AN ACT

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

Section 1. Section 1-215, Arizona Revised Statutes, is amended to read:

1-215. Definitions
In the statutes and laws of this state, unless the context otherwise requires:
1. "Action" includes any matter or proceeding in a court, civil or criminal.
2. "Adopted rule" means a final rule as defined in section 41-1001.
3. "Adult" means a person who has attained eighteen years of age.
4. "Alternative fuel" means:
   (a) Electricity.
   (b) Solar energy.
   (c) Liquefied petroleum gas, natural gas, hydrogen or a blend of hydrogen with liquefied petroleum or natural gas that complies with any of the following:
      (i) Is used in an engine that is certified to meet at a minimum the United States environmental protection agency low emission vehicle standard pursuant to 40 Code of Federal Regulations section 88.104-94 or 88.105-94.
      (ii) Is used in an engine that is certified by the engine modifier to meet the addendum to memorandum 1-A of the United States environmental protection agency as printed in the federal register, volume 62, number 207, October 27, 1997, pages 55635 through 55637.
      (iii) Is used in an engine that is the subject of a waiver for that specific engine application from the United States environmental protection agency's memorandum 1-A addendum requirements and that waiver is documented to the reasonable satisfaction of the director of the department of environmental quality.
      (d) Only for vehicles that use alcohol fuels before August 21, 1998, alcohol fuels that contain not less than eighty-five percent alcohol by volume.
      (e) A combination of at least seventy percent alternative fuel and no more than thirty percent petroleum-based fuel that operates in an engine that meets the United States environmental protection agency low emission vehicle standard pursuant to 40 Code of Federal Regulations section 88.104-94 or 88.105-94 and that is certified by the engine manufacturer to consume at least seventy percent alternative fuel during normal vehicle operations.
5. "Bribe" means anything of value or advantage, present or prospective, asked, offered, given, accepted or promised with a corrupt intent to influence, unlawfully, the person to whom it is given in that person's action, vote or opinion, in any public or official capacity.
6. "Child" or "children", as used in reference to age of persons, means persons under eighteen years of age.

7. "Clean burning fuel" means:
   (a) An emulsion of water-phased hydrocarbon fuel that contains not less than twenty percent water by volume and that complies with any of the following:
      (i) Is used in an engine that is certified to meet at a minimum the United States environmental protection agency low emission vehicle standard pursuant to 40 Code of Federal Regulations section 88.104-94 or 88.105-94.
      (ii) Is used in an engine that is certified by the engine modifier to meet the addendum to memorandum 1-A of the United States environmental protection agency as printed in the federal register, volume 62, number 207, October 27, 1997, pages 55635 through 55637.
      (iii) Is used in an engine that is the subject of a waiver for that specific engine application from the United States environmental protection agency's memorandum 1-A addendum requirements and that waiver is documented to the reasonable satisfaction of the director of the department of environmental quality.
   (b) A diesel fuel substitute that is produced from nonpetroleum renewable resources if the qualifying volume of the nonpetroleum renewable resources meets the standards for California diesel fuel as adopted by the California air resources board pursuant to 13 California Code of Regulations sections 2281 and 2282 in effect on January 1, 2000, the diesel fuel substitute meets the registration requirement for fuels and additives established by the United States environmental protection agency pursuant to section 211 of the clean air act as defined in section 49-401.01 and the use of the diesel fuel substitute complies with the requirements listed in 10 Code of Federal Regulations part 490, as printed in the federal register, volume 64, number 96, May 19, 1999.
   (c) A diesel fuel that complies with all of the following:
      (i) Contains a maximum of fifteen parts per million by weight of sulfur.
      (ii) Meets ASTM D975.
      (iii) Meets the registration requirements for fuels and additives established by the United States environmental protection agency pursuant to section 211 of the clean air act as defined in section 49-401.01.
      (iv) Is used in an engine that is equipped or has been retrofitted with a device that has been certified by the California air resources board diesel emission control strategy verification procedure, the United States environmental protection agency voluntary diesel retrofit program or the United States environmental protection agency verification protocol for retrofit catalyst, particulate filter and engine modification control technologies for highway and nonroad use diesel engines.
(d) A blend of unleaded gasoline that contains at minimum eighty-five percent ethanol by volume or eighty-five percent methanol by volume.

(e) Neat methanol.

(f) Neat ethanol.

8. "Corruptly" means a wrongful design to acquire or cause some pecuniary or other advantage to the person guilty of the act or omission referred to, or to some other person.

9. "Daytime" means the period between sunrise and sunset.

10. "Depose" includes every manner of written statement under oath or affirmation.

11. "Federal poverty guidelines" means the poverty guidelines as updated annually in the federal register by the United States department of health and human services.

12. "Grantee" includes every person to whom an estate or interest in real property passes, in or by a deed.

13. "Grantor" includes every person from or by whom an estate or interest in real property passes, in or by a deed.

14. "Includes" or "including" means not limited to and is not a term of exclusion.

15. "Inhabitant" means a resident of a city, town, village, district, county or precinct.

16. "Issue", as used in connection with descent of estates, includes all lawful, lineal descendants of the ancestor.

17. "Knowingly":

(a) Means only a knowledge that the facts exist that bring the act or omission within the provisions of the statute using such word.

(b) Does not require any knowledge of the unlawfulness of the act or omission.

18. "Magistrate" means an officer having power to issue a warrant for the arrest of a person charged with a public offense and includes the chief justice and justices of the supreme court, judges of the superior court, judges of the court of appeals, justices of the peace and judges of a municipal court.

19. "Majority" or "age of majority", as used in reference to age of persons, means eighteen years of age or more.

20. "Malice" and "maliciously" mean a wish to vex, annoy or injure another person, or an intent to do a wrongful act, established either by proof or presumption of law.

21. "Minor" means a person under the age of eighteen years.

22. "Minor children" means persons under the age of eighteen years.

23. "Month" means a calendar month unless otherwise expressed.

24. "Neglect", "negligence", "negligent" and "negligently" import a want of such attention to the nature or probable consequence of the act or
omission as a prudent man ordinarily bestows in acting in his own concerns.

25. "Nighttime" means the period between sunset and sunrise.

26. "Oath" includes an affirmation or declaration.

27. "Peace officers" means sheriffs of counties, constables, marshals, policemen of cities and towns, commissioned personnel of the department of public safety, personnel who are employed by the state department of corrections and the department of juvenile corrections and who have received a certificate from the Arizona peace officer standards and training board, peace officers who are appointed by a multicounty water conservation district and who have received a certificate from the Arizona peace officer standards and training board, police officers who are appointed by community college district governing boards and who have received a certificate from the Arizona peace officer standards and training board, police officers who are appointed by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY and who have received a certificate from the Arizona peace officer standards and training board, police officers who are appointed by the governing body of a public airport pursuant to section 28-8426 and who have received a certificate from the Arizona peace officer standards and training board, peace officers who are appointed by a private postsecondary institution pursuant to section 15-1897 and who have received a certificate from the Arizona peace officer standards and training board and special agents from the office of the attorney general, or of a county attorney, and who have received a certificate from the Arizona peace officer standards and training board.

28. "Person" includes a corporation, company, partnership, firm, association or society, as well as a natural person. When the word "person" is used to designate the party whose property may be the subject of a criminal or public offense, the term includes the United States, this state, or any territory, state or country, or any political subdivision of this state that may lawfully own any property, or a public or private corporation, or partnership or association. When the word "person" is used to designate the violator or offender of any law, it includes A corporation, A partnership or any association of persons.

29. "Personal property" includes money, goods, chattels, things in action and evidences of debt.

30. "Population" means the population according to the most recent United States decennial census.

31. "Process" means a citation, writ or summons issued in the course of judicial proceedings.

32. "Property" includes both real and personal property.

33. "Real property" is coextensive with lands, tenements and hereditaments.
34. “Registered mail” includes certified mail.
35. “Seal”, as used in reference to a paper issuing from a court or public office to which the seal of such court or office is required to be affixed, means an impression of the seal on that paper, an impression of the seal affixed to that paper by a wafer or wax, a stamped seal, a printed seal, a screened seal or a computer generated seal.
36. “Signature” or “subscription” includes a mark, if a person cannot write, with the person's name written near it and witnessed by a person who writes the person's own name as witness.
37. “State”, as applied to the different parts of the United States, includes the District of Columbia, this state and the territories.
38. “Testify” includes every manner of oral statement under oath or affirmation.
40. “Vessel”, as used in reference to shipping, includes ships of all kinds, steamboats, steamships, barges, canal boats and every structure adapted to navigation from place to place for the transportation of persons or property.
41. “Wilfully” means, with respect to conduct or to a circumstance described by a statute defining an offense, that a person is aware or believes that the person's conduct is of that nature or that the circumstance exists.
42. “Will” includes codicils.
43. “Workers' compensation” means workmen's compensation as used in article XVIII, section 8, Constitution of Arizona.
44. “Writ” means an order or precept in writing issued in the name of the state or by a court or judicial officer.
45. “Writing” includes printing.

Sec. 2. Section 3-121, Arizona Revised Statutes, is amended to read:

3-121. Smith-Lever act accepted; authority of the governing board of the university of Arizona

A. The assent of the state is given to the provisions and requirements of an act of Congress entitled “An act to provide for cooperative agricultural extension work between the agricultural colleges in the several states,” known as the Smith-Lever act.

B. The board of regents of the universities and state college of Arizona GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA is authorized and empowered to receive the grants of money appropriated under that act, and to organize and conduct agricultural extension work in connection with the college of agriculture of the university of Arizona in accordance with the terms and conditions expressed in the act.
Sec. 3. Section 3-123, Arizona Revised Statutes, is amended to read:

3-123. Agricultural extension work

Cooperative agricultural extension work shall consist of giving practical demonstrations in agriculture and home economics, and imparting information on those subjects through field demonstrations, publications and otherwise. The work shall be carried on in such manner as is mutually agreed upon by the board of regents of the universities and state college of Arizona and the county agricultural extension board of each county provided for in this article.

Sec. 4. Section 3-125, Arizona Revised Statutes, is amended to read:

3-125. Plan of extension work; annual report

The director of the agricultural extension service of the university of Arizona shall annually present a plan of extension work in the state for the ensuing year, for the approval of the board of regents of the university of Arizona. The county agent-in-charge in each county shall annually present to and for the approval of the board of supervisors of the county and the county agricultural extension board a detailed report of extension activities in the county for the preceding fiscal year, including a detailed report of receipts and disbursements, and a plan of extension work in the county for the ensuing year. The financial reports shall be on forms prescribed by the board of regents of the university of Arizona.

Sec. 5. Section 3-126, Arizona Revised Statutes, is amended to read:

3-126. Annual county agricultural extension budget; tax levy; collection; expenditures

A. The Arizona board of regents of the university of Arizona shall have prepared for each county an annual financial budget covering the total cost including the county's share of the cost of the extension work, which, if adopted by a majority vote of the respective county agricultural extension board at a regularly called meeting, shall be submitted to the board of supervisors of the county who shall place such amount of the budget as the board of supervisors shall approve on the tax rolls of the county for the ensuing year.

B. The amount placed on the tax rolls shall be raised by direct taxation.

C. The taxes, when collected, shall be transmitted by the county treasurer upon a warrant drawn by the board of supervisors to the comptroller of the university of Arizona and shall be expended upon claims drawn by the board of regents of the university of Arizona.
D. All money raised by taxation by a county shall be expended for
the use and benefit of that county.

Sec. 6. Section 3-128, Arizona Revised Statutes, is amended to
read:

3-128. Expenditures of university of Arizona funds
A. For the purpose of aiding counties in support of the
agricultural extension program, the board of regents GOVERNING BOARD OF
THE UNIVERSITY OF ARIZONA shall have prepared an annual financial budget
covering the university of Arizona's share of the cost of extension work
in each county and after approval thereof may expend such amount of the
university of Arizona funds.

B. No funds secured through taxation— OR appropriation or from the
university of Arizona, as provided in this article, shall be available for
any county until plans for the expenditure of the funds have been made and
approved by the board of regents GOVERNING BOARD OF THE UNIVERSITY OF
ARIZONA.

C. All money obtained by taxation— OR appropriation— or from the
university of Arizona shall be expended for the use and benefit of the
county entitled to receive the fund, and the monies directed to be
expended from the university of Arizona funds shall be expended and
disbursed upon ON claims drawn by the board of regents GOVERNING BOARD OF
THE UNIVERSITY OF ARIZONA showing upon ON their face the county for whose
account the funds are expended.

Sec. 7. Section 3-2601, Arizona Revised Statutes, is amended to
read:

3-2601. Definitions
In this article, unless the context otherwise requires:

1. "ALIRT agreement" means the Arizona livestock incident response
team agreement established between the department and a PUBLIC university
under the jurisdiction of the Arizona board of regents IN THIS STATE.

2. "Brand" means the term, design or trademark and other specific
designation under which an individual commercial feed is distributed in
this state.

3. "Commercial feed" means all materials, except whole seeds
unmixed or physically altered entire unmixed seeds, that are distributed
for use as feed or for mixing in feed. Commercial feed includes raw
agricultural commodities distributed for use as feed or for mixing in feed
when the commodities are adulterated within the meaning of section 3-2611.

4. "Customer-formula feed" means a mixture of commercial feed or
feed materials, or both, each batch of which is mixed according to the
specific instructions of the final purchaser.

5. "Distribute" means to offer for sale, sell, barter or otherwise
supply commercial feeds or customer-formula feeds, but does not include or
apply to any feeds supplied for consumption on the premises of the
supplier.
6. "Division" means the environmental services division of the Arizona department of agriculture.

7. "Feed ingredient" means each of the constituent materials making up a commercial feed.

8. "Label" means a display of written, printed or graphic matter on or affixed to the container in which a commercial feed is distributed, or on the invoice or delivery slip with which a commercial feed or customer-formula feed is distributed.

9. "Official sample" means any sample of feed taken by the director or the director's agent and designated as official.

10. "Percent PERCENT" or "percentage" means percentage by weight.

11. "Person" includes an individual, partnership, corporation, firm, association or agent.

12. "Sell" or "sale" includes exchange.

13. "Ton" means a net weight of two thousand pounds avoirdupois.

Sec. 8. Section 3-2603, Arizona Revised Statutes, is amended to read:

3-2603. Enforcement and administrative powers
A. The associate director may refuse to license or may cancel the license of any distributor in violation of this article. The director shall review the associate director's action on request of any person adversely affected by the action.

B. The director may, after a hearing:
   1. Adopt rules:
      (a) Requiring the guarantee of substances and elements when claimed present in a commercial feed, and declare the form in which the guarantee shall appear on the label.
      (b) Setting forth acceptable descriptive terms by which ingredients shall be listed on the labeling when used as ingredients of a commercial feed or customer-formula feed.
      (c) Requiring a statement of warning and directions for use of commercial feeds and customer-formula feeds containing drugs or chemicals.
      (d) Establishing limits of viable weed seeds contained in commercial feed.
      (e) Both administrative and technical, which the director deems necessary for the efficient administration of this article.

2. Cooperate with, and enter into agreements with, PUBLIC universities under the jurisdiction of the Arizona board of regents IN THIS STATE, other agencies of this state, other states and agencies of the federal government in order to carry out the purpose and provisions of this article, including the implementation and use of commercial feed trust fund monies to assist the efforts of an ALIRT agreement.

3. Exempt from the definition of commercial feed or from specific provisions of this article commodities such as hay, straw, stover, silage, cobs, husks, hulls and individual chemical compounds or substances when
those Commodities, compounds or substances are not intermixed or mixed with other materials and are not adulterated within the meaning of section 3-2611.

4. Define weights in the metric system.

Sec. 9. Section 3-3303, Arizona Revised Statutes, is amended to read:

3-3303. Arizona agricultural protection commission; report

A. The Arizona agricultural protection commission is established within, and as an advisory body to, the department consisting of:

1. The following members WHO ARE appointed by the governor:

   (a) Two members who operate family farms or ranches in this state and who are active in regional or local agricultural organizations.
   
   (b) One member who is from a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE and who has experience in range ecology.

   (c) Two members who represent regional or statewide conservation organizations in this state that have been in operation for at least ten years.

2. The following members WHO ARE appointed by the president of the senate:

   (a) Two members who operate family farms or ranches in this state.

   (b) One member who represents a regional or statewide land trust that has been in operation for at least five years.

   (c) One member who is a member of a county board of supervisors.

   (d) One member who is a member of a natural resource conservation district board of directors.

3. The following members WHO ARE appointed by the speaker of the house of representatives:

   (a) Two members who are licensed real estate professionals and who are active in marketing agricultural properties.

   (b) One member who is active in and represents a statewide agricultural organization in this state that has been in existence for at least ten years.

   (c) One member who is active in managing water resources.

   (d) One member who is a member of the state bar of Arizona and who is experienced in the practice of private real estate law.

4. The director of the department as an ex officio member.

B. To serve on the commission, a person must be a resident of this state and have demonstrated an interest in the conservation of natural or agricultural resources. The initial members shall assign themselves by lot to terms of one, two and three years in office. Thereafter, all subsequent members serve three-year THREE-YEAR terms of office, except that a member may continue to serve until a successor is appointed and assumes office. On request, appointive members are eligible to receive compensation pursuant to section 38-611 and are eligible for reimbursement.
of expenses pursuant to title 38, chapter 4, article 2. Compensation and
reimbursement costs are payable from the Arizona agricultural protection
fund.

C. The commission shall:
1. Recommend to the director the adoption of rules necessary to
perform its duties.
2. Advise the department with respect to grants awarded and
contracts entered into pursuant to this chapter.
3. Solicit and accept donations to the Arizona agricultural
protection fund, including donations for the sole purpose of administering
the Arizona agricultural protection program under this article.
4. Elect a chairperson and vice-chairperson from its members each
year.
5. Prepare an annual report of its activities and submit a copy of
the report to the director, the secretary of state and any member of the
public who requests a copy.
6. Advise the director and submit recommendations relating to the
monitoring of agricultural easements established pursuant to this chapter.
D. The commission may:
1. Accept, use and dispose of appropriations, gifts and grants of
monies, other property and services from any source for the purposes
authorized by this chapter.
2. Perform any other acts consistent with and necessary to carry
out the purposes of this chapter.
Sec. 10. Section 5-222, Arizona Revised Statutes, is amended to
read:

5-222. Application of this chapter
A. This chapter does not apply to any amateur boxing or mixed
martial arts contest conducted by the following:
1. Any school, community college, college or university or an
association or organization composed exclusively of schools, community
colleges, colleges or universities when each contestant is a student
enrolled in a school, community college, college or university. As used
in this section, "school, community college, college or university" means
every school, community college, college or university and every other
school, community college, college or university determined by the state
board of education, community college districts as defined in section
15-1401 or the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY to
be maintained primarily for the giving of general academic education.
2. A government unit or agency of the United States, this state or
a POLITICAL subdivision of this state or a unit of the United States armed
forces or the national guard if all contestants are members of that unit
of the armed forces or the national guard.
3. An amateur athletic program that is authorized by and sanctioned
under the rules, regulations and policies of a national governing body
that is recognized by the United States Olympic Committee in which all contestants are amateur contestants.

4. Kickboxing events that are sanctioned by and conducted under the direct supervision of the United States Muay Thai Association or another muay thai sanctioning body that is approved by the commission if all contestants are amateur contestants.

5. Any bona fide private school whose primary purpose is instruction and training in the martial arts, if:
   (a) The contests held in conjunction with the instruction and training are amateur.
   (b) The contests are of a sparring nature with no official decisions awarded.
   (c) At least one contestant in each contest has been a member in good standing of the sponsoring private school for at least sixty continuous days before the contest.
   (d) An admission fee or a mandatory donation or other form of payment is not charged for attendance.

6. Any bona fide private school whose primary purpose is instruction in karate, if the contests held in conjunction with the instruction are amateur.

B. An amateur mixed martial arts competitor shall not be licensed as a professional mixed martial arts competitor until the person has completed five or more verified amateur contests that are regulated by the commission or by a sanctioning body that is approved by the commission. The five-contest requirement prescribed by this subsection may be waived by the commission or by the executive director.

Sec. 11. Section 5-572, Arizona Revised Statutes, is amended to read:

5-572. Use of monies in state lottery fund; report
A. If there are any bonds or bond related obligations payable from the state lottery revenue bond debt service fund, the state lottery revenue bond debt service fund shall be secured by a first lien on the monies in the state lottery fund after the payment of operating costs of the lottery, as prescribed in section 5-555, subsection A, paragraph 1, until the state lottery bond debt service fund contains sufficient monies to meet all the requirements for the current period as required by the bond documents. Debt service for revenue bonds issued pursuant to this chapter shall be paid first from monies that would have otherwise been deposited pursuant to this section in the state general fund. After the requirements for the current period have been satisfied as required by the bond documents, the monies in the state lottery fund shall be expended for the expenses of the commission incurred in carrying out its powers and duties and in the operation of the lottery.

B. Of the monies remaining in the state lottery fund each fiscal year after appropriations and deposits authorized in subsection A of this
section, ten million dollars shall be deposited in the Arizona game and
fish commission heritage fund established by section 17-297.

C. Of the monies remaining in the state lottery fund each fiscal
year after appropriations and deposits authorized in subsections A and B
of this section, five million dollars shall be allocated to the department
of child safety for the healthy families program established by section
8-481, four million dollars shall be allocated to the Arizona board of
regents GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA for the Arizona area
health education system established by section 15-1643, three million
dollars shall be allocated to the department of health services to fund
the teenage pregnancy prevention programs established in Laws 1995,
chapter 190, sections 2 and 3, two million dollars shall be allocated to
the department of health services for the health start program established
by section 36-697, two million dollars shall be deposited in the disease
control research fund established by section 36-274 and one million
dollars shall be allocated to the department of health services for the
federal women, infants and children food program. The allocations in this
subsection shall be adjusted annually according to changes in the GDP
price deflator as defined in section 41-563 and the allocations are exempt
from the provisions of section 35-190 relating to lapsing of
appropriations. If there are not sufficient monies available pursuant to
this subsection, the allocation of monies for each program shall be
reduced on a pro rata basis.

D. If the state lottery director determines that monies available
to the state general fund may not equal eighty-four million one hundred
fifty thousand dollars in a fiscal year, the director shall not authorize
deposits to the Arizona game and fish commission heritage fund pursuant to
subsection B of this section until the deposits to the state general fund
equal eighty-four million one hundred fifty thousand dollars in a fiscal
year.

E. Of the monies remaining in the state lottery fund each fiscal
year after appropriations and deposits authorized in subsections A
through D of this section, one million dollars or the remaining balance in
the fund, whichever is less, is appropriated to the department of economic
security for grants to nonprofit organizations, including faith-based
FAITH-BASED organizations, for homeless emergency and transitional
shelters and related support services. The department of economic
security shall submit a report on the amounts, recipients, purposes and
results of each grant to the governor, the speaker of the house of
representatives and the president of the senate on or before December 31
of each year for the prior fiscal year and shall provide a copy of this
report to the secretary of state.

F. Of the monies remaining in the state lottery fund each fiscal
year after appropriations and deposits authorized in subsections A
through E of this section, and after a total of at least ninety-nine
Million six hundred forty thousand dollars has been deposited in the state
general fund, three million five hundred thousand dollars shall be
deposited in the Arizona competes fund established by section 41-1545.01.
The balance in the state lottery fund remaining after deposits into the
Arizona competes fund shall be deposited in the university capital
improvement lease-to-own and bond fund established by section 15-1682.03,
up to a maximum of eighty percent of the total annual payments of
lease-to-own and bond agreements entered into by the Arizona board of
regents GOVERNING BOARD OF A UNIVERSITY.

