

REFERENCE TITLE: community college tuition financing districts

State of Arizona
House of Representatives
Fifty-second Legislature
First Regular Session
2015

HB 2414

Introduced by
Representative Stevens

AN ACT

AMENDING SECTIONS 15-784, 15-1401, 15-1402.01, 15-1409, 15-1468, 15-1472, 15-1481, 42-5029 AND 42-17056, ARIZONA REVISED STATUTES; RELATING TO COMMUNITY COLLEGES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-784, Arizona Revised Statutes, is amended to
3 read:

4 15-784. Vocational education; acceptance of congressional acts;
5 appropriation; distribution of federal monies

6 A. The state assents to the provisions and accepts the benefits of the
7 vocational education act of 1917, as amended, and the Carl D. Perkins
8 vocational education act of 1984, as amended by the Carl D. Perkins
9 vocational and applied technological education act amendments of 1990, as
10 amended by the Carl D. Perkins vocational and applied technology act of 1998.

11 B. The state board of education is the state board of vocational
12 education for the purposes of the acts. The state treasurer is designated
13 custodian for vocational education for the purposes of the acts. The state
14 treasurer shall receive and provide for the custody and disbursement of all
15 monies paid to the state for the purposes of vocational education.

16 C. There is appropriated from the general fund of the state sufficient
17 monies to meet the requirements of the acts of Congress.

18 D. The state board of education may distribute the monies it receives
19 as provided in subsection A **OF THIS SECTION** to any eligible recipient of the
20 monies under the federal law.

21 E. The state board of education shall distribute to the community
22 college districts in this state at least fifteen ~~per-cent~~ **PERCENT** of the
23 monies received as provided in subsection A **OF THIS SECTION**. ~~Provisional~~
24 Community college **TUITION FINANCING** districts are not eligible to receive
25 monies pursuant to this section.

26 Sec. 2. Section 15-1401, Arizona Revised Statutes, is amended to read:
27 15-1401. Definitions

28 In this chapter, unless the context otherwise requires:

29 1. "Accredited" means accredited by a regional accrediting agency
30 recognized by the United States department of education or by the council on
31 postsecondary accreditation.

32 2. "Additional short-term classes" means those classes that are not in
33 session on the forty-fifth day of the fall or spring semester, that commence
34 at various times during the fiscal year and that are offered over a period of
35 less than sixteen weeks.

36 3. "Budget year" means the fiscal year for which the community college
37 district is budgeting and that immediately follows the current year.

38 4. "Community college" means an educational institution that is
39 operated by a district board and that provides a program not exceeding two
40 years' training in the arts, sciences and humanities beyond the twelfth grade
41 of the public or private high school course of study or vocational education,
42 including terminal courses of a technical and vocational nature and basic
43 adult education courses.

44 5. **"COMMUNITY COLLEGE TUITION FINANCING DISTRICT" MEANS A DISTRICT**
45 **THAT IS ORGANIZED PURSUANT TO SECTION 15-1409.**

1 ~~5.~~ 6. "Current year" means the fiscal year in which the community
2 college district is operating.

3 ~~6.~~ 7. "District" means a community college district that is
4 established pursuant to sections 15-1402 and 15-1403 or section 15-1402.01
5 and that is a political subdivision of this state and, unless otherwise
6 specified, includes ~~provisional~~ community college TUITION FINANCING districts
7 established pursuant to section 15-1409.

8 ~~7.~~ 8. "District board" means the community college district governing
9 board.

10 ~~8.~~ 9. "Full-time equivalent student" means student enrollment for
11 fifteen community college semester credit units per semester.

12 ~~9.~~ 10. "Open entry, open exit classes" means those classes in which
13 students enter or exit based on mastery of specified competencies and that
14 commence at various times during the fiscal year.

15 ~~10.~~ 11. "Operational expense budget" means the budget as adopted by
16 the district board pursuant to section 15-1461.

17 ~~11.~~ 12. "Operational expenses" means the administration, instruction,
18 operation of community college plant, maintenance of community college plant,
19 fixed charges and contingencies incurred in the operation of a district
20 exclusive of all capital outlay items, special levies, auxiliary enterprise
21 funds, restricted funds and bond service items.

