
CITY COUNCIL REPORT

TO: Frank Fairbanks
City Manager

FROM: Karen Peters
Intergovernmental Affairs Director

SUBJECT: FINAL LEGISLATIVE UPDATE

The Second Regular Session of the 47th Legislature lasted 164 days. 1453 bills were introduced, 375 have been signed into law, 33 bills have been vetoed, and eight measures, total, were referred to the 2006 general election ballot.

Bills enabled without an emergency clause or special effective date will take effect on September 21, 2006.

THE STATE BUDGET

The budget compromise signed by the Governor provides a one-time appropriation of approximately \$717 million to the urban revenue sharing fund in FY 2008-2009, in an effort to offset the impact of a 5% personal income tax cut in FY 2006-2007. There is an additional 5% personal income tax cut in FY 2007-2008, but no corresponding "hold harmless" provision in FY 2009-2010 or later years. Thus, we expect to receive approximately \$15-20 million less per year than we would absent the income tax cut beginning in FY 2009-2010. In an effort to gain cities' acceptance of this approach, the compromise appropriates an additional \$10.5 million to the urban revenue sharing fund in FY 2008-2009, which reportedly represents the amount cities "lost" during the recent two-year period in which the percent distribution was reduced from 15% to 14.8%. That \$10.5 million addition brings the urban revenue sharing base for FY 2008-2009 to approximately \$727.5 million.

Other noteworthy provisions include: A statewide transportation acceleration needs (STAN) account was created with \$307 million to expedite highway and freeway projects; the State's savings account (the "rainy day" fund) was raised to \$639 million; \$100 million to increase teacher pay; \$160 million was put toward completing the phase-in of voluntary full-day kindergarten at all Arizona schools over the next two years; and an additional \$18.3 million for enforcement of state laws related to immigration – \$17 million of the total is directed to the Arizona Department of Public Safety for interdiction of human smuggling, \$1.3 million goes to the Attorney General for prosecution of immigration-related state crimes.

The Governor signed the budget package on June 22, 2006.

EMINENT DOMAIN

This legislative session, 19 eminent domain bills and resolutions were introduced. Cities and towns were successful in blocking all of these measures, however, during the last hours of the legislative session, the Senate attempted to use HCR 2002 as a vehicle to place language on the ballot concerning regulatory takings and eminent domain. A similar resolution was defeated in the House in March in large part because of the impact that regulatory takings provisions would have on military base protection laws. HCR 2002 passed the Senate 17-12, but ultimately was not considered in the House due to a lack of support.

Bills that Died

HB 2062 Eminent Domain; Fees; Costs; Interest would have made changes to the procedures for condemnation of property including (1) disclosure of the nature of the final project; (2) the court may award the payment of interest to a defendant at a rate that is equal to three percentage points above the federal post judgment interest rate; and, (3) removing transportation from the categories not exempted from the statute. This bill, sponsored by Representative Gray, never received a Senate Committee of the Whole vote.

HB 2063 Eminent Domain; Open Meetings stated that a discussion or consultation or any consideration of records involving the taking of private property for economic development purposes cannot be held in Executive Session. This bill was sponsored by Representative Gray, was used for a “strike-everything” amendment on another topic.

HB 2675 Slum Clearance removed blight and redevelopment as reasons for government entities to acquire property through eminent domain, leaving a redefined slum clearance as the sole reason. Other provisions included adding a definition of “public use” to the eminent domain statutes; a two-thirds majority of the elected body is needed to use eminent domain; and, the designation of a slum area terminates after five years if the municipality has failed to take substantial action to remove slum conditions. This bill was introduced by Representative Gray, was vetoed by the Governor on June 6, 2006.

HB 2736 Eminent Domain; Appraisals; Taxes required appraisals to include the property’s “good will value.” The plaintiff is responsible for any property taxes paid during the condemnation process. The court shall make the final order of condemnation within 180 days after the commencement of the condemnation action. There are other changes made to relocation costs and appraisal language. Additionally, a government entity may not sell, lease, or transfer property that it acquires through eminent domain for 10 years. This bill, introduced by Representative Farnsworth, never received a Senate Committee of the Whole vote.

