

CITY COUNCIL REPORT



Meeting Date: **January 13, 2026**
General Plan Element: **Public Services & Facilities**
General Plan Goal: **Efficiently plan and manage infrastructure, facilities, and public service operations**

ACTION

Presentation by the City's state lobbying services contractor, Dr. Marc Osborn of Kutak Rock LLP, on the upcoming 2026 Arizona Legislative Session.

BACKGROUND

The 57th Arizona State Legislature is scheduled to reconvene for its Second Regular Session on January 12, 2026. In preparation for the upcoming session, the City Council will receive an early overview of the legislative environment, state budget outlook, and major policy issues expected to be considered by the Legislature.

ANALYSIS & ASSESSMENT

Dr. Marc Osborn of Kutak Rock LLP, the City's state lobbying services contractor, will provide an overview of the 2026 legislative session, including:

- An update on the FY2027 State Budget outlook, which is projected to be extremely constrained, with limited discretionary funding available.
- Anticipated major policy issues expected to be considered during the session, including education funding, water policy, housing, infrastructure, public safety, election-related legislation and other matters affecting municipalities.
- Key legislative dynamics and timelines relevant to the City's state advocacy efforts

This briefing will assist City Council in understanding the fiscal and policy context heading into the 2026 session and ongoing direction related to the City's legislative priorities.

RESOURCE IMPACTS

There are no fiscal impacts associated with this presentation.

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

Provide direction for staff, as appropriate.

Action Taken No Action or direction required/taken/given

RESPONSIBLE DEPARTMENT

Government Relations, City Manager's Office

STAFF CONTACTS

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APPROVED BY

Jeff Walther

Jeff Walther, Assistant City Manager
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12/24/25

Date

Greg Caton

Greg Caton, City Manager
(480) 312-7759, GCaton@ScottsdaleAZ.gov

12/24/25

Date

ATTACHMENTS

1. 2026 Legislative Session Preview Presentation
2. 2026 Legislative Agenda

2026 Legislative Session Preview



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1

57th Arizona State Legislature Reconvenes

- Session convened on January 12, 2026: The 57th Legislature's Second Regular Session began with Governor Hobbs' State of the State address.
- Governor's priorities: K-12 education, infrastructure, public safety, water policy, and modernizing state government.
- Challenging fiscal backdrop: Softening revenues and General Fund pressure will constrain policy ambitions and drive difficult budget negotiations.
- Election-year dynamics: The 2026 election cycle will heavily influence legislative decision-making, making the session both politically charged and consequential.



2

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2

Arizona Budget Update



- Tight FY 2027 outlook: JLBC projects \$17.38B in revenues and \$17.31B in spending, leaving only a \$68M surplus with little margin for new initiatives or economic shocks.
- Limited flexibility: Education, Medicaid, and other formula-driven costs dominate the budget, constraining discretionary spending.
- Agencies have been instructed by the Governor to cap FY 2027 General Fund requests at 2% above FY 2026 levels
- High bar for new policies: Any major policy changes will require offsets or new sustainable revenue, making disciplined prioritization essential.

3

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3

2026 Major Issues

- **Extremely tight FY 2027 budget:** Projected \$68M balance leaves little room for new spending or error.
- **Infrastructure & capital backlog:** Water, technology, and other capital needs face funding shortfalls and likely delays.
- **Education funding pressure:** K-12 and higher ed compete for scarce dollars; Prop. 123, ESA growth, AEL limits, teacher shortages, and facilities remain key issues.
- **Medicaid (AHCCCS) risk:** Potential spending reductions, federal uncertainty, and higher administrative costs strain the budget.
- **Water, natural resources & resilience:** Long-term drought, groundwater, and climate-related infrastructure needs compete with limited funds.
- **State workforce & operations costs:** Rising employee, health, cybersecurity, and compliance costs absorb budget capacity.
- **Tax policy & economic competitiveness:** Little appetite for tax cuts amid warnings the state cannot afford revenue losses.

