



Lawmakers from around the state returned to the Capitol today, convening the 2026 legislative session. They arrived with many ideas about what they hope to achieve. [Republican](#) and [Democratic](#) caucuses rolled out their goals for the year and even before the session began, individual lawmakers had already introduced almost [400 proposals](#). Hundreds more will come in [the next few weeks](#).

Governor Katie Hobbs (D) has her own ideas about what policymakers' priorities should be this year, and she outlined those goals in her [State of the State speech to the legislature](#). Her speech focused on affordability, connecting Arizonans' cost of living and housing prices to a variety of policy topics.

She called on legislators to:

- **Cut Taxes**

The Governor reiterated her call for the legislature to approve her [tax cut package](#), which implements some of the recent federal tax cuts at the state level. She condemned tax cuts designed to help high-income taxpayers, and criticized [other provisions of H.R. 1](#) that [will impact](#) resources for Medicaid and food assistance.

- **Increase Efficiency**

The Governor referenced her plan for an Arizona Capacity and Efficiency Initiative, which she believes will to save the state up to \$100 million within the next three budget cycles. Additional details on this Initiative will be in the Governor's budget announcement on Friday.

- **Provide More Assistance for Housing & Energy Costs**

Governor Hobbs announced a plan for a new Housing Acceleration Fund – a public-private partnership to speed up the availability of affordable housing. Her budget will invest \$2.5 million in the program. She also proposed a new Arizona Affordability Fund to help working-class families pay utility bills and make their homes more energy efficient. The Governor's budget will direct \$20 million to start the effort, but she intends for it to eventually be funded through a new \$3.50 nightly fee on short-term rentals in Arizona.

- **Fund Education and Limit Empowerment Scholarship Accounts (ESA)**

The Governor reiterated her plan to continue [Proposition 123](#)'s funding for education, and continued her call for limits and more accountability on ESAs. ESA accountability is a goal she has prioritized every year, and she is staunchly supported by legislative Democrats. Legislative Republicans have repeatedly blocked Democrats' efforts to limit access to ESAs, though, and they began today with their repeated pledge to prevent any limits on ESA participation.

- **Protect Water Resources**

The Governor announced a [new Active Management Area](#) for La Paz County, and pledged to continue to fight for Arizona's share of [Colorado River water](#). Her budget will propose a \$30 million investment in a new Colorado River Protection Fund to enhance conservation efforts and sustainable economic development. Under the Governor's plan, the Fund would receive ongoing resources through the elimination of an existing tax exemption for [data centers](#).

The Governor sought a bipartisan tone to her speech, kicking off an election year by highlighting her action on border security, water resources, and medical debt. The week is unlikely to continue in a bipartisan way, though, as a high-stakes [fight about tax cuts](#) plays out at the Capitol. Rather than enact the Governor's plan for tax cuts, House and Senate Republicans plan to fast-track [their tax cut proposal](#) that includes more reductions than the Governor's plan. The House Ways & Means Committee and the Senate Finance Committee plan to hold [a rare joint hearing](#) on the Republican-sponsored bills on Wednesday.