

# 2026 LEGISLATIVE WRAP-UP

JUNE 15, 2026



This edition provides a comprehensive overview of the Arizona Legislature’s 2026 session. Inside, you will find highlights of major bills that were passed and vetoed, key budget decision, and notable bipartisan efforts that shaped this year’s policymaking. We also cover significant debates, emerging legislative trends, and what these developments mean for our communities moving forward.

## SESSION OVERVIEW



Session Days  
155



Bills Posted  
2,030



Bills Passed  
189\*



Bills Vetoed  
63\*



Bills Signed  
126\*



Memorials &  
Resolutions Posted  
160



Memorials &  
Resolutions Passed  
28

\*Signed and vetoed bill totals subject to change pending the Governor’s action on remaining bills.

This was a record-breaking year, by a landslide, on the number of legislative proposals introduced. This session saw 2,030 bills introduced, compared to last year's 1,845, and an additional 160 memorials and resolutions. This included resurrecting 87 bills that were vetoed in previous sessions by Governor Hobbs. The surge was driven by an attempt to codify new federal law, as well as ongoing disagreements about election security and border and immigration enforcement. Lawmakers also introduced an unusually high volume of "strike everything" amendments, which remove and replace the contents of a bill entirely.

One of the main themes the 2026 legislative session was data centers, artificial intelligence, and the associated demands placed on water and energy. Arizona continues to position itself as a competitive destination for large-scale data center and AI investment due to land availability, proximity to major markets and existing infrastructure. One of the Governor's top priorities was eliminating tax incentives for infrastructure, while Republicans voiced strong support for continuing tax incentives to drive long term investment in the state. In a rare example of partisan collaboration, the Governor and legislative leadership landed on a 3-year moratorium on data center tax incentives, the first of its kind in the nation.

Tax conformity was among the most divisive topics of the session, with the Governor vetoing two majority bills early in the session that fully aligned the state with HR1, which included corporate and individual cuts. Legislative Democrats and the Governor advocated for individual cuts only. This became a key bargaining chip in budget negotiations, with the state ultimately adopting full tax conformity, the first state in the nation to do so. In exchange, several key Democratic priorities were included in the budget; most notably, a pause on data center tax incentives.

Arizona will have an earlier primary election this year because of a bill passed early this session that moves the date from August 1 to July 21. Designed to create more time for election workers to meet deadlines and for voters to correct ballot signature issues, the bill received strong bipartisan support and was one of the first bills signed into law this year.

# **BIPARTISAN BUDGET AGREEMENT**

Governor Katie Hobbs signed a bipartisan budget on June 13 after vetoing an earlier version that had passed along strict party lines, with all Democrats opposed. The budget passed with broad bipartisan support, reflecting compromise by the Governor and legislative leadership from both sides of the aisle. The Governor and Democratic leadership negotiated increased spending by approximately \$400 million. This allowed Democrats to secure key funding priorities and reduce across the board agency cuts from 5% to 2.5%. Republicans were able to secure full tax conformity, making Arizona the first state in the nation to fully align its tax code with the federal changes enacted in HR1.

## **Key Budget Provisions Include:**

**Federal Tax Conformity.** Enacting full tax conformity results in approximately \$50 million/year in cuts for businesses and individuals. The conformity provisions include elimination of taxes on tips and overtime pay, an increased standard deduction, and a new \$6,000 tax deduction for seniors.

**Data Center Tax Moratorium.** The budget includes a three-year pause on sales tax exemptions for new data centers, which is expected to save approximately \$38 million annually. This makes Arizona the first state to adopt a statewide, multi-year moratorium on new data center tax exemptions.

**State Agency Spending.** Agency operational budgets were reduced by 2.5%, eliminating 1,000 unfunded positions and requiring the sale of vacant government buildings. Three Departments, Child Safety, Public Safety and Corrections, were exempt from the 2.5% cuts.

**Food Assistance & Education.** The budget funds free school meals for two years and allocates \$235 million for food assistance programs, along with \$66 million to help public schools acquire textbooks, technology, and transportation. There are no ESA provisions in the budget. All ESA reforms will be sent to the voters to decide on in the November Election. Prop. 123, the voter approved measure dedicating \$300 million

per year to K-12 schools from State Land Trust funds, was not included in the budget, making this the second year in which these funds are being backfilled by the general fund.

