

Never a Dull Moment

A Review of the Politics and Policy that Shaped the
2019 Legislative Session

Prepared by Dr. Marc Osborn, Kutak Rock LLP

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A Little about the Lobbying Industry

- Here is how lobbyists view ourselves



Here is how others view my profession:

- The Professional Panhandlers of Politics
- A corporate fact cat who is sent to manipulate politicians
- The single-most disgusting vermin next politicians
- “I have had lobbyists, and I have had some very good ones. They could do anything” -Donald J. Trump

The Kutak Rock Government Relations Team

- Marc Osborn
- David Childers
- Dan Romm
- Mike Low
- Jennifer Kraham
- Tasha Cycholl
- Rebecca Strub



Pre-session

Many New Faces: Politics Remain the Same

Members of the 54th Arizona State Legislature

LD 1	LD 7	LD 13	LD 19	LD 25
President Karen Fann (R) Rep. Noel Campbell (R) Rep. David Stringer (R)	Sen. Jamescita Peshlakia (D) Rep. Arlando Teller (D) Rep. Myron Tsosie (D)	Sen. Sine Kerr (R) Rep. Timothy Dunn (R) Rep. Joanne Osborne (R)	Sen. Lupe Contreras (D) Rep. Diego Espinoza (D) Rep. Lorenzo Sierra (D)	Sen. Tyler Pace (R) Speaker Rusty Bowers (R) Rep. Michelle Udall (R)
LD 2	LD 8	LD 14	LD 20	LD 26
Sen. Andrea Dalessandro (D) Rep. Rosanna Gabaldon (D) Rep. Daniel Hernandez (D)	Sen. Frank Pratt (R) Rep. T.J. Shope (R) Rep. David Cook (R)	Sen. David Gowan (R) Rep. Gail Griffin (R) Rep. Becky Nutt (R)	Sen. Paul Boyer (R) Rep. Anthony Kern (R) Rep. Shawna Bolick (R)	Sen. Juan Mendez (D) Rep. Isela Blanc (D) Rep. Athena Salman (D)
LD 3	LD 9	LD 15	LD 21	LD 27
Sen. Sally Ann Gonzales (D) Rep. Andres Cano (D) Rep. Alma Hernandez (D)	Sen. Victoria Steele (D) Rep. Randall Frieze (D) Rep. Pamela Powers Hannley (D)	Sen. Heather Carter (R) Rep. John Allen (R) Rep. Nancy Barto (R)	Sen. Rick Gray (R) Rep. Tony Rivero (R) Rep. Kevin Payne (R)	Sen. Rebecca Rios (D) Rep. Reginald Bolding (D) Rep. Diego Rodriguez (D)
LD 4	LD 10	LD 16	LD 22	LD 28
Sen. Lisa Otondo (D) Rep. Charlene Fernandez (D) Rep. Geraldine Peten (D)	Sen. David Bradley (D) Rep. Kirsten Engel (D) Rep. Domingo DeGrazia (D)	Sen. David Farnsworth (R) Rep. Kelly Townsend (R) Rep. John Fillmore (R)	Sen. David Livingston (R) Rep. Ben Toma (R) Rep. Frank Carroll (R)	Sen. Kate Brophy McGee (R) Rep. Kelli Butler (D) Rep. Aaron Lieberman (D)
LD 5	LD 11	LD 17	LD 23	LD 29
Sen. Sonny Borrelli (R) Rep. Regina Cobb (R) Rep. Leo Biasiucci (R)	Sen. Vince Leach (R) Rep. Mark Finchem (R) Rep. Bret Roberts (R)	Sen. J.D. Mesnard (R) Rep. Jeff Weninger (R) Rep. Jennifer Pawlik (D)	Sen. Michelle Ugenti-Rita (R) Rep. Jay Lawrence (R) Rep. John Kavanagh (R)	Sen. Martin Quezada (D) Rep. Richard Andrade (D) Rep. Cesar Chavez (D)
LD 6	LD 12	LD 18	LD 24	LD 30
Sen. Sylvia Allen (R) Rep. Bob Thorpe (R) Rep. Walter Blackman (R)	Sen. Eddie Farnsworth (R) Rep. Warren Petersen (R) Rep. Travis Grantham (R)	Sen. Sean Bowie (D) Rep. Mitzi Epstein (D) Rep. Jennifer Jermaine (D)	Sen. Lela Alston (D) Rep. Jennifer Longdon (D) Rep. Amish Shah (D)	Sen. Tony Navarrete (D) Rep. Robert Meza (D) Rep. Raquel Teran (D)

