

State of Arizona
Senate
Fifty-third Legislature
Second Regular Session
2018

CHAPTER 279
SENATE BILL 1524

AN ACT

AMENDING SECTIONS 18-121, 18-401, 28-2351, 28-2402, 28-2473, 28-2474, 28-2475, 28-2481, 28-8423, 34-225, 35-101, 35-111, 35-113, 35-114, 35-115, 35-121, 35-122, 38-737, 38-803, 38-832, 38-840.01, 38-848, 38-848.02, 38-866 AND 38-883, ARIZONA REVISED STATUTES; REPEALING SECTION 40-443, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 4, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-708; AMENDING SECTIONS 41-714, 41-750 AND 41-791.02, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 4, ARTICLE 7, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-792.02; AMENDING SECTION 41-1279, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1361, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-1362, 41-1363, 41-1364 AND 41-1365, ARIZONA REVISED STATUTES; APPROPRIATING MONIES; RELATING TO STATE BUDGET PROCEDURES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 18-121, Arizona Revised Statutes, is amended to
3 read:

4 18-121. Information technology authorization committee:
5 members; terms; duties; compensation; definition

6 A. The information technology authorization committee is
7 established consisting of the following members:

8 1. One member of the house of representatives who is appointed by
9 the speaker of the house of representatives and who shall serve as an
10 advisory member.

11 2. One member of the senate who is appointed by the president of
12 the senate and who shall serve as an advisory member.

13 3. Four members from private industry who are appointed by the
14 governor pursuant to section 38-211, or their designees, and who are
15 knowledgeable in information technology.

16 4. One local government member and one federal government member
17 who are appointed by the governor and who shall serve as advisory members.

18 5. Two members who are directors of state agencies and who are
19 appointed by the governor, or their designees.

20 6. The administrative director of the courts or the director's
21 designee.

22 7. The director of the department of administration or the
23 director's designee, who shall be the chairperson of the committee but for
24 all other purposes shall serve as an advisory member.

25 8. Two members from either private industry or state government who
26 are appointed by the governor, or their designees.

27 9. The staff director of the joint legislative budget committee, or
28 the staff director's designee, who shall serve as an advisory member.

29 B. Committee members who are from private industry serve two-year
30 terms. The other members serve at the pleasure of their appointing
31 officers.

32 C. For all budget units and the legislative and judicial branches
33 of state government, the committee shall:

34 1. Review established statewide information technology standards
35 and the statewide information technology plan.

36 2. Review the minimum qualifications established by the director
37 for each position authorized for the department for information
38 technology.

39 3. Approve or disapprove all proposed information technology
40 projects, including project changes and contract amendments, that exceed a
41 total cost of one million dollars, excluding public monies from county,
42 municipal and other political subdivision sources that are not deposited
43 in a state fund. **THE COMMITTEE SHALL ALSO APPROVE OR DISAPPROVE ANY**
44 **PROPOSED INFORMATION TECHNOLOGY PROJECT INVOLVING MORE THAN ONE BUDGET**
45 **UNIT IF THE COLLECTIVE TOTAL DEVELOPMENT COST OF THE PROJECT IS EXPECTED**

1 TO BE MORE THAN ONE MILLION DOLLARS. As part of a budget request for an
2 information technology project that has total costs of more than one
3 million dollars, a budget unit and the legislative and judicial branches
4 of state government shall indicate the status of review by the
5 committee. Projects shall not be artificially divided to avoid review by
6 the committee.

7 4. Develop a report format that incorporates the ~~life-cycle~~
8 LIFE-CYCLE analysis for use in submitting project requests to the
9 committee.

10 5. Require expenditure and activity reports from a budget unit or
11 the legislative or judicial branch of state government on implementing
12 information technology projects approved by the committee.

13 6. Conduct periodic reviews on the progress of implementing
14 information technology projects approved by the committee.

15 7. Monitor information technology projects that the committee
16 considers to be major or critical.

17 8. Temporarily suspend the expenditure of monies if the committee
18 determines that the information technology project is at risk of failing
19 to achieve its intended results or does not comply with the requirements
20 of this chapter.

21 9. Hear and decide appeals made by budget units regarding the
22 department's rejection of their proposed information technology plans or
23 projects.

24 10. Report to the governor, the speaker of the house of
25 representatives, the president of the senate and the secretary of state at
26 least annually on all matters concerning its objectives. This includes:

27 (a) Its review of the statewide information technology plan
28 developed by the department.

29 (b) The findings and conclusions of its periodic reviews.

30 (c) Its recommendations on desirable legislation relating to
31 information technology.

32 11. Adopt rules it deems necessary or desirable to further the
33 objectives and programs of the committee.

34 D. The committee shall meet at the call of the chairperson.

35 E. Members of the committee are not eligible to receive
36 compensation but are eligible to receive reimbursement for expenses
37 pursuant to title 38, chapter 4, article 2.

38 F. For the purposes of this section, "advisory member" means a
39 member who gives advice to the other members of the committee at committee
40 meetings but who is not eligible to vote and is not a member for purposes
41 of determining whether a quorum is present.

1 Sec. 2. Section 18-401, Arizona Revised Statutes, is amended to
2 read:

3 18-401. Information technology fund

4 A. The information technology fund is established for use by the
5 department and the committee. Monies in the fund are subject to
6 legislative appropriation.

7 B. State agencies **THAT ARE** subject to section 41-750, all budget
8 units and the legislative and judicial branches of state government shall
9 contribute a pro rata share of the overall cost of information technology
10 services provided by the department or committee. The pro rata share is
11 payable by payroll fund source, and the resultant amount shall be
12 deposited in the information technology fund. For all budget units and
13 the legislative and judicial branches of state government, the pro rata
14 share ~~shall be .20 per cent~~ **IS .30 PERCENT** of the total payroll. Total
15 payroll includes all fund sources, including the state general fund,
16 federal monies, special revenue funds, intergovernmental revenue monies,
17 trust funds and other payroll fund sources.

18 C. A claim for the pro rata share percentage payment shall be
19 submitted according to the fund source, with the accompanying payroll, to
20 the department of administration for deposit in the information technology
21 fund.

22 D. Notwithstanding section 35-190, monies in the information
23 technology fund do not revert to the state general fund at the end of each
24 fiscal year.

25 Sec. 3. Section 28-2351, Arizona Revised Statutes, is amended to
26 read:

27 28-2351. License plate provided; design

28 A. **NOTWITHSTANDING ANY OTHER LAW**, the department shall provide to
29 every owner one license plate for each vehicle registered. At the request
30 of the owner and on payment of ~~any required~~ **A fee IN AN AMOUNT PRESCRIBED**
31 **BY THE DIRECTOR BY RULE**, the department shall provide ~~either one or two~~
32 **ADDITIONAL license plates PLATE** for a vehicle for which a special plate is
33 requested pursuant to this chapter, ~~except that the department shall~~
34 ~~provide one license plate if the special plate is issued pursuant to~~
35 ~~section 28-2416 or 28-2416.01.~~

36 B. The license plate shall display the number assigned to the
37 vehicle and to the owner of the vehicle and the name of this state, which
38 may be abbreviated. The director shall coat the license plate with a
39 reflective material that is consistent with the determination of the
40 department regarding the color and design of license plates and special
41 plates. The director shall design the license plate and the letters and
42 numerals on the license plate to be of sufficient size to be plainly
43 readable during daylight from a distance of one hundred feet. In addition
44 to the standard license plate issued for a trailer before August 12, 2005,
45 the director shall issue a license plate for trailers that has a design

1 that is similar to the standard size license plate for trailers but that
2 is the same size as the license plate for motorcycles. The trailer owner
3 shall notify the department which size license plate the owner wants for
4 the trailer.

5 C. Notwithstanding any other law, the department shall not contract
6 with a nongovernmental entity to purchase or secure reflective material
7 for the plates issued by the department unless the department has made a
8 reasonable effort to secure qualified bids or proposals from as many
9 individual responsible respondents as possible.

10 D. The department shall determine the color and design of the
11 license plate. All other plates issued by the department, except the
12 plates issued pursuant to sections 28-2404, 28-2412, 28-2413, 28-2414,
13 28-2416, 28-2416.01, 28-2417 through 28-2462, 28-2472, 28-2473, 28-2474,
14 28-2475 and 28-4533 and article 14 of this chapter, shall be the same
15 color as and similar in design to the license plate as determined by the
16 department.

17 E. A passenger motor vehicle THAT IS rented without a driver shall
18 receive the same type of license plate as IS issued for a private
19 passenger motor vehicle.

20 Sec. 4. Section 28-2402, Arizona Revised Statutes, is amended to
21 read:

22 28-2402. Special plate fees

23 The following fees are required:

24 1. Twenty-five dollars for each ~~pair of~~ original and for each
25 annual renewal of special plates issued under this article, except special
26 plates for hearing impaired persons issued under section 28-2408 and
27 international symbol of access special plates issued under section
28 28-2409.

29 2. Twelve dollars for a transfer of special plates, unless exempt
30 pursuant to section 28-2403.

31 Sec. 5. Section 28-2473, Arizona Revised Statutes, is amended to
32 read:

33 28-2473. Former prisoner of war license plates; fees

34 A. The department shall issue distinctive license plates to:

35 1. A person, other than a person who was discharged from the armed
36 forces under conditions less than honorable, who submits satisfactory
37 proof to the department that the person was captured and incarcerated by
38 an enemy of the United States during a period of conflict with the United
39 States.

40 2. The immediate family member of a person who has been issued a
41 license plate pursuant to this section.

42 B. For each ~~pair of~~ original license ~~plates~~ PLATE issued pursuant
43 to this section, the department shall collect a fee of fifteen dollars in
44 addition to the registration fee required by section 28-2003. For each
45 annual renewal of license plates issued pursuant to this section, the

1 department shall charge a fee of five dollars in addition to the
2 registration fee required by section 28-2003. The department shall
3 deposit, pursuant to sections 35-146 and 35-147, the fifteen dollar fee as
4 a donation in the veterans' donations fund established by section 41-608.

5 Sec. 6. Section 28-2474, Arizona Revised Statutes, is amended to
6 read:

7 28-2474. Purple heart medal recipient license plates; fees

8 A. The department shall issue distinctive license plates to:

9 1. A person who submits satisfactory proof to the department that
10 the person is a veteran and a bona fide purple heart medal recipient.

11 2. The immediate family member of a person who has been issued a
12 license plate pursuant to this section.

13 B. For each ~~pair of~~ original license ~~plates~~ PLATE issued pursuant
14 to this section, the department shall collect a fee of twenty-five dollars
15 in addition to the registration fee required by section 28-2003. For each
16 annual renewal of license plates issued pursuant to this section, the
17 department shall charge a fee of five dollars in addition to the
18 registration fee required by section 28-2003. The department shall
19 deposit, pursuant to sections 35-146 and 35-147, the twenty-five dollar
20 fee as a donation in the veterans' donations fund established by section
21 41-608.

22 Sec. 7. Section 28-2475, Arizona Revised Statutes, is amended to
23 read:

24 28-2475. Pearl Harbor survivor license plates; fees

25 A. The department shall issue distinctive license plates to:

26 1. A person who submits satisfactory proof from the department of
27 veterans' services to the department of transportation that all of the
28 following are true:

29 (a) The person was a member of the United States armed forces on
30 December 7, 1941.

31 (b) The person received an honorable discharge from the United
32 States armed forces.

33 (c) The person was on station on December 7, 1941 during the hours
34 of 7:55 a.m. to 9:45 a.m. Hawaii time at Pearl Harbor, the island of Oahu
35 or offshore at a distance not exceeding three miles.

36 2. The immediate family member of a person who has been issued a
37 license plate pursuant to this section.

38 B. For each ~~pair of~~ original license ~~plates~~ PLATE issued pursuant
39 to this section, the department shall collect a fee of twenty-five dollars
40 in addition to the registration fee required by section 28-2003. For each
41 annual renewal of license plates issued pursuant to this section, the
42 department shall charge a fee of five dollars in addition to the
43 registration fee required by section 28-2003. The department shall
44 deposit, pursuant to sections 35-146 and 35-147, the twenty-five dollar

1 fee as a donation in the veterans' donations fund established by section
2 41-608.