22 ~~12. "Provisional community college district" means a community college~~
23 ~~district organized pursuant to section 15-1409.~~

24 Sec. 3. Section 15-1402.01, Arizona Revised Statutes, is amended to
25 read:

26 15-1402.01. Alternative organization for community college
27 districts

28 A. A county that does not meet the requirements prescribed in section
29 15-1402 may organize a community college district under this chapter if all
30 of the following requirements have been met:

31 1. A provisional community college district THAT BEGAN OPERATIONS
32 BEFORE JANUARY 1, 2015 has been in operation in that county for at least five
33 years immediately before the formation of the proposed community college
34 district pursuant to this section.

35 2. The most recent number of full-time equivalent student enrollment
36 calculated pursuant to section 15-1466.01 for the provisional community
37 college district is at least nine hundred.

38 3. The proposed community college district is actively seeking
39 accreditation from a regional accrediting agency recognized by the United
40 States department of education or by the council on postsecondary
41 accreditation.

42 4. A member of the public requests, or the governing board schedules,
43 public meetings to discuss and hear testimony on the conversion of the
44 provisional community college district to an independent community college
45 district.

1 ~~provisional~~ community college TUITION FINANCING district directly to the
2 qualified electors of the county at a special or general election called for
3 that purpose as prescribed in section 16-204 and title 35, chapter 3, article
4 3. The resolution adopted by the county board of supervisors shall include a
5 statement that the primary property tax levy limit for the ~~provisional~~
6 community college TUITION FINANCING district shall be no less than the levy
7 limit of the most recently formed community college district in this state.

8 D. Except as provided in this section, a ~~provisional community college~~
9 ~~district governing board~~ COUNTY BOARD OF SUPERVISORS has the same powers and
10 duties specified in section 15-1444 for community college districts.

11 E. A ~~provisional~~ community college TUITION FINANCING district shall
12 not award degrees, certificates or diplomas.

13 F. A ~~provisional~~ community college TUITION FINANCING district is not
14 eligible to receive equalization aid pursuant to section 15-1468 or state
15 contribution for capital outlay for initial or additional campuses pursuant
16 to section 15-1463.

17 G. The state aid eligibility requirements prescribed in section
18 15-1466, subsection E, paragraphs 1 and 2 do not apply to ~~provisional~~
19 community college TUITION FINANCING districts.

20 H. Notwithstanding any other law, the same student shall not be
21 counted twice as a full-time equivalent student in both a ~~provisional~~
22 community college TUITION FINANCING district and a community college
23 district. Notwithstanding any other law, beginning with the fiscal year
24 after the year in which the ~~provisional~~ community college TUITION FINANCING
25 district is formed and has established its primary tax rate, a district that
26 provides services in a ~~provisional~~ COMMUNITY COLLEGE TUITION FINANCING
27 district pursuant to section 15-1470 shall no longer count these students in
28 the district's full-time equivalent student count.

29 I. If a ~~provisional~~ community college TUITION FINANCING district is
30 converted into a community college district by the formation of a community
31 college district pursuant to section 15-1402 or 15-1402.01, the ~~provisional~~
32 community college TUITION FINANCING district is dissolved and any equipment,
33 property, personnel, liabilities and assets are transferred to the community
34 college district.

35 J. If a ~~provisional~~ community college TUITION FINANCING district is
36 formed in a county that provides reimbursement for the attendance of
37 nonresident state students pursuant to section 15-1469, that county shall
38 continue to provide reimbursement payments to community college districts as
39 set forth in section 15-1469 until the fiscal year in which a qualifying levy
40 is adopted and budgeted in support of the ~~provisional~~ community college
41 TUITION FINANCING district by the ~~governing board of the provisional~~
42 ~~community college district~~ COUNTY BOARD OF SUPERVISORS. The total
43 reimbursement payments due to other community college districts in any fiscal
44 year pursuant to section 15-1469 shall be reduced by the amount of any
45 nonqualifying levy expended in the prior fiscal year. This reduction shall

1 be shared by each community college district that receives a reimbursement
2 payment from the county based on that community college district's
3 proportionate number of full-time equivalent students from the county where
4 the ~~provisional~~ community college TUITION FINANCING district is located. For
5 the purposes of this subsection:

6 1. "Nonqualifying levy" means a levy that is adopted to support the
7 ~~provisional~~ community college TUITION FINANCING district and that is less
8 than the amount of a qualifying levy.