4

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4

2026 Major Issues

- **Housing affordability:** Renewed push for state preemption of local zoning and planning to increase housing supply.
- **Wildfire & insurance market stress:** Rising premiums and nonrenewals drive debates over mitigation and insurance regulation.
- **Election reform:** Legislature must again fix primary election timelines and will debate broader election-law changes.
- **Water policy implementation:** Ag-to-Urban groundwater program rollout, rural groundwater protections, and Colorado River negotiations.
- **State land trust reform:** Potential constitutional changes to trust distributions and land-management flexibility.
- **Border security:** Likely push for tougher enforcement bills, with expected gubernatorial vetoes.
- **Divided government:** Election-year politics heighten partisanship, limiting major bipartisan outcomes.

5

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5

2026 Anticipated Issues – Impacting Scottsdale

- **Accessory Dwelling Units (ADUs)**
 - State-mandated ADU allowances and limits on local standards
 - Local flexibility on fire safety, including sprinklers
 - Infrastructure capacity, neighborhood compatibility, and STR use
- **Affordable Housing & Housing Supply**
 - State proposals to expand housing supply and zoning preemption
 - One-size-fits-all mandates that erode local planning authority
- **Local Control & Zoning Authority**
 - Continued state preemption of municipal land-use and design review
- **Short-Term Rentals (STRs)**
 - Limited local authority under current state law
- **Public Safety & Technology**
 - Potential legislation regulating Automated License Plate Readers (ALPRs)
 - Photo radar bills

6

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6

2026 Anticipated Issues – Impacting Scottsdale

- **Fiscal Stability & Revenue**
 - Local taxing and fee-setting authority
 - Unfunded mandates and diversion of state-shared revenues
 - Public Notice Publishing Bills
 - Impacts from the One Big Beautiful Bill Act
- **Transportation & Infrastructure**
 - Transportation planning and funding
 - Infrastructure investments
- **Water & Environmental Policy**
 - Water sustainability and long-term resource planning

7

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7

Key Session Dates & Deadlines

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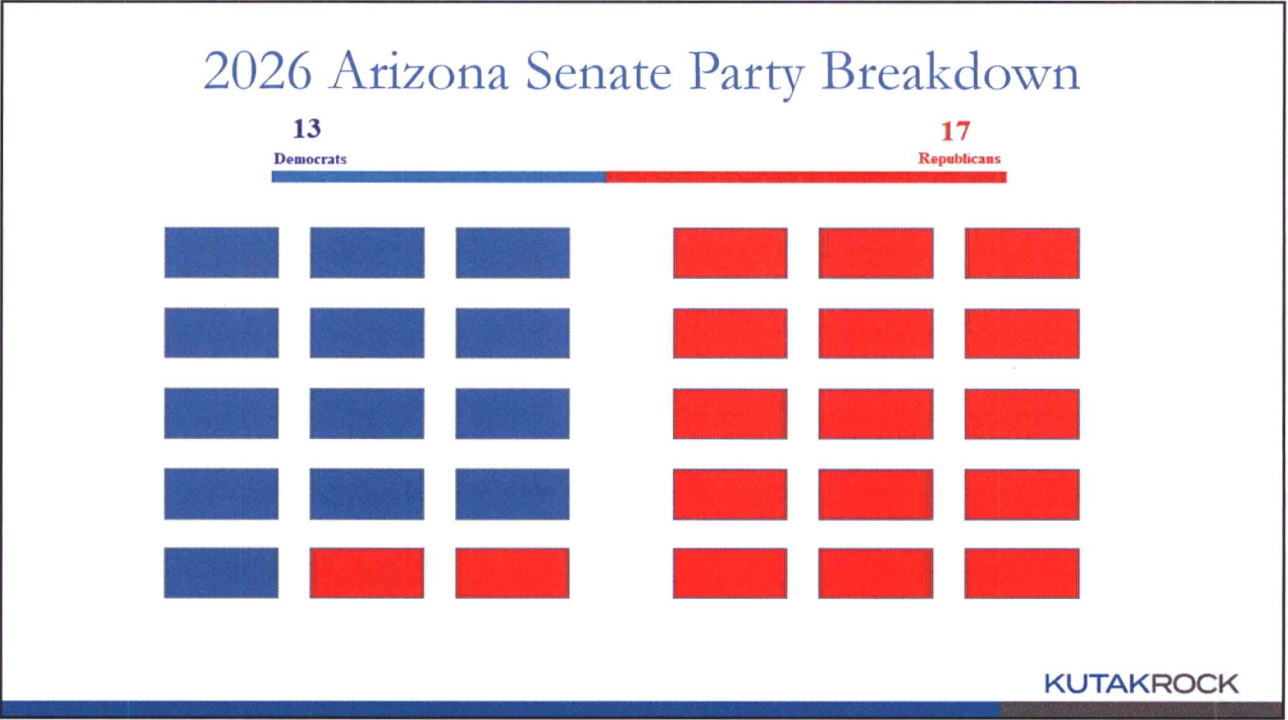
8

