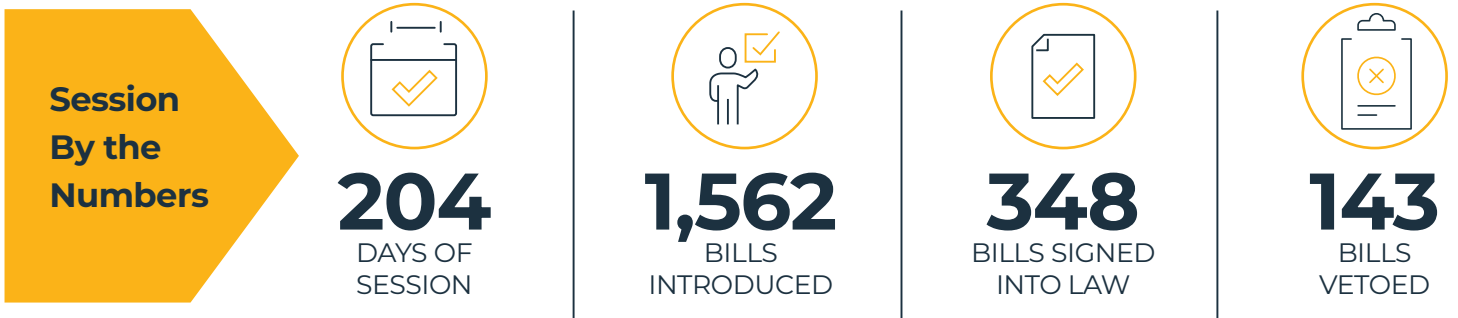


ARIZONA 2023 LEGISLATIVE SESSION



The 2023 Arizona legislative session adjourned “sine die” on July 31st, 2023 and was a record setter. It was the longest session in state history, saw more Gubernatorial vetoes than ever before, and became a politically divided climate, slowing down much of the work of the Legislature. Despite all this, several credit-union priorities were accomplished, and Arizona credit unions held the first Credit Union Day at the Capitol, setting the stage for a greater presence in coming years.

General Session Overview



The 2023 legislative session was unlike any other. The 204-day session marks the longest in Arizona history, as the previous record was set in 1988 at 173 days. With new state leaders and a government newly divided between political parties, lawmakers carved a different path – setting aside the established practices and timelines to pursue policy wins and political gains.

From the outset, it was clear the 2023 session would be different. House Republicans narrowly chose a more moderate, business-focused leader in Speaker Ben Toma while Senate Republicans elected a more conservative leader in President Warren Petersen. Both chambers have been heavily influenced by an active group of anti-establishment Republicans self-labeled as the “Freedom Caucus.”



Ben Toma
Speaker of the House



Warren Petersen
Senate President



Lupe Contreras
House Democratic Leader



Mitzi Epstein
Senate Democratic Leader

On the Democratic side, Senate Majority Leader Raquel Terán resigned in April to run for Congress, and House Minority Leader Andrés Cano resigned at the end of the session to go to graduate school. Both resignations shook up the established leadership teams. As replacements, Senator Mitzi Epstein was selected as the Senate Democratic Leader and Representative Lupe Contreras was chosen to lead the House Democratic caucus.

Legislative resignations led to weeks of empty seats as the House and Senate waited for new lawmakers to be appointed to fill the vacancies. The House created another vacancy when it voted to expel Representative Liz Harris for her role in a committee hearing filled with headline-grabbing accusations. Another expulsion effort failed but led to the official censure of Representative Stephanie Stahl Hamilton.

In addition to the Legislative branch, Governor Hobbs' office had some key staff changes, as she worked to build a team to help her govern the state and navigate a Republican-led legislature.

In addition to the record-breaking number of days in session, this legislative session will be most remembered for:

Veto



Governor Hobbs set a new state record for the number of vetoed bills, tallying more vetoes than her predecessors and surpassing the number of vetoes former Governor Doug Ducey issued throughout his eight years in office. The vetoes upset lawmakers – especially one that would have altered regulations for home-based cooking of products like tamales – but the legislature did not override any of the vetoes. Many of the vetoes were expected – like the dozens of bills that would have changed election laws and procedures. Vetoes of these and other highly partisan issues created a political win for the Republican lawmakers who voted for them and the Governor who rejected them, playing into party politics on each side of the aisle.

