal the adoption of a proposed delegation agreement to GRRC. Provides that if GRRC considers the appealed delegation agreement, it shall become effective upon GRRC's approval.

Prohibits political subdivisions to whom regulatory authority is delegated from assessing fees not specified in the agreement and from sub-delegating authority. Requires all agencies to compile a list of their delegation agreements by January 1, 1995 and to bring them into compliance with the standards of this act by January 6, 1996.

corporation commission; rate filing procedures (H.B. 2099)

Establishes time limits for the Corporation Commission (commission) when deciding upon utility rate increases, and authorizes utilities to adopt interim rates if the commission does not make a rate determination within 270 days for a utility with annual operating revenues of \$1 million or more and within 180 days for a utility with annual operating revenues of less than \$1 million. Provides that interim rate increases are subject to customer refund, pending a final determination by the commission. In addition, permits the commission to require a bond or other arrangements to ensure prompt payment of any refunds. Requires a utility to allow public inspection of an interim rate increase before its implementation and notice customers at least 30 days before implementing the increase.

Specifies the following rate filing procedures for utilities and the commission:

1. Upon a utility filing for a rate increase, requires the utilities division of the commission to review each application for rate increase (rate filing) and submit its findings regarding compliance with the filing requirements to the commission within 30 days of application.
2. Requires the utilities division to provide written notice within the prescribed 30 days to a utility whose filing it finds out of compliance, or the filing shall be presumed to be in compliance.
3. Allows for amended rate filings.

4. Stipulates that the 270 and 180 day time limits for commission decisions commences upon one of the following:
- a) The 30 day review period for the utilities division is complete.
 - b) A utility which has been required to submit an amended rate filing does so.
 - c) The commission determines that an extraordinary event has occurred which alters the request.
5. Requires the commission to adopt rules to simplify filing requirements and expedite determinations for smaller utilities.

EDUCATION COMMITTEE

school districts; consolidation (S.B. 1113) - Chapter

Removes a number of barriers to consolidation and subdivision/unification. Provides unification assistance for unified school districts who notify both the Department of Education and JLBC before the new district begins operation.

education in juvenile detention facilities (S.B. 1182) - Chapter

Mandates that each county offer an education program to serve all school-age children in its juvenile detention center, and provides a funding mechanism for these education programs. Requires the State Board of Education to prescribe the standards and achievement testing requirements for county juvenile detention center education programs, attempting to ensure that the programs are compatible with public school education goals and requirements. Requires the county school superintendent to coordinate the program with each pupil's school district to assist the pupils transition back to the school district. Appropriates \$526,000 from the state general fund to the Department of Education for FY 1994-1995 for the estimated increased costs of basic state aid caused by the funding formula for educational programs in juvenile detention centers.

commission for postsecondary education (S.B. 1428) - Chapter

Establishes the Commission for Postsecondary Education as the Arizona postsecondary review entity for review of postsecondary education institutions in order to determine their eligibility for federal Title IV student financial aid monies. Limits the review authority of the Commission to circumstances where the United States Department of Education has approved the review of an institution.

Eliminates the requirement that legislative appropriations for the student financial aid trust fund be matched by monies raised by the surcharge on student registration. This is replaced with a requirement to match the surcharge monies with legislative appropriation monies.

Establishes the Arizona Student Program Investing Resources for Education (A.S.P.I.R.E.) to grant guaranteed tuition towards Arizona community colleges, universities, and privates postsecondary institutions for those students who meet specified standards and eligibility requirements.

teacher certification (S.B. 1338) - Chapter

Clarifies and expands the responsibilities of the State Board of Education and the Department of Education in certification and decertification matters. Specifically, the Department of Education is required to investigate written reports of alleged immoral conduct of certificated persons. The State Board of Education is required to adopt rules prescribing procedures for the investigations conducted by the department.

FINANCE COMMITTEE

middle income tax relief act (S.B. 1120) - Chapter 41

Reduces taxes for Arizona income, property, transaction privilege and use taxpayers. The income tax provisions are as follows:

- Effective January 1, 1994, reduces individual income tax rates. This is expected to reduce annual state collections by \$106.9 million.
- Effective January 1, 1994, lowers the corporate income tax rate from 9.3 to 9.0 per cent. The provision is projected to reduce annual state collections by \$5.8 million.
- Increases, from 12.8 per cent to 13.6 per cent, urban revenue sharing distributions to cities and towns. The increase will annually distribute an additional \$14.4 million from the state general fund effective fiscal year 1996-1997.
- For purposes of 1993 state corporate income taxation, makes selective changes in conformity with the federal omnibus budget reconciliation act of 1993. Although the amount is unknown, this reduces state income tax collections.

- For purposes of state taxation, updates the definition of the internal revenue code (IRC) to conform to the IRC in effect on January 1, 1994. This is projected to increase state income tax collections by \$16.2 million in FY 1994-1995.
- Retroactively to January 1, 1986, allows affiliated groups of corporations to elect to file income tax returns on a consolidated basis. Tax overpayments arising from the filing of amended income tax returns are required to be treated as credits against future tax liabilities in taxable years beginning July 1, 1995. Annually, this is expected to negatively impact state income tax collections by \$4 million.

In the area of property taxation:

- Phases down, from 30 to 25 per cent, the assessment ratio for classes one (mines) and two (utilities) at the rate of one percentage point per year beginning in tax year 1995. In addition to shifting property tax burdens at the county, city, community college and school district levels, each percentage point decline has a negative impact on the state general fund of \$12 million per year.
- Beginning for tax year 1994, freezes the homeowners' rebate at its 1993 level of 35 per cent. This increases additional state aid payments by an additional \$15.5 million per year through fiscal year 2001.
- Increases the threshold under which class three (commercial and industrial) personal property is assessed at one per cent to \$3,000 for tax year 1995, \$6,000 for tax year 1996, and \$10,000 for tax years beginning from and after 1997 and expands this treatment to include class four (agricultural and vacant land) personal property. For FY 1995-1996, the negative impact on the state general fund is estimated at \$4.5 million. For FY 1996-1997 and FY 1997-1998 the additional impacts are \$2.8 million and \$1.8 million, respectively.
- Extends applicability of the accelerated depreciation schedule for class three personal property to class four and makes the accelerated depreciation schedule permanent. The fiscal impact cannot be determined.

Additionally, effective July 1, 1995, the bill creates transaction privilege and use tax exemptions for chemicals used in manufacturing and mining if using or consuming the chemicals, alone or as part of an integrated system causes a chemical or physical change to occur in the materials as part of the production process. This is projected to reduce annual transaction privilege and use tax collections by \$3.8 million.

Finally, the legislation eliminates the Usdane shift. Currently, these provisions necessitate transfers from the general fund to the highway user revenue fund, subject to growth in excess of seven per cent in vehicle license tax collections or retail transaction privilege tax collections. The positive general fund impact, for FY 1994-1995, of eliminating the Usdane shift component associated with vehicle license tax collections is estimated at \$18.3 million. There is no immediate impact from eliminating the retail collections component.

property tax appraisal and appeals (NOW: property tax; valuations; refunds; appeals) (S.B. 1362) - Chapter

Effective January 1, 1996 for Maricopa and Pima Counties, consolidates the locally valued property valuation administrative appeals process by eliminating appeals to the County Board of Equalization. Pursuant to the new administrative appeals procedure, after petitioning the County Assessor, owners of locally valued property in Maricopa and Pima Counties may appeal to the State Board of Equalization (SBOE). SBOE is comprised of members of division one of the State Board of Tax Appeals (BOTA) and five additional members from each county with a population in excess of 500,000, appointed by the Board of Supervisors.

