

ARIZONA STATE SENATE
HIGHLIGHTS OF THE 52ND LEGISLATURE
SECOND REGULAR SESSION

(Unless otherwise noted, all bills were signed into law)

BUDGET

It has been a decade since Arizona thrived on a strong economy and maintained a structurally balanced budget. Thanks to a commitment by lawmakers to keep spending below expected revenues, the state's budget is structurally balanced in FY 2017. Prudent budget practices will yield structural balances for fiscal years 2018 and 2019 as well. The enacted budget sets a steady course for Arizona for years to come.

Child Safety

The Legislature increased DCS funding by an additional **\$60 million** for FY 2017. While the agency requested far more funding for administrative positions and to meet operational needs, the budget placed emphasis and priority on the following policy areas:

- Backlog Privatization \$2.7 m
- Support Services \$19.5 m
- Preventive Services \$5 m
- Out of Home Support Services \$12.5 m
- Child Care \$2 m
- Permanency \$6.4 m
- Attorney General Representation \$3.1 m
- Court Dependency Caseload \$3 m

This year's DCS budget also incorporated numerous accountability measures, performance benchmarks and additional reporting requirements as part of the infusion of new monies.

- Concerned with the rampant and uncontrolled spending within DCS, the Legislature imposed accountability measures and benchmarks to better ascertain the use of state dollars and ensure that funding is spent where it was intended. The Joint Legislative Budget Committee (JLBC) will have line item review of transfers from one budget line to another (as DCS has used critical prevention dollars for administrative costs). Separate lines for support services will better

define where services are being spent and are needed to keep families together. The agency is to submit a month-to-month report of spending in comparison to the previous fiscal year. Failure to submit reports in the prescribed timeframes will result in a withholding of 2% of the agency's operating lump sum appropriation.

- The budget triggers funding pending the agency's award of contract for privatization of the backlog. The budget sets a performance goal to reduce child removals beginning in FY 17 by 2% and 2% each quarter thereafter. The backlog is to be reduced to less than 1,000 cases by June 2017. Additionally, DCS shall have no more than 13,000 open cases at any time.
- New reporting requirements on DCS staffing will include the number of new Full Time Employees hired with a correlation to progress with the backlog. Administrative hires as outlined in the budget shall be reported to the JLBC. A monthly staffing and separation report will delineate actual hires and departures by position category to highlight impact on caseload management. A caseload analysis is to be conducted on each caseworker, by field office to compare actual cases with the national average. In addition to the current reports by the Auditor General (AG), the AG will examine DCS administrative staffing levels as they relate to other state agencies. They will also study the recruiting, training and retention of staff with other agencies and consider other services such as peer review, mental health supports and supervision which aid in retention. Finally the AG will assess the efficacy of AZ Families FIRST and DCS substance abuse treatment programs to determine if best practices are used to aid in recovery for parents of out-of-home children in care.

K-12 Education

Republicans demonstrated bold leadership by sending Proposition 123 to Arizona voters to inject **\$3.5 billion** over the next 10 years into our state's public K-12 education system. That means an additional **\$500 million** combined in Fiscal Years 2016 and 2017 is immediately appropriated to schools once it is passed by the voters. In addition to the massive infusion of new dollars to K-12 education, the Legislature stood strong by adding more than **\$200 million** additional dollars.

- In addition to the money coming from Prop. 123, the budget includes **\$132 million** in NEW formula funding that will support inflationary increases, new student enrollment and higher costs of educating special education students.
- Last year the Legislature adopted policy to no longer fund school districts for students they did not have and pushed to have school districts funded for students that are in classrooms that current-year. In an effort to help schools transition to the new policy, an additional **\$31 million** was added to schools that were not set to receive these funds in the coming school year.
- In an effort to maintain safe environments for students to learn in, an additional **\$30 million** was appropriated to the School Facilities Board for Building Renewal Grants to support schools in maintaining safe and adequate buildings.
- K-12 education was held harmless from other previously enacted policy changes. By using the one-time cash available to the state, the K-12 education system received an additional **\$8.7**

million, which included **\$6.5 million** for the phase-out of the multi-site charter school weight and **\$1.2 million** for the phase-out of district sponsored charter schools.

- The budget funds new school construction for Agua Fria Union High School District and Chandler Unified School District for a total of **\$46 million** over fiscal years 2017 and 2018.
- Career and Technical Education (CTE) was at the forefront of our legislative priorities by reforming how Joint Technical Education Districts operate and restoring **\$29 million** in funding for highly effective and in-demand CTE programs so that our students are prepared for high paying Arizona jobs.
- Beginning in school year 2018, students and teachers will be rewarded for achieving college credit in high school. **\$5 million** was set aside to provide teacher and school bonuses for students who achieve college credit on Advanced Placement and other college credit exams.

Higher Education and Universities

Along with our K-12 education system our universities saw substantial investments in both one-time increases and ongoing spending increases. The university system will see an overall increase of **\$32 million** on top of the more than **\$600 million** they receive each year.

- To promote intellectual diversity and thought, **\$5 million** was appropriated to the University of Arizona and Arizona State University to further the operation of the so-called “freedom centers.” These centers promote economic and individual liberty in environments where those ideas and concepts are few and far between.
- Universities were given a total of **\$19 million** in one-time cash to support capital needs or university priorities, as well as an additional **\$8 million** in ongoing spending to support our Arizona resident students.
- On top of all of the additional spending going to universities, the state is paying off a **\$200 million** (\$91M ASU, \$79M UA, \$30M NAU) accounting gimmick from the Great Recession. This is money that has been deferred since 2010 and money that the universities have not seen since it was deferred. This will effectively be a 13th payment to our higher education system that will have a huge impact on our universities.
- Bureaucratic government was reduced by eliminating a long standing tuition remittance policy. Previously, each of the state universities was required to send all of their tuition dollars they had received to the state. The State Treasurer would effectively pay them back what they had sent. This required unnecessary time and resources. This change will give the universities the flexibility they need to make smart and effective budgetary decisions.

Public Safety

Republican leadership ensured law enforcement has the necessary tools to protect our communities.

- Drug and human trafficking has been on the rise in Arizona for the last decade. The Legislature appropriated **\$27 million** to fund the Arizona Border Strike Force to fight against border-related

criminal activity. This initial infusion will restore 24 hour highway patrol coverage in four border counties, increase aviation response and surveillance on the border, update antiquated communication equipment and assist counties with the cost of prosecution and imprisonment.

- The Legislature provided **\$4.6 million** for salary adjustments for sworn highway patrol officers and civilian staff.
- Over **\$2 million** was invested in DPS to acquire virtual law enforcement training.
- This year’s budget includes **\$500k** to contract out the testing of sexual assault kits that are backlogged and to fund operations at the DPS crime labs for the purpose of decreasing the backlog.