AZ HOUSE

29

Democrats

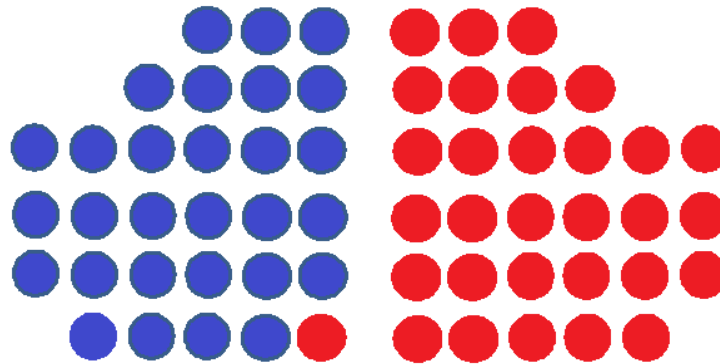
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Republicans



Gained 4 seats

Lost 4 seats

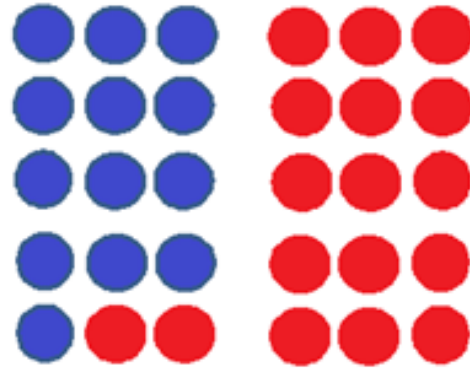


AZ Senate

13
Democrats

17
Republicans

No change



2019 Major Issues

1

Water - Drought Contingency Plan

- Governor Ducey will call for a special session later this month to address the state's Colorado River water shortage.
- The Legislature must sign off on the state's Drought Contingency Plan (DCP), approved by the Central Arizona Project board.
- Arizona is the only one of the seven Colorado River Basin states that requires legislative approval.
- The Governor and other stakeholders are pushing for water cutbacks which are included in the DCP along with an appropriation for rural farmers.
- Rural farmers and legislators have raised objections to the Governor's plan.

2

Charter School Reform

- Arizona has some of the most relaxed regulations when it comes to owning and operating charter schools.
- AZ Legislature will look at some charter school reforms this session in an attempt to rein in perceived profiteering and conflicts of interest.

3

Tax Conformity

- Conforming the state's income tax code to the federal code is a priority for the Governor and Legislature.
- Adopting the federal code will allow Arizona to see a boost in state revenue (estimated \$133 million to \$236 million).
- Governor wants to see additional revenue deposited into the state's rainy day fund.
- Speaker-Elect Bowers would like to see any extra revenue returned to the taxpayers.

4

Wayfair/Digital Goods & Services

- A recent U.S. Supreme Court decision (South Dakota v. Wayfair) gives states the authority to collect sales and use tax from remote sellers.
- 30 states currently have adopted a model for the collection of sales and use tax
- Arizona will seek legislation this session that will attempt to regulate how the state will deal with the collection of sales tax for remote sellers.
- Additionally, there will once again be a push for legislation to deal with the taxation of digital goods and services.

5

Transportation Funding

- Last year, lawmakers approved a new car registration fee to help free up money for highway repairs.
- The fee was estimated to be \$18 per vehicle; however, ADOT announced late last year that the fee would actually be \$32.
- This has angered many lawmakers and there have been calls to repeal the fee. The Governor is currently opposed to a repeal.
- Additionally, lawmakers are looking at a potential increase in the state's gas tax in addition to other investments to improve transportation infrastructure.

