

REFERENCE TITLE: **postsecondary education reforms**

State of Arizona  
House of Representatives  
Fiftieth Legislature  
Second Regular Session  
2012

# **HB 2391**

Introduced by  
Representative Pratt

**AN ACT**

**AMENDING TITLE 15, CHAPTER 14, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1851.01; AMENDING TITLE 15, CHAPTER 14, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1857; AMENDING SECTION 43-1022, ARIZONA REVISED STATUTES; MAKING APPROPRIATIONS; RELATING TO POSTSECONDARY EDUCATION.**

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 15, chapter 14, article 5, Arizona Revised Statutes,  
3 is amended by adding section 15-1851.01, to read:

4 15-1851.01. Commission for postsecondary education; university  
5 centers pilot program; program termination

6 A. THE COMMISSION FOR POSTSECONDARY EDUCATION SHALL DEVELOP, IMPLEMENT  
7 AND ADMINISTER A FIVE YEAR UNIVERSITY CENTERS PILOT PROGRAM. THE COMMISSION  
8 SHALL ESTABLISH UNIVERSITY CENTERS IN TWO DIFFERENT COUNTIES WITH A  
9 POPULATION OF EIGHT HUNDRED THOUSAND PERSONS OR LESS. THE COMMISSION SHALL  
10 SELECT THE UNIVERSITY CENTER SITES BASED ON PROPOSALS SUBMITTED BY A  
11 COMMUNITY COLLEGE, A COMMUNITY COLLEGE DISTRICT, A UNIVERSITY UNDER THE  
12 JURISDICTION OF THE ARIZONA BOARD OF REGENTS, A PRIVATE POSTSECONDARY  
13 EDUCATION INSTITUTION IN THIS STATE OR A PARTNERSHIP COMPOSED OF ANY  
14 COMBINATION OF THESE ENTITIES. PROPOSALS SUBMITTED PURSUANT TO THIS  
15 SUBSECTION SHALL INCLUDE EACH OF THE FOLLOWING COMPONENTS:

16 1. EVIDENCE THAT ACCESS TO BACCALAUREATE DEGREE PROGRAMS IS LIMITED IN  
17 THAT GEOGRAPHIC AREA.

18 2. A DESCRIPTION OF THE PROPOSED BACCALAUREATE DEGREE PROGRAMS TO BE  
19 OFFERED IN ADDITION TO BACCALAUREATE DEGREES OFFERED BY NORTHERN ARIZONA  
20 UNIVERSITY.

21 3. EVIDENCE OF SUFFICIENT STUDENT DEMAND FOR THE PROPOSED  
22 BACCALAUREATE DEGREE PROGRAMS.

23 4. EVIDENCE OF COMMUNITY SUPPORT FOR THE PROPOSED UNIVERSITY CENTER  
24 AND THE PROPOSED BACCALAUREATE DEGREE PROGRAMS.

25 5. EVIDENCE OF THE LONG-TERM COMMITMENT OF THE INITIAL PROPONENTS OF  
26 THE UNIVERSITY CENTER.

27 6. A DESCRIPTION OF THE DELIVERY METHODS TO BE USED TO MAXIMIZE  
28 STUDENT ACCESS TO COURSES AND PROGRAMS.

29 7. A DESCRIPTION OF THE FACILITIES, EQUIPMENT AND OTHER RESOURCES  
30 NECESSARY FOR THE UNIVERSITY CENTER. THE COMMISSION SHALL GIVE PRIORITY TO  
31 PROPOSALS THAT MAXIMIZE THE USE OF EXISTING INFRASTRUCTURE.

32 8. A DESCRIPTION OF THE PROPOSED EVALUATION SYSTEM TO ASSESS COSTS AND  
33 THE ENROLLMENT AND PERFORMANCE OF BACCALAUREATE STUDENTS, INCLUDING RETENTION  
34 RATES, GRADUATION RATES AND TRANSFER RATES.

35 9. A DESCRIPTION OF THE PROPOSED ACADEMIC AND FINANCIAL AID SERVICES.