9 2. "Qualifying levy" means a levy that is at least equal to the sum of
10 the reimbursement payments and the amount of the community college services
11 provided in the fiscal year immediately before the year that a levy was first
12 adopted to support the operations of the ~~provisional~~ community college
13 TUITION FINANCING district.

14 K. The board of supervisors of a county that has formed a ~~provisional~~
15 community college TUITION FINANCING district by majority vote may enter into
16 an intergovernmental agreement to loan monies to the ~~governing board of the~~
17 ~~provisional~~ community college TUITION FINANCING district in an amount that
18 does not exceed two hundred thousand dollars. Any loan pursuant to this
19 subsection shall be repaid from the next scheduled collection of property
20 taxes to fund the ~~provisional~~ community college TUITION FINANCING district.
21 The annual interest charges on any loan pursuant to this subsection shall not
22 exceed five ~~per-cent~~ PERCENT.

23 L. A ~~provisional~~ community college TUITION FINANCING district may
24 issue bonds for capital outlay purposes in the same manner prescribed in
25 section 15-1465 for community college districts. The ~~governing board of the~~
26 ~~provisional community college district~~ COUNTY BOARD OF SUPERVISORS is solely
27 responsible for determining the encumbrance and approval of the expenditure
28 of the proceeds of the bonds issued pursuant to this subsection and shall not
29 delegate or transfer this authority to any other entity.

30 M. NOTWITHSTANDING ANY OTHER LAW, A PROVISIONAL COMMUNITY COLLEGE
31 DISTRICT THAT BEGAN OPERATIONS BEFORE JANUARY 1, 2015:

32 1. MAY CONTINUE TO OPERATE AS A PROVISIONAL COMMUNITY COLLEGE
33 DISTRICT. THE GOVERNING BOARD OF A PROVISIONAL COMMUNITY COLLEGE DISTRICT
34 THAT BEGAN OPERATIONS BEFORE JANUARY 1, 2015 SHALL CONTINUE TO BE ELECTED IN
35 THE SAME MANNER PRESCRIBED IN SECTION 15-1441.

36 2. IS NOT ELIGIBLE TO RECEIVE MONIES PURSUANT TO SECTION 15-784 OR
37 SECTION 15-1472, SUBSECTION D, PARAGRAPH 2, SUBDIVISION (a).

38 3. IS NOT ELIGIBLE FOR EQUALIZATION AID PURSUANT TO SECTION 15-1468.

39 4. IS NOT A BOARD AS DEFINED IN SECTION 15-1481.

40 5. UNLESS OTHERWISE SPECIFIED, IS A COMMUNITY COLLEGE DISTRICT FOR
41 PURPOSES OF SECTION 42-5029.

42 6. IS NOT SUBJECT TO SECTION 42-17056.

1 subsection E, paragraph 3 to each district in accordance with the method
2 prescribed in subsection D, paragraph 2 of this section.

3 D. Revenues authorized for community college districts in section
4 42-5029, subsection E, paragraph 3 shall be distributed by the state in the
5 following manner:

6 1. For thirteen fiscal years beginning in fiscal year 2001-2002 the
7 state treasurer shall allocate one million dollars per fiscal year for the
8 purpose of bringing this state into compliance with the matching capital
9 requirements prescribed in section 15-1463. The state treasurer shall
10 distribute the monies authorized in this subsection to each district in the
11 order in which each campus qualified for funding pursuant to section 15-1463.

12 2. After the monies have been paid each year to the eligible districts
13 pursuant to paragraph 1 of this subsection, the state treasurer shall
14 distribute monies from the workforce development fund to each community
15 college district in the following manner:

16 (a) Each district shall receive the sum of two hundred thousand
17 dollars. This subdivision does not apply to a ~~provisional~~ community college
18 **TUITION FINANCING** district established pursuant to section 15-1409.

19 (b) After each district has received the payments prescribed in
20 subdivision (a) of this paragraph, the remainder of monies in the fund shall
21 be distributed to each district according to each district's full-time
22 equivalent student enrollment percentage of the total statewide audited
23 full-time equivalent student enrollment in the preceding fiscal year
24 prescribed in section 15-1466.01. The percentage distribution under this
25 subdivision shall be adjusted annually on October 1 of each year.