At the taxpayer's request, the legislation requires County Assessors to meet with all petitioners and prohibits further appeals if the taxpayer and the assessor reach an agreement on the valuation of property that is the subject of a petition. The legislation also authorizes County Assessors to use the same valuation for three years for property in classes four, five and six, subject to filing a plan with the Department of Revenue (DOR) and implementing the plan uniformly throughout the county.

Other provisions of the legislation include eliminating the requirement that the Department of Revenue approve property valuation changes; requiring the county to defend all named defendants in cases involving locally valued property, unless DOR determines the issue is of statewide importance (effective January 1, 1996); establishing professional criteria for administrative hearing boards and officers; and revising errors and corrections criteria and prescribing procedures.

Additionally, the legislation modifies the locally valued property valuation and appeals calendar such that notices of value are mailed by March 1st each year and the final tax roll is adopted by the County Boards of Supervisors by December 31st. A transition calendar is established for tax years 1995 and 1996.

Lastly, through December 31, 1998, establishes a Joint Legislative Oversight Committee to monitor and evaluate the system of administrative appeals established by the act. The committee is required to meet periodically to review progress of assessments and administrative appeals and to identify ambiguities, problems and needed changes.

taxpayers' bill of rights; ombudsman (S.B. 1489) - Chapter

Modifies the taxpayer bill of rights originally enacted in Arizona in 1986. The legislation expands the responsibilities of the taxpayer assistance office to include taking action to prohibit the Department of Revenue (DOR) from taking action against a taxpayer and providing expeditious service to taxpayers whose problems cannot be resolved through normal channels. The bill also authorizes DOR to enter into closing agreements with taxpayers in circumstances where there is

60 per cent noncompliance by a class of taxpayers due to a misunderstanding of tax laws, authorizes installment payment agreements with taxpayers and provides for limitations on audits and reimbursement of fees and other costs incurred by a prevailing taxpayer in a tax case, up to \$20,000.

Other provisions of the bill establish a ten year statute of limitations on state levies and eliminate "payment under protest" requirements in order to bring an action in court involving the assessment or collection of excise taxes.

sales tax; county distribution formula. (H.B. 2008) - Chapter 8 - Eighth Special Session

Effective July 1, 1994, modifies the formula for distributing state transaction privilege tax monies to counties by replacing the assessed valuation factor with a population factor. The resulting distribution mechanism is based equally on the per cent of the distribution base attributable to each county and the per cent of population the county bears to the population of the state. The legislation also contains a provision requiring distribution, from the general fund portion, of an additional 2.43 per cent of distribution base revenues to hold harmless any county receiving less under the new formula than pursuant to existing law. Finally, any revenues remaining of the additional 2.43 per cent, after hold harmless requirements are met, are distributed to all counties based on equally weighted point of sale and population factors.

RETIREMENT BENEFITS

ASRS; CORP; EORP; PSPRS: MILITARY SERVICE CREDIT - Allows participants in state retirement programs who are members of the Arizona National Guard or the United States Military Reserves to receive up to 48 months of credited service for active military service as part of a presidential call-up, and requires employers to remit employer and employee retirement contributions for the period of active military service. (H.B. 2042: retirement; military service credits; contributions)

ASRS: ANNUAL PERMANENT BENEFIT INCREASE - Through June 30, 2000, effective July 1 of each year, provides an annual permanent benefit increase for qualified Arizona state retirement plan retirees, survivors and long-term disability (LTD) recipients, contingent on the performance of the state retirement fund. The aggregate amount of the annual increases, capped at three per cent, is the lessor of one-half of the change in the consumer price index and the percentage payable from fund earnings in excess of nine per cent, associated with those individuals eligible to receive the benefit. To qualify, members and survivors must be at least 55 years old and have been receiving retirement benefits for the prior year. Survivors of retired members, who attained age 55 prior to death, who have been receiving benefits for the prior year and individuals receiving LTD benefits prior to July 1, 1995 are also eligible. (S.B. 1058: state retirement; annual permanent benefit)

ASRS: **MINIMUM BENEFITS** - Establishes a \$600 minimum monthly benefit for plan retirees and beneficiaries and system retirees and beneficiaries, who transfer irrevocably to the plan, who are at least 75 years old. Amounts payable to beneficiaries are reduced in accordance with the option chosen at the time of retirement. (S.B. 1058: state retirement; annual permanent benefit)

ASRS: **PAST LEGISLATIVE EMPLOYEES** - Allows active participants of the state retirement plan who were employees of the Legislature prior to July 14, 1982, to purchase credited service for periods of employment for which retirement contributions were not made. Employees are required to remit employer and employee contributions plus interest. The President of the Senate and the Speaker of the House of Representatives may elect to pay the employer portion. (H.B. 2042: retirement; military service credits; contributions)

ASRS: **LEAVE OF ABSENCE CREDIT** - Authorizes a limited buy back period for active plan members who failed to redeem credited service, for up to one year of a qualifying leave of absence. The member must be employed by a plan employer between January 1, 1994 and December 31, 1994 and must remit employer and employee contributions plus interest. (S.B. 1042: ASRS; omnibus revisions)

CORP: **SALARY MULTIPLIER** - Increases, from 2.0 per cent to 2.2 per cent, the normal retirement pension multiplier. The legislation also reduces the credited service cap from 37.5 to 34 years to maintain the existing 75 per cent maximum pension amount. (H.B. 2042: retirement; military service credits; contributions)

PSPRS: **HEALTH INSURANCE SUBSIDY INCREASE** - Increases, from \$60 to \$82.50, the monthly group health and accident insurance premium subsidy for eligible members and survivors. The monthly insurance premium subsidy for dependent coverage is also increased by \$22.50, to \$47.50. (H.B. 2042: retirement; military service credits; contributions)

PSPRS: **FEDERALLY MANDATED RETIREMENT DATE** - Authorizes an exception to normal retirement requirements for members who are subject to a federally mandated retirement date. To be eligible, the individual must have become a member of PSPRS when his job was transferred from the federal government to a PSPRS employer and must qualify by March 1, 1997. These members are permitted to retire at age 60 with at least ten years of credited service and are subject to a five per cent reduction from the normal retirement benefit amount for each year of credited service less than 20 earned by the qualified member. (H.B. 2336: PSPRS; federally mandated retirement date)

EORP: **ENDING SALARY** - Modifies the method by which retirement benefits are calculated by requiring the use of the highest three consecutive years of salary received in the last ten years of credited service, in lieu of final salary. (H.B. 2042: retirement; military service credits; contributions)

GOVERNMENT COMMITTEE**national voter registration act (S.B. 1206) - Chapter**

Effective January 1, 1995, conforms Arizona election laws to the 1993 National Voter Registration Act (NVRA, also known as "Motor Voter").

VOTER REGISTRATION ASSISTANCE AGENCIES

Requires all public assistance and disabilities agencies to provide persons who request services or benefits with the opportunity to register to vote, assistance in registering to vote, and the opportunity to decline to register to vote. Stipulates that the declination form indicate that registering to vote or declining to register will not impact the person's eligibility for or amount of assistance received. Provides a method for a person to file a complaint for alleged interference with a person's voting rights.

