



47th Legislature First Regular Session
Legislative Wrap-Up

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Legislative Summary

By Public Policy Partners
Summary of Arizona's 2005 Legislative Session
The 47th Legislature – First Regular Session

The 47th legislative session came to an end at 1:25 am on April 12, 2005 after 123 days of work. The session ended thirteen days earlier than the 2004 legislative session, with the 1988 session still holding the record at 173 days. During that time, legislators filed 1,311 bills and passed 392 of them. However, the Governor made great use of her veto pen this session with a grand total of 58 bills being vetoed; only allowing 334 bills into law.

The House and Senate sent the Governor an \$8.3 billion bi-partisan budget, which was a negotiated agreement between both legislative bodies and the Governor's Office. The agreement came months after the first budget was vetoed by Governor Napolitano. Both the Senate President and Speaker of the House committed to passing a Republican budget, which would entail 16 Senate and 31 House votes on all budget bills. They succeeded in doing this with all but one of the budget bills, the controversial downtown medical center. The budget package agreed upon included many tax relief bills and a corporate tuition tax credit bill. The House and Senate were under the impression that these bills would be signed along with the budget bill. In the end, however, the Governor vetoed many proposals, citing that the Legislature did not pass a comprehensive bill to deal with the English language learning funding as required by a Federal court in the case of Flores vs. State of Arizona. Both sides are blaming each other for going back on the deal.

So how'd we get there...

The legislature took a dramatic shift to the right after last year's elections. Many of the moderate Republican's lost their primary election to more conservative Republican's, this shift in ideology played an enormous roll in budget negotiations. If you recall last year's budget deal came after the moderate Republican's rolled the then Speaker of the House Jake Flake and cut a deal with the Democrats, which the current veteran Speaker Jim Weiers did not have to worry about as the Republicans control 38 of the 60 House seats. Instead, this year's hold outs were the conservatives. A team of four conservatives in the Senate joined forces to make a stand on Corporate Tuition Tax Credits, an idea that stemmed from Republican Representative Steve Yarbrough. These four hold out had a major effect on the Senate's ability to negotiate, having only 18 Republicans to work with. There was a fear that moving too much to the right or left would lose the more centrist Republicans in both bodies. In the end however, both legislative branches and

the Governor's office gave up a little in order to gain a little. The Republican members got their much sought after cash for construction, business property tax reduction and Corporate Tuition Tax Credits (this bill was later vetoed), while the Governor received funding for All-Day Kindergarten, the downtown medical center and funds for childcare subsidies among other things. In the end only four conservatives in the House made a stand on all most all the budget bills.

Now what...

It is expected that the Governor will call the legislature back into special session to deal with the Flores case sometime this summer. At that time it is reasonable to believe that the Legislature will send up the Corporate Tuition Tax Credit bill that they believed was part of the budget deal. Many believe that nothing will be done on the Flores bill without this piece of legislation.

The ballot box...

The measures that make it onto the 2006 ballot are being heavily guarded this year. The Republican's don't want to over crowd the ballot box, in hopes that it will affect turnout numbers. For instance, many argue that the high Democrat turnout in 2003 was due to the Tribal gaming initiatives. The Republican's don't want to help Governor Napolitano slide into office for another four years, therefore they are keeping close watch on only allowing pre-approved measures to be voted on and make it to the ballot box, some possible initiatives that failed to pass, but now are circulating via petitions are a ban on gay marriage and English as the official language.

New Department Heads...

The Arizona Department of Revenue and Arizona Department of Health Services experienced a change at the helm this session. Gale Garriott took over in April for Director Elliot Hibbs. Mr. Garriott was the Division Chief Counsel of the Arizona Attorney General's Office overseeing the Tax Section prior to becoming Director. Susan Gerard, replaced Catherine Eden as Director on April 29th. Ms. Gerard was a former staff member of Governor Napolitano overseeing health policy.

Who's running for Governor...