26 E. Revenues received by community college districts shall not be used
27 by the legislature to supplant or reduce any state aid authorized in this
28 chapter or supplant any proceeds from the sale of bonds authorized in this
29 article and article 5 of this chapter.

30 F. Monies received under this section shall not be considered to be
31 local revenues for purposes of article IX, section 21, Constitution of
32 Arizona.

33 G. Each community college district or community college that is owned,
34 operated or chartered by a qualifying Indian tribe on its own Indian
35 reservation shall submit a report once every two years of its workforce
36 development plan activities and the expenditures authorized in this section
37 to the governor, president of the senate, speaker of the house of
38 representatives, joint legislative budget committee and Arizona commerce
39 authority by December 1 of every even-numbered year. The report shall
40 include the purpose and goals for which the workforce development monies were
41 expended by each district or community college together with a general
42 accounting of the expenditures authorized in subsection B of this section. A
43 copy of the final report shall also be provided to the secretary of state.
44 For the purposes of this subsection, "qualifying Indian tribe" has the same
45 meaning prescribed in section 42-5031.01.

1 Sec. 7. Section 15-1481, Arizona Revised Statutes, is amended to read:
2 15-1481. Definitions

3 In this article, unless the context otherwise requires:

4 1. "Acquire" includes purchase, erect, build, construct, reconstruct,
5 repair, replace, extend, better, furnish, equip, develop, improve and
6 embellish.

7 2. "Board" means the governing board of a community college district
8 or its successors, but does not include ~~provisional~~ community college **TUITION**
9 **FINANCING** districts as prescribed in section 15-1409.

10 3. "Bonds" means any bonds issued pursuant to this article.

11 4. "Federal agency" means the housing and home finance agency, the
12 United States of America or any of its officers or agencies designated or
13 created to make grants or loans of monies for public construction work.

14 5. "Institution" means any community college district that is
15 organized in this state pursuant to section 15-1402 or 15-1402.01, but does
16 not include ~~provisional~~ community college **TUITION FINANCING** districts as
17 prescribed in section 15-1409.

18 6. "Project" means one or more classrooms, student or faculty
19 residence halls, dormitories, dining halls, student union buildings, field
20 houses, stadia and other revenue producing buildings located at the
21 institution, together with sites for the buildings, and includes equipment,
22 furnishings, heating, lighting and other service facilities in connection
23 with the buildings.

24 Sec. 8. Section 42-5029, Arizona Revised Statutes, is amended to read:
25 42-5029. Remission and distribution of monies; definition

26 A. The department shall deposit, pursuant to sections 35-146 and
27 35-147, all revenues collected under this article and articles 4, 5 and 8 of
28 this chapter pursuant to section 42-1116, separately accounting for:

29 1. Payments of estimated tax under section 42-5014, subsection D.

30 2. Revenues collected pursuant to section 42-5070.

31 3. Revenues collected under this article and article 5 of this chapter
32 from and after June 30, 2000 from sources located on Indian reservations in
33 this state.

34 4. Revenues collected pursuant to section 42-5010, subsection G and
35 section 42-5155, subsection D.

36 B. The department shall credit payments of estimated tax to an
37 estimated tax clearing account and each month shall transfer all monies in
38 the estimated tax clearing account to a fund designated as the transaction
39 privilege and severance tax clearing account. The department shall credit
40 all other payments to the transaction privilege and severance tax clearing
41 account, separately accounting for the monies designated as distribution base
42 under sections 42-5010, 42-5164, 42-5205 and 42-5353. Each month the
43 department shall report to the state treasurer the amount of monies collected
44 pursuant to this article and articles 4, 5 and 8 of this chapter.

1 C. On notification by the department, the state treasurer shall
2 distribute the monies deposited in the transaction privilege and severance
3 tax clearing account in the manner prescribed by this section and by sections
4 42-5164, 42-5205 and 42-5353, after deducting warrants drawn against the
5 account pursuant to sections 42-1118 and 42-1254.

6 D. Of the monies designated as distribution base the department shall:
7 1. Pay twenty-five per cent to the various incorporated municipalities
8 in this state in proportion to their population to be used by the
9 municipalities for any municipal purpose.

