

Senate Engrossed

state agencies; cash payment; acceptance

State of Arizona  
Senate  
Fifty-sixth Legislature  
Second Regular Session  
2024

# SENATE BILL 1365

AN ACT

AMENDING SECTION 35-142, ARIZONA REVISED STATUTES; RELATING TO FISCAL PROVISIONS FOR STATE AGENCIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 35-142, Arizona Revised Statutes, is amended to  
3 read:

4 35-142. Monies kept in funds separate from state general  
5 fund; receipt and withdrawal

6 A. All monies received for and belonging to ~~the~~ THIS state shall be  
7 deposited in the state treasury and credited to the state general fund  
8 except the following, which shall be placed and retained in separate  
9 funds:

10 1. The unexpendable principal of monies received from federal land  
11 grants shall be placed in separate funds, and the account of each separate  
12 fund shall bear a title indicating the source and the institution or  
13 purpose to which the fund belongs.

14 2. The interest, rentals and other expendable monies received as  
15 income from federal land grants shall be placed in separate accounts, each  
16 account bearing a title indicating the source and the institution or  
17 purpose to which the fund belongs. Such expendable monies shall be  
18 expended only as authorized, regulated and controlled by the general  
19 appropriations act or other act of the legislature.

20 3. All private or quasi-private monies authorized by law to be paid  
21 to or held by the state treasurer shall be placed in separate accounts,  
22 each account bearing a title indicating the source and purpose of the  
23 fund.

24 4. All monies legally pledged to retire building indebtedness or  
25 bonds issued by those institutions authorized to incur such indebtedness  
26 or to issue such bonds shall be placed in separate accounts.

27 5. Monies of a multi-county water conservation district authorized  
28 by law to be paid to or held by the state treasurer shall be placed in  
29 separate accounts, each account bearing a title indicating the source and  
30 purpose of the fund.

31 6. All monies collected by the Arizona game and fish department  
32 shall be deposited in a special fund known as the state game and fish  
33 protection fund for the use of the Arizona game and fish commission in  
34 carrying out title 17.

35 7. All federal monies that are received by the department of  
36 economic security for family assistance benefits and medical eligibility  
37 as a result of efficiencies developed by the department of economic  
38 security and that would otherwise revert to the state general fund  
39 pursuant to section 35-190 shall be retained for use by the department of  
40 economic security in accordance with the terms and conditions imposed by  
41 the federal funding source in an account or accounts established or  
42 authorized by the state treasurer.

43 8. Monies designated by law as special state funds shall not be  
44 considered a part of the state general fund. Unless otherwise prescribed  
45 by law, the state treasurer shall be the custodian of all such funds.

1           9. All monies received and any accounts established and maintained  
2 by the director of the Arizona state retirement system or the  
3 administrator of the public safety personnel retirement system, the  
4 corrections officer retirement plan and the elected officials' retirement  
5 plan.

6           10. Monies received by a state agency or institution as a gift,  
7 devise or donation shall not be considered a part of the state general  
8 fund or transferred to the state general fund unless the gift, devise or  
9 donation specifically authorizes a general state use for the monies. A  
10 state agency or institution that receives a monetary gift, devise or  
11 donation shall account for those monies separately.

12           11. All monies received by the Arizona game and fish commission in  
13 connection with clean water act in-lieu fee projects shall be deposited in  
14 a special trust fund, known as the game and fish in-lieu fee program  
15 restoration endowment trust fund, established by section 17-265 for the  
16 use of the Arizona game and fish commission solely for the following:

17           (a) The purposes authorized under any enabling instrument between  
18 the commission and the department of environmental quality or between the  
19 commission, the United States army corps of engineers and the United  
20 States environmental protection agency.

21           (b) Site selection, design, implementation, monitoring, management  
22 and administrative costs related to the Arizona game and fish department's  
23 responsibilities as an in-lieu fee sponsor pursuant to sections 401 and  
24 404 of the clean water act.