3 Sec. 8. Section 28-2481, Arizona Revised Statutes, is amended to
4 read:

5 28-2481. Historic value license plate fees

6 In addition to the payment of all other fees required by law, the
7 following fees are required for license plates issued pursuant to this
8 article:

9 1. For each ~~pair of~~ original license ~~plates~~ PLATE, twenty-five
10 dollars.

11 2. For each annual renewal of the license ~~plates~~ PLATE, ten
12 dollars.

13 Sec. 9. Section 28-8423, Arizona Revised Statutes, is amended to
14 read:

15 28-8423. Airport land lease; nonprofit corporation

16 A. If the department, in the operation and maintenance of the Grand
17 Canyon national park airport, or if a city, town or county has leased or
18 leases land owned by it to a nonprofit corporation for airport or air
19 terminal purposes pursuant to a lease agreement that provides that title
20 to all buildings, structures and additions made or added to the leased
21 premises by the nonprofit corporation vests in the state, city, town or
22 county in the manner and subject to the restrictions contained in the
23 agreement, the agreement as it exists or as it may be amended, renewed or
24 extended is binding and effective pursuant to its terms.

25 B. An amendment, renewal or extension to the agreement is binding
26 and effective if the agreement complies with section 28-8425, subsection
27 A, paragraph 1 whether or not:

28 1. It resulted or results in a renewal or extension of the original
29 term in excess of twenty-five years.

30 2. Any bidding, notice or other requirements of section 28-8425
31 have or have not been met.

32 C. If a lease between the department and a nonprofit corporation
33 for the operation and maintenance of the Grand Canyon national park
34 airport is terminated, the department may spend any airport revenues,
35 including both those unexpended and unencumbered revenues returned by the
36 lessee and those revenues received after the termination of the lease for
37 the operation of the airport, until the airport is leased to another
38 nonprofit corporation or for the remainder of the then current ~~biennial~~
39 budget cycle, whichever occurs first.

40 Sec. 10. Section 34-225, Arizona Revised Statutes, is amended to
41 read:

42 34-225. Governmental mall; private and public development;
43 construction contracts; limitations

44 A political subdivision of ~~the~~ THIS state may not authorize,
45 pursuant to its planning and zoning or other powers, the private or public

1 development of structures or sites or award a construction contract for
2 new buildings or improvements within the governmental mall ~~comprised~~
3 **COMPOSED** of the area described in section 41-1362 without a request for
4 permission from, and written approval by, the ~~legislative governmental~~
5 ~~mall commission~~ **DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION.**

6 Sec. 11. Section 35-101, Arizona Revised Statutes, is amended to
7 read:

8 **35-101. Definitions**

9 In this chapter, unless the context otherwise requires:

10 1. "Allotment" means the allocation of an appropriation or other
11 fund source over a full fiscal year within a budget program or expenditure
12 class.

13 ~~2. "Annual budget unit" means the following agencies:~~

14 ~~(a) The department of education.~~

15 ~~(b) The Arizona board of regents.~~

16 ~~(c) Arizona state university.~~

17 ~~(d) The university of Arizona.~~

18 ~~(e) Northern Arizona university.~~

19 ~~(f) The school facilities board.~~

20 ~~(g) The department of economic security.~~

21 ~~(h) The state department of corrections.~~

22 ~~(i) The department of juvenile corrections.~~

23 ~~(j) The Arizona health care cost containment system.~~

24 ~~(k) The department of health services.~~

25 ~~(l) The department of administration.~~

26 ~~(m) The department of transportation.~~

27 ~~(n) The judiciary, including the supreme court, the court of~~
28 ~~appeals and the superior court.~~

29 ~~(o) The department of child safety.~~

30 ~~3.~~ 2. "Authorized agent" means a commercial enterprise that is
31 contracted to process transactions on behalf of a state agency.

32 ~~4. "Biennial budget unit" means any department, commission, board,~~
33 ~~institution or other agency of the state organization receiving, expending~~
34 ~~or disbursing state funds or incurring obligations against the state that~~
35 ~~is not an annual budget unit.~~

36 ~~5.~~ 3. "Budget estimates" means statements with accompanying
37 explanations, as provided by this chapter, in which a budget unit states
38 its financial requirements and requests appropriations.

39 ~~6.~~ 4. "Budget program" means functions and activities of a budget
40 unit or within a budget unit that are preplanned to fulfill a distinct
41 mission.

42 ~~7.~~ 5. "Budget unit" means any department, commission, board,
43 institution or other agency of ~~the~~ **THIS** state ~~organization~~ receiving,
44 expending or disbursing state ~~funds~~ **MONIES** or incurring obligations

1 against the THIS state. ~~Budget unit includes the annual budget units and~~
2 ~~biennial budget units.~~

3 ~~8.~~ 6. "Cardholder" means any person:

4 (a) Named on the face of a credit card to whom or for whose benefit
5 the credit card is issued by an issuer.

6 (b) In possession of a credit card with the consent of the person
7 to whom the credit card was issued.

8 ~~9.~~ 7. "Claim" means a demand against the state for payment for
9 either:

10 (a) Goods delivered or, in the case of highway construction, goods
11 or facilities to be delivered by the federal government.

12 (b) Services performed.

13 ~~10.~~ 8. "Convenience fee" means an additional fee that is imposed
14 by an authorized agent on a web-based or voice response portal transaction
15 for the acceptance of a credit card that would not be charged if the same
16 transaction were completed by an alternate method of payment.

17 ~~11.~~ 9. "Credit card" means:

18 (a) Any instrument or device, whether known as a credit card,
19 charge card, credit plate, courtesy card or identification card or by any
20 other name, that is issued with or without a fee by an issuer for the use
21 of the cardholder in obtaining money, goods, services or anything else of
22 value, either on credit or in possession or in consideration of an
23 undertaking or guaranty by the issuer of the payment of a check drawn by
24 the cardholder, on a promise to pay in part or in full at a future time,
25 whether or not all or any part of the indebtedness represented by this
26 promise to make deferred payment is secured or unsecured.

27 (b) Any debit card, electronic benefit transfer card or other
28 access instrument or device, other than a check that is signed by the
29 holder or other authorized signatory on the deposit account, that draws
30 monies from a deposit account in order to obtain money, goods, services or
31 anything else of value.

32 (c) Any stored value card, smart card or other instrument or device
33 that enables a person to obtain goods, services or anything else of value
34 through the use of value stored on the instrument or device.

35 (d) The number assigned to an instrument or device described in
36 subdivision (a), (b) or (c) of this paragraph even if the physical
37 instrument or device is not used or presented.

38 ~~12.~~ 10. "Discount fee" means the fee that is calculated and
39 charged by the credit card issuer or a financial institution pursuant to
40 an agreement for the processing of any credit card transaction.

41 ~~13.~~ 11. "Encumbrance" means an obligation in the form of any
42 purchase order, contract or other commitment that is chargeable to an
43 appropriation or any other authorized fund source and for which a part of
44 the fund source is reserved. It ceases to be an encumbrance when paid or
45 canceled.

1 ~~14.~~ 12. "Expenditure class" means one of the kinds of expenditure
2 denoting a class of services or commodities purchased or properties
3 acquired as specified in the classification of expenditures prescribed by
4 the director of the department of administration for use in expenditure
5 accounting, in making budget estimates and in the budget reports and
6 budgets.

7 ~~15.~~ 13. "Issuer" means any business organization, state agency or
8 financial institution, or its duly authorized agent, that issues a credit
9 card.

10 ~~16.~~ 14. "Prepayment" means the payment of a claim before receiving
11 the goods or services.

12 ~~17.~~ 15. "Processing fee" means a fee that is charged by an entity
13 other than a credit card issuer or the processing financial institution to
14 process a credit card transaction.

15 ~~18.~~ 16. "Purchase order" means a document that is signed by the
16 appropriate agency authorized signatory, that requests a vendor to deliver
17 described goods or services at a specific price and that on delivery and
18 acceptance of the goods or services by this state becomes an obligation of
19 this state.

20 ~~19.~~ 17. "Service fee or surcharge" means a fee, whether fixed or
21 variable, that is in addition to the transaction amount, that is charged
22 by a state agency when the state agency accepts a credit card for payment
23 and that is necessary for the state agency to process the payment.

24 ~~20.~~ 18. "Transaction amount" means the total amount due to the
25 state for any goods, service or license or anything else of value.

26 Sec. 12. Section 35-111, Arizona Revised Statutes, is amended to
27 read:

28 35-111. Executive budget

29 ~~Every year for annual budget units and biennially in odd-numbered~~
30 ~~years for biennial budget units,~~ Not later than five days after the
31 regular session of the legislature convenes, the governor shall submit to
32 the legislature a budget containing a complete plan of expenditures
33 proposed to be made before the close of the ~~two ensuing fiscal years for~~
34 ~~biennial budget units and for the~~ next fiscal year for ~~annual~~ budget units
35 and all monies and revenues estimated to be available therefor, together
36 with an explanation of the basis of the estimates and recommendations as
37 to proposed legislation, if any, ~~which~~ THAT the governor deems necessary
38 to provide revenues sufficient to meet the proposed expenditures. ~~The~~
39 ~~plan shall delineate each fiscal year separately. Not later than five~~
40 ~~days after the regular session of the legislature convenes in~~
41 ~~even-numbered years, the governor may submit to the legislature any~~
42 ~~proposed revisions to the enacted budgets for the current and ensuing~~
43 ~~fiscal years. The plan shall include an estimate of all available monies~~
44 ~~and revenues and an explanation for any changes to the enacted budgets.~~

1 Sec. 13. Section 35-113, Arizona Revised Statutes, is amended to
2 read:

3 35-113. Submission of budget estimates

4 ~~Every year for annual budget units and biennially in even-numbered~~
5 ~~years for biennial budget units,~~ The ADMINISTRATIVE head of each budget
6 unit, not later than September 1 OF EACH YEAR or at a later date not to
7 exceed thirty days after September 1 if approved by the director of the
8 governor's office of strategic planning and budgeting, shall submit to the
9 governor, with five copies, estimates of the financial requirements and of
10 receipts, including appropriated and nonappropriated monies in no less
11 detail than the state general fund, of the budget unit ~~for the next two~~
12 ~~ensuing fiscal years for biennial budget units and~~ for the next fiscal
13 year ~~for annual budget units~~. The estimates shall be on the forms and in
14 the manner prescribed by the governor with explanatory data that may be
15 required, together with additional information the head of the budget unit
16 desires to submit. ~~The governor may require biennial budget units to~~
17 ~~submit budget estimates more often than every two years.~~ The estimate so
18 ESTIMATES submitted shall bear the approval of the administrative head of
19 the budget unit.

20 Sec. 14. Section 35-114, Arizona Revised Statutes, is amended to
21 read:

22 35-114. Continuous financial planning; submission of
23 tentative budget report; appropriations estimate
24 report

25 A. The governor shall have in continuous process of preparation and
26 revision a tentative budget report ~~for the next two ensuing years for~~
27 ~~biennial budget units and~~ for the next fiscal year for ~~annual~~ budget units
28 ~~for which a budget report is required to be prepared.~~ Upon ON receipt of
29 the estimates of the several budget units, the governor shall check the
30 estimates with information available to the governor and shall make
31 further inquiries and investigations and recommend changes in the
32 tentative budget report the governor deems warranted.

33 B. The governor's office of strategic planning and budgeting in
34 consultation with the joint legislative budget committee staff shall
35 determine and report to the governor and the legislature an estimate of
36 appropriations subject to the limit imposed by article IX, section 17,
37 Constitution of Arizona. The report shall be published by February 15 of
38 each year for the preceding fiscal year, for the current fiscal year and
39 for the ensuing fiscal year to reflect the budget recommendations of the
40 governor.

41 Sec. 15. Section 35-115, Arizona Revised Statutes, is amended to
42 read:

43 35-115. Contents of budget report

44 Each budget report ~~as~~ required by section ~~35-111~~ 35-114 shall
45 include the following:

1 1. Summary statements of the financial condition of the state, ~~to~~
2 ~~include~~ INCLUDING:

3 (a) A consolidated balance sheet showing all current assets and
4 liabilities of the state at the close of the fiscal year last concluded.