**Medicaid & SNAP.** Both programs will see updated eligibility and residency requirements aimed at reducing the state's error rates and complying with federal standards. The budget also adds 163 new employees to help administer these programs, 75 new positions at AHCCCS and 88 new positions at DES. The budget includes \$4.3 million in general fund dollars to fill a hole in critical access rural hospitals, federal funding that was lost as a result of the passage of HR1. The budget places legislative oversight around the Rural Health Transformation Program, requiring AHCCCS to host more public meetings and legislative outreach before spending money on the program.

**Higher Education:** The budget includes no new funding for Maricopa and Pima Community Colleges, and it cuts budgets for universities and the Arizona Board of Regents by \$16.5 million (2.5% overall cut). The Arizona Board of Regents (ABOR) was hit with a cap of \$5 million/year in the amount it can retain from university indirect cost recoveries. Currently, the assessment generates approximately \$14 to \$16 million/year from the three state universities.

**Natural Resources & Water:** The budget and legislative session largely maintained Arizona's existing water policy framework while advancing several significant water and infrastructure priorities. The budget provides approximately \$200,000 in additional operating support for the Arizona Department of Water Resources, appropriates \$6 million to the Colorado River Litigation Fund through HB2116 to protect Arizona's interests in ongoing interstate negotiations and litigation, and preserves funding for WIFA's Long-Term Water Augmentation Fund despite transferring \$20 million from the Water Supply Development Fund to the General Fund.

Lawmakers also extended the Pinal Active Management Area Groundwater and Irrigation Efficiency Program through 2030 to support groundwater infrastructure, irrigation efficiency, agricultural well rehabilitation, and long-term water management

efforts. The budget maintains support for environmental remediation through WQARF and watershed restoration efforts through the Arizona Water Protection Fund.

Overall, the budget reflects a continued emphasis on protecting Arizona's Colorado River interests, preserving long-term water augmentation investments, supporting groundwater management programs, and maintaining infrastructure tools that promote economic growth and water reliability.

**Public Safety & Local Government:** The FY2027 budget continues Arizona's commitment to public safety and local government support through investments in county sheriff operations, detention facilities, records management systems, coordinated reentry programs, regional law enforcement coordination, and community cleanup initiatives, and a 4% stipend for correctional officers. Lawmakers addressed a projected shortfall in Arizona's emergency communications system by preserving approximately \$4 million in statewide 911 funding, ensuring continued support for Public Safety Answering Points (PSAPs), emergency dispatch centers, and Next Generation 911 infrastructure. As Arizona's population continues to grow, maintaining reliable emergency communications and public safety resources remains a critical priority for state and local governments.

**Other Highlights:** The budget includes \$48 million for childcare assistance programs, and \$58 million for child safety operations. It includes \$10 million for flood assistance for local governments impacted by flooding in Gila County. It increases the dollar amount available to mobile home owners who must relocate by \$10,000, makes more mobile home owners eligible, and creates a 40% payout for abandoned homes.

This budget amounts to a 3.1% year over year spending increase. Of note, in the last decade, year over year spending has exceeded inflation, with an average growth of 5.4% in spending and an average inflection and population growth of 4.4%. Slowing down the rate of spending below inflation and population growth was a top priority for Republicans.

# KEY LEGISLATIVE UPDATES

**Health & Human Services:** Several pieces of legislation dealing with child welfare and the Department of Child Safety passed this session. These include an omnibus bill to reform procedures around DCS policy for placement and runaway children. Additionally the Legislature passed a bill that would require the Department of Health Services and AHCCCS to review redundant and overlapping investigations and regulations. Lawmakers approved measures strengthening enforcement against patient brokering and improper financial incentives in the behavioral health and sober living industries, expanded protections for residents of assisted living and nursing facilities, updated laws governing patient access to medical records and health information, and advanced policies addressing health insurance practices and provider-patient relationships.