36 10. EVIDENCE OF COLLABORATION WITH PUBLIC AND PRIVATE PROVIDERS OF  
37 BACCALAUREATE DEGREES.

38 B. THE PROGRAM ESTABLISHED BY THIS SECTION ENDS ON JULY 1, 2017  
39 PURSUANT TO SECTION 41-3102.

40 Sec. 2. Title 15, chapter 14, article 5, Arizona Revised Statutes, is  
41 amended by adding section 15-1857, to read:

42 15-1857. University access grant pilot program; fund; program  
43 termination; definition

44 A. THE COMMISSION FOR POSTSECONDARY EDUCATION SHALL DEVELOP, IMPLEMENT  
45 AND ADMINISTER A FIVE YEAR UNIVERSITY ACCESS GRANT PILOT PROGRAM. THE

1 COMMISSION SHALL DEVELOP APPLICATION FORMS, PROCEDURES AND DEADLINES AND  
2 SHALL SELECT QUALIFYING STUDENTS EACH YEAR FOR PARTICIPATION IN THE  
3 UNIVERSITY ACCESS GRANT PILOT PROGRAM. PARTICIPATING FULL-TIME STUDENTS  
4 SHALL RECEIVE A GRANT IN AN AMOUNT OF UP TO TWO THOUSAND FIVE HUNDRED DOLLARS  
5 ANNUALLY TO BE USED TO PAY ALL OR A PORTION OF THE TUITION, BOOKS AND FEES  
6 CHARGED FOR UPPER DIVISION COURSES AT THE PUBLIC OR PRIVATE POSTSECONDARY  
7 INSTITUTION FOR A MAXIMUM OF SIX CONSECUTIVE SEMESTERS. PARTICIPATING  
8 HALF-TIME STUDENTS SHALL RECEIVE A GRANT IN AN AMOUNT OF UP TO ONE THOUSAND  
9 TWO HUNDRED FIFTY DOLLARS ANNUALLY TO BE USED TO PAY ALL OR A PORTION OF THE  
10 TUITION, BOOKS AND FEES CHARGED FOR UPPER DIVISION COURSES AT THE PUBLIC OR  
11 PRIVATE POSTSECONDARY INSTITUTION FOR A MAXIMUM OF TWELVE CONSECUTIVE  
12 SEMESTERS. A STUDENT WHO IS AWARDED A GRANT PURSUANT TO THIS SECTION MAY USE  
13 A PORTION OF THE GRANT TO LEASE COMPUTER EQUIPMENT AND OBTAIN INTERNET ACCESS  
14 IF THE STUDENT DOES NOT CURRENTLY HAVE ACCESS TO A COMPUTER.

15 B. A STUDENT WHO MEETS ALL OF THE FOLLOWING CRITERIA IS ELIGIBLE TO  
16 SUBMIT AN APPLICATION FOR CONSIDERATION BY THE COMMISSION FOR A GRANT UNDER  
17 THE UNIVERSITY ACCESS GRANT PILOT PROGRAM:

18 1. HAS OBTAINED AN ASSOCIATE DEGREE FROM A COMMUNITY COLLEGE DISTRICT  
19 OR FROM A COMMUNITY COLLEGE UNDER THE JURISDICTION OF AN INDIAN TRIBE IN THIS  
20 STATE THAT MEETS THE SAME ACCREDITATION STANDARDS AS A COMMUNITY COLLEGE  
21 DISTRICT OR HAS OBTAINED AT LEAST SIXTY CREDIT HOURS OF TRANSFERABLE LOWER  
22 DIVISION COURSEWORK.

23 2. REGISTERS FOR ENROLLMENT AS A STUDENT IN A BACCALAUREATE PROGRAM AT  
24 AN ACCREDITED PUBLIC OR PRIVATE POSTSECONDARY INSTITUTION IN THIS STATE THAT  
25 AWARDS FOUR YEAR DEGREES.

