



Issue 19 – May 21, 2021

Legislative Update

Today is the 131st day of the session. Pressure is mounting to pass a budget that includes a large income tax cut proposed by the governor and agreed to by legislative leaders. However, there does not appear to be enough votes among the rank and file lawmakers to pass the package.

Earlier in the week, Capitol news outlets reported that legislative leadership and the governor reached an agreement on a \$12.8 billion spending framework, including a proposal to move to a flat 2.5% income tax rate. Legislative leaders had brief floor sessions this week and held small-group meetings with rank and file members to discuss the proposed plan. This proposal faces pushback from lawmakers concerned about the impact of a flat tax on cities and towns. Additional concerns include the existing debt the state is still paying down, such as pensions and addressing remaining debt from the last recession. As budget negotiations continue to take shape, lawmakers are up against a June 30 deadline before the start of the new fiscal year.

At this point in the session, the governor has signed 371 measures into law and vetoed five. There are 40 bills pending Committee of the Whole (COW) in the Senate and 33 bills awaiting COW in the House. Nine bills await consideration in Third Read in both chambers, and 13 are pending Final Read.

State Budget

Rank and file legislators continue to meet with leadership to discuss the FY 22 budget, including a proposal to create a 2.5% flat income tax. At this time, there is no indication of when the package will be introduced and voted on. However, Capitol rumors have suggested a possibility of an introduction early next week. The House Rules agenda for Monday notices special permission for the late introduction of budget bills. Some legislators have pushed back on the proposal because it fails to protect a key source of revenue cities and towns receive for providing public services.

As highlighted last week, the efforts of the League and local leaders have made an impact on the process. This week, the League focused on highlighted the findings of an economic analysis conducted by Rounds Consulting Group on the impacts of the flat tax proposal on local governments. The analysis brings attention to the ramifications of failing to hold cities and towns harmless from significant cuts to local revenues. Specifically, citing “a reduction in local tax revenues could lead to reductions in businesses attraction as the quality of services that are provided by local governments diminishes due to budget constraints.” We continue to advocate for an increase in the percentage of income tax shared with cities and towns to offset the income tax reduction proposed by the governor and legislative leaders. We ask that you continue to engage with your legislators and ask them to hold cities and towns harmless in any statewide tax policy changes.

Cocktails To-Go

This afternoon, Governor Ducey signed [HB2773 liquor; delivery; off-sale permits; leases](#) into law. The bill’s concept derived from the governor’s [EO 2020-09](#), allowing restaurants to sell cocktails to-go during the early part of the pandemic. HB2773 allows restaurants, bars, and liquor stores to sell alcohol to-go. It establishes the regulatory framework for third-party contractors to deliver orders. The measure outlines requirements for the sale of liquor for consumption off-premises before and **after Dec 31, 2025**. Before this date, restaurants will have to apply for a lease permit from the Department of Liquor Licenses and Control (DLLC) to sell beer, wine, and cocktails off-premises with a food order. **After Dec 31, 2025**, restaurants will have to seek a permit for the privilege to sell for off-premises consumption from another bar with a liquor license. The bill will limit these permits to the total bars and liquor store licenses in the county.

The bill requires that a restaurant stop selling liquor for off-premises consumption when the restaurant’s kitchen stops serving food. It includes specific requirements for containers used for to-go cocktails, such as tamper-proof seals and government warning labels. Additionally, HB2773 allows DLLC to require delivery contractors to complete approved training on handling liquor and the state’s liquor laws. The legislation passed with bipartisan support and has a delayed effective date of Oct 1.

Vaccine Passports

On Thursday, the Senate considered [HB2190 s/e vaccines; governments; businesses](#) in Committee of the Whole (COW) and Third Read. As introduced in committee, the language would have prohibited local governments from requiring a person to receive a vaccine as a condition for a government service, benefit, license, or entrance into a public building. The introduced language would have also prohibited cities and towns from providing a benefit or incentive to a person for receiving a vaccine. The League opposed the measure in committee due to conflicts with existing benefits that city employees may receive for getting a flu shot or participating in other health-related activities.

An amendment was adopted in COW to remove provisions prohibiting governments from providing a benefit or incentive for getting a vaccine. Instead, the bill would prohibit local governments and business entities from requiring a person to disclose whether they received a COVID-19 vaccine as a condition of receiving a benefit or service. The bill ultimately failed 13-16 in Third Read due to concerns from lawmakers about provisions that placed restrictions on private businesses. While the motion to reconsider the bill was not made immediately after the vote, lawmakers expressed a desire to reconsider the vote in the future.

Legislative Bill Monitoring

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