HCR 2031 Land Use Regulation; Compensation proposed a ballot measure that would require governmental entities to compensate landowners for changes in value caused by zoning changes. This bill introduced the concept of regulatory takings into the eminent domain discussion and would require governments to compensate property owners for every zoning or land use decision they make. If adopted, this measure

would have had an inestimable financial impact, draining funds from vital public services. In addition, it effectively would have frozen current zoning, preventing government from responding to future community concerns. This resolution, introduced by Representative Gray, failed in the House Third Read vote on March 30, 2006.

SB 1110 Eminent Domain; Public Uses amended Title 12 relating to eminent domain for public uses and specifically added new language which states that “any increase in tax revenues, by itself is not a public use.” The bill also contained some minor statutory language cleanup. This bill, sponsored by Senator Blendu, failed to receive a House Rules Committee hearing.

SB 1252 Eminent Domain; Fees; Costs stated that in an action for condemnation of property, the court must award all costs, jury fees and attorney fees to the defendant regardless of the outcome of the action. This bill, sponsored by Senator Bee, never received a hearing in the House Rules Committee.

SCR 1019 Regulatory Takings was the companion bill to HCR 2031. This bill proposed a ballot measure that would require governmental entities to compensate landowners for changes in value caused by zoning changes. This resolution, introduced by Senator Bee, never received a hearing in the House Rules Committee.

REVENUE AND TAXES

New Laws

HB 2132 (Chapter 171, Laws 2006) Municipal Tax Exemption; Fairs initially exempted municipalities from collecting sales tax on the revenues generated by state and county fairs. After lengthy negotiations between City staff and advocates of this legislation, compromise language was agreed upon permitting municipal sales tax collections on revenues retained by the State Fair operator, minus the monies remitted to the State Fair Board. This bill, introduced by Representative Jerry Weiers, was signed by the Governor on April 18, 2006.

HCR 2001 Municipal Debt; Capacity proposes a constitutional amendment increasing municipal debt capacity to twenty percent of assessed property value for public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities. HCR 2001, introduced by Representative Nelson, passed the Senate by a vote of 17 – 12 and will be placed on November’s General Election ballot.

SB 1068 Contractor Sales Tax; Development Fees expands the list of deductions used when computing the prime contracting classification tax base to include any amount of the gross proceeds of sales or gross income from a contract that constitutes development or impact fees to be paid to the state or municipality to offset governmental costs of providing public service. The City would lose an estimated \$2.3 million beginning in 2006-2007. This bill was introduced by Senator Martin and passed the Senate with a 28 – 0 vote. The bill was transmitted to the Governor on June 20 and is awaiting action.

Bills that Died

HB 2049 Sales Tax; University Construction Exemption expanded the list of transactions exempt from sales tax to include contracts on the construction at a university that is under the jurisdiction of the Arizona Board of Regents. The prime contractor would have paid the full amount of the deduction to the city or town in which the building is constructed. The municipality would use the funds for defined infrastructure improvements for the building under construction. The Senate Finance Committee adopted an amendment which excludes university construction contracts funded with public monies from the transaction privilege tax (TPT) exemption. This bill, introduced by Representative Knaperek on behalf of the City of Tempe, never received a hearing in the Senate Rules Committee.

HB 2489 Income Tax Rates; Reductions would have reduced tax rates for corporations and individuals. The Senate Finance Committee adopted an amendment that increased the reduction in tax rates to 25% over the next five years. The estimated state General Fund revenue loss would be \$214.1 million in FY 2006-2007 and \$416.3 in FY 2007-2008. This bill, introduced by Representative Knaperek, never received a hearing in the Senate Rules Committee.

HB 2677 Tax Credit; Research and Development changed existing statutes which establish income tax credits for research activities. The amount of the credit would have been increased and a new definition of qualified research expenses added. This bill was a League priority and was introduced by Representative Reagan. HB 2677 passed the House on March 9 with a 39-18 vote. This bill passed the Senate Finance and Commerce and Economic Development Committees but failed to receive a hearing in the Senate Rules Committee.

HB 2685 Truth in Taxation; Levy; Election would have repealed the state county tax equalization levy which will cost the state \$204 million and requires that all taxing jurisdictions (cities, counties, community colleges, school districts) will have to go to a vote of the people if they increase the amount of property tax levied above the base 2006 levy rate. However, the bill does allow for adding new construction and inflation which would not trigger a Truth in Taxation election. Additionally, the bill requires that every two years, the taxing jurisdiction needs to go to a vote of the people if they plan to exceed their levy rate. In the Senate Finance Committee, an amendment was adopted that would repeal the county equalization assistance for education rate. HB 2685 was introduced by Representative Huffman and never received a hearing in the Senate Rules Committee. Major elements of this bill were included in the adopted budget.