25           B. Monies shall not be received or held by the state treasurer  
26 except as authorized by law, and in every instance the treasurer shall  
27 issue a receipt for monies received and shall record the transaction in  
28 the statewide accounting system. Monies shall not be withdrawn from the  
29 treasury except on the warrant, check or substitute check, or electronic  
30 funds transfer voucher of the department of administration.

31           C. Monies received for and belonging to this state and resulting  
32 from compromises or settlements by or against this state, excluding  
33 restitution and reimbursement to state agencies for costs or attorney  
34 fees, shall be credited to the state general fund unless specifically  
35 credited to another fund by law. A fund consisting of monies other than  
36 monies received for restitution, costs or attorney fees shall not be  
37 established by a court order without prior legislative authorization. For  
38 the purposes of this subsection, "restitution" means monies intended to  
39 compensate a specific, identifiable person, including this state, for  
40 economic loss.

41           D. All federal monies granted and paid to this state by the federal  
42 government shall be accounted for in the accounts or funds of this state  
43 in the necessary detail to meet federal and state accounting, budgetary  
44 and auditing requirements, and all appropriations for matching such  
45 federal monies shall be transferred from the state general fund to such

1 separate funds as needed, except as otherwise required by the federal  
2 government.

3 E. This section does not require the establishment of separate  
4 accounts or funds for such federal monies unless otherwise required by  
5 federal or state law. The department of administration may use the most  
6 efficient system of accounts and records, consistent with legal  
7 requirements and standard and necessary fiscal safeguards.

8 F. This section does not preclude the department of administration  
9 from establishing a clearing account or other acceptable accounting method  
10 to effect prompt payment of claims from an approved budget or  
11 appropriation. The department of administration shall report each account  
12 or fund established or cancelled to the directors of the joint legislative  
13 budget committee and the governor's office of strategic planning and  
14 budgeting.

15 G. This section and any other section do not preclude the use of  
16 monies kept in funds separate from the state general fund, the interest  
17 from which accrues to the state general fund, to pay claims against the  
18 state general fund if sufficient monies remain available to pay claims  
19 against such funds.

20 H. The department of administration may issue warrants, checks or  
21 electronic funds transfer vouchers for qualified expenditures of federal  
22 program monies before they are deposited in the state treasury. The  
23 receipt of federal monies shall be timed to coincide, as closely as  
24 administratively feasible, with the redemption of warrants, checks or  
25 substitute checks, or electronic funds transfer vouchers by the state  
26 treasurer. The department of administration shall limit expenditures to  
27 the amount that has been made available to use under the grant award by  
28 the federal government. The state agency initiating the expenditures is  
29 responsible for ensuring that expenditures qualify for coverage under the  
30 guidelines of the federal grant award.

31 I. The department of administration shall establish policies and  
32 procedures for all state agencies for drawing federal monies. When the  
33 established method results in federal monies being held by this state, the  
34 department of administration may use the interest earned on the monies to  
35 pay the federal government for any related interest liability. If an  
36 interest liability is incurred due to a state agency varying from the  
37 established policies and procedures, the department of administration  
38 shall charge the appropriate agency account or fund. Any federal interest  
39 liability owed to this state resulting from the delayed federal  
40 disbursements shall be used to offset this state's interest liability to  
41 the federal government. Any remaining interest earnings shall be  
42 deposited in the state general fund.

43 J. EACH STATE AGENCY OR AUTHORIZED AGENT OF A STATE AGENCY MUST  
44 ACCEPT CASH AND MONEY ORDERS TO PAY ANY AMOUNT DUE TO THAT AGENCY OR AGENT  
45 OR THIS STATE. Any state agency or authorized agent of a state agency may

1 accept credit cards pursuant to an agreement entered into by the state  
2 treasurer pursuant to section 35-315 to pay any amount due to that agency  
3 or agent or this state.