10 2. Pay 38.08 per cent to the counties in this state by averaging the
11 following proportions:

12 (a) The proportion that the population of each county bears to the
13 total state population.

14 (b) The proportion that the distribution base monies collected during
15 the calendar month in each county under this article, section 42-5164,
16 subsection B, section 42-5205, subsection B and section 42-5353 bear to the
17 total distribution base monies collected under this article, section 42-5164,
18 subsection B, section 42-5205, subsection B and section 42-5353 throughout
19 the state for the calendar month.

20 3. Pay an additional 2.43 per cent to the counties in this state as
21 follows:

22 (a) Average the following proportions:

23 (i) The proportion that the assessed valuation used to determine
24 secondary property taxes of each county, after deducting that part of the
25 assessed valuation that is exempt from taxation at the beginning of the month
26 for which the amount is to be paid, bears to the total assessed valuations
27 used to determine secondary property taxes of all the counties after
28 deducting that portion of the assessed valuations that is exempt from
29 taxation at the beginning of the month for which the amount is to be paid.
30 Property of a city or town that is not within or contiguous to the municipal
31 corporate boundaries and from which water is or may be withdrawn or diverted
32 and transported for use on other property is considered to be taxable
33 property in the county for purposes of determining assessed valuation in the
34 county under this item.

35 (ii) The proportion that the distribution base monies collected during
36 the calendar month in each county under this article, section 42-5164,
37 subsection B, section 42-5205, subsection B and section 42-5353 bear to the
38 total distribution base monies collected under this article, section 42-5164,
39 subsection B, section 42-5205, subsection B and section 42-5353 throughout
40 the state for the calendar month.

41 (b) If the proportion computed under subdivision (a) of this paragraph
42 for any county is greater than the proportion computed under paragraph 2 of
43 this subsection, the department shall compute the difference between the
44 amount distributed to that county under paragraph 2 of this subsection and
45 the amount that would have been distributed under paragraph 2 of this

1 subsection using the proportion computed under subdivision (a) of this
 2 paragraph and shall pay that difference to the county from the amount
 3 available for distribution under this paragraph. Any monies remaining after
 4 all payments under this subdivision shall be distributed among the counties
 5 according to the proportions computed under paragraph 2 of this subsection.

6 4. After any distributions required by sections 42-5030, 42-5030.01,
 7 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer to
 8 the water quality assurance revolving fund as required by section 49-282,
 9 subsection B, credit the remainder of the monies designated as distribution
 10 base to the state general fund. From this amount the legislature shall
 11 annually appropriate to:

12 (a) The department of revenue sufficient monies to administer and
 13 enforce this article and articles 5 and 8 of this chapter.

14 (b) The department of economic security monies to be used for the
 15 purposes stated in title 46, chapter 1.

16 (c) The firearms safety and ranges fund established by section 17-273,
 17 fifty thousand dollars derived from the taxes collected from the retail
 18 classification pursuant to section 42-5061 for the current fiscal year.

19 E. If approved by the qualified electors voting at a statewide general
 20 election, all monies collected pursuant to section 42-5010, subsection G and
 21 section 42-5155, subsection D shall be distributed each fiscal year pursuant
 22 to this subsection. The monies distributed pursuant to this subsection are
 23 in addition to any other appropriation, transfer or other allocation of
 24 public or private monies from any other source and shall not supplant,
 25 replace or cause a reduction in other school district, charter school,
 26 university or community college funding sources. The monies shall be
 27 distributed as follows:

28 1. If there are outstanding state school facilities revenue bonds
 29 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
 30 amount that is necessary to pay the fiscal year's debt service on outstanding
 31 state school improvement revenue bonds for the current fiscal year shall be
 32 transferred each month to the school improvement revenue bond debt service
 33 fund established by section 15-2084. The total amount of bonds for which
 34 these monies may be allocated for the payment of debt service shall not
 35 exceed a principal amount of eight hundred million dollars exclusive of
 36 refunding bonds and other refinancing obligations.

37 2. After any transfer of monies pursuant to paragraph 1 of this
 38 subsection, twelve per cent of the remaining monies collected during the
 39 preceding month shall be transferred to the technology and research
 40 initiative fund established by section 15-1648 to be distributed among the
 41 universities for the purpose of investment in technology and research-based
 42 initiatives.