26 3. DEMONSTRATES TO THE SATISFACTION OF THE COMMISSION EITHER OF THE  
27 FOLLOWING:

28 (a) THAT THE STUDENT IS UNABLE TO PARTICIPATE IN BACCALAUREATE COURSE  
29 OFFERINGS AT A PUBLIC POSTSECONDARY INSTITUTION BECAUSE THE STUDENT RESIDES  
30 MORE THAN TEN MILES FROM THE NEAREST CAMPUS OF A PUBLIC POSTSECONDARY  
31 INSTITUTION THAT OFFERS BACCALAUREATE DEGREES.

32 (b) WORK OBLIGATIONS, FAMILY OBLIGATIONS OR OTHER PERSONAL OBLIGATIONS  
33 OR PERSONAL SITUATIONS PREVENT THE STUDENT FROM PARTICIPATING IN  
34 BACCALAUREATE COURSE OFFERINGS.

35 4. HAS NOT OBTAINED A BACCALAUREATE OR PROFESSIONAL DEGREE.

36 5. IS A RESIDENT OF THIS STATE.

37 6. DEMONSTRATES FINANCIAL NEED FOR THE GRANT TO THE SATISFACTION OF  
38 THE COMMISSION.

39 C. IN ADDITION TO THE ELIGIBILITY CRITERIA PRESCRIBED IN SUBSECTION B  
40 OF THIS SECTION, THE COMMISSION SHALL CONSIDER OTHER POTENTIAL SOURCES OF  
41 FINANCIAL AID FOR EACH APPLICANT TO ENSURE THAT THE GRANTS ARE AWARDED TO  
42 STUDENTS WHO DEMONSTRATE THE GREATEST FINANCIAL NEED.

43 D. THE COMMISSION SHALL GIVE PRIORITY TO GRANT APPLICANTS WHO ARE  
44 PURSUING A DEGREE IN EMPLOYMENT AREAS THAT ARE UNDERSERVED IN THE APPLICANT'S  
45 COMMUNITY.

1 E. THE UNIVERSITY ACCESS GRANT PROGRAM FUND IS ESTABLISHED CONSISTING  
2 OF LEGISLATIVE APPROPRIATIONS. THE COMMISSION SHALL ADMINISTER THE FUND.  
3 MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE  
4 PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS. THE  
5 COMMISSION SHALL MAKE AWARDS FOR PAYMENT OF TUITION AT ELIGIBLE COLLEGES OR  
6 UNIVERSITIES TO STUDENTS WHO ARE SELECTED TO PARTICIPATE IN THE UNIVERSITY  
7 ACCESS GRANT PILOT PROGRAM PURSUANT TO SUBSECTION A OF THIS SECTION.

8 F. THE COMMISSION SHALL DEVELOP A PROGRAM EVALUATION PROCEDURE IN  
9 ORDER TO DETERMINE THE EFFECTIVENESS OF THE UNIVERSITY ACCESS GRANT PILOT  
10 PROGRAM AND TO DETERMINE THE EXTENT AND DISTRIBUTION OF STUDENTS ELIGIBLE FOR  
11 PARTICIPATION IN THE PROGRAM.

12 G. A STUDENT WHO FAILS TO RECEIVE A BACCALAUREATE DEGREE WITHIN A FOUR  
13 YEAR PERIOD OF RECEIPT OF THE PROGRAM AWARD SHALL REIMBURSE THE UNIVERSITY  
14 ACCESS GRANT PROGRAM FUND FOR ALL GRANTS RECEIVED PURSUANT TO SUBSECTION A OF  
15 THIS SECTION.

16 H. THE PROGRAM ESTABLISHED BY THIS SECTION ENDS ON JULY 1, 2017  
17 PURSUANT TO SECTION 41-3102.

18 I. FOR THE PURPOSES OF THIS SECTION, "COMMUNITY COLLEGE DISTRICT"  
19 MEANS A COMMUNITY COLLEGE DISTRICT THAT IS ESTABLISHED PURSUANT TO SECTIONS  
20 15-1402 AND 15-1403 OR SECTION 15-1402.01 AND THAT IS A POLITICAL SUBDIVISION  
21 OF THIS STATE.