Allows a County Recorder to designate other voter registration volunteers (person, group or entity), including governmental, non-profit or other private organizations, which may make available state mail-in voter registration forms. Requires Armed Forces recruiting offices to provide applicants with the opportunity to vote.

Stipulates that voter registration forms may contain a confidential, coded marking which may disclose the source of registration to elections officials only, and which may be used only for purposes allowed by the NVRA. Requires the completed registration forms to be transferred to the appropriate County Recorder within five days.

DRIVERS LICENSE VOTER REGISTRATION

Requires the Director of the Department of Transportation (ADOT) and the Secretary of State to consult biannually on drivers license office voter registration rules and procedures. Stipulates that the rules must provide for confidential electronic data collection, storage and receipt of voter registration information. Requires that registrants be provided a statement that includes the voting eligibility requirements, assurance of confidentiality, attestation by the registrant with space for signature and penalties for perjury. Stipulates that the completed registration forms be transferred to the appropriate County Recorder within five days.

FAIL-SAFE VOTING

Subject to providing identification and affirming residency, allows a person who is currently registered to vote but moves to another location within the same county to vote at the polling place appropriate for the new location if either of the following occur: 1) the person failed to notify the county

recorder of the change in residence (may vote a "new residence ballot"); or 2) the precinct register omitted the voter's name in error (may vote a "ballot to be verified"). Prescribes procedures and time requirements for verifying a "new residence ballot" and a "ballot to be verified". Enables a person whose name appears on an inactive voter list to vote upon presenting identification and affirming residency. Exempts city and town elections from the requirements allowing new residence ballot voting.

RECORDS MAINTENANCE AND FORMS

Allows the County Recorder to use the United States Postal Service (USPS) national change of address information (NCOA) to identify registrants whose addresses may have changed by May 1 each year preceding a primary or general election or more frequently as necessary. Requires the County Recorder to update registration records when an address change is identified and mail the voter a verification form by forwardable mail.

Directs the County Recorder to transfer a voter to the inactive voter list if the voter fails to return either of the following: 1) a new registration form within 35 days sent as a follow-up notice when the voter's registration residence was in questions; or 2) a notice of address change not later than 29 days before the next general election based on information from the NCOA.

Stipulates that a registration form received by mail is valid for an election if either postmarked at least 29 days before the election and received by 7:00 p.m. on election day or dated at least 29 days before an election and received no more than five days after the last day to register.

Requires the Department of Revenue to mail voter registration forms to individual income taxpayers in each year there is a regularly scheduled general election no later than 180 days before the election. Provides that the Department of Revenue shall consult and cooperate with the Secretary of State to develop a mailing list to target the forms to those persons who have not registered to vote. Requires a report on the efficacy of the Department of Revenue voter registration mailing be prepared cooperatively by the Department, the Secretary of State and the County Recorders and submitted to the Governor, President of the Senate and Speaker of the House on or before December 1, 1996. Repeals the reporting requirement from and after December 1, 1996.

MISCELLANEOUS

Allows a voter to verbally request an absentee ballot within 90 days of the Saturday preceding an election upon presentation of information which can be verified in the registration files. Designates the Secretary of State as the chief state election officer responsible for coordinating the implementation of the provisions of the NVRA. Declares that Arizona intends to comply with the NVRA but only to the extent that the United State Congress provides sufficient monies to fund this federally mandated program. Provides for state review of the costs of implementation and urges Congress to appropriate monies to fund this program.

public buildings; bids (H.B. 2459) - Chapter

Effective July 1, 1994, allows counties, municipalities or special districts to construct the following with or without using regularly employed personnel (public force account labor) and without advertising for bids provided that the total cost of the work does not exceed (as adjusted by the GDP price deflator):

1. \$14,000, for any building, structure, addition or alteration.
2. \$150,000, for any street, road, bridge, water or sewer work, other than a water or sewer treatment plant or building.

Authorizes a county, municipality or special district to construct, install or repair gas or electric systems which it owns or operates using regular employees without advertising for bids unless otherwise prohibited by charter or ordinance. Contributions by a county, municipality or special district for the financing of public infrastructure made pursuant to a development agreement are exempt from these provisions if the contribution for any single development does not exceed \$100,000, subject to annual adjustment.

Requires counties, municipalities or special districts to provide at least one set of all plans and specifications to any construction news reporting service that files an annual request for these plans, in addition to other state or local requirements relating to the publication of bids.

HEALTH, WELFARE AND AGING COMMITTEE

WELFARE REFORM

Each of the following provisions, unless otherwise noted, is subject to the approval of appropriate federal waivers from the United States Department of Health and Human Services.

AFDC; adult time limits (S.B. 1342) - Chapter

Limits an adult individual's eligibility for an AFDC assistance grant to 24 months within a 60 month time frame, unless they meet a specified exemption. Allows a client to earn monies equivalent to the lost benefit associated with this new limitation without having a negative impact on eligibility. Appropriates \$1.4 million to DES for the purpose of increasing the number of individuals who are served in the AFDC-jobs opportunities and basic skills (JOBS) program.

AFDC benefits; additional children (S.B. 1211) - Chapter

Prohibits, during a 60-month period, the payment of an additional benefit for a child born to a woman enrolled in the AFDC program. Provides an exception which allows an additional benefit for a child born within 10 months of the eligibility determination. At the end of the 60-month period, a new benchmark for family size may be set. A client is permitted to earn monies equivalent to the lost benefit associated with this new limitation without having a negative impact on eligibility.

full employment demonstration project; appropriation (S.B. 1456) - Chapter

Establishes a three-year full employment demonstration project which provides paid subsidized employment as a replacement for welfare benefits to help facilitate the transition from welfare to employment. The Department of Economic Security (DES) shall designate, by use of zip codes, those areas where the project shall be tested and that represent the most accurate representation of the state's AFDC and food stamp populations. During the length of the project, the cash equivalent of food stamp coupons and AFDC benefits shall be used to reimburse most of the employer's related expenses and employee wages. The sum of \$200,000 is appropriated for costs associated with implementation of the full employment demonstration project.

AFDC; unwed minor parents (S.B. 1313) - Chapter

Establishes that an assistance unit headed by an unmarried person under eighteen years of age is not eligible for assistance benefits unless the applicant meets one of the following criteria:

- 1) has no living or locatable parent, other legally responsible adult relative or legal guardian;
- 2) is legally emancipated, or
- 3) if the applicant or his or her dependents would be jeopardized if they lived with the legally responsible person.

AFDC; eligibility; limitations (H.B. 2018) - Chapter

Currently, an AFDC recipient caring for a child under the age of two years is exempt from JOBS participation. This bill modifies the age criteria to allow an AFDC recipient caring for a child under the age of one year to be exempt from JOBS participation. Federal law requires states to provide this exemption, however, states may set this age between one and three years, therefore this provision does not need the approval of a federal waiver.

Current federal law prescribes that families eligible for AFDC lose their benefits in any month the principle wage earner works over 100 hours. This bill allows AFDC recipients to work more than 100 hours in any given month without losing their eligibility.