Department of Economic Security

The Legislature increased DES funding by an additional **\$34 million** for FY 2017. Savings from Temporary Assistance for Needy Families (TANF) were used to offset costs within the agency as well as DCS. Key funding initiatives for vulnerable populations served include:

- Domestic Violence Services \$1.5m
- DD Provider Increase (1%) \$3m
- ALTCS Adult Dental \$1.2m
- Adult Protective Services \$2m
- Vocational Rehabilitation \$2m
- Area Agencies on Aging \$700k

Transportation

To support Arizona’s growing population and economy, the Legislature invested in our transportation infrastructure.

- As part of our commitment to restoration of local Highway User Revenue Fund (HURF) revenues, the Legislature provided an additional **\$30 million** for the HURF distribution system in FY17.
- **\$56.5 million** was appropriated for critical transportation projects including the I-10 Fastlane project between Phoenix and Tucson, SR189 near Nogales and the Hopi BIA Route 60 project.

Education

As technology and research have progressed, parental rights have taken a back seat. **HB 2088 (schools; assessments; surveys; informed consent)** reasserts parental rights by requiring that a parent opt-in to any surveying of their child. It outlines specific criteria and informed consent before any student is surveyed. HB 2088 puts Arizona parents back in the driver's seat of their children's education.

Last year's budget required the Legislature to close a \$1 billion gap and to make some difficult choices to balance the state's finances. During the past year, we heard Arizonans loud and clear about the overwhelming support for these critical programs including career and technical education. In responding to the state's new fiscal position, the Legislature moved swiftly to make some monumental reforms and restore funding to the most impactful programs. Because of **SB 1525 (JTED restoration and reforms)**, career and technical education in this state will be stronger.

Arizona's A through F school accountability system was rigid and incomplete. Last year, the Legislature suspended the school letter accountability system in order to revamp and reform the way the state classifies schools. **SB 1430 (schools; achievement profiles; improvement plans)** gives parents and the public a holistic picture of school achievement by giving flexibility in the A through F accountability system. Parents will now have the confidence to know how a school is doing when they see its letter grade.

Community colleges in Arizona are a foundation for the development of our 21st century workforce and a launching pad for students to get a postsecondary education. During the Great Recession, Arizona community colleges took deep reductions in financial assistance. **SB 1322 (community colleges; expenditure limitation)** contains numerous reforms to give relief to community colleges without raising taxes. It incentivizes community colleges to partner with the private sector and recognizes the expensive nature of career and technical education coursework in determining expenditure limitations. This is a common sense reform package that gives relief to community colleges, positively impacts our economy and protects the taxpayer.

Traditionally, university and college campuses have been forums for free speech. Recently however, college administrators have been stifling free speech on campuses, relegating participants to "free speech zones". **HB 2615 (campuses; free speech zone; prohibition)** eliminates those zones, and instead opens up an entire public college campus to free speech, subject to reasonable time, place and manner restrictions. If students feel their free speech rights have been restricted, they can pursue legal action and receive an award judgment. An amendment to another free speech bill, **HB 2548 (NOW: public forums; activities; postsecondary campuses)**, addresses those who wish to prevent people from attending a political campaign event or government meeting. It expands the offense of blocking a road to include a person who intentionally interferes with those trying to use a public road to attend a government function or campaign event.

Arizona is suffering through a teacher shortage, struggling to not only bring new teachers into the profession but also in keeping the teachers we have. In addressing this crisis, **SB 1208 (teacher certification; reciprocity)** reduces barriers for those entering the teaching profession and helps current

teachers by reducing unnecessary requirements. There is no reason why our teachers should be burdened with bureaucratic government requirements when they should be focused on doing their jobs, teaching.

Students and their parents deserve the right to choose the school that best meets their needs. In an attempt to give more students expanded school options, **SB 1279 (empowerment scholarship accounts; eligibility; administration)** would have expanded the Empowerment Scholarship Account (ESA) program to every student in Arizona. While trying to get the necessary votes in the House of Representatives, the bill was amended to only expand ESAs to students being raised in poverty. SB 1279 never received a vote in the House. However, great strides in this strong school choice program were made in **SB 1280 (empowerment scholarship accounts; eligibility; administration)**. No longer will students have to wait a full year to apply for an ESA. SB 1280 creates a year-round application window and it strengthens the administration of an already impactful program.

Arizona prides itself on its strong school choice environment but it has been lacking in terms of assessments. We encourage schools to be innovative but the traditional models of education do not allow them to do that with our statewide assessment system. **HB 2544/SB 1321 (schools; statewide achievement assessments; menu)** creates a statewide menu of achievement assessments for schools to choose from as an alternative to the current AZ Merit assessment. This bill allows schools that were double testing their students to have additional classroom time. It also allows parents to choose a school based on their assessment model and the expectations that they hold students to. Arizona is the first state in the nation to give schools and students a choice in assessments.

The Extraordinary Special Education Needs Fund was established in 2001. Up until now it has only been used by public schools. **HB 2294 (charter schools; special funding)** allows charter schools to apply for monies from the Fund. The Fund can be used to cover the costs a school has associated with a student who requires special services, due to their disability. The Fund consists of legislative appropriations, gifts, grants and donations.

Recent studies have found that children in foster care have significantly higher rates of absenteeism, are more likely to perform below grade level and are about twice as likely to be held back in school. **HB 2665 (charter schools; preference; foster children)** provides the opportunity for schools to give enrollment preference to our state's most vulnerable children so that they have the opportunity to attend high-performing schools. Furthermore, HB 2665 also appropriates **\$1 million** beginning in Fiscal Year 2018 to provide wrap-around services to this vulnerable population to improve educational outcomes by partnering with a non-profit organization that specializes in providing exceptional services. There is an additional **\$500k** available in matching funds for any private monies.

The school finance laws that govern Arizona school districts are nearly 30 years old and do not give school districts the flexibility they need to make smart financial decisions. **HB 2476 (school property; sales; leases; use)** modernizes the way school districts can sell and lease school property. It clarifies and simplifies the laws so that school districts can implement the sales correctly and gives them the flexibility they need to run efficiently but still maintains strong accountability to the taxpayer.

Health & Human Services

The number of substance-exposed newborns has grown in the state. With the legalization of medical marijuana and potential passage of a citizen's initiative to legalize the drug recreationally, public awareness on the harmful effects of the drug is critical. **HB 2061 (medical marijuana; pregnancy; signage)** is a measure which requires dispensaries to post signs warning of the dangers of using marijuana while pregnant and breastfeeding. This information will also be required on medical marijuana registry cards.

The Legislature worked proactively to help families in need. Previously, Arizona had a Domestic Violence Shelter Fund that helped people in these difficult situations but was restricted to just shelter facilities and operations. However, the language in the law had become outdated and was limiting access to the fund to help victims and families receive services. **HB 2103 (service providers; domestic violence)** updates that language and renames the fund as the Domestic Violence Services Fund.