22 Sec. 3. Section 43-1022, Arizona Revised Statutes, is amended to read:  
23 43-1022. Subtractions from Arizona gross income

24 In computing Arizona adjusted gross income, the following amounts shall  
25 be subtracted from Arizona gross income:

26 1. The amount of exemptions allowed by section 43-1023.

27 2. Benefits, annuities and pensions in an amount totaling not more  
28 than two thousand five hundred dollars received from one or more of the  
29 following:

30 (a) The United States government service retirement and disability  
31 fund, retired or retainer pay of the uniformed services of the United States,  
32 the United States foreign service retirement and disability system and any  
33 other retirement system or plan established by federal law.

34 (b) The Arizona state retirement system, the corrections officer  
35 retirement plan, the public safety personnel retirement system, the elected  
36 officials' retirement plan, an optional retirement program established by the  
37 Arizona board of regents under section 15-1628, an optional retirement  
38 program established by a community college district board under section  
39 15-1451 or a retirement plan established for employees of a county, city or  
40 town in this state.

41 3. A beneficiary's share of the fiduciary adjustment to the extent  
42 that the amount determined by section 43-1333 decreases the beneficiary's  
43 Arizona gross income.

44 4. The amount of any distributions from an individual retirement  
45 account as provided for in section 408 of the internal revenue code or from a

1 qualified retirement plan of a self-employed individual as provided for in  
2 section 401 of the internal revenue code to the extent that total adjustments  
3 made pursuant to this paragraph in all tax years do not exceed the total of  
4 all contributions made by the taxpayer to such plans prior to December 31,  
5 1975, which were included in computing Arizona taxable income.

6 5. The amount of income on an installment receivable which is  
7 recognized pursuant to the internal revenue code and which has already been  
8 recognized on the death of the taxpayer for purposes of this title for tax  
9 years ending before January 1, 1990.

10 6. Interest income received on obligations of the United States, less  
11 any interest on indebtedness, or other related expenses, and deducted in  
12 arriving at Arizona gross income, which were incurred or continued to  
13 purchase or carry such obligations.

14 7. The amount of any income tax refunds which were received from  
15 states other than Arizona and which were included as income in computing  
16 federal adjusted gross income.

17 8. Annuity income included in federal adjusted gross income pursuant  
18 to section 72 of the internal revenue code if the first payment with respect  
19 to such annuity was received prior to December 31, 1978.

20 9. The excess of a partner's share of income required to be included  
21 under section 702(a)(8) of the internal revenue code over the income required  
22 to be included under chapter 14, article 2 of this title.

23 10. The excess of a partner's share of partnership losses determined  
24 pursuant to chapter 14, article 2 of this title over the losses allowable  
25 under section 702(a)(8) of the internal revenue code.

26 11. The amount by which the adjusted basis of property described in  
27 this paragraph and computed pursuant to this title and the income tax act of  
28 1954, as amended, exceeds the adjusted basis of such property computed  
29 pursuant to the internal revenue code. This paragraph shall apply to all  
30 property which is held for the production of income and which is sold or  
31 otherwise disposed of during the taxable year other than depreciable property  
32 used in a trade or business.

33 12. The amount allowed by section 43-1024 for amortization, by a  
34 qualified defense contractor certified by the Arizona commerce authority  
35 under section 41-1508, of a capital investment for private commercial  
36 activities.

37 13. The amount of gain included in federal adjusted gross income on the  
38 sale or other disposition of a capital investment that a qualified defense  
39 contractor has elected to amortize pursuant to section 43-1024.

40 14. The amount allowed by section 43-1025 for contributions during the  
41 taxable year of agricultural crops to charitable organizations.

42 15. The portion of any wages or salaries paid or incurred by the  
43 taxpayer for the taxable year that is equal to the amount of the federal work  
44 opportunity credit, the empowerment zone employment credit, the credit for  
45 employer paid social security taxes on employee cash tips and the Indian

1 employment credit that the taxpayer received under sections 45A, 45B, 51(a)  
2 and 1396 of the internal revenue code.