Early Session:

Water Crisis and Ethics Issue Dominate Early Session Activity

Never Good to Start Session with a Crisis



- Arizona, Nevada, Colorado and California needed to develop agreement to conserve Lake Mead water
- Plan had to be provided to the Bureau of Reclamation by Jan 31.
- Intensive stakeholder meetings
- Final agreement sent to Governor just before deadline
- Temporary plan: More work needed

Ethics Issues Continue in the Legislature

- Rep. David Stringer investigated by House Ethics Committee over racist comments
- New Times releases expunged plea deal related to child porn and prostitution charges
- Rep. Stringer resigns before House Ethics Committee
- Former Senate President Steve Pierce is appointed



State Budget

“Its like the more money we come across the more problems we see”

-Notorious BIG-Rapper and Unappreciated Political Scientist

Budget Challenges

- Too much surplus (Approximately \$1billion)
- To Save or Spend?
 - Conservatives worried about recession
 - Governor concerned about meeting 2020 promises
 - Wants to increase the rainy day fund to 1B
 - Legislature wants to pay down debt and eliminate gimmicks
- Major Tax and Fee Decisions
 - Wayfair
 - Tax Conformity
 - Public Safety Fee (\$32)
- Invest in infrastructure
- Filling the backlog of demand for spending
- Tight margins give moderates leverage



Session Runs Long Over budget and Sexual Assault Legislation

- Senators Boyer and Carter hold out budget vote until statute of limitations bill is passed
 - Unwritten rule against holding out budget vote on non-budget issues
- Cut deal with Democrats on spending
- Aggressive and nasty marketing campaign on sexual assault legislation
- Delayed budget for two weeks
- Senators E. Farnsworth and Mesnard brokers a deal on sexual assault Legislation
- Intense bad feelings
- HB 2466 (Criminal Proceedings; Child Welfare, Preclusion)
 - Moves statute of limitations from age 20 to age 30 prospectively
 - Creates a retroactive review window for 18 months to revive any time barred claims
 - No punitive damages, must demonstrate by clear and convincing evidence and have knowledge of the risk



Key Elements of the Budget

11.8B Enough money to go around with the growing economy

- Largest budget ever!
- Conservatives grumpy

Tax Reductions and Reform

- Wayfair reform
- Federal Tax Conformity
- Reduce state tax brackets and mirror Federal standard deductions
 - (-\$386M)
- Two year phase out of Public Safety Fee

Recession Protection

- \$542M deposit in the rainy day fund
- \$220M prepayment of debt

Infrastructure and Public Safety Investment

- Public safety raises \$130M plus
- \$130M over three years for I-17 Expansion



Don't Forget about Red for Ed and Education Funding: Still a Major Priority

20 for 20 Commitments

- \$165M (5%) teacher raise
- \$136M in DAA
- \$88M in school building renewal
- \$76M for new school construction

New Priorities

- \$20M for school safety (counselors and SROs)
- \$800K for Charter Board
 - No reform bill
- \$30M for Results Based Funding

Higher Education

- \$35M new funding at ASU/NAU/U of A
- \$15M for teachers academy
- \$15M for PCC Aviation Program
- \$5.8M MCC for Healthcare Program



Bills of Interest

Tale of the Tape



- Sine Die 12:58 AM on May 28th
 - Longest Session since 2013
 - Shortest was 88 days in 2015
 - 151 days
- 1,318 bills introduced
- 320 bills signed
- 11 Vetoed
- 331 passed the Legislature
- General Effective Date: August 27th

Open for Opportunity

- HB 2146 (Contracts; Licensure Requirements; Waiver; Applicability)
 - Allows parties to waive licensing requirements under the following licensure statutes:
 - Commerce
 - Banking and Financial Institutions
 - Labor, Professions and Occupations
 - Cities and Towns and Counties
 - Limits contracts to \$6,000 per transaction or \$150,000 aggregate.
 - Contract must detail which laws are exempt or waived
 - Contract can't harm a third party or impact health and safety



- HB 2569 Occupational Licenses
 - Pushed by the Executive
 - Makes certain occupational (Title 32) licenses from other states accepted in Arizona
 - Still allows agencies to require Arizona specific licensing tests
 - Exempts licensing that can be issued pursuant to a compact

Still Figuring out the Sharing Economy



- HB 2672 Vacation Rentals Short Term Rentals Regulation
 - Stepped back some of the local government pre-emption and allowed penalties on problem rentals
- HB 2175 (Insurance; Third Party Administrators)
- Peer-Peer Car Sharing Stand Off

Motor Vehicle Issues

- SB 1087 Minimum Limits
 - Beginning July 1, 2020
new minimum insurance limits are:
 - \$25,000 injury one-person
 - \$50,000 injury two or more
 - \$15,000 property damage
 - Was 15/30/10
 - Makes the Declaration Page Final Expression of UM/UIM Coverage
- SB 1223 (Vehicle Accident Reports)
 - Increases the damage threshold for a police report from \$1,000 to \$2,000.