Allows an AFDC recipient to establish an individual development account and specifies that the recipient, other specified persons or a nonprofit entity may deposit funds into the account which can be used for specified educational or training costs. Deposits from earned income are limited to \$200 per month, of which 50 per cent shall be disregarded from income when determining benefits (up to a maximum disregard of \$100 per month). Additionally, the balance of the account may not exceed \$9,000 at any one time, and total deposits over the life of the account shall not exceed \$12,000.

DES; benefits extension demonstration program (H.B. 2097) - Chapter

Establishes a joint pilot demonstration project which extends transitional child care and AHCCCS benefits from 12 months to a total of 24 months for families who leave the AFDC program. Appropriates, for fiscal year 1996, the following amounts for these specified purposes: 1) \$430,900 to AHCCCS to provide medical assistance provided for in this act; 2) \$52,300 to DES to extend child care as provided for in this act; and 3) \$12,500 to DES to complete the required evaluation of this program. Terminates the pilot project from and after March 31, 1999.

RURAL HEALTH CARE REFORM

rural health service districts (H.B. 2390) - Chapter

Changes the process by which health service districts are created. Persons who are proposing a health service district are now required to submit both the impact statement and signed petitions concurrently to the respective county board of supervisors. Additionally, the petitions are now required to be signed by ten per cent of the qualified electors in the proposed district (previously signatures from 50 per cent of the qualified electors were required), and by 50 per cent of the persons owning more than one-half of the assessed valuation of the proposed district (this requirement remains the same). A provision which required more than one-half of the property owners in the proposed district to sign the petitions was deleted from statute.

Persons filing the petition are required to submit a bond or cash deposit sufficient to cover the expenses associated with the proceedings if the Board of Supervisors refuses to establish the district. If the Board of Supervisors approves the formation of a health service district, an election is required for a public vote on whether the district should be established.

loan repayment; medically underserved areas (H.B. 2391) - Chapter

Establishes the primary care provider loan repayment program to repay portions of educational loans obtained by physicians and mid-level providers who choose to serve in federally designated health professional shortage areas (HPSA), and gives priority to applicants who display an interest in practicing in rural areas of the state. Applicants are required to have completed a residency program in family practice, pediatrics, obstetrics, or internal

medicine, and must agree to serve for at least two years. Physicians are permitted to participate for a maximum of four years, and mid-level providers for a maximum of two years. Participating physicians may receive a maximum loan repayment amount of \$20,000 for the first and second years, \$22,000 for the third year and \$25,000 for the fourth year. The maximum loan repayment amount for mid-level providers is \$7,500 for each year of service. The sum of \$100,000 is appropriated to the Department of Health Services to implement the loan repayment program and an additional \$32,000 is appropriated to administer the program.

Codifies the program that reimburses a portion of medical malpractice insurance premiums to physicians who provide obstetrical services in rural areas of the state. Family physicians and mid-level providers who perform 50 or fewer deliveries per year and who are required to pay an additional premium for performing obstetrical services may receive assistance of up to \$5,000 per year. Obstetricians who perform more than 50 deliveries per year may receive assistance of up to \$10,000 per year. The program is administered by the Department of Health Services and the sum of \$140,000 is appropriated for the reimbursement of medical malpractice insurance premiums.

medical programs; primary care disciplines (H.B. 2392) - Chapter

Beginning September 1, 1996, establishes a rural rotation program that requires participation from at least 50 per cent of all matriculating students registered in graduate level medical programs, pharmacy programs or graduate nursing programs for nurse practitioners that are under the jurisdiction of the Board of Regents. The University of Arizona School of Medicine is required to reserve at least 60 per cent of the residency positions for medical school graduates entering programs defined as primary care disciplines. At least 18 per cent of the residency positions are reserved for medical school graduates entering the family medicine program. The Board of Regents is required to submit reports to the Legislature regarding the implementation of the rural rotation program and the efforts to promote growth in the primary care disciplines.

individual medical savings account (S.B. 1175) - Chapter 45

Establishes provisions within the Arizona state tax code that allow for the use of medical savings accounts as an option for health insurance coverage. After December 31, 1994, residents of Arizona are able to establish individual medical savings accounts. Medical savings accounts allow an employer to take a portion of the total dollar amount spent each year on an employee's health care costs and purchase a high deductible, catastrophic policy. Employers can then contribute the remaining money to the employee's medical savings account from which the employee pays his own medical costs up to the amount of the deductible. After the medical expenses of the employee and dependents have reached the deductible amount, the catastrophic policy covers additional expenses. At the

end of the year, the money remaining in the account can be saved for future medical expenses or be withdrawn by the account holder.

Deposits to an individual medical savings account are limited for the 1995 taxable year, and adjusted annually to reflect the annual change in the gross domestic product (GDP) price deflator, to a maximum of \$2,000 per account holder plus not more than \$1,000 for each of the account holder's dependents, up to a maximum of two dependents. Total deposits are limited to \$4,000 per household for taxable year 1995.

An employer may subtract from Arizona gross income monies deposited to an account to the extent the deposits were not previously deducted according to the internal revenue code. An employee may subtract any deposit made to an account to the extent the amount was previously included in the taxpayer's federal adjusted gross income.

The account is to be established as a trust and administered by a trustee. The trustee can use the monies in the account only to pay the medical expenses of the account holder, or his or her spouse and dependents who are not covered by the account holder's existing medical insurance. An account holder may submit receipts and be reimbursed for eligible medical expenses. Expenditures of monies in the account for eligible medical expenses are not subject to taxation. Any money withdrawn for purposes other than eligible medical expenses is considered income and must be added to Arizona adjusted gross income. An account holder may withdraw money from the account on the last business day of the year without incurring a withdrawal penalty. However, if the account holder withdraws money for non-medical related purposes on any day other than the last business day of the year the account holder is required to pay a penalty, equal to ten per cent of the amount of the withdrawal, and the amount is required to be added to Arizona gross income.

The Department of Administration is required to procure a health and accident coverage option for full-time officers and employees of this state that combines a high deductible plan with an individual medical care savings account, and make this option available at any time from and after December 31, 1994 but no later than January 1, 1999.

This legislation was introduced with a companion bill, Senate Concurrent Memorial (SCM) 1004. SCM 1004 urges the United States Congress to enact legislation that provides federal tax incentives for individuals and businesses who offer medical savings accounts to their employees, and tax exemptions for employees who use monies in their medical savings account for eligible medical expenses.

long term care; pilot program (NOW: behavioral health services) (H.B. 2067) - Chapter

Establishes, within the state's behavioral health system, payment procedures and financial management requirements beginning July 1, 1995. Requires that in order to be considered eligible to become a regional behavioral health authority minimum capitalization requirements must be met. These requirements will be established by the Director of the Department of Health Services (DHS) and shall be specified in the request for proposal released by DHS to solicit offers from entities willing to serve as regional behavioral health authorities. These contractual requirements may include deposits, performance bonds, financial reserves and irrevocable letters of credit.

The legislation also requires DHS to ensure that behavioral health service providers are reimbursed within 90 days after the provider submits a clean claim. Claims that are initially submitted more than nine months after the date of services for which payment is claimed or that are submitted as clean claims more than 12 months after the date of service for which payment is claimed shall not be paid the Department or the regional behavioral health authority.