3 16. The amount of prizes or winnings less than five thousand dollars in  
4 a single taxable year from any of the state lotteries established and  
5 operated pursuant to title 5, chapter 5, article 1, except that all such  
6 winnings before March 22, 1983, including periodic distributions from such  
7 winnings made after March 22, 1983, may be subtracted.

8 17. The amount of exploration expenses that is determined pursuant to  
9 section 617 of the internal revenue code, that has been deferred in a taxable  
10 year ending before January 1, 1990 and for which a subtraction has not  
11 previously been made. The subtraction shall be made on a ratable basis as  
12 the units of produced ores or minerals discovered or explored as a result of  
13 this exploration are sold.

14 18. The amount included in federal adjusted gross income pursuant to  
15 section 86 of the internal revenue code, relating to taxation of social  
16 security and railroad retirement benefits.

17 19. To the extent not already excluded from Arizona gross income under  
18 the internal revenue code, compensation received for active service as a  
19 member of the reserves, the national guard or the armed forces of the United  
20 States, including compensation for service in a combat zone as determined  
21 under section 112 of the internal revenue code.

22 20. The amount of unreimbursed medical and hospital costs, adoption  
23 counseling, legal and agency fees and other nonrecurring costs of adoption  
24 not to exceed three thousand dollars. In the case of a husband and wife who  
25 file separate returns, the subtraction may be taken by either taxpayer or may  
26 be divided between them, but the total subtractions allowed both husband and  
27 wife shall not exceed three thousand dollars. The subtraction under this  
28 paragraph may be taken for the costs that are described in this paragraph and  
29 that are incurred in prior years, but the subtraction may be taken only in  
30 the year during which the final adoption order is granted.

31 21. The amount authorized by section 43-1027 for the taxable year  
32 relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

33 22. With respect to a medical savings account established pursuant to  
34 section 43-1028:

35 (a) An eligible individual may subtract:

36 (i) The amount of contributions made by the individual's employer  
37 during the taxable year to the individual's medical savings account pursuant  
38 to section 43-1028 to the extent that the employer contributions are included  
39 in the individual's federal adjusted gross income.

40 (ii) The amount deposited by the individual in the account during the  
41 taxable year to the extent that the individual's contributions are included  
42 in the individual's federal adjusted gross income.

43 (b) The individual's employer may subtract the amount of contributions  
44 made by the employer to a medical savings account established on the

1 individual's behalf to the extent that the contributions are not deductible  
2 under the internal revenue code.

3 23. The amount by which a net operating loss carryover or capital loss  
4 carryover allowable pursuant to section 43-1029, subsection F exceeds the net  
5 operating loss carryover or capital loss carryover allowable pursuant to  
6 section 1341(b)(5) of the internal revenue code.

7 24. Any amount of qualified educational expenses that is distributed  
8 from a qualified state tuition program determined pursuant to section 529 of  
9 the internal revenue code and that is included in income in computing federal  
10 adjusted gross income.

11 25. Any item of income resulting from an installment sale that has been  
12 properly subjected to income tax in another state in a previous taxable year  
13 and that is included in Arizona gross income in the current taxable year.

14 26. The amount authorized by section 43-1030 relating to holocaust  
15 survivors.

16 27. The amount authorized by section 43-1031 for constructing an energy  
17 efficient residence.

18 28. An amount equal to the depreciation allowable pursuant to section  
19 167(a) of the internal revenue code for the taxable year computed as if the  
20 election described in section 168(k)(2)(D)(iii) of the internal revenue code  
21 had been made for each applicable class of property in the year the property  
22 was placed in service.

23 29. With respect to property that is sold or otherwise disposed of  
24 during the taxable year by a taxpayer that complied with section 43-1021,  
25 paragraph 26 with respect to that property, the amount of depreciation that  
26 has been allowed pursuant to section 167(a) of the internal revenue code to  
27 the extent that the amount has not already reduced Arizona taxable income in  
28 the current or prior taxable years.

29 30. With respect to property for which an adjustment was made under  
30 section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of  
31 the adjustment pursuant to section 43-1021, paragraph 27 in the year in which  
32 the amount was adjusted under section 43-1021, paragraph 27 and in each of  
33 the following four years.

