

# ARIZONA STATE SENATE

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TO: MEMBERS OF THE SENATE  
FINANCE COMMITTEE

DATE: February 11, 2022

SUBJECT: Strike everything amendment to S.B. 1262, relating to government lending programs; auditor general

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### Purpose

Requires the Arizona Department of Administration (ADOA) to include outlined information relating to lending and credit support programs in the annual ADOA report relating to the issuance of bonds and securities (report of outstanding indebtedness).

### Background

By June 30 of each year, ADOA must ascertain and record all issues of bonds, certificates of participation or other securities issued for a term longer than one year by a state, county or other political subdivision. The record must contain outlined information, including dates of the bonds, certificates of participation and any other information required by ADOA. Reports relating to the issuance of bonds and securities must be filed within 60 days of the issuance and contain outlined information. ADOA must provide an annual report of outstanding indebtedness to the Governor, the President of the Senate and the Speaker of the House of Representatives by December 15 of each year. The annual report of outstanding indebtedness must include an analysis of any outstanding indebtedness and the relationship of the indebtedness to the appropriate constitutional debt limitations ([A.R.S. § 35-501](#)).

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

### Provisions

1. Requires ADOA to include the following information in the reports relating to the issuance of bonds and securities:
  - a) a list of each lending and credit support program and the authority for each program;
  - b) the total amount of all monies offered pursuant to lending programs, specified by program;
  - c) the total amount of all debts guaranteed or to which credit enhancements are given pursuant to credit support programs, specified by program; and
  - d) an estimate of the cost of likely defaults on lending and credit support programs, specified by program.
2. Requires ADOA to include the outlined information relating to lending and credit support programs in the annual report of outstanding indebtedness.
3. Requires ADOA to use recognized standard accounting practices in the private sector to evaluate the likelihood and cost of defaults, if practicable.

4. Defines *credit support program* as any program operated by the state or a public body that is entirely controlled or funded by the state, guarantees or provides a credit enhancement, including state support for interest or principal payments, to the debt of a private party or political subdivision and offers monies if the private party or political subdivision fails to pay the debt.
5. Defines *lending program* as any program operated by the state or a public body that is entirely controlled or funded by the state and offers monies to a private party or political subdivision with the expectation that the borrowing party will repay the monies.
6. Designates this legislation as the *Arizona State Lending Transparency Act*.
7. Make technical and conforming changes.
8. Becomes effective on the general effective date.