Allows DHS to include a provision in its contracts with the regional behavioral health authorities which authorizes the Department to operate the regional behavioral health authority under specified circumstances for as long as it is necessary to assure delivery of uninterrupted care to clients. Stipulates that the Governor must declare an emergency in which the health, safety or welfare of the public will be threatened without intervention by government agencies before DHS may operate a regional behavioral health authority.

Requires the Director of the Department of Health Services to provide a monthly report to the Legislature listing the number of persons served, the units of service, the amount of funding provided for the administrative and case management services for Title XIX and non-Title XIX eligible categories for each regional behavioral health authority.

Establishes the intent of the Legislature to implement general mental health and substance abuse services no later than October 1, 1995 for Arizona Health Care Cost Containment System acute care members who are 21 years of age or older and for Arizona long term care system members who are 21 to 64 years of age.

JUDICIARY COMMITTEE

adult crime omnibus (S.B. 1291) - Chapter

An emergency measure which makes numerous changes to several statutes relating to adult crime. The most significant provisions are the following:

- Allows the Attorney General, a county attorney, a city attorney or a county or city resident to bring an action for abatement of a place used for certain crimes.

- Defines the terms "criminal street gang" and "criminal street gang member."
- Places into the section on "dangerous and repetitive offenses" the commission of any felony with the intent to promote, further or assist a criminal street gang. The presumptive, minimum and maximum sentence of the felony would be increased by three years and the person would not be eligible for release until the person serves the sentence imposed, reaches his earned release credit date or has his sentence commuted.
- Provides that it is a class 3 felony for a person to assist a criminal syndicate in association with a criminal street gang in the commission of any felony with members of a criminal street gang.
- Establishes a revolving fund administered by the Arizona criminal justice commission to fund gang prevention programs, training prosecutors and law enforcement personnel in the area of street gang prosecution and enforcement.
- Provides that a person commits first degree murder if he is the driver of a motor vehicle who wilfully flees or attempts to elude a pursuing official law enforcement vehicle driven by an officer who is pursuing a suspected or actual violator of the law, and in the course of this offense the driver of the motor vehicle or another person causes the death of any person.
- Increases the criminal classification for aggravated assault against a peace officer from a class 6 felony to a class 2, 3 or 5 felony, depending on the conduct.
- Provides that a person commits misconduct involving weapons if the person supplies, sells or gives control of a firearm to another person if they have reason to know that the other person would use the firearm to commit a felony or the firearm is used to commit a felony.

juvenile crime omnibus (S.B. 1356) - Chapter

Makes numerous changes to the juvenile justice system including the following significant provisions:

- Requires the parent of a juvenile who is alleged to have committed a delinquent or incorrigible act to appear with the juvenile in court.
- Imposes a duty on parents to exercise reasonable care, supervision, protection and control over their children.
- Increases, from \$2,500 to \$10,000, the amount a parent or legal guardian can be jointly and severally liable for a tort of a minor.

- Provides that a minor who possesses a firearm in violation of the law is a delinquent child.
- Requires that if a minor unlawfully possesses a firearm while in a motor vehicle, the minor shall be fined not more than \$500 and the minor's driver's license shall be suspended until the minor is eighteen years of age.
- Specifies that DYTR and the juvenile court shall develop length of stay guidelines for secure care which shall be reviewed annually.
- Mandates that the Supreme Court, DYTR and other state agencies develop a common risk needs assessment instrument to be used for each child referred to the juvenile court to be used to determine the appropriate disposition of each juvenile referred to juvenile court.
- Allows the court to provide direction to DYTR as to the length of stay of a delinquent child the court places with DYTR and requires DYTR to keep a juvenile in secure care for the entire length of stay determined by the court.
- Allows DYTR to declare a shortage of beds when a secure care facility operates at 98 per cent or more capacity. When this happens, the Director of DYTR may authorize the conditional release of certain juveniles who do not pose undue risk to the community.
- Establishes a community work program and allows the Director of DYTR to place persons who are granted conditional liberty in the program. Provides that the program involves community restitution programs, including graffiti abatement, park maintenance and other community service activities.
- Appropriates \$350,000 for architectural and engineering services for a 100 bed high-security unit for youths under the jurisdiction of DYTR.
- Appropriates \$932,300 from the general fund to DYTR and the court to establish boot camps at secure care facilities. Requires each youth committed to the boot camp to serve at least three months in the program, followed by nine months of intensive aftercare.
- Allows treatment services to be provided to a juvenile past the age of 18, up to the age of 21 if the court, the juvenile and the state agree to the treatment.
- Provides that a juvenile probation officer may supervise no more than 35 juveniles at one time.
- Permits the victim of a delinquent act that involved significant exposure, to request that the prosecution petition the court for HIV testing of the delinquent child.

- Appropriates \$2.5 million to provide probation officers and police officers in schools.

child support enforcement (S.B. 1460) - Chapter

- Provides that in a paternity proceeding, if blood tests indicate that there is at least a 95 per cent likelihood that a particular person is the father, a presumption exists with respect to paternity. To successfully rebut the presumption, clear and convincing evidence must be set forth.
- Prescribes circumstances under which a man will be presumed to be the natural father of a child.
- Provides that if paternity is established in another state, it is effective in Arizona.
- Requires the court to use the child support guidelines adopted by the Arizona Supreme Court when determining the amount of child support to be paid.
- Requires the court, when determining whether to amend the maintenance a child receives, to consider the child support guidelines in addition to other statutory factors.
- Requires each licensing board or agency that issues professional licenses or certificates to record the social security number of the licensee or certificate holder.
- Provides that every child support payment is enforceable as a final judgment when it becomes due.
- Provides that if a person is in arrears for one month's child support, a lien is established in favor of DES in the amount of the unpaid balance.
- Provides that monies received for child support or spousal maintenance are exempt from attachment, execution or sale.
- Provides a formula to be used to allocate monies to each family if a person is obligated to pay child support for more than one family and the amount withheld does not fulfill all support obligations.
- Requires DES to establish a program to encourage all employers to report to the Department of Economic Security all hires and rehires except those persons employed for less than 22 hours per week for a six-month period or persons who have gross earnings of less than \$300 per month. Prohibits DES from imposing penalties on employers who fail to report.

- Requires an employer to ask new or rehired employees whether they are subject to a wage assignment for child support and requires the obligor to provide a copy of the assignment order to current and future employers. Prohibits DES from imposing penalties for failure to comply.
- Establishes the child support enforcement and domestic relations reform committee.

RICO; forfeiture (H.B. 2595) - Chapter

ANTI-RACKETEERING REVOLVING FUNDS

- Requires a state or court department or agency to deposit any monies it receives from participation in an investigation, prosecution or forfeiture into the state or county anti-racketeering revolving fund administered by the Attorney General or the county attorney. Political subdivisions must also deposit monies into the fund.
- Provides that monies in the state and county anti-racketeering revolving fund accrue interest and are held for the agency or political subdivision responsible for the seizure or forfeiture until distributed by the Attorney General or county attorney to the agency or political subdivision within 30 days of application.
- Specifies that monies in the state and county anti-racketeering fund may be transmitted by the Attorney General or county attorney on behalf of a political subdivision for funding of the programs in the Arizona drug and gang policy council.
- Requires the Attorney General, county attorneys, and state and county departments, agencies and political subdivisions to file a report of all monies and expenditures by certain prescribed dates for the previous calendar quarter of each year. If any entity fails to file a report within a specified time period for no good cause after the report is due, fund monies must be withheld from that entity until the report is filed.