5 (b) Summary statements of the actual income and expenditures of the
6 fiscal year last concluded.

7 (c) Similar summary statements of estimated fund balances for the
8 current fiscal year.

9 2. Schedules showing actual income from each source for the
10 preceding fiscal year and the estimated income of the current fiscal year
11 ~~and of the two ensuing fiscal years for biennial budget units~~ and for the
12 next fiscal year for ~~annual~~ budget units. The statements of income and
13 estimated income shall be itemized by source, by budget units and sources
14 and by funds and shall show separately revenue from nonrevenue, all
15 detailed by sources.

16 3. Detailed comparative statements of expenditures and requests for
17 appropriations by funds, budget units, budget programs and budget classes,
18 showing the expenditures for the fiscal year last concluded, ~~and~~ the
19 estimated expenditures for the current year, ~~and~~ the request of each
20 budget unit and the governor's recommendations for appropriations ~~for the~~
21 ~~two ensuing fiscal years for biennial budget units and~~ for the next fiscal
22 year for ~~annual~~ budget units, all distributed according to budget programs
23 and budget classes. In connection with each expenditure involving
24 construction projects to be completed in one or more fiscal years, ~~there~~
25 ~~shall be shown~~ THE BUDGET REPORT SHALL SHOW the total estimated cost of
26 each project and the amount recommended to be appropriated and expended in
27 each ensuing fiscal year until completion of the project. The state
28 capital improvement plan and the governor's recommendations concerning the
29 plan shall be incorporated into the budget report.

30 4. A summary statement for each fund of the cash resources
31 estimated to be available at the beginning of ~~the next two fiscal years~~
32 ~~for biennial budget units and for~~ the next fiscal year for ~~annual~~ budget
33 units and the estimated cash receipts ~~for the two ensuing fiscal years for~~
34 ~~biennial budget units and~~ for the next fiscal year for ~~annual~~ budget
35 units, as compared with the total recommended amounts for appropriations
36 for all budget programs and budget classes ~~for the two ensuing fiscal~~
37 ~~years for biennial budget units and~~ for the next fiscal year for ~~annual~~
38 budget units. ~~;~~ ~~and~~ If the total of the recommended expenditures exceeds
39 the total of the estimated resources, THE SUMMARY STATEMENT SHALL INCLUDE
40 recommendations as to how the deficiency is to be met and estimates of
41 receipts from any proposed additional revenues.

42 5. A summary statement of expenditures and full-time equivalent
43 positions for each retirement system, delineated by fund source.

44 6. Each fiscal year for ~~annual~~ budget units ~~and biennially for~~
45 ~~biennial budget units~~, A delineation of requested expenditures for

1 administrative costs, including administrative personnel salaries and
2 employee-related expenses and direct, indirect and shared costs for
3 administrative office space, equipment, supplies and overhead. For the
4 purposes of this paragraph, "administrative" means any supportive activity
5 relating to management, supervision, budget or execution of the affairs of
6 the budget unit as distinguished from activities relating to ~~its~~ **THE**
7 **BUDGET UNIT'S** primary direct service functions. The process of
8 delineation and determination of what constitutes administrative costs for
9 each budget unit shall be developed by the governor's office of strategic
10 planning and budgeting in consultation with the director and staff of the
11 joint legislative budget committee.

12 7. A summary on one page or less providing selected performance
13 measures of the budget unit for the previous fiscal year and the budget
14 years. The performance measures may be expressed as service level
15 measures on a unit cost basis and shall be established by the governor's
16 office of strategic planning and budgeting in consultation with the
17 director and staff of the joint legislative budget committee.

18 Sec. 16. Section 35-121, Arizona Revised Statutes, is amended to
19 read:

20 **35-121. Format of appropriations**

21 The format of the appropriations for the support and maintenance of
22 state departments and institutions shall be for each fiscal year for ~~the~~
23 ~~annual~~ **ALL** budget units, ~~and for the biennial budget units, for two fiscal~~
24 ~~years, itemized separately for each fiscal year.~~

25 Sec. 17. Section 35-122, Arizona Revised Statutes, is amended to
26 read:

27 **35-122. Budget unit program lists; strategic plans; operating**
28 **plans; compilation and publishing of master list**

29 A. Consistent with instructions issued by the governor, the
30 administrative head of each budget unit is responsible for developing a
31 list of programs for the budget unit. For the purposes of this section, a
32 program may include a subprogram as determined by the governor's office of
33 strategic planning and budgeting and the staff of the joint legislative
34 budget committee. In consultation with the staff of the joint legislative
35 budget committee, the governor's office of strategic planning and
36 budgeting may modify the list of programs submitted by each budget unit.

37 B. Consistent with instructions issued by the governor, the
38 administrative head of each executive branch budget unit is responsible
39 for developing a five-year strategic plan for the budget unit. The
40 strategic plan shall be updated annually. The plan shall contain
41 strategic issues, a mission statement, a description, strategies and
42 resource assumptions. The resource assumptions shall include the number
43 of full-time equivalent positions and budgetary data, including all
44 funding sources categorized by **STATE** general fund, other appropriated
45 funds, nonappropriated funds and federal funds that are required to

1 support the strategic plan. The agency shall also provide an executive
2 summary of the strategic plan. The executive summary shall not exceed
3 five pages in length. The strategic plan, including the executive
4 summary, shall be posted on the agency's official internet website and
5 submitted to the governor's office of strategic planning and budgeting and
6 to the staff of the joint legislative budget committee on or before
7 January 1 of each year.

8 C. Consistent with instructions issued by the governor, the
9 administrative head of each budget unit is responsible for:

10 1. Developing an operating plan for each program identified in
11 subsection A of this section. The plan shall use the format required in
12 subsection D of this section and be submitted to the governor's office of
13 strategic planning and budgeting on or before September 1 of each year.
14 Each ~~year-annual~~ budget ~~units~~ UNIT shall ANNUALLY submit performance
15 measures and budgetary data for the prior, current and ensuing fiscal ~~year~~
16 YEARS.

17 2. Developing a mission statement, a description and strategic
18 issues for the entire budget unit as part of the operating plan to be
19 submitted to the governor's office of strategic planning and budgeting on
20 or before September 1 of each year. The mission statement, description
21 and strategic issues shall be submitted at the same time to the staff of
22 the joint legislative budget committee.

23 D. The operating plan shall include a mission statement, a
24 description, goals, performance measures that emphasize results and
25 budgetary data. The budgetary data shall include funding amounts,
26 regardless of source.

27 E. The governor's office of strategic planning and budgeting shall
28 compile the submissions required in subsection C, paragraphs 1 and 2 of
29 this section, ~~and~~, ~~no~~ NOT later than five days after the regular session
30 of the legislature convenes of each even-numbered year, shall publish a
31 master list of programs that are performed or overseen by state
32 government. The master list shall include the program description, agency
33 description, mission statement, strategic issues, goals, performance
34 measures and budgetary data.

35 Sec. 18. Section 38-737, Arizona Revised Statutes, is amended to
36 read:

37 38-737. Employer contributions

38 A. Employer contributions shall be a percentage of compensation of
39 all employees of the employers, excluding the compensation of those
40 employees who are members of the defined contribution program administered
41 by ASRS, as determined by the ASRS actuary pursuant to this section for
42 June 30 of the fiscal year immediately preceding the preceding fiscal
43 year, except that beginning with fiscal year 2001-2002 the contribution
44 rate shall not be less than two percent of compensation of all employees
45 of the employers. Beginning July 1, 2011 through June 29, 2016, the total

1 employer contribution shall be determined on the projected unit credit
2 method. Beginning June 30, 2016, the board shall determine the actuarial
3 cost method pursuant to section 38-714. The total employer contributions
4 shall be equal to the employer normal cost plus the amount required to
5 amortize the past service funding requirement over a period that is
6 determined by the board and consistent with generally accepted actuarial
7 standards. In determining the past service funding period, the board
8 shall seek to improve the funded status whenever the ASRS trust fund is
9 less than one hundred percent funded.

10 B. All contributions made by the employer and allocated to the fund
11 established by section 38-712 are irrevocable and shall be used as
12 benefits under this article or to pay expenses of ASRS.

13 C. The required employer contributions shall be determined on an
14 annual basis by an actuary who is selected by the board and who is a
15 fellow of the society of actuaries. ASRS shall provide by December ~~15~~ 1
16 of each fiscal year to the governor, the speaker of the house of
17 representatives and the president of the senate the contribution rate for
18 the ensuing fiscal year and the unfunded actuarial accrued liability, the
19 funded status based on the actuarial value of assets and market value of
20 assets and the annualized rate of return and the ten-year rate of return
21 as of June 30 of the prior fiscal year.

22 Sec. 19. Section 38-803, Arizona Revised Statutes, is amended to
23 read:

24 38-803. Powers and duties of the board

25 A. The board, in the administration, management and operation of
26 the plan and fund, shall:

27 1. Account for the operation, administration and investment
28 expenses and allocate them against investment income.

29 2. Contract on a fee basis with an actuary to make an actuarial
30 valuation of the plan based on the valuation method and valuation
31 assumptions recommended by the actuary and approved by the board. The
32 actuary shall be a member of the American academy of actuaries.

33 3. Contract on a fee basis with an independent auditing firm to
34 make an annual audit of the accounting records of the fund and file a copy
35 of the audit with the auditor general.

36 4. Invest the monies in the fund as provided in article 4 of this
37 chapter.

38 5. Within a period of six months after the close of each fiscal
39 year, submit a detailed report of the operation and the investment
40 performance of the plan to the governor, the legislature and the members
41 of the plan.

42 6. By November 1 of each year provide a preliminary report and by
43 December ~~15~~ 1 of each year provide a final report to the governor, the
44 speaker of the house of representatives and the president of the senate on
45 the contribution rate for the ensuing fiscal year.

1 B. The board, in the administration, management and operation of
2 the plan and fund, may:

3 1. Employ services as it deems necessary.

4 2. Either keep invested monies separate or commingle invested
5 monies as it deems appropriate.

6 3. Delegate authority as it deems necessary and prudent to the
7 administrator employed pursuant to section 38-848, subsection M,
8 paragraph 6.

9 4. Do all acts, whether expressly authorized, ~~which may be~~ THAT ARE
10 deemed necessary or proper for the protection of the fund.

11 Sec. 20. Section 38-832, Arizona Revised Statutes, is amended to
12 read:

13 38-832. Defined contribution system; annual report; quarterly
14 statements

15 A. The board shall establish, design and administer a defined
16 contribution system to provide for the retirement of elected officials.

17 B. The purpose of this article is to provide a defined contribution
18 system that is fully funded on a current basis from employer and member
19 contributions.

20 C. The legislature intends that the defined contribution system for
21 members under this article be designed to be a qualified government plan
22 under section 401(a) of the internal revenue code, as amended, or
23 successor provisions of law, and be exempt from taxation under section 501
24 of the internal revenue code. The board may adopt any additional
25 provisions to the defined contribution system that are necessary to
26 fulfill this intent. On or before December 31, 2013, the board shall
27 submit to the internal revenue service a request for a determination
28 letter that the defined contribution system is a plan qualified under
29 section 401(a) of the internal revenue code and a private letter ruling
30 that all member contributions that are picked up by the employer as
31 provided in section 38-833 shall be treated as employer contributions
32 pursuant to section 414(h) of the internal revenue code.

33 D. The board may:

34 1. Employ the services of the third-party administrator that is
35 contracted on ~~the effective date of this section~~ SEPTEMBER 13, 2013 to
36 administer the supplemental defined contribution plan pursuant to article
37 8 of this chapter to also administer the defined contribution system.

38 2. Employ other services it deems necessary, including legal
39 services, for the operation and administration of the defined contribution
40 system.

41 3. Perform all acts, whether or not expressly authorized, that it
42 deems necessary and proper for the operation and protection of the system.