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8



9



10

AZ Senate Majority Leadership Team



President Warren Petersen (R)



Majority Leader John Kavanagh (R)



Majority Whip Frank Carroll (R)

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11

AZ Senate Minority Leadership Team



Minority Leader Priya Sundareshan (D)



Assistant Minority Leader Catherine Miranda (D)



Minority Caucus Leader Lela Alston (D)



Minority Whip Rosanna Gabaldón (D)

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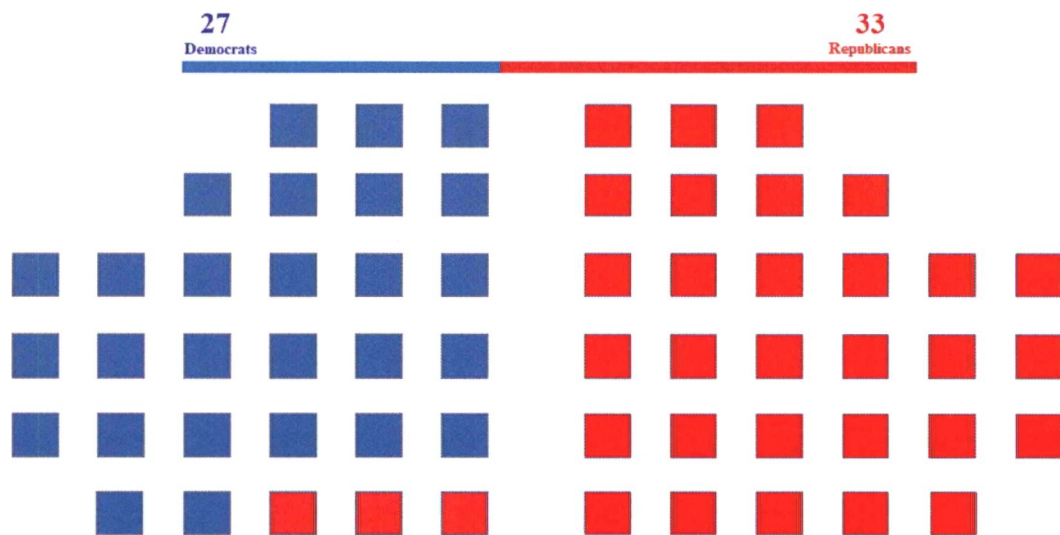
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12



13

2026 Arizona House Party Breakdown

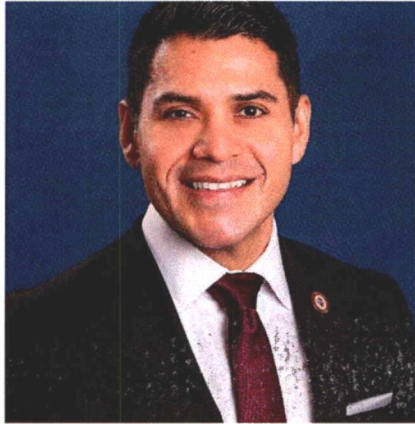


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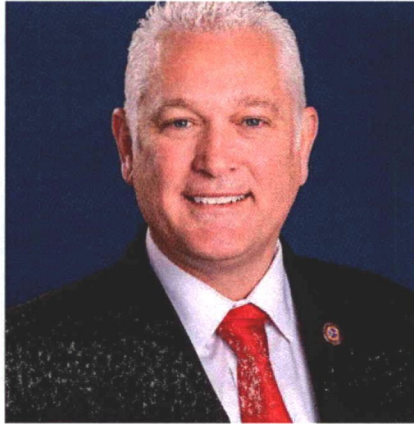
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14

AZ House Majority Leadership Team



Speaker of the House Steve Montenegro (R)



Majority Leader Michael Carbone (R)



Majority Whip Julie Willoughby (R)