43 3. After the transfer of monies pursuant to paragraph 1 of this
 44 subsection, three per cent of the remaining monies collected during the
 45 preceding month shall be transferred to the workforce development account

1 established in each community college district pursuant to section 15-1472
2 for the purpose of investment in workforce development programs.

3 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
4 subsection, one-twelfth of the amount a community college that is owned,
5 operated or chartered by a qualifying Indian tribe on its own Indian
6 reservation would receive pursuant to section 15-1472, subsection D,
7 paragraph 2 if it were a community college district shall be distributed each
8 month to the treasurer or other designated depository of a qualifying Indian
9 tribe. Monies distributed pursuant to this paragraph are for the exclusive
10 purpose of providing support to one or more community colleges owned,
11 operated or chartered by a qualifying Indian tribe and shall be used in a
12 manner consistent with section 15-1472, subsection B. For the purposes of
13 this paragraph, "qualifying Indian tribe" has the same meaning as defined in
14 section 42-5031.01, subsection D.

15 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
16 subsection, one-twelfth of the following amounts shall be transferred each
17 month to the department of education for the increased cost of basic state
18 aid under section 15-971 due to added school days and associated teacher
19 salary increases enacted in 2000:

20 (a) In fiscal year 2001-2002, \$15,305,900.

21 (b) In fiscal year 2002-2003, \$31,530,100.

22 (c) In fiscal year 2003-2004, \$48,727,700.

23 (d) In fiscal year 2004-2005, \$66,957,200.

24 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
25 \$86,280,500.

26 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
27 subsection, seven million eight hundred thousand dollars is appropriated each
28 fiscal year, to be paid in monthly installments, to the department of
29 education to be used for school safety as provided in section 15-154 and two
30 hundred thousand dollars is appropriated each fiscal year, to be paid in
31 monthly installments to the department of education to be used for the
32 character education matching grant program as provided in section 15-154.01.

33 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
34 subsection, no more than seven million dollars may be appropriated by the
35 legislature each fiscal year to the department of education to be used for
36 accountability purposes as described in section 15-241 and title 15, chapter
37 9, article 8.

38 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
39 subsection, one million five hundred thousand dollars is appropriated each
40 fiscal year, to be paid in monthly installments, to the failing schools
41 tutoring fund established by section 15-241.

42 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
43 subsection, twenty-five million dollars shall be transferred each fiscal year
44 to the state general fund to reimburse the general fund for the cost of the
45 income tax credit allowed by section 43-1072.01.

1 10. After the payment of monies pursuant to paragraphs 1 through 9 of
2 this subsection, the remaining monies collected during the preceding month
3 shall be transferred to the classroom site fund established by section
4 15-977. The monies shall be allocated as follows in the manner prescribed by
5 section 15-977:

6 (a) Forty per cent shall be allocated for teacher compensation based
7 on performance.

8 (b) Twenty per cent shall be allocated for increases in teacher base
9 compensation and employee related expenses.

10 (c) Forty per cent shall be allocated for maintenance and operation
11 purposes.

12 F. The department shall credit the remainder of the monies in the
13 transaction privilege and severance tax clearing account to the state general
14 fund, subject to any distribution required by section 42-5030.01.

15 G. Notwithstanding subsection D of this section, if a court of
16 competent jurisdiction finally determines that tax monies distributed under
17 this section were illegally collected under this article or articles 5 and 8
18 of this chapter and orders the monies to be refunded to the taxpayer, the
19 department shall compute the amount of such monies that was distributed to
20 each city, town and county under this section. Each city's, town's and
21 county's proportionate share of the costs shall be based on the amount of the
22 original tax payment each municipality and county received. Each month the
23 state treasurer shall reduce the amount otherwise distributable to the city,
24 town and county under this section by one thirty-sixth of the total amount to
25 be recovered from the city, town or county until the total amount has been
26 recovered, but the monthly reduction for any city, town or county shall not
27 exceed ten per cent of the full monthly distribution to that entity. The
28 reduction shall begin for the first calendar month after the final
29 disposition of the case and shall continue until the total amount, including
30 interest and costs, has been recovered.