There are niche communities in the state that provide recovering addicts with the necessary housing needed to maintain sobriety and transition into the community post treatment. These "sober living" homes are not regulated and require no standards of care for individuals. There are federal protections that prohibit ordinances from restricting these recovery homes or requiring certain practices. **HB 2107 (structured sober living homes)** as introduced would have allowed for local jurisdictions to adopt ordinances for recovery homes to operate within a community and prescribed health and safety requirements on these facilities. The Senate modified the bill to permit local ordinances that are compliant with the Federal Fair Housing laws and the Americans with Disabilities Act and require a written notification on the location and ownership of sober living homes. Supervision at the home is required for all hours of operation and each home must provide a maintenance of operation plan that details the rehabilitative process, including discharge planning. It also addresses noise abatement consistent with local ordinances.

Electronic Benefit Transfer (EBT) cards are used by Department of Economic Security cash-assistance recipients at numerous retail sites for electronic purchases. The Legislature has modified statutes over the years to curb fraud and abuse of this public benefit. **HB 2261 (electronic benefit transfers; prohibitions; violations)** prohibits the use of EBT cards in medical marijuana dispensaries. It also classifies the use of an EBT card at certain facilities, such as gambling institutions and liquor stores, as a class one misdemeanor to discourage use of taxpayer funds for such purposes. In addition, **SB 1106 (food stamp benefits; unlawful use)** updates federal food stamp requirements to define "eligible foods" to clarify what forms of food may be purchased with food stamps. This legislation is intended to enhance criminal fraud investigations and prosecutions related to unlawful food stamp activity.

Since the inception of the new Department of Child Safety (DCS) agency, many agency policies and procedures have been reviewed to determine how to improve child welfare investigations, create uniform practices for dependency cases and work towards permanency for children in the foster care system. A variety of bills were approved by the Legislature this year. One key initiative, **HB 2270/SB 1142 (backlog cases; private contractors; DCS)** requires DCS to award a contract with private providers to assist with closing a backlog of investigations that have lingered within the agency for years. This measure may provide a process whereby DCS can partner with contractors who have an experienced workforce to manage cases, provide mentorship opportunities and perform tasks identified

by the Department. The implementation of policies and practices within DCS are not always consistent, particularly as they relate to the removal of children. **HB 2427 (child removal; uniform criteria)** ensures that the criteria for the removal of a child is uniform across the state so that the best procedures are followed without local discrepancies. The Department receives more than 30,000 calls reporting neglect and abuse annually. Under current reporting requirements, all reports must be fully investigated, even if there is not sufficient information related to a call. This has placed a tremendous strain on caseloads and contributed to the backlog of inactive cases. **HB 2522 (DCS; intake hotline; reports)** seeks to clarify instances when a hotline worker may not be required to refer a case for investigation. The bill limits reports for calls when the identity or current location of a child victim, the child's family or suspected perpetrator is known or can be reasonably ascertained. DCS may not prepare a report if the suspected conduct occurred more than three years before the communication is made and there is no information or indication that a child is currently being abused or neglected. This session DCS was authorized to use the CHILDS database as a safety reference for individuals to be certified as adoptive homes and licensed foster homes, as well as for employing individuals within the department (also contained in **HB 2269 (DCS; child abuse; neglect; reports)**). Finally, **HB 2452 (cash assistance; eligibility; children)** removes the "kid cap" placed on the Temporary Assistance for Needy Families (TANF) Cash Assistance program so that children who are in the custody of the Department of Child Safety, tribal courts/ welfare agencies, or a nonparent relative can receive assistance. Removing the "grandmother tax" will allow for more children to live with relatives when they are orphaned, abandoned, or removed from their parents when those relatives could otherwise not afford to do so.

Frustrated by the turnover rate of caseworkers and inability to access behavioral health services for foster children and adopted children, a coalition of families promoted legislation to enable caregivers to bypass DCS written policy and make direct contact with the Regional Behavioral Health Authority (RBHA) provider for services. It has become too common for children in need of services to be placed on wait lists, even in times of crisis, that exceed the response time frames prescribed by state law or policy. **HB 2442 (behavioral health; urgent need; children)** permits placement and adoptive parents to contact a RBHA for a screening and evaluation of a child upon initial placement into a foster home or when a child is in urgent need of behavioral health services. The RBHA must dispatch an assessment team within 72 hours after notification of a placement or two hours after receiving a crisis call. An initial evaluation of a child must occur within seven calendar days upon placement referral for services. If it is determined a child is in need of services, the RBHA must provide an appointment within 21 days of the evaluation. Should therapies be unavailable within the network of providers, a placement or adoptive parent may secure services outside of network. The RBHA is responsible for the cost differential of the services (certain restrictions on billing practice will apply). In response to the volume of complaints from the foster community, HB 2442 requires that AHCCCS conduct a network adequacy study to identify where there are gaps in services and what forms of therapies need to be developed for kids in state care.

According to the National Survey on Drug Use and Health, 5.6% of Arizona residents ages 12 and older were misusing prescription drugs, compared to a national rate of 4.5% -- the 6th highest rate of prescription drug use in the country. This epidemic prompted prior legislation requiring prescribing physicians to register with the state's Controlled Substance Prescription Monitoring Program (CSPMP) and phase in registration as a condition of licensure. While this approach established a timeline to promote greater use of the monitoring program by health professionals, the utilization of the system remained at approximately 5% of all licensed professionals. This year, the registration requirement

became mandatory. **SB 1283 (controlled substances prescription monitoring program)** requires medical practitioners prescribing an opioid analgesic or benzodiazepine controlled substance to obtain a patient utilization report on patient use of drugs in a preceding 12 month period in the CSPMP. By doing this data check, doctors can see if patients are receiving the same controlled substances on a regular basis or from multiple doctors. If those who are abusing the system are identified they can then receive the help they need to overcome their addiction. Certain exceptions apply for chronic health conditions and post-operative treatments. Effective October 2017, the bill affords time for increased registration and enhanced technical capabilities to share health information through the system.

The Health Insurance Portability and Accountability Act (HIPAA) contained patient privacy protections that have been stringently interpreted and make it nearly impossible for family members and caregivers to aid in the care of their loved ones. In an overabundance of caution, providers have defaulted to a “tell no one” policy that leaves people in the dark as to the location, therapies and services delivered to adults with serious mental illness (SMI). **SB 1442 (mental health services; information disclosure)** revises health disclosure laws to clarify that health care information may be released upon patient consent, but also if a patient is determined to be capable of agreeing but is unable to communicate consent, or does not express objection, to use professional judgment in sharing information. Providers may also exercise professional judgement if the release of information is in the best interest of the patient, but only information that is directly relevant to a person’s involvement with the patient’s care. This is important to individuals who reside with SMI adults and are familiar with drug therapies and other medical information that could benefit caregivers with little patient history to treat patients. The bill specifies that friends, in addition to family members, or others involved in the patient’s care, treatment or supervision may receive information. Proper documentation on the release of information is required. At all possible times, written consent and documentation is preferable. Family members and caregivers have expressed frustration with navigating a large behavioral health system to ensure that their loved ones are safe and receiving proper care. Discouraged by the lack of information they receive and how they are treated, they sought legislative relief to enumerate their rights. **SCR 1005 (rights of caregivers; recognition)** emphasizes the important role family members, caregivers and guardians play in the care of individuals with serious mental illness. The resolution declares that family members and caregivers have a right to communicate with providers, be treated with respect and receive access to approved information during discharge planning to ensure that there is proper patient transition safely into the community. These two measures have opened a dialogue among family members, SMI advocates and providers on maintaining the privacy and dignity of a patient, but acknowledging there is a communication gap to be bridged that will be beneficial to all parties.