HB 2737 Economic Development Tax Incentives; Limit would have required that tax incentives offered by a city or town to a retail development must be less than the revenue to be produced by the retail establishment, and must be verified by an independent third party. Other restrictions include a requirement that the municipality present a status report at a public hearing every two years during the life of the agreement. This bill, introduced by Representative Nelson, failed to receive a hearing in any of its assigned Senate Committees.

HB 2837 Shared Revenues; Sanctuary Policy; Limitation would have prohibited a city, town or county that has a stated or implied sanctuary policy involving any form of aid to

illegal immigrants or any reduced enforcement of illegal immigration from receiving state shared revenues. This bill, introduced by Representative Pearce, failed on House Third Read by a vote of 23-32 on March 5 and failed again on House Third Read after reconsideration by a vote of 26-28 on March 20.

HCR 2022 Taxpayer Bill of Rights (TABOR) proposed a constitutional amendment that changes the manner in which state revenues are determined, sets a maximum amount of state revenues that may be collected in each fiscal year, and restricts the use of revenues collected in excess of the maximum to tax refunds or a state budget stabilization fund which may only be used for designated purposes. This resolution, introduced by Representative Pearce, was retained on the House Committee of the Whole calendar and failed to move out of the House.

SB 1002 Sales Tax Exemption; Residential Utilities exempted residential utility customers from the 5.6 percent state sales tax added to utility bills. The City would have lost a minimum of \$4.2 million beginning in 2006-2007. SB 1002 was introduced by Senators Harper and Martin and was transmitted to the Senate on March 1. This bill failed to receive any hearings in its assigned House Committees.

SB 1065 Tax Credits; Research and Development increased the percentage used when calculating the tax credit for qualified research expenses from 11 percent to 20 percent, only when the total exceeds \$2,500,000. This bill was introduced by Senator Martin and failed to receive a hearing in the House Rules Committee.

SB 1152 Sales Tax Holiday; Educational Supplies allowed for an exemption from the tax imposed on retail classification with respect to the gross proceeds/sale of defined school items from midnight, August 1 through midnight August 7 each year. A municipality can opt out of providing the exemption with a two-thirds vote of the City Council. This bill was introduced by Senator Martin and failed 10 – 17 on a Senate Third Read vote.

SB 1217 Uniform Local Sales Tax Base allowed a city or town involved in a jurisdictional dispute with the Municipal Tax Code Commission (MTCC) to submit the MTCC's decision to the Arizona State Board of Tax Appeals. This bill, introduced by Senator Martin, was used for a "strike-everything" amendment for a different issue.

SB 1223 Business Personal Property Tax; Exemption increased the personal property tax exemption for class one and class two properties from \$50,000 to \$150,000. The estimated combined annual property tax revenue loss to the City of Phoenix is \$10 million. This bill was introduced by Senator Leff and was transmitted to the House on March 2. This bill was held in the House Commerce Committee.

SB 1243 Municipal Retail Tax Incentives prohibited Phoenix-area municipalities from offering any tax incentive as an inducement for a business to locate within its borders. Violators will have their portion of sales tax withheld by the state until the full amount of the incentive is recovered. This bill, introduced by Senator Chevront, failed to receive a hearing in the House Committee of the Whole.

SB 1289 Truth in Taxation; Levy; Election required that a county, city or town that anticipates an increase in the primary property tax levy must get voter approval at an election held on the third Tuesday in May in an odd-numbered year. In addition, the total primary property taxes that a county, city or town can levy is limited by 2% each year plus new construction. This bill would have a financial impact for costs related to the election and public notification and would also create an additional administrative burden and place additional limit the City's ability to manage primary property tax revenue. HB 2685 – a similar bill in the House – would permit increases in the levy tied to inflation. SB 1289, introduced by Senator Martin, initially failed on Third Read. When the bill was reconsidered one month later, it passed with a vote of 17-12. This bill passed the House Ways and Means Committee and never received a hearing in the House Rules Committee.