34 31. ~~For taxable years beginning from and after December 31, 2007~~  
35 ~~through December 31, 2012,~~ The amount contributed during the taxable year to  
36 college savings plans established pursuant to section 529 of the internal  
37 revenue code to the extent that the contributions were not deducted in  
38 computing federal adjusted gross income. The amount subtracted shall not  
39 exceed:

40 (a) Seven hundred fifty dollars for a single individual or a head of  
41 household.

42 (b) One thousand five hundred dollars for a married couple filing a  
43 joint return. In the case of a husband and wife who file separate returns,  
44 the subtraction may be taken by either taxpayer or may be divided between

1 them, but the total subtractions allowed both husband and wife shall not  
2 exceed one thousand five hundred dollars.

3 32. To the extent not already excluded from Arizona gross income under  
4 the internal revenue code, the amount authorized by section 43-1032 for  
5 displaced pupils choice grants.

6 33. The amount of any original issue discount that was deferred and not  
7 allowed to be deducted in computing federal adjusted gross income or federal  
8 taxable income in the current taxable year pursuant to section 108(i) of the  
9 internal revenue code as added by section 1231 of the American recovery and  
10 reinvestment act of 2009 (P.L. 111-5).

11 34. The amount of previously deferred discharge of indebtedness income  
12 that is included in the computation of federal adjusted gross income or  
13 federal taxable income in the current taxable year pursuant to section 108(i)  
14 of the internal revenue code as added by section 1231 of the American  
15 recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the  
16 amount was previously added to Arizona gross income pursuant to section  
17 43-1021, paragraph 33.

18 35. The portion of the net operating loss carryforward that would have  
19 been allowed as a deduction in the current year pursuant to section 172 of  
20 the internal revenue code if the election described in section 172(b)(1)(H)  
21 of the internal revenue code had not been made in the year of the loss that  
22 exceeds the actual net operating loss carryforward that was deducted in  
23 arriving at federal adjusted gross income. This subtraction only applies to  
24 taxpayers who made an election under section 172(b)(1)(H) of the internal  
25 revenue code as amended by section 1211 of the American recovery and  
26 reinvestment act of 2009 (P.L. 111-5) or as amended by section 13 of the  
27 worker, homeownership, and business assistance act of 2009 (P.L. 111-92).

28 36. For taxable years beginning from and after December 31, 2013, the  
29 amount of any net capital gain included in federal adjusted gross income for  
30 the taxable year derived from investment in a qualified small business as  
31 determined by the Arizona commerce authority pursuant to section 41-1518.

32 Sec. 4. Appropriation; university access grant program fund;  
33 exemption

34 A. The sum of \$2,000,000 is appropriated from the state general fund  
35 in fiscal year 2012-2013 to the commission for postsecondary education for  
36 deposit in the university access grant program fund established by section  
37 15-1855, Arizona Revised Statutes, as added by this act.

38 B. Of the monies appropriated pursuant to subsection A of this  
39 section, no more than \$200,000 shall be used by the commission for  
40 postsecondary education for administrative costs.

41 C. The appropriation made in subsection A of this section is exempt  
42 from the provisions of section 35-190, Arizona Revised Statutes, relating to  
43 lapsing of appropriations.

1           Sec. 5. Appropriation: university centers pilot program:  
2                                   exemption

3           A. The sum of \$5,000,000 is appropriated from the state general fund  
4 in fiscal year 2012-2013 to the commission for postsecondary education for  
5 the costs to implement and maintain the university centers pilot program  
6 established by section 15-1851.01, Arizona Revised Statutes, as added by this  
7 act.

8           B. Of the monies appropriated pursuant to subsection A of this  
9 section, no more than \$500,000 shall be used by the commission for  
10 postsecondary education for administrative costs.

11           C. The appropriation made in subsection A of this section is exempt  
12 from the provisions of section 35-190, Arizona Revised Statutes, relating to  
13 lapsing of appropriations.