Currently, a principal in a mental health care power of attorney can revoke all or any part of that power of attorney even if they are determined incapable unless limited by express authority in the document. Individuals in need of urgent psychiatric evaluation and therapy often attempt to terminate agent representation upon admission into a hospital, sometimes upon the advice of hospitals. **SB 1169 (mental health power of attorney)** removes the ability of a principal who is found to be incapable from revoking a mental health care power of attorney. When a patient requests in writing to be discharged from a facility, inpatient psychiatric facilities must either discharge the patient or initiate proceedings for court ordered evaluation or treatment within 48 hours (instead of 24 hours) upon receipt of a request. This process allows time for caregivers and guardians to ensure patients receive treatment at the time they need it most.

Individuals with serious mental illness (SMI) often cycle in and out of the legal, correctional and behavioral health systems in the state. These systems operate in silos where these individuals are identified and treated separately without coordination to optimize outcomes. When an SMI rehabilitates and is released from custody, there are little to no services available to ensure they transition from a correctional setting into the community with resources to help with job placement, education, counseling, case management and preventions to avoid reentry into the system. **SB 1439 (prisoners; mental health; transition program)** would have required the Arizona Department of Corrections (ADOC) to establish a pilot program that utilized nonprofit or private entities as navigators for state programs that transition inmates into productive and stable living environments. Although this measure was not successful, similar elements of SB 1439 were contained in the budget. It is hoped that improved coordination between ADC, AHCCCS and the behavioral health system will positively impact transitioning inmates.

The 9th Circuit ruled Arizona's law prohibiting experimentation on a human fetus or embryo void for vagueness in *Forbes vs. Napolitano* finding the words *experimentation*, *investigation* and *routine* ambiguous. As a result, the statute is permanently enjoined and unenforceable. **SB 1474 (human fetus; embryo; prohibited actions)** provides the definitional clarity the court recommended by removing the prohibition on knowingly using a fetus or embryo or parts from an induced abortion and instead outlawing the use of a human fetus or embryo or parts, organs and fluids resulting from an abortion in animal or human research, experimentation or study or for transplantation. This excludes diagnostic or remedial procedures in determining the life or health of a fetus or embryo or mother and pathological studies. The measure also prohibits a person from knowingly selling, transferring, distributing, giving away, accepting, using or attempting to use any human fetus or embryo resulting from an abortion. The bill is intended to prevent the trafficking of aborted fetal body parts – an exposed practice which sparked outrage across the nation.

Legislation enacted in 2012 requires that medication used to induce an abortion be used in accordance with FDA protocols and guidelines and must be in compliance with printing and labeling instructions. At that time medication abortions could not be administered beyond seven weeks of pregnancy. The Maricopa County Superior Court ruled that Arizona's law was unconstitutional by virtue of the fact that it relied on Federal guidelines – and the state could not delegate legislative authority and rely on FDA protocol that may be subject to change. **SB 1324 (abortion clinics; medication abortions)** clarifies that any medication abortions must be administered in compliance with outlined FDA-approved protocols in effect as of December 31, 2015 – which would end the state court case and allow the federal legal challenges to resume. The legislation maintains the current standard of care and prohibits the use of dangerous abortion drugs beyond seven weeks.

During the course of this Session, the FDA issued new guidelines on abortion drug labels to allow drugs to be administered up to the ninth week of pregnancy. The label protocol also allows medical professionals other than physicians, such as a nurse practitioner, to administer the drugs. In complete disagreement with the new guidelines, the Legislature nullified the FDA labeling requirements by eliminating any statutes or references to the FDA guidance in **SB 1112 (pharmacists; scope of practice)**.

Closing the legislative loopholes that provide access to public funding to entities that perform abortions, **SB 1485 (payroll deductions; charitable contributions; prohibition)** prohibits state employees from

making payroll deductions to a charitable organization that performs a non-federally qualified abortion or maintains or operates a facility where a non-federally qualified abortion is performed for the provision of family planning services. Defunding Planned Parenthood is an important pro-life priority for the Majority this year.

Public Safety, Military and Technology

Safe communities are a legislative priority. This is especially acute when it comes to children. **SB 1286 (internet sex offender website; offenses)** expands the list of crimes that require registered sex offenders to be listed on the sex offender website, so that parents have even more information to keep their children safe. High profile murders committed by illegal aliens who should have otherwise been incarcerated provoked the Legislature to act, which resulted in **SB 1377 (sentence enhancements; unlawful presence; release)**. The bill would have ensured that an illegal alien convicted of a crime served the whole sentence imposed with no option for early release. Unfortunately, the House was unable to acquire the necessary votes for its passage.

Collecting, storing and disseminating complete and accurate records and information is a core criminal justice function. **HB 2154 (failure to appear; arrest; fingerprinting)** closes a gap in computerized criminal history recordkeeping to ensure that law enforcement agencies have a robust source of information to draw from when dealing with society's criminal element.

Public safety employees, such as police and firefighters, can experience or witness very traumatic events in the course of their work. Witnessing or experiencing such tragic events can lead to Post Traumatic Stress Disorder (PTSD) or other related medical conditions. **HB 2350 (traumatic events counseling)** attempts to combat this by providing counseling services to those who experience certain tragedies while in the line of duty. Additionally, **HCR 2018 (post-traumatic stress injury awareness day)** designates June 27, 2016 as Post-Traumatic Stress Injury Awareness Day in Arizona.

Supporting the military and veterans is a legislative priority. **HB 2153 (VLT exemption; military members; spouses)** provides a modicum of financial relief by waiving vehicle license taxes and vehicle registration fees for surviving spouses or dependents of members of the military who made the ultimate sacrifice for their country. **HB 2324 (G&F; military spouses; resident licenses)** gives the spouse of an active duty military member stationed in Arizona the opportunity to purchase a hunting license at the state resident fee, which is a significant cost savings. **HCR 2025 (purple heart state; day)** recognizes August 7 as Purple Heart Day in Arizona. The Purple Heart was created in 1782 by George Washington to honor those members of the military who were wounded or killed in the line of duty. Since its establishment, 1.7 million Americans have received a purple heart.

HB 2183 (inmate body scans; contraband) enhances the safety and security of both inmates and employees in Arizona's jails and prisons. The bill permits the Arizona Department of Corrections or a county jail to perform a body scan on inmates suspected of possessing or attempting to bring contraband inside a correctional facility.

Transportation

Innovation and technology continue to play a role in moving people from place to place. In order to foster a robust marketplace so that consumers have a myriad of choices in transportation, the Legislature passed **SB 1492 (taxis, limousines, livery vehicles)**, which ensures that taxi and limousine companies compete on a level regulatory playing field with rideshare companies.