SB 1408 Income Tax; Revenue Sharing; Reduction would phase-out state shared revenues for cities and towns over 100,000. The City strongly opposed this bill that could produce devastating cuts in essential public services including police and fire protection, libraries and parks. This bill, introduced by Senator Burns, failed to receive a Senate Committee of the Whole vote.

SB 1423 June Estimated Tax Payments Repeal eliminated the June estimated transaction privilege tax payment requirement for certain businesses. This bill shifted approximately \$200 million from this Fiscal Year 2005-2006 to Fiscal Year 2006-2007 and cut the surplus for this fiscal year. This bill never received a House Third Read vote.

SB 1463 Sales Tax; Contracting would have eliminated the prime contracting classification of the transaction privilege tax (TPT) and transfers the taxable activity to the retail classification. The City of Phoenix would have lost an estimated \$27 million beginning in 2006-2007 with the changes in taxation in this legislation and strongly opposed this bill. This bill, introduced by Senator Martin, failed to receive a Senate Committee of the Whole vote.

SB 1465 Income Tax Rates; Phase-Out eliminated the individual and corporate income tax over 20 years, retroactive to tax year 2006. This bill is very similar to HB 2489. It would have cost the state \$200 million the first year and approximately that amount plus inflation each year. This bill, introduced by Senator Martin, never received a House Rules Committee vote.

SB 1545 Omnibus Tax Relief Act would have reduced individual and corporate income tax rates by 25 percent over five years; eliminate the membership camping classification of the transaction privilege tax, the rental occupancy tax and the timber severance tax; repealed the county equalization assistance for education rate; and, increased the tax exemption for business and agricultural personal property from \$50,000 to \$150,000. The Arizona Department of Revenue has not provided an estimated total loss of state revenue as a result of this bill, so estimated financial losses for the City are not available. This bill, introduced by Senator Martin, failed to receive a Senate Committee of the Whole vote.

SCR1022 Property Tax Exemptions; Increases proposed a ballot measure that allows the legislature to increase the amount of the agricultural and business personal property tax exemption and the permissible amount of income for qualification for the Senior Property Valuation Freeze. Costs would vary depending on the amount of exemptions granted. This resolution, introduced by Senator Martin, never received a hearing in the House Rules Committee.

SCR 1025 Property Tax; Valuation Increase Limit proposed a ballot measure that would impose a new cap on growth for Full Cash AVs (bond program portion) and reduces the rate at which Limited AVs may grow (operating budget portion) for property taxation purposes. In 2007-08 there would be a \$10 million total property tax levy revenue loss or we would need to increase our combined rate by \$0.09 above the current \$1.82. In 2010-11 there would be a \$40 million total property tax levy revenue loss or we would need to increase our combined rate by \$0.33 above the current \$1.82. These amounts would continue to grow in future years if the limit on increases in value is limited to 2%. This resolution, introduced by Senator Gould, has passed the Senate but failed to receive a hearing in its assigned House Committees.

NEIGHBORHOODS

New Laws

HB 2220 (Chapter 298, Laws 2006) Code Enforcement Officer; ID Information would allow code enforcement officers to submit an affidavit to the county recorder, county assessor, county treasurer and the Motor Vehicle Division requesting the restriction of public access to personal identifying information. This legislation was introduced at the request of the Neighborhood Services Department. HB 2220, which was introduced by Representative Nelson, was signed by the Governor on May 26, 2006.

HB 2281 (Chapter 285, Laws 2006) Residential Rental Property Inspections establishes a method for multifamily building code and health inspections within communities. The initial bill (HB 2347) preempted many of the City's current inspection practices, as well as weakened the penalties for those violating building and health codes. City staff participated in stakeholder meetings with Representative Nelson, members of the Arizona Multifamily Housing Association, and representatives from the Arizona League of Cities and Towns. Consensus language was drafted and was approved. This legislation does not impact Phoenix's current programs and standards, and contains positive measures, attempting to ensure that all rental property owners within the state register with the appropriate county assessor office. This bill, which was introduced by Representative Nelson, was signed by the Governor on May 19, 2006.