As we round the middle of 2005, the GOP is still in search of a gubernatorial candidate to run against Governor Napolitano. Only one candidate has thrown his hat in the ring for sure, Keith De Green, while the others are still contemplating the race. The potential candidates are as follows:

- Marilyn Quayle: attorney and Former Vice-President Dan Quayle wife. There has never been a woman vs. woman Governor's race in Arizona's history. She could potential draw back the moderate Republican women who voted for Napolitano the first time around. She has not committed publicly one way the other, and she has never made a stand on political issue facing Arizona
- Richard Carmona: U.S. Surgeon General. This Tucson resident has a great rag to riches life story, and may be able to draw from Napolitano's Pima base. However, he enjoys his job and has never been tested in political water.

- Jan Brewer: Arizona Secretary of State. She is in her first term as Secretary of State and a former Maricopa County Supervisor. Early word is that she will stay put, but she did receive 19,000 more votes for Secretary of State than Napolitano did for Governor.
- Ken Bennett: State Senate President. He is in his last term as a state Senator, and may find the race interesting if Quayle and Carmona do not run. He could give Napolitano a race, because he energizes the base and the Republicans currently hold a voter registration edge. Although he has never run a state-wide race.
- Keith DeGreen: Financial Advisor who lost in a U.S. Senate to incumbent Senator DeConcini in 1988. He is the only one that has already declared a run for Governor; however, there doesn't seem to be much support behind him.

Legislation worth taking a look at:

- AIMS Compromise discussed earlier
- The legislature passed a bill that would ban the sale of “junk food” at grade and middle schools. High schools were exempt.
- If you are found at the scene of a traffic accident without auto insurance and a driver's license your car will be impounded. This bill is aimed at cracking down on illegal drivers.
- Legislation allowing Arizona to host a new championship college football game, passed.
- \$7 million was appropriated to help get the downtown medical school started. This legislation has not yet been signed but Napolitano's signature is likely.
- The court ruled that Arizona lawmakers are shortchanging about 200,000 students who are trying to learn English ordered the legislature to fix the problem. The legislature then developed a Republican plan that would spend \$42 million for an English learner plan. This plan drew a veto from Napolitano and will now be the focal point of a special session.

A couple of other bills that failed are:

- Legislation that would allow a person to carry a gun into a bar was vetoed.
- Legislators tired to garner enough votes to place an “English as the only language” initiative on the '06 ballot.
- After a much heated debate on a state-wide voucher program, the legislature was able to pass a voucher bill out, but it was vetoed an hour later.
- A measure that would give gay and lesbian couples the legal right for healthcare, inheritance, parenting and so on, never came to a vote.
- Legislation which would have raised the minimum wage to \$7.10 an hour was stalled before it ever started.
- Several immigration initiatives failed.

What Lies Ahead

Upcoming events in 2005 that encourage the enhancement of relationships between legislators, lobbyists, staff members, and different branches of government, and promote ideas on improving governing strategies and public policy include:

The National Conference of State Legislatures (NCSL) Annual Meeting & Exhibition, being held in Seattle, Washington from August 16th-20th ;

The American Legislative Exchange Council (ALEC) 32nd Annual Meeting, being held in Grapevine, Texas, from August 2nd -7th;

On the Lighter Side

The 1st Annual Legislators vs. Lobbyists softball game was held at Tempe Diablo Stadium. The game raised \$22,000 for the Arizona Children's Hospital. The Legislators won in the tenth inning, which forced the Lobbyists to make good on their bet that if they lost they would wash the Legislator's cars. The carwash took place in the House parking lot, where many legislators participated in poking fun at the losing lobbyists. Some games were played like turning the radio dials to the Spanish stations, and only washing the right side of representative Biggs' car.

Some great one-liners...

Democrat Rep. Linda Lopez expressed her frustrations over not being taken seriously by the Republicans in negotiating the funding for the English-learner program stated, ***"I feel like I was treated less than the dirt under the mat at the entrance to your doorway."***

Speaker Jim Weiers urged members not to refuse to agree to the budget because of specific issues by stating, ***"The only thing that happens to people who put their feet in cement is they get dropped in the river."***

In speaking about sending the Governor another budget that she would have vetoed Rep. Senator Carolyn Allen said, ***"We are dealing with a woman who does not play chicken."***

Issues Specific to AZ Tech Council & SATC

Budget Item CLUSTER FUNDING

Representative Russell Pearce worked diligently again this year to make sure that the \$250,000 appropriation for cluster funding was included in the budget. We were successful in making that happen and may want to look at increasing the funding next session.