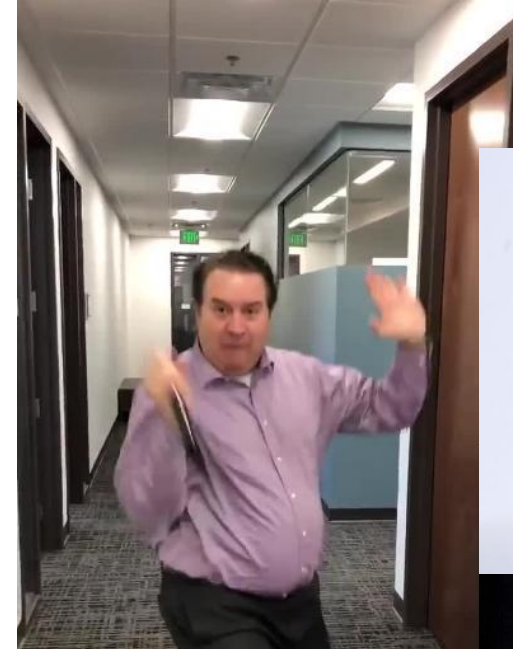
- HB 2318 Texting While Driving; Prohibition; Enforcement
 - Creates a hand-free law
 - One of only three states without one
 - Delayed effective January 1, 2021 enforcement date
 - Pre-empts local ordinances after the effective date
 - Districted Driving SB 1141 Vetoed

Health Policy Bills of Interest

- SB 1085 (Association Health Plans)
 - Allows sole proprietors to join with other small employers to form an AHP
 - Former law allowed AHPs for employers of 2 or more.
 - Based on revised Trump Administration Rule that provided states with more flexibility.
- H.B. 2166 (Health Plans; Cost Sharing; Calculation)
 - Requires health plans to count drug company coupons as contributions against deductible or copayment requirements
 - Allows limitations when there is a generic alternative
- SB 1321 (Health Information Organizations)
 - Authorizes HIO which oversees and governs the exchange of health information
 - Provides procedures for individuals who want to opt-out of HIO after participating
 - Includes provider notice requirements
 - Data is still HIPAA protected
 - Training and data management requirements
 - Grants HIOs immunity from inaccurate/incomplete data, another person disclosure of data through an HIO and use of data done in good faith

With all the Politics it is Time for some Serious Policy

- SB 1291 (Prohibited Weapons, Nunchaku; repeal)
- HB 2692 (State Drink; Lemonade)
- HB 2604 (Meat; poultry; sale: misrepresentation)
- HB 2444 (Internet Accessible Devices; Obscenity Filtering)
 - \$20 fee to unblock obscene content
 - Funds to provide services to victims
 - Build the Border Wall



Interesting Vetoes

- SB 1558 (Legislators; Mileage Rate; Distance)
 - Increased Per Diem rates for Maricopa County and Rural Legislators
 - Rural \$60 to \$185
 - Bi-partisan support and opposition
 - Ducey wanted to focus on rural legislators and have it applicable to the next Legislature.
- S.B. 1334 (Sentencing Repeat Offenders)
 - Opposition from County Attorneys
 - Barred judges from sentencing people as repeat offenders if no prior felony convictions
 - Felonies must have occurred prior to the recent event
- Signed SB 1310
 - Reduced strict sentencing requirements on drug offenses
 - Increases from 1-day per 6 to 3 days per 7 for early release
 - Must meet drug treatment and other requirements.



Key Takeaways and Themes

- Senate was more bi-partisan but budget strained those relationships
- Tight margins lead to high leverage
- House Republicans closed ranks against Democrats
- Senate Republicans less disciplined
- Budget fight will have lasting impact on policy making.
- Governor's budget primarily stayed in tack but a high cost of Legislator priorities
- More moderate Senate limited highly partisan issues
- Former House members in Senate dominate policy
- Chance for Democrats to take over House and/or Senate drive policy

Questions?

Marc.Osborn@kutakrock.com