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

CHAPTER 306

HOUSE BILL 2414

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

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

15-784. Vocational education; acceptance of congressional acts; appropriating; distribution of federal monies


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

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

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

E. The state board of education shall distribute to the community college districts in this state at least fifteen percent of the monies received as provided in subsection A OF THIS SECTION. Provisional Community college TUITION FINANCING districts are not eligible to receive monies pursuant to this section.

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

15-1401. Definitions

In this chapter, unless the context otherwise requires:

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

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

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

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

5. "COMMUNITY COLLEGE TUITION FINANCING DISTRICT" MEANS A DISTRICT THAT IS ORGANIZED PURSUANT TO SECTION 15-1409.
"Current year" means the fiscal year in which the community college district is operating.

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

“District board” means the community college district governing board.

“Full-time equivalent student” means student enrollment for fifteen community college semester credit units per semester.

“Open entry, open exit classes” means those classes in which students enter or exit based on mastery of specified competencies and that commence at various times during the fiscal year.

“Operational expense budget” means the budget as adopted by the district board pursuant to section 15-1461.

“Operational expenses” means the administration, instruction, operation of community college plant, maintenance of community college plant, fixed charges and contingencies incurred in the operation of a district exclusive of all capital outlay items, special levies, auxiliary enterprise funds, restricted funds and bond service items.

“Provisional community college district” means a community college district organized pursuant to section 15-1409.

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

15-1402.01. Alternative organization for community college districts

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

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

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

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

4. A member of the public requests, or the governing board schedules, public meetings to discuss and hear testimony on the conversion of the provisional community college district to an independent community college district.
5. At the next regularly scheduled meeting after the meeting prescribed in paragraph 4 of this section SUBSECTION, the governing board of the provisional COMMUNITY college district adopts a resolution to form a community college district pursuant to this section.

6. Notwithstanding section 42-17056, after the governing board of the provisional community college district adopts a resolution pursuant to paragraph 5 of this section SUBSECTION, the governing board may call an election on a general election date of the board's choice to seek voter approval to increase the primary property tax levy for the provisional community college district. If a majority of the qualified electors voting:

(a) Approve the proposed levy amount, the levy applicable for the district for the next tax year shall not exceed the approved amount and the governing board shall not seek voter approval to increase the primary property tax levy in any subsequent year.

(b) Disapprove the proposed levy amount, the district shall levy a primary property tax based on the previously authorized levy.

7. The provisional community college district has maintained a regional accreditation and oversight relationship with another community college district until the conversion of the provisional community college district to an independent community college district.

B. A community college district established pursuant to this section shall maintain a regional accreditation and oversight relationship with another community college district until the district has achieved initial candidacy status from a regional accrediting agency recognized by the United States department of education or by the council on postsecondary accreditation.

Sec. 4. Section 15-1409, Arizona Revised Statutes, is amended to read:

15-1409. Community college tuition financing districts; formation; powers and duties; issuance and sale of bonds for capital outlay

A. A provisional community college TUITION FINANCING district shall contract with an existing community college district to provide instructional and student services within the provisional community college TUITION FINANCING district.

B. The minimum assessed valuation and population requirements prescribed in section 15-1402 do not apply to provisional community college TUITION FINANCING districts.

C. A provisional community college TUITION FINANCING district shall be formed and a provisional community college district governing board shall be elected in the same manner prescribed in sections 15-1403— AND 15-1404 and 15-1441, except that THE COUNTY BOARD OF SUPERVISORS SHALL SERVE AS THE GOVERNING BOARD OF THE COMMUNITY COLLEGE TUITION FINANCING DISTRICT AND the county board of supervisors by majority vote may adopt a resolution to submit the question of the formation of a provisional community college TUITION FINANCING district and the approval of a proposed tax rate to fund the provisional community college TUITION FINANCING district directly to the
qualified electors of the county at a special or general election called for that purpose as prescribed in section 16-204 and title 35, chapter 3, article 3. The resolution adopted by the county board of supervisors shall include a statement that the primary property tax levy limit for the provisional community college TUITION FINANCING district shall be no less than the levy limit of the most recently formed community college district in this state.