S1335 (Chapter 316): INCOME TAX CREDIT; SMALL BUSINESS INVESTMENTS

An income tax credit is allowed to investors for qualified investments in small businesses from July 1, 2006, through June 30, 2011. Application for eligibility must be made to the Dept of Commerce. The amount of the allowable credit is 30% of the investment over a 3-year period and is 35% if the small business is located in a rural county or if it is a biosciences enterprise. The total of all qualified investments in any calendar year in a qualified small business is not to exceed \$250,000, and shall not exceed a total of \$2 million in that business for all taxable years. The fiscal impact to the general fund is \$20 million for the taxable years 2007 through 2014. Other limits, restrictions and procedures are prescribed. AS SENT TO GOVERNOR.

First sponsor: Sen. Leff. Others: Rep. Chase, O'Halleran, Pierce, Reagan, Stump, Sen. Bennett, Blendu.

Date	Action
5/20	signed by governor. Chap. 316, Laws 2005.
5/6	House COW approved with amend #3865. Passed House 50-6. Senate concurred in House amendments and passed on final reading 16-10; ready for governor.
4/27	from House appro B do pass. From House appro P do pass. 4/28 From House rules okay.
4/26	additionally referred to House appro B, appro P. 4/27 House appro B do pass; report awaited. House appro P do pass; report awaited.
3/29	from House ways-means do pass.
3/9	from House com with amend #3865.
3/9	House com amended; report awaited.
2/28	referred to House com and ways-means.
2/22	passed Senate 18-11; ready for House.
2/17	Senate COW approved with amend #3189, #3255 and floor amend #3389 and #3390.
2/15	from Senate rules okay.
2/14	from Senate fin with amend #3255.
2/10	Senate fin amended; report awaited. From Senate com-econ with amend #3189.
2/9	Senate com-econ amended; report awaited.
2/1	referred to Senate com-econ, fin.

H2137: JOB TRAINING FUND

If the Legislature diverts money from the Arizona Job Training Fund for the Dept of Economic Security Jobs Program or for other purposes, it must appropriate the diverted or appropriated money plus interest to the fund from another source in the next fiscal year. Specified appropriations from the job fund are to be repaid.

We were able to stop diverting money from the job training fund in the 2005 budget.

First sponsor: Rep. Huffman. Others: Rep. Hershberger, O'Halleran, Reagan, Sen. Allen, Harper, Leff, Martin.

Date	Action
2/10	from House hu ser do pass.
2/3	House hu ser held.
1/12	referred to House hu ser, appro B.

H2139 (Chapter 289): INCOME TAX; CORPORATE SALES FACTOR

The requirement that corporations paying Arizona corporate income tax use a combination of Arizona property value, payroll and sales to compute their tax liability is changed to allow corporations which commit to \$1 billion in capital investment in Arizona to phase in over 3 years (beginning in calendar year 2007) an option to give greater weight to the "sales factor" (defined as the ratio of the company's in-state sales to its total sales.). Various reports from the company, the Dept of Revenue and JLBC are required.

After many months of working a deal out between the Legislature and the Governor's office, the Governor determined that the risk was worth the reward for Arizona and passed this legislation. This will allow Arizona to stay competitive with the many other states that have some form of Sales Factor.

First sponsor: Rep. Huffman. Others: Rep. Hershberger, McComish, O'Halleran, Paton, Pearce, Quelland, Reagan, Robson, Sen. Harper, Leff, Martin, Verschoor.

Date	Action
5/20	signed by governor. Chap. 289, Laws 2005.
5/6	Senate adopted conference report #4718. House adopted conference report #4718 and passed on final reading 39-17. Passed Senate on final reading 16-10; ready for governor.
5/2	Senate rescinded 3/29 adoption of conference report #4224 and re-referred the report to conference committee for further consideration.
3/29	Senate adopted conference report #4224. Awaits House adoption and final vote in both houses.
3/23	Senate named Martin, Harper and Garcia to free conference committee (House conferees: Huffman, Kirkpatrick, Yarbrough).
3/22	House refused to concur in Senate amendments and named Huffman, Kirkpatrick and Yarbrough to a FREE conference committee. Senate conferees awaited.
3/17	from Senate fin with amend #4070. From Senate rules okay. Senate COW approved with amend #4070. 3/18 Passed Senate 18-7; ready for House action on Senate amendments.
3/9	referred to Senate fin.
3/7	passed House 31-23; ready for Senate.
3/3	House COW approved.
3/1	stricken from House consent calendar by Downing. 3/2 From House rules okay.