4 K. Except for the department of revenue, agencies or authorized  
5 agents on behalf of state agencies that accept credit cards shall deduct  
6 any applicable discount fee and processing fee associated with the  
7 transaction amount before depositing the net amount in the appropriate  
8 state fund. No other reduction is ~~permitted~~ ALLOWED against the  
9 transaction amount. The net amount deposited in the appropriate state  
10 fund shall be considered as the full deposit required by law of monies  
11 received by the agency or the authorized agent. Payment of any applicable  
12 discount fee and processing fee shall be accounted for in the annual  
13 report submitted to the governor's office of strategic planning and  
14 budgeting in accordance with section 41-1273. The transaction amount of  
15 any credit card transaction shall not be reduced by any discount fee or  
16 processing fee in an amount of more than the merchant card settlement fees  
17 reflected in the state banking contract with the state treasurer's office.

18 L. Any state agency that contracts with an authorized agent to  
19 electronically process transactions pursuant to title 41, chapter 23 may  
20 include a provision in the contract to allow the authorized agent to  
21 impose a convenience fee or a service fee or surcharge. If allowed, the  
22 convenience fee or the service fee or surcharge shall be charged to the  
23 cardholder in addition to the transaction amount, except for the  
24 following:

25 1. Except as provided in subsection R of this section, any permits,  
26 licenses or other authorizations needed to pursue a trade or occupation in  
27 this state.

28 2. Except as provided in subsection R of this section, any permits,  
29 licenses or other authorizations needed to establish, expand or operate a  
30 business in this state.

31 3. Except as provided in subsection R of this section, any permits,  
32 licenses or other authorizations needed to register a vehicle or license a  
33 driver in this state.

34 M. Each state agency or its authorized agent shall:

35 1. Deduct the amount of the convenience fee or the service fee or  
36 surcharge before depositing the transaction amount or the transaction  
37 amount reduced by the discount fee or the processing fee, or both, into  
38 the appropriate state fund.

39 2. Not deduct any part of the convenience fee or the service fee or  
40 surcharge from the transaction amount before depositing the net amount  
41 into the appropriate state fund.

42 3. Deduct the amount of the discount fee or the processing fee, or  
43 both, from the transaction amount before depositing the net amount into  
44 the appropriate state fund.

1           N. The net amount deposited in the appropriate state fund pursuant  
2 to subsection L or M of this section shall be considered as the full  
3 deposit of monies that is required by law and that is received by the  
4 agency.

5           O. Before charging a convenience fee or a service fee or surcharge,  
6 a state agency shall submit the proposed convenience fee or the proposed  
7 service fee or surcharge to the state treasurer for approval. If the  
8 state treasurer determines that the proposed convenience fee or the  
9 proposed service fee or surcharge is necessary to ensure the efficient  
10 processing of payments to the state agency and complies with the standards  
11 of the credit card industry, the state treasurer shall approve the  
12 convenience fee or the service fee or surcharge. Notwithstanding section  
13 35-142.01, convenience fees received by a state agency or its authorized  
14 agent may be used to offset the costs imposed by the authorized agent in  
15 processing the transactions.

16           P. When the percentage of electronic transactions first exceeds at  
17 least thirty percent of a state agency's total transactions, the state  
18 agency shall perform a cost benefit report, including costs of convenience  
19 fees or the service fee or surcharge, the amount of revenue generated and  
20 any realized cost savings.

21           Q. This section and any other provision of law do not authorize any  
22 state agency, authorized agent of any state agency or budget unit to  
23 establish a bank account for any government monies. All monies received  
24 by or on behalf of this state shall be deposited with and in the custody  
25 of the state treasurer or in an account that is authorized by the state  
26 treasurer pursuant to this section. This subsection does not apply to  
27 monies received and any accounts established and maintained by the  
28 director of the Arizona state retirement system or the administrator of  
29 the public safety personnel retirement system, the corrections officer  
30 retirement plan and the elected officials' retirement plan.

31           R. If a state agency provides an alternative method of payment, the  
32 convenience fee or the service fee or surcharge may be charged to the  
33 cardholder in addition to the transaction amount.