G. All monies remaining in the state lottery fund after the
appropriations and deposits authorized in this section shall be deposited
in the state general fund.

H. Except for monies expended for debt service of revenue bonds as
provided in subsection A of this section, monies expended under subsection
A of this section are subject to legislative appropriation.

I. The commission shall transfer monies prescribed in this section
on a quarterly basis.

Sec. 12. Section 9-921, Arizona Revised Statutes, is amended to
read:

9-921. Powers and duties of the board; audit

A. The police pension board shall have exclusive control and
management of the police pension fund, subject to the provisions of this
article. It shall make rules, not inconsistent with the provisions of
this article, for its government, the conduct of its proceedings and the
management of the fund, and shall do all things necessary to carry out the
provisions of this article. It may compel witnesses to attend hearings,
or produce records and papers, and testify with respect to applications
for pensions, or upon any matter connected with the fund, and any
member of the board may administer oaths to such witnesses.

B. The board may invest or reinvest, in the name of the board, that
portion of the fund which in its judgment is available for investment in
such interest-bearing securities as follows:

1. Bonds of the United States.
2. Federal housing insured mortgage bonds of the United States.
3. Bonds, debentures or other obligations issued by the federal
land banks, the federal intermediate credit banks or the banks for
cooperatives.
4. Any bonds upon which the payment of interest and principal
are guaranteed by the United States.
5. Bonds issued by any United States government instrumentality or
federal agency that qualify and are acceptable as security for public
funds of the United States government.
6. General obligation bonds of the state or of the counties,
incorporated cities and towns and school districts.
7. Revenue bonds of the incorporated cities and towns of this state, Arizona board of regents THE GOVERNING BOARD OF A UNIVERSITY, THE Arizona power authority or any other legally constituted state authority or agency authorized by law to issue revenue bonds, except revenue bonds for recreational purposes issued by cities and towns.

8. Bonds of agricultural improvement districts and agricultural improvement and power districts organized under the laws of this state when issued or guaranteed, with the approval of the secretary of the interior, by corporations operating a United States reclamation project within the state.

9. Bonds of incorporated cities or towns of this state issued under the provisions of sections 9-692 through 9-707 48-595 THROUGH 48-610.

10. First lien bonds of sanitary districts issued pursuant to title 48, chapter 14.

11. Registered warrants of the state, or registered county or school district warrants when offered as security for monies of the county or school district by which they are issued.

12. Interest-bearing savings accounts or certificates of deposit in banks doing business in this state whose accounts are insured by the federal deposit insurance corporation, but only if such deposits in excess of the insured amount are secured by the depository to the same extent and in the same manner as required by the general depository law of the state.

13. Interest-bearing savings accounts or certificates of deposit in savings and loan associations doing business in this state whose accounts are insured by the federal savings and loan insurance corporation, but only if such deposits in excess of the insured amount are secured by the depository to the same extent and in the same manner as required by the general depository law of the state.

C. The board shall cause an annual audit and report of the fund to be made by a certified public accountant, and shall also cause actuarial studies of the fund to be made periodically, but not less than once in each three years, by a qualified actuary who is a member of the society of actuaries. The actuary shall make specific recommendations as to the contributions to be made to the fund in accordance with the provisions of section 9-923, subsection A, paragraph 10 in order to maintain the fund on an actuarily sound basis.

Sec. 13. Section 9-957, Arizona Revised Statutes, is amended to read:

9-957. Powers and duties of board; investments; review of decisions

A. The board may compel witnesses to attend and testify upon any matter pertaining to this article, and its president or any member may administer oaths. The board may provide for payment of its necessary
expenses, except that no compensation is payable to members of the board for duties performed under this article.

B. Funds which are not immediately required for the payment of pensions or benefits under this article may be invested or reinvested, at the discretion of the board of trustees, by the county treasurer or by the board of trustees, as follows:

1. In bonds of the United States.
2. In federal housing insured mortgage bonds of the United States.
3. In federal land bank bonds.
4. Any bonds upon which the payment of interest and principal are guaranteed by the United States.
5. Bonds issued by any United States government instrumentality or federal agency that qualify and are acceptable as security for public funds of the United States government.
6. General obligation bonds of this state or of the counties, incorporated cities and towns and school districts of this state.
7. Revenue bonds of the incorporated cities and towns of this state, Arizona board of regents, THE GOVERNING BOARD OF A UNIVERSITY, THE Arizona power authority, or any other legally constituted state authority or agency authorized by law to issue revenue bonds, except revenue bonds for recreational purposes issued by cities and towns.
8. Bonds of agricultural improvement districts and agricultural improvement and power districts organized under the laws of this state when issued or guaranteed, with the approval of the secretary of the interior, by corporations operating a United States reclamation project within the state.
9. Bonds of incorporated cities or towns of this state issued under the provisions of sections 9-692 through 9-707.
10. First lien bonds of sanitary districts issued pursuant to title 48, chapter 14.
11. Registered warrants of the state, or registered county or school district warrants when offered as security for monies of the county or school district by which they are issued.
12. Interest-bearing savings accounts or certificates of deposit in banks doing business in this state whose accounts are insured by the federal deposit insurance corporation, but only if such deposits in excess of the insured amount are secured by the depository to the same extent and in the same manner as required by the general depository law of the state.
13. Interest-bearing savings accounts or certificates of deposit in savings and loan associations doing business in this state, whose accounts are insured by the federal savings and loan insurance corporation, but only if such deposits in excess of the insured amount are secured by the depository to the same extent and in the same manner as required by the general depository law of this state.
C. All matters pertaining to the benefits granted by this article to fire fighters and their dependents shall be presented to the board, and any person aggrieved by a decision of the board, may at any time within thirty days after its decision, petition for a writ of certiorari, and the court may on final hearing reverse or affirm, wholly or partly, or may modify, the decision reviewed.

Sec. 14. Section 11-256.03, Arizona Revised Statutes, is amended to read:

11-256.03. Conveyance of property for health care institution to nonprofit corporation; powers and duties of county and nonprofit corporation; reports; definitions

A. The board of supervisors of any county that has a population greater than one million but less than two million persons and that owns and operates a health care institution may enter into an agreement to convey the real property and any improvements thereon and all other property, both tangible and intangible, of such institution to a nonprofit corporation established for the purposes of operating a health care institution that includes inpatient services. Any property and improvements conveyed pursuant to this section shall include the service capability as indicated in the license of the health care institution and all outpatient clinics administered by the health care institution at the time of the conveyance and shall be conveyed for at least their fair market value as determined at the time of the conveyance.

B. To satisfy the requirements of section 501 of the internal revenue code, any nonprofit corporation to which property is conveyed pursuant to subsection A of this section is declared to be:

1. A validly organized and existing body politic and corporate exercising its powers for the benefit of the people, to improve their health and welfare and to increase their prosperity.
2. Engaged in a purpose essential to public health care.
3. Performing an essential governmental function.

C. Any nonprofit corporation to which property is conveyed pursuant to subsection A of this section is exempt from property taxation by this state or any agency or subdivision of this state and possesses and may exercise only those governmental powers of the board of supervisors that are delegated to the nonprofit corporation by the board of supervisors and that are necessary to satisfy the requirements of section 501 of the internal revenue code, as specified in the terms, conditions, restrictions and agreements to the conveyance agreement. These powers are in addition to those powers granted to a nonprofit corporation by title 10, chapters 24 through 40.

D. Any nonprofit corporation to which property is conveyed pursuant to subsection A of this section may issue bonds and incur obligations and pledge its revenues as security for the payment thereof for health care
institutional purposes to the extent provided by the provisions of the conveyance agreement. Nothing in this section shall be construed to authorize the incurrence of a debt by the county within the meaning of any constitutional restriction on debt.

E. Except as provided in subsections F and G of this section, a nonprofit corporation to which property is conveyed pursuant to subsection A of this section may acquire by purchase, lease or otherwise, and may operate, other health care institutions and real and personal property for purposes of providing products and services related to the operation of health care institutions owned, leased or operated by it. Such acquisition or operation does not affect the powers, rights, privileges or immunities conferred on such nonprofit corporation by this section.

F. Any nonprofit corporation to which property is conveyed pursuant to subsection A of this section shall not own, lease or operate a health care institution outside the conveying county.

G. Until September 1, 1986 neither a board of supervisors nor a nonprofit corporation to which property is conveyed pursuant to subsection A of this section shall enter into any agreement with a nonprofit corporation that is a lessee as described in section 15-1637, subsection A, if the agreement provides for the conveyance of any ownership interest whatever in the nonprofit corporation to which property is conveyed pursuant to subsection A of this section or in the property described in subsection A of this section. After August 31, 1986, any such agreement must be approved by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY and the state legislature. This subsection does not prevent the grant of an option to purchase such property, provided that the option may not be exercised before September 1, 1986 and the exercise of the option must be approved by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY and the state legislature. Under no circumstances shall any state general fund monies be used to acquire any interest in such property.

H. Any nonprofit corporation to which property is conveyed pursuant to subsection A of this section shall make semiannual progress reports as to its financial status and deliver them on January 1 and July 1 of each year to the president of the senate, the speaker of the house of representatives and the governor. The nonprofit corporation shall present an independently audited financial statement to the auditor general within ninety days of the close of the previous fiscal year. The auditor general shall review such statements and transmit them together with a report to officers entitled to receive progress reports by this section.

I. For the purposes of this section:
   1. "Health care institution" has the same meaning prescribed in section 36-401.
2. "Internal revenue code" has the same meaning prescribed in section 43-105.

3. "Nonprofit corporation" means a corporation as defined in section 10-3140.

Sec. 15. Section 11-702, Arizona Revised Statutes, is amended to read:

11-702. Board of directors; conflict of interest prohibited; violation; classification; powers and duties

A. The authority shall be governed by a board of directors consisting of fifteen members. In counties having a population of over one million five hundred thousand persons according to the most recent United States decennial census, the board of supervisors shall appoint five members, the president of a state university within the county shall appoint one member and the mayors of the seven most populous cities in that county shall each appoint one member, except that the mayor of the most populous city shall appoint three members. In counties having a population of one million five hundred thousand persons or less according to the most recent United States decennial census, the board of supervisors shall appoint the fifteen members. Directors must be qualified electors of the county. In counties having a population of one million five hundred thousand persons or less according to the most recent United States decennial census, the board of supervisors shall appoint eight members of the initial board of directors to terms of two years and seven members to terms of four years. In counties having a population of over one million five hundred thousand persons according to the most recent United States decennial census, the board of supervisors shall appoint five members of the initial board of directors to terms of four years, the mayor of the most populous city shall appoint three members of the initial board of directors to terms of four years, the president of a state university within the county shall appoint one member of the initial board of directors to a term of two years and the remainder of the MAYORS OF THE REMAINING appointing cities shall EACH appoint one member of the initial board to a term of two years. All subsequent members shall be appointed to terms of four years. A director may not be appointed to more than two consecutive terms.

B. Members of the board of directors shall not have any direct or indirect financial interest in, or be employed in any capacity by, an entity with which the authority has a contractual or lessor-lessee relationship other than A UNIVERSITY OR the Arizona board of regents OR an institution under the jurisdiction of the board of regents GOVERNING BOARD OF A UNIVERSITY. A violation of this section is a class 1 misdemeanor.

C. The board of directors may on behalf of the authority:

1. Adopt and use a corporate seal.

2. Sue and be sued.
3. Enter into contracts, including intergovernmental agreements under chapter 7, article 3 of this title as necessary to carry out the purposes and requirements of this chapter.

4. Adopt administrative rules as necessary to administer and operate the authority and any facility under its jurisdiction.

5. Employ an executive director and administrative and clerical employees and prescribe the terms and conditions of their employment as necessary to carry out the purposes of the authority.

6. Acquire by any lawful means, except by eminent domain, and operate, maintain, encumber and dispose of real and personal property and interests in property.

7. Administer trusts declared or established for the authority, receive and hold in trust or otherwise property located in or out of this state and, if not otherwise provided, dispose of the property for the benefit of the authority.

8. Promote events in the public interest that are approved and listed in the budget under section 11-705, subsection A, paragraph 3, subdivision (d).


D. The board of directors shall:

1. Appoint from among its members a chairman, secretary and treasurer and such other officers as may be necessary to conduct its business.

2. Keep and maintain a complete and accurate record of all of its proceedings. All proceedings and records of the board shall be open to the public as required by title 38, chapter 3, article 3.1 and title 39, chapter 1.

3. Actively promote the use of the authority's property and lease or sublease the property for professional and amateur sports events and for other suitable activities for the benefit of the public.

4. Provide for the maintenance and operation of the properties, facilities, franchises and interests controlled by the authority.

Sec. 16. Section 11-703, Arizona Revised Statutes, is amended to read:

11-703. Using university property

The board of directors may enter into one or more intergovernmental agreements pursuant to chapter 7, article 3 of this title with the Arizona board of regents or with any institution under its jurisdiction A UNIVERSITY OR THE GOVERNING BOARD OF A UNIVERSITY in the county to lease university real or personal property. Any such lease may authorize the authority to sublease the property for any activity suited to the property, including sporting events. In addition, the board of directors, pursuant to section 11-702, subsection C, paragraph 6, may acquire ownership of or an ownership interest in any such property. Subject to the provisions of title 4, the board of directors may permit and regulate
the sale, use and consumption of alcoholic beverages at events held on
property acquired, leased or subleased under this section.

Sec. 17. Section 11-704, Arizona Revised Statutes, is amended to
read:

11-704. County sports authority fund
A. The authority treasurer shall maintain a county sports authority
fund consisting of all monies received by the authority, including:

1. Payments received from leasing, subleasing or renting
facilities.

2. Revenues received by the authority from admissions and
concessions and other proceeds from events held at facilities leased by
the authority.

3. Monies received from issuing and selling bonds under article 2
of this chapter.

4. Interest and other income received from investing monies in the
fund.

5. Gifts, grants and donations received for that purpose from any
private source.

B. Monies in the fund may be used only for the following purposes:

1. Ordinary and necessary administration and operation expenses of
the authority, including:

(a) Reasonable salaries and employee-related expenses of employees of the authority.

(b) Reasonable reimbursement of expenses of members of the board of
directors.

2. Making all payments required under any lease or sublease of
facilities by the authority.

3. Repaying and redeeming bonds issued by the authority, including
interest and redemption charges.

4. Academic scholarships, established by the board of directors at
the end of the fiscal year, to any college or university under the
jurisdiction of the Arizona community college board GOVERNING BOARD OF A
COMMUNITY COLLEGE DISTRICT or the Arizona board of regents GOVERNING BOARD
OF A UNIVERSITY. These scholarships shall be funded from unexpended and
unencumbered monies remaining in the fund at the end of the fiscal year
which are not otherwise required as reserves.

C. The treasurer of the authority may invest any unexpended monies
in the fund as provided in title 35, chapter 2, including in the local
government investment pool, if authorized by the state treasurer.
Interest and other income from investments shall be credited to the
fund. The treasurer of the authority shall invest the monies so as to
mature at the times when the fund assets will be required for the purposes
of this article. If the liquid assets in the fund become insufficient to
meet the authority's obligations, the board of directors shall direct the
treasurer of the authority to liquidate sufficient securities to meet all
of the current obligations and immediately notify the board of supervisors, the attorney general and the auditor general of the insufficiency, and the attorney general and auditor general shall investigate and audit the circumstances surrounding the depletion of the fund and report their findings to the board of supervisors.

D. The board of directors shall cause an annual audit to be conducted of the fund by an independent certified public accountant within thirty days after the end of the fiscal year. The board shall immediately file a certified copy of the audit with the auditor general. The auditor general may make such further audits and examinations as he deems necessary, but if he takes no official action within thirty days after the audit is filed, the audit is deemed sufficient. The board of directors shall pay all fees and costs of the certified public accountant and auditor general under this subsection from the fund.

Sec. 18. Section 15-101, Arizona Revised Statutes, is amended to read:

15-101. Definitions
In this title, unless the context otherwise requires:

1. "Accommodation school" means either:
   (a) A school that is operated through the county board of supervisors and the county school superintendent and that the county school superintendent administers to serve a military reservation or territory that is not included within the boundaries of a school district.
   (b) A school that provides educational services to homeless children or alternative education programs as provided in section 15-308, subsection B.
   (c) A school that is established to serve a military reservation, the boundaries of which are coterminous with the boundaries of the military reservation on which the school is located.

2. "Assessed valuation" means the valuation derived by applying the applicable percentage as provided in title 42, chapter 15, article 1 to the full cash value or limited property value, whichever is applicable, of the property.

3. "Charter holder" means a person that enters into a charter with the state board for charter schools. For the purposes of this paragraph, "person" means an individual, partnership, corporation, association or public or private organization of any kind.

4. "Charter school" means a public school established by contract with the state board of education, the state board for charter schools, a
PUBLIC university under the jurisdiction of the Arizona board of regents
IN THIS STATE, a community college district or a group of community college districts pursuant to article 8 of this chapter to provide learning that will improve pupil achievement.
5. "Child with a disability" means a child with a disability as defined in section 15-761.

6. "Class A bonds" means general obligation bonds approved by a vote of the qualified electors of a school district at an election held on or before December 31, 1998.

7. "Class B bonds" means general obligation bonds approved by a vote of the qualified electors of a school district at an election held from and after December 31, 1998.

8. "Competency" means a demonstrated ability in a skill at a specified performance level.

9. "Course" means organized subject matter in which instruction is offered within a given period of time and for which credit toward promotion, graduation or certification is usually given. A course consists of knowledge selected from a subject for instructional purposes in the schools.

10. "Course of study" means a list of required and optional subjects to be taught in the schools.

11. "Dual enrollment course" means a college-level course that is conducted on the campus of a high school or on the campus of a joint technical education district, that is applicable to an established community college academic degree or certificate program and that is transferable to a PUBLIC university under the jurisdiction of the Arizona Board of Regents IN THIS STATE. A dual enrollment course that is applicable to a community college occupational degree or certificate program may be transferable to a PUBLIC university under the jurisdiction of the Arizona Board of Regents IN THIS STATE.

12. "Elementary grades" means kindergarten programs and grades one through eight.

13. "Fiscal year" means the year beginning July 1 and ending June 30.

14. "Governing board" means a body organized for the government and management of the schools within a school district or a county school superintendent in the conduct of an accommodation school.

15. "Lease" means an agreement for conveyance and possession of real or personal property.

16. "Limited property value" means the value determined pursuant to title 42, chapter 13, article 7. Limited property value shall be used as the basis for assessing, fixing, determining and levying primary property taxes.

17. "Nontest" means not relating to knowledge or skills in reading, writing, mathematics, social studies, science or any other course.

18. "Parent" means the natural or adoptive parent of a child or a person who has custody of a child.
19. "Person who has custody" means a parent or legal guardian of a
child, a person to whom custody of the child has been given by order of a
court or a person who stands in loco parentis to the child.

20. "Primary property taxes" means all ad valorem taxes except for
secondary property taxes.

21. "Private school" means a nonpublic institution where
instruction is imparted.

22. "School" or "public school" means any public institution
established for the purposes of offering instruction to pupils in programs
for preschool children with disabilities, kindergarten programs or any
combination of elementary grades or secondary grades one through twelve.

23. "School district" means a political subdivision of this state
with geographic boundaries organized for the purpose of the
administration, support and maintenance of the public schools or an
accommodation school.


25. "Secondary property taxes" means ad valorem taxes used to pay
the principal of and the interest and redemption charges on any bonded
indebtedness or other lawful long-term obligation issued or incurred for a
specific purpose by a school district or a community college district and
amounts levied pursuant to an election to exceed a budget, expenditure or
tax limitation.

26. "Subject" means a division or field of organized knowledge,
such as English or mathematics, or a selection from an organized body of
knowledge for a course or teaching unit, such as the English novel or
elementary algebra.

Sec. 19. Section 15-121, Arizona Revised Statutes, is amended to
read:

15-121. School employees; participation in federal retirement
plans and deferred compensation plans; prohibition
against use of public monies; exceptions

A. Employees of school districts, accommodation school employees,
employees of the community college districts, employees of the
universities and all other certificated and noncertificated employees of
the schools of this state, including those located at state institutions,
may participate in federal retirement or deferred compensation plans as
provided in 26 United States Code sections 401(a), 403(b) and 457(b), if
the governing body approves.

B. Upon ON election by an employee to participate through salary
reduction contributions if permitted under federal law or by election of
the governing board to make nonelective employer contributions, the
governing board of a school district, the county school superintendent,
the community college district governing board, the Arizona board of
regents GOVERNING BOARD OF A UNIVERSITY or THE other governing body or
employer of the employee shall:
1. Invest such an amount as authorized by the employee, to be reduced from the regular annual salary of the employee, in a 26 United States Code section 403(b) tax sheltered annuity or custodial account or a 26 United States Code section 457(b) deferred compensation plan.

2. Invest nonelective employer contributions in a 26 United States Code section 401(a) defined contribution plan or a 26 United States Code section 403(b) tax sheltered annuity or custodial account.

C. The amount to be invested shall be determined by the employee not less than fifteen days before the employee's first payday in the school year, or at any time during the school year at the option of the governing body. The employing body or county school superintendent shall assume no responsibility other than to make the requested payments during the actual time of the employment of the employee. The employer shall transfer to the fund manager the employee contributions within ten working days after each and every payroll date. Contributions transferred after that date shall include a penalty of six percent a year for each day the contributions are late. The penalty shall be paid by the employer. If the employee changes the employer's employment to another school or school district, the employee may authorize the employer's new employer to continue the payments if the governing body approves.

D. State, county, district or other public monies shall not be used in the purchase of any annuity or payment of any deferred compensation authorized by this article, except for monies authorized for the following purposes:

1. The recruitment and retention of selected employees, including teachers when there are shortages of teachers.

2. As a benefit to encourage teachers specifically selected by the governing board or the board's authorized designee to teach in an underperforming A school THAT IS ASSIGNED A LETTER GRADE OF D PURSUANT TO SECTION 15-241.

3. For the reduction of the unfunded liabilities of unused leave pay accruals with in-service nonelective employer contributions.

4. For the replacement of unused leave pay or other types of severance pay at the time of severance of employment.

5. To buy out the individually negotiated contracts of key employees.

6. To provide incentives for the early retirement of selected employees as determined by the governing board.

E. If monies are contributed pursuant to subsection D, paragraph 4, 5 or 6 OF THIS SECTION, at the discretion of the governing board, those monies may be contributed pursuant to 26 United States Code section 401(a) only in the final year of service, or pursuant to 26 United States Code section 403(b) both in the final year of service and for up to five tax years following the tax year of the final year of service.
Sec. 20. Section 15-131, Arizona Revised Statutes, is amended to read:

15-131. Exchange teacher agreements
A. The governing board of any school district in this state or the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY may enter into agreements with any foreign country, state, territory or possession of the United States or other school district within the state for the exchange and employment of teachers or professors having required certificates in this state and teachers or professors in the public schools, universities or colleges of any foreign country, state, territory or possession of the United States or other school district within the state having certification or qualifications equivalent to that of the exchange teacher or professor of this state.

B. In all cases of the exchange of any foreign teacher or professor such AN exchange shall be contracted for and effected exclusively through the teacher exchange program as authorized by federal statutes enacted by the Congress of the United States.

Sec. 21. Section 15-133, Arizona Revised Statutes, is amended to read:

15-133. Terms of employment
No AN exchange teacher or professor may NOT be employed in this state unless he THE TEACHER OR PROFESSOR has been issued proper certification and may not be employed for more than one school year, except that, by consent of the governing board OF THE SCHOOL DISTRICT or the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY and the two exchange teachers concerned, the period may be extended to two years.

Sec. 22. Section 15-135, Arizona Revised Statutes, is amended to read:

15-135. Deductions for retirement; preservation of rights
A. All regular deductions for retirement as required by law shall be made from the salary of the local teacher or professor participating in exchange teaching pursuant to this article.