3/1	to House consent calendar.
2/22	from House ways-means do pass.
1/12	referred to House ways-means.

H2634: INCOME TAX CREDIT; UNIVERSITY RESEARCH

For 5 years, beginning in tax year 2006, an additional 10% tax credit against a taxpayer's income tax liability is allowed if several conditions are met, including the taxpayer's research expenses consist of qualified research at a state university. AS PASSED HOUSE.

H2634 was never heard in Senate Finance, because the Chairman Dean Martin refused to hear the legislation. This is the second year in a row that Senator Martin has opposed the legislation, and we should consider working in the interim with him to come to an agreement on the issues.

First sponsor: Rep. Reagan. Others: Rep. Barnes, Downing, Hershberger, Jones, Konopnicki, McComish, McCune-Davis, O'Halleran, Robson, Sen. Allen, Leff, Mitchell.

Date	Action
3/31	from Senate higher ed do pass.
3/30	Senate higher ed do pass; report awaited.
3/23	referred to Senate fin, higher ed.
3/14	passed House 37-18; ready for Senate.
3/10	House COW approved with amend #3433; amend 3478 and 3717 were withdrawn.
3/9	from House rules okay.
3/3	from House appro P with amend #3717.
2/23	from House univ-tech with amend #3478.
2/22	from House ways-means with amend #3433.
2/9	referred to House ways-means, univ-tech, appro P.

H2779 (Chapter 302): BUDGET; PROPERTY TAXES (BUDGET; TAXATION; CORPORATIONS; PROPERTY)

Reduces the assessment ratio for class one (commercial, industrial and mining) properties from 25% of assessed value to 20% in annual one-half per cent increments over 10 years. Increases the "Homeowners' Rebate" (a program whereby the state pays part of the property taxes on owner occupied residential properties) from 35% of the primary school tax rate to 40% in annual one per cent increments over 5 years. The cap on the Homeowners' Rebate is increased in \$20 annual increments from \$500 to \$600 by 2010. For fiscal 2006, the qualifying tax rate is set at \$1.8090 for a common or high school district and \$3.618 for a unified school district. The county equalization

assistance for education rate is set at \$0.4358.

First sponsor: Rep. Pearce. Others: Rep. Allen, Barnes, Boone, Burges, Gray, Groe, Jones, Knaperek, Konopnicki, Mason, McClure, McComish, McLain, Murphy, Nelson, Nichols, Paton, Pierce, Quelland, Reagan, Robson, Rosati, Smith, Stump, Tully, Jim Weiers, Jerry Weiers, Yarbrough.

Date	Action
5/20	signed by governor. Chap. 302, Laws 2005.
5/6	House COW approved with amend #4634. NOTE SHORT TITLE CHANGE. Passed House 41-15. Substituted in Senate for identical S1528 and passed 22-4; ready for governor.
4/27	from House appro B do pass. From House appro P with amend #4634. 4/28 From House rules okay.
4/26	House appro B no action. House appro P no action. 4/27 House appro B do pass; report awaited. House appro P amended; report awaited.
4/18	referred to House appro B, appro P.

H2221 (Chapter 180): HUMAN CLONING; PUBLIC FUNDING PROHIBITION

It is illegal to use public monies, including federal monies "passing through the state treasury," for human cloning. Not affected is research in the use of nuclear transfer or other cloning techniques to produce molecules, cells other than human embryos, tissues, organs, plants or animals other than humans.

Instead of a complete ban on Human Cloning an agreement was reached on this piece of legislation to just ban the use of public funding for human cloning. The other measures that were proposed to enact a complete ban failed.

