



# ARIZONA STATE SENATE REPUBLICAN CAUCUS



## 2020 LEGISLATIVE HIGHLIGHTS 54<sup>th</sup> LEGISLATURE SECOND REGULAR SESSION

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## 2020 LEGISLATIVE HIGHLIGHTS

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In January, Senate Republicans opened the 54th Legislature, Second Regular Session with a positive fiscal outlook. After years of difficult recessionary recovery, the state’s economy showed strong signs of sustained growth and increased job creation. The financial position of the state through this robust economic activity resulted in higher than projected General Fund revenue collections. Paired with the conservative budgeting practices enacted by Senate Republicans since the recession, the state budget had a healthy \$1 billion in the Rainy Day Fund and nearly \$1 billion in available resources to spend. Policymakers were prepared to make targeted investments in key policy areas such as education, public safety and infrastructure.

In less than two months, the financial status of the state changed drastically due to the Coronavirus Disease 2019 (COVID-19) pandemic. The economic impact to our state completely altered the focus of Senate Republicans to addressing the health and safety of citizens as well as mitigating the economic devastation of small business closures and massive layoffs, particularly to the service industry.



## **BUDGET**

In mid-March, Senate Republicans acted prudently and passed a baseline continuation budget for fiscal year 2021. In doing so, we secured essential services in state government, protected funding for K-12 education and allocated resources to address COVID-19 issues, such as housing, healthcare, food and nutrition and unemployment benefits for employees impacted by the Governor’s stay-at-home order.



### **Public Health Emergency Funding**

With the rapid spread of COVID-19, Senate Republicans acted quickly to ensure funding was available to address the immediate public health crisis. The Legislature authorized the Governor to spend \$55 million from the Rainy Day Fund on the public health response, enabling the Governor to purchase personal protective equipment and medical supplies, expand hospital capacity, and monitor and track the spread of the disease.

In addition to addressing funding needs for the immediate public health response, Senate Republicans also acted quickly to ensure that funding was available to provide economic relief for individuals and organizations affected by COVID-19. The Senate authorized \$50 million to the newly created Crisis Contingency and Safety Net Fund, which allowed the Governor to expand housing and services to the homeless, provide economic assistance to small businesses and nonprofits, give grants to health care providers and expand food bank capacity.



### **K-12 Education Funding**

Even with economic uncertainty, the Senate Majority included funding increases to education. The budget provides \$413 million in

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baseline spending adjustments to fund formula growth, previously agreed to salary increases, restoration of additional assistance and new school construction. Additionally, Senate Republicans directed another \$255 million to speed up the restoration of additional assistance and provide ample funding for school repairs.

The FY 2021 budget fulfills the promise of the 20% by 2020 pay raise by including the third, and final year, 5% increase to teacher pay. This last 5% is on top of the 15% funded from FY 2018 to FY 2020 for a total of a 20% increase. When factoring in all monies dedicated to teacher pay, the result is an additional \$645 million invested in teacher pay by FY 2021.

The budget also includes an additional \$68 million in FY 2021 and another \$68 million in FY 2022 to restore the phase-in of Additional Assistance for schools one year ahead of schedule. The Legislature originally intended this funding to be restored by FY 2023, but schools will now see this funding stream fully restored one year earlier than originally planned. Additional Assistance dollars provide schools with flexible funding for local priorities including infrastructure, technology, school buses and updated textbooks.



### New Investments

In addition to funding formula increases that maintain government services at their minimum operating levels, the FY 2021 budget included new investments above baseline funding increases that the Legislature believes are essential to keep government operating at existing levels. These investments include:

- \$22 million to deposit into the Health Insurance Trust Fund to pay state employee health expenses
- \$19 million for retirement rate cost increases at state agencies, keeping funding levels consistent
- \$15 million to keep the Water Quality Assurance Revolving Fund program operating, as the program was previously funded through one-time allocations
- \$11 million to complete the Department of Corrections Lewis and Yuma prisons lock replacement project



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- \$8 million to provide mental health parity and behavioral health in K-12 schools
- \$2.6 million in additional supplemental funding to reimburse counties for the Presidential Preference Election

Senate Republicans also maintained their commitment to incentivize new investment in Arizona. Senate Republicans supported **SB 1245/HB 2771 (tax credits; qualified facilities; extension)**, continuing three tax credits designed to attract large capital investment, promote job growth, and reduce the cost of private sector research in Arizona. Combined, the qualified facilities tax credit, the international operations center tax credit, and the research and development tax credit will continue to spur the type of economic activity that propelled Arizona out of the last recession.