Recognizing that a well-designed, well-maintained network of roads and freeways creates an atmosphere for commercial success, the Legislature established the Surface Transportation Task Force. **SB 1490 (transportation funding; task force)** seeks to review, analyze and ultimately make recommendations that match the State's transportation needs and revenue resources.

The Legislature continues to protect Arizona drivers from violations of their due process rights while out on roads and highways. As such, **SB 1241 (photo radar prohibition; state highways)** further restricts state or local officials from using photo radar as an unconstitutional tool in law enforcement activity. Furthermore, **HB 2591 (civil traffic violations; alternative service)** ensures that the arbitrary and inequitable issuance of photo radar tickets does not lead to the loss of driving privileges, simply because a person chooses not to answer service of process in a photo radar based traffic violation.

First responders are society's line of defense. But, being part of that profession potentially comes with a heavy toll and sacrifice. In the event of the tragic loss of a first responder, the Legislature passed **SB 1008 (VLT; fee exemptions; first responders)**, an emergency measure meant to ease the financial burden on fallen first responder spouses and dependents by waiving their vehicle license tax and registration fees.

While Arizona continues to work its way out of the recession, the Arizona Department of Transportation (ADOT) has worked with the Legislature to find a way to increase the monies in the state highway fund. State highway fund monies are used to build and repair state roads or roads. **HB 2250 (ADOT advertising; sponsorship; non-highway assets)** allows ADOT to lease or sell advertising space on non-highway assets for motor vehicle related goods and services.

Government

While other states and locales engage in bitter battles over how to resolve massive underfunding in their public pension plans, Arizona became a national model for the way it resolved its own crisis; both for the innovative provisions proposed and the transparent process used. The pension package that was approved overwhelmingly by the Legislature in February – **SB 1428 (PSPRS modifications)**, **SB 1429 (public retirement systems; special election)** and **SCR 1019 (public retirement system benefits)** – sends a key provision to the voters in May to repeal the highly problematic permanent benefit increase provisions and replace them with a true cost of living adjustment that is indexed for inflation. Other provisions include establishing a 50-50 cost sharing arrangement for all new employees going forward. Both of these significant changes will save Arizona taxpayers millions of dollars and stabilize the pensions for all of our first responders.

For decades Arizona businesses have been forced to buy ad space in newspapers to publish routine matters such as articles of incorporation and changes in business organization. Even in our online world, state law still requires those items be published in print. As we moved into the digital age, this archaic requirement began to look more like a monopolistic revenue source for newspapers rather than providing adequate notice to residents. This session the Legislature finally passed **HB 2447 (business entities; database; posting; requirements)**, which gives businesses in Maricopa and Pima counties the option to submit their information to the Arizona Corporation Commission to publish on a searchable database, making it far easier for businesses to comply with the notice requirement and for the public to peruse.

In his State of the State address, Governor Doug Ducey repeatedly expressed concern about cities enacting widely varying ordinances that discourage economic development in the state. From labor laws to the types of bags used in grocery stores, cities felt it their right to enact whatever they wanted, even if there exists a state law prohibiting those types of ordinances. In response, **SB 1487 (state law, local violations; penalties)** was introduced which creates a process to withhold state shared revenues from local governments that flagrantly disregard state law on matters of statewide concern.

The Second Amendment routinely comes under attack from various groups and levels of government that try to impose novel restrictions on the rights of gun owners in Arizona. In an effort to ensure uniform laws and rights throughout the state, the Legislature enacted two bills to protect lawful gun owners from onerous and unworkable restrictions imposed by cities and school administrators. **SB 1266 (firearms; state preemption; penalties)** makes clear that any attempt by a political subdivision to further restrict firearms beyond state law is invalid and subject to a permanent injunction. It also levies a fine of up to \$50,000 on cities that attempt to enact these ordinances and requires the dismissal of any employees who attempts to impose these new restrictions. Similarly, **HB 2338 (educational institutions; firearms; rights-of-way)** guarantees that school bureaucrats cannot regulate the lawful possession of firearms on public rights-of-way that incidentally may be near school grounds.

Arizona is entrusted with tax dollars from its residents so that it may provide necessary services such as education, police, and roads. There are many different agencies and departments that have to receive funding in order for the state to continue to function and adequately provide these services. Sometimes the state spends more than it takes in, which can either be the result of an economic downturn or overspending of funds. **HB 2484 (estimates; state budget; notice)** required that a press release be issued should a budget pass through both chambers that exceeds the truth in spending estimate. This would have provided greater transparency to the citizens of Arizona regarding the state's budget. This measure, however, was vetoed by the governor.

Judiciary

The process by which we elect our leaders in Arizona and the United States is a cherished right. Funding for elections is a complex endeavor and the Legislature addressed the issue through **SB 1516 (campaign finance amendments)** which rewrites Arizona's campaign finance statutes. This ensures that participants in the political process have a streamlined, comprehensible statutory scheme to follow as they exercise their First Amendment rights.

SB 1449 (prohibited operations; unmanned aircraft) balances privacy, commerce and technological advances in delivery of packages by drones. The bill also seeks to create a uniform set of laws for the state, rather than a confusing and messy patchwork of local ordinances that would dampen commercial efficiency.

No viable reason exists for one spouse to pay out community property assets to the other spouse if that other spouse has been convicted of a crime and has no possibility of release from prison. **SB 1307 (community property; life sentence; spouse)** creates an equitable solution that permits the non-convicted spouse to petition the court to modify the community property distribution.

In an effort to further include crime victims in the legal process so that they may seek justice, the Legislature passed **HB 2376 (victim restitution; stipulated amount; hearings)**. The bill gives crime victims the right to present evidence and make an argument to the court at proceedings to determine the amount of restitution they rightfully deserve.

The Legislature continues to combat the scourge of human trafficking. **SB 1214 (criminal trials; location)** closes a loophole in the law so prosecutors may still bring charges even though the county in which the offense occurred cannot be readily discerned. In the event that one county attorney needs the assistance of another county attorney in civil matters, the formalities of the request should be efficient. **SB 1047 (county attorney; powers and duties)** removes onerous and inefficient obstacles for county attorney cooperation, which in turn saves county taxpayer dollars.

HB 2001 (unlawful distribution of private images) seeks to address the devastation that may occur when a relationship sours and the vindictive nature of one participant violates the other participant's reasonable expectation of privacy. The bill sets up a criminal penalty scheme intended to mitigate scenarios inherent in electronic communication in the digital era where one person makes a disclosure with the intent to harm, harass, intimidate or threaten the depicted person.

Diversity of opinion and experience are necessary components of a strong judiciary. The complexion of the state supreme court is no exception. The majority of states have at least seven justices sitting on their highest court, with some having nine. In an effort to promote this move to greater intellectual rigor when contemplating our state's greatest legal challenges, the Legislature passed **HB 2537 (supreme court justices; number)**. This bill increases the number of Arizona Supreme Court justices from five to seven while providing adequate funding for the additional personnel in the budget.