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

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

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

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

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

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

J. If a provisional community college TUITION FINANCING district is formed in a county that provides reimbursement for the attendance of nonresident state students pursuant to section 15-1469, that county shall continue to provide reimbursement payments to community college districts as set forth in section 15-1469 until the fiscal year in which a qualifying levy is adopted and budgeted in support of the provisional community college TUITION FINANCING district by the governing board of the provisional community college district COUNTY BOARD OF SUPERVISORS. The total reimbursement payments due to other community college districts in any fiscal year pursuant to section 15-1469 shall be reduced by the amount of any nonqualifying levy expended in the prior fiscal year. This reduction shall be shared by each community college district that receives a reimbursement payment from the county based on that community college district's
proportionate number of full-time equivalent students from the county where
the provisional community college TUITION FINANCING district is located. For
the purposes of this subsection:

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

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

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

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

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

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

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

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

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

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

6. IS NOT SUBJECT TO SECTION 42-17056.
Sec. 5. Section 15-1468, Arizona Revised Statutes, is amended to read:

15-1468. Equalization aid for community college districts

A. Subject to legislative appropriation, any district that is
organized pursuant to section 15-1402 AND that has less than the amount of
primary assessed valuation prescribed in section 15-1402 shall be paid by
this state an amount equal to the following:

1. The difference between the prior year's actual primary assessed
valuation of the district and the amount of primary assessed valuation
prescribed in section 15-1402.

2. The actual prior year's primary property tax rate for the district.

3. The difference determined in paragraph 1 multiplied by the lesser
of the tax rate determined in paragraph 2 or one dollar and thirty-seven
cents.

B. The equalization aid provided for in subsection A of this section
shall be used for the same purposes specified in section 15-1462 and shall be
apportioned to any qualifying district pursuant to section 15-1467.

C. This section does not apply to community college districts
organized pursuant to section 15-1402.01 or to provisional community college
TUITION FINANCING districts as prescribed in section 15-1409.

Sec. 6. Section 15-1472, Arizona Revised Statutes, is amended to read:

15-1472. Community college district workforce development
accounts; reports

A. Each community college district shall establish a separate
workforce development account to receive only tax revenues authorized
pursuant to section 42-5029, subsection E, paragraph 3. Each community
college district board shall approve the expenditure of these monies in
accordance with section 15-1461 and consistent with subsection B of this
section.

B. Monies received pursuant to subsection A of this section shall be
expended for workforce development and job training purposes. These
expenditures may include:

1. Partnerships with businesses and educational institutions.

2. Additional faculty for improved and expanded classroom instruction
and course offerings.

3. Technology, equipment and technology infrastructure for advanced
teaching and learning in classrooms or laboratories.

4. Student services such as assessment, advisement and counseling for
new and expanded job opportunities.

5. The purchase, lease or lease-purchase of real property, for new
construction, remodeling or repair of buildings or facilities on real
property.

C. The state treasurer shall transfer monies under this section into
each district's workforce development account by the fifteenth day of each
month. The state treasurer shall also allocate and distribute any pooled
interest earnings earned from revenues authorized in section 42-5029,
subsection E, paragraph 3 to each district in accordance with the method
prescribed in subsection D, paragraph 2 of this section.

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

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

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

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

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

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

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

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

Sec. 7. Section 15-1481, Arizona Revised Statutes, is amended to read:
In this article, unless the context otherwise requires:

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

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

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

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

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

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

Sec. 8. Section 42-5029, Arizona Revised Statutes, is amended to read:

42-5029. Remission and distribution of monies; definition

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

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

2. Revenues collected pursuant to section 42-5070.

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

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

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

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

D. Of the monies designated as distribution base the department shall:

1. Pay twenty-five per cent to the various incorporated municipalities
   in this state in proportion to their population to be used by the
   municipalities for any municipal purpose.

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

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

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

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

   (a) Average the following proportions:

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

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

   (b) If the proportion computed under subdivision (a) of this paragraph
       for any county is greater than the proportion computed under paragraph 2 of
       this subsection, the department shall compute the difference between the
       amount distributed to that county under paragraph 2 of this subsection and
       the amount that would have been distributed under paragraph 2 of this
       subsection using the proportion computed under subdivision (a) of this
       paragraph and shall pay that difference to the county from the amount
       available for distribution under this paragraph. Any monies remaining after
all payments under this subdivision shall be distributed among the counties according to the proportions computed under paragraph 2 of this subsection.

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

(a) The department of revenue sufficient monies to administer and enforce this article and articles 5 and 8 of this chapter.
(b) The department of economic security monies to be used for the purposes stated in title 46, chapter 1.
(c) The firearms safety and ranges fund established by section 17-273, fifty thousand dollars derived from the taxes collected from the retail classification pursuant to section 42-5061 for the current fiscal year.

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

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

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

3. After the transfer of monies pursuant to paragraph 1 of this subsection, three per cent of the remaining monies collected during the preceding month shall be transferred to the workforce development account established in each community college district pursuant to section 15-1472 for the purpose of investment in workforce development programs.