## EDUCATION

During the first two months of regular session, the Senate Education Committee addressed a variety of important bills that impacted the education of our school children. The Governor's declaration of a public health emergency due to COVID-19 reprioritized the attention of legislative members to pass legislation to facilitate statewide school closures from March 16, 2020 through the remainder of the school year.

Through an emergency measure, **SB1693/HB 2910 (public school closures; coronavirus disease)** exempts Arizona public schools from statutory requirements related to mandatory calendars and instructional hours, annual standardized testing, letter grades, and graduation requirements during the school closure period. To ensure children would receive educational services and teachers and other school employees would be paid through the end of the school year, the bill mandates public schools to offer remote or alternative general education and special education services as a condition of receiving their full funding from the State.

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Understanding that most public schools would adapt their operational practices to accommodate remote teaching and learning, specifically transportation, summer school and online learning, HB 2910 provided flexibility to use existing and new funding from these areas to support students and families during the statewide school closure.

Prior to the COVID-19 public health emergency, the Senate Education Committee tackled the serious concerns expressed by parents of children enrolled in the Empowerment Scholarship Account (ESA) program. Parents from all over the state reported not receiving timely responses to questions, delays in application and expenditure approvals, and a lack of consistent staffing which routinely resulted in misinformation. **SB 1224 (empowerment scholarships; qualifications; administration; appropriations)** substantially reforms the ESA Program to respond to parental concerns through administrative changes at the Arizona Department of Education (ADE) and the State Board of Education (SBE) through the following measures:

1. Dedicated call center with new trained staff exclusively for the ESA Program
2. Transition of existing and new staff to a case management approach for reviewing and completing applications to allow a main point of contact for families
3. Full implementation of Class Wallet by adding accounting staff to ensure that transactions and account reconciliations are approved
4. Statewide seminars and training for families, staff professional development, and outreach activities--particularly in rural and remote communities

Additionally, SB 1224 includes the following program improvements and accountability measures:

1. Stepparents are added to the list of individuals who may apply for an ESA account.
2. Curriculum is more broadly defined to include supplemental materials as part of established curriculum, including the use of electronic equipment.



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- Additionally, Coverdell accounts were removed from the list of allowable purposes.
3. The SBE, not ADE as it is in current statute, will adopt and maintain the rules necessary for the administration of the program and serve as the appeals body for parental concerns. ADE will continue to produce an annual parental handbook with information that complies with rules adopted by the SBE.
  4. The non-renewal of an ESA contract for three years is statutorily defined as voluntary withdrawal to ensure unused account balances revert to General Fund, but only if the ADE employs the multi-step parental notification process that provides them 60 calendar days to respond prior to official withdrawal.
  5. An Attorney General opinion on what data elements, whether individual or aggregate, of the ESA program are considered public record and allowable for release under federal law.

Additionally, Senate Republicans took action to permanently codify a temporary law enacted in the last legislative session that allowed children who reside on an Indian reservation in Arizona to continue to attend a private school in an adjacent state (within two miles of the border) through the ESA program. It permanently protected the rights of Native American children to attend the school that best serves their educational needs.

Technical in nature, **SB 1036 (empowerment scholarships; third-party administrator; repeal)** repeals statutory language provided for the ADE to contract with a third-party administrator to assist in the financial administration of ESA accounts. Class Wallet was selected this year, making this statute obsolete and unnecessary.

**HB 2684 (crisis management team; underperforming districts)**, through an emergency measure, establishes a crisis management team to act as an academic receiver for a persistently underperforming school district that has had an F letter grade for two years and less than 5% of students were proficient on the AZMerit test for English. The charge of the crisis team is to determine:

- the impediments to academic success
- barriers to an effective school community

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- specific changes that are needed to increase academic outcomes and prevent teacher and staff turnover
- financial impediments

Once these challenges are identified, the crisis management team shall find appropriate solutions and develop a long-term plan, with an appropriate timeline, to sustain a successful school, which would include potential changes to staffing, such as the termination and/or hiring of the school district superintendent, governance or boundaries and whether receivership or consolidation would benefit the school district. Testimony from the Senate and House Education Committees from the ADE suggested that the most immediate intervention is needed at Peach Springs Unified School District.