State Agencies



The effects of disagreements between the Democratic Governor and Republican legislators extended outside the legislature and influenced the operations of every state agency. Lawmakers delayed action on bills to continue key agencies in state statute, using them as leverage in budget negotiations and eventually rolling the continuations into the approved budget deal.



Barbara
Richardson

In addition, the session adjourned without Senate consideration of most of Governor Hobbs' nominees to lead state agencies, including the acting director of the Department of Insurance & Financial Institutions, Barbara Richardson. The nominees can serve one year without Senate action, and that timeline will create more pressure on Senate Republicans the next time the legislature convenes.

Budget



Early in the year, Republicans approved a “skinny budget” that focused on the continuance of government, framing it as a necessary measure to keep state agencies operating if legislators could not reach an agreement with the Governor by June 30th. The Governor vetoed the proposal, accusing lawmakers of sending her a hollow and one-sided proposal.

Once the Governor, President and Speaker broke their silence and convened regular meetings over a several week period, progress was made quickly. Eventually, with some amendments, the budget passed with strong bipartisan support in both the House and Senate. It directly reflects the priorities of the individual legislators who voted for it, since it was crafted differently than usual. Lawmakers were given a portion of the budget surplus and could allocate the resources to one-time priorities in their districts. The process is likely to be much more difficult next session given that it is an election year and the state's fiscal position is changing.

Ballot Measures



Republicans opted to go directly to voters for several controversial issues, thereby avoiding the Governor's veto stamp. They sent four measures to the 2024 ballot, which include: whether to ban ranked-choice voting, limit a Governor's authority during a state of emergency, require citizen initiatives to collect signatures from every legislative district, and establish a fee that will go to pay benefits to the family of first responders killed in the line of duty.

Looking Ahead

This new legislature has altered the entire landscape of how the session unfolds – from the rules that govern legislative procedures to how budgets are crafted and how long lawmakers stay in session. They have redefined what makes a successful session. In the past, both parties sought to complete their work as quickly as possible to meet the 100-day timeline outlined in legislative rules and to get a state budget in place well before the end of the fiscal year. This year, the focus was on continuing the legislature's active role in governing decisions – a role that is lessened when they are not in session.

Although the session has adjourned, the intense policy conversations continue through interim committees and the Governor's working groups. Those entities continue to focus on topics like air quality and energy, election oversight, educator retention, missing and murdered Indigenous people, Empowerment Scholarship Accounts (ESAs), water management, and water supplies.

A Successful Arizona Credit Union Day at the Capitol

It was a wonderful opportunity to host our first Arizona Credit Union Day at the Capitol. As part of the day, Representative Justin Wilmeth, Chairman of the House Commerce Committee, and newly appointed Director of the Department of Insurance and Financial Institutions, Barbara Richardson spoke to the group of nearly 100 credit union advocates. In addition, advocates took to the Capitol where they were recognized on the House and Senate floor and delivered impact reports to state legislators.

Thank you to everyone who made the significant commitment to attend and connect with your colleagues and local lawmakers.





Anti-ESG Related Legislation

The GoWest Credit Union Association worked closely on several pieces of legislation to ensure that Arizona credit unions were protected from overly burdensome legislation that focused on the issue of Environmental Social Governance (ESG).

The most notable for credit unions include:

SB 1138: Banks; Discrimination Prohibition; Social Criteria

The bill would prohibit a financial institution, insurer, or credit reporting agency from discriminating against any person based on a political affiliation, or other social credit, environmental, social, governance or similar values-based or impact criteria.

Position/Status: Association Opposed & Failed in House

SB 1611: Public Entities; Contracts; Prohibition

The bill would prohibit a public entity from entering into or renewing a contract with a company unless the contract includes a written certification that the company does not, and will not implement an environmental, social or governance standards policy.

Position/Status: Association Opposed & Vetoed by the Governor

SB 1096: Firearms; Contracts; Prohibited Practices

The bill would prohibit a public entity from entering into 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.

Position/Status: Association Opposed & Vetoed by the Governor

HB 2472: Social Credit; Use; Prohibition

The bill asserts this State may not require a financial institution to use a social credit score in determining whether to lend money.