B. No ANY such teacher or professor shall NOT lose any right of certification, retirement, salary status or ANY other benefit provided by law or by the rules of the governing board of the school district or the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY due to exchange teaching under this article.

Sec. 23. Section 15-151, Arizona Revised Statutes, is amended to read:

15-151. Eye protective devices; definition
A. Every student, teacher and visitor in public and private schools, community colleges, colleges and universities shall wear appropriate eye protective ware EYEWEAR while participating in or when observing vocational, technical, industrial arts, art or laboratory science activities involving exposure to:
1. Molten metals or other molten materials.
2. Cutting, shaping and grinding of materials.
3. Heat treatment, tempering or kiln firing of any metal or other materials.
5. Explosive materials.
6. Caustic solutions.
7. Radioactive materials.

B. The governing board of every school district, the governing board of every community college district, the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY and every person maintaining a private or parochial school in this state shall equip schools within their jurisdiction with eye protective ware EYEWEAR for use as required in this article.

C. Standards and rules for the enforcement of this article shall be prescribed by the governing board of every school district, the community college district governing board of each community college district and the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY.

D. Schools, community colleges, colleges and universities may receive and expend federal, state and local monies to provide eye protective devices.

E. For purposes of this article, "eye protective ware EYEWEAR" means devices meeting the standards of the American national standards institute's standards for occupational and education eye protection, Z87.1-1989.

Sec. 24. Section 15-183, Arizona Revised Statutes, is amended to read:

15-183. Charter schools; application; requirements; immunity; exemptions; renewal of application; reprisal; fee; funds; annual reports

A. An applicant seeking to establish a charter school shall submit a written application to a proposed sponsor as prescribed in subsection C of this section. The application, application process and application time frames shall be posted on the sponsor's website and shall include the following, as specified in the application adopted by the sponsor:

1. A detailed educational plan.
2. A detailed business plan.
3. A detailed operational plan.
4. Any other materials required by the sponsor.

B. The sponsor of a charter school may contract with a public body, private person or private organization for the purpose of establishing a charter school pursuant to this article.

C. The sponsor of a charter school may be either the state board of education, the state board for charter schools, a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE, a
community college district or a group of community college districts, subject to the following requirements:

1. An applicant may not submit an application for sponsorship to any person or entity other than those prescribed in this subsection.

2. The applicant may submit the application to the state board of education or the state board for charter schools. Notwithstanding any other law, neither the state board for charter schools nor the state board of education shall grant a charter to a school district governing board for a new charter school that begins initial operations after June 30, 2013 or for the conversion of an existing district public school to a charter school that begins initial operations after June 30, 2013. The state board of education or the state board for charter schools may approve the application if the application meets the requirements of this article and may approve the charter if the proposed sponsor determines, within its sole discretion, that the applicant is sufficiently qualified to operate a charter school and that the applicant is applying to operate as a separate charter holder by considering factors such as whether:

   (a) The schools have separate governing bodies, governing body membership, staff, facilities and student population.

   (b) Daily operations are carried out by different administrators.

   (c) The applicant intends to have an affiliation agreement for the purpose of providing enrollment preferences.

   (d) The applicant's charter management organization has multiple charter holders serving varied grade configurations on one physical site or nearby sites serving one community.

   (e) It is reconstituting an existing school site population at the same or new site.

   (f) It is reconstituting an existing grade configuration from a prior charter holder with at least one grade remaining on the original site with the other grade or grades moving to a new site. The state board of education or the state board for charter schools may approve any charter schools transferring charters. If the state board of education or the state board for charter schools rejects the preliminary application, the state board of education or the state board for charter schools shall notify the applicant in writing of the reasons for the rejection and of suggestions for improving the application. An applicant may submit a revised application for reconsideration by the state board of education or the state board for charter schools. The applicant may request, and the state board of education or the state board for charter schools may provide, technical assistance to improve the application.

3. The applicant may submit the application to a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE, a community college district or a group of community college districts. A university, a community college district or a group of community college districts shall not grant a charter to a school district governing board
for a new charter school that begins initial operations after June 30,
2013 or for the conversion of an existing district public school to a
charter school that begins initial operations after June 30, 2013. A
university, a community college district or a group of community college
districts may approve the application if it meets the requirements of this
article and if the proposed sponsor determines, in its sole discretion,
that the applicant is sufficiently qualified to operate a charter school.

4. Each applicant seeking to establish a charter school shall
submit a full set of fingerprints to the approving agency for the purpose
of obtaining a state and federal criminal records check pursuant to
section 41-1750 and Public Law 92-544. If an applicant will have direct
contact with students, the applicant shall possess a valid fingerprint
clearance card that is issued pursuant to title 41, chapter 12, article
3.1. The department of public safety may exchange this fingerprint data
with the federal bureau of investigation. The criminal records check
shall be completed before the issuance of a charter.

5. All persons engaged in instructional work directly as a
classroom, laboratory or other teacher or indirectly as a supervisory
teacher, speech therapist or principal shall have a valid fingerprint
clearance card that is issued pursuant to title 41, chapter 12, article
3.1, unless the person is a volunteer or guest speaker who is accompanied
in the classroom by a person with a valid fingerprint clearance card. A
charter school shall not employ a teacher whose certificate has been
surrendered or revoked, unless the teacher's certificate has been
subsequently reinstated by the state board of education. All other
personnel shall be fingerprint checked pursuant to section 15-512, or the
charter school may require those personnel to obtain a fingerprint
clearance card issued pursuant to title 41, chapter 12, article
3.1. Before employment, the charter school shall make documented, good
faith efforts to contact previous employers of a person to obtain
information and recommendations that may be relevant to a person's fitness
for employment as prescribed in section 15-512, subsection F. The charter
school shall notify the department of public safety if the charter school
or sponsor receives credible evidence that a person who possesses a valid
fingerprint clearance card is arrested for or is charged with an offense
listed in section 41-1758.03, subsection B. Charter schools may hire
personnel that WHO have not yet received a fingerprint clearance card if
proof is provided of the submission of an application to the department of
public safety for a fingerprint clearance card and if the charter school
that is seeking to hire the applicant does all of the following:
   (a) Documents in the applicant's file the necessity for hiring and
placement of the applicant before receiving a fingerprint clearance card.
   (b) Ensures that the department of public safety completes a
statewide criminal records check on the applicant. A statewide criminal
records check shall be completed by the department of public safety every
one hundred twenty days until the date that the fingerprint check is completed or the fingerprint clearance card is issued or denied.

(c) Obtains references from the applicant's current employer and the two most recent previous employers except for applicants who have been employed for at least five years by the applicant's most recent employer.

(d) Provides general supervision of the applicant until the date that the fingerprint card is obtained.

(e) Completes a search of criminal records in all local jurisdictions outside of this state in which the applicant has lived in the previous five years.

(f) Verifies the fingerprint status of the applicant with the department of public safety.

6. A charter school that complies with the fingerprinting requirements of this section shall be deemed to have complied with section 15-512 and is entitled to the same rights and protections provided to school districts by section 15-512.

7. If a charter school operator is not already subject to a public meeting or hearing by the municipality in which the charter school is located, the operator of a charter school shall conduct a public meeting at least thirty days before the charter school operator opens a site or sites for the charter school. The charter school operator shall post notices of the public meeting in at least three different locations that are within three hundred feet of the proposed charter school site.

8. A person who is employed by a charter school or who is an applicant for employment with a charter school, who is arrested for or charged with a nonappealable offense listed in section 41-1758.03, subsection B and who does not immediately report the arrest or charge to the person's supervisor or potential employer is guilty of unprofessional conduct and the person shall be immediately dismissed from employment with the charter school or immediately excluded from potential employment with the charter school.

9. A person who is employed by a charter school and who is convicted of any nonappealable offense listed in section 41-1758.03, subsection B or is convicted of any nonappealable offense that amounts to unprofessional conduct under section 15-550 shall immediately do all of the following:

(a) Surrender any certificates issued by the department of education.

(b) Notify the person's employer or potential employer of the conviction.

(c) Notify the department of public safety of the conviction.

(d) Surrender the person's fingerprint clearance card.

D. An entity that is authorized to sponsor charter schools pursuant to this article has no legal authority over or responsibility for a charter school sponsored by a different entity. This subsection does not
apply to the state board of education's duty to exercise general supervision over the public school system pursuant to section 15-203, subsection A, paragraph 1.

E. The charter of a charter school shall do all of the following:

1. Ensure compliance with federal, state and local rules, regulations and statutes relating to health, safety, civil rights and insurance. The department of education shall publish a list of relevant rules, regulations and statutes to notify charter schools of their responsibilities under this paragraph.

2. Ensure that it is nonsectarian in its programs, admission policies and employment practices and all other operations.

3. Ensure that it provides a comprehensive program of instruction for at least a kindergarten program or any grade between grades one and twelve, except that a school may offer this curriculum with an emphasis on a specific learning philosophy or style or certain subject areas such as mathematics, science, fine arts, performance arts or foreign language.

4. Ensure that it designs a method to measure pupil progress toward the pupil outcomes adopted by the state board of education pursuant to section 15-741.01, including participation in the Arizona instrument to measure standards test and the nationally standardized norm-referenced achievement test as designated by the state board and the completion and distribution of an annual report card as prescribed in chapter 7, article 2 of this title.

5. Ensure that, except as provided in this article and in its charter, it is exempt from all statutes and rules relating to schools, governing boards and school districts.

6. Ensure that, except as provided in this article, it is subject to the same financial and electronic data submission requirements as a school district, including the uniform system of financial records as prescribed in chapter 2, article 4 of this title, procurement rules as prescribed in section 15-213 and audit requirements. The auditor general shall conduct a comprehensive review and revision of the uniform system of financial records to ensure that the provisions of the uniform system of financial records that relate to charter schools are in accordance with commonly accepted accounting principles used by private business. A school’s charter may include exceptions to the requirements of this paragraph that are necessary as determined by the university, the community college district, the group of community college districts, the state board of education or the state board for charter schools. The department of education or the office of the auditor general may conduct financial, program or compliance audits.

7. Ensure compliance with all federal and state laws relating to the education of children with disabilities in the same manner as a school district.
8. Ensure that it provides for a governing body for the charter school that is responsible for the policy decisions of the charter school. Notwithstanding section 1-216, if there is a vacancy or vacancies on the governing body, a majority of the remaining members of the governing body constitute a quorum for the transaction of business, unless that quorum is prohibited by the charter school's operating agreement.

9. Ensure that it provides a minimum of one hundred eighty instructional days before June 30 of each fiscal year unless it is operating on an alternative calendar approved by its sponsor. The superintendent of public instruction shall adjust the apportionment schedule accordingly to accommodate a charter school utilizing an alternative calendar.

F. A charter school shall keep in the personnel file of all current employees who provide instruction to pupils at the charter school information about the employee's educational and teaching background and experience in a particular academic content subject area. A charter school shall inform parents and guardians of the availability of the information and shall make the information available for inspection on request of parents and guardians of pupils enrolled at the charter school. This subsection does not require any charter school to release personally identifiable information in relation to any teacher or employee, including the teacher's or employee's address, salary, social security number or telephone number.

G. The charter of a charter school may be amended at the request of the governing body of the charter school and on the approval of the sponsor.

H. Charter schools may contract, sue and be sued.

I. The charter is effective for fifteen years from the first day of the fiscal year as specified in the charter, subject to the following:

1. At least eighteen months before the expiration of the charter, the sponsor shall notify the charter school that the charter school may apply for renewal and shall make the renewal application available to the charter school. A charter school that elects to apply for renewal shall file a complete renewal application at least fifteen months before the expiration of the charter. A sponsor shall give written notice of its intent not to renew the charter school's request for renewal to the charter school at least twelve months before the expiration of the charter. The sponsor shall make data used in making renewal decisions available to the school and the public and shall provide a public report summarizing the evidence basis for each decision. The sponsor may deny the request for renewal if, in its judgment, the charter holder has failed to do any of the following:

   (a) Meet or make sufficient progress toward the academic performance expectations set forth in the performance framework.
(b) Meet the operational performance expectations set forth in the
performance framework or any improvement plans.
(c) Complete the obligations of the contract.
(d) Comply with this article or any provision of law from which the
charter school is not exempt.

2. A charter operator may apply for early renewal. At least nine
months before the charter school's intended renewal consideration, the
operator of the charter school shall submit a letter of intent to the
sponsor to apply for early renewal. The sponsor shall review fiscal
audits and academic performance data for the charter school that are
annually collected by the sponsor, review the current contract between the
sponsor and the charter school and provide the qualifying charter school
with a renewal application. On submission of a complete application, the
sponsor shall give written notice of its consideration of the renewal
application. The sponsor may deny the request for early renewal if, in
the sponsor's judgment, the charter holder has failed to do any of the
following:
(a) Meet or make sufficient progress toward the academic
performance expectations set forth in the performance framework.
(b) Meet the operational performance expectations set forth in the
performance framework or any improvement plans.
(c) Complete the obligations of the contract.
(d) Comply with this article or any provision of law from which the
charter school is not exempt.

3. A sponsor shall review a charter at five-year intervals using a
performance framework adopted by the sponsor and may revoke a charter at
any time if the charter school breaches one or more provisions of its
charter or if the sponsor determines that the charter holder has failed to
do any of the following:
(a) Meet or make sufficient progress toward the academic
performance expectations set forth in the performance framework.
(b) Meet the operational performance expectations set forth in the
performance framework or any improvement plans.
(c) Comply with this article or any provision of law from which the
charter school is not exempt.

4. In determining whether to renew or revoke a charter holder, the
sponsor must consider making sufficient progress toward the academic
performance expectations set forth in the sponsor's performance framework
as one of the most important factors.

5. At least sixty days before the effective date of the proposed
revocation, the sponsor shall give written notice to the operator of the
charter school of its intent to revoke the charter. Notice of the
sponsor's intent to revoke the charter shall be delivered personally to
the operator of the charter school or sent by certified mail, return
receipt requested, to the address of the charter school. The notice shall
incorporate a statement of reasons for the proposed revocation of the charter. The sponsor shall allow the charter school at least sixty days to correct the problems associated with the reasons for the proposed revocation of the charter. The final determination of whether to revoke the charter shall be made at a public hearing called for such purpose.

J. The charter may be renewed for successive periods of twenty years.

K. A charter school that is sponsored by the state board of education, the state board for charter schools, a university, a community college district or a group of community college districts may not be located on the property of a school district unless the district governing board grants this authority.

L. A governing board or a school district employee who has control over personnel actions shall not take unlawful reprisal against another employee of the school district because the employee is directly or indirectly involved in an application to establish a charter school. A governing board or a school district employee shall not take unlawful reprisal against an educational program of the school or the school district because an application to establish a charter school proposes the conversion of all or a portion of the educational program to a charter school. For the purposes of this subsection, "unlawful reprisal" means an action that is taken by a governing board or a school district employee as a direct result of a lawful application to establish a charter school and that is adverse to another employee or an educational program and:

1. With respect to a school district employee, results in one or more of the following:
   a. Disciplinary or corrective action.
   b. Detail, transfer or reassignment.
   c. Suspension, demotion or dismissal.
   d. An unfavorable performance evaluation.
   e. A reduction in pay, benefits or awards.
   f. Elimination of the employee's position without a reduction in force by reason of lack of monies or work.
   g. Other significant changes in duties or responsibilities that are inconsistent with the employee's salary or employment classification.

2. With respect to an educational program, results in one or more of the following:
   a. Suspension or termination of the program.
   b. Transfer or reassignment of the program to a less favorable department.
   c. Relocation of the program to a less favorable site within the school or school district.
   d. Significant reduction or termination of funding for the program.
M. Charter schools shall secure insurance for liability and property loss. The governing body of a charter school that is sponsored by the state board of education or the state board for charter schools may enter into an intergovernmental agreement or otherwise contract to participate in an insurance program offered by a risk retention pool established pursuant to section 11-952.01 or 41-621.01 or the charter school may secure its own insurance coverage. The pool may charge the requesting charter school reasonable fees for any services it performs in connection with the insurance program.

N. Charter schools do not have the authority to acquire property by eminent domain.

O. A sponsor, including members, officers and employees of the sponsor, is immune from personal liability for all acts done and actions taken in good faith within the scope of its authority.

P. Charter school sponsors and this state are not liable for the debts or financial obligations of a charter school or persons who operate charter schools.

Q. The sponsor of a charter school shall establish procedures to conduct administrative hearings on determination by the sponsor that grounds exist to revoke a charter. Procedures for administrative hearings shall be similar to procedures prescribed for adjudicative proceedings in title 41, chapter 6, article 10. Except as provided in section 41-1092.08, subsection H, final decisions of the state board of education and the state board for charter schools from hearings conducted pursuant to this subsection are subject to judicial review pursuant to title 12, chapter 7, article 6.

R. The sponsoring entity of a charter school shall have oversight and administrative responsibility for the charter schools that it sponsors. In implementing its oversight and administrative responsibilities, the sponsor shall ground its actions in evidence of the charter holder's performance in accordance with the performance framework adopted by the sponsor. The performance framework shall be publicly available, shall be placed on the sponsoring entity's website and shall include:

1. The academic performance expectations of the charter school and the measurement of sufficient progress toward the academic performance expectations.

2. The operational expectations of the charter school, including adherence to all applicable laws and obligations of the charter contract.

3. Intervention and improvement policies.

S. Charter schools may pledge, assign or encumber their assets to be used as collateral for loans or extensions of credit.

T. All property accumulated by a charter school shall remain the property of the charter school.
U. Charter schools may not locate a school on property that is less than one-fourth mile from agricultural land regulated pursuant to section 3-365, except that the owner of the agricultural land may agree to comply with the buffer zone requirements of section 3-365. If the owner agrees in writing to comply with the buffer zone requirements and records the agreement in the office of the county recorder as a restrictive covenant running with the title to the land, the charter school may locate a school within the affected buffer zone. The agreement may include any stipulations regarding the charter school, including conditions for future expansion of the school and changes in the operational status of the school that will result in a breach of the agreement.

V. A transfer of a charter to another sponsor, a transfer of a charter school site to another sponsor or a transfer of a charter school site to a different charter shall be completed before the beginning of the fiscal year that the transfer is scheduled to become effective. An entity that sponsors charter schools may accept a transferring school after the beginning of the fiscal year if the transfer is approved by the superintendent of public instruction. The superintendent of public instruction shall have the discretion to consider each transfer during the fiscal year on a case-by-case basis. A charter holder seeking to transfer sponsors shall comply with the current charter terms regarding assignment of the charter. A charter holder transferring sponsors shall notify the current sponsor that the transfer has been approved by the new sponsor.

W. Notwithstanding subsection V of this section, a charter holder on an improvement plan must notify parents or guardians of registered students of the intent to transfer the charter and the timing of the proposed transfer. On the approved transfer, the new sponsor shall enforce the improvement plan but may modify the plan based on performance.

X. Notwithstanding subsection Y of this section, the state board for charter schools shall charge a processing fee to any charter school that amends its contract to participate in Arizona online instruction pursuant to section 15-808. The charter Arizona online instruction processing fund is established consisting of fees collected and administered by the state board for charter schools. The state board for charter schools shall use monies in the fund only for the processing of contract amendments for charter schools participating in Arizona online instruction. Monies in the fund are continuously appropriated.

Y. The sponsoring entity may not charge any fees to a charter school that it sponsors unless the sponsor has provided services to the charter school and the fees represent the full value of those services provided by the sponsor. On request, the value of the services provided by the sponsor to the charter school shall be demonstrated to the department of education.
Z. Charter schools may enter into an intergovernmental agreement with a presiding judge of the juvenile court to implement a law-related education program as defined in section 15-154. The presiding judge of the juvenile court may assign juvenile probation officers to participate in a law-related education program in any charter school in the county. The cost of juvenile probation officers who participate in the program implemented pursuant to this subsection shall be funded by the charter school.

AA. The sponsor of a charter school shall modify previously approved curriculum requirements for a charter school that wishes to participate in the board examination system prescribed in chapter 7, article 6 of this title.

BB. If a charter school decides not to participate in the board examination system prescribed in chapter 7, article 6 of this title, pupils enrolled at that charter school may earn a Grand Canyon diploma by obtaining a passing score on the same board examinations.

CC. Notwithstanding subsection Y of this section, a sponsor of charter schools may charge a new charter application processing fee to any applicant. The application fee shall fully cover the cost of application review and any needed technical assistance. Authorizers may approve policies that allow a portion of the fee to be returned to the applicant whose charter is approved.

DD. A charter school may choose to provide a preschool program for children with disabilities pursuant to section 15-771.

EE. Pursuant to the prescribed graduation requirements adopted by the state board of education, the governing body of a charter school operating a high school may approve a rigorous computer science course that would fulfill a mathematics course required for graduation from high school. The governing body may approve a rigorous computer science course only if the rigorous computer science course includes significant mathematics content and the governing body determines the high school where the rigorous computer science course is offered has sufficient capacity, infrastructure and qualified staff, including competent teachers of computer science.

FF. A charter school may permit the use of school property, including school buildings, grounds, buses and equipment, by any person, group or organization for any lawful purpose, including a recreational, educational, political, economic, artistic, moral, scientific, social, religious or other civic or governmental purpose. The charter school may charge a reasonable fee for the use of the school property.

GG. A charter school and its employees, including the governing body, or chief administrative officer, are immune from civil liability with respect to all decisions made and actions taken to allow the use of school property, unless the charter school or its employees are guilty of
gross negligence or intentional misconduct. This subsection does not
limit any other immunity provisions that are prescribed by law.

HH. Sponsors authorized pursuant to this section shall submit an
annual report to the auditor general on or before October 1. The report
shall include:

1. The current number of charters authorized and the number of
schools operated by authorized charter holders.

2. The academic and operational performance of the sponsor's
charter portfolio as measured by the sponsor's adopted performance
framework.

3. For the prior year, the number of new charters approved, the
number of charter schools closed and the reason for the closure.

4. The sponsor's application, amendment, renewal and revocation
processes, charter contract template and current performance framework as
required by this section.

II. The auditor general shall prescribe the format for the annual
report required by subsection HH of this section and may require that the
annual report be submitted electronically. The auditor general shall
review the submitted annual reports to ensure that the reports include the
required items in subsection HH of this section and shall make the annual
reports available upon request. If the auditor general finds
significant noncompliance or if a sponsor fails to submit the annual
report required by subsection HH of this section, on or before December 31
of each year the auditor general shall report to the governor, the
president of the senate, the speaker of the house of representatives and
the chairs of the senate and house education committees or their successor
committees, and the legislature shall consider revoking the sponsor's
authority to sponsor charter schools.

Sec. 25. Section 15-185, Arizona Revised Statutes, is amended to
read:

15-185. Charter schools; financing; civil penalty;
transportation; definition
A. A school district is not financially responsible for any charter
school that is sponsored by the state board of education, the state board
for charter schools, a PUBLIC university under the jurisdiction of the
Arizona board of regents IN THIS STATE, a community college district or a
group of community college districts.

B. Financial provisions for a charter school that is sponsored by
the state board of education, the state board for charter schools, a
university, a community college district or a group of community college
districts are as follows:

1. The charter school shall calculate a base support level as
prescribed in section 15-943, except that:
(a) Section 15-941 does not apply to these charter schools.
(b) The small school weights prescribed in section 15-943, paragraph 1 apply if a charter holder, as defined in section 15-101, holds one charter for one or more school sites and the average daily membership for the school sites are combined for the calculation of the small school weight. The small school weight shall not be applied individually to a charter holder if one or more of the following conditions exist and the combined average daily membership derived from the following conditions is greater than six hundred:

(i) The organizational structure or management agreement of the charter holder requires the charter holder or charter school to contract with a specific management company.