Finance

This legislative session the Senate Finance Committee worked to support those who serve in the armed forces. **HB 2019 (credited service; military service purchase)** applies retroactively to reduce the number of credited service years required to receive the Public Safety Personnel Retirement System (PSPRS), the Corrections Officer Retirement Plan (CORP) or the Elected Officials' Retirement Plan (EORP).

Commercial paper is an unsecured, short-term (less than 270 days) debt instrument issued for the financing of accounts receivable, inventories, short-term liabilities, and as a bridge to begin long term

capital projects. To provide Arizona's universities with additional financing flexibility, **HB 2271(universities; commercial paper)** authorizes Arizona Board of Regents to issue commercial paper. For capital projects that are not expected to be replaced with permanent financing, the projected debt service shall be, calculated based on an assumed financing term of 30 years.

Arizona continues to be a major tourist destination. As a result, the use of on-line, short term vacation rentals continues to expand. **SB 1350 (Now: online lodging; administration; definitions)** addresses the tax and regulatory issues surrounding this growing lodging alternative. An online lodging marketplace will now be able to register with the Department of Revenue for a license for the payment of taxes levied by the state or a political subdivision for any online lodging transactions. The bill prohibits a city, town or county from restricting the use or regulation of vacation rentals and short-term rentals. In addition, SB 1350 allows a property management company to file monthly electronic consolidated tax returns with the DOR, with respect to income derived from properties managed on behalf of individual property owners.

Transaction Privilege Tax Exemptions

In a continued effort to keep Arizona's businesses competitive, the Senate passed the following bills exempting selected sales activities from being taxed:

- **HB 2536 (fine art; TPT exemption)** exempts the sales tax on fine art to out-of-state residents.
- **HB 2676 (TPT; utilities; manufacturing; smelting)** incentivizes businesses involved in manufacturing to continue operating in Arizona by exempting the sales tax on electricity and natural gas consumed by manufactures. Similarly, **HB 2025 (utilities; TPT; sale of propane)** exempts propane used for manufacturing from sales tax.
- **SB 1505 (tax exemption; natural gas delivery)** exempts from TPT the transportation of natural gas.
- **HB 2133 (TPT; exemptions; aerial applicators)** exempts the sale of agricultural aircraft (crop dusters) from TPT collection. This exemption is retroactive to April 18, 1985.
- **HB 2674 (TPT exemption; amateur races)** confirms that non-profit amateur races are exempt from TPT collection.
- **HB 2326 (agricultural feed; sales; tax exemption)** removes the sales tax on feed for animals raised for non-commercial purposes.
- Arizona exempts TPT and use tax for aircraft, navigational and communication instruments when sold to commercial airlines for scheduled flights. **HB 2533 (charter aircraft; tax exemption)** extends this exemption to aircraft used for charter flights.

The state of Arizona should maintain business relationships with organizations that uphold our state's ideals. This session the Legislature made a stand to support Israel by passing **HB 2617 (Israel; boycotts; contracts; investments)**, which prohibits a public entity from entering into a contract with a company that is engaged in a boycott of Israel.

The Senate is constantly looking for new ways to support the humane treatment of animals. This legislative session there was an effort to end animal cruelty that stems from dog racing. After many stakeholder meetings, **HB 2127 (prohibition; live dog racing)** effectively ends live dog racing in the state in 2017. With varying local ordinances popping up in all areas across Arizona, **SB 1248 (pet store operators; dealers; regulations)** creates uniform regulation throughout Arizona regarding the sale of dogs and cats. To ensure best practices going forward, the measure creates a study committee to look further into this issue.

The Finance Committee approved two bills dealing with tax credits. Arizona uses tax credits to incentivize taxpayers to give contributions to qualified programs. **SB 1216 (charitable donations; tax credit amount)** doubles the maximum contribution that applies for the charitable organizations tax credit for both individuals and couples. To provide more flexibility around the tax filing time of year, **SB 1217 (charitable tax credit; contribution date)** allows for a qualifying charitable organization contribution before April 15 to be applicable for either the prior or current taxable year.

Water & Energy, Natural Resources

On April 15, the rooftop solar industry announced it would spend \$3 million on a ballot initiative asking voters to enshrine lucrative rate subsidies for out-of-state solar leasing companies in the Arizona Constitution. The proposed constitutional amendment would have also removed authority for regulating those energy policies from the elected members of the Arizona Corporation Commission. This initiative proposed that the Arizona Constitution should require Arizonans without solar panels to pay for those who do have them, which would have resulted in significantly higher energy costs for Arizona working families. The Legislature swiftly countered by proposing **HCR 2041 (NOW: corporation commission; distributed energy resources)** and **HCR 2039 (NOW: public service corporations; furnishing electricity)**, which would have asked voters to preserve the authority of the Arizona Corporation Commission to regulate energy policies and costs without giving special incentives to out-of-state rooftop solar companies. Fortunately, a truce was called between the California companies and Arizona utilities, allowing both sides to work on a solution without having to resort to ballot initiatives.

Rooftop solar continues to grow in Arizona and across much of the southern United States. The Legislature was presented with documented proof that some unsavory actors were intentionally misleading potential customers about how productive their panels would be and how much installing rooftop solar panels could actually cost. **SB 1417 (distributed energy distribution systems)** continues the new transparency requirements the Legislature enacted last year to include greater disclosure requirements of the solar panel leasing contracts and warranties, as well as enhanced safety standards when the panels are interconnected with the utility's electric grid.

Arizonans were alarmed that the Salt River horses were on the brink of slaughter due to jurisdictional disputes among local, state and federal agencies charged with their oversight. Additionally, properly managing the horses was also a challenge, due to the damage the animals were causing to the environment around them. **HB 2340 (wild horses; management; prohibition)**, as amended in the Senate provides a framework for federal, state and local law enforcement cooperation to protect and properly manage the Salt River horses.

Each year Arizona's firefighters answer the call to battle wildland fires on the front lines in the state and all across the western United States. This can be an expensive excursion and take a toll on fire districts, particularly small, rural ones. In effect, this puts them at the mercy of the federal government as they await repayment for their costs of this life-saving service. **SB 1244 (fire districts; wildland fires; budgets)** brings some relief for these districts by allowing the state forester to tap the Rainy Day Fund to repay the districts while the state awaits payment from the federal government. The bill also removes a penalty that discouraged small fire districts from consolidating, allowing them to be more efficient with taxpayer dollars.

Arizona's counties will also benefit from budget decisions at the Legislature this year.

- In order to continue to reverse prior year fund shifts, the FY 17 budget added an additional **\$30 million** in one-time HURF funding to local jurisdictions. This is in addition to the **\$30 million** of local HURF funds already in the base.
- Currently, counties pay 25% of the cost to incarcerate juvenile inmates (approximately **\$12 million**). For FY 17, the population of juvenile inmates is estimated to decrease; **\$700k** of these savings will be shared with the counties. In addition, **\$8 million** are budgeted to offset the majority of the remaining counties' juvenile contribution. A major objective of this one-time **\$8 million** is to give the state and counties time to evaluate the current policy on juvenile inmate funding.
- In addition to direct financial support, the budget also allows for counties with a population below 250,000 to transfer up to **\$1.25 million** to meet county financial obligations. The budget also waives any penalties to La Paz County for exceeding their expenditure limits for FY 14, FY 15 and FY 16.