Bills that are Pending Gubernatorial Action

HB 2621 Illegal Liquor Sales; Liability amends current liquor regulations to allow establishments with "restaurant" liquor licenses that fail to meet the minimum 40% food sales requirements the opportunity to petition the Department of Liquor Licenses and Control to permanently operate with an amended and relaxed "restaurant" license, permitting only 30% food sales. Additionally, this bill will allow establishments with these new "restaurant" licenses to operate within 300 feet of neighborhoods, schools,

and churches. Although the bill caps the number of these new licenses at 30 over two years, it is unclear if the caps will be lifted by the legislature in the future. This bill, introduced by Representative Reagan, was transmitted to the Governor on June 20, 2006 and is awaiting action.

Bills that Died

SB 1479 Local Planning; Residential Housing Incentives would have prohibited local government from requiring any land use regulation or permit approval conditions that impact the sales price of a housing unit. This bill would negatively impact: building requirements addressing accessibility issues for seniors and the disabled community; landscaping standards that may cost time and money, but are desired by neighbors; wash and native plant preservation requirements; road paving standards; and home construction quality requirements. This bill, introduced by Senator Bee, was vetoed by the Governor on April 17, 2006.

TRANSPORTATION

New Laws

HB 2174 (Chapter 188, Laws 2006) Photo Enforcement; Signage requires two signs to be posted before photo enforcement system, mandates yellow warning notices on the signs, exempts a photo enforcement van from sign requirements when deployed on a street with a posted speed limit of forty miles per hour or less, and makes other minor changes. This bill was signed by the Governor on April 24, 2006.

HB 2691 (Chapter 277, Laws 2006) Engine Braking; Mufflers; Noise Levels requires that all commercial vehicles operating within the state shall have an exhaust system that is free from a defect that adversely affects sound reduction; is equipped with either a muffler or other noise dissipative device; and, is not equipped with a cutout, bypass or similar device. The bill, introduced by Representative McCune-Davis, was signed by the Governor on May 16, 2006.

Bills that are Pending Gubernatorial Action

SB 1346 Fleet Requirements; Tax Incentives; Biodiesel was amended in the House Appropriations(B) Committee by the Chairman, Representative Boone (R-4). This bill amends the state motor vehicle fleet mandate and gives credits to state entities that utilize Biodiesel fuels. Current law requires cities, counties, school districts, universities, community colleges and state agencies to comply with alternative fuel vehicle fleet schedules for the purchase and conversion of vehicles capable of operating on alternative and clean burning fuels. This bill would give a credit of one vehicle to state entities that utilize Biodiesel fuels and ethanol blend E85 or methanol blend M85 fuels in specified quantities. The bill also places real and personal property and improvements used specifically to produce 100% Biodiesel fuel that are valued at full cash value in class six property classification, which will give tax credit incentives to the Biodiesel industry. This bill was transferred to the Governor on June 22, 2006 and is awaiting action.

Bills that Died

HB 2756 Freeway Expansion; Intergovernmental Agreements allowed for three cities or more to form an intergovernmental alliance to finance freeway expansion. The Cities shall have an election to increase the Transaction Privilege Tax in each city to raise fund and then may receive matching fund from the State General Fund. This bill, introduced by Representatives Weiers and Kirkpatrick, was held in the House Transportation Committee.

HB 2769 Transportation Facilities; Priorities ; Appropriation mandated that in deciding priorities for transportation appropriations, the Director of Transportation shall give additional weight to projects that relieve congestion, improve accessibility, promote safety, and provide economic benefits to major arterial routes. This legislation, introduced by Representative Gorman and Representative Burges, was held in the Transportation Committee.

SB 1098 Appropriation; Highway Improvements; Exemption was a strike-everything amendment introduced by Senator Verschoor that appropriated the sum of \$463 million from the state general fund in fiscal year 2006-2007 to the state highway fund for construction and improvements to freeways and state highways. This amendment specified that fifty percent of the total allocation is to be used in Maricopa County. This bill never received a hearing in the House Rules Committee.

SB 1504 Appropriation; Interstate 17 Highway Expansion appropriated the sum of \$75,000,000 from the state general fund in fiscal year 2006-2007 and in each of the five subsequent fiscal years to the Department of Transportation for the widening of interstate 17 from Carefree Highway north approximately twenty miles to Black Canyon City with an additional highway lane in each direction. ADOT has completed the Design Concept Report (DCR) to Black Canyon City. An environmental assessment (or environmental impact statement) would need to be completed before design could begin (up to three years). Design could take 2 years. Construction probably could not start for at least 3 years. This bill, introduced by Senator Martin, never received a hearing in the Senate Appropriations Committee.