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15

AZ House Minority Leadership Team



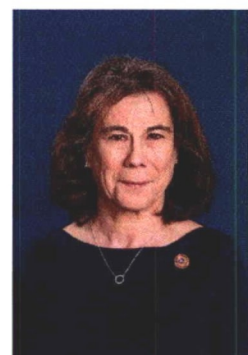
Minority Leader Oscar De Los Santos (D)



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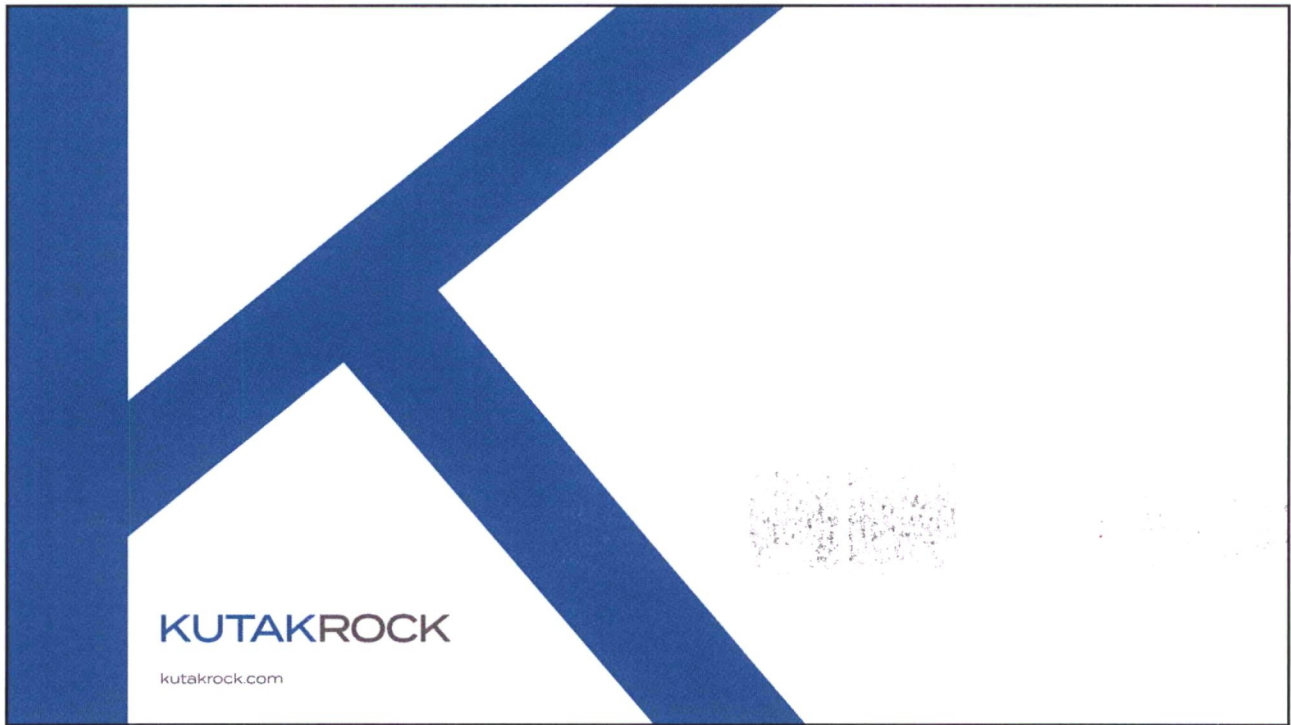
Co-Minority Whip Quantá Crews (D)



Co-Minority Whip Stacey Travers (D)

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16





City of Scottsdale

2026 Legislative Agenda

57th Arizona Legislature - Second Regular Session

119th United States Congress

CORE PRINCIPLES

RESPECT SCOTTSDALE'S UNIQUE CHARACTER AND CULTURE

Safeguard the attributes that define Scottsdale's voter-approved community vision, including exceptional experiences, outstanding livability, community prosperity, public engagement, and a distinctive character that sets the City apart.

PRESERVE LOCAL FUNDING

Preserve stable and diversified local revenue sources that sustain essential city services, long-term infrastructure investment, and the high-quality of community amenities that define Scottsdale's expectational livability.

SUPPORT LOCAL AUTHORITY

Champion local decision-making and collaborative governance that empower Scottsdale to address community needs, uphold resident priorities, and maintain flexibility in implementing locally responsive solutions.

