



Issue 13 – April 9, 2021

Legislative Update

Today is the 89th day of the legislative session and to date the legislature has sent 252 bills to the Governor. Of those bills, 189 have been signed into law and none have been vetoed. The remaining 63 bills await action from the Executive.

The House Rules committee has 72 measures pending consideration, while Senate Rules has 73 bills awaiting action. Both the House and Senate each have just over 80 bills pending Committee of the Whole and there are a total of 26 bills ready for Third Read, the majority of which are in the Senate.

With committees no longer meeting, the Legislature’s attention turns to crafting a budget and moving forward outstanding high priority measures. This week, the Senate withdrew [SB1797 fantasy sports betting; event wagering](#) from the Appropriations committee, opening the bill’s path to move forward in the legislative process. The measure expands gaming by authorizing wagering on professional and college sports and expanding keno and other games outside of tribal jurisdictions. The effort to renegotiate the gaming compact has been a priority for the Governor’s office this session. The motion to withdraw the bill from the committee allows the bill to be substituted for its mirror bill in the House, [HB2772](#) which passed the chamber last month with bipartisan support. If passed by the Senate and substituted for the House bill, the bill would move directly to the Governor’s desk.

State Budget

Details of the linchpin in the budget discussions were unveiled this week as Republicans are proposing one of the largest income tax cuts in state history to stimulate economic growth following the pandemic-related economic impacts and to follow up on campaign promises to make significant income tax reductions. **Of paramount concern to cities and towns is the proposed 2.5% flat income tax proposal that would reduce collections by \$1.5B over a period of 3 years.** The ability to balance city and town

budgets is reliant on the allocation of income tax they have been receiving from the state since 1972 following the passage of a voter initiative that shared 15% of state income tax collections with municipalities.

If the proposal does not include some mechanism to maintain existing distributions to local governments, it would result in a projected annual loss of \$225M to local budgets. This reduction would be a massive impact to government services, including public safety, roads, parks and government operations. The League has compiled the [projected losses](#) to each city and town and legislative district as a result of the legislature's plan.

In addition to the flat tax proposal, the House budget attempts to address some concerns regarding the passage of Prop 208 that created a 3.5% surcharge on income above \$250K or \$500K for joint filers to benefit K-12 education. The House proposal establishes a new tax category that will provide small business owners who have their personal income passed through their business the option to file based on their adjusted business income, providing an opportunity to avoid the voter-approved education surcharge. This tax change combined with the proposed \$1.5B income tax reduction is the focal point of the budget discussions and are likely to delay its enactment until enough rank-and-file are on board with the proposal.

Annexation

A measure to address unintended consequences related to 2020 legislation that addressed a loophole in the annexation process passed the Senate with unanimous support this week. [SB 1336](#) was struck in the House with language to ensure that ongoing plans between the city of Apache Junction and the State Land Department for the city to annex a portion of state trust land can continue. While the annexation was approved by the State Selection Board nearly two years ago, the process cannot be completed without legislation addressing the 2020 changes related to county islands. The League supported SB1336 and is thankful for the Legislature's support of the bill. The measure is now pending action from the Governor. If signed, SB1336 will be effective immediately as the measure included an emergency clause.

Legislative Bill Monitoring

All bills being actively monitored by the League can be found [here](#).