

**ANSWERS TO FREQUENTLY ASKED TECHNICAL QUESTIONS
SB1376 – THE PROSPERITY STATES COMPACT**

Common Technical Questions	Answers
Where is the county opt-out language?	<ul style="list-style-type: none"> • Article III, section 8 (AZ bill, p.21:9)
Where is the municipal opt-in language?	<ul style="list-style-type: none"> • Article VII, section 5(E)(2) (AZ bill, p.38:33-41) excludes land from being eligible for district formation if within the territorial or extraterritorial jurisdiction of a municipality unless local law consents to inclusion. • Article III, section 9 (AZ bill, p.21:33) provides further details on how such local law consent is given.
Where is the language that makes the formation process 100% consensual among affected landowners and electors?	<ul style="list-style-type: none"> • Article IV, section 1(A) (AZ bill, p.24: 12-28) specifies petitioners must attest to such 100% consent and provide verifiable contact information. • Article VII, section 5(B) (AZ bill, p.38:11) excludes land from being eligible for district formation unless it is held free and clear or anyone claiming interests (such as rights of way) consents to inclusion.
Where are criminal laws, national security laws, judicial jurisdiction, legal process, law enforcement agency jurisdiction preserved?	<ul style="list-style-type: none"> • Article II, section 2(D)(1) (AZ bill, pp.5:21-45, 6:1-8), section 2(D)(5) (AZ bill, p.8:16-22), provides the baseline authority. • Article III, sections 4(B) (AZ bill, p.17:8-23), section 7 (AZ bill, pp.20-21:37-45, 1-8), augments this to include the entire legal status quo
Where are the prohibitions on the district exercising taxing authority and eminent domain authority?	<ul style="list-style-type: none"> • Article II, section 2(C)(6) (AZ bill, p.4:40-43)
Where is the eminent domain authority of outside state agencies and political subdivisions specified?	<ul style="list-style-type: none"> • Article II, section 2(D)(4) (AZ bill, pp.7:6-45, 8:1-15)
Where is the water law/conservation framework preserved?	<ul style="list-style-type: none"> • Article III, section 4(A) and (G) (AZ bill, p.16: 44-45; pp.17:45, 18:1-6)

**ANSWERS TO FREQUENTLY ASKED TECHNICAL QUESTIONS
SB1376 – THE PROSPERITY STATES COMPACT**

Where is the public utility law framework preserved?	<ul style="list-style-type: none"> • Article III, section 4(R) (AZ bill, p.19:1-10)
Where are the “optimal regulation” criteria?	<ul style="list-style-type: none"> • Article II, section 3 (AZ bill, p. 8:38-45, pp. 9-11)
Where is jurisdiction for outside state agencies and political subdivisions to remedy causes of externalities (inc. environmental law violations) preserved?	<ul style="list-style-type: none"> • Article II, section 2(D)(2) (AZ bill, p.6:9-29) • Article VII, subsection 4 (AZ bill, pp. 37:42-45, 38:1-4) defines “district externality.”
Where is federal primacy preserved for outside state agencies and political subdivisions to enforce environmental and other laws?	<ul style="list-style-type: none"> • Article III, section 6 (AZ bill, pp.19: 21-45, 20:1-36)
Where is the guarantee that there will be no fiscal cost to the state?	<ul style="list-style-type: none"> • Article II, section 2(D)(3) (AZ bill, pp.6:30-45, 7:1-5) holds external agencies and political subdivisions harmless for cost of external services by persons domiciled in district. • Article III, section 3(D) and (E) (AZ bill, pp.15:24-45, 16:1-8) ensures that landowners forming a district must agree to a foreclosable lien on their property to secure a promise to pay at least as much revenue to revenue authorities as were generated in the prior fiscal year from all sources within the district. • Article III, section 2 (AZ bill, pp. 13:7-14, 24-32, 14:6-15) implements the above guarantee in a suggested land covenant that guarantees state taxing authorities the greater of a percentage of unimproved land value or prior fiscal year revenues. • Article III, subsection 10 (AZ bill, pp. 22:19-45, 23:1-25) empowers political subdivisions to obtain a reasonable performance bond/surety to recoup