Position: Neutral and Vetoed by the Governor

Credit Union Focused Legislation

HB 2066: Banks; Financial Institutions; Personal Information

As introduced, the bill would have required credit unions and other financial institutions to destroy all personal information belonging to a former customer, member or client no later than three years after the business relationship ends. After raising our concerns with the bill sponsor, we were able to negotiate an increased retention period of 10 years, as well as provide an exemption for other laws that require longer retention periods.

Status: Passed & Signed into Law with GoWest Amendment

HB 2292: Motor Vehicle Dealers; Sales; Cancellation

Effective January 1, 2024, the new law allows a motor vehicle dealer and purchaser to agree to rescind or cancel a motor vehicle sale. After working with stakeholders, GoWest was able to negotiate an amendment that requires monies to be returned to the rightful parties within 3 business days of the rescission. The bill also allows an authorized third-party (ATP) driver's license provider to perform administrative or testing functions, or both, and motor vehicle contracts and records to be in an electronic form.

Status: Passed & Signed into Law with GoWest Amendment

HB 2484: Failure to Return Vehicle; Repeal

After several failed attempts in previous sessions, law enforcement organizations successfully passed legislation to remove the class 6 felony classification for failure to return a motor vehicle subject to a security interest and removed the designation as a stolen vehicle. In our opposition with other stakeholders, we were able to negotiate an amendment that subjects a vehicle owner that does not return a motor vehicle, subject to a security interest, to suspension of their license plate and vehicle registration.

Status: Passed & Signed into Law with GoWest Amendment

HB 2610: Establishment of State-Owned Bank

The GoWest opposed bill would have required the State to engage in the business of banking and to maintain a system of banking owned, controlled, and operated by the state under the name of the Bank of Arizona.

Status: Did Not Pass

HB 2729: Consumer Credit; Military; Federal Law

The GoWest opposed bill would have established a new chapter in Title 6 (Banks & Financial Institutions) regulating the terms of consumer credit extended to military members and dependents.

Status: Did Not Pass

Other Notable Bills:

HB 2590: Seller Disclosure; Water; Solar; Batteries

The bill updates the Affidavit of Disclosure that sellers of five or fewer parcels must provide per A.R.S. 33-422. The new disclosers include information on:

- Whether the property is served by a water supply that requires the transportation of water to the property;
- Whether the property has battery energy storage devices; and
- An acknowledgment that it is unlawful under Arizona statute to divide a parcel of land into six or more lots or parcels.

Status: Passed

SB 1723: Commerce; 2023-2024

The bill makes various session law changes relating to commerce to implement the FY 2024 budget. Most notably for credit union is that the legislation creates a microbusiness loan program and fund administered by the Office of Economic Opportunity. Based on the [General Appropriations Act](#), a total of \$5 million was appropriated to the microbusiness loan fund.

Status: Passed

HB 2143: Gray Water; Residential Standards; Rules

The bill does not have any direct credit union impact but may apply to dwellings that the credit unions may have a mortgage on. The bill allows the Department of Environmental Quality to establish rules for the minimum requirements of gray water treatment systems used indoors for toilet flushing. Until the rules are adopted, residential gray water may be used for indoor toilet flushing if the gray water treatment system meets all the following:

- Uses less than 400 gallons of gray water per day;
- Is certified to meet standard 350 for residential gray water recycling that is issued by a national sanitary foundation and an American national standards institute;
- Reasonably precludes human contact with gray water;
- Provides dedicated piping system that supplies only treated gray water to the toilet flushing facilities; and
- Provides gray water for toilet flushing only if the system is properly functioning.

Status: Passed

The general effective date of legislation passed during session (unless passed under an emergency clause) will take effect on October 30th, 2023.

2023 Arizona State Issues Work Group

Despite the session lasting through July, the 2023 Arizona State Issues Workgroup (AZ-SIWG) began its work. The AZ-SIWG is taking a deep dive into the Arizona Credit Union Act and will present a list of recommended changes to the Act that will be used to create a future-focused Arizona specific policy agenda in 2024-2026.

If you have questions about the 2023 legislative session or are interested in being a part of future Arizona advocacy activities, please contact Austin DeBey, Vice President of Legislative Affairs for Arizona at adebey@gowest.org



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ARIZONA CREDIT UNIONS