VICTIM COMPENSATION

- Provides the method for a person injured by racketeering activity to request compensation for the economic loss suffered.
- If the court finds that a person requesting compensation is an injured person, the court shall require the attorney for the state to sell the forfeited property. The proceeds from the sale must first be applied to satisfy the injured person's economic loss. After compensating the injured persons, ten per cent of any remaining balance is to be transmitted to the ACJC for deposit in the victim compensation fund. The remainder, if any, is to be deposited in the state or county anti-racketeering revolving funds.

SCOPE OF FORFEITURE

- Changes the scope of forfeiture in drug-related offenses. The bill adds forfeiture of the proceeds of drug offenses to the drug forfeiture statutes. Forfeitures of proceeds, however, are limited to those crimes committed for financial gain.
- Limits the forfeiture of other property subject to forfeiture for drug offenses by providing that property may not be forfeited if the conduct giving rise to the forfeiture is not committed for financial gain and the amount of drugs possessed does not exceed the threshold level.

SEIZURE AND FORFEITURE OF PROPERTY

- Requires a hearing before any actual seizure of real property can take place.
- Requires the court to determine probable cause for seizure before substitute assets may be seized for forfeiture unless the property is seized by constructive seizure, a racketeering lien or is already in the court's jurisdiction. The court may issue a seizure warrant for the property if it determines that there is probable cause to believe that the property is subject to forfeiture and is not available for seizure for forfeiture. Allows the court to make a determination without the parties present if the state shows that a hearing would pose a safety risk.
- Makes changes to the burden of proof in forfeiture cases. The bill places the burden of proof on the government to prove that property is subject to forfeiture by a **preponderance of the evidence** rather than the current burden of probable cause. This change has evidentiary consequences. (It disallows the use of otherwise inadmissible hearsay evidence, which is allowed to show probable cause but not to prove something by a preponderance.)
- In establishing a preponderance of the evidence and in determining the probable cause for seizure and for forfeiture, a rebuttable presumption exists that the property is subject to forfeiture if the state proves that all of the following exist: 1) the person engaged in conduct leading to forfeiture, 2) the person acquired the property during the time period or within a reasonable time after the conduct leading to forfeiture and 3) no likely source exists for the property except the conduct leading to forfeiture.
- Allows a person whose property is seized for forfeiture to obtain a release of the seized property by posting a bond equal to the fair market value of the asset.

ALLOCATION OF FORFEITED PROPERTY

- Addresses the distribution of forfeited property. Specifically, the sale of forfeited property to an employee of the seizing agency is forbidden. Also, forfeited property can not be assigned to any person who is involved in the seizure without written authority of the agency head.

JOINT LEGISLATIVE OVERSIGHT COMMITTEE

- Creates a joint legislative oversight committee on forfeiture and anti-racketeering programs. The committee is responsible for studying and making recommendations regarding statutory or administrative changes to forfeiture and anti-racketeering programs.

YOUTH EMPLOYMENT AND EDUCATION PROGRAMS

- Appropriates \$75,000 from the general fund to DES for the purpose of funding a summer youth employment and education program for economically disadvantaged youths between the ages of 12 and 18. The programs are established in counties with populations between 500,000 and 1.5 million people.

NATURAL RESOURCES, AGRICULTURE AND ENVIRONMENT COMMITTEE

~~department of environmental quality; correction~~ (NOW: reclamation of mined lands)
(S.B. 1365) - Chapter

Establishes a state mined land reclamation program for the reclamation of existing and future surface disturbances on private land created by hard rock mining and exploration operations. Provides that the agency to administer the program will be determined by the legislative enactment of the recommendations of the Joint Legislative Study Committee created to recommend the appropriate administrative agency and to study the feasibility of creating a Department of Mineral Resources. For FY 1994-1995, \$120,000 is appropriated from the state general fund to the State Mine Inspector to adopt rules for the program by June 30, 1996.

Stipulates that requirements of the program shall not duplicate existing environmental mining regulations. Requires integration of the administration of reclamation requirements with other environmental mining regulations. The agency is required to administer the program to coordinate with other public land

management agencies for the review and approval of reclamation plans. Requirements of the mined land reclamation program do not apply to mining operations on state land. If an exploration operation or mining unit is located on federal land, federal reclamation and financial assurance requirements supersede state requirements, so long as they are consistent with the state requirements.

Requires mining operations to file an annual certificate of disclosure, disclosing any felony convictions or civil actions relating to state and federal environmental violations. A person failing to file the certificate or who makes an untrue statement on a certificate is subject to a compliance order or a civil penalty. Requires the agency administering the program to provide the Attorney General, by February 1 of each year, a list of all persons convicted of a crime or who are subject to a judicial action disclosed in their annual certificate of disclosure.

Requires new mining units and exploration operations that will create a surface disturbance on more than five contiguous acres to file a reclamation plan and financial assurance mechanism for approval before beginning the operation. Existing mining units and exploration operations with a surface disturbance of more than five contiguous acres are required to submit a reclamation plan and a financial assurance mechanism within one year of the adoption of rules by ADEQ. Allows the continuation of existing operations pending final action on the plan and financial assurance mechanism.

Exempts mining units or exploration operations with a surface disturbance of five or less contiguous acres from plan and financial assurance requirements, however, a reclamation plan and financial assurance mechanism for a series of disturbances of less than five acres if the series of disturbances total more than five acres may be required.

Provides that certain activities at inactive mining units, except any new surface disturbances, are not subject to the reclamation requirements and prescribes physical features that may be excluded from reclamation requirements if reclamation is impracticable.

Requires reclamation to be initiated within two years of completion of a mining exploration or cessation of a mining operation. Allows for three, five year extensions of this requirement if it is demonstrated that the project may be resumed in the future.

Provides for the plan submittal requirements for an exploration operation and allows an owner or operator to submit a single plan for all new and existing exploration operations in the state. Prescribes reclamation requirements to be included in the plan. A reclamation plan for exploration operations is renewable annually. Information to be included in each reclamation plan for mining units, including approval criteria is prescribed. The director is required to consider technical and economic feasibility of the reclamation measures when evaluating plans.

Allows an owner or operator to appeal denial of a plan. Requires the approval of any substantial changes to a reclamation plan and any necessary modifications to the financial assurance mechanism. Allows for the transfer of an approved reclamation plan and allows a transfer to a new owner to be denied if the financial assurance mechanism does not comply with statutory requirements. The director may grant a variance for a mining or exploration operation if the variance is consistent with plan requirements and does not endanger public safety.

Requires the director to give notice of a proposed reclamation plan or a substantial change to an existing plan and allows people who may be adversely affected by the plan to file a written objection or request a public hearing. Provides for public disclosure of information submitted as part of a reclamation plan as long as the information does not include any trade secrets.

Prescribes the allowable financial assurance mechanisms and the guidelines for determining the amount of the financial assurance mechanisms. Requires an owner or operator of an existing exploration operation or new or existing mining unit to transmit the financial assurance mechanism to the director within 60 days after a reclamation plan is approved. Requires a financial assurance mechanism up to \$2,000 per acre of new surface disturbance that is part of a new exploration operation. Provides procedures for the release of a financial assurance and requires the Mine Inspector to adopt rules for financial assurance mechanisms.

