



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

VETOED
AMENDED

FACT SHEET FOR H.B. 2275

settlement agreements; report; approval

Purpose

Requires a city, town or county (local government) to submit a settlement agreement report to outlined parties for review before entering into a settlement agreement.

Background

The Attorney General (AG) may compromise or settle any action or claim by or against the State of Arizona or any department, board or agency thereof. If the compromise or settlement involves a particular department, board or agency of the State of Arizona, then the compromise or settlement must be first approved by the department, board or agency. If no department or agency is named or otherwise materially involved, then the Governor's approval must be first obtained. When monetary claims are made against the State of Arizona, the Director of the Arizona Department of Administration (ADOA) has limited authority to approve payments to claimants, provided that claimants meet statutorily defined timelines and that sufficient monies are available to pay the approved claims. Claims that are more than one fiscal year old and less than four fiscal years old must be presented by ADOA to the Legislature to request appropriations sufficient for payment of the claims (A.R.S. §§ [35-191](#) and [41-192](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Requires a local government, at least 90 days before entering into a settlement agreement that is \$500,000 or more, to submit a settlement agreement report to the Governor, the President of the Senate, the Speaker of the House of Representatives and the AG describing the proposed terms of the settlement agreement.
2. Requires a local government, before entering into a settlement agreement that is \$1,000,000 or more, to submit the proposed settlement agreement to the Joint Legislative Budget Committee (JLBC) for review.
3. Allows JLBC to recommend that the local government amend the proposed settlement agreement.
4. Stipulates that a finalized settlement agreement that is \$1,000,000 or more is not legally binding if it was not submitted to JLBC for review.

5. States that legally binding contracts entered into by a local government are a matter of statewide concern due to the impact on public finances, including state finances.
6. Defines *settlement agreement* as a consent decree, an agreement or any other legally binding document or representation that resolves a threatened or pending lawsuit between the State of Arizona or a political subdivision of the state and another party by requiring the state or a political subdivision to take legally binding action.
7. Excludes, from the definition of *settlement agreement*:
 - a) agreements authorized by statute to resolve construction contract disputes;
 - b) the settlement of disputes arising from audits, defaults or breaches of permits, contracts of sale, easements or leases by the Arizona State Land Department;
 - c) agreements made by ADOA to resolve construction contract claims made against the State of Arizona by contractor or subcontractors; and
 - d) the settlement of a civil litigation lawsuit involving personal injury claims.
8. Defines *settlement agreement report* as a report that contains:
 - a) a copy of the settlement agreement, unless the agreement is not allowed to be disclosed due to a court order or other legal requirement;
 - b) the total amount of the settlement and the source of the monies that it intended for use for the payment of the settlement;
 - c) the payer of the settlement;
 - d) the receipt of the payment; and
 - e) a summary of the circumstances related to the settlement.
9. Makes technical changes.
10. Becomes effective on the general effective date.

Amendments Adopted by Committee of the Whole

- Excludes the settlement of a civil litigation lawsuit involving personal injury claims from the definition of *settlement agreement*.

Governor's Veto Message

The Governor indicates in her [veto message](#) that H.B. 2275 is unnecessary and undermines separation of powers.

House Action

GOV 1/31/24 DPA 5-4-0-0
3rd Read 2/27/24 31-27-1-0-1
Final Read 5/15/24 31-26-3

Senate Action

GOV 3/21/24 DP 4-2-2
3rd Read 5/1/24 16-13-1

Vetoed by the Governor on 5/21/24

Prepared by Senate Research

May 21, 2024

AN/slp