PLANNING AND ZONING

New Laws

HB 2080 (Chapter 91, Laws 2006) Utility Development; Advance Planning requires that municipal general plans include a public utilities element showing general plans for rights-of-way, easements and corridors for local utilities and public utilities. This new element must be developed in conjunction with affected utility companies. The element must be consistent with corporation commission definitions. This bill was introduced by Representative Robson and was signed by the Governor April 11, 2006.

Bills that Died

SB 1369 Enhanced Municipal Services; Designated Area allowed an enhanced municipal services improvement district to be formed outside of a designated area but

within an employment center or a central business district. This bill was introduced by Senator Hellon and failed to receive a hearing the Senate Rules Committee.

HB 2381 Development Fee; Capital Improvements Plan would have current impact fee credits, construction sales tax rates, and other development statutes. These procedures are essential tools that allow cities to manage impact-fee-funded infrastructure needed to serve new development. HB 2381, introduced by Representative Paton, was vetoed by the Governor on May 15, 2006.

PUBLIC SAFETY

New Laws

HB 2076 (Chapter 313, Laws 2006) Weapons; Misconduct; Storage; Map Pocket expands the list of places a weapon may be stored in a vehicle without a permit to carry a concealed weapon and requires an operator of a public establishment (defined as a structure, vehicle or craft that is owned, leased or operated by this state or a political subdivision of this state) to have a secure and temporary place to store weapons which are in custody at the event. This bill, introduced by Representative Gray, was signed by the Governor on June 6, 2006.

HB 2145 (Chapter 2E, Laws 2006) County Island Fire Districts; Agreement establishes procedures for the formation of fire districts within county islands. Amendments to this bill limit the scope to the Town of Gilbert. This bill was introduced by Representative Biggs and was signed into law by the Governor on February 13, 2006.

HB 2307 (Chapter 259, Laws 2006) Prostitution; Classification changes the penalties for prostitution to stipulate mandatory jail time: 15 days for a first conviction, 30 days for a second conviction and, 60 days and a court ordered education or treatment program. A fourth conviction is a class five felony and is subject to 180 days. This bill, introduced by Representative Gray, was signed by the Governor on May 8, 2006.

HB 2649 (Chapter 288, Laws 2006) Firearms; Possession; Storage limits the ability of the state, excluding the Legislature, and any state agency or political subdivision to enact any laws, rules or ordinances relating to the possession or storage of firearms. This bill, introduced by Representative Murphy, was signed by the Governor on May 19, 2006.

SB 1038 (Chapter 28, Laws 2006) Criminal Justice Commission; Duties amends the statute describing the optional duties of the Arizona Criminal Justice Commission to allow the commission to accept and spend private grants and contributions to implement or prosecute any crime rather than only the serious offenses as defined in ARS 13-604. This bill was introduced by Senator Waring, and was signed by the Governor on March 31, 2006.

SB 1145 (Chapter 199, Laws 2006) Self-Defense; Home Protection states that a person is justified in using physical or deadly force against another person who has entered a residence forcibly or unlawfully. The court shall award reasonable attorney fees and other costs incurred by a defendant in a civil action if the court finds that the defendant

is immune from prosecution. This bill, sponsored by Senator Bee, was signed by the Governor on April 24, 2006.

SB 1229 (Chapter 184, Laws 2006) Sex Offender Registration; Homeless Offenders requires transients that are sex offenders to register as “homeless” and to notify law enforcement as to their whereabouts in a timely manner. SB 1229 was introduced by Senator Huppenthal and was signed by the Governor on April 21, 2006.

SB 1230 (Chapter 160, Laws 2006) Sex Offenders; Address Verification orders the Motor Vehicle Department to provide daily updates to the Department of Public Safety regarding the issuance of sex offender identification cards and requires a DNA sample by a sex offender at time of registration. This legislation was introduced by Senator Huppenthal and was signed by the Governor on April 17, 2006.