Allows the inspection of an exploration operation or mining facility for compliance. Allows for the issuance of a compliance order for violations of reclamation laws or rules and allows the Attorney General to seek enforcement of an order in Superior Court. Provides that plan approval may be amended, suspended or revoked if the facility or operation is in violation of the plan. Prescribes a maximum civil penalty of \$1,000 for each day of violation, up to a maximum total of \$15,000 for each violation. Any final order by the agency is subject to judicial review. Provides that an owner or operator who causes a surface disturbance without a reclamation plan, or fails to conduct reclamation according to the terms of a plan is guilty of a class 2 misdemeanor.

In addition to the mined land reclamation program, the legislation establishes a state abandoned mine program beginning January 1, 1997, to be administered by the State Mine Inspector to identify and secure abandoned mines that are a public safety hazard.

state claims to streambeds; ombudsman (H.B. 2589) - Chapter

An emergency measure making changes to the state streambed adjudication process. Requires the Legislature to make a final determination of the navigability or nonnavigability of watercourses in the state, to which the state may have a potential claim to the streambed. Changes the role of the Arizona

Navigable Stream Adjudication Commission (ANSAC) by making the Commission independent of any other state agency, and requiring ANSAC to make a recommendation of navigability to the Legislature for approval.

Requires ANSAC to conduct informal proceedings to allow the participation of persons without legal representation. Allows an ANSAC member to provide evidence regarding the navigability of a watercourse, but prohibits that member from participating as a Commission member in the proceedings on that watercourse. Requires ANSAC to make a separate recommendation of public trust values for any watercourse that the Legislature determines to have been navigable at statehood.

Establishes evidentiary guidelines and presumptions to be followed by ANSAC when considering the navigability of a watercourse at the time of statehood.

Provides that once ANSAC has made a finding of navigability or nonnavigability, it must forward its recommendation to the Legislature, which may conduct public hearings, and shall make a final determination of navigability. If the Legislature determines a watercourse to have been nonnavigable at statehood, the Legislature must enact legislation ratifying this determination and disclaiming any title to the land. If a watercourse is determined to have been navigable, the Legislature must enact legislation to authorize the State Land Department to claim land in the bed of the water course (presumed to be the bed of the watercourse at the time of the Legislature's finding, unless clear and convincing evidence establishes another boundary), and file an action to quiet title to the land.

Requires that if the state makes a final determination of navigability, the Land Department is required to survey the boundaries of the bed of the watercourse to determine the extent of the state's claim, conduct a title search on each parcel of land affected to determine how each parcel was conveyed in apparent violation of the trust, and, if such land was conveyed by the United States, sue the United States for damages.

Provides that if the state's ownership of any property is confirmed in a quiet title action, the state is required to pay the record title owner from the general fund: 1) all property taxes ever paid on the property, 2) compensation for all improvements to the property, and 3) a refund of the purchase price of the property, plus interest if the land was purchased from the state by the person or any predecessor in title.

Establishes the office of the ombudsman for private property rights within the office of the Arizona Legislative Council to represent the interests of the owners of residential, noncommercial, small business and agricultural properties in all proceedings relating to the navigable streambed adjudication process. Allows the ombudsman to represent private property owners in other proceedings involving private property takings issues.

CAP; Arizona water protection fund (H.B. 2590) - Chapter

Establishes the Arizona Water Protection Fund Commission and the Arizona water protection fund, to provide funds to develop and implement measures to restore and protect the quality and quantity of Arizona's waters.

Arizona Water Protection Fund Commission and Arizona Water Protection Fund

Stipulates that the Commission consists of 15 public and private members with an interest in natural resources. Members of the Commission serve three year terms and are eligible to receive compensation up to \$3,000 per year and reimbursement for expenses.

Provides a policy statement and clarifies that it is not the intent of the commission to remove dams, levees or other man-made structures, or use monies from the fund in order to purchase private property, or acquire water or water rights.

Stipulates that the Arizona water protection fund consist of monies appropriated from the Legislature, an in-lieu fee for CAP water sold or leased by CAWCD to water users not subject to the CAWCD tax levied in the district for the operation and repayment of the CAP (out of state users), and any other gifts, grants or donations.

Specifies guidelines and conditions for fund expenditures, including recommendations for projects to receive priority funding. Limits persons who receive funding to spending only five percent of the monies for administrative purposes.

Requires the Commission, in conjunction with the Department of Water Resources, to develop application guidelines for water preservation and restoration projects by July 1, 1995, and every three years thereafter. Requires the commission to develop procedures to ensure public participation, and receive recommendations from DWR, the State Land Commissioner, federal and state wildlife agencies, recreation and natural resources agencies, county and municipal entities and the public.

Requires the Director of DWR to provide administrative, technical and legal support for the Commission, and further requires the State Land Commissioner to provide staff. Allows the director of DWR and the State Land Department to spend interest, and apply for grants from the fund, in order to hire necessary staff for the Commission. Restricts DWR and the State Land Department to spending five percent of the monies appropriated to the fund for fiscal year 1994-1995.

Appropriates \$4.0 million from the general fund to the Arizona water protection fund for fiscal year 1994-1995 and \$6.0 million for fiscal year 1995-1996. Requires the Commission to submit an annual report regarding the fund to the Governor and the Legislature. Establishes a joint legislative committee to annually review all expenditures of the fund, and requires the committee to make recommendations on possible dedicated funding sources.

Natural Resource Conservation Districts

Modifies the policy of natural resource conservation district's to allow NCRD's to apply for and spend monies from the Arizona water protection fund for water protection purposes, and allows NCRD's to enter into agreements with land owners or operators, and public agencies to conduct watershed improvement.

Requires NCRD's to make written recommendations to the Arizona Water Protection Fund Commission, and develop procedures for public participation in the recommendation process.

Requires the State Land Commissioner to provide administrative assistance to NCRD's and allows the NCRD's to hire staff not available from other state agencies.

CAWCD

Authorizes CAWCD to issue general obligation bonds, and establishes a cap on the aggregate principal amount of the bonds at \$250 million dollars.

Requires CAWCD to charge and collect a fee in lieu of taxes for CAP water purchased or leased to entities not subject to the CAWCD tax, and deposit the in lieu fee into the Arizona water protection fund. The fee is based on the formula used to assess the CAWCD tax which is levied on the three counties within the district (Maricopa, Pima and Pinal) for operation of the CAP, and repayment of its construction costs to the federal government.

Continues an ad valorem tax of up to four cents, until 2001, to be used for underground storage and recovery projects, the repayment of the CAP construction costs, and if approved by the CAWCD board, annual operation maintenance and replacement costs. Establishes the multi-county water storage fund, and creates a separate account for the three counties subject to the ad valorem tax.

Requires the CAWCD to levy an annual tax on public service corporations in the district that have contracted for an allocation of CAP water, to cover the service corporations share of the operation, maintenance and replacement costs of the CAP.

Miscellaneous

Requires the Director of DWR to review all proposed contracts for the delivery of Colorado River water that will transfer water from an Arizona contractor or subcontractor for a term of more than one year, prior to execution of the contract or subcontract.

Changes the date, from December 31, 2000 to December 31, 1997, until which a city or town with a contract for CAP water is deemed to have an assured water supply. Beginning in 1998 the assured water supply status is subject to review by the Director of DWR.