POLICY STATEMENTS

COMMUNITY PROSPERITY

The City of Scottsdale fosters a diverse and resilient economy by advancing initiatives that attract investment, create quality jobs, and sustain the City's distinctive character while supporting tourism, aviation, and long-term economic vitality.

- Advance initiatives that drive job creation, innovation, and balanced growth.
- Encourage state and regional policies that attract and retain high-quality employers.
- Strengthen Arizona's competitive position as a host for major events and tourism.
- Advocate for federal and state aviation funding and reauthorization policies that support Scottsdale Airport's infrastructure needs and operational growth.
- Support revitalization and upgrades to information technology systems and infrastructure that improve reliability while decreasing costs and maintaining confidentiality, privacy, and security.

FINANCE

The City of Scottsdale promotes fiscal stability and local financial autonomy by endorsing initiatives that protect and maintain critical revenue streams, and ensure the City retains the resources necessary to provide essential services and sustain long-term financial health.

- Preserve local taxing and fee authority, including transaction privilege tax (TPT), tourism/bed taxes, and user fees, and oppose preemption of local revenue tools.
- Maintain state-shared revenues from sales, income, and other taxes, opposing any action that would reduce these revenues, whether directly or indirectly.

- Support solutions that offset lost federal, state, or local revenues from state or federal actions, and restore or replace impacted revenue streams.
- Strengthen the stability of public retirement systems and reduce unfunded liabilities by coordinating with state partners to maintain prior pension reforms.
- Protect municipal utility rate-setting authority.
- Preserve state and local government ability to use tax-exempt bonds as a primary tool for providing infrastructure, opposing any actions that eliminate tax-exemption and increase borrowing costs.

OUTSTANDING LIVABILITY

The City of Scottsdale promotes outstanding livability by endorsing initiatives that protect community character, preserve local authority, and enhance the quality of life for residents.

- Oppose efforts to limit municipal authority and affirm the right of local governments to control land use, zoning, design review, permitting, historic preservation, and fiscally responsible development.
- Oppose actions that negatively alter or remove the City's important and long-established ordinances and design standards in the natural environment and the McDowell Sonoran Preserve.
- Strengthen local government tools to manage the impacts of short-term rentals, safeguarding long-term housing availability and neighborhood livability through locally tailored regulation and effective enforcement.
- Preserve effective and efficient approaches to public transparency and community engagement that embrace innovation, reduce administrative barriers, and timely access to information for residents and stakeholders.
- Ensure the City actively engages in aviation policy and technology improvements that enhance air traffic efficiency while minimizing community impacts.

PUBLIC SAFETY

The City of Scottsdale advances public safety and criminal justice as a collaborative partner, endorsing initiatives that protect residents, enhance operation, integrity and effectiveness, and promote trust and well-being in the community.

- Advance public safety and criminal justice initiatives that protect residents from crime, leverage technology, and uphold the City's Public Safety Plan Ordinance.
- Promote the responsible and transparent use of emerging technologies.
- Prioritize and invest in the mental, physical and emotional well-being of public safety employees through access to counseling, peer support, and wellness resources.
- Maintain a highly qualified public safety workforce through policies that support competitive compensation, modern training, and access to current equipment and resources.
- Support policies that protect and enhance the City's ability to provide emergency medical services and pre-hospital transportation services for residents and visitors.

- Preserve strong local authority over building and fire codes and fireworks regulation to reduce fire risk and protect neighborhoods, businesses, and preserved open spaces.
- Support coordinated wildfire prevention and emergency response strategies that integrate technology, expand interagency preparedness, and strengthen protection of neighborhoods, open spaces, and natural resources.

TRANSPORTATION

The City of Scottsdale engages in transportation policy and planning as a collaborative partner, endorsing and aligning with initiatives that enhance safety, mobility, and economic vitality, while preserving local input and oversight.

- Endorse initiatives that maintain and improve roads, bridges, and related infrastructure to ensure safe, efficient, and reliable travel for residents, businesses and visitors.
- Advocate for responsible innovation and funding of transportation tools, technologies, and projects that enhance traffic management, safety, and connectivity.
- Align with regional and state transportation planning efforts that complement the City's priorities, while preserving Scottsdale's ability to exercise input and oversight.
- Facilitate collaboration on projects that support economic competitiveness, including infrastructure improvements that promote commerce, tourism, and essential services.
- Engage in regional, state, and federal transportation coordination efforts to advocate balanced funding, multimodal connectivity, and infrastructure investments that enhance safety, mobility, and economic vitality.