SB 1260 (Chapter 162, Laws 2006) Prostitution; House Abatement allows a city or town attorney to seek a court order to shut down properties in which prostitution is taking place. Currently, only county attorneys can seek abatement of properties involved in facilitating prostitution. This bill, introduced by Senator Huppenthal, was signed by the Governor on April 17, 2006.

Bill that Died

HB 2029 Municipal Bonds; Technical Correction would have made the Attorney General responsible for the collection and storage of information for any municipality that enacts an ordinance requiring businesses to collect personal information from customers selling pharmaceutical products every 3 months. HB 2029, introduced by Representative Nelson, failed to receive any hearings in its assigned Senate Committees.

HB 2084 Sales Tax Exemption; Fire Apparatus expanded the list of transactions exempt from sales and use tax to include the sales of fire apparatus to political subdivisions of the state. This bill, introduced by Representative Huffman, never received a hearing in the Senate Rules Committee.

HB 2351 Identity Theft Omnibus combined elements of the numerous identity theft bills into one comprehensive piece of legislation. This bill, introduced by Representative Farnsworth, failed to receive a hearing in its assigned Senate Committees.

HB 2375 Self Defense; Home Protection stated that a person may use physical or deadly force in self defense against an intruder in a residence or occupied motor vehicle. This bill, introduced by Representative Paton, was retained on the Committee of the Whole calendar and failed to get out of the House of Representatives.

HB 2392 Home Protection; Self Defense stated that a person is justified in using physical or deadly force against another person who has entered a residence forcibly or unlawfully. The court shall award reasonable attorney fees and other costs incurred by a defendant in a civil action if the court finds that the defendant is immune from prosecution. This bill, introduced by Representative Pearce, failed in the Senate Judiciary Committee by a vote of 3 – 5.

HB 2589 Illegally Entering Arizona; Trespass would have made it illegal for an illegal alien to trespass on private or public land. The legislation requires that the arresting authority fingerprint a violator of this section and gives the arresting authority to transfer the alien to the federal agency with jurisdiction. The first time offense of this section is a class 1 misdemeanor and a second or subsequent violation is a class 4 felony. This bill was introduced by Representative Pearce and was held in the Rules Committee.

HB 2815 Pseudoephedrine Sales; Restrictions; Penalties would have prohibited a licensed pharmacist from selling or distributing more than nine grams of pseudoephedrine to a person within a 30-day period and also requires specified identification for the purchase of any pseudoephedrine. Additionally, it requires a licensed pharmacist to maintain a log book of the sale of pseudoephedrine and outlines penalties for failure to keep, or improper maintenance of the log book. This bill, introduced by Representative O'Halleran, failed to receive any hearings in its assigned Senate Committees.

SB 1042 Repeat DUI Offenders; Lower BAC expanded the conditions under which a driver convicted of DUI will lose his/her drivers license for a minimum of 90 days: (1) if the person has a blood alcohol level of 0.05 and was convicted of a DUI offense within the previous 5 years; (2) if the person has any alcohol in the blood and was convicted of aggravated DUI within the previous 5 years. Amendments to this bill increase the penalties for repeat DUI offenders. This bill, introduced by Senator Waring, failed to receive a hearing in any of its assigned House Committees.

SB 1057 Assisting a Criminal Street Gang criminalized the act of assisting a street gang commit illegal activities. This bill, introduced by Senator Huppenthal, failed to receive a House Committee of the Whole vote.

SB 1157 Trespassing by Illegal Aliens declared that in addition to any violation of federal law, it is unlawful for a person who is not a citizen of the United States to enter into or be on any public or private land in the state of Arizona. In addition, the bill requires the arresting party to fingerprint an illegal alien who is arrested for being in violation of this law. In addition, this bill allows a peace officer to question a lawfully detained individual about that individual's immigration status. This bill, introduced by Senator Leff, was vetoed by the Governor on April 17, 2006.

SCR 1004 Misdemeanors; Jury Trials proposed a constitutional amendment that would grant the right of a jury trial to all persons convicted of a misdemeanor. This action would overwhelm the City court system. This resolution, introduced by Senator Huppenthal, failed to receive a Senate Committee of the Whole vote.

ENVIRONMENT

New Laws

HB 2835 (Chapter 114, Laws 2006) Arizona Water Settlements Act; Implementation modifies the powers and duties of the Arizona Water Banking Authority (AWBA) in order to implement the state's obligations to deliver water to Indian tribes during times of

shortage. This bill also describes funding sources and water sources that are available to AWBA. This bill, introduced by Representative Jerry Weiers, was signed by the Governor on April 6, 2006.