Other CAP Related Recommendations

Upon the recommendations of the Governor's Central Arizona Project Advisory Committee, H.C.M. 2005, H.C.M. 2006 and H.C.M. 2008 urge the President and the United States Congress to support a restructuring of the costs associated with the central Arizona project, and efforts to settle outstanding Indian water right claims in Arizona.

TRANSPORTATION COMMITTEE

environmental special plates (S.B. 1122) - Chapter

Exempts the environmental special license plate from the new consolidated plate design and allows the License Plate Commission to modify the current colors of the environmental license plate to make these plates more reflective and readable.

Requires school districts to include scientific and economic concepts in their environmental education curricula. Establishes a 17-member advisory council to review and revise the current environmental education guidelines to conform to the provisions of this act. The advisory council must submit a final report containing revisions of the environmental education guidelines to the Governor, the President of the Senate and the Speaker of the House of Representatives by February 1, 1996. Repeals the Interagency Committee on Environmental Education.

Allows a special organization of fewer than 500 members to apply for a special plate provided they meet all other requirements. Delays the implementation of the consolidated license plate program from June 30, 1994 to December 31, 1994.

motor carrier amendments (S.B. 1131) - Chapter 55

Increases the cost of a single-trip permit for an overweight vehicle from \$25 to \$75 and increases the 30-day excess weight trip permit from \$50 to \$75. Allows the ADOT Director to compute a reduced motor carrier (weight-distance) tax for vehicle combinations in the 75,001 to 80,000 pound weight classification if the combination has six or more axles that are not currently required on the motor vehicle. This reduction would be equal to one cent per mile. Authorizes ADOT to allow qualified third parties to issue motor carrier tax trip permits and use fuel permits.

Exempts motor vehicles that are not required to pay gross weight fees from paying the eight-cent per gallon use fuel surcharge that was created by Laws 1993, Chapter 134. Contains a January 1, 1994 retroactivity clause to enable eligible entities to receive a refund for eight-cent surcharge monies paid to the state since the first of the year.

driver's license service enhancements (S.B. 1132) - Chapter

Allows authorized third parties to process applications for driver's licenses, ID cards and driving permits and transmit this information through electronic communications to the Motor Vehicle Division (MVD). The issuance of the driving credential remains MVD's sole responsibility. Clarifies that third parties authorized to test and process applications for commercial driver's licenses may collect a fee of up to \$50 per license to cover the cost of these services.

Authorizes ADOT to extend the suspension period for up to 12 months for a licensee who is convicted of driving a commercial motor vehicle while his or her commercial driver's license is suspended or if the licensee has otherwise been disqualified from driving commercial motor vehicles.

Prohibits a person convicted of homicide from participating in a shock incarceration program administered by the Arizona Department of Corrections. Allows the Motor Vehicle Division to accept substance abuse evaluations from a licensed medical physician or a person who is certified by the Arizona Board for Certification of Addiction Counselors or a person who is a nationally-certified addiction counselor. Requires the Advisory DUI Council to submit its final report to the Governor, the President of the Senate and Speaker of the House of Representatives by September 30, 1994. Repeals the Advisory DUI Council effective October 1, 1994. Makes technical and conforming changes to Arizona's DUI statutes.

citizens transportation oversight committee (H.B. 2342) - Chapter

Creates a 32-member Citizens Transportation Oversight Committee to review and advise the State Transportation Board, the Governor and the Maricopa Association of Governments (MAG) on matters relating to the Maricopa County Regional Freeway System. The Oversight Committee is also required to annually contract with an outside auditor to review the expenditures from the regional area road fund to determine if these monies are being spent as prescribed by statute. Requires the Governor to appoint a chairman of the Citizens Transportation Oversight Committee. The chairman is appointed to a three year and is also required to serve as a non-voting member of ADOT's state highway priority planning committee.

Makes it permissive, rather than mandatory, for the Maricopa County Board of Supervisors to call for a special transportation tax election upon request of MAG and the Regional Transportation Planning Authority. Authorizes the Board of Supervisors to consolidate the issue of extending the current half-cent tax and creating a new half-cent transportation excise tax as one question on the ballot.

omnibus alternative fuels bill (H.B. 2575) - Chapter

An emergency measure authorizing corporate and individual income tax credits, in lieu of a subtraction, for conversion or purchase of alternative fueled vehicles for calendar years 1994 through 1998 (\$1,000 for the first three years, then \$500 and \$250). Creates an alternative fuel delivery system development fund to provide grants of up to \$1,000 for individuals or up to \$100,000 for corporations who install alternative refueling stations. Specifies that corporate installations must be accessible to the general public. Allows state agencies to dispose of real property for alternative fuel delivery systems.

Appropriates the following non-lapsing monies to the alternative fuel delivery system development fund: a) up to \$1,500,000 from the state lottery fund in FY 1993-1994 with the condition that \$42.5 million has been deposited in the state general fund from the lottery fund, b) \$450,000 from the Department of Administration special services revolving fund in FY 1993-1994 and \$625,000 for FY 1994-1995, and c) approximately \$620,000 in FY 1994-1995 from the ADEQ Air Quality Fund.

Modifies the goal for conversion to alternative fueled vehicles used by cities, counties and school districts from ten per cent by January 31, 1994 to 18 per cent by January 31, 1995. Removes the ten per cent state fleet conversion requirement by the end of 1994. Clarifies that the 90 per cent conversion goal by the end of 1997 for federal fleets only applies to federal vehicles operating in Maricopa County. Permits the school districts to use the projected savings resulting from the operation of vehicles on alternative fuels, for the conversion of their fleets or to install a delivery system under the school alternative fuel fleet conversion plan. Requires the Department of Commerce to establish a certification program for new alternative fuel vehicles and equipment used in the conversion to an alternative fueled vehicle and equipment installed in an alternative fuel delivery system. Creates a 15-member joint legislative committee to study the use of alternative fuels in the state vehicle fleet and submit a report by November 15, 1994.

Establishes a 12-member joint study committee on avoidance of ozone violations to study appropriate ozone control measures and submit a report by December 15, 1994. Creates a public education and awareness program and a similar small business program aimed at reducing VOC emissions and other ozone precursors. These programs will be funded in FY 1994-1995 through \$50,000 from the environmental license plate fund and \$250,000 from the public transportation assistance fund.

Provides a mechanism whereby the Department of Weights and Measures and the Arizona Department of Environmental Quality can approve alternative fuel control measures submitted by gasoline manufacturers and suppliers that are as effective as current fuel control measures in both the vapor pressure and oxygen content statutes under Title 41. Removes the 60 day notice requirement which has prevented the EPA from finalizing the implementation of the fuel contingency measure enacted in the 1993 regular session (H.B. 2129).

Specifies that the initial adoption of IM 240 emission testing rules are considered as emergency regulations under the Administrative Procedures Act. Moves telecommuting provision from a mandatory element of a county travel reduction plan to the discretionary list of travel reduction options. Clarifies the Maricopa County emission testing requirements for private vehicles and vehicles sold by dealers. Clarifies the performance standards and tax deduction provisions for clean burning stoves and fireplaces. Exempts cities, towns, school districts and portions of Maricopa County that are outside of the Maricopa County nonattainment area, from complying with alternative fuel fleet conversion requirements and wood burning restrictions.