(ii) The governing body of the charter holder has identical membership to another charter holder in this state.

(iii) The charter holder is a subsidiary of a corporation that has other subsidiaries that are charter holders in this state.

(iv) The charter holder holds more than one charter in this state.

(c) Notwithstanding subdivision (b) of this paragraph, for fiscal years 2015-2016 and 2016-2017 the department of education shall reduce by thirty-three percent the amount provided by the small school weight for charter schools prescribed in subdivision (b) of this paragraph.

2. Notwithstanding paragraph 1 of this subsection, the student count shall be determined initially using an estimated student count based on actual registration of pupils before the beginning of the school year. Notwithstanding section 15-1042, subsection F, student level data submitted to the department may be used to determine estimated student counts. After the first forty days, one hundred days or two hundred days in session, as applicable, the charter school shall revise the student count to be equal to the actual average daily membership, as defined in section 15-901, of the charter school. Before the fortieth day, one hundredth day or two hundredth day in session, as applicable, the state board of education, the state board for charter schools, the sponsoring university, the sponsoring community college district or the sponsoring group of community college districts may require a charter school to report periodically regarding pupil enrollment and attendance, and the department of education may revise its computation of equalization assistance based on the report. A charter school shall revise its student count, base support level and charter additional assistance before May 15. A charter school that overestimated its student count shall revise its budget before May 15. A charter school that underestimated its student count may revise its budget before May 15.

3. A charter school may utilize section 15-855 for the purposes of this section. The charter school and the department of education shall prescribe procedures for determining average daily membership.
4. Equalization assistance for the charter school shall be determined by adding the amount of the base support level and charter additional assistance. The amount of the charter additional assistance is one thousand seven hundred fifty-two dollars ten cents per student count in preschool programs for children with disabilities, kindergarten programs and grades one through eight and two thousand forty-two dollars four cents per student count in grades nine through twelve.

5. The state board of education shall apportion state aid from the appropriations made for such purposes to the state treasurer for disbursement to the charter schools in each county in an amount as determined by this paragraph. The apportionments shall be made as prescribed in section 15-973, subsection B.

6. The charter school shall not charge tuition for pupils who reside in this state, levy taxes or issue bonds. A charter school may admit pupils who are not residents of this state and shall charge tuition for those pupils in the same manner prescribed in section 15-823.

7. Not later than noon on the day preceding each apportionment date established by paragraph 5 of this subsection, the superintendent of public instruction shall furnish to the state treasurer an abstract of the apportionment and shall certify the apportionment to the department of administration, which shall draw its warrant in favor of the charter schools for the amount apportioned.

C. If a pupil is enrolled in both a charter school and a public school that is not a charter school, the sum of the daily membership, which includes enrollment as prescribed in section 15-901, subsection A, paragraph 1, subdivisions (a) and (b) and daily attendance as prescribed in section 15-901, subsection A, paragraph 5, for that pupil in the school district and the charter school shall not exceed 1.0. If a pupil is enrolled in both a charter school and a public school that is not a charter school, the department of education shall direct the average daily membership to the school with the most recent enrollment date. On validation of actual enrollment in both a charter school and a public school that is not a charter school and if the sum of the daily membership or daily attendance for that pupil is greater than 1.0, the sum shall be reduced to 1.0 and shall be apportioned between the public school and the charter school based on the percentage of total time that the pupil is enrolled or in attendance in the public school and the charter school. The uniform system of financial records shall include guidelines for the apportionment of the pupil enrollment and attendance as provided in this section.

D. Charter schools are allowed to accept grants and gifts to supplement their state funding, but it is not the intent of the charter school law to require taxpayers to pay twice to educate the same pupils. The base support level for a charter school or for a school district sponsoring a charter school shall be reduced by an amount equal
to the total amount of monies received by a charter school from a federal
or state agency if the federal or state monies are intended for the basic
maintenance and operations of the school. The superintendent of public
instruction shall estimate the amount of the reduction for the budget year
and shall revise the reduction to reflect the actual amount before May 15
of the current year. If the reduction results in a negative amount, the
negative amount shall be used in computing all budget limits and
equalization assistance, except that:

1. Equalization assistance shall not be less than zero.
2. For a charter school sponsored by the state board of education,
the state board for charter schools, a university, a community college
district or a group of community college districts, the total of the base
support level and the charter additional assistance shall not be less than
zero.

E. If a charter school was a district public school in the prior
year and sponsored by the state board of education, the state board for
charter schools, a university, a community college district or a group of
community college districts, the reduction in subsection D of this section
applies. The reduction to the base support level of the charter school
shall equal the sum of the base support level and the charter additional
assistance received in the current year for those pupils who were enrolled
in the traditional public school in the prior year and are now enrolled in
the charter school in the current year.

F. Equalization assistance for charter schools shall be provided as
a single amount based on average daily membership without categorical
distinctions between maintenance and operations or capital.

G. At the request of a charter school, the county school
superintendent of the county where the charter school is located may
provide the same educational services to the charter school as prescribed
in section 15-308, subsection A. The county school superintendent may
charge a fee to recover costs for providing educational services to
charter schools.

H. If the sponsor of the charter school determines at a public
meeting that the charter school is not in compliance with federal law,
with the laws of this state or with its charter, the sponsor of a charter
school may submit a request to the department of education to withhold up
to ten percent of the monthly apportionment of state aid that would
otherwise be due the charter school. The department of education shall
adjust the charter school's apportionment accordingly. The sponsor shall
provide written notice to the charter school at least seventy-two hours
before the meeting and shall allow the charter school to respond to the
allegations of noncompliance at the meeting before the sponsor makes a
final determination to notify the department of education of
noncompliance. The charter school shall submit a corrective action plan
to the sponsor on a date specified by the sponsor at the meeting. The
corrective action plan shall be designed to correct deficiencies at the charter school and to ensure that the charter school promptly returns to compliance. When the sponsor determines that the charter school is in compliance, the department of education shall restore the full amount of state aid payments to the charter school.

I. In addition to the withholding of state aid payments pursuant to subsection H of this section, the sponsor of a charter school may impose a civil penalty of one thousand dollars per occurrence if a charter school fails to comply with the fingerprinting requirements prescribed in section 15-183, subsection C or section 15-512. The sponsor of a charter school shall not impose a civil penalty if it is the first time that a charter school is out of compliance with the fingerprinting requirements and if the charter school provides proof within forty-eight hours of written notification that an application for the appropriate fingerprint check has been received by the department of public safety. The sponsor of the charter school shall obtain proof that the charter school has been notified, and the notification shall identify the date of the deadline and shall be signed by both parties. The sponsor of a charter school shall automatically impose a civil penalty of one thousand dollars per occurrence if the sponsor determines that the charter school subsequently violates the fingerprinting requirements. Civil penalties pursuant to this subsection shall be assessed by requesting the department of education to reduce the amount of state aid that the charter school would otherwise receive by an amount equal to the civil penalty. The amount of state aid withheld shall revert to the state general fund at the end of the fiscal year.

J. A charter school may receive and spend monies distributed by the department of education pursuant to section 42-5029, subsection E and section 37-521, subsection B.

K. If a school district transports or contracts to transport pupils to the Arizona state schools for the deaf and the blind during any fiscal year, the school district may transport or contract with a charter school to transport sensory impaired pupils during that same fiscal year to a charter school if requested by the parent of the pupil and if the distance from the pupil's place of actual residence within the school district to the charter school is less than the distance from the pupil's place of actual residence within the school district to the campus of the Arizona state schools for the deaf and the blind.

L. Notwithstanding any other law, a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE, a community college district or a group of community college districts shall not include any student in the student count of the university, community college district or group of community college districts for state funding purposes if that student is enrolled in and attending a charter school
sponsored by the university, community college district or group of
community college districts.

M. The governing body of a charter school shall transmit a copy of
its proposed budget or the summary of the proposed budget and a notice of
the public hearing to the department of education for posting on the
department of education’s website no later than ten days before the
hearing and meeting. If the charter school maintains a website, the
charter school governing body shall post on its website a copy of its
proposed budget or the summary of the proposed budget and a notice of the
public hearing.

N. The governing body of a charter school shall collaborate with
the private organization that is approved by the state board of education
pursuant to section 15-792.02 to provide approved board examination
systems for the charter school.

O. If permitted by federal law, a charter school may opt out of
federal grant opportunities if the charter holder or the appropriate
governing body of the charter school determines that the federal
requirements impose unduly burdensome reporting requirements.

P. For the purposes of this section, “monies intended for the basic
maintenance and operations of the school” means monies intended to provide
support for the educational program of the school, except that it does not
include supplemental assistance for a specific purpose or title VIII of
the elementary and secondary education act of 1965 monies. The auditor
general shall determine which federal or state monies meet this
definition.

Sec. 26. Section 15-203, Arizona Revised Statutes, is amended to
read:

15-203. **Powers and duties**
A. The state board of education shall:
1. Exercise general supervision over and regulate the conduct of
the public school system and adopt any rules and policies it deems
necessary to accomplish this purpose.
2. Keep a record of its proceedings.
4. Determine the policy and work undertaken by it.
5. Subject to title 41, chapter 4, article 4, employ staff.
6.Prescribe and supervise the duties of its employees pursuant to
   title 41, chapter 4, article 4, if not otherwise prescribed by statute.
7. Delegate to the superintendent of public instruction the
   execution of board policies and rules.
8. Recommend to the legislature changes or additions to the
   statutes pertaining to schools.
9. Prepare, publish and distribute reports concerning the
   educational welfare of this state.
10. Prepare a budget for expenditures necessary for proper maintenance of the board and accomplishment of its purposes and present the budget to the legislature.

11. Aid in the enforcement of laws relating to schools.

12. Prescribe a minimum course of study in the common schools, minimum competency requirements for the promotion of pupils from the third grade and minimum course of study and competency requirements for the promotion of pupils from the eighth grade. The state board of education shall prepare a fiscal impact statement of any proposed changes to the minimum course of study or competency requirements and, on completion, shall send a copy to the director of the joint legislative budget committee and the executive director of the school facilities board. The state board of education shall not adopt any changes in the minimum course of study or competency requirements in effect on July 1, 1998 that will have a fiscal impact on school capital costs.

13. Prescribe minimum course of study and competency requirements for the graduation of pupils from high school. The state board of education shall prepare a fiscal impact statement of any proposed changes to the minimum course of study or competency requirements and, on completion, shall send a copy to the director of the joint legislative budget committee and the executive director of the school facilities board. The state board of education shall not adopt any changes in the minimum course of study or competency requirements in effect on July 1, 1998 that will have a fiscal impact on school capital costs.

14. Supervise and control the certification of persons engaged in instructional work directly as any classroom, laboratory or other teacher or indirectly as a supervisory teacher, speech therapist, principal or superintendent in a school district, including school district preschool programs, or any other educational institution below the community college, college or university level, and prescribe rules for certification, including rules for certification of teachers who have teaching experience and who are trained in other states, that are not unnecessarily restrictive and are substantially similar to the rules prescribed for the certification of teachers trained in this state. The rules:

(a) Shall allow a variety of alternative teacher and administrator preparation programs, with variations in program sequence and design, to apply for program approval. The state board shall adopt rules pursuant to this subdivision designed to allow for a variety of formats and shall not require a prescribed answer or design from the program provider in order to obtain approval from the state board. The state board shall evaluate each program provider based on the program's ability to prepare teachers and administrators and to recruit teachers and administrators with a variety of experiences and talents. The state board shall permit PUBLIC universities under the jurisdiction of the Arizona Board of Regents IN
THIS STATE, community colleges in this state, private postsecondary institutions licensed by this state, school districts, charter schools and professional organizations to apply for program approval and shall create application procedures and certification criteria that are less restrictive than those for traditional preparation programs. Alternative preparation program graduates shall:

(i) Hold a bachelor's degree from an accredited postsecondary education institution.
(ii) Demonstrate professional knowledge and subject knowledge proficiency pursuant to section 15-533.
(iii) Obtain a fingerprint clearance card pursuant to section 15-534.
(iv) Complete training in structured English immersion as prescribed by the state board.
(v) Complete training in research-based systematic phonics instruction as prescribed in subdivision (b) of this paragraph.
(vi) Demonstrate the required proficiency in the Constitutions of the United States and Arizona as prescribed in section 15-532.
(b) Shall require applicants for all certificates for common school instruction to complete a minimum of forty-five classroom hours or three college level credit hours, or the equivalent, of training in research-based systematic phonics instruction from a public or private provider.
(c) Shall not require a teacher to obtain a master's degree or to take any additional graduate courses as a condition of certification or recertification.
(d) Shall allow a general equivalency diploma to be substituted for a high school diploma in the certification of emergency substitute teachers.
(e) Shall allow but shall not require the superintendent of a school district to obtain certification from the state board of education.
(f) Shall provide for the issuance of a specialized teaching certificate to classroom teachers with expertise in either science, technology, engineering or mathematics. Teachers who are certified pursuant to this subdivision shall complete training in structured English immersion as prescribed by the state board. Teachers who are certified pursuant to this subdivision are exempt from the professional knowledge and subject knowledge proficiency requirements prescribed in section 15-533 and from the proficiency requirements prescribed in section 15-532 on the Constitutions of the United States and Arizona. A teacher who obtains a specialized teaching certificate pursuant to this subdivision may provide instruction in the teacher's field of expertise in grades six through twelve at any public school in this state. This subdivision does not require a teacher who has obtained another type of teaching certificate from the state board to obtain a specialized teaching
certificate pursuant to this subdivision in order to provide instruction in grades six through twelve in a science, technology, engineering or mathematics course. A classroom teacher is eligible for a specialized teaching certificate pursuant to this subdivision if the teacher meets all of the following requirements:

(i) Has taught science, technology, engineering or mathematics courses for the last two consecutive years and for a total of at least three years at one or more regionally or nationally accredited public or private postsecondary institutions. An applicant shall demonstrate compliance with this requirement by providing the state board with written proof of employment for specific durations from one or more qualifying postsecondary institutions.

(ii) Has either a baccalaureate degree, a master's degree or a doctorate degree in an academic subject that is specific to science, technology, engineering or mathematics or has obtained a passing score on a statewide educator assessment in science, technology, engineering or mathematics that is recognized by the state board.

(iii) Obtains a valid fingerprint clearance card that is issued pursuant to title 41, chapter 12, article 3.1.

(g) Notwithstanding section 15-533, may exempt persons applying for a secondary education certificate from the subject knowledge portion of the proficiency examination if the state board determines that the person has work experience in science, technology, engineering or mathematics and can demonstrate adequate knowledge of a particular subject through a postsecondary education degree or twenty-four credit hours of relevant coursework.

(h) Shall allow for a standard certificate issued to a person pursuant to this section to be renewed for at least eight years and may not require more than fifteen hours of continuing education credits each year in order to renew any certificate issued pursuant to this section.

15. Adopt a list of approved tests for determining special education assistance to gifted pupils as defined in and as provided in chapter 7, article 4.1 of this title. The adopted tests shall provide separate scores for quantitative reasoning, verbal reasoning and nonverbal reasoning and shall be capable of providing reliable and valid scores at the highest ranges of the score distribution.

16. Adopt rules governing the methods for the administration of all proficiency examinations.

17. Adopt proficiency examinations for its use. The state board of education shall determine the passing score for the proficiency examinations.

18. Include within its budget the cost of contracting for the purchase, distribution and scoring of the examinations as provided in paragraphs 16 and 17 of this subsection.
19. Supervise and control the qualifications of professional nonteaching school personnel and prescribe standards relating to qualifications. The standards shall not require the business manager of a school district to obtain certification from the state board of education.

20. Impose such disciplinary action, including the issuance of a letter of censure, suspension, suspension with conditions or revocation of a certificate, on a finding of immoral or unprofessional conduct.

21. Establish an assessment, data gathering and reporting system for pupil performance as prescribed in chapter 7, article 3 of this title.

22. Adopt a rule to promote braille literacy pursuant to section 15-214.

23. Adopt rules prescribing procedures for the investigation by the department of education of every written complaint alleging that a certificated person has engaged in immoral conduct.

24. For purposes of federal law, serve as the state board for vocational and technological education and meet at least four times each year solely to execute the powers and duties of the state board for vocational and technological education.

25. Develop and maintain a handbook for use in the schools of this state that provides guidance for the teaching of moral, civic and ethical education. The handbook shall promote existing curriculum frameworks and shall encourage school districts to recognize moral, civic and ethical values within instructional and programmatic educational development programs for the general purpose of instilling character and ethical principles in pupils in kindergarten programs and grades one through twelve.

26. Require pupils to recite the following passage from the declaration of independence for pupils in grades four through six at the commencement of the first class of the day in the schools, except that a pupil shall not be required to participate if the pupil or the pupil's parent or guardian objects:

   We hold these truths to be self-evident, that all men are created equal, that they are endowed by their creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed. . . .

27. Adopt rules that provide for educator certification reciprocity. The rules for issuance of a comparable reciprocal educator certificate shall include a requirement that the applicant possess a comparable valid certification from another state that included passing that state's subject knowledge and professional exams and be in good standing with that other state. An applicant who possesses a valid certification from another state and a fingerprint clearance card pursuant to section 15-534 and who is in good standing with that other state shall
be issued a standard teaching certificate without any other requirements from the state board of education or the department of education. A person who is issued a certificate pursuant to this paragraph is not required to meet any requirement prescribed in section 15-533.

28. Adopt rules that provide for the presentation of an honorary high school diploma to a person who has never obtained a high school diploma and who meets both of the following requirements:
(a) Currently resides in this state.
(b) Provides documented evidence from the department of veterans' services that the person enlisted in the armed forces of the United States and served in World War I, World War II, the Korean conflict or the Vietnam conflict.

29. Cooperate with the Arizona-Mexico commission in the governor's office and with researchers at universities in this state to collect data and conduct projects in the United States and Mexico on issues that are within the scope of the duties of the department of education and that relate to quality of life, trade and economic development in this state in a manner that will help the Arizona-Mexico commission to assess and enhance the economic competitiveness of this state and of the Arizona-Mexico region.

30. Adopt rules to define and provide guidance to schools as to the activities that would constitute immoral or unprofessional conduct of certificated persons.

31. Adopt guidelines to encourage pupils in grades nine, ten, eleven and twelve to volunteer for twenty hours of community service before graduation from high school. A school district that complies with the guidelines adopted pursuant to this paragraph is not liable for damages resulting from a pupil's participation in community service unless the school district is found to have demonstrated wanton or reckless disregard for the safety of the pupil and other participants in community service. For the purposes of this paragraph, "community service" may include service learning. The guidelines shall include the following:
(a) A list of the general categories in which community service may be performed.
(b) A description of the methods by which community service will be monitored.
(c) A consideration of risk assessment for community service projects.
(d) Orientation and notification procedures of community service opportunities for pupils entering grade nine, including the development of a notification form. The notification form shall be signed by the pupil and the pupil's parent or guardian, except that a pupil shall not be required to participate in community service if the parent or guardian notifies the principal of the pupil's school in writing that the parent or guardian does not wish the pupil to participate in community service.
(e) Procedures for a pupil in grade nine to prepare a written proposal that outlines the type of community service that the pupil would like to perform and the goals that the pupil hopes to achieve as a result of community service. The pupil's written proposal shall be reviewed by a faculty advisor, a guidance counselor or any other school employee who is designated as the community service program coordinator for that school. The pupil may alter the written proposal at any time before performing community service.

(f) Procedures for a faculty advisor, a guidance counselor or any other school employee who is designated as the community service program coordinator to evaluate and certify the completion of community service performed by pupils.

32. To facilitate the transfer of military personnel and their dependents to and from the public schools of this state, pursue, in cooperation with the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY, reciprocity agreements with other states concerning the transfer credits for military personnel and their dependents. A reciprocity agreement entered into pursuant to this paragraph shall:

(a) Address procedures for each of the following:
   (i) The transfer of student records.
   (ii) Awarding credit for completed coursework.
   (iii) Permitting a student to satisfy the graduation requirements prescribed in section 15-701.01 through the successful performance on comparable exit-level assessment instruments administered in another state.

(b) Include appropriate criteria developed by the state board of education and the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY.

33. Adopt guidelines that school district governing boards shall use in identifying pupils who are eligible for gifted programs and in providing gifted education programs and services. The state board of education shall adopt any other guidelines and rules that it deems necessary in order to carry out the purposes of chapter 7, article 4.1 of this title.

34. For each of the alternative textbook formats of human-voiced audio, large-print and braille, designate alternative media producers to adapt existing standard print textbooks or to provide specialized textbooks, or both, for pupils with disabilities in this state. Each alternative media producer shall be capable of producing alternative textbooks in all relevant subjects in at least one of the alternative textbook formats. The board shall post the designated list of alternative media producers on its website.

35. Adopt a list of approved professional development training providers for use by school districts as provided in section 15-107, subsection J. The professional development training providers shall meet
the training curriculum requirements determined by the state board of education in at least the areas of school finance, governance, employment, staffing, inventory and human resources, internal controls and procurement.

36. Adopt rules to prohibit a person who violates the notification requirements prescribed in section 15-183, subsection C, paragraph 8 or section 15-550, subsection C from certification pursuant to this title until the person is no longer charged or is acquitted of any offenses listed in section 41-1758.03, subsection B. The board shall also adopt rules to prohibit a person who violates the notification requirements, certification surrender requirements or fingerprint clearance card surrender requirements prescribed in section 15-183, subsection C, paragraph 9 or section 15-550, subsection D from certification pursuant to this title for at least ten years after the date of the violation.

37. Adopt rules for the alternative certification of teachers of nontraditional foreign languages that allow for the passing of a nationally accredited test to substitute for the education coursework required for certification.

38. Adopt and maintain a model framework for a teacher and principal evaluation instrument that includes quantitative data on student academic progress that accounts for between thirty-three percent and fifty percent of the evaluation outcomes. The framework shall include four performance classifications, designated as highly effective, effective, developing and ineffective, and guidelines for school districts and charter schools to use in their evaluation instruments. The state board of education shall adopt best practices for professional development and evaluator training. The state board of education may periodically make adjustments to align the model framework for teacher and principal evaluations with assessment or data changes at the state level. School districts and charter schools shall use an instrument that meets the data requirements established by the state board of education to annually evaluate individual teachers and principals. School districts and charter schools shall adopt definitions for the performance classifications adopted by the state board of education in a public meeting and apply the performance classifications to their evaluation instruments in a manner designed to improve principal and teacher performance. For charter holders, the principal evaluation instrument applies to each charter school's instructional leader whose primary responsibility is to oversee the academic performance of the charter school. This paragraph does not apply to an officer, director, member or partner of the charter holder. The school district governing board shall discuss at a public meeting at least annually its aggregate performance classifications of principals and teachers.
39. Adopt rules to define competency-based educational pathways for college and career readiness that may be used by schools. The rules shall include the following components:
   (a) The establishment of learning outcomes that will be expected for students in a particular subject.
   (b) A process and criteria by which assessments may be identified or established to determine if students have reached the desired competencies in a particular subject.
   (c) A mechanism to allow pupils in grades seven through twelve who have demonstrated competency in a subject to immediately obtain credit for the mastery of that subject. The rules shall include a list of applicable subjects, including the level of competency required for each subject.