HCR 2045 State Trust Land Reform proposes a constitutional amendment modifying the requirement that State Trust Land be sold to the highest bidder at a public auction. HCR 2045 would allow trust land to be conveyed to a government entity for use as conservation areas, certain easements, and public right-of-ways. This bill, introduced by Representative Nelson, passed the House of Representatives by a vote of 36 – 20 and will be placed on November’s General Election ballot

MISCELLANEOUS

New Laws

HB 2136 (Chapter 129, Laws 2006) Local Building Construction; Procedures allows alternative project delivery methods as defined in Title 34, as well as Design Bid Build, to be used for bond-funded capital improvement projects. This bill was introduced at the request of the City’s Engineering and Architectural Services Department. This bill, introduced by Representative Nelson, was signed by the Governor on April 17, 2006

SB 1209 (Chapter 294, Laws 2006) Public Meetings; Minutes; Website has been amended to require that all municipal public bodies that have a website must post all approved meeting minutes and recordings on the site within 2 working days following approval of the minutes. Legal actions taken by the public body must be posted within 3 working days of the action. This bill, introduced by Senator Johnson, was signed by the Governor on May 19, 2006.

SB 1264 (Chapter 317, Laws 2006) Arizona Department of Homeland Security establishes the Arizona Department of Homeland Security (DHS) and specifies the duties, procedures, and requirements of the Department, the Director, and the Commission monitoring the Department. In March 2003, Governor Napolitano established the Office of Homeland Security (OHS), which is funded by grants from the Federal Government. This bill will appropriate the federal funding currently allocated to the OHS to the DHS. This bill, introduced Senator Burns, was signed by the Governor on June 13, 2006.

SB 1276 (Chapter 310, Laws 2006) Wine Shipment; Limited Production Winery allows for domestic farm wineries to sell and deliver wine produced or manufactured on the licensed premises if the buyer provided verification of legal age, the shipping container is marked to require the signature of an adult upon delivery, and the wine is shipped to a residential or business address. The maximum amount of wine that can be produced is 75,000 gallons. Also, the provision requiring that 75 percent of the grapes used must be grown in the state is eliminated. This bill, introduced by Senator Leff, was signed by the Governor on June 1, 2006.

SB 1407 Ombudsman-Citizens’ Aide; Public Access Law; will appropriate \$185k from the State General Fund to the Office of the Ombudsman Citizens’ Aide to allow for the appointment of two assistants for the education and investigation duties relating to

public access laws. All municipal public bodies that have a website must post all approved meeting minutes and recordings on the site within 2 working days following approval of the minutes. Also, any legal actions taken by these public bodies are to be posted within 3 working days of the action. This bill, introduced by Senator Johnson, was signed by the Governor on June 21, 2006.

Bills that Died

HB 2111 Workers' Compensation; Controlled Substances; Alcohol deleted the statutory provision stating that an employee is not eligible for workers compensation if the accident resulted from the employees use of alcohol or controlled substances. This section was recently declared unconstitutional. The new language states that if the employer of an injured worker had not established and implemented a drug testing procedure at the time of the accident, the employer has the burden of proof that the employee's use of drugs of alcohol was a "substantial contributing cause" of the accident. Enactment was conditional on voter passage of a constitutional amendment authorizing the Legislature to limit or deny worker compensation claims because the worker was impaired due to alcohol or illegal drugs. This bill, introduced by Representative McComish, failed to receive a hearing in its assigned Senate Committees.

SB 1325 Public Funds; Abortion; Prohibition prohibited the use of public funds of the state or any political subdivision to pay for health insurance plans that cover abortion-related services. This bill, sponsored by Senator Johnson, was vetoed by the Governor on April 17, 2006.

HB 2371 Arizona Centennial; Funds; Appropriation designated the Historical Advisory Commission as the authorized recipient and distributor of appropriations for the State's centennial celebration. An unspecified appropriation is made from the State general fund for a statewide plan, activities and projects relating to the centennial celebration. This bill, introduced by Representative Tully, was used for a "strike-everything" amendment on another topic.

RECOMMENDATION

This report is for information only. No City Council action is required.