43 E. The board shall adopt policies regarding the defined
44 contribution system, including the administration of the member and
45 employer contributions, investment options, termination in the defined

1 contribution system, the administration of the payout options under the
2 defined contribution system and the administration of the member
3 distributions.

4 F. On receipt of the determination letter and private letter ruling
5 from the internal revenue service, the board shall participate in a
6 competitive bid process at least once every five years to contract with a
7 private person or any qualified company or companies to administer the
8 defined contribution system established under this section.

9 G. Any contract for a third-party administrator of the defined
10 contribution system shall include competitive fees, quarterly meetings
11 with the public safety personnel retirement system, annual updates to the
12 board on the status of the defined contribution system and quarterly
13 statements to each member. On or before December ~~31~~ 1 of each year, the
14 board shall report the status of the defined contribution system to the
15 governor, the president of the senate, the speaker of the house of
16 representatives and the joint legislative budget committee.

17 Sec. 21. Section 38-840.01, Arizona Revised Statutes, is amended to
18 read:

19 38-840.01. EODC disability program; administration; power and
20 duties of the board; hearing

21 A. The elected officials' defined contribution retirement system
22 disability program is established for members of the elected officials'
23 defined contribution retirement system. The board shall administer the
24 EODC disability program.

25 B. The board may delegate authority to administer the program as it
26 deems necessary and prudent to the administrator employed pursuant to
27 section 38-848.

28 C. The board, in the administration, management and operation of
29 the program, shall:

30 1. Account for the operation, administration and investment
31 expenses and allocate them against investment income.

32 2. Contract on a fee basis with an actuary to make an actuarial
33 valuation of the program based on the valuation method and valuation
34 assumptions recommended by the actuary and approved by the board. The
35 actuary shall be a member of the American academy of actuaries.

36 3. Contract on a fee basis with an independent auditing firm to
37 make an annual audit of the accounting records of the **EODC DISABILITY**
38 **PROGRAM TRUST** fund and file a copy of the audit with the auditor general.

39 4. Invest the monies in the **EODC DISABILITY PROGRAM TRUST** fund as
40 provided in article 4 of this chapter.

41 5. On or before December ~~31~~ 1 of each year, submit to the governor,
42 the speaker of the house of representatives and the president of the
43 senate a detailed report of the operation and the investment performance
44 of the program that includes the contribution rate for the ensuing fiscal
45 year.

1 D. The board, in the administration, management and operation of
2 the program, may:

- 3 1. Employ services as it deems necessary.
- 4 2. Either keep invested monies separate or commingle invested
5 monies as it deems appropriate.
- 6 3. Do all acts, whether expressly authorized, that may be deemed
7 necessary or proper for the protection of the EODC DISABILITY PROGRAM
8 TRUST fund.
- 9 4. Determine the rights, benefits or obligations of any person
10 under this article and afford any person dissatisfied with a determination
11 of the person's rights, benefits or obligations under this article with a
12 hearing on the determination.

13 Sec. 22. Section 38-848, Arizona Revised Statutes, is amended to
14 read:

15 38-848. Board of trustees; powers and duties; independent
16 trust fund; administrator; agents and employees;
17 advisory committee

18 A. Beginning January 1, 2017, the board of trustees shall consist
19 of nine members and shall have the rights, powers and duties that are set
20 forth in this section. The term of office of members shall be five years
21 to expire on the third Monday in January of the appropriate year. The
22 board shall select a chairperson from among its members each calendar
23 year. Members are eligible to receive compensation in an amount of fifty
24 dollars a day, but not to exceed one thousand dollars in any one fiscal
25 year, and are eligible for reimbursement of expenses pursuant to chapter
26 4, article 2 of this title. Beginning January 1, 2017, the board consists
27 of the following members appointed as follows:

28 1. Two members representing law enforcement, one of whom is
29 appointed by the president of the senate and one of whom is appointed by
30 the governor. A statewide association representing law enforcement in
31 this state shall forward nominations to the appointing elected officials,
32 providing at least three nominees for each position. At least one of the
33 members appointed under this paragraph shall be an elected local board
34 member.

35 2. Two members representing firefighters, one of whom is appointed
36 by the speaker of the house of representatives and one of whom is
37 appointed by the governor. A statewide association representing
38 firefighters in this state shall forward nominations to the appointing
39 elected officials, providing at least three nominees for each position.
40 At least one of the members appointed under this paragraph shall be an
41 elected local board member.

42 3. Three members representing cities and towns in this state, one
43 of whom is appointed by the president of the senate, one of whom is
44 appointed by the speaker of the house of representatives and one of whom
45 is appointed by the governor. An association representing cities and

1 towns in this state shall forward nominations to the appointing elected
2 officials, providing at least three nominees for each position. These
3 nominees shall represent taxpayers or employers and may not be members of
4 the system.

5 4. One member who represents counties in this state and who is
6 appointed by the governor. An association representing county supervisors
7 in this state shall forward nominations to the governor, providing at
8 least three nominees for the position. These nominees shall represent
9 taxpayers or employers and may not be members of the system.

10 5. One member who is appointed by the governor from a list of three
11 nominees forwarded by the board. The board shall select the nominees to
12 forward to the governor from a list of at least five nominees received
13 from the advisory committee.

14 B. Each appointment made pursuant to subsection A of this section
15 shall be chosen from the list of nominees provided to the appointing
16 elected official. For any appointment made by the governor pursuant to
17 subsection A of this section, before appointment by the governor, a
18 prospective member of the board shall submit a full set of fingerprints to
19 the governor for the purpose of obtaining a state and federal criminal
20 records check pursuant to section 41-1750 and Public Law 92-544. The
21 department of public safety may exchange this fingerprint data with the
22 federal bureau of investigation. A board member may be reappointed.
23 Notwithstanding section 38-295, a board member may be removed from office
24 only for cause by the appointing power or because the board member has
25 vacated the member's seat on the board. A board member who is removed for
26 cause shall be provided written notice and an opportunity for a response.
27 The appointing power may remove a board member based on written findings
28 that specify the reason for removal. Any vacancy that occurs other than
29 by expiration of a term shall be filled for the balance of the term. All
30 vacancies shall be filled in the same manner as the initial appointment.
31 A board member vacates the office if the member either:

32 1. Is absent without excuse from three consecutive regular meetings
33 of the board.

34 2. Resigns, dies or becomes unable to perform board member duties.

35 C. The members of the board who are appointed pursuant to
36 subsection A of this section and who are not members of the system shall
37 be independent, qualified professionals who are responsible for the
38 performance of fiduciary duties and other responsibilities required to
39 preserve and protect the fund and shall have at least ten years'
40 substantial experience as any one or a combination of the following:

41 1. A portfolio manager acting in a fiduciary capacity.

42 2. A securities analyst.

43 3. A senior executive or principal of a trust institution,
44 investment organization or endowment fund acting either in a management or
45 an investment-related capacity.

1 4. A chartered financial analyst in good standing as determined by
2 the chartered financial analyst institute.

3 5. A current or former professor or instructor at the college or
4 university level in the field of economics, finance, actuarial science,
5 accounting or pension-related subjects.

6 6. An economist.

7 7. Any other senior executive engaged in the field of public or
8 private finances or with experience with public pension systems.

9 8. A senior executive in insurance, banking, underwriting,
10 auditing, human resources or risk management.

11 D. All monies in the fund shall be deposited and held in a public
12 safety personnel retirement system depository. Monies in the fund shall
13 be disbursed from the depository separate and apart from all monies or
14 funds of this state and the agencies, instrumentalities and subdivisions
15 of this state, except that the board may commingle the assets of the fund
16 and the assets of all other plans entrusted to its management in one or
17 more group trusts, subject to the crediting of receipts and earnings and
18 charging of payments to the appropriate employer, system or plan. The
19 monies shall be secured by the depository in which they are deposited and
20 held to the same extent and in the same manner as required by the general
21 depository law of this state. For purposes of making the decision to
22 invest in securities owned by the fund or any plan or trust administered
23 by the board, the fund and assets of the plans and the plans' trusts are
24 subject to the sole management of the board for the purpose of this
25 article except that, on the board's election to invest in a particular
26 security or make a particular investment, the assets comprising the
27 security or investment may be chosen and managed by third parties approved
28 by the board. The board may invest in portfolios of securities chosen and
29 managed by a third party. The board's decision to invest in securities
30 such as mutual funds, commingled investment funds, exchange traded funds,
31 private equity or venture capital limited partnerships, real estate
32 limited partnerships or limited liability companies and real estate
33 investment trusts whose assets are chosen and managed by third parties
34 does not constitute an improper delegation of the board's investment
35 authority.

36 E. All contributions under this system and other retirement plans
37 that the board administers shall be forwarded to the board and shall be
38 held, invested and reinvested by the board as provided in this article.
39 All property and monies of the fund and other retirement plans that the
40 board administers, including income from investments and from all other
41 sources, shall be retained for the exclusive benefit of members, as
42 provided in the system and other retirement plans that the board
43 administers, and shall be used to pay benefits to members or their
44 beneficiaries or to pay expenses of operation and administration of the
45 system and fund and other retirement plans that the board administers.

1 F. The board shall have the full power in its sole discretion to
2 invest and reinvest, alter and change the monies accumulated under the
3 system and other retirement plans and trusts that the board administers as
4 provided in this article. In addition to its power to make investments
5 managed by others, the board may delegate the authority the board deems
6 necessary and prudent to investment management pursuant to section
7 38-848.03, as well as to the administrator, employed by the board pursuant
8 to subsection M, paragraph 6 of this section, and any assistant
9 administrators to invest the monies of the system and other retirement
10 plans and trusts that the board administers if the administrator,
11 investment management and any assistant administrators follow the
12 investment policies that are adopted by the board. The board may
13 commingle securities and monies of the fund, the elected officials'
14 retirement plan, the corrections officer retirement plan and other plans
15 or monies entrusted to its care, subject to the crediting of receipts and
16 earnings and charging of payments to the account of the appropriate
17 employer, system or plan. In making every investment, the board shall
18 exercise the judgment and care under the circumstances then prevailing
19 that persons of ordinary prudence, discretion and intelligence exercise in
20 the management of their own affairs, not in regard to speculation but in
21 regard to the permanent disposition of their funds, considering the
22 probable income from their funds as well as the probable safety of their
23 capital, provided:

24 1. That not more than eighty percent of the combined assets of the
25 system or other plans that the board manages shall be invested at any
26 given time in corporate stocks, based on cost value of such stocks
27 irrespective of capital appreciation.

28 2. That ~~no~~ NOT more than five percent of the combined assets of the
29 system or other plans that the board manages shall be invested in
30 corporate stock issued by any one corporation, other than corporate stock
31 issued by corporations chartered by the United States government or
32 corporate stock issued by a bank or insurance company.

33 3. That not more than five percent of the voting stock of any one
34 corporation shall be owned by the system and other plans that the board
35 administers, except that this limitation does not apply to membership
36 interests in limited liability companies.

37 4. That corporate stocks and exchange traded funds eligible for
38 direct purchase shall be restricted to stocks and exchange traded funds
39 that, except for bank stocks, insurance stocks, stocks acquired for
40 coinvestment in connection with the system's or the plans' or trusts'
41 commingled investments and interests in limited liability companies and
42 mutual funds, are either:

43 (a) Listed or approved on issuance for listing on an exchange
44 registered under the securities exchange act of 1934, as amended
45 (15 United States Code sections 78a through 78pp).

1 (b) Designated or approved on notice of issuance for designation on
2 the national market system of a national securities association registered
3 under the securities exchange act of 1934, as amended (15 United States
4 Code sections 78a through 78pp).

5 (c) Listed or approved on issuance for listing on an exchange
6 registered under the laws of this state or any other state.

7 (d) Listed or approved on issuance for listing on an exchange of a
8 foreign country with which the United States is maintaining diplomatic
9 relations at the time of purchase, except that no more than twenty percent
10 of the combined assets of the system and other plans that the board
11 manages shall be invested in foreign securities, based on the cost value
12 of the stocks irrespective of capital appreciation.