**K-12 Education:** The most significant and controversial measure of the session was a ballot referral, passed at the eleventh hour, that would constitutionally protect ESA eligibility for military families, which supporters framed as a protection for school choice and critics viewed as an effort to further entrench the ESA program in the Arizona Constitution. Buried in this referendum is a poison pill, which, if passed by the voters, would kill the “Protect Education Act,” the union-backed initiative that would cap the ESA program at incomes above \$150,000. The Legislature also advanced proposals directing a greater share of district spending toward classroom instruction and teacher salaries and approved legislation requiring schools to automatically place qualifying students into advanced mathematics coursework while providing parents with notice and an opportunity to opt out. Unable to reach a deal for the second session in a row on the now expired Prop 123, the voter approved 2016 initiative that provided \$300 million to K-12 schools from state trust land funds, the legislature opted to backfill the hole with general funds.

**Housing & Economic Development:** HB2999 established State Affordability Infrastructure Districts (SAIDs), creating a new financing tool that allows roads, water, wastewater, drainage, utility infrastructure, and other public improvements associated with residential development to be financed through tax-exempt bonding mechanisms.

Lawmakers also extended the construction sales tax infrastructure reimbursement program through HB4026, preserving an important economic development incentive for municipalities and developers. Combined with continued investments in transportation infrastructure, workforce development, community colleges, and water augmentation, these measures strengthen Arizona's ability to accommodate growth, attract investment, and address housing affordability challenges.

**State Land Department Continuation & Reform (SB1336):** SB1336 continues the Arizona State Land Department through July 1, 2030, while implementing significant reforms intended to improve transparency, accountability, and efficiency in the management of Arizona's state trust lands. The legislation requires the department to establish clearer timelines for permitting, leasing, land disposition decisions, and improvement approvals; publish planning documents, forms, and application requirements online; develop county-specific five-year disposition plans; and update conceptual land use plans to better guide future development and land management decisions. The bill also creates a Joint Legislative Ad Hoc Committee on State Land Oversight. Proponents of the changes say this will provide greater predictability for local governments, developers, utilities, agricultural interests, mining operations, and economic development organizations that rely on access to and development of state trust lands.

**Local Government:** HB 2096 streamlines local government processes and administrative functions, helping reduce regulatory burdens and improve municipal operations. HB 2496 provides additional flexibility for local governments in administering public infrastructure and community development projects. Both were key priorities for the League of Arizona Cities and Towns. Despite broad support from municipalities across the state, lawmakers again failed to enact meaningful short-term rental reform. HB 2429 and SB 1076 would have restored local authority to address issues associated with vacation rentals, including occupancy limits, enforcement tools, and the ability to manage rental concentrations in residential neighborhoods. The failure of these bills leaves cities and towns with limited options to address ongoing concerns related to neighborhood compatibility, public safety, and quality-of-life issues. This remains one of the League's highest-profile unresolved priorities heading into the 2027 session.

# 2027 LEGISLATIVE PREDICTIONS

Uncertainty surrounds the makeup of next year's Legislature. As of June, national polling favors Democrats, as midterm elections often become a referendum on the party in power. For the first time in 10 years, Arizona will not have a U.S. Senate race at the top of the ballot; instead, the gubernatorial race will lead the ticket. National forecasters currently rate Governor Hobbs as a slight favorite. Any shift in that outlook could significantly affect control of the Legislature. Democrats believe a Hobbs victory of five points or more could give them legislative control for the first time since the 1960s. A narrower win would likely preserve divided government. If Congressman Biggs wins, Republicans could regain control of all branches of state government.

## **A Democratic Legislature**

If Democrats gain control, their top priority would likely be to substantially reduce, if not eliminate, Educational Savings Accounts (ESAs). Broad-based tax cuts would also be unlikely, given Democratic concerns that the state is losing too much revenue.

## **Divided Government**

If government remains divided, dynamics at the Capitol would likely stay much the same. The budget process would continue to depend on member requests and vote-trading.

## **A Republican Legislature**

If Republicans control state government, they would likely push to permanently fund ESAs. Congressman Biggs has also expressed interest in eliminating the income tax and reducing programs he views as wasteful. Republican lawmakers would ultimately shape how far that agenda goes.

Arizona continues to be a key electoral battleground state, with money pouring in from countless state and national special interest groups. The outcome of the November election will determine the makeup of state government for the next two years and the future of major policy issues, including ESAs, individual income taxes, SNAP and Medicaid eligibility, and more.

Liz Goodman:  
egoodman@roselawgroup.com

Cole Libera:  
clibera@roselawgroup.com

Chris Gustafson:  
cgustafson@roselawgroup.com

Destiny Ruiz:  
druiz@roselawgroup.com