40. In consultation with the department of health services, the department of education, medical professionals, school health professionals, school administrators and an organization that represents school nurses in this state, adopt rules that prescribe the following for school districts and charter schools:
   (a) Annual training in the administration of auto-injectable epinephrine, as directed on the prescription protocol, for designated medical and nonmedical school personnel. The annual training prescribed in this subdivision is optional during any fiscal year in which sufficient monies are not appropriated by the legislature during that fiscal year to provide for the purchase of two juvenile doses and two adult doses of epinephrine auto-injectors at each public school in this state and if the school does not stock two juvenile doses and two adult doses of epinephrine auto-injectors at the school during that fiscal year.
   (b) Annual training for all school site personnel on the recognition of anaphylactic shock symptoms and the procedures to follow when anaphylactic shock occurs, following the national guidelines of the American academy of pediatrics. The annual training prescribed in this subdivision is optional during any fiscal year in which sufficient monies are not appropriated by the legislature during that fiscal year to provide for the purchase of two juvenile doses and two adult doses of epinephrine auto-injectors at each public school in this state and if the school does not stock two juvenile doses and two adult doses of epinephrine auto-injectors at the school during that fiscal year.
   (c) Procedures for the administration of epinephrine auto-injectors in emergency situations, as directed on the prescription protocol.
   (d) Procedures for annually requesting a standing order for epinephrine auto-injectors pursuant to section 15-157 from the chief medical officer of the department of health services, the chief medical officer of a county health department, a doctor of medicine licensed pursuant to title 32, chapter 13 or a doctor of osteopathy licensed pursuant to title 32, chapter 17.
(e) Procedures for reporting the use of epinephrine auto-injectors to the department of health services.

B. The state board of education may:

1. Contract.
2. Sue and be sued.
3. Distribute and score the tests prescribed in chapter 7, article 3 of this title.
4. Provide for an advisory committee to conduct hearings and screenings to determine whether grounds exist to impose disciplinary action against a certificated person, whether grounds exist to reinstate a revoked or surrendered certificate and whether grounds exist to approve or deny an initial application for certification or a request for renewal of a certificate. The board may delegate its responsibility to conduct hearings and screenings to its advisory committee. Hearings shall be conducted pursuant to title 41, chapter 6, article 6.
5. Proceed with the disposal of any complaint requesting disciplinary action or with any disciplinary action against a person holding a certificate as prescribed in subsection A, paragraph 14 of this section after the suspension or expiration of the certificate or surrender of the certificate by the holder.
6. Assess costs and reasonable attorney fees against a person who files a frivolous complaint or who files a complaint in bad faith. Costs assessed pursuant to this paragraph shall not exceed the expenses incurred by the department of education in the investigation of the complaint.

C. Placement decisions of teaching intern certificate holders issued pursuant to subsection A, paragraph 14, subdivision (a) of this section and section 15-552 shall be based on agreements between the teacher preparation provider, the provider's partner organizations and the local education agency. The practices of the department of education and the rules and policies of the state board of education may not restrict placement of teaching intern certification holders based on local education agency instructional models and may only consider the academic quality of the school, the effectiveness of the teaching intern certification holder's on-site mentor and the opportunity for a wide variety of schools and school models to access teaching intern certification holders.

Sec. 27. Section 15-211, Arizona Revised Statutes, is amended to read:

15-211. K-3 reading program; receipt and use of monies; additional funding; program termination

A. The department of education shall administer a K-3 reading program to improve the reading proficiency of pupils in kindergarten programs and grades one, two and three in the public schools of this state.
B. Each school district and charter school shall submit to the department of education a plan for improving the reading proficiency of its pupils in kindergarten programs and grades one, two and three. The plan shall include baseline data on the reading proficiency of its pupils in kindergarten programs and grades one, two and three and a budget for spending monies from both the K-3 support level weight and the K-3 reading support level weight established in section 15-943. Each school district and charter school shall annually submit to the department of education on or before October 1 an updated K-3 reading program plan that includes data on program expenditures and results, except that beginning in fiscal year 2016-2017, a school district or charter school that is assigned a letter grade of A or B pursuant to section 15-241 shall submit this plan only in odd-numbered years.

C. School districts and charter schools shall use monies generated by the K-3 reading support level weight established in section 15-943 only on reading programs for pupils in kindergarten programs and grades one, two and three with particular emphasis on pupils in kindergarten programs and grades one and two.

D. Each school district and charter school that is assigned a letter grade of C, D or F pursuant to section 15-241 or that has more than ten percent of its pupils in grade three reading far below the third grade level according to the reading portion of the Arizona instrument to measure standards test, or a successor test, shall receive monies generated by the K-3 reading support level weight established in section 15-943 only after the K-3 reading program plan of the school district or charter school has been reviewed and recommended for approval by the department of education and approved by the state board of education.

E. Pupils in a charter school that is in its first year of operation and that is sponsored by the state board of education, the state board for charter schools, a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE, a community college district or a group of community college districts are eligible for the K-3 reading support level weight.

F. The department of education shall solicit gifts, grants and donations from any lawful public or private source in order to provide additional funding for the K-3 reading program.

G. The state board of education may establish rules and policies for the K-3 reading program, including:

1. The proper use of monies in accordance with subsection C of this section.
2. The distribution of monies by the department of education in accordance with subsection B of this section.
3. The compliance of reading proficiency plans submitted pursuant to subsection B of this section with section 15-704.
H. The program established by this section ends on July 1, 2022 pursuant to section 41-3102.

Sec. 28. Section 15-249.01, Arizona Revised Statutes, is amended to read:

15-249.01. **Data governance commission; membership; terms; duties; commission termination**

A. The data governance commission is established in the department of education consisting of:

1. The chief technology managers, or the managers' designees, of each of the PUBLIC universities under the jurisdiction of the Arizona Board of Regents IN THIS STATE.

2. The chief technology manager, or the manager's designee, of a community college district located in a county with a population of eight hundred thousand persons or more who has expertise in technology and who is appointed by the governor.

3. The chief technology manager, or the manager's designee, of a community college district located in a county with a population of less than eight hundred thousand persons who has expertise in technology and who is appointed by the governor.

4. The chief executive officer of the Arizona early childhood development and health board or the chief executive officer's designee.

5. An officer or employee of a school district located in a county with a population of eight hundred thousand persons or more who has expertise in technology and who is appointed by the governor.

6. An officer or employee of a school district located in a county with a population of less than eight hundred thousand persons who has expertise in technology and who is appointed by the governor.

7. An officer or employee of a charter school located in a county with a population of eight hundred thousand persons or more who has expertise in technology and who is appointed by the president of the senate.

8. An officer or employee of a charter school located in a county with a population of less than eight hundred thousand persons who has expertise in technology and who is appointed by the speaker of the house of representatives.

9. Two representatives of the business community, one of whom is appointed by the president of the senate and one of whom is appointed by the speaker of the house of representatives.

10. The director of the department of administration or the director's designee.

11. The superintendent of public instruction or the superintendent's designee.

B. The initial appointed members shall assign themselves by lot to terms of two, three and four years in office. All subsequent appointed members of the commission shall serve four-year terms. The chairperson
shall notify the governor, the speaker of the house of representatives and
the president of the senate on appointments of these terms. Members of
the commission shall elect a chairperson from among the members of the
commission. Members of the commission shall not receive compensation.
The department of education shall provide adequate staff support for the
commission.
C. The commission shall identify, examine and evaluate the needs of
public institutions that provide instruction to pupils in preschool
programs, kindergarten programs, grades one through twelve and
postsecondary programs in Arizona and shall:
1. Establish guidelines related to the following:
   (a) Managed data access.
   (b) Technology.
   (c) Privacy and security.
   (d) Adequacy of training.
   (e) Adequacy of data model implementation.
   (f) Prioritization of funding opportunities.
   (g) Resolution of data conflicts.
   (h) The form and format of data elements that are required for
       state and federal reporting and interagency data sharing.
2. Provide recommendations on technology spending.
3. Provide analyses and recommendations of the following:
   (a) The control of data confidentiality and data security for
       stored data and data in transmission.
   (b) Access privileges and access management.
   (c) Data audit management, including data quality metrics,
       sanctions and incentives for data quality improvement.
   (d) Data standards for stored data and data in transmission,
       including rules for definition, format, source, provenance, element level
       and contextual integrity.
   (e) Documentation standards for data elements and systems
       components.
   (f) Data archival and retrieval management systems, including
       change control and change tracking.
   (g) Publication of standard and ad hoc reports for state and local
       level use on student achievement.
   (h) Publication of implementation timelines and progress.
4. Ensure that the guidelines and recommendations adopted pursuant
to this subsection reduce duplication and administrative requirements for
public schools, postsecondary institutions and public agencies.
5. Submit an annual report on or before December 1 regarding the
commission's activities to the governor, the speaker of the house of
representatives and the president of the senate. The data governance
commission shall provide copies of this report to the secretary of state.
D. The commission established by this section ends on July 1, 2020 pursuant to section 41-3103.

Sec. 29. Section 15-249.06, Arizona Revised Statutes, is amended to read:

15-249.06. College credit by examination incentive program; incentive bonuses; report; program termination
A. The college credit by examination incentive program is established within the department of education to provide an incentive bonus to teachers, school districts and charter schools for students who obtain a passing score on a qualifying examination for college credit while in high school.

B. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall maintain a list of qualifying examinations that a high school student may take in order to receive college credit in mathematics, English language arts or science from any THAT university under the jurisdiction of the Arizona board of regents and the passing scores required on those examinations in order to receive college credit. On or before September 1 of each year, the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall provide the list of qualifying examinations and passing scores to the department of education and shall submit this list to the joint legislative budget committee for review.

C. Beginning in fiscal year 2017-2018, the department of education shall pay an incentive bonus to school districts and charter schools for each student in grades nine through twelve who receives a passing score during the previous fiscal year on a qualifying examination identified by the Arizona board of regents THE GOVERNING BOARD OF A UNIVERSITY pursuant to subsection B of this section. A student who receives a passing score on a qualifying examination and who is enrolled in a school where fifty percent or more of the students are eligible for free or reduced price lunches shall generate for the school district or charter school a bonus of four hundred fifty dollars per passing score on a qualifying examination. A student who receives a passing score on a qualifying examination and who is enrolled in a school where less than fifty percent of the students are eligible for free or reduced price lunches shall generate for the school district or charter school a bonus of three hundred dollars per passing score on a qualifying examination. If the statewide sum of per student bonuses awarded pursuant to this subsection exceeds the amount of available monies appropriated for incentive bonuses, the bonus monies shall be reduced proportionally to cover all eligible bonus awards.

D. A school district or charter school that receives an incentive bonus pursuant to this section shall distribute at least fifty percent of the bonus monies to the associated classroom teacher for each student who passes a qualifying examination. Bonus monies awarded to a teacher pursuant to this subsection shall be in addition to any regular wage,
compensation or other bonus the teacher receives or is scheduled to
receive. The remainder of any bonus monies received by a school district
or charter school shall be used for teacher professional development or
student instructional support or materials. Any bonus monies received by
a school district or charter school pursuant to this subsection shall be
separately accounted for in the school district's or charter school's
annual financial report.

E. Incentive bonuses distributed to and any bonus monies received
by a school district or charter school pursuant to this section are not
subject to collective bargaining.

F. On or before December 15, 2018 and on or before December 15 of
each year thereafter, the department of education shall submit to the
president of the senate, the speaker of the house of representatives, the
governor and the secretary of state a report on all of the following:
1. The number of students who took a qualifying examination at each
school.
2. The number of students who received a passing score on a
qualifying examination and the number of incentive bonus awards
distributed.
3. The number and types of qualifying examinations taken by
students.

G. Incentive bonuses distributed to and any bonus monies received
by a teacher are not compensation as defined in section 38-711.

H. The program established by this section ends on July 1, 2026
pursuant to section 41-3102.

Sec. 30. Section 15-532, Arizona Revised Statutes, is amended to
read:

15-532. Examination on state and United States constitutions;
exemption; intergovernmental agreement or contract
for administration and evaluation

A. A person applying for a certificate authorizing the person to
become a teacher in a school, in addition to fingerprinting and other
requirements, shall either complete the required classes or pass a
satisfactory examination on the provisions and principles of the
Constitutions of the United States and Arizona.

B. A person who has not met the requirements of this section at the
time application is made but who has met all other requirements shall be
granted a certificate for at least three years, except that a person who
has not met the requirements of this section but who has met all other
requirements and who applies for a certificate authorizing the person to
teach an academic course that focuses predominantly on history,
government, social studies, citizenship, law or civics shall be granted a
certificate for not more than one year. No additional certificate may be
granted until all requirements have been fulfilled as provided by the
regulations of the state board of education governing certification of teachers.

C. A noncertified person, qualified under the federal and state plans for vocational education, shall be exempt from this section for the purpose of acting as an instructor for special adult and evening classes.

D. The state board of education may enter into intergovernmental agreements or contracts pursuant to title 11, chapter 7, article 3 for the administration and evaluation of the examination on the provisions and principles of the Constitutions of the United States and Arizona. Notwithstanding section 15-531, the intergovernmental agreement or contract shall specify the fee for the administration and evaluation of the examination and may provide for the retention of all or part of the monies by the contractor administering and evaluating the examination.

E. A PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE shall offer the classes required by this section to students who are pursuing a bachelor of arts degree in education or a bachelor of science degree in education at that university.

Sec. 31. Section 15-701.01, Arizona Revised Statutes, is amended to read:

15-701.01. High school; graduation; requirements; community college or university courses; transfer from private schools; academic credit

A. The state board of education shall:

1. Prescribe a minimum course of study, as defined in section 15-101 and incorporating the academic standards adopted by the state board of education, for the graduation of pupils from high school.

2. Prescribe competency requirements for the graduation of pupils from high school incorporating the academic standards in at least the areas of reading, writing, mathematics, science and social studies. The academic standards prescribed by the state board of education in social studies shall include personal finance. This paragraph does not allow the state board of education to establish a required separate personal finance course for the purpose of the graduation of pupils from high school. Beginning in the 2016-2017 school year, the competency requirements for social studies shall include a requirement that, in order to graduate from high school or obtain a high school equivalency diploma, a pupil must correctly answer at least sixty of the one hundred questions listed on a test that is identical to the civics portion of the naturalization test used by the United States citizenship and immigration services. A district school or charter school shall document on the pupil's transcript that the pupil has passed a test that is identical to the civics portion of the naturalization test used by the United States citizenship and immigration services as required by this section.
3. Develop and adopt competency tests pursuant to section 15-741. English language learners who are subject to article 3.1 of this chapter are subject to the assessments prescribed in section 15-741.

B. The governing board of a school district shall:

1. Prescribe curricula that include the academic standards in the required subject areas pursuant to subsection A, paragraph 1 of this section.

2. Prescribe criteria for the graduation of pupils from the high schools in the school district. These criteria shall include accomplishment of the academic standards in at least reading, writing, mathematics, science and social studies, as determined by district assessment. Other criteria may include additional measures of academic achievement and attendance. Pursuant to the prescribed graduation requirements adopted by the state board of education, the governing board may approve a rigorous computer science course that would fulfill a mathematics course required for graduation from high school. The governing board may approve a rigorous computer science course only if the rigorous computer science course includes significant mathematics content and the governing board determines the high school where the rigorous computer science course is offered has sufficient capacity, infrastructure and qualified staff, including competent teachers of computer science. The school district governing board or charter school governing body may determine the method and manner in which to administer a test that is identical to the civics portion of the naturalization test used by the United States citizenship and immigration services. A pupil who does not obtain a passing score on the test that is identical to the civics portion of the naturalization test may retake the test until the pupil obtains a passing score.

C. The governing board may prescribe the course of study and competency requirements for the graduation of pupils from high school that are in addition to or higher than the course of study and competency requirements that the state board prescribes.

D. The governing board may prescribe competency requirements for the passage of pupils in courses that are required for graduation from high school.

E. A teacher shall determine whether to pass or fail a pupil in a course in high school as provided in section 15-521, paragraph 4 on the basis of the competency requirements, if any have been prescribed. The governing board, if it reviews the decision of a teacher to pass or fail a pupil in a course in high school as provided in section 15-342, paragraph 11, shall base its decision on the competency requirements, if any have been prescribed.

F. Graduation requirements established by the governing board may be met by a pupil who passes courses in the required or elective subjects at a community college or university, if the course is at a higher level.
than the course taught in the high school attended by the pupil or, if the
course is not taught in the high school, the level of the course is equal
to or higher than the level of a high school course. The governing board
shall determine if the subject matter of the community college or
university course is appropriate to the specific requirement the pupil
intends it to fulfill and if the level of the community college or
university course is less than, equal to or higher than a high school
course, and the governing board shall award one-half of a Carnegie unit
for each three semester hours of credit THAT the pupil earns in an
appropriate community college or university course. If a pupil is not
satisfied with the decision of the governing board regarding the amount of
credit granted or the subjects for which credit is granted, the pupil may
request that the state board of education review the decision of the
governing board, and the state board shall make the final determination of
the amount of credit to be given the pupil and for which subjects. The
governing board shall not limit the number of credits that is required for
high school graduation and that may be met by taking community college or
university courses. For the purposes of this subsection:

1. "Community college" means an educational institution that is
operated by a community college district as defined in section 15-1401 or
a postsecondary educational institution under the jurisdiction of an
Indian tribe recognized by the United States department of the interior.
2. "University" means a PUBLIC university under the jurisdiction of
the Arizona board of regents IN THIS STATE.

G. A pupil who transfers from a private school shall be provided
with a list that indicates those credits that have been accepted and
denied by the school district. A pupil may request to take an examination
in each particular course in which credit has been denied. The school
district shall accept the credit for each particular course in which the
pupil takes an examination and receives a passing score on a test designed
and evaluated by a teacher in the school district who teaches the subject
matter on which the examination is based. In addition to the above
requirements, the governing board of a school district may prescribe
requirements for the acceptance of the credits of pupils who transfer from
a private school.

H. If a pupil who was previously enrolled in a charter school or
school district enrolls in a school district in this state, the school
district shall accept credits earned by the pupil in courses or
instructional programs at the charter school or school district. The
governing board of a school district may adopt a policy concerning the
application of transfer credits for the purpose of determining whether a
credit earned by a pupil who was previously enrolled in a school district
or charter school will be assigned as an elective or core credit.
I. A pupil who transfers credit from a charter school, A school district or Arizona online instruction shall be provided with a list that indicates which credits have been accepted as elective credits and which credits have been accepted as core credits by the school district or charter school. Within ten school days after receiving the list, THE pupil may request to take an examination in each particular course in which core credit has been denied. The school district or charter school shall accept the credit as a core credit for each particular course in which the pupil takes an examination and receives a passing score on a test aligned to the competency requirements adopted pursuant to this section, AND THAT IS designed and evaluated by a teacher in the school district or charter school who teaches the subject matter on which the examination is based. If a pupil is enrolled in a school district or charter school and that pupil also participates in Arizona online instruction between May 1 and July 31, the school district or charter school shall not require proof of payment as a condition of the school district or charter school accepting credits earned from the online course provider.

J. The state board of education shall adopt rules to allow high school pupils who can demonstrate competency in a particular academic course or subject to obtain academic credit for the course or subject without enrolling in the course or subject.

K. Pupils who earn a Grand Canyon diploma pursuant to article 6 of this chapter are exempt from the graduation requirements prescribed in this section. Pupils who earn a Grand Canyon diploma are entitled to all the rights and privileges of persons who graduate with a high school diploma issued pursuant to this section, including access to postsecondary scholarships and other forms of student financial aid and access to all forms of postsecondary education. Notwithstanding any other law, a pupil who is eligible for a Grand Canyon diploma may elect to remain in high school through grade twelve and shall not be prevented from enrolling at a high school after the pupil becomes eligible for a Grand Canyon diploma. A pupil who is eligible for a Grand Canyon diploma and who elects not to pursue one of the options prescribed in section 15-792.03 may only be readmitted to that high school or another high school in this state pursuant to policies adopted by the school district of readmission.

Sec. 32. Section 15-792.03, Arizona Revised Statutes, is amended to read:

15-792.03. Grand Canyon diploma
A. The private organization selected pursuant to section 15-792.02 shall develop the Grand Canyon diploma to be approved and adopted by the state board of education. School districts and charter schools in this state may choose to offer a Grand Canyon diploma beginning in the 2012-2013 school year. A high school student who is enrolled in a school
district or charter school that offers a Grand Canyon diploma may choose to pursue a Grand Canyon diploma.

B. Students are eligible for the Grand Canyon diploma and may be awarded the Grand Canyon diploma at the end of grade ten or during or at the end of grade eleven or twelve if the students meet the criteria. Students who elect to pursue a Grand Canyon diploma shall participate in a board examination system that consists of internationally benchmarked instructional programs of study chosen by an interstate compact on board examination systems.

C. Students who are eligible for a Grand Canyon diploma shall have multiple pathways available to them and may:

1. Enroll the following semester in a community college under the jurisdiction of a community college district in this state. Community colleges under the jurisdiction of a community college district in this state shall admit students who obtain a Grand Canyon diploma and who otherwise meet the qualifications for admission. The school district or charter school from which the student earned the Grand Canyon diploma shall include that student in the school district’s or charter school’s average daily membership and shall continue to receive per pupil funding for a student who earns a Grand Canyon diploma until that student would otherwise have graduated at the end of grade twelve, as long as that student is enrolled as a full-time student in a community college under the jurisdiction of a community college district in this state. The school district or charter school shall subtract twenty percent of its average daily membership amount and reimburse the community college if the student has earned a Grand Canyon diploma and is attending a community college as a full-time student. If the student attends community college on a community college campus, the school district or charter school shall reimburse the community college district for the amount of operating and capital outlay full-time student equivalency monies. For the purposes of this paragraph, the amount of operating full-time student equivalency monies shall be equivalent to the average appropriation per full-time student equivalent for all community college districts as calculated pursuant to section 15-1466, subsection C, paragraph 2. Fifty percent of the remaining balance of the per pupil funding shall be used for teacher and pupil incentives, including scholarship programs, to offset the costs of board examinations and to provide customized programs of assistance for students who do not pass the board examinations. The other fifty percent shall be used for maintenance and operations, including capital. Under this paragraph, a student who earns a Grand Canyon diploma is responsible for tuition. A student who earns a Grand Canyon diploma may enroll in community college courses offered on a community college campus or a high school campus, or both. Notwithstanding any other law, community college districts shall not classify a student who remains in high school pursuant to this paragraph.
paragraph as a full-time equivalent student. Students who take courses on
high school campuses pursuant to this paragraph shall be eligible to
participate in extracurricular activities, including interscholastic
sports, through the end of grade twelve. The expenditure by community
college districts of payments from the school district or charter school
to the community colleges under this section shall not be included under
the district expenditure limitation prescribed pursuant to article IX,
section 21, Constitution of Arizona. If the instruction provided under
this paragraph is offered on a community college campus, the funding and
implementation mechanics between the school district or charter school and
the community college shall be determined by agreement between the school
district or charter school and the community college.

2. Remain in high school and enroll in additional advanced
preparation board examination programs that are designed to prepare those
students for admission to selective postsecondary institutions that offer
baccalaureate degree programs. These board examination programs shall be
selected from a list approved by an interstate compact for board
examination systems. The school district or charter school from which the
student became eligible for the Grand Canyon diploma shall include that
student in the school district's or charter school's average daily
membership and shall continue to receive per pupil funding for a student
who is eligible for a Grand Canyon diploma until that student would
otherwise have graduated at the end of grade twelve, as long as that
student is enrolled in approved advanced preparation board examination
programs at that school district or charter school. Students who elect to
remain in high school pursuant to this paragraph shall not be prevented
from enrolling at a high school after the pupil becomes eligible for a
Grand Canyon diploma and shall be eligible to participate in
extracurricular activities, including interscholastic sports, through the
end of grade twelve.