Commerce & Workforce Development

Continued reforms to the state's workers' compensation system will improve adjudication and payment processes for businesses. **HB 2240 (workers' compensation; modifications)** entitles any party in a workers' compensation hearing to file a notice of an Administrative Law Judge (ALJ) change and receive the change as a matter of right. This is important for businesses concerned with the impartiality or subject expertise with certain types of workers' compensation cases and will promote fairness in claims proceedings. HB 2240 also grants protections to business from vexatious litigants that file claims for the sole purpose of harassment, intentionally delaying ALJ proceedings, or filing frivolous claims.

Economic development efforts in Arizona will be revitalized to enhance business recruitment and retention efforts and maximize existing forces in the state. **HB 2666 (governor's economic opportunity office; consolidation)** establishes the Office of Economic Opportunity, the Arizona Finance Authority and the Arizona Industrial Development Authority. The "Commerce Authority 2.0" will assess the effectiveness of Arizona's job creation by monitoring the state's tax competitiveness by comparing the state against competitor states and municipalities. In addition, the bill creates the Arizona Finance Authority (AFA) which will combine the bonding power of the Arizona Health Facilities Authority, the Industrial Development Authority, the Greater Arizona Development Authority and the

Water Infrastructure Authority to collectively administer grants for development project and maximize bonding for statewide projects. The measure also improves tax incentive application requirements to bring new companies to Arizona.

In an effort to support business, the Legislature worked with the Ducey administration to reduce the cumbersome and unnecessary regulation of professionals. **HB 2613 (regulatory boards; licensing; revisions)** eliminates assayer, citrus fruit packer, fruit and vegetable packer, driving instructor and yoga instruction licenses. The legislation allows trained geologists and some cremationists to practice without a license. Additionally, the bill requires the Arizona Department of Administration (ADOA) to study the consolidation of non-health regulatory boards and licensure to be administered by the ADOA.

In response to attempts by cities and towns to determine employee pay and leave policies, the Legislature sought to create a predictable and reliable employment structure. **HB 2191(employee scheduling; preemption)** declares that the regulation of employee scheduling is a statewide concern and prohibits a local municipality from adopting ordinances that alter employee scheduling. Furthermore, **HB 2579 (nonwage compensation; minimum wage)** prohibits a city, town or other political subdivision from further regulating nonwage compensation and provides a mechanism to account for nonwage payment through the Industrial Commission. **HCR 2014 (minimum wage)** was a ballot measure that would have increased the minimum wage and preempt political subdivisions from adopting separate wage standards. Unfortunately, the House did not pass the measure prior to adjournment of Session.

The American workforce has transformed in recent years with the development of technologies that connect individuals with job opportunities based on consumer demand. As such, the evolution of independent contractors has created a need to distinguish employment responsibilities with regard to workers' compensation, unemployment and tax liabilities, as well as benefit policies. **HB 2112 (technical event production services; exemption)** was a measure that excluded individuals who perform specific duties related to special events, conferences and trade shows, charitable events, concerts, etc. They must have the ability to accept and reject assignments and demonstrate they operate independently for multiple entities. This bill died in the House. Similarly, **HB 2114 (independent business status; declaration)** establishes Declaration of Independent Business Status Form for the construction industry to formally establish an independent contractor relationship. The Declaration creates a rebuttable presumption for workers' compensation purposes as the contractors are to acknowledge that they are not employees and not entitled to unemployment and workers' compensation benefits. The contractor assumes tax liability for payments made for services rendered. **HB 2652 (independent contractors; criteria)** classifies an individual as a contractor if they secure employment through a marketplace platform (i.e., Uber/Lyft smart phones) and by contract have established responsibility for unemployment, workers' compensation and tax liability with the independent contractor. The bill stipulates that contractors shall have the flexibility to choose working hours and schedules and that payment for specific services and outcomes are independent in nature.

The growth in technological advances and widespread use of database systems has created a niche industry for data warehousing. Arizona previously encouraged this industry growth through economic development incentives. **HB 2584 (data center tax relief; qualification)** provides tax relief for businesses investing in and improving computer data centers. The bill clarifies that leased land, buildings, modular data centers and computer data center equipment may qualify for an incentive

package after they have met minimum investment requirements. HB 2584 allows new data centers with a minimum investment of \$200 million to qualify as a sustainable redevelopment project when certified as a sustainable redevelopment project. The Arizona Commerce Authority will administer grant applications, but the Department of Revenue will provide oversight on the tax payment and compliance with the requirements of the tax relief.

Working to attract new business and assist entrepreneurs in establishing companies in this state, **SB 1309 (corporation commission; electronic filings)** allows the Arizona Corporation Commission (ACC) to accept electronic documents from a public service corporation.

Living under the constraints of a three-tier distribution system, Arizona wine connoisseurs have been restricted in the number of cases of wine they can purchase from wineries outside of the state. For close to a decade, an individual could purchase only two cases of wine and had to be present in order to ship wine to their home. **SB 1381 (wine; direct shipment)** expands the free market to allow out-of-state wineries to ship directly to consumers in Arizona. Wineries must register with the Department of Liquor, comply with shipping verification and remit all required taxes. As a concession to the distributors, the bill phases in annual case limits from six cases from 2016-2018; then nine cases in 2018 and 12 cases in 2019. This measure is anticipated to grow Arizona's wine economy and garnered the support of the local wine growers in the state.

The continuation of the Industrial Commission of Arizona (ICA) brought about the discovery that some ICA commissioners were abusing the compensation system for travel and official business. The continuation process gave way to opportunity for reform of the ICA and **SB 1500 (industrial commission of Arizona; omnibus)** was introduced. The eight-year continuation bill clarifies that per diem stipends are specifically for preparing and attending commission meetings. Commissioners will be required to submit documentation for their reimbursement requests and the ICA Director may deny per diem requests. The sunset review process also afforded the opportunity to examine the mission of the ICA and identify regulations that may no longer be necessary for the Commission. The regulation of private employment agents is also repealed, requiring cash deposits and surety bonds collected by the ICA to be returned to the private employment agents.

Financial Institutions

State law prohibits a person from performing a genetic test without receiving written informed consent, or releasing the results of such a test without express consent. As the law is currently written, the only person who may release the results of a genetic test is the subject of that test. This means that the subject of a genetic test must travel to a laboratory and fill out consenting paperwork in order to complete the authorization process. As genetic tests become increasingly popular and available, this creates an undue burden on the laboratories that conduct these tests. **HB 2144 (genetic testing; informed consent)** allows another person besides the subject of a genetic test (e.g. a physician) to authorize the release of genetic test results as long as consent of the subject is also given.