**ANSWERS TO FREQUENTLY ASKED TECHNICAL QUESTIONS
SB1376 – THE PROSPERITY STATES COMPACT**

	<p>rehabilitation costs for abandoned or withdrawn district properties</p>
<p>What are the limits on a district’s “exclusive jurisdiction?”</p>	<ul style="list-style-type: none"> • Article II, section 2(C) (AZ bill, p.3:18-19) contemplates governance by outside agencies that is authorized by the compact. • Article II, section 2(E) (AZ bill, p.8:23-24) states that the exclusive jurisdiction of a prosperity district is "subject to section 2(D) of this Article and Articles III, V and VI." • Article II, section 2(D) (AZ bill, pp.5:18-45, 6, 7, 8:1-22) states the exclusive jurisdiction of the Prosperity District is subject to concurrent state and federal law enforcement, judicial, eminent domain and externality remedial jurisdiction. • Article III, section 4 (AZ bill, pp. 16: 32-45, 17, 18:1-14) lays out a broad array of other policy areas where the exclusive jurisdiction of Prosperity Districts would also be so limited. • Article III, section 6 (AZ bill, pp.19: 21-45, 20:1-36) preserves federal primacy and jurisdiction to ensure district cannot imperil federal grants • Article VII, section 13 (AZ bill, p.40:21-24) defines Prosperity Districts as a political subdivision of the state.
<p>What are the checks and balances on a district?</p>	<ul style="list-style-type: none"> • Article II, section 2(A) (AZ bill, p.1:44-45) denies districts sovereign immunity. • Article II, section 2(B) (AZ bill, p.2:7-9) deems district managing board literal fiduciaries. • Article II, section 2(B)(1) (AZ bill, p.2:10-13) emphasizes board appointment/election must comply with state and federal constitutions. • Article II, section 2(B)(4) (AZ bill, p.2:33-35) imposes separation of powers on board action. • Article II, section 2(B)(5) (AZ bill, pp.2:36-45, 3:1-12) imposes stringent transparency requirements. • Article II, section 2(C) (AZ bill, pp.3:13-19) delegates strictly limited power to district consisting of

ANSWERS TO FREQUENTLY ASKED TECHNICAL QUESTIONS
SB1376 – THE PROSPERITY STATES COMPACT

	<p>limited police powers, total outsourcing of services, and borrowing capacity limited to net assets.</p> <ul style="list-style-type: none">• Article II, section 2(C)(6) (AZ bill, p.4:37-43) permits only “essential” incidental power and expressly precludes such incidental power from including taxation, eminent domain, civil forfeiture, subsidies, monopolization, acceptance of government grants, or delegations of authority.• Article II, section 3 (AZ bill, p. 8:38-45, pp. 9-11) ensures only least restrictive regulation is used.• Article II, section 3(E) (AZ bill, p.11:22-33) automatically sunsets district regulations every 5 years.• Article II, section 4 (AZ bill, p.11:34-43) burden of proof placed on any proponent of eminent domain, regulation or taxation (including district) to prove with clear and convincing evidence that such action was properly authorized and enforced.• Article III, section 6 (AZ bill, pp.19: 21-45, 20:1-36) gives states broad authority to put district in receivership if it imperils federal mandates or grant conditions.• Article IV, section 2 (AZ bill, pp.26:26-45, 27:1-33) allows for multiple pathways for withdrawal from district and reversion of lands to original jurisdictions.• Article VI, section 2 (AZ bill, p. 33:26-34) state governors appoint commissioners to oversight commission.• Article VI, section 10 (AZ bill, pp.35:28-45, 36:1-15) gives persons residing and doing business in districts the option of compelling district to participate in compact commission supervised alternative dispute resolution, while preserving all of their court remedies as well.
--	---