## Health & Human Services

Federal law requires that insurers treat mental health conditions and substance abuse disorders equal to physical health conditions. As such, services are to have the same levels of payment and limitations (co-pays, deductibles and therapeutic visits). Arizonans seeking care for mental illness have encountered gaps in coverage, restrictions on visits, and difficulty finding behavioral health providers within the networks of their insurance provider. **SB 1523 (mental health omnibus)** creates accountability to ensure that insurers comply with the Federal law. The bill requires insurance companies to report to the Department of Insurance (DIFI) how they apply medical necessity toward treatment, how they pay behavioral health providers and demonstrate network capacity. By January 2021, DIFI will develop a consumer-friendly web page highlighting the provisions of the Mental Health Parity and Addiction Equity Act and how to file an appeal or complaint with the department. By January 2022, information gathered from the parity reporting requirements will be posted on the website providing an analysis of compliance and any department findings.

In addition to mental health parity, SB 1523 provides greater outreach to children in crisis by enhancing access to behavioral health services. Bringing services directly to a minor could intercept/prevent the escalation of a behavioral health disorder and possibly prevent graver conditions and suicidal ideations. Many schools currently

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coordinate with service providers to offer therapeutic services on site. It has proven to be beneficial in outcomes and ensures consistency in treatment for the child in need. SB 1523 builds on that network by creating a Children's Behavioral Health Services Fund to help bridge the gap for Non-Title 19 children who may be uninsured or under-insured and may not otherwise receive necessary therapies. Health insurers will still impose co-pays and deductibles, but rather than turn kids away, funds will be provided to licensed behavioral health professionals offering services at schools (who may or may not be part of their network). \$8 million is appropriated to the fund. The bill prohibits insurers from denying claims based solely on the fact that services were provided on school property.

Finally, the Arizona Department of Health Services will adopt rules to address early discharge of patients who have attempted suicide or exhibit suicidal ideation from inpatient care. Protocols and best practices will be prescribed to give patients and family members information for case management, coordination of continued behavioral health services, as well as appeals for patients and caregivers in disagreement with a discharge plan.

Although the health care industry is doing well, we need to ensure that the health care delivery system is prepared to meet the growing demand for services. The COVID-19 pandemic serves as a very real reminder of what a critical role our hospitals and health care givers play in our community and economy. With the concern that there is a shortfall in Medicaid reimbursement and provider cuts have not been fully restored from 2009 reductions, providers sought to impose an additional hospital assessment on outpatient services to drawn down up to \$1.1 billion in federal dollars. In addition to investing in infrastructure, research and technology, the funds will also be used to increase payments to physicians and dentists.

The state has grown significantly over the past several years in terms of jobs, income, and population. **HB 2668/SB 1247 (hospitals; unreimbursed costs; assessment; fund)** is necessary to ensure we have a sustainable health care system in urban and rural parts of the state to keep pace with that growth. The legislation will direct AHCCCS to impose the assessment and calculate the revenue into its upper payment limits when it applies for the 1115 waiver which is due to expire in 2021. The legislation prohibits providers from increasing their cost of services and requires quarterly review of the assessment formula and any changes by the Joint Legislative Budget Committee (JLBC).

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While generally the continuation of a state agency is a perfunctory legislative action, the continuation of the Department of Health Services (DHS) also created an opportunity for a legislative response to the COVID-19 crisis that was developing daily during the legislative session. **SB 1051 (DHS; continuation)** appropriates \$55 million from the Budget Stabilization Fund to the Public Health Emergencies Fund to pay for expenses incurred in Arizona following a State of Emergency declaration by the Governor related to the COVID-19 crisis. DHS must notify JLBC regarding use of the appropriated monies. The pandemic remains an evolving health care situation where the public access to test kits and antibody tests has been called to question. At the outset of the pandemic the supply chain for protective equipment and tests was limited. While it has improved, there are opportunities to increase availability. These funds can provide resources for the COVID-19 response.