13 (e) An exchange traded fund that is recommended by the chief
14 investment officer of the system, that is registered under the investment
15 company act of 1940 (15 United States Code sections 80a-1 through 80a-64)
16 and that is both traded on a public exchange and based on a publicly
17 recognized index.

18 G. Notwithstanding any other law, the board shall not be required
19 to invest in any type of investment that is dictated or required by any
20 entity of the federal government and that is intended to fund economic
21 development projects, public works or social programs, but may consider
22 such economically targeted investments pursuant to its fiduciary
23 responsibility. The board, on behalf of the system and all other plans or
24 trusts the board administers, may invest in, lend monies to or guarantee
25 the repayment of monies by a limited liability company, limited
26 partnership, joint venture, partnership, limited liability partnership or
27 trust in which the system and plans or trusts have a financial interest,
28 whether the entity is closely held or publicly traded and that, in turn,
29 may be engaged in any lawful activity, including venture capital, private
30 equity, the ownership, development, management, improvement or operation
31 of real property and any improvements or businesses on real property or
32 the lending of monies.

33 H. Conference call meetings of the board that are held for
34 investment purposes only are not subject to chapter 3, article 3.1 of this
35 title, except that the board shall maintain minutes of these conference
36 call meetings and make them available for public inspection within
37 twenty-four hours after the meeting. The board shall review the minutes
38 of each conference call meeting and shall ratify all legal actions taken
39 during each conference call meeting at the next scheduled meeting of the
40 board.

41 I. The board shall not be held liable for the exercise of more than
42 ordinary care and prudence in the selection of investments and performance
43 of its duties under the system and shall not be limited to so-called
44 "legal investments for trustees", but all monies of the system and other

1 plans that the board administers shall be invested subject to all of the
2 conditions, limitations and restrictions imposed by law.

3 J. Except as provided in subsection F of this section, the board
4 may:

5 1. Invest and reinvest the principal and income of all assets that
6 the board manages without distinction between principal and income.

7 2. Sell, exchange, convey, transfer or otherwise dispose of any
8 investments made on behalf of the system or other plans the board
9 administers in the name of the system or plans by private contract or at
10 public auction.

11 3. Also:

12 (a) Vote on any stocks, bonds or other securities.

13 (b) Give general or special proxies or powers of attorney with or
14 without power of substitution.

15 (c) Exercise any conversion privileges, subscription rights or
16 other options and make any payments incidental to the exercise of the
17 conversion privileges, subscription rights or other options.

18 (d) Consent to or otherwise participate in corporate
19 reorganizations or other changes affecting corporate securities, delegate
20 discretionary powers and pay any assessments or charges in connection
21 therewith.

22 (e) Generally exercise any of the powers of an owner with respect
23 to stocks, bonds, securities or other investments held in or owned by the
24 system or other plans whose assets the board administers.

25 4. Make, execute, acknowledge and deliver any other instruments
26 that may be necessary or appropriate to carry out the powers granted in
27 this section.

28 5. Register any investment held by the system or other plans whose
29 assets the board administers in the name of the system or plan or in the
30 name of a nominee or trust.

31 6. At the expense of the system or other plans that the board
32 administers, enter into an agreement with any bank or banks for the
33 safekeeping and handling of securities and other investments coming into
34 the possession of the board. The agreement shall be entered into under
35 terms and conditions that secure the proper safeguarding, inventory,
36 withdrawal and handling of the securities and other investments. No
37 access to and no deposit or withdrawal of the securities from any place of
38 deposit selected by the board shall be permitted or made except as the
39 terms of the agreement may provide.

40 7. Appear before local boards and the courts of this state and
41 political subdivisions of this state through counsel or appointed
42 representative to protect the fund or the assets of other plans that the
43 board administers. The board is not responsible for the actions or
44 omissions of the local boards under this system but may seek a review or
45 rehearing of actions or omissions of local boards. The board does not

1 have a duty to review actions of the local boards but may do so in its
2 discretion in order to protect the fund. No limitations period precludes
3 the board or administrator from contesting, or requires the board or
4 administrator to implement or comply with, a local board decision that
5 violates the internal revenue code or that threatens to impair the tax
6 qualified status of the system or any plan administered by the board or
7 administrator.

8 8. Empower the fund administrator to take actions on behalf of the
9 board that are necessary for the protection and administration of the fund
10 or the assets of other plans that the board administers pursuant to the
11 guidelines of the board.

12 9. Do all acts, whether or not expressly authorized, that may be
13 deemed necessary or proper for the protection of the investments held in
14 the fund or owned by other plans or trusts that the board administers.

15 10. Settle threatened or actual litigation against any system or
16 plan that the board administers.

17 K. Investment expenses and operation and administrative expenses of
18 the board shall be accounted for separately and allocated against
19 investment income.

20 L. The board, as soon as possible within a period of six months
21 following the close of any fiscal year, shall transmit to the governor and
22 the legislature a comprehensive annual financial report on the operation
23 of the system and other plans that the board administers containing, among
24 other things:

25 1. A balance sheet.

26 2. A statement of income and expenditures for the year.

27 3. A report on an actuarial valuation of its assets and
28 liabilities.

29 4. A list of investments owned.

30 5. The total rate of return, yield on cost, and percent of cost to
31 market value of the fund and the assets of other plans that the board
32 administers.

33 6. Any other statistical and financial data that may be necessary
34 for the proper understanding of the financial condition of the system and
35 other plans that the board administers and the results of their
36 operations. A synopsis of the annual report shall be published for the
37 information of members of the system, the elected officials' retirement
38 plan or the corrections officer retirement plan.

39 7. An analysis of the long-term level percent of employer
40 contributions and compensation structure and whether the funding
41 methodology is sufficient to pay one hundred percent of the unfunded
42 accrued liability under the elected officials' retirement plan.

43 8. An estimate of the aggregate employer contribution rate for the
44 public safety personnel retirement system for the next ten fiscal years

1 and an estimate of the aggregate employer contribution rate for the
2 corrections officer retirement plan for the next ten fiscal years.

3 9. An estimate of the employer contribution rates for the next ten
4 fiscal years for each of the following employers within the public safety
5 personnel retirement system:

- 6 (a) Department of liquor licenses and control.
- 7 (b) Department of public safety.
- 8 (c) Northern Arizona university.
- 9 (d) University of Arizona.
- 10 (e) Arizona state university.
- 11 (f) Arizona game and fish department.
- 12 (g) Department of law.
- 13 (h) Department of emergency and military affairs.
- 14 (i) Arizona state parks board.

15 10. An estimate of the employer contribution rates for the next ten
16 fiscal years for each of the following employers within the corrections
17 officer retirement plan:

- 18 (a) State department of corrections.
- 19 (b) Department of public safety.
- 20 (c) The judiciary.
- 21 (d) Department of juvenile corrections.

22 11. An estimate of the aggregate fees paid for private equity
23 investments, including management fees and performance fees.

24 M. The board shall:

25 1. Maintain the accounts of the system and other plans that the
26 board administers and issue statements to each employer annually and to
27 each member who may request it.

28 2. Report the results of the actuarial valuations to the local
29 boards and employers.

30 3. Contract on a fee basis with an independent investment counsel
31 to advise the board in the investment management of the fund and assets of
32 other plans that the board administers and with an independent auditing
33 firm to audit the board's accounting.

34 4. Permit the auditor general to make an annual audit and transmit
35 the results to the governor and the legislature.

36 5. Contract on a fee basis with an actuary who shall make actuarial
37 valuations of the system and other plans that the board administers, be
38 the technical adviser of the board on matters regarding the operation of
39 the funds created by the provisions of the system, the elected officials'
40 retirement plan, the corrections officer retirement plan and the public
41 safety cancer insurance policy program and perform other duties required
42 in connection therewith. The actuary must be a member of a nationally
43 recognized association or society of actuaries.

44 6. Employ, as administrator, a person, state department or other
45 body to serve at the pleasure of the board.

1 7. Establish procedures and guidelines for contracts with
2 actuaries, auditors, investment counsel and legal counsel and for
3 safeguarding of securities.

4 N. The administrator, under the direction of the board, shall:

5 1. Administer this article.

6 2. Be responsible for the recruitment, hiring and day-to-day
7 management of employees.

8 3. Invest the monies of the system and other plans that the board
9 administers as the board deems necessary and prudent as provided in
10 subsections F and J of this section and subject to the investment policies
11 and fund objectives adopted by the board.

12 4. Establish and maintain an adequate system of accounts and
13 records for the system and other plans that the board administers, which
14 shall be integrated with the accounts, records and procedures of the
15 employers so that the system and other plans that the board administers
16 operates most effectively and at minimum expense and that duplication of
17 records and accounts is avoided.

18 5. In accordance with the board's governance policy and procedures
19 and the budget adopted by the board, hire such employees and services the
20 administrator deems necessary and prescribe their duties, including the
21 hiring of one or more assistant administrators to manage the system's
22 operations, investments and legal affairs.

23 6. Be responsible for income, the collection of the income and the
24 accuracy of all expenditures.

25 7. Recommend to the board annual contracts for the system's
26 actuary, auditor, investment counsel, legal counsel and safeguarding of
27 securities.

28 8. Perform additional duties and powers prescribed by the board and
29 delegated to the administrator.

30 O. The system is an independent trust fund and the board is not
31 subject to title 41, chapter 6. Contracts for goods and services approved
32 by the board are not subject to title 41, chapter 23. As an independent
33 trust fund whose assets are separate and apart from all other funds of
34 this state, the system and the board are not subject to the restrictions
35 prescribed in section 35-154 or article IX, sections 5 and 8, Constitution
36 of Arizona. Loans, guarantees, investment management agreements and
37 investment contracts that are entered into by the board are contracts
38 memorializing obligations or interests in securities that the board has
39 concluded, after thorough due diligence, do not involve investments in
40 Sudan or Iran or otherwise provide support to terrorists or in any way
41 facilitate illegal immigration into the United States. These contracts do
42 not involve the procurement, supply or provision of goods, equipment,
43 labor, materials or services that would require the warranties required by
44 section 41-4401.

1 P. The board, the administrator, the assistant administrators and
2 all persons employed by them are subject to title 41, chapter 4,
3 article 4. The administrator, assistant administrators and other
4 employees of the board are entitled to receive compensation pursuant to
5 section 38-611.

6 Q. In consultation with the director of the department of
7 administration, the board may enter into employment agreements and
8 establish the terms of those agreements with persons holding any of the
9 following system positions:

- 10 1. Administrator.
- 11 2. Deputy or assistant administrator.
- 12 3. Chief investment officer.
- 13 4. Deputy chief investment officer.
- 14 5. Fiduciary or investment counsel.

15 R. The attorney general or an attorney approved by the attorney
16 general and paid by the fund shall be the attorney for the board and shall
17 represent the board in any legal proceeding or forum that the board deems
18 appropriate. The board, administrator, assistant administrators and
19 employees of the board are not personally liable for any acts done in
20 their official capacity in good faith reliance on the written opinions of
21 the board's attorney.

22 S. At least once in each five-year period after the effective date,
23 the actuary shall make an actuarial investigation into the mortality,
24 service and compensation experience of the members and beneficiaries of
25 the system and other plans that the board administers and shall make a
26 special valuation of the assets and liabilities of the monies of the
27 system and plans. Taking into account the results of the investigation
28 and special valuation, the board shall adopt for the system and other
29 plans that the board administers those mortality, service and other tables
30 deemed necessary.

31 T. On the basis of the tables the board adopts, the actuary shall
32 make a valuation of the assets and liabilities of the funds of the system
33 and other plans that the board administers not less frequently than every
34 year. By November 1 of each year the board shall provide a preliminary
35 report and by December ~~15~~ 1 of each year provide a final report to the
36 governor, the speaker of the house of representatives and the president of
37 the senate on the contribution rate for the ensuing fiscal year.

38 U. Neither the board nor any member or employee of the board shall
39 directly or indirectly, for himself or as an agent, in any manner use the
40 monies or deposits of the fund except to make current and necessary
41 payments, nor shall the board or any member or employee become an endorser
42 or surety or in any manner an obligor for monies loaned by or borrowed
43 from the fund or the assets of any other plans that the board administers.