WATER

The City of Scottsdale is committed to ensuring a sustainable and resilient water future by endorsing policies that enhance water conservation, support innovative water management practices and preserves local authority to manage and plan water resources effectively.

- Promote policies that encourage water conservation, recycling and augmentation strategies, while enhancing tools for reliable local water management.
- Support initiatives that protect Arizona's Colorado River entitlements, contractual rights, and priority usage through coordinated water-management actions, while integrating Scottsdale's water priorities into state, regional and federal Colorado River policy frameworks.
- Promote funding, incentives and statutory tools to reduce reliance on groundwater, bolster supply resilience, and encourage participation in water-saving programs.
- Oppose initiatives that weaken water supply safeguards.

Approved by Scottsdale City Council on November 17, 2025.

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Arizona Senate



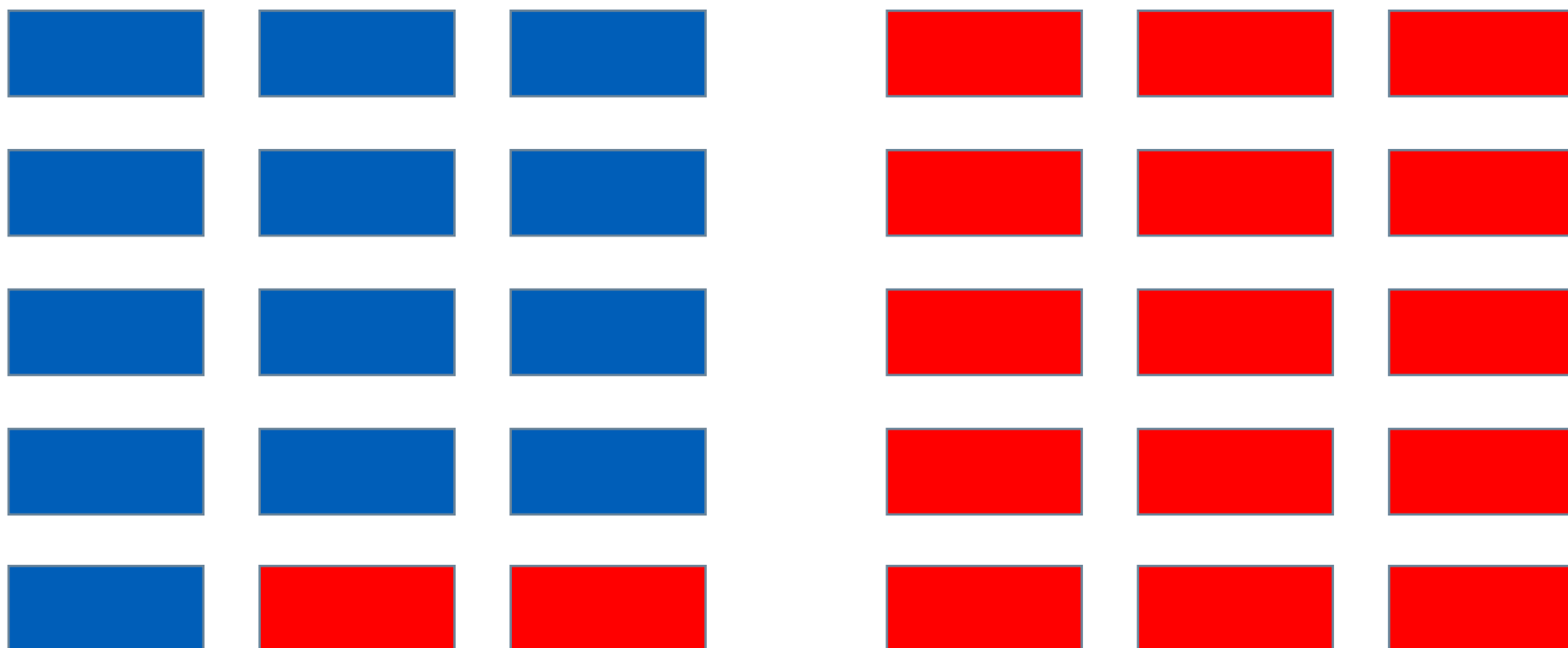
2026 Arizona Senate Party Breakdown

13

Democrats

17

Republicans



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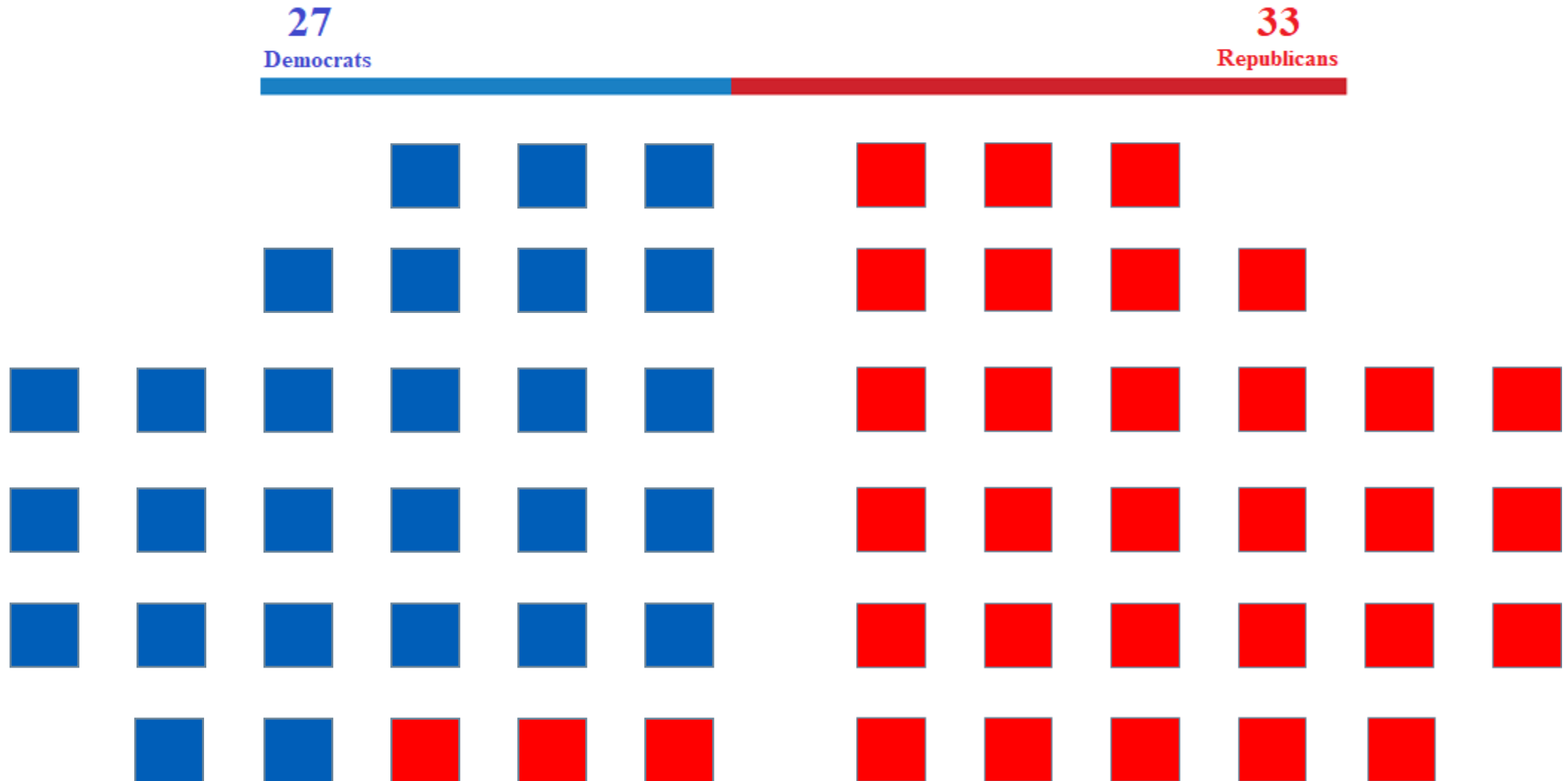


Minority Whip Rosanna Gabaldón (D)



Arizona House of Representatives

2026 Arizona House Party Breakdown



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