

ARIZONA CREDIT UNIONS

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To: Arizona Governmental Affairs Committee

From: Austin DeBey, VP, Legislative Affairs for Arizona, GoWest

CC: Brian Lee, President & CEO, Landings CU
Sandra Sagehorn-Elliott, President & CEO, Vantage West CU
Troy Stang, President & CEO, GoWest
Jennifer Wagner, EVP & Chief Advocacy Officer, GoWest

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It has been 26-days since the Arizona State Legislature convened for the year, and so far, there have been a total of 1,328 bills and 89 memorials/resolutions introduced. While the deadline for Senate bills to be introduced without special permission was on Monday, there will likely be a slew of bills introduced since House members still have until February 6th to introduce bills.

Republican Leaders Introduce and Pass Baseline Budget

The pace of the legislative sessions picked up this week as [Republican leadership introduced and voted on their baseline budget proposal](#). It is unusual for a budget to be introduced this early into session, however House and Senate Republican leaders believe the baseline budget is a necessary line to draw on spending,

Ultimately, the Senate passed what is mostly a continuation budget from fiscal-year 2023 to continue funding state agencies, but not add new monies. The budget passed along party lines Wednesday after a brief debate on the Senate floor. In the House, the bill passed out of the Appropriations committee, but a floor debate and vote were delayed due to an absence and technical difficulties. While the House is expected to bring the budget to the floor next week, if passed it is unlikely to be enacted because Governor Hobbs has already signaled her intention to veto the baseline budget.

Key Legislation for Credit Unions

At this time, GoWest is tracking 33 bills that would have varying degrees of impact to credit union operations, and 23 bills related to employment. Although not all of them rise to the same level of concern, there are a few that I wanted to highlight for you that we have been directly engaged on over the last few weeks.

Last week, the House Commerce Committee was scheduled to hear [HB 2066: Banks; Financial Institutions; Personal Information](#), the bill would require financial institutions to destroy a former member/customer's personal information after three years. We

have strong concerns with this bill because it conflicts with many other laws, most notably the 5-year data retention requirements in Gramm-Leach-Bliley Act, as well as other state/federal laws. As a result, we were able to get the bill held for two weeks so we could work on an amendment with the bill sponsor. Since those discussions, the sponsor agreed to our changes, and will be [offering an amendment](#) to change the 3-year timeframe to 10 years, as well as provide an exemption for any applicable law that requires a retention period that exceeds ten years. The bill and proposed amendment are expected to be heard in the House Commerce Committee on Tuesday.

This week, anti-ESG legislation took center stage. If you are unfamiliar, ESG describes investors paying attention to financial risks related to "environmental, social and governance" issues. These anti-ESG bills, has become a heavily partisan issue with Republicans pushing several versions to ensure that lenders, investors and insurance providers do not "discriminate" based on these criteria. While we are not aware of credit unions using ESG scoring, we have opposed most anti-ESG legislation because we believe credit unions should be able to make whatever business decision they determine is best for their members. Additionally, we worry that legislation like this could open credit unions and other businesses up to frivolous lawsuits.

On Wednesday, GoWest opposed two anti-ESG bills that were heard in Senate Committees. The first was [SB 1138: Banks; Discrimination Prohibition; Social Criteria](#), which prohibits a financial institution from discriminating against any person based on a political affiliation, or other social credit, environmental, social, governance or similar values-based or impact criteria. As expected, the bill passed the Senate Government Committee along party lines by a vote 5-3.

In addition, the Senate Commerce Committee passed [SB 1096: Firearms; Contracts; Prohibited Practices](#) out of committee along party lines by a vote of 4-2. This bill would prohibit a public entity from entering a contract of \$100,000 or more with a company to acquire or dispose of services, supplies, information technology or construction unless the contract includes a written certification that the company does not, and will not, discriminate against a firearm entity or firearm trade association. The Association joined others in the financial services community to oppose the bill.

On Tuesday, the House Commerce committee passed [HB 2472: Social Credit; Use; Prohibition](#), which asserts that this state may not require a financial institution to use a social credit score in determining whether to lend money. Unlike other anti-ESG bills, GoWest remained neutral on the bill.

Looking Ahead

As we look ahead, we anticipate the ESG fight continuing throughout the entire session and will ensure GoWest stays engaged. In addition, the fight between Governor Hobbs and the Legislature is expected to heat up around the budget, as well as the nominee review process. So far, Governor Hobbs has announced 25 of her nominations, but has only sent two names to the Senate.

The Senate has also [changed their review process](#), by setting up a single committee responsible for reviewing all the Governor's nominees. In the past, nominees were sent to existing committees that had jurisdiction over the area. For example, Senate

Commerce would confirm the Head of Department of Financial Institutions and Insurance (DIFI). However, the newly formed Committee on Director Nominations will be tasked with all nominations. The committee is chaired by Sen. Jake Hoffman (R-Queen Creek) who is one of the most outspoken opponents of Governor Hobbs.

This will most certainly slow down the nomination process, and could even delay Governor Hobbs selecting a nominee to lead the AZ DIFI for the foreseeable future.

Register For Day at the Capitol

Finally, we encourage you to attend and recruit additional people to attend the [Arizona Credit Union Day at the Capitol](#), scheduled for March 15, 2023. Right now, there are 25 people registered. Our goal is to have at least 100 advocates at the Capitol on March 15. Please register as soon as possible so we can facilitate relevant meetings with individual legislators. [Click here to register for the event.](#)

For those that plan to travel to Phoenix the night before, GoWest has a room block at the AC Hotel Phoenix, 414 N. 5th St, Phoenix, AZ 85004. To make reservations, use the group block under the name GoWest; book over the phone at 602-258-1771 or [online here](#).

As always, do not hesitate to let me know if you have any questions.

Austin DeBey

VP, Legislative Affairs

602.430.5473 | 602.371.2242

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