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

5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
subsection, one-twelfth of the following amounts shall be transferred each
month to the department of education for the increased cost of basic state
aid under section 15-971 due to added school days and associated teacher
salary increases enacted in 2000:
   (a) In fiscal year 2001-2002, $15,305,900.
   (b) In fiscal year 2002-2003, $31,530,100.
   (c) In fiscal year 2003-2004, $48,727,700.
   (d) In fiscal year 2004-2005, $66,957,200.
   (e) In fiscal year 2005-2006 and each fiscal year thereafter,
      $86,280,500.

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

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

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

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

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

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(a) Forty per cent shall be allocated for teacher compensation based
on performance.
(b) Twenty per cent shall be allocated for increases in teacher base
compensation and employee related expenses.
(c) Forty per cent shall be allocated for maintenance and operation
purposes.

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

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

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

I. Except as provided by sections 42-5033 and 42-5033.01, the
population of a county, city or town as determined by the most recent United
States decennial census plus any revisions to the decennial census certified
by the United States bureau of the census shall be used as the basis for
apportioning monies pursuant to subsection D of this section.
J. Except as otherwise provided by this subsection, on notice from the department of revenue pursuant to section 42-6010, subsection B, the state treasurer shall withhold from the distribution of monies pursuant to this section to the affected city or town the amount of the penalty for business location municipal tax incentives provided by the city or town to a business entity that locates a retail business facility in the city or town. The state treasurer shall continue to withhold monies pursuant to this subsection until the entire amount of the penalty has been withheld. The state treasurer shall credit any monies withheld pursuant to this subsection to the state general fund as provided by subsection D, paragraph 4 of this section.

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

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

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

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

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

B. The election shall be held on the third Tuesday in May before the beginning of the fiscal year in as nearly as practicable the same manner as prescribed by title 35, chapter 3, article 3. The ballot shall state that if the amount is approved by the voters, it will be the base for determining levy limitations for the county, city, town or district for subsequent fiscal years.

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

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

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

F. This section does not apply to provisional community college Tuition Financing districts formed pursuant to section 15-1409, except that the property tax oversight commission shall set a property tax levy limit that is not less than the amount required pursuant to section 15-1409, subsection C.

Sec. 10. Study committee on community college finance and expenditure limits; membership; duties; report; delayed repeal

A. The study committee on community college finance and expenditure limits is established consisting of the following members:

1. Three members of the senate who are appointed by the president of the senate, not more than two of whom are members of the same political party. The president of the senate shall designate one of these members to serve as co-chairperson of the committee.

2. Three members of the house of representatives who are appointed by the speaker of the house of representatives, not more than two of whom are members of the same political party. The speaker of the house of representatives shall designate one of these members to serve as co-chairperson of the committee.

3. One member who is affiliated with a major taxpayer organization and who is appointed by the president of the senate.

4. One member who is affiliated with a statewide community college organization and who is appointed by the speaker of the house of representatives.

5. A president or chancellor of a community college district with less than ten thousand full time equivalent students and who is appointed by the speaker of the house of representatives.

6. A president or chancellor of a community college district with more than ten thousand full time equivalent students and who is appointed by the president of the senate.

7. One member who is a chief business officer of a community college district with more than ten thousand full time equivalent students and who is appointed by the speaker of the house of representatives.

8. One member who is a chief business officer of a community college district with less than ten thousand full time equivalent students and who is appointed by the president of the senate.

9. A taxpayer of a community college district that is located in a county with a population of more than seven hundred thousand persons and who is appointed by the president of the senate.
10. A taxpayer of a community college district that is located in a county with a population of less than seven hundred thousand persons and who is appointed by the speaker of the house of representatives.

11. The auditor general or the auditor general’s designee.

B. Committee members are not eligible to receive compensation but are eligible to receive reimbursement of expenses pursuant to title 38, chapter 4, article 2, Arizona Revised Statutes.

C. The study committee on community college finance and expenditure limits shall:

   1. Examine the community college district constitutional expenditure limits prescribed in article 9, section 21 of the Arizona Constitution.

   2. Review the impact of expenditure limits on community college districts, including the impact on financing modern and competitive workforce programs.

   3. Establish methods to move closer to actual full time student equivalent calculations for funding.

   4. Study any other relevant topic or issue that may be pertinent to the finances of community college districts.

   5. Make recommendations for proposed statutory changes.

D. The study committee on community college finance and expenditure limits shall submit a report of the committee’s activities, findings and recommendations on or before December 31, 2015 to the governor, president of the senate and speaker of the house of representatives and provide a copy of this report to the secretary of state.

E. This section is repealed from and after December 31, 2015.

APPROVED BY THE GOVERNOR APRIL 10, 2015.