Under current law, an insurer that is domiciled in this state is prohibited from offering surplus lines insurance coverage to Arizona customers. If such an insurer were to offer surplus lines coverage in

multiple states, then the insurer would need to form two separate companies, one domiciled in Arizona for the purpose of writing surplus lines coverage in the other states where the insurer wishes to do business and a separate company domiciled in another state to write surplus coverage in Arizona. **HB 2149 (domestic surplus lines insurance; fees)** fixes this regulatory inefficiency by allowing an Arizona-based insurer to be designated as a *domestic surplus lines insurer* for the purpose of writing surplus lines coverage in all 50 states without having to do so through multiple entities.

Identity theft is a problem of enormous scale, affecting millions of people worldwide. Identity theft can occur on an individual basis, such as with a person's social security number being compromised, or with substantial security breaches impacting thousands of people. Such security breaches often occur with companies that store and maintain the personal information of thousands, if not millions, of customers. Some recent examples of this include the data breaches that occurred with Target, JPMorgan Chase, and Sony. **HB 2238 (identity theft group policies; insurance)** permits insurers to offer group insurance policies to companies that would cover losses incurred due to stolen identity events.

In order to treat eye conditions such as glaucoma and ocular hypertension, a person may be prescribed eye drops that relieve pressure on the eye resultant from these conditions. In some cases, an individual may run out of their prescription prematurely, given the nature of the application of eye drops. As a result, an individual who is prescribed these eye drops may need to refill their prescription earlier than insurance companies will allow. **HB 2264 (insurance; prescription eye drops; refills)** prohibits an insurer from denying coverage for an early refill of eye drops prescribed to treat glaucoma or ocular hypertension, subject to certain timeframes.

Passed in 2015, HB 2591 enabled Arizona entrepreneurs and small businesses to access startup capital not otherwise available in the traditional lending market through participation in equity crowdfunding websites. Due to a drafting error, however, operators of such websites were unintentionally prohibited from issuing or purchasing crowdfunded securities under the new law. **HB 2302 (securities; issuers; website operators)** corrects this oversight by allowing website operators to participate in all facets of equity crowdfunding.

Reducing regulatory burdens on business, particularly with regard to capital formation, has been a key legislative priority this session. Private equity and venture capital are a crucial source of funding for businesses, particularly early-stage startups. In recent years, Arizona's outdated regulatory framework for investment advisers has deterred small private equity and venture capital funds from setting up shop in this state and supplying local companies with the seed and growth capital they need. **SB 1005 (private fund advisers; exemption)** rectifies this problem by exempting certain investment advisers to private funds from licensure and notice filing requirements, provided that certain criteria are met. This includes not being subject to "bad actor" disqualifications under federal securities law when starting a fund and disclosing pertinent financial information to fund investors.

Rules and regulations regarding the sale, management and registration of securities are currently outlined in federal law. Under 17 Code of Federal Regulations § 230.504, states are allowed to exempt offerings of securities up to \$1,000,000 from registration with the federal government, provided that the offering is registered with the appropriate state regulator. **SB 1425 (securities; salesmen; registration exemptions)** enables securities sales people in this state to use the Rule 504 exemption on offerings of securities up to \$1,000,000. The bill supplements the state's crowdfunding law by providing both entrepreneurs and small businesses with an additional way of raising capital from investors.

As technology becomes an increasingly more integral part of daily life, more individuals are creating and maintaining a wealth of digital property that is being stored on the internet. At this point, many states do not have guidance as to how a person's digital property can be managed after the person has died. **HB 2467 (fiduciary access to digital assets)** grants fiduciaries access to a deceased person's digital assets, including websites, blogs, photos, emails, and social media messages.

Current law prevents a state-chartered credit union from offering compensation to its board of directors except in the form of insurance, and also prohibits investments in fixed assets exceeding five percent of total capital. Board members are not allowed to cast proxy or absentee votes, but are permitted to vote via telephone conference. **HB 2471 (credit unions; actions; meetings)** permits credit unions to meet fewer times per year, conduct board of directors meetings electronically if necessary, provide monetary compensation to directors and offer a savings promotion account.

Current law limits telemedicine coverage by health insurance plans only to patients who receive healthcare services through telemedicine in rural parts of the state. **SB 1363 (insurance coverage; telemedicine)** requires insurers to provide coverage for all health care services that are currently provided through telemedicine if such services are covered when provided through in-person consultation. The measure added the coverage of pulmonology and has a delayed effective date of 2018.

In recent years, many insurers have implemented significant premium rate increases on existing long-term care insurance policies, causing many consumers, especially those on fixed incomes, to pay substantially more to maintain their coverage and some to lose coverage altogether. **SB 1441 (Now: long-term health insurance; rulemaking)** is a consumer protection measure requiring the Arizona Department of Insurance (DOI) to update the state's regulatory framework for long-term care insurance to include the 2014 regulatory revisions adopted by the National Association of Insurance Commissioners (NAIC). These revisions would strengthen how insurers that offer long-term care coverage are regulated in this state by, among other things, subjecting such insurers to more stringent actuarial justification requirements when filing rate increase requests with DOI.

Current law prohibits an insurer operating in this state from inducing potential customers to purchase an insurance policy through such actions as rebates on policy premiums and cash rewards. **SB 1494 (insurance; prohibited inducements; exceptions)** specifies that an insurer may offer a reasonable incentive for potential customers to participate in a feedback effort, in which individuals are surveyed about conceptions and opinions of an insurer or an insurer's services. The bill specifies that a reasonable incentive may not exceed \$200 and does not violate inducement prohibitions already outlined in statute.

Federal Mandates & Fiscal Responsibility

Many Arizonans continue to be frustrated with the lack of action on border security by the Federal Government. Our people are demanding that our border be secured so that we can return to our normal lives. **SCM 1012 (border security: urging Congress)** calls on the United States Congress to direct the appropriate federal agencies to secure the border. It also urges the government to reimburse our sheriffs' offices for the costs of housing illegal immigrants who are being charged with state crimes.

Recent terrorist incidents in Europe put new focus on the influx of refugees across the globe, including here in the United States. Information about the refugee resettlement process in Arizona is limited. **HB 2691 (refugee resettlement; procedures; audit)** attempted to explain the process. The bill required a special audit by the Auditor General to determine the number of refugees who settled in Arizona in the past three years, how much money Arizona is spending and how much money the Federal Government has sent to our state for the program. This bill died on a final vote in the Senate.

Arizona has the greatest number of National Monuments of any state in the nation. With a stroke of a pen, the President or Congress can create a National Monument, seizing state trust land and private property. **HB 2585 (national monuments; justification; litigation)** calls on the State Land Department to maintain a catalog of each existing or newly created national monument. The bill also requires the Department to determine whether the parcel is confined to the smallest area compatible with the proper care and management of the objects to be protected.

SCM 1015 (EPA; exceeding authority; urging Congress) attempts to reel in the overreaching Environmental Protection Agency (EPA). When it comes to the environment, what may be appropriate in one state may not be the answer in Arizona. This memorial urges Congress to enact the Stopping EPA Overreach Act, a bill that seeks to prevent the EPA from exceeding its authority in ways that were not approved by Congress.