## Commerce

Recognizing the impending economic effects of the COVID-19 pandemic during the early stages of the pandemic, the Legislature proactively extended needed relief to individuals before adjournment. In addition to waiving the one-week waiting period and work search requirements for unemployment benefits, **SB 1694/HB 2911 (unemployment compensation; coronavirus disease)** dramatically increases access to this state resource for displaced workers. Mitigating future increases to employer insurance tax rates, the measure prohibits hikes to an employer's benefit experience rating charged as a result of increased pandemic-related unemployment filings. SB 1694 also bolsters the Arizona Shared Work Program during the declaration of emergency, allowing more employers to retain their workforce by supplementing reduced wages with unemployment benefits.

Consistent and reliable access to operational inputs is foundational to Arizona's nationally ranked economic climate. Predictability is a top factor for businesses looking to expand or relocate to Arizona. **SB 1222/HB2686 (building permits; utilities; restrictions; prohibitions)** establishes this predictability for commercial power users statewide. Preempting local efforts to infringe free market choice in other states, SB 1222 amplifies Arizona's status as a state that is open for business.

In narrow circumstances, this Legislature has enacted consumer protection measures with a strong nexus to public health, safety and welfare concerns. Upon learning of

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egregious, albeit infrequent, violations of the public trust within the funeral industry from constituents, the Legislature closed a loophole allowing funeral establishments to deplete a decedent's estate through prolonged charged storage of his or her remains. **HB2249 (personal representatives; funeral directors; prohibition)** is appropriately limited in its application, but importantly restores public confidence during a family's most trying time.



### Elections

Counting ballots in the digital age centers around efficiency. But it also must ensure efficacy and security in the ballot counting process. **SB 1135 (elections; counting center; electronic adjudication)** strikes this balance by permitting the digital correction of defective ballots, which allows election results to be tallied faster.



### Natural Resources

In follow-up to the historic passage of the Drought Contingency Plan (DCP) during the 2019 session, the Legislature enacted **SB 1145/HB 2617 (temporary irrigation efficiency projects fund)** this year to reaffirm the state's commitment to agriculture. The Temporary Groundwater and Irrigation Efficiency Projects Fund, established concurrently with the DCP last year, provides valuable funds to agricultural water users during this prolonged drought. Addressing irrigation district data revealed after passage of the DCP, SB 1145 ensures that all intended districts receive equal access to these needed resources.

This Legislature has consistently applied an information-driven approach to conservation policymaking. Encouraging the future success of endangered species surveys, **SB 1666/HB 2749 (endangered species conservation; confidential information)** extends confidentiality protections to landowners who allow

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government surveying on their private property. SB 1666 effectively balances private property rights with conservation methods, while encouraging greater participation in these valuable studies.



### Public Safety

Helping veterans get into the workforce quickly is a positive policy outcome. **HB 2096 (security guard registration; discharged veterans)** allows the Department of Public Safety to issue a registration certificate before the completion of background checks, so recently and honorably discharged veterans can participate in the security guard field while waiting for their credentials to make it through bureaucratic licensing requirements.



### Government

To the benefit of our nation's early foundation, Thomas Jefferson wrote that a "well-informed electorate is a prerequisite to democracy". More recently, our democracy benefited from Justice Sandra Day O'Connor's service on the Supreme Court. **HB 2625 (civics celebration day; civics education)** encourages the future preservation of a well-informed electorate in recognition of Arizona's premier civil servant. Establishing September 25 of each year as Sandra Day O'Connor Civics Celebration Day, the measure requires public schools to dedicate most of the day's teachings to civics education.





## Judiciary

**HB 2230 (justice court; jurisdiction; crimes)** cuts down on court filing fees and keeps law enforcement officers on the street. The bill addresses an issue where a traffic ticket and complaint filed in the wrong precinct may be simply transferred to the correct precinct, rather than having to be refiled, if both precincts share a border and are in the same county.

**SB 1297 (legislative council; continuation)** ensures that the quality of legislation continues to improve for the next ten years. The bill also makes certain the full participation by the legislative branch in determining and reviewing policy and the administration of state affairs.



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May 2020