44 V. Financial or commercial information that is provided to the
45 board, employees of the board and attorneys of the board in connection

1 with investments in which the board has invested or investments the board
2 has considered for investment is confidential, proprietary and not a
3 public record if the information is information that would customarily not
4 be released to the public by the person or entity from whom the
5 information was obtained.

6 W. A person who is a dealer as defined in section 44-1801 and who
7 is involved in securities or investments related to the board's
8 investments is not eligible to serve on the board.

9 X. ~~Beginning January 1, 2017,~~ The public safety personnel
10 retirement system advisory committee is established and shall serve as a
11 liaison between the board and the members and employers of the system.
12 The committee shall be appointed by the chairperson of the board from
13 names submitted to the chairperson by associations representing law
14 enforcement, firefighters, state government, counties, cities and towns
15 and tribal governments. The committee shall select a chairperson from
16 among its members each calendar year. The committee shall consist of the
17 following ten members:

- 18 1. A member who is a law enforcement officer.
- 19 2. A member who is a firefighter.
- 20 3. A member of the elected officials' retirement plan.
- 21 4. A member of the corrections officer retirement plan.
- 22 5. A retiree from the public safety personnel retirement system.
- 23 6. A representative from a city or town in this state.
- 24 7. A representative from a county in this state.
- 25 8. A representative from a fire district in this state.
- 26 9. A representative from a state employer.
- 27 10. A representative from a tribal government located in this
28 state.

29 Sec. 23. Section 38-848.02, Arizona Revised Statutes, is amended to
30 read:

31 38-848.02. Board of trustees; report on employer and employee
32 costs; posting funding ratio

33 A. On or before December ~~31~~ 1 of each year, the board of trustees
34 shall provide to the legislature, and the joint legislative budget
35 committee and SHALL post on its website the shared cost structure of
36 employees and employers, the funding status and the rate of return. The
37 report to the legislature shall include when the trigger to the reduction
38 in the employee rates is being met.

39 B. The board of trustees shall post on its website for each plan
40 the board administers each employer's funding ratio.

1 Sec. 24. Section 38-866, Arizona Revised Statutes, is amended to
2 read:

3 38-866. Defined contribution plan design; purpose; powers and
4 duties of the board; administration

5 A. The board shall establish, design and administer a defined
6 contribution plan to provide for the retirement of specified participants
7 beginning July 1, 2017.

8 B. The purpose of this article is to provide a defined contribution
9 plan that is fully funded on a current basis from employer and participant
10 contributions.

11 C. The legislature intends that the defined contribution plan for
12 participants under this article be designed to be a qualified governmental
13 plan under section 401(a) of the internal revenue code, as amended, or
14 successor provisions of law, and be exempt from taxation under section 501
15 of the internal revenue code. The board may adopt any additional
16 provision to the defined contribution plan that is necessary to fulfill
17 this intent. Consistent with this intent, the board may submit to the
18 internal revenue service a request for a determination letter that the
19 defined contribution plan is a plan qualified under section 401(a) of the
20 internal revenue code and a private letter ruling that all participant
21 contributions that are picked up by the employer as provided in section
22 38-867 shall be treated as employer contributions pursuant to section
23 414(h) of the internal revenue code.

24 D. The board shall:

25 1. Enter into a contract with a provider or providers to provide
26 retirement plan investments, plan administration and services to
27 participants in the defined contribution plan. The plan shall provide for
28 appropriate long-term retirement-oriented investments and shall include
29 both fixed and variable deferred annuity options. The board shall
30 consider all of the following when determining a company with which to
31 contract:

32 (a) The financial stability of the company and the ability of the
33 company to provide the contracted rights and benefits to the participants.

34 (b) The cost of the investments, plan administration and services
35 to the participants.

36 (c) The experience of the company in providing defined contribution
37 retirement plans in lieu of defined benefit plan participation to public
38 employees.

39 (d) The experience of the company in paying retirement income to
40 public employees.

41 (e) The experience of the company in providing plan education,
42 counseling and advice to participants in public employee retirement plans
43 that are offered in lieu of state defined benefit plan participation.

44 2. Require under a contract that a provider provide education,
45 counseling and objective participant-specific plan advice to participants.

1 Any participant-specific advice and counseling shall be administered by a
2 federally registered investment advisor. The federally registered
3 investment advisor shall act as a fiduciary to participants and is
4 required to act in the participant's best interest.

5 3. Require under the contract that the defined contribution plan
6 include not less than five and not more than twenty-five predetermined
7 investment portfolio options to participants. The predetermined
8 investment portfolio options shall include options that reflect different
9 risk profiles and options that automatically reallocate and rebalance
10 contributions as a participant ages. In addition, the defined
11 contribution plan may permit participants to construct investment
12 portfolios using some or all of the investment options comprising the
13 predetermined investment portfolio options.

14 4. Require under a contract that the defined contribution
15 retirement plan offer participants a menu of lifetime annuity options,
16 either fixed or variable or a combination of both.

17 E. The board may:

18 1. Employ other services it deems necessary, including legal
19 services, for the operation and administration of the defined contribution
20 plan.

21 2. Perform all acts, whether or not expressly authorized, that it
22 deems necessary and proper for the operation and protection of the plan.

23 F. The board shall adopt policies regarding the defined
24 contribution plan, including the administration of the participant and
25 employer contributions, investment options, termination of participation
26 in the defined contribution plan, administration of the payout options
27 under the defined contribution plan and administration of the participant
28 distributions.

29 G. The board shall participate in a competitive bid process at
30 least once every five years to contract with a private person or any
31 qualified company or companies to administer the defined contribution plan
32 established pursuant to this article.

33 H. Any contract for a third-party administrator of the defined
34 contribution plan shall include competitive fees and provisions requiring
35 quarterly meetings with the system, annual updates to the board on the
36 status of the defined contribution plan and quarterly statements to each
37 participant. On or before December ~~31~~ 1 of each year, the board shall
38 report the status of the defined contribution plan to the governor, the
39 president of the senate, the speaker of the house of representatives and
40 the joint legislative budget committee.

41 Sec. 25. Section 38-883, Arizona Revised Statutes, is amended to
42 read:

43 38-883. Board of trustees: powers and duties

44 A. The board shall:

1 1. Maintain records of the operation and administration of the plan
2 and fund.

3 2. Contract on a fee basis for an independent annual audit of the
4 accounting records of the plan and fund and file a copy of the audit
5 report with the auditor general.

6 3. Employ on a fee basis an independent firm of actuaries to
7 perform annual actuarial valuations for each participating employer of the
8 plan and fund based on an actuarial cost method and actuarial assumptions
9 recommended by the actuary and adopted by the board. The actuarial
10 valuations shall be performed by or under the direct supervision of an
11 actuary who is a member of the American academy of actuaries. By November
12 1 of each year, the board shall provide a preliminary report and by
13 December ~~15~~ 1 of each year provide a final report to the governor, the
14 speaker of the house of representatives and the president of the senate on
15 the contribution rate for the ensuing fiscal year.

16 4. Invest and reinvest the monies and assets of the fund in
17 accordance with the investment provisions of the public safety personnel
18 retirement system. The board may commingle securities and monies of the
19 fund subject to the crediting of receipts and earnings and charging of
20 payments to the account of the appropriate employer.

21 5. Submit a detailed annual report of the operation and investment
22 performance of the plan and fund to the governor, the legislature and the
23 members of the plan. The board shall submit the annual report no later
24 than six months after the end of the fiscal year to which it pertains.

25 B. The board of trustees may:

26 1. Employ services it deems necessary, including legal services,
27 for the operation and administration of the plan and fund.

28 2. Utilize separate or commingled investment vehicles.

29 3. Delegate authority to the administrator employed pursuant to
30 section 38-848, subsection M, paragraph 6.

31 4. Appear before local boards and the courts and political
32 subdivisions of this state through counsel or appointed representatives to
33 protect the fund. The board of trustees is not responsible for the
34 actions or omissions of the local boards under this plan but may seek
35 review or a rehearing of actions or omissions of local boards. The board
36 of trustees does not have a duty to review actions of the local boards but
37 may do so, in its discretion, in order to protect the fund.

38 5. Perform all acts, whether or not expressly authorized, that it
39 deems necessary and proper for the protection of the plan and fund.

40 Sec. 26. Repeal; transfer of monies

41 A. Section 40-443, Arizona Revised Statutes, is repealed.

42 B. All unexpended and unencumbered monies remaining in the pipeline
43 safety revolving fund established by section 40-443, Arizona Revised
44 Statutes, as repealed by subsection A of this section, are transferred to
45 the state general fund on the effective date of this section.

1 Sec. 27. Title 41, chapter 4, article 1, Arizona Revised Statutes,
2 is amended by adding section 41-708, to read:

3 41-708. Annual report; state employee salaries; full-time
4 equivalent positions; definitions

5 A. ON OR BEFORE OCTOBER 1 OF EACH YEAR, THE DEPARTMENT SHALL
6 COLLECT FROM EACH BUDGET UNIT AND SHALL SUBMIT TO THE JOINT LEGISLATIVE
7 BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND
8 BUDGETING A REPORT CONTAINING THE NUMBER OF FULL-TIME EQUIVALENT POSITIONS
9 AND THE TOTAL AMOUNT OF SALARIES FOR EACH BUDGET UNIT FOR THE PRIOR FISCAL
10 YEAR, DELINEATED BY:

- 11 1. RETIREMENT SYSTEM.
- 12 2. EMPLOYEE TIER.
- 13 3. FUND SOURCE.

14 B. FOR THE PURPOSES OF THIS SECTION:

- 15 1. "BUDGET UNIT":

16 (a) MEANS A DEPARTMENT, COMMISSION, BOARD, INSTITUTION OR OTHER
17 AGENCY OF THIS STATE THAT RECEIVES, EXPENDS OR DISBURSES STATE MONIES OR
18 INCURS OBLIGATIONS OF THIS STATE.

19 (b) DOES NOT INCLUDE THE ARIZONA BOARD OF REGENTS, UNIVERSITIES
20 UNDER THE JURISDICTION OF THE ARIZONA BOARD OF REGENTS AND COMMUNITY
21 COLLEGE DISTRICTS.

22 2. "EMPLOYEE TIER" MEANS A CLASS OF EMPLOYEES IN A RETIREMENT
23 SYSTEM IN WHICH EACH EMPLOYEE IS SUBJECT TO THE SAME EMPLOYER CONTRIBUTION
24 RATE PURSUANT TO TITLE 38, CHAPTER 5.

25 Sec. 28. Section 41-714, Arizona Revised Statutes, is amended to
26 read:

27 41-714. Automation projects fund; subaccounts; exemption;
28 purpose; joint legislative budget committee review

29 A. The automation projects fund is established consisting of monies
30 appropriated by the legislature. The department of administration shall
31 administer the fund. Monies in the fund are subject to legislative
32 appropriation. THE DIRECTOR SHALL ESTABLISH A SEPARATE SUBACCOUNT FOR
33 EACH AGENCY THAT IMPLEMENTS, UPGRADES OR MAINTAINS AUTOMATION AND
34 INFORMATION TECHNOLOGY PROJECTS. MONIES IN EACH SUBACCOUNT ARE SUBJECT TO
35 LEGISLATIVE APPROPRIATION. MONIES MAY NOT BE TRANSFERRED BETWEEN AGENCY
36 SUBACCOUNTS. Monies in the fund are exempt from the provisions of section
37 35-190 relating to lapsing of appropriations.

38 B. Monies in the fund shall be used to implement, upgrade or
39 maintain automation and information technology projects for any state
40 agency.

41 C. Before the expenditure of any monies from the fund, the joint
42 legislative budget committee shall review the expenditure plan presented
43 by the department for the fiscal year in which the monies are to be spent.
44 THE EXPENDITURE PLAN SHALL INCLUDE THE PROJECT COST, DELIVERABLES,
45 TIMELINE FOR COMPLETION AND METHOD OF PROCUREMENT.