First sponsor: Rep. Stump. Others: Rep. Anderson, Biggs, Boone, Chase, Farnsworth, Gorman, Konopnicki, Murphy, Nichols, Pearce, Quelland, Robson, Rosati, Yarbrough, Sen. Bee, Flake, Johnson.

Date	Action
4/22	signed by governor. Chap. 180, Laws 2005.
4/14	passed Senate 18-12; ready for governor.
4/7	Senate COW approved.
4/5	stricken from Senate consent calendar by Giffords.
4/4	to Senate consent calendar. 4/5 From Senate rules okay.
3/30	from Senate appro do pass.

2/14	passed House 41-19; ready for Senate.
2/10	House COW approved with floor amend #3223.
2/9	from House rules okay.
2/8	to House consent calendar. Stricken from consent calendar by Downing.
2/3	from House hel do pass.
2/2	House hel do pass; report awaited.

H2324: HUMAN CLONING

It is unlawful to perform or attempt to perform human cloning.

Instead of a complete ban on Human Cloning an agreement was reached on a bill proposed by Representative Bob Stump. His bill H2221, does not allow the state to provide funding for human cloning, but does not ban the procedure altogether.

First sponsor: Rep. Gray. Others: Rep. Anderson, Barnes, Biggs, Boone, Burges, Chase, McClure, Murphy, Pearce, Pierce, Quelland.

Date	Action
2/16	House hel held.
1/13	referred to House hel, jud.

H2414 (Chapter 136): COMPUTER SPYWARE

A chapter on computer spyware is added to statutes relating to Title 44 (trade and commerce). Certain activities are prohibited including remotely taking control of a computer, collecting certain information through intentionally deceptive means; intentionally misrepresenting that software will be uninstalled or disabled by an action of the operator, etc. The attorney general's office has investigative and prosecutorial jurisdiction. Provisions do not apply to monitoring of a subscriber's internet service by a telecommunications carrier, cable operator, computer hardware or software provider or a provider of information service, technical support, maintenance, and repair and authorized updates of software or system firmware. A statement of statewide concern recites that this law supersedes and preempts any other local law or ordinance in the state.

First sponsor: Rep. Paton. Others: Rep. Allen, Anderson, Huffman, McClure, Murphy, Nelson, Pierce, Prezelski, Rosati, Sinema, Tully, Jerry Weiers, Sen. Bee, Jarrett, Martin, Tibshraeny, Verschoor.

Date	Action
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4/12	House concurred in Senate amendments and passed on final reading 59-0; ready for governor.
4/6	passed Senate 28-0; ready for House action on Senate amendments.
3/31	Senate COW approved with amend #4145.
3/29	from Senate rules okay.
3/24	from Senate com-econ with amend #4145.
3/23	Senate com-econ amended; report awaited.
3/2	Senate com-econ held.
2/22	referred to Senate com-econ.
2/21	passed House 59-0; ready for Senate.
2/17	House COW approved with amend #3193.
2/16	from House rules okay.
2/9	from House com with amend #3193.
2/9	House com amended; report awaited.
2/2	House com held.

H2557: CLONING; STEM CELL RESEARCH; COMMITTEE

A 13-member Cloning and Stem Cell Research Committee is established to study the potential benefits and dangers, the current state of scientific knowledge, the ethical issues involved and the possible need for legislation. Membership is comprised of two senators, two members of the House, two representatives of faith-based organizations, two from biomedical research, one from a publicly funded university in the state, an attorney who specializes in biomedical research, a member of the clergy, and two members of the public. Report is due Nov 15, 2005. AS PASSED HOUSE.

Senator Allen's bill S1295 was signed into law setting up a committee to study stem cell research, however, her committee does not address cloning.

Sponsor: Rep. Stump.

Date	Action
3/29	from Senate hel do pass.
3/22	referred to Senate hel.
3/8	passed House 57-1; ready for Senate.
3/3	House COW approved with amend #3493.

3/2	from House rules okay.
2/23	from House hel with amend #3493.
2/23	House hel amended; report awaited.
1/31	referred to House hel.

HCR2025: HUMAN CLONING PROHIBITION

The 2006 general election ballot is to carry the question of amending the state constitution to provide that "human cloning in any form is forbidden in this state."