3. Enroll in a full-time career and technical education program
offered on a high school campus or a joint technical education district
campus, or any combination of these campuses. Students who elect to
remain in high school pursuant to this paragraph shall not be prevented
from enrolling at a high school after the pupil becomes eligible for a
Grand Canyon diploma and shall be eligible to participate in
extracurricular activities, including interscholastic sports, through the
end of grade twelve. The school district or charter school from which the
student became eligible for the Grand Canyon diploma shall include that
student in the school district's or charter school's average daily
membership and shall continue to receive per pupil funding for a student
who is eligible for a Grand Canyon diploma until that student would
otherwise have graduated at the end of grade twelve, as long as that
student is enrolled in an approved full-time career and technical
education program. Notwithstanding any other law, if the instruction
provided under this paragraph is provided by a joint technical education district in a full-time career and technical education program that is designed to lead to a certificate that is awarded by an industry or recognized as meeting industry standards, the sum of the average daily membership for that pupil shall not exceed 1.25, and the average daily membership shall be apportioned at 1.0 for the joint technical education district and 0.25 for the school district.

4. Remain in high school without completing the next level of board examination systems and participate in programs of study available to the students through the school district or charter school. The school district or charter school will continue to include the students in the school district's or charter school's count and shall continue to receive per pupil funding for the students until those students would have otherwise graduated at the end of grade twelve, as long as those students are enrolled in approved programs of study at that school district or charter school. Students who elect to remain in high school pursuant to this paragraph shall be eligible to participate in extracurricular activities, including interscholastic sports.

5. If accepted for admission to a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE, enroll in the university after completion of additional high school coursework designed to prepare students for admission to selective postsecondary institutions that offer baccalaureate degrees. The school district or charter school from which the student earned the Grand Canyon diploma shall include that student in the school district's or charter school's average daily membership and shall continue to receive per pupil funding for a student who earns a Grand Canyon diploma until that student would otherwise have graduated at the end of grade twelve for as long as that student is enrolled as a full-time student in the university. One-third of the school district's or charter school's average daily membership amount shall be retained by the school district or the operator of the charter school. One-third of the school district's or charter school's average daily membership amount shall be retained for use at the school site. One-third of the school district's or charter school's average daily membership amount shall be distributed as follows:

(a) One-half shall be deposited in a scholarship account established and managed by the school district from which the student graduated specifically for a student who qualifies for the Grand Canyon diploma and who attends a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE as a full-time student.

(b) One-half shall be retained by the university where the student is enrolled.

D. Students who pursue but do not meet the eligibility requirements for a Grand Canyon diploma at the end of grade ten or eleven shall receive a customized program of assistance during the next school year that
addresses areas in which the student demonstrated deficiencies in the approved board examinations. These students may retake the board examinations at the next available examination administration. Students may choose to return to a traditional academic program without completing the board examination system curriculum.

E. The private organization selected pursuant to section 15-792.02 shall develop detailed requirements for students to become eligible for the Grand Canyon diploma, as approved and adopted by the state board of education, that include at least the following:

1. Demonstrated skills and knowledge in English and mathematical literacy to be successful in college level courses offered by the community colleges in this state that count toward a degree or certificate without taking remedial or developmental coursework as determined by an interstate compact on board examination systems.

2. Satisfactory grades on approved board examinations in subjects determined to be necessary to prepare a student to enter community college without remedial or developmental coursework and that do not include coursework required exclusively for entry into an institution that awards baccalaureate degrees.

Sec. 33. Section 15-795.01, Arizona Revised Statutes, is amended to read:

15-795.01. Competency-based college-ready educational pathways

In accordance with the rules adopted by the state board of education pursuant to section 15-203, subsection A, paragraph 39, students who are eligible for a high school diploma through the fulfillment of a defined competency-based college-ready educational pathway shall have multiple pathways available to them and may:

1. Enroll the following fall semester in a community college under the jurisdiction of a community college district in this state. Community colleges under the jurisdiction of a community college district in this state shall admit students who obtain a high school diploma through the fulfillment of a defined competency-based educational pathway and who otherwise meet the qualifications for admission. The school district or charter school from which the student earned the high school diploma shall include that student in the school district's or charter school's student count and shall continue to receive per pupil funding for a student who earns a high school diploma until that student would otherwise have graduated at the end of grade twelve, as long as that student is enrolled as a full-time student in a community college under the jurisdiction of a community college district in this state. The school district or charter school shall subtract twenty percent of its average daily membership amount and reimburse the community college if the student has earned a high school diploma and is attending a community college as a full-time student. If the student attends community college on a
community college campus, the school district or charter school shall reimburse the community college district for the amount of operating and capital outlay full-time student equivalency monies. For the purposes of this paragraph, the amount of operating full-time student equivalency monies shall be equivalent to the average appropriation per full-time student equivalent for all community college districts as calculated pursuant to section 15-1466, subsection C, paragraph 2. Fifty percent of the remaining balance of the per pupil funding shall be used for teacher and pupil incentives, including scholarship programs, to offset the costs of competency-based pathways and to provide customized programs of assistance for students who do not demonstrate mastery. The other fifty percent shall be used for maintenance and operations, including capital. Under this paragraph, a student who earns a high school diploma is responsible for tuition. A student who earns a high school diploma may enroll in community college courses offered on a community college campus or a high school campus, or both. Notwithstanding any other law, community college districts shall not classify a student who remains in high school pursuant to this paragraph as a full-time equivalent student. Students who take courses on high school campuses pursuant to this paragraph shall be eligible to participate in extracurricular activities, including interscholastic sports, through the end of grade twelve. The expenditure by community college districts of payments from the school district or charter school to the community colleges under this section shall not be included under the district expenditure limitation prescribed pursuant to article IX, section 21, Constitution of Arizona. If the instruction provided under this paragraph is offered on a community college campus, the funding and implementation mechanics between the school district or charter school and the community college shall be determined by agreement between the school district or charter school and the community college.

2. Remain in high school and participate in programs of study available to students through the school district or charter school. The school district or charter school shall continue to include that student in the school district's or charter school's student count and shall continue to receive per pupil funding for a student who is eligible for a high school diploma until that student would otherwise have graduated at the end of grade twelve, as long as that student is enrolled in approved advanced preparation programs of study at that school district or charter school. Students who elect to remain in high school pursuant to this paragraph shall not be prevented from enrolling at a high school after the student becomes eligible for a high school diploma and shall be eligible to participate in extracurricular activities, including interscholastic sports, through the end of grade twelve.

3. Enroll in a full-time career and technical education program offered on a high school campus or a joint technical education district
campus, or any combination of these campuses. A student who elects to remain in high school pursuant to this paragraph shall not be prevented from enrolling at a high school after the pupil becomes eligible for a high school diploma and shall be eligible to participate in extracurricular activities, including interscholastic sports, through the end of grade twelve. The school district or charter school from which the student became eligible for the high school diploma shall include that student in the school district's or charter school's student count and shall continue to receive per pupil funding for a student who is eligible for a high school diploma until that student would otherwise have graduated at the end of grade twelve, as long as that student is enrolled in an approved full-time career and technical education program. Notwithstanding any other law, if the instruction provided under this paragraph is provided by a joint technical education district in a full-time career and technical education program that is designed to lead to a certificate that is awarded by an industry or recognized as meeting industry standards, the sum of the average daily membership for that pupil shall not exceed 1.25, and the average daily membership shall be apportioned at 1.0 for the joint technical education district and 0.25 for the school district.

4. If accepted for admission to a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE, enroll in the university after completion of additional high school coursework designed to prepare students for admission to selective postsecondary institutions that offer baccalaureate degrees. The school district or charter school from which the student earned the high school diploma shall include that student in the school district's or charter school's student count and shall continue to receive per pupil funding for a student who earns a high school diploma until that student would otherwise have graduated at the end of grade twelve for as long as that student is enrolled as a full-time student in the university. One-third of the school district's or charter school's average daily membership amount shall be retained by the school district or the operator of the charter school. One-third of the school district's or charter school's average daily membership amount shall be retained for use at the school site. One-third of the school district's or charter school's average daily membership amount shall be distributed as follows:

   (a) Fifty percent PERCENT of this amount shall be deposited in a scholarship account established and managed by the school district or charter school from which the student graduated specifically for a student who qualifies for a diploma and who attends a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE as a full-time student.
(b) Fifty percent of this amount shall be retained by the university where the student is enrolled.

Sec. 34. Section 15-901.07, Arizona Revised Statutes, is amended to read:

15-901.07. Concurrent enrollment; calculation of average daily membership; definition

A. A school district or a charter school may include students enrolled in a concurrent enrollment course for the purposes of calculating average daily membership if the school district has received approval from the state board of education or the charter school has received approval from its sponsor to offer concurrent enrollment courses. A concurrent enrollment course shall be considered a subject for the purposes of calculating average daily membership if the concurrent enrollment course meets all of the following:

1. Meets for at least forty hours per semester.
2. A student is awarded academic credit for the concurrent enrollment course pursuant to section 15-701.01.
3. The concurrent enrollment course is at a higher level than the course taught at the school district or charter school in grades nine through twelve.
4. The student enrolled in a concurrent enrollment course also attends at least one course offered at the school district or charter school.
5. The concurrent enrollment course shall be applicable to an established community college academic degree or certificate program that is transferable to a PUBLIC university under the jurisdiction of the Arizona board of regents in this state. A concurrent enrollment course that is applicable to a community college occupational degree or certificate program may be transferable to a PUBLIC university under the jurisdiction of the Arizona board of regents in this state.

B. For the purposes of this section, “concurrent enrollment course” means a community college or university level course at a community college or university, if the course is at a higher level than the course taught in the high school attended by the pupil or, if the course is not taught in the high school, the level of the course is equal to or higher than the level of a high school course.

Sec. 35. Section 15-1042, Arizona Revised Statutes, is amended to read:

15-1042. Timeline; student level data; definition

A. The department of education shall notify school districts, joint technical education districts and charter schools of electronic data submission procedures and shall distribute a list of the specific student level data elements, including the statutory or regulatory reference for each data element, that school districts, joint technical education districts and charter schools are required to submit. The department of
education shall not make any changes to the student level data elements to be collected unless the student level data element has been reviewed and adopted by the data governance commission established by section 15-249.01.

B. Each school district, joint technical education district and charter school shall submit electronic data on a school by school basis, including student level data, to the department of education in order for the school district, joint technical education district or charter school to receive monies for the cost of educating students pursuant to this title.

C. The department of education shall grant a school district, joint technical education district or charter school an extension to the deadline for the submission of student level data or may provide for an alternative method for the submission of student level data if the school district, joint technical education district or charter school proves that good cause exists for the extension, and the school district, joint technical education district or charter school shall continue to receive monies for the cost of educating students pursuant to this title. The request for an extension of the deadline for the submission of student level data pursuant to this subsection shall include a justification for the extension and the status of current efforts towards complying with the submission of student level data.

D. A pupil or the parent or guardian of a pupil shall not be required to submit data that does not relate to the provision of educational services or assistance to the pupil.

E. Unless otherwise prescribed, school districts, joint technical education districts and charter schools shall begin to report new data elements on July 1 of the year that follows the effective date of the law that requires the collection of the data.

F. Student level data items submitted to the department of education by school districts, joint technical education districts and charter schools pursuant to this section shall not be used to adjust funding levels or calculate the average daily membership for the purpose of funding school districts at any time other than the fortieth, one hundredth and two hundredth days of the school year.

G. A school district, joint technical education district or charter school is not required to submit student level data to the department of education more often than once every twenty school days.

H. Notwithstanding subsection J of this section, the student level data shall include reasons for the withdrawal if reasons are provided by the withdrawing pupil or the pupil's parent or guardian. For the purposes of this subsection, the department of education shall include in the specific student level data elements that school districts, joint technical education districts and charter schools are required to submit
data relating to students who withdraw from school because the student is pregnant or because the student is the biological parent of a child.

I. All student level data collected pursuant to this section is confidential and is not a public record. The data collected may be used for aggregate research and reporting and for providing access of student level data to school districts, joint technical education districts, charter schools, community colleges and PUBLIC universities under the jurisdiction of the Arizona board of regents IN THIS STATE.

J. For the purposes of this section, “student level data” means all data elements that are compiled and submitted for each student in this state and that are necessary for the completion of the statutory requirements of the department of education and the state board of education relating to the calculation of funding for public education, the determination of student academic progress as measured by student testing programs in this state, state and federal reporting requirements and other duties prescribed to the department of education or the state board of education by law. Student level data does not include data elements related to student behavior, discipline, criminal history, medical history, religious affiliation, personal physical descriptors or family information not authorized by the parent or guardian of the pupil or otherwise required by law.

Sec. 36. Section 15-1601, Arizona Revised Statutes, is amended to read:

15-1601. State universities; location; faculty powers; governing boards; members; immunity; monthly business review

A. The Arizona board of regents shall maintain state universities SHALL BE LOCATED at Flagstaff in Coconino county, at Tempe in Maricopa county and at Tucson in Pima county, and the universities are respectively designated northern Arizona university, Arizona state university and the university of Arizona. The board shall maintain An Arizona state university campus in western Maricopa county SHALL BE designated as Arizona state university west campus, which shall be identified as a separate budget unit in the general appropriations act. The board shall maintain An Arizona state university campus in eastern Maricopa county SHALL BE designated as Arizona state university east campus, which shall be identified as a separate budget unit in the general appropriations act. The board may establish and maintain Other colleges and universities MAY BE ESTABLISHED subject to legislative authority. Subject to review by the joint committee on capital review, the GOVERNING board OF A UNIVERSITY may establish new campuses that are separate from any location in existence on July 1, 2007. The Arizona state university campus at Tempe shall provide administrative support for the Arizona state university campuses in western Maricopa county and in eastern Maricopa county.
B. The universities shall have colleges, schools and departments and give courses of study and academic degrees as the board approves. Subject to the responsibilities and powers of the board and the university presidents, the faculty members of the universities, through their elected faculty representatives, shall share responsibility for academic and educational activities and matters related to faculty personnel. The faculty members of each university, through their elected faculty representatives, shall participate in the governance of their respective universities and shall actively participate in the development of university policy.

C. EACH UNIVERSITY SHALL BE GOVERNED BY A GOVERNING BOARD FOR THAT UNIVERSITY. EACH GOVERNING BOARD SHALL ELECT A CHAIRPERSON FROM AMONG ITS MEMBERS. THE GOVERNING BOARD OF ARIZONA STATE UNIVERSITY SHALL CONSIST OF THREE MEMBERS WHO ARE APPOINTED BY THE GOVERNOR PURSUANT TO SECTION 38-211, ONE MEMBER WHO IS APPOINTED BY THE PRESIDENT OF THE SENATE AND ONE MEMBER WHO IS APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. THE GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA SHALL CONSIST OF THREE MEMBERS WHO ARE APPOINTED BY THE GOVERNOR PURSUANT TO SECTION 38-211, ONE MEMBER WHO IS APPOINTED BY THE PRESIDENT OF THE SENATE AND ONE MEMBER WHO IS APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. THE GOVERNING BOARD OF NORTHERN ARIZONA UNIVERSITY SHALL CONSIST OF THREE MEMBERS WHO ARE APPOINTED BY THE GOVERNOR PURSUANT TO SECTION 38-211, ONE MEMBER WHO IS APPOINTED BY THE PRESIDENT OF THE SENATE AND ONE MEMBER WHO IS APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. SUBJECT TO LEGISLATIVE APPROVAL, THE INITIAL MEMBERS OF A GOVERNING BOARD SHALL ASSIGN THEMSELVES BY LOT TO TWO TERMS OF TWO YEARS, TWO TERMS OF THREE YEARS AND ONE TERM OF FOUR YEARS IN OFFICE, TO BEGIN AND END ON THE THIRD MONDAY IN JANUARY. THE CHAIRPERSON SHALL NOTIFY THE GOVERNOR'S OFFICE, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES ON APPOINTMENTS OF THESE TERMS. ALL SUBSEQUENT MEMBERS SERVE FOUR-YEAR TERMS OF OFFICE, TO BEGIN AND END ON THE THIRD MONDAY IN JANUARY. GOVERNING BOARD MEMBERS ARE NOT ENTITLED TO COMPENSATION.

D. THE GOVERNING BOARD OF EACH UNIVERSITY IS A BODY CORPORATE WITH PERPETUAL SUCCESSION. THE GOVERNING BOARD SHALL PROVIDE DIRECT OVERSIGHT OF THE UNIVERSITY PRESIDENT AND MAY:

1. ADOPT A CORPORATE SEAL.
2. CONTRACT.
3. SUE AND BE SUED.
4. PURCHASE, RECEIVE, HOLD, MAKE AND TAKE LEASES AND LONG-TERM LEASES OF AND SELL REAL AND PERSONAL PROPERTY FOR THE BENEFIT OF THIS STATE AND FOR THE USE OF THE UNIVERSITY.

E. MEMBERS OF THE GOVERNING BOARD OF EACH UNIVERSITY ARE IMMUNE FROM PERSONAL LIABILITY WITH RESPECT TO ALL ACTS DONE AND ACTIONS TAKEN IN GOOD FAITH WITHIN THE SCOPE OF THEIR AUTHORITY DURING DULY CONSTITUTED REGULAR AND SPECIAL MEETINGS WITH APPROVAL OF A MAJORITY OF THE BOARD.
F. GOVERNING BOARD MEMBERS ARE NOT ELIGIBLE FOR COMPENSATION, BUT EACH GOVERNING BOARD MEMBER IS ELIGIBLE FOR REIMBURSEMENT OF THE FOLLOWING EXPENSES IN THE FOLLOWING AMOUNTS:

1. UP TO ONE THOUSAND DOLLARS EACH YEAR FOR MILEAGE.
2. FIVE HUNDRED DOLLARS FOR EACH MEETING ATTENDED, FOR A TOTAL EACH YEAR NOT TO EXCEED SIX THOUSAND DOLLARS.

G. EACH UNIVERSITY SHALL PROVIDE ADEQUATE STAFFING FOR THE GOVERNING BOARD OF THAT UNIVERSITY.

H. EACH GOVERNING BOARD SHALL CONDUCT A MONTHLY BUSINESS OPERATIONAL REVIEW OF ITS UNIVERSITY.

Sec. 37. Heading change
The article heading of title 15, chapter 13, article 2, Arizona Revised Statutes, is changed from "ARIZONA BOARD OF REGENTS" to "GOVERNING BOARDS OF UNIVERSITIES".

Sec. 38. Section 15-1624, Arizona Revised Statutes, is amended to read:

15-1624. Meetings of governing board advisory committees; student records; executive session
Notwithstanding the provisions of section 38-431.01, subsection A, meetings of advisory committees to the GOVERNING board OF EACH UNIVERSITY involving student records may be held in executive session. A student whose records are to be considered may request that the meeting be held as a public meeting in which case the meeting pertaining to such student's records shall not be in executive session.

Sec. 39. Section 15-1625, Arizona Revised Statutes, is amended to read:

15-1625. General powers of Arizona board of regents; prohibition; limitation
A. The Arizona board of regents is a body corporate with perpetual succession. The board has jurisdiction and control over the universities A GENERAL ADVISORY BODY OVER THE STATE UNIVERSITY SYSTEM AND IS RESPONSIBLE FOR PROVIDING GENERAL OVERSIGHT OF THE UNIVERSITY SYSTEM BUT NOT DIRECT OVERSIGHT OF THE UNIVERSITIES.

B. The board may:
1. Adopt a corporate seal.
2. Contract.
3. Sue and be sued.
4. Purchase, receive, hold, make and take leases and long-term leases of and sell real and personal property for the benefit of this state and for the use of the institutions under its jurisdiction.

1. SUBMIT RECOMMENDATIONS TO THE GOVERNING BOARD OF EACH UNIVERSITY.
2. MEET TO EVALUATE THE PERFORMANCE OF THE PRESIDENT OF EACH UNIVERSITY.
3. NOMINATE POTENTIAL REPLACEMENTS WHEN A VACANCY OCCURS IN THE
OFFICE OF THE PRESIDENT OF A UNIVERSITY.
4. ACT AS A MEDIATOR IF A UNIVERSITY PRESIDENT IS TERMINATED FROM
EMPLOYMENT BY THE GOVERNING BOARD OF THAT UNIVERSITY.
C. THE ARIZONA BOARD OF REGENTS MAY NOT HIRE, EMPLOY OR TERMINATE
THE EMPLOYMENT OF STAFF.
D. NOTWITHSTANDING ANY OTHER LAW, THE ONLY RESPONSIBILITIES,
Powers, DUTIES AND AUTHORITY PRESCRIBED TO THE ARIZONA BOARD OF REGENTS
ARE THOSE RESPONSIBILITIES, POWERS, DUTIES AND AUTHORITY SPECIFICALLY
PRESCRIBED IN THIS SECTION.
Sec. 40. Section 15-1626, Arizona Revised Statutes, as amended by
Laws 2016, chapter 238, section 1 and chapter 372, section 4, is amended
to read:
15-1626. General administrative powers and duties of
governing boards of universities; definition
A. The GOVERNING board OF EACH UNIVERSITY shall:
1. Have and exercise the powers necessary for the effective
governance and administration of the institutions UNIVERSITY under its
control. To that end, the GOVERNING board OF EACH UNIVERSITY may adopt,
and authorize each THE university to adopt, such regulations, policies,
rules or measures as are deemed necessary and may delegate in writing to
its THE GOVERNING BOARD'S committees, to its THE university presidents
PRESIDENT, or their designees THE PRESIDENT'S DESIGNEE, or to other
entities under its THE GOVERNING BOARD'S control, any part of its
authority for the administration and governance of such institutions THAT
UNIVERSITY, including those powers enumerated in section 15-1625,
subsection B, paragraphs 2 and 4, paragraphs 3, 4, 8, 9, 11 and 12 of this
subsection and subsection B of this section. Any delegation of authority
may be rescinded by the GOVERNING board OF THE UNIVERSITY at any time in
whole or in part.
2. Appoint and employ and determine the compensation of presidents
THE PRESIDENT with such power and authority and for such purposes in
connection with the operation of the institutions UNIVERSITY as the
GOVERNING board OF THE UNIVERSITY deems necessary.
3. Appoint and employ and determine the compensation of
vice-presidents, deans, professors, instructors, lecturers, fellows and
such other officers and employees with such power and authority and for
such purposes in connection with the operation of the institutions
UNIVERSITY as the GOVERNING board OF THE UNIVERSITY deems necessary, or
delegate its THE GOVERNING BOARD'S authority pursuant to paragraph 1 of
this subsection.
4. Remove any officer or employee when the interests of education
in this state so require in accordance with its THE GOVERNING BOARD'S
personnel rules and policies.
5. Fix tuitions and fees to be charged and differentiate the tuitions and fees between institutions and between residents, nonresidents, undergraduate students, graduate students, students from foreign countries and students who have earned credit hours in excess of the credit hour threshold. For the purposes of this paragraph, the undergraduate credit hour threshold is one hundred forty-five hours for students who attend an university under the jurisdiction of the GOVERNING board. The undergraduate credit hour threshold shall be based on the actual full-time equivalent student enrollment counted on the forty-fifth day of every fall and spring semester, divided by two, and any budget adjustment based on student enrollment shall occur in the fiscal year following the actual full-time equivalent student enrollment count. The undergraduate credit hour threshold shall not apply to degree programs that require credit hours above the credit hour threshold, credits earned in the pursuit of up to two baccalaureate degrees, credits earned in the pursuit of up to two state regulated licensures or certificates, credits earned in the pursuit of teaching certification, credits transferred from a private institution of higher education, credits transferred from an institution of higher education in another state, credits earned at another institution of higher education but that are not accepted as transfer credits at the university where the student is currently enrolled and credits earned by students who enroll at an university under the jurisdiction of the GOVERNING board more than twenty-four months after the end of that student's previous enrollment at a public institution of higher education in this state. On or before October 15 of each year, the GOVERNING board OF EACH UNIVERSITY shall JOINTLY report to the joint legislative budget committee the number of in-state students and out-of-state students who were enrolled at universities under the jurisdiction of the GOVERNING board OF EACH UNIVERSITY during the previous fiscal year AND who met or exceeded the undergraduate credit hour threshold prescribed in this paragraph. The amount of tuition, registration fees and other revenues included in the operating budget for the university adopted by the GOVERNING board OF THE UNIVERSITY as prescribed in paragraph 13 of this subsection shall be deposited, pursuant to sections 35-146 and 35-147. All other tuition and fee revenue shall be retained by each university for expenditure as approved by the GOVERNING board OF THAT UNIVERSITY, except that the universities shall not use any tuition or fee revenue to fund or support an alumni association.