1 Sec. 29. Section 41-750, Arizona Revised Statutes, is amended to
2 read:

3 41-750. Contribution of pro rata share for personnel division
4 fund

5 A. All state agencies shall contribute a pro rata share of the
6 overall cost of personnel administration services provided by the
7 department. The pro rata share shall be payable by payroll fund source,
8 and the resultant amount shall be deposited, pursuant to sections 35-146
9 and 35-147, in a personnel division fund for appropriation by the
10 legislature for the state personnel board, **THE GOVERNOR'S OFFICE OF EQUAL**
11 **OPPORTUNITY** and the personnel division of the department. The pro rata
12 share shall be 0.86 ~~per cent~~ **PERCENT** of the total payroll of the state
13 agency. Of the 0.86 ~~per cent~~ **PERCENT** pro rata share, 0.03 ~~per cent~~
14 **PERCENT** of total payroll shall be deposited in a separate subaccount of
15 the personnel division fund for use by the state personnel board and ~~shall~~
16 **be IS** subject to legislative appropriation. Total payroll shall include
17 all fund sources, including the state general fund, federal monies,
18 special revenue funds, intergovernmental revenue monies, trust funds and
19 other payroll fund sources.

20 B. A claim for the pro rata share percentage payment shall be
21 submitted according to the fund source, with the accompanying payroll to
22 the department for deposit in the personnel division fund.

23 C. Notwithstanding section 35-190, only monies in excess of five
24 hundred thousand dollars revert to the state general fund at the end of
25 each fiscal year. The state comptroller shall pay any monies determined
26 to be owed to the federal government from the personnel division fund
27 before calculating the reversion.

28 D. Monies contributed based on the personnel services for
29 individuals employed by the Arizona state retirement system and monies
30 contributed based on the personnel services for individuals employed by
31 the public safety personnel retirement system as the pro rata share shall
32 not revert to the state general fund and shall be separately accounted for
33 and reverted to the Arizona state retirement system, the public safety
34 personnel retirement system, the elected officials retirement plan or the
35 corrections officer retirement plan, as applicable.

36 Sec. 30. Section 41-791.02, Arizona Revised Statutes, is amended to
37 read:

38 41-791.02. Powers and duties relating to acquiring property;
39 lease purchase agreements; eminent domain; JLBC
40 approval

41 A. The director may acquire, in the name of this state, by gift,
42 grant, purchase, lease purchase, condemnation or any other lawful manner,
43 real property, buildings, energy systems or energy management systems
44 ~~which~~ **THAT** are necessary, useful or convenient for the use of this state,
45 but no land or building may be acquired by purchase or condemnation

1 without prior approval of the joint committee on capital review and an
2 appropriation of monies by the legislature for such AN acquisition.

3 B. Any lease purchase agreement relating to land acquisition,
4 capital projects, energy systems or energy management systems under this
5 section shall provide that:

6 1. The obligation of this state to make any payment under the
7 agreement is a current expense of the department, payable exclusively from
8 appropriated monies, and is not a general obligation indebtedness of this
9 state or the department.

10 2. If the legislature fails to appropriate monies or the department
11 fails to allocate such monies for any periodic payment or renewal term of
12 the agreement, the agreement terminates at the end of the current term and
13 this state and the department are relieved of any subsequent obligation
14 under the agreement.

15 3. The agreement ~~shall~~ be reviewed and approved by the attorney
16 general before the agreement may take effect.

17 4. The agreement ~~shall~~ be reviewed and approved by the joint
18 committee on capital review before the agreement takes effect.

19 C. The department may covenant to use its best efforts to budget,
20 obtain, allocate and maintain sufficient appropriated monies to make
21 payments under a lease purchase agreement, but the agreement shall
22 acknowledge that appropriating state monies is a legislative act and is
23 beyond the control of the department or of any other party to the
24 agreement.

25 D. A lease purchase agreement under this section shall be submitted
26 to the attorney general to review for compliance with the constitution and
27 laws of this state. If in ~~his~~ THE ATTORNEY GENERAL'S opinion the
28 agreement so complies, ~~he~~ THE ATTORNEY GENERAL shall ~~append his~~
29 ~~certification to~~ CERTIFY the agreement, return it to the department and
30 transmit a copy to the joint committee on capital review. On request by
31 the director, the attorney general may give other opinions relating to the
32 agreement.

33 E. A lease purchase agreement under this section shall be reviewed
34 and approved by the joint committee on capital review before the agreement
35 takes effect.

36 F. The director may lease any property owned by this state at fair
37 rental value, or on other terms and conditions if the lessee is a
38 political subdivision of this state. If the property was purchased
39 through the capital outlay stabilization fund as set forth in section
40 41-792.01, subsection A, the net income received from any such lease shall
41 be credited to the capital outlay stabilization fund. All other lease net
42 incomes shall be credited to the state general fund.

43 G. The director, with the consent of the governor, may lease
44 property ~~which~~ THAT is acquired under this article for public purposes and

1 convey in the name of this state easements for roadways, walkways and
2 utility purposes on any of the real property acquired under this article.

3 H. If the power of eminent domain is exercised, it shall be
4 exercised as provided in sections 12-1111 through 12-1128.

5 I. The amount paid for any property purchased by the department,
6 except such property as may be acquired by condemnation and property
7 acquired in any manner within the governmental mall ~~comprised~~ COMPOSED of
8 the area described in section 41-1362, shall not exceed the appraised
9 value as fixed by an appraiser, to be appointed by the director, who ~~shall~~
10 ~~be~~ IS a ~~well-qualified~~ WELL-QUALIFIED appraiser and a designated member of
11 a nationally recognized real estate appraisal association, institute or
12 society. If the department orders only one appraisal of the property, the
13 property owner may request, and the department shall provide, a second
14 appraisal. Each appraisal ordered by the department for a property shall
15 be conducted by a different firm. If more than one appraisal is
16 conducted, the director may use either appraisal in determining the
17 appraised value affixed by the appraiser. A contract for appraisal
18 services shall be awarded in accordance with chapter 23 of this
19 title. Before the property within the governmental mall is acquired as
20 provided in this subsection, the joint committee on capital review shall
21 review and approve the purchase of the property.

22 J. The director may dispose of real property acquired by the
23 department or any right, title or other interest in such property if the
24 director determines that it is no longer needed or used for state
25 purposes. The director, after the establishment, laying out or
26 substantial completion of an improvement to such real property, may convey
27 the real property or any interest in the real property ~~which~~ THAT the
28 director determines is not necessary, useful or convenient for the use of
29 such AN improvement by this state. The conveyance shall be made to the
30 highest and most responsible bidder at a public sale held for that
31 purpose.

32 K. BEFORE ENTERING INTO ANY CONTRACT OR AGREEMENT WITH A CITY OR
33 REGIONAL PUBLIC TRANSPORTATION AUTHORITY REGARDING THE PLACEMENT OF A
34 LIGHT RAIL STATION IN THE GOVERNMENTAL MALL, THE DIRECTOR SHALL SUBMIT THE
35 CONTRACT OR AGREEMENT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR
36 APPROVAL. THE COMMITTEE SHALL APPROVE OR REJECT THE CONTRACT OR AGREEMENT
37 NOT MORE THAN ONE HUNDRED TWENTY DAYS AFTER THE SUBMISSION.

38 Sec. 31. Title 41, chapter 4, article 7, Arizona Revised Statutes,
39 is amended by adding section 41-792.02, to read:

40 41-792.02. Capitol mall consolidation fund; use; review

41 A. THE CAPITOL MALL CONSOLIDATION FUND IS ESTABLISHED CONSISTING OF
42 MONIES APPROPRIATED BY THE LEGISLATURE. THE DEPARTMENT SHALL ADMINISTER
43 THE FUND. MONIES IN THE FUND ARE SUBJECT TO LEGISLATIVE APPROPRIATION AND
44 ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
45 APPROPRIATIONS.

1 B. MONIES IN THE FUND SHALL BE USED FOR BUILDING RENEWAL AND
2 RENOVATIONS OF STATE-OWNED BUILDINGS.

3 C. BEFORE SPENDING MONIES IN THE FUND, THE DIRECTOR SHALL SUBMIT AN
4 EXPENDITURE PLAN FOR REVIEW BY THE JOINT COMMITTEE ON CAPITAL REVIEW.

5 Sec. 32. Section 41-1279, Arizona Revised Statutes, is amended to
6 read:

7 41-1279. Joint legislative audit committee; composition;
8 meetings; powers and duties; committee termination

9 A. The joint legislative audit committee is established consisting
10 of five members of the senate WHO ARE appointed by the president of the
11 senate, one of whom ~~shall be~~ IS a member of the senate appropriations
12 committee, and five members of the house of representatives WHO ARE
13 appointed by the speaker of the house of representatives, one of whom
14 ~~shall be~~ IS a member of the house of representatives appropriations
15 committee. Selection of members shall be based on their understanding OF
16 and interest in legislative audit oversight functions. Not more than
17 three appointees of each house shall be of the same political party. The
18 president and the speaker shall designate one of their appointed members
19 as chairman of their respective delegation. The chairman of the audit
20 committee shall serve for the term of each legislature. The chairmanship
21 of the audit committee shall alternate between the chairman of the senate
22 delegation and the chairman of the house of representatives delegation
23 beginning with the chairman of the senate delegation. The president of
24 the senate and the speaker of the house of representatives shall also
25 serve as ex officio members of the committee.

26 B. The committee shall meet at least quarterly and on call of the
27 chairman. Members of the committee are eligible for reimbursement by
28 their respective houses in the same manner as a member of the legislature
29 who attends a meeting of a standing committee.

30 C. The committee shall:

31 1. Oversee all audit functions of the legislature and state
32 agencies, including sunset, performance, special and financial audits,
33 special research requests and the preparation and introduction of
34 legislation resulting from audit report findings.

35 2. Appoint an auditor general subject to approval by a concurrent
36 resolution of the legislature and direct the auditor general to perform
37 all sunset, performance, special and financial audits and investigations.

38 3. Have the power of legislative subpoena in accordance with
39 article 4 of this chapter.

40 4. Require state agencies to comply with findings and directions of
41 the committee regarding sunset, performance, special and financial audits.

42 5. Perform all functions required by chapter 27 of this title
43 relating to the sunset review of state agencies.

44 D. The committee established by this section ends on July 1, ~~2018~~
45 2026 pursuant to section 41-3103.

1 Sec. 33. Repeal
2 Section 41-1361, Arizona Revised Statutes, is repealed.
3 Sec. 34. Section 41-1362, Arizona Revised Statutes, is amended to
4 read:
5 41-1362. Department of administration; powers and duties;
6 governmental mall description; duty of city of
7 Phoenix; general plan application
8 A. The ~~commission~~ DEPARTMENT OF ADMINISTRATION may:
9 1. Accept gifts or grants of monies or other property from any
10 person, including the United States or any agencies, departments or
11 officers of the state.
12 ~~2. Appoint and employ officers and employees as it deems necessary.~~
13 ~~3.~~ 2. Prescribe rules as necessary to carry out ~~the provisions of~~
14 this article.
15 B. The ~~commission~~ DEPARTMENT OF ADMINISTRATION shall:
16 ~~1. Elect a chairman from among its members.~~
17 ~~2.~~ 1. Develop and maintain and amend as necessary a comprehensive
18 long-range general plan for the development of the governmental mall
19 ~~comprised~~ COMPOSED of the area described in subsection C of this section.
20 ~~3.~~ 2. Encourage public agencies as defined in section 11-951 to
21 enter into intergovernmental agreements or contracts pursuant to title 11,
22 chapter 7, article 3 as necessary to implement the general plan for the
23 development of the governmental mall.
24 ~~4.~~ 3. Review and approve or disapprove in writing requests for
25 permission to develop structures or sites or award construction contracts
26 for new buildings or improvements within the governmental mall. The
27 ~~commission~~ DEPARTMENT shall review requests submitted by ~~the~~ THIS state or
28 a political subdivision of this state in which ~~the~~ THIS state or political
29 subdivision has a contractual interest to ensure consistency with the
30 approved general plan.
31 ~~5.~~ 4. Review all planning activities within governmental mall
32 boundaries.
33 ~~6.~~ 5. Publish an annual report on the issues brought before the
34 ~~commission~~ DEPARTMENT and its recommendations.
35 C. The governmental mall is ~~comprised~~ COMPOSED of the area with a
36 western boundary of nineteenth avenue, a northern boundary of all lots
37 abutting Van Buren street, an eastern boundary of seventh avenue and a
38 southern boundary of the Harrison street alignment.
39 D. The city of Phoenix annually shall inform the ~~commission~~
40 DEPARTMENT OF ADMINISTRATION of new major development projects and new
41 major infrastructure improvements, including ~~but not limited to~~ parks,
42 streets and street-scaping within the downtown area redevelopment plan as
43 defined ~~pursuant to~~ IN section 36-1471.
44 E. If the general plan of the city, county or state agency for land
45 development does not conform with the general plan developed by the

1 ~~commission~~ DEPARTMENT OF ADMINISTRATION for the development of the
2 governmental mall, the general plan developed by the ~~commission~~ DEPARTMENT
3 for the development of the governmental mall applies and shall be
4 enforced.