This bill never made it to the House floor, because an agreement was reached on a bill proposed by Representative Bob Stump. His bill H2217, does not allow the state to provide funding for human cloning.

First sponsor: Rep. Gray. Others: Rep. Anderson, Barnes, Biggs, Boone, Burges, Chase, Murphy, Pearce, Pierce, Quelland.

Date	Action
2/17	from House hel do pass.
2/16	House hel do pass; report awaited.
1/18	referred to House hel, hu ser.

S1295 (Chapter 146): STEM CELL RESEARCH COMMITTEE

A committee of legislators, doctors, clergy, researchers and others is created to study issues connected with stem cell research including potential benefits of stem cell research and whether legislation is needed to regulate it. Reports are due by Nov. 15, 2005, and Nov. 15, 2006.

Stem cell research was a growing discussion during this legislative session. Therefore, Senator Allen thought it to be necessary to set-up a research committee to determine how Arizona should proceed on the matter. We have requested to be included in this committee so that the technology community can voice its thoughts and concerns.

Sponsor: Sen. Allen.

Date	Action
4/20	signed by governor. Chap. 146, Laws 2005.
4/12	FAILED to pass House 26-33. 4/13 passed House on reconsideration 36-22; ready for governor.
4/11	House COW approved.
4/6	stricken from House consent calendar by Lopez.
4/6	from House rules okay. To House consent calendar.
3/23	from House hel do pass.

3/23	House hel do pass; report awaited.
3/14	referred to House hel.
3/3	passed Senate 29-0; ready for House.
2/24	Senate COW approved with amend #3173 and floor amend #3558.
2/15	from Senate rules okay.
2/8	from Senate hel with amend #3173.
1/27	referred to Senate hel.

S1422 (Chapter 323): SCHOOLS; TECHNOLOGY-ASSISTED INSTRUCTION

A requirement for a "technology-assisted project-based instruction program" in schools is revised to require at least 60% of participating pupils to have been previously enrolled in a public school. A requirement for test measurement is deleted, and the Auditor General's Office is directed to complete a performance audit by Nov. 1, 2007. AS PASSED HOUSE.

First sponsor: Sen. Waring. Others: Sen. Gould.

Date	Action
5/20	signed by governor. Chap. 323, Laws 2005.
5/12	passed House on final reading 49-0; ready for governor.
5/11	House adopted conference report #4797. Senate adopted conference report #4797 and passed on final reading 24-0. Awaits House final vote.
5/9	House named Nichols, Lopez and Yarbrough to free conference committee (Senate conferees: Waring, Aguirre, Verschoor).
5/6	Senate refused to concur in House amendments and named Waring, Aguirre, and Verschoor to a FREE conference committee. House conferees awaited.
4/28	passed House 49-7; ready for Senate action on House amendments.
4/25	House COW approved with amend #4154.
4/21	from House rules okay.
3/23	from House educ with amend #4154.
3/23	House educ amended; report awaited.
3/21	referred to House educ.
3/16	House educ no action (not yet assigned).
3/10	passed Senate 29-0; ready for House.
3/1	from Senate rules okay.
2/28	to Senate consent calendar.
2/24	from Senate K-12 do pass.
2/1	referred to Senate K-12.

S1447 (Chapter 114): ON-LINE BUSINESS MISPRESENTATION

It is a class 5 felony to request or induce another person to provide identifying information by

representing oneself as an on-line business without the approval of the actual on-line business.

First sponsor: Sen. Martin. Others: Rep. Paton.

Date	Action
4/18	signed by governor. Chap. 114, Laws 2005.
4/12	passed House 59-0; ready for governor.
4/6	from House rules okay.
4/5	to House consent calendar.
3/30	withdrawn from House jud.
3/9	from House com do pass.
3/9	House com do pass; report awaited.
3/2	referred to House com, jud.
3/1	passed Senate 29-0; ready for House.
2/21	to Senate consent calendar. 2/22 From Senate rules okay.
2/15	from Senate jud do pass.
2/10	from Senate com-econ do pass.
2/9	Senate com-econ do pass; report awaited.
2/1	referred to Senate jud, com-econ.