6. Except as provided in subsection I of this section, Adopt rules to govern its GOVERNING BOARD'S tuition and fee setting process that provide for the following:

   (a) At least one public hearing at each university as an opportunity for students and members of the public to comment on any proposed increase in tuition or fees.
(b) Publication of the notice of public hearing at least ten days before the hearing in a newspaper of general circulation in Maricopa county, Coconino county and Pima county WHERE THE UNIVERSITY IS LOCATED. The notice shall include the date, time and location of the public hearing.

(c) Public disclosure by each THE university of any proposed increases in tuition or fees at least ten days before the public hearing.

(d) A ROLL CALL VOTE OF ANY final board action BY THE GOVERNING BOARD OF THE UNIVERSITY on changes in tuition or fees shall be taken by roll call vote.

The procedural requirements of subdivisions (a), (b), (c) and (d) of this paragraph apply only to those changes in tuition or fees that require board approval BY THE GOVERNING BOARD OF THE UNIVERSITY.

7. Pursuant to section 35-115, submit a budget request for each institution THE UNIVERSITY under its jurisdiction that includes the estimated tuition and fee revenue available to support the programs of the institution UNIVERSITY as described in the budget request. The estimated available tuition and fee revenue shall be based on the tuition and registration fee rates in effect at the time the budget request is submitted with adjustments for projected changes in enrollment as provided by the GOVERNING board OF THE UNIVERSITY.

8. Establish curriculums CURRICULA and designate courses at the several institutions UNIVERSITY that in its THE GOVERNING BOARD'S judgment will best serve the interests of this state.

9. Award such degrees and diplomas on the completion of such courses and curriculum requirements as it THE GOVERNING BOARD deems appropriate.

10. Prescribe qualifications for admission of all students to the universities UNIVERSITY. The GOVERNING board OF THE UNIVERSITY shall establish policies for guaranteed admission that ensure ENSURE fair and equitable access to students in this state from public, private and charter schools and homeschools. For the purpose of determining the qualifications of honorably discharged veterans, veterans are those persons who served in the armed forces for a minimum of two years and who were previously enrolled at a university or community college in this state. No prior failing grades received by the veteran at the university or community college in this state may be considered.

11. Adopt any energy conservation standards promulgated ADOPTED by the department of administration for the construction of new buildings.

12. Employ for such time and purposes as the GOVERNING board OF THE UNIVERSITY requires attorneys whose compensation shall be fixed and paid by the GOVERNING board. Litigation to which the GOVERNING board is a party and for which self-insurance is not provided may be compromised or settled at the direction of the GOVERNING board.
13. Adopt annually an operating budget for each THE university equal to the sum of appropriated general fund monies and the amount of tuition, registration fees and other revenues approved by the GOVERNING board OF THE UNIVERSITY and allocated to each THE university operating budget.

14. In consultation with the state board of education and other education groups, develop and implement a program to award honors endorsements to be affixed to the high school diplomas of qualifying high school pupils and to be included in the transcripts of pupils who are awarded endorsements. The GOVERNING board OF THE UNIVERSITY shall develop application procedures and testing criteria and adopt testing instruments and procedures to administer the program. In order to receive an honors endorsement, a pupil must demonstrate an extraordinary level of knowledge, skill and competency as measured by the testing instruments adopted by the board in mathematics, English, science and social studies. Additional subjects may be added at the determination of the GOVERNING board. The program is voluntary for pupils.

15. Require the publisher of each literary and nonliterary textbook used in the universities of this state UNIVERSITY to furnish TO THE GOVERNING BOARD OF THE UNIVERSITY computer software in a standardized format when software becomes available for nonliterary textbooks to the Arizona board of regents from which braille versions of the textbooks may be produced.

16. Require universities that provide a degree DEGREES in education to require courses that are necessary to obtain a provisional structured English immersion endorsement as prescribed by the state board of education.

17. Acquire United States flags for each classroom that are manufactured in the United States and that are at least two feet by three feet and hardware to appropriately display the United States flags, acquire a legible copy of the Constitution of the United States and the Bill of Rights, display the flags in each classroom in accordance with title 4 of the United States Code and display a legible copy of the Constitution of the United States and the Bill of Rights adjacent to the flag.

18. To facilitate the transfer of military personnel and their dependents to and from the public schools of this state, pursue, in cooperation with the state board of education, reciprocity agreements with other states concerning the transfer credits for military personnel and their dependents. A reciprocity agreement entered into pursuant to this paragraph shall:
   (a) Address procedures for each of the following:
       (i) The transfer of student records.
       (ii) Awarding credit for completed coursework COURSEWORK.
(iii) Permitting a student to satisfy the graduation requirements prescribed in section 15-701.01 through the successful performance on comparable exit-level assessment instruments administered in another state.

(b) Include appropriate criteria developed by the state board of education and the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY.

19. Require THE university to publicly post notices of all of its employment openings, including the title and description, instructions for applying and relevant contact information.

20. In consultation with the community college districts in this state, develop and implement common equivalencies for specific levels of achievement on advanced placement examinations and international baccalaureate examinations in order to award commensurate postsecondary academic credits at community colleges and public universities in this state.

21. On or before August 1 of each year, report to the joint legislative budget committee the graduation rate by university campus during the previous fiscal year. The GOVERNING board OF THE UNIVERSITY shall also report the retention rate by university campus and by class, as determined by date of entry during the previous fiscal year.

B. The GOVERNING board OF EACH UNIVERSITY shall adopt personnel policies for all employees of the GOVERNING board and the universities.

C. In conjunction with the auditor general, the GOVERNING board OF EACH UNIVERSITY shall develop a uniform accounting and reporting system, which shall be reviewed by the joint legislative budget committee before final adoption by the board. The GOVERNING board shall require each THE university to comply with the uniform accounting and reporting system.

D. The GOVERNING board OF EACH UNIVERSITY may employ legal assistance in procuring loans for the institutions UNIVERSITY from the United States government. Fees or compensation paid for such legal assistance shall not be a claim on the general fund of this state but shall be paid from funds of the institutions UNIVERSITY.

E. The GOVERNING board OF THE UNIVERSITY OF ARIZONA shall approve or disapprove any contract or agreement entered into by the university of Arizona hospital with the Arizona industrial development authority.

F. The GOVERNING board OF EACH UNIVERSITY may adopt policies that authorize the institutions UNIVERSITY under its jurisdiction to enter into employment contracts with nontenured employees for periods of more than one year but not more than five years. The policies shall prescribe limitations on the authority of the institutions UNIVERSITY to enter into employment contracts for periods of more than one year but not more than five years, including the requirement that the GOVERNING board approve the contracts.
G. The GOVERNING board OF EACH UNIVERSITY may adopt a plan or plans for employee benefits that allow for participation in a cafeteria plan that meets the requirements of the United States internal revenue code of 1986.

H. The GOVERNING board OF EACH UNIVERSITY may establish a program for the exchange of students between the universities under the jurisdiction of the board UNIVERSITY and colleges and universities located in the state of Sonora, Mexico. Notwithstanding subsection A, paragraph 5 of this section, the program may provide for in-state tuition at the universities under the jurisdiction of the board UNIVERSITY for fifty Sonoran students in exchange for similar tuition provisions for up to fifty Arizona students enrolled or seeking enrollment in Sonoran colleges or universities. The GOVERNING board may direct the universities UNIVERSITY to work in conjunction with the Arizona-Mexico commission to coordinate recruitment and admissions activities.

I. Subsection A, paragraph 6, subdivisions (a), (b), (c) and (d) of this section do not apply to fee increases that are set by individual universities and that do not require approval by the Arizona board of regents before the fee increase becomes effective.

J. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY, in collaboration with the universities UNIVERSITY under its jurisdiction, shall adopt a performance funding model. The performance funding model shall use performance metrics that include the increase in degrees awarded, the increase in completed student credit hours and the increase in externally generated research and public service funding. The funding formula may give added weight to degrees related to science, technology, engineering and mathematics and other high-value degrees that are in short supply or that are essential to this state's long-term economic development strategy.

K. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall use the performance funding model adopted pursuant to subsection J of this section in developing and submitting budget requests for the universities UNIVERSITY under its jurisdiction.

L. On or before November 1 of each year, the Arizona board of regents GOVERNING BOARDS OF EACH UNIVERSITY shall JOINTLY submit to the joint legislative budget committee and the governor's office of strategic planning and budgeting a report on university debt and obligations, including:

1. Long-term notes and obligations.
2. Certificates of participation and other obligations pursuant to any lease-purchase agreements.
3. Revenue bonds.
4. Bonds issued pursuant to section 15-1682.03.
5. Commercial paper issued pursuant to section 15-1696.
M. L. The report issued pursuant to subsection K of this section shall contain, for the most recent fiscal year:
   1. The aggregate level of outstanding principal and the principal and interest payments, by type of debt or obligation.
   2. An itemization, by campus and project, of the amount of yearly principal and interest to be paid in the most recent and the next five fiscal years.

N. M. The GOVERNING board of EACH UNIVERSITY may enter into an intergovernmental agreement pursuant to section 15-1747 to manage universities THE UNIVERSITY under its jurisdiction subject to the terms of the reciprocity agreement.

O. N. For the purposes of this section, "university debt and obligations" means debt and obligations, the principal and interest of which are paid in whole or in part with university monies.

Sec. 41. Section 15-1626, Arizona Revised Statutes, as amended by Laws 2016, chapter 130, section 1, is amended to read:

15-1626. General administrative powers and duties of governing boards of universities; definition

A. The GOVERNING board of EACH UNIVERSITY shall:
   1. Have and exercise the powers necessary for the effective governance and administration of the institutions UNIVERSITY under its control. To that end, the GOVERNING board of EACH UNIVERSITY may adopt, and authorize each THE university to adopt, such regulations, policies, rules or measures as are deemed necessary and may delegate in writing to its THE GOVERNING BOARD'S committees, to its THE university presidents, PRESIDENT, or their—designees THE PRESIDENT'S DESIGNEE, or to other entities under its control, any part of its authority for the administration and governance of such—organizations THAT UNIVERSITY, including those powers enumerated in section 15-1625, subsection B, paragraphs 2 and 4, paragraphs 3, 4, 8, 9, 11 and 12 of this subsection and subsection B of this section. Any delegation of authority may be rescinded by the GOVERNING board of THE UNIVERSITY at any time in whole or in part.
   2. Appoint and employ and determine the compensation of presidents THE PRESIDENT with such power and authority and for such purposes in connection with the operation of the institutions UNIVERSITY as the GOVERNING board of THE UNIVERSITY deems necessary.
   3. Appoint and employ and determine the compensation of vice-presidents, deans, professors, instructors, lecturers, fellows and such other officers and employees with such power and authority and for such purposes in connection with the operation of the institutions UNIVERSITY as the GOVERNING board of THE UNIVERSITY deems necessary, or delegate its THE GOVERNING BOARD'S authority pursuant to paragraph 1 of this subsection.
4. Remove any officer or employee when the interests of education in this state so require in accordance with THE GOVERNING BOARD'S personnel rules and policies.

5. Fix tuitions and fees to be charged and differentiate the tuitions and fees between institutions and between residents, nonresidents, undergraduate students, graduate students, students from foreign countries and students who have earned credit hours in excess of the credit hour threshold. For the purposes of this paragraph, the undergraduate credit hour threshold is one hundred forty-five hours for students who attend THE university under the jurisdiction of the GOVERNING board. The undergraduate credit hour threshold shall be based on the actual full-time equivalent student enrollment counted on the forty-fifth day of every fall and spring semester, divided by two, and any budget adjustment based on student enrollment shall occur in the fiscal year following the actual full-time equivalent student enrollment count. The undergraduate credit hour threshold shall not apply to degree programs that require credit hours above the credit hour threshold, credits earned in the pursuit of up to two baccalaureate degrees, credits earned in the pursuit of up to two state regulated licensures or certificates, credits earned in the pursuit of teaching certification, credits transferred from a private institution of higher education, credits transferred from an institution of higher education in another state, credits earned at another institution of higher education but that are not accepted as transfer credits at the university where the student is currently enrolled and credits earned by students who enroll at THE university under the jurisdiction of the GOVERNING board more than twenty-four months after the end of that student's previous enrollment at a public institution of higher education in this state. On or before October 15 of each year, the GOVERNING board OF EACH UNIVERSITY shall JOINTLY report to the joint legislative budget committee the number of in-state students and out-of-state students who were enrolled at universities under the jurisdiction of the GOVERNING board OF EACH UNIVERSITY during the previous fiscal year AND who met or exceeded the undergraduate credit hour threshold prescribed in this paragraph. The amount of tuition and fees included in the operating budget for the university adopted by the GOVERNING board OF THE UNIVERSITY as prescribed in paragraph 13 of this subsection shall be subject to legislative appropriation and deposited in a separate tuition and fees subaccount for each university. All other tuition and fee revenue shall be retained by each university for expenditure as approved by the GOVERNING board OF THAT UNIVERSITY in a separate local tuition and fees subaccount for each THAT university. This subaccount shall consist of only tuition and fees. The universities shall not use any tuition or fee revenue to fund or support an alumni association.
6. Except as provided in subsection I of this section, Adopt rules to govern its THE GOVERNING BOARD'S tuition and fee setting process that provide for the following:

(a) At least one public hearing at each THE university as an opportunity for students and members of the public to comment on any proposed increase in tuition or fees.

(b) Publication of the notice of public hearing at least ten days prior to BEFORE the hearing in a newspaper of general circulation in Maricopa county, Coconino county and Pima THE county WHERE THE UNIVERSITY IS LOCATED. The notice shall include the date, time and location of the public hearing.

(c) Public disclosure by each THE university of any proposed increases in tuition or fees at least ten days prior to BEFORE the public hearing.

(d) A roll call vote of any final board action BY THE GOVERNING BOARD OF THE UNIVERSITY on changes in tuition or fees.

The procedural requirements of subdivisions (a), (b), (c) and (d) of this paragraph apply only to those changes in tuition or fees that require board approval BY THE GOVERNING BOARD OF THE UNIVERSITY.

7. Pursuant to section 35-115, submit a budget request for each institution THE UNIVERSITY under its jurisdiction that includes the estimated tuition and fee revenue available to support the programs of the institution UNIVERSITY as described in the budget request. The estimated available tuition and fee revenue shall be based on the tuition and registration fee rates in effect at the time the budget request is submitted with adjustments for projected changes in enrollment as provided by the GOVERNING board OF THE UNIVERSITY.

8. Establish curricula and designate courses at the several institutions UNIVERSITY that in its THE GOVERNING BOARD'S judgment will best serve the interests of this state.

9. Award such degrees and diplomas on the completion of such courses and curriculum requirements as THE GOVERNING BOARD deems appropriate.

10. Prescribe qualifications for admission of all students to the universities UNIVERSITY. The GOVERNING board OF THE UNIVERSITY shall establish policies for guaranteed admission that ensure fair and equitable access to students in this state from public, private and charter schools and homeschools. For the purpose of determining the qualifications of honorably discharged veterans, veterans are those persons who served in the armed forces for a minimum of two years and who were previously enrolled at a university or community college in this state. No prior failing grades received by the veteran at the university or community college in this state may be considered.

11. Adopt any energy conservation standards promulgated ADOPTED by the department of administration for the construction of new buildings.
12. Employ for such time and purposes as the GOVERNING board OF THE UNIVERSITY requires attorneys whose compensation shall be fixed and paid by the GOVERNING board. Litigation to which the GOVERNING board is a party and for which self-insurance is not provided may be compromised or settled at the direction of the GOVERNING board.

13. Adopt annually an operating budget for each THE university equal to the sum of appropriated general fund monies and the amount of tuition and fees approved by the GOVERNING board OF THE UNIVERSITY and allocated to each THE university operating budget.

14. In consultation with the state board of education and other education groups, develop and implement a program to award honors endorsements to be affixed to the high school diplomas of qualifying high school pupils and to be included in the transcripts of pupils who are awarded endorsements. The GOVERNING board OF THE UNIVERSITY shall develop application procedures and testing criteria and adopt testing instruments and procedures to administer the program. In order to receive an honors endorsement, a pupil must demonstrate an extraordinary level of knowledge, skill and competency as measured by the testing instruments adopted by the board in mathematics, English, science and social studies. Additional subjects may be added at the determination of the GOVERNING board. The program is voluntary for pupils.

15. Require the publisher of each literary and nonliterary textbook used in the universities of this state UNIVERSITY to furnish TO THE GOVERNING BOARD OF THE UNIVERSITY computer software in a standardized format when software becomes available for nonliterary textbooks to the Arizona board of regents from which braille versions of the textbooks may be produced.

16. Require universities that provide a degree DEGREES in education to require courses that are necessary to obtain a provisional structured English immersion endorsement as prescribed by the state board of education.

17. Acquire United States flags for each classroom that are manufactured in the United States and that are at least two feet by three feet and hardware to appropriately display the United States flags, acquire a legible copy of the Constitution of the United States and the Bill of Rights, display the flags in each classroom in accordance with title 4 of the United States Code and display a legible copy of the Constitution of the United States and the Bill of Rights adjacent to the flag.

18. To facilitate the transfer of military personnel and their dependents to and from the public schools of this state, pursue, in cooperation with the state board of education, reciprocity agreements with other states concerning the transfer credits for military personnel and their dependents. A reciprocity agreement entered into pursuant to this paragraph shall:
(a) Address procedures for each of the following:
(i) The transfer of student records.
(ii) Awarding credit for completed coursework.
(iii) Permitting a student to satisfy the graduation requirements prescribed in section 15-701.01 through the successful performance on comparable exit-level assessment instruments administered in another state.

(b) Include appropriate criteria developed by the state board of education and the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY.

19. Require THE university to publicly post notices of all of its employment openings, including the title and description, instructions for applying and relevant contact information.

20. In consultation with the community college districts in this state, develop and implement common equivalencies for specific levels of achievement on advanced placement examinations and international baccalaureate examinations in order to award commensurate postsecondary academic credits at community colleges and public universities in this state.

21. On or before August 1 of each year, report to the joint legislative budget committee the graduation rate by university campus during the previous fiscal year. The GOVERNING board OF THE UNIVERSITY shall also report the retention rate by university campus and by class, as determined by date of entry during the previous fiscal year.

B. The GOVERNING board OF EACH UNIVERSITY shall adopt personnel policies for all employees of the GOVERNING board and the universities UNIVERSITY.

C. In conjunction with the auditor general, the GOVERNING board OF EACH UNIVERSITY shall develop a uniform accounting and reporting system, which shall be reviewed by the joint legislative budget committee before final adoption by the board. The GOVERNING board shall require each THE university to comply with the uniform accounting and reporting system.

D. The GOVERNING board OF EACH UNIVERSITY may employ legal assistance in procuring loans for the institutions UNIVERSITY from the United States government. Fees or compensation paid for such legal assistance shall not be a claim on the general fund of this state but shall be paid from funds of the institutions UNIVERSITY.

E. The GOVERNING board OF THE UNIVERSITY OF ARIZONA shall approve or disapprove any contract or agreement entered into by the university of Arizona hospital with the Arizona health facilities INDUSTRIAL DEVELOPMENT authority.

F. The GOVERNING board OF THE UNIVERSITY may adopt policies that authorize the institutions UNIVERSITY under its jurisdiction to enter into employment contracts with nontenured employees for periods of more than one year but not more than five years. The policies shall prescribe
limitations on the authority of the institutions UNIVERSITY to enter into employment contracts for periods of more than one year but not more than five years, including the requirement that the Governing board approve the contracts.

G. The Governing board of each University may adopt a plan or plans for employee benefits that allow for participation in a cafeteria plan that meets the requirements of the United States internal revenue code of 1986.

H. The Governing board of each University may establish a program for the exchange of students between the universities under the jurisdiction of the Board UNIVERSITY and colleges and universities located in the state of Sonora, Mexico. Notwithstanding subsection A, paragraph 5 of this section, the program may provide for in-state tuition at the universities under the jurisdiction of the Board UNIVERSITY for fifty Sonoran students in exchange for similar tuition provisions for up to fifty Arizona students enrolled or seeking enrollment in Sonoran colleges or universities. The Governing board may direct the universities UNIVERSITY to work in conjunction with the Arizona-Mexico commission to coordinate recruitment and admissions activities.

I. Subsection A, paragraph 6, subdivisions (a), (b), (c) and (d) of this section do not apply to fee increases that are set by individual universities and that do not require approval by the Arizona board of regents before the fee increase becomes effective.

J. The Arizona board of regents, Governing board of each University, in collaboration with the universities UNIVERSITY under its jurisdiction, shall adopt a performance funding model. The performance funding model shall use performance metrics that include the increase in degrees awarded, the increase in completed student credit hours and the increase in externally generated research and public service funding. The funding formula may give added weight to degrees related to science, technology, engineering and mathematics and other high-value degrees that are in short supply or that are essential to this state's long-term economic development strategy.

K. The Arizona board of regents, Governing board of each University shall use the performance funding model adopted pursuant to subsection J of this section in developing and submitting budget requests for the universities UNIVERSITY under its jurisdiction.

L. On or before November 1 of each year, the Arizona board of regents Governing Boards of each University shall jointly submit to the joint legislative budget committee and the governor's office of strategic planning and budgeting a report on university debt and obligations, including:
   1. Long-term notes and obligations.
   2. Certificates of participation and other obligations pursuant to any lease-purchase agreements.
3. Revenue bonds.
4. Bonds issued pursuant to section 15-1682.03.
5. COMMERCIAL PAPER ISSUED PURSUANT TO SECTION 15-1696.

M. L. The report issued pursuant to subsection K of this section shall contain, for the most recent fiscal year:
1. The aggregate level of outstanding principal and the principal and interest payments, by type of debt or obligation.
2. An itemization, by campus and project, of the amount of yearly principal and interest to be paid in the most recent and the next five fiscal years.

M. M. The GOVERNING board OF EACH UNIVERSITY may enter into an intergovernmental agreement pursuant to section 15-1747 to manage universities THE UNIVERSITY under its jurisdiction subject to the terms of the reciprocity agreement.

N. N. For the purposes of this section, "university debt and obligations" means debt and obligations, the principal and interest of which are paid in whole or in part with university monies.

Sec. 42. Section 15-1626.01, Arizona Revised Statutes, is amended to read:
15-1626.01. Transfer of fees for student organizations; prohibition; support
A. A PUBLIC university under the jurisdiction of the Arizona board of regent IN THIS STATE shall not transfer any portion of the tuition or fees collected from students pursuant to section 15-1626 or use any university student billing process to collect monies on behalf of an organization not under the jurisdiction of the Arizona board of regents and THAT IS not recognized as a university student organization.

B. A PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE may establish and support student government at the university and the university recognized UNIVERSITY-RECOGNIZED student organizations and clubs, and provide support for these student groups from tuition and fees pursuant to section 15-1633.