5 Sec. 35. Section 41-1363, Arizona Revised Statutes, is amended to
6 read:

7 41-1363. Monuments and memorials within governmental mall;
8 legislative authorization; approval; procedure

9 A. Notwithstanding section 34-225 or any other law, a monument or
10 memorial ~~in recognition of~~ RECOGNIZING or honoring a person, group, entity
11 or event shall be located in the governmental mall only if a prior
12 legislative act authorizes the monument or memorial.

13 B. After legislative authorization, a monument or memorial may be
14 established by the following procedures:

15 1. The proponents shall submit a concept to the department of
16 administration for the design, dimensions and location of the monument or
17 memorial.

18 2. The department of administration shall review the concept and
19 determine the most appropriate location that highlights the monument or
20 memorial and preserves the integrity of the governmental mall.

21 ~~3. The department of administration shall submit its review and~~
22 ~~recommendations to the legislative governmental mall commission including~~
23 ~~recommendations regarding its ability to maintain the monument or~~
24 ~~memorial.~~

25 ~~4.~~ 3. After recommendations from the historical advisory
26 commission regarding the historical integrity of the monument or memorial
27 and after any necessary negotiations with the proponents, ~~the legislative~~
28 ~~governmental mall commission, in consultation with~~ the department of
29 administration, shall approve the final design, dimensions, location and
30 maintenance requirements of the monument or memorial, the minimum dollar
31 amount required for deposit in the state monument and memorial repair fund
32 established by section 41-1365 and any statement, declaration, writing or
33 inscription that will be imprinted or stamped on the monument or memorial.

34 ~~5.~~ 4. Before the beginning of construction of the monument or
35 memorial, the proponents shall enter into a contract with the department
36 of administration specifying the conditions of the design, dimensions and
37 location of the monument or memorial, a list of the artists, contractors
38 and subcontractors that will be employed, the minimum dollar amount
39 required for deposit in the state monument and memorial repair fund
40 established by section 41-1365 and a verification that all employees for
41 the project are insured and that this state is indemnified against any
42 liability in regard to the construction.

43 ~~6.~~ 5. An approved monument or memorial shall be completed and
44 dedicated to this state within two years after the effective date of the
45 legislative act authorizing the monument or memorial.

1 C. Except as otherwise provided in this section or section 41-1365,
2 all fund-raising, ~~AND THE~~ establishment and administration of a fund for
3 deposit of monies and contracts for artistic design and construction of
4 the monument or memorial are the sole responsibility of the proponents.

5 D. If the completed monument or memorial deviates from the final
6 design or dimension that was approved by the ~~legislative governmental mall~~
7 ~~commission~~ DEPARTMENT OF ADMINISTRATION or any statement, declaration,
8 writing or inscription that is imprinted or stamped on the monument or
9 memorial deviates from that which was approved by the ~~legislative~~
10 ~~governmental mall commission~~ DEPARTMENT, the proponents are responsible
11 for any costs incurred to conform the monument or memorial to the approved
12 form.

13 E. The proponents shall collect an amount equal to at least ten ~~per~~
14 ~~cent~~ PERCENT of the artistic design and construction costs of the monument
15 or memorial or the amount approved by the ~~legislative governmental mall~~
16 ~~commission~~ DEPARTMENT OF ADMINISTRATION as provided in subsection B of
17 this section. The department ~~of administration~~ shall deposit these monies
18 in the state monument and memorial repair fund established by section
19 41-1365 for the maintenance, repair, reconditioning or relocation of that
20 monument or memorial. The monies must be deposited in the fund before the
21 beginning of construction of the monument or memorial.

22 F. ~~On review and approval by the legislative governmental mall~~
23 ~~commission;~~ The department of administration may relocate monuments or
24 memorials that are located in the governmental mall.

25 G. This section does not apply to monuments or memorials in which a
26 political subdivision has a contractual interest ~~and~~ that are located in
27 the governmental mall but that are outside Wesley Bolin plaza.

28 Sec. 36. Section 41-1364, Arizona Revised Statutes, is amended to
29 read:

30 41-1364. Alteration or modification to monuments and
31 memorials within governmental mall; procedures;
32 approval

33 A. Any alteration or modification to an existing monument or
34 memorial that was completed pursuant to section 41-1363 must abide by the
35 following procedures:

36 1. The proponents of the monument or memorial that submitted the
37 concept pursuant to section 41-1363 shall submit the proposed alteration
38 or modification to the ~~legislative governmental mall commission~~ DEPARTMENT
39 OF ADMINISTRATION.

40 2. After recommendations from the historical advisory commission
41 regarding what impact the proposed alteration or modification would have
42 on the historical integrity of the existing monument or memorial and after
43 any necessary negotiations with the proponents, the ~~legislative~~
44 ~~governmental mall commission~~ DEPARTMENT OF ADMINISTRATION shall approve or
45 reject the proposed alteration or modification.

1 3. If the proposed alteration or modification is approved and
2 before the beginning of construction involved in implementing the
3 alteration or modification to the monument or memorial, the proponents
4 shall enter into a contract with the department of administration
5 specifying the scope of the alteration or modification to the monument or
6 memorial, a list of the artists, contractors and subcontractors that will
7 be employed and a verification that all employees for the project are
8 insured and that this state is indemnified against any liability in regard
9 to the construction involved in implementing the alteration or
10 modification to the monument or memorial.

11 4. The alteration or modification to an existing monument or
12 memorial shall be completed and dedicated to this state within two years
13 after the effective date of the approval of the alteration or modification
14 by the ~~legislative governmental mall commission~~ DEPARTMENT OF
15 ADMINISTRATION.

16 B. All fund-raising, ~~AND THE~~ establishment and administration of a
17 fund for deposit of monies and contracts for artistic design and
18 construction of the alteration or modification to the existing monument or
19 memorial are the sole responsibility of the proponents.

20 Sec. 37. Section 41-1365, Arizona Revised Statutes, is amended to
21 read:

22 41-1365. State monument and memorial repair fund; purpose;
23 report; exemption

24 A. The state monument and memorial repair fund is established
25 consisting of:

- 26 1. Donations.
- 27 2. Monies ~~derived~~ from fund-raising activities.
- 28 3. Monies that are collected by the proponents of a monument or
29 memorial and that are deposited pursuant to section 41-1363.
- 30 4. Grants received for monuments or memorials, except for otherwise
31 specifically dedicated grants.
- 32 5. Legislative appropriations.

33 B. The department of administration shall administer the fund.
34 All monies in the fund are subject to legislative appropriation. Subject
35 to this section, the department shall use monies appropriated from the
36 fund for the maintenance, repair, reconditioning or relocation of
37 monuments or memorials and for supporting mechanical equipment in the
38 governmental mall.

39 C. The department shall separately account for monies to a specific
40 monument or memorial that is dedicated to this state for maintenance,
41 repair, reconditioning or relocation of that monument or memorial as
42 follows:

- 43 1. Monies that are donated for the benefit of the specific monument
44 or memorial.

1 2. Monies that are derived from fund-raising activities and that
2 are collected for the benefit of a specific monument or memorial.

3 3. Monies that are collected and deposited pursuant to subsection
4 A, paragraph 3 of this section.

5 D. On or before November 1 of each year, the department of
6 administration shall submit to the ~~legislative governmental mall~~
7 ~~commission~~ JOINT LEGISLATIVE BUDGET COMMITTEE a report that accounts for
8 all monies deposited in the fund. The report shall include the sources of
9 the monies received for deposit, by category, and the purposes for which
10 the monies were used during the preceding fiscal year.

11 E. The department of administration shall hold the monies in the
12 fund in trust for the citizens of this state until spent on an authorized
13 monument or memorial, and monies in the fund shall not be spent or
14 appropriated for any other purpose.

15 F. Monies in the fund are exempt from the provisions of section
16 35-190 relating to lapsing of appropriations.

17 Sec. 38. Unrestricted federal monies; essential government
18 services

19 Any unrestricted federal monies received by this state beginning
20 July 1, 2018 through June 30, 2019 shall be deposited in the state general
21 fund. The monies shall be used to pay essential governmental services.

22 Sec. 39. Rental rates; state-owned buildings; fiscal year
23 2018-2019

24 Notwithstanding section 41-792.01, subsection D, Arizona Revised
25 Statutes, the capital outlay stabilization fund rental rates for
26 state-owned buildings in fiscal year 2018-2019 are \$16.08 per square foot
27 for office space and \$5.79 per square foot for storage space.

28 Sec. 40. Data processing acquisition fund; records services
29 fund; use

30 Notwithstanding sections 18-441 and 41-151.12, Arizona Revised
31 Statutes, the secretary of state may use the amounts appropriated to the
32 office of the secretary of state in fiscal year 2018-2019 from the data
33 processing acquisition fund established by section 18-441, Arizona Revised
34 Statutes, and the records services fund established by section 41-151.12,
35 Arizona Revised Statutes, for election services.

36 Sec. 41. Assessment fund for voluntary plans; use

37 Notwithstanding section 20-2201, Arizona Revised Statutes, the
38 department of insurance may use monies in the assessment fund for
39 voluntary plans established by section 20-2201, Arizona Revised Statutes,
40 in fiscal years 2018-2019 and 2019-2020 to pay for the cost of
41 administering the out-of-network claim dispute resolution process
42 prescribed by title 20, chapter 20, article 2, Arizona Revised Statutes.

43 Sec. 42. Liability setoff program revolving fund; use

44 Notwithstanding section 42-1122, Arizona Revised Statutes, the
45 department of revenue may use the amount appropriated to the department in

1 fiscal year 2018-2019 from the liability setoff program revolving fund
2 established by section 42-1122, Arizona Revised Statutes, for general
3 operating expenses.

4 Sec. 43. Budget stabilization fund; exceptions

5 Notwithstanding section 35-144, Arizona Revised Statutes, for fiscal
6 years 2018-2019, 2019-2020 and 2020-2021, the legislature is not required
7 to appropriate monies to or transfer monies from the budget stabilization
8 fund.

9 Sec. 44. Sale of state buildings and land; proceeds; deposit;
10 fiscal year 2018-2019

11 Notwithstanding any other law, the proceeds from the sale of state
12 buildings located at 2910 North 44th Street in Phoenix and 2162 North
13 Vickey Street in Flagstaff and land located at the corner of South Horne
14 Street and East Baseline Road in Mesa in fiscal year 2018-2019 shall be
15 deposited in the capitol mall consolidation fund established by section
16 41-792.02, Arizona Revised Statutes, as added by this act.

17 Sec. 45. Budget unit estimates; transmitted

18 Notwithstanding section 35-112, Arizona Revised Statutes, the
19 governor's office of strategic planning and budgeting shall transmit
20 budget request forms to budget units on or before July 1, 2018 for the
21 ensuing fiscal year.

22 Sec. 46. Retroactivity

23 A. Section 45 of this act applies retroactively to from and after
24 May 31, 2018.

25 B. Section 41-1279, Arizona Revised Statutes, as amended by this
26 act, applies retroactively to from and after June 30, 2018.

APPROVED BY THE GOVERNOR MAY 3, 2018.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 3, 2018.