31 H. On receiving a certificate of default from the greater Arizona
32 development authority pursuant to section 41-2257 or 41-2258 and to the
33 extent not otherwise expressly prohibited by law, the state treasurer shall
34 withhold from the next succeeding distribution of monies pursuant to this
35 section due to the defaulting political subdivision the amount specified in
36 the certificate of default and immediately deposit the amount withheld in the
37 greater Arizona development authority revolving fund. The state treasurer
38 shall continue to withhold and deposit the monies until the greater Arizona
39 development authority certifies to the state treasurer that the default has
40 been cured. In no event may the state treasurer withhold any amount that the
41 defaulting political subdivision certifies to the state treasurer and the
42 authority as being necessary to make any required deposits then due for the
43 payment of principal and interest on bonds of the political subdivision that
44 were issued before the date of the loan repayment agreement or bonds and that
45 have been secured by a pledge of distributions made pursuant to this section.

1 I. Except as provided by sections 42-5033 and 42-5033.01, the
2 population of a county, city or town as determined by the most recent United
3 States decennial census plus any revisions to the decennial census certified
4 by the United States bureau of the census shall be used as the basis for
5 apportioning monies pursuant to subsection D of this section.

6 J. Except as otherwise provided by this subsection, on notice from the
7 department of revenue pursuant to section 42-6010, subsection B, the state
8 treasurer shall withhold from the distribution of monies pursuant to this
9 section to the affected city or town the amount of the penalty for business
10 location municipal tax incentives provided by the city or town to a business
11 entity that locates a retail business facility in the city or town. The
12 state treasurer shall continue to withhold monies pursuant to this subsection
13 until the entire amount of the penalty has been withheld. The state
14 treasurer shall credit any monies withheld pursuant to this subsection to the
15 state general fund as provided by subsection D, paragraph 4 of this section.
16 The state treasurer shall not withhold any amount that the city or town
17 certifies to the department of revenue and the state treasurer as being
18 necessary to make any required deposits or payments for debt service on bonds
19 or other long-term obligations of the city or town that were issued or
20 incurred before the location incentives provided by the city or town.

21 K. On notice from the auditor general pursuant to section 9-626,
22 subsection D, the state treasurer shall withhold from the distribution of
23 monies pursuant to this section to the affected city the amount computed
24 pursuant to section 9-626, subsection D. The state treasurer shall continue
25 to withhold monies pursuant to this subsection until the entire amount
26 specified in the notice has been withheld. The state treasurer shall credit
27 any monies withheld pursuant to this subsection to the state general fund as
28 provided by subsection D, paragraph 4 of this section.

29 L. For the purposes of this section, "community college district"
30 means a community college district that is established pursuant to sections
31 15-1402 and 15-1403 and that is a political subdivision of this state and,
32 unless otherwise specified, includes a ~~community college district established~~
33 ~~pursuant to section 15-1402.01 and a provisional~~ community college **TUITION**
34 **FINANCING** district established pursuant to section 15-1409.

35 Sec. 9. Section 42-17056, Arizona Revised Statutes, is amended to
36 read:

37 42-17056. Initial base levy limit if no primary property taxes
38 were levied in the preceding tax year

39 A. If a county, city, town or community college district did not levy
40 primary property taxes in the preceding tax year, the governing body shall
41 submit a proposed amount to be raised by primary property taxes for approval
42 of the voters.

43 B. The election shall be held on the third Tuesday in May before the
44 beginning of the fiscal year in as nearly as practicable the same manner as
45 prescribed by title 35, chapter 3, article 3. The ballot shall state that if

1 the amount is approved by the voters, it will be the base for determining
2 levy limitations for the county, city, town or district for subsequent fiscal
3 years.

4 C. If a majority of the qualified electors voting approve the proposed
5 levy amount for primary property taxes, the levy applicable for the county,
6 city, town or district for the next fiscal year shall be an amount not
7 exceeding the approved amount.

8 D. On acceptance by the voters, the governing body shall send a copy
9 of the approved resolution to the property tax oversight commission.

10 E. If the proposed levy amount is not approved, the county, city, town
11 or community college district shall not levy a primary property tax for that
12 year.

13 F. This section does not apply to ~~provisional~~ community college
14 **TUITION FINANCING** districts formed pursuant to section 15-1409, except that
15 the property tax oversight commission shall set a property tax levy limit
16 that is not less than the amount required pursuant to section 15-1409,
17 subsection C.