Sec. 43. Section 15-1627, Arizona Revised Statutes, is amended to read:
15-1627. Control of vehicles and nonpedestrian devices on university property; sanctions; compliance with emissions inspection; definition
A. Each university may adopt rules for the control of vehicles and nonpedestrian devices on its property with respect to the following only: maximum speed of vehicles and nonpedestrian devices, direction of travel, authorized hours of travel, required stops in traffic, place of parking, method of parking, time of parking, nonparking areas, restricted areas, prohibition of parking in vehicle emissions control areas as defined in section 49-541 of those vehicles which THAT fail to comply with section 49-542 and designation of special parking areas for students,
faculty, staff and the general public. Each university may prescribe and
collect reasonable fees for specially designated parking areas. Each
university shall cause signs and notices to be posted upon the property
for the regulation of vehicles and nonpedestrian devices.

B. The rules adopted by each university pursuant to subsection A of
this section shall be enforced administratively by each university. As to
students, faculty and staff, these procedures may, but need not, involve
both student and faculty adjudicating bodies, as long as all procedures
give the individual notice and an opportunity to be heard concerning the
alleged infractions and any sanction to be imposed upon him. Administrative and disciplinary sanctions may be imposed upon students,
faculty and staff for a violation of the rules, including, but not limited
to: a reasonable monetary penalty, impoundment, regular institutional
discipline, withdrawal or suspension of campus parking privileges,
encumbrances of records or grades, or both, and oral or written
reprimand. Habitual or flagrant disregard of rules shall be a ground for
suspension or expulsion from the university for a student and may be taken
into consideration as to faculty and staff in regard to amount of salary
and continuation of employment.

C. Members of the general public who park their vehicles in an
unauthorized manner upon the property of a university shall be warned
concerning their unauthorized parking and, if they continue, or if such
persons habitually park in such an unauthorized manner, the vehicles so
parked may be impounded by the institution and a reasonable fee
exacted for the cost of impoundment and storage.

D. Members of the general public who violate a rule adopted by the
university pursuant to subsection A of this section regarding the use of
nonpedestrian devices shall be warned of a violation, and any
nonpedestrian devices may be impounded by the university and a reasonable
fee may be exacted for the cost of impoundment and storage.

E. Any person who has received a final administrative ruling
concerning a sanction imposed upon the person as a result of a
violation of a rule pursuant to subsection A of this section shall have
the right to have that ruling reviewed by the superior court in the county
in which the institution involved is situated, in accordance
with the provisions of the administrative review act, title 12, chapter 7,
article 6.

F. This section shall be considered supplemental in nature to the
general common law and statutory powers of institutions under control of
the board as to the internal control and activities of
their students, faculty and staff.

G. An institution under the jurisdiction of the board of regents
and which is located in a vehicle emissions control area
as defined in section 49-541 shall prohibit the issuance of annual permits
to park on property under its jurisdiction until the applicant submits an
affidavit or shows proof that his THE APPLICANT'S vehicle meets the
requirements of section 49-542.

H. For the purposes of this section, "nonpedestrian devices"
includes bicycles, tricycles, unicycles, skateboards, roller skates and
equines.

Sec. 44. Section 15-1628, Arizona Revised Statutes, is amended to
read:

15-1628. Powers and procedures pertaining to optional
retirement programs

A. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY
may establish optional retirement programs under which contracts providing
retirement and death benefits may be purchased for members of the faculty
and administrative officers of the institutions under its jurisdiction
UNIVERSITY. The benefits to be provided for or on behalf of participants
in the optional retirement program shall be provided through annuity
contracts, fixed or variable in nature, or a combination thereof, or other
retirement plans approved by the Arizona board of regents GOVERNING BOARD.

B. Elections to participate in the optional retirement programs
shall be made as follows:

1. Eligible employees initially appointed on or after August 9, 1974 shall elect to become members of the Arizona state retirement system
or to participate in an optional retirement program established by the
Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY. The election
shall be made in writing and filed with the Arizona state retirement
system and the disbursing officer of the employing institution UNIVERSITY
and shall be effective as of the effective date of appointment. If an
eligible employee fails to make an election as provided in this paragraph,
the eligible employee shall be deemed to have elected membership in the
Arizona state retirement system.

2. Eligible employees initially appointed before August 9, 1974 may
 elect to participate in the optional retirement programs. The election
shall be made in writing and filed with the Arizona state retirement
system and the disbursing officer of the employing institution UNIVERSITY
on or before December 14, 1974, shall become effective as of January 1,
1975 and shall constitute a waiver of all benefits provided by the Arizona
state retirement system, except all such benefits as are expressly
provided by law.

3. Any employee who becomes eligible may elect an optional
retirement program. The election shall be made in writing and filed with
the Arizona state retirement system and the disbursing officer of the
employing institution UNIVERSITY within thirty days after notice in
writing to the employee of the employee's eligibility, and shall become
effective on the first day of the pay period following such AN election,
and shall constitute a waiver of all benefits provided by the Arizona
state retirement system, except all such benefits as are expressly
provided by law.

4. Any eligible employee who is a member of the Arizona state
retirement system at the time the employee elects to participate in the
optional retirement program shall leave the funds in the employee's
retirement account on deposit with the Arizona state retirement system
during the continuance of employment. Additional contributions to the
employee's retirement account shall not be required and continued service
with the Arizona board of regents or an institution under the jurisdiction
of the Arizona board of regents UNIVERSITY while under an optional
retirement program shall be deemed to be member service in the Arizona
state retirement system for the purpose of determining eligibility for any
benefits under such A system. The amount of any such benefits under such
A system shall be computed only on the basis of service otherwise
creditable to a member of the system and the employee's compensation
during such service. For THE purposes of subsection D of this section,
years of member service in the Arizona state retirement system shall count
as years of service under the optional retirement programs.

C. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY
shall contribute public funds appropriated or any other funds available
for such A purpose on behalf of each participant in the optional
retirement programs in an amount equal to seven per cent PERCENT of the
participant's compensation. Each participant shall also contribute an
amount equal to seven per cent PERCENT of the participant's compensation.
The appropriation to each university for purposes of enabling the Arizona
board of regents to make the contribution provided in this subsection
shall not exceed the employer contribution required under the Arizona
state retirement system as prescribed by title 38, chapter 5, article 2.
Funds utilized by the board of regents or by a university to pay that
portion of the contribution that represents the difference between the
employer contribution as prescribed by title 38, chapter 5, article 2 and
the contribution rate provided in this subsection for an optional
retirement program do not constitute a use of appropriated monies for
supplemental retirement.

D. In the case of an electing employee initially appointed on or
after August 9, 1974, contributions pursuant to subsection C of this
section shall not be made by the Arizona board of regents UNIVERSITY until
the employee's completion of five years of service. Employee
contributions required during this initial five year period and during
continued service with an institution under the jurisdiction of the
Arizona board of regents A UNIVERSITY shall be promptly remitted to the
optional retirement programs approved by the Arizona board of regents
GOVERNING BOARD OF THE UNIVERSITY. At the end of an electing employee's
completion of five years of service, a single contribution in an amount
determined pursuant to subsection C of this section, with interest, shall
be made by the chief financial officer of the employing institution to the approved company or companies on behalf of such employee. In the case of an electing employee who does not continue in service with an institution under the jurisdiction of the Arizona board of regents A UNIVERSITY for at least five years, the amount of employer contributions, with interest, shall be refunded to this state.

E. If an employee's service is terminated by death prior to the completion of five years of service, a death benefit equal to the sums appropriated for such employee, plus interest, shall be paid to the beneficiary designated by the participant under the participant's optional retirement program.

F. The provisions of Subsection D of this section shall not apply to any electing employee who, at the time of initial appointment, owns a contract determined by the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY to be acceptable for use in the optional retirement program.

G. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY may provide for the administration of such optional retirement programs and perform or authorize the performance of such functions as may be necessary for such purposes. The Arizona board of regents GOVERNING BOARD shall approve the company or companies from which benefits may be purchased under the optional retirement programs. Such optional retirement programs shall not permit loans. In giving its approval, the EACH GOVERNING board shall consider:

1. The nature and extent of the rights and benefits to be provided for participants and their beneficiaries.
2. The relation of such rights and benefits to the amount of contributions to be made.
3. The suitability of such rights and benefits to the needs of the participants and the interests of the institutions under its jurisdiction in the recruitment and retention of faculty and administrative officers.
4. The ability of the approved company or companies to provide such suitable rights and benefits.

H. Any eligible employee initially appointed after August 9, 1974, electing to participate in the optional retirement programs, shall be ineligible for membership in the Arizona state retirement system as long as the employee remains continuously employed in any position by the Arizona board of regents or by an institution under its jurisdiction UNIVERSITY, except as expressly provided by law.

I. The benefits, annuities and employee and employer contributions provided for in this section, and all interest, earnings and other credits pertaining to such benefits, annuities and contributions, shall not be subject to execution or attachment and shall be nonassignable. The employee and employer contributions provided for in this section and all interest, earnings and other credits pertaining to such contributions are
exempt from state, county and municipal taxes. The benefits and annuities received by an employee under this section after December 31, 1988 are subject to tax pursuant to title 43.

J. Subject to amendment of the federal-state agreement provided for in section 38-702, every eligible employee electing to participate in the optional retirement programs shall have old age, survivors and disability insurance coverage provided by the federal social security act in accordance with the provisions of title 38, chapter 5, article 1.

Sec. 45. Section 15-1629, Arizona Revised Statutes, is amended to read:

15-1629. Annual report

Within ninety days after the close of each fiscal year, the Arizona board of regents GOVERNING BOARDS OF EACH UNIVERSITY shall JOINTLY make a report for the fiscal year to the governor. The report shall set forth the state of progress of the universities in their several colleges, schools and departments, the courses of study included in their curricula, the number of professors, other instructional faculty and staff members employed, the number of students registered and attending classes, the amount of receipts and expenditures and such other information as the board deems GOVERNING BOARDS DEEM proper.

Sec. 46. Section 15-1630, Arizona Revised Statutes, is amended to read:

15-1630. Abortion at educational facility prohibited; exception

No abortion shall be performed at any facility under the jurisdiction of the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY unless such AN abortion is necessary to save the life of the woman having the abortion.

Sec. 47. Section 15-1631, Arizona Revised Statutes, is amended to read:

15-1631. State museum; fees

A. There shall be a state museum for the collection and preservation of the archaeological resources, specimens of the mineral wealth and the flora and fauna of this state.

B. The Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA shall direct and manage the museum and shall set apart sufficient space to accommodate it.

C. The Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA shall adopt any fees for services performed by the state museum pursuant to title 41, chapter 4.1, article 4 and section 41-865.

D. Before submitting a proposal to the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA to increase fees for services, the director of the state museum shall provide notice of the intent to increase fees for services on the website of the state museum before January 1. The notice of intent must:
1. Include a justification for the fee increase, which shall contain:

   (a) The amount of the proposed fee increase.

   (b) A list of the persons who will be directly affected by, bear the costs of or directly benefit from the proposed fee increase.

   (c) An analysis of each of the following:

      (i) The rationale for the proposed fee increase with a description of the statutory responsibilities that the state museum intends to fulfill with the proposed fee increase.

      (ii) An explanation of the services that the state museum will provide with the proposed fee increase to this state, political subdivisions, other agencies and businesses.

      (iii) A description of any efforts to avoid fee increases or to reduce the costs or regulatory burden, or both, to the businesses, persons and consumers that will be directly affected by the proposed fee increase.

   (d) A description of the methodology used to calculate the proposed fee increase and a detailed explanation of the costs included in the fee methodology.

2. Be provided to the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA for submittal to the secretary of state for publication in the register pursuant to section 41-1013.

E. In addition to the duties prescribed in subsection D of this section, the director of the state museum shall:

1. At the same time the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA submits notice of the proposed fee increase to the secretary of state pursuant to subsection D, paragraph 2 of this section, notify by regular mail, fax or e-mail each person who has made a timely request to the state museum for notification of proposed fee changes, proposed policy changes or any other proposed change relating to the state museum. The state museum may purge the list of persons who have requested these notifications once each year.

2. Post the draft of the proposal to increase fees for services on the website of the state museum on or before the second Monday of the calendar year.

3. Provide an opportunity for public comment regarding the proposal to increase fees for services for at least thirty days after publication by the secretary of state in the register. Public comment may include written comments, comments submitted through e-mail and oral comments.

4. If applicable, post on the website of the state museum a revised draft of the proposal to increase fees for services at the end of the public comment period. The revised draft shall include a summary and response to any comments received during the public comment period and a summary of the alternatives that were considered and a rationale for why those alternatives were not selected.
5. Provide an opportunity for public comment for at least twenty days regarding the revised draft of the proposal to increase fees for services. Public comment may include written comments, comments submitted through e-mail and oral comments.

6. Not later than five business days after the end of the public comment period, post on the website of the state museum a final draft of the proposal to increase fees for services along with the expected date that the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA will consider the proposed increase.

F. Any proposal submitted by the state museum to the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA to increase fees shall include the information prescribed in subsections D and E of this section.

Sec. 48. Section 15-1633, Arizona Revised Statutes, is amended to read:

15-1633. Use of university resources or employees to influence elections; prohibition; civil penalty; definitions

A. A person acting on behalf of a university or a person who aids another person acting on behalf of a university shall not spend or use university resources, including the use or expenditure of monies, accounts, credit, facilities, vehicles, postage, telecommunications, computer hardware and software, web pages, personnel, equipment, materials, buildings or any other thing of value of the university, for the purpose of influencing the outcomes of elections or to advocate support for or opposition to pending or proposed legislation. Notwithstanding this section, a university may distribute informational pamphlets on a proposed bond election as provided in section 35-454 if those informational pamphlets present factual information in a neutral manner. This section does not preclude any of the following:

1. A university from reporting on official actions of the university or the Arizona board of regents.

2. A registered lobbyist from advocating on behalf of the university or the Arizona board of regents.

3. An employee of a university using personal time and resources from influencing the outcomes of elections or from advocating support for or opposition to pending or proposed legislation if the employee does not use university personnel, equipment, materials, buildings or other resources for these purposes.

4. Any university employee from providing classroom instruction on matters relating to politics, elections, laws, ballot measures, candidates for public office and pending or proposed legislation.

5. The use of university resources, including facilities and equipment, for government-sponsored forums or debates if the sponsor remains impartial and the events are purely informational and provide an
equal opportunity to all viewpoints. The rental and use of a university facility by a private person or entity that may lawfully attempt to influence the outcome of an election is permitted if it does not occur at the same time and place as a government-sponsored forum or debate.

B. Employees of a university may not use the authority of their positions to influence the vote or political activities of any subordinate employee.

C. This section does not prohibit universities from permitting student political organizations of political parties, including those that are recognized pursuant to sections 16-801, 16-802 and 16-803, to conduct lawful meetings in university buildings or on university grounds, except as prescribed in subsection A of this section. Each student political organization that is allowed to conduct lawful meetings on university property shall have equal access as any other student political organization that is allowed to conduct lawful meetings on university property.

D. This section shall not be construed as denying the civil and political liberties of any person as guaranteed by the United States and Arizona Constitutions.

E. Except as provided in subsection F of this section, PUBLIC universities under the jurisdiction of the Arizona board of regents IN THIS STATE may not:

1. Provide publicly funded programs, scholarships or courses if the purpose of the program, scholarship or course is to advocate for a specified public policy.

2. Allow publicly funded organizations, institutes or centers to operate on the campus of the university or on behalf of or in association with the university if the purpose of the organization, institute or center is to advocate for a specified public policy.

F. Subsection E of this section does not apply to:

1. A registered lobbyist who advocates on behalf of the university or the Arizona board of regents and other employees assisting such lobbyists in their official capacity.

2. Any university employee who expresses a personal opinion on a political or policy issue, regardless of whether that opinion is expressed inside or outside the classroom.

3. Print or electronic media produced by students who are enrolled at a university.

4. A recognized student government, club or organization of students who are enrolled at a university.

5. Any university employee who is appointed to a government board, commission or advisory panel who provides expert testimony or guidance on public policy.

6. The publication of reports or the hosting of seminars or guest speakers by the university that recommends public policy.
7. Researching, teaching and service activities of university employees that involve the study, discussion, intellectual exercise, debate or presentation of information that recommends public policy.

8. Any other type of advocacy that is allowed by law.

G. The attorney general shall publish and distribute to the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY a detailed guideline regarding activities prohibited under this section. The attorney general may distribute these guidelines through a website or electronically.

H. The attorney general or the county attorney for the county in which an alleged violation of this section occurred may serve on the person an order requiring compliance with this section and may assess a civil penalty of not more than five thousand dollars per violation, plus any amount of misused funds subtracted from the university budget against a person who violates or a person who aids another person in violating this section. The person determined to be out of compliance with this section shall be responsible for the payment of all penalties and misused funds. University funds or insurance payments shall not be used to pay these penalties or misused funds. All misused funds collected pursuant to this section shall be returned to the university whose funds were misused.

I. An attorney acting on behalf of a university may request a legal opinion of the attorney general as to whether a proposed use of university resources would violate this section.

J. All penalties collected by the court for a suit initiated in superior court by the attorney general shall be paid to the office of the attorney general for the use and reimbursement of costs of prosecution pursuant to this section. All penalties collected by the court for a suit initiated in superior court by a county attorney shall be paid to the county treasurer of the county in which the court is held for the use and reimbursement of costs of prosecution pursuant to this section.

K. For the purposes of this section:

1. "Government-sponsored forum or debate" means any event, or part of an event or meeting, in which the government is an official sponsor, which is open to the public or to invited members of the public, and whose purpose is to inform the public about an issue or proposition that is before the voters.

2. "Influencing the outcomes of elections" means supporting or opposing a candidate for nomination or election to public office or the recall of a public officer or supporting or opposing a ballot measure, question or proposition, including any bond, budget or override election and supporting or opposing the circulation of a petition for the recall of a public officer or a petition for a ballot measure, question or proposition in any manner that is not impartial or neutral.

3. "Misused funds" means university monies or resources used unlawfully pursuant to this section.
Sec. 49. Section 15-1634, Arizona Revised Statutes, is amended to read:

15-1634. Intergovernmental agreements; special assessments

A. Pursuant to section 48-582 or 48-920 or in conjunction with any street improvement made pursuant to any other statute, the Governing board of each university on behalf of this state or any university under its jurisdiction may enter into and shall be bound by intergovernmental agreements with one or more cities, counties or improvement districts for the purpose of improving streets adjacent to or running through university property by the construction of any or all of the improvements authorized in either title 48, chapter 4, articles 1 and 2 or title 48, chapter 6, article 1.

B. The agreement may provide that assessments may be levied against university property to secure repayment of the cost of the improvements. So long as this state or the Governing board of the university owns the land so assessed the assessment liens may not be enforced by sale or foreclosure. The agreement may also provide that the university's share of any incidental cost may be paid by the Governing board of the university from any available fund of that university. The Governing board of the university shall pay or cause to be paid the installments of principal and interest coming due on the assessments and may pledge for the payment thereof any monies of the respective university which do not cause the agreement or assessment to become a debt of this state under, or contrary to, any constitutional provision and which do not violate any contract rights of any other person to be paid from the same source. The agreement shall provide that the payments due under the agreement include any penalties and additional interest that the owner of property subject to assessment would be required to pay on the delinquency of an installment of principal or interest.

C. In the agreement the Governing board of the university may waive any formal requirement, notice or prerequisite to levying an assessment.

D. If the Governing board of the university leases, long-term leases or sells any parcel subject to an assessment, the Governing board shall require that the lessee's or purchaser's initial payment be in an amount at least sufficient to reimburse the Governing board for the parcel's allocative share of the monies previously expended to pay the assessment. The Governing board shall return such amount to be reimbursed to the source of the monies under subsection B of this section.

E. Upon the sale of any parcel subject to an assessment, the lien of the assessment may be enforced by foreclosure and sale in the manner set forth in the respective statute authorizing the levying of the assessment.
Sec. 50. Section 15-1635, Arizona Revised Statutes, is amended to read:

15-1635. University research development purposes; product development; corporations

A. In order to stimulate the flow of capital into the development of specific products which have advanced beyond the theoretical stage and are capable of being reduced to practice on a commercial scale, the GOVERNING board OF A UNIVERSITY, by resolution, MAY organize one or more corporations under the provisions of title 10. At least one-half of any voting shares of each such corporation shall be held by the GOVERNING board OF THE UNIVERSITY, or a majority of the directors, trustees or members of the corporation shall be designated or appointed by the GOVERNING board OF THE UNIVERSITY. No member or employee of the GOVERNING board may receive any direct or indirect compensation, other than reimbursement for actual expenses incurred in the performance of his duties, by reason of serving as a member, director or trustee of a corporation organized under this section.

B. No such corporation may be organized unless the GOVERNING board OF THE UNIVERSITY finds in its organizational resolution that its formation will stimulate and encourage the development of new products within this state in situations in which financial aid would not otherwise be reasonably available from conventional lending sources. In addition to the powers each corporation may have, each corporation may:

1. Enter into product development agreements with persons doing business in this state, on such terms and conditions as are consistent with the research development purposes of the GOVERNING board OF THE UNIVERSITY, to advance financial aid to such persons for the development of specific products, procedures and techniques to be developed and produced in this state and to condition such agreements on contractual assurances that the benefits of increasing or maintaining employment and tax revenues shall remain in this state and accrue to it.

2. Acquire, lease, purchase, manage, hold and dispose of real and personal property in this state and lease, convey or deal in or enter into contracts with respect to such property on any terms necessary or incidental to carrying out these research and development purposes.

3. Hold patents, copyrights, trademarks or any other evidences of protection or exclusivity as to any products issued under the laws of the United States or any state or nation.

C. Before organizing such a corporation, the GOVERNING board OF THE UNIVERSITY shall develop a procedure for applications for financial aid to be forwarded, together with an application fee prescribed by the GOVERNING board, to the GOVERNING board. The GOVERNING board shall investigate and prepare a report concerning the advisability of approving the proposed financial aid for such person and concerning any other factors deemed relevant. The investigation and report shall include such facts about the
person under consideration as his history, wage standards, job
opportunities, stability of employment, past and present financial
condition and structure, pro forma income statements, present and future
markets and prospects and integrity of management as well as the
feasibility of the proposed project to be granted financial aid, including
the state of development of the product as well as the likelihood of its
commercial feasibility. After receipt and consideration of the report and
after other action as is deemed appropriate, the GOVERNING board OF THE
UNIVERSITY shall approve or deny the application. The GOVERNING board
shall promptly notify the applicant of such action. Approval shall be
conditioned on payment to the GOVERNING board, within such a reasonable
time after notification of approval as the GOVERNING board may specify, of
a commitment fee prescribed by the GOVERNING board.

D. The GOVERNING board OF THE UNIVERSITY may receive and accept aid
or contributions of monies from any source, including gifts or grants from
private sources or from any department or agency of the United States or
this state, for the purposes of carrying out the provisions of this
section.

E. The GOVERNING board OF THE UNIVERSITY may also enter into
research and development agreements, royalty agreements, development
agreements, licensing agreements and profit sharing agreements concerning
the research, development, production, storing or marketing of new
products developed or to be developed through university research.

Sec. 51. Section 15-1635.01, Arizona Revised Statutes, is amended
to read:

15-1635.01. Transfer of technology developed by universities;
intellectual property policies; officer or
employee interest in private entity

A. To encourage the exchange of technological expertise, new
research development and other valuable information between private
enterprise and the university system in this state and to facilitate the
transfer of technology developed by officers or employees of PUBLIC
universities under the jurisdiction of the Arizona board of regents IN
THIS STATE to commercial, nonprofit and entrepreneurial enterprises for
the economic development of this state and for the public benefit, the
Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall maintain
intellectual property policies that allow, on a case-by-case negotiated
basis, the licensing, assignment or other transfer of intellectual
property owned by the GOVERNING board to third parties if the transfer is
in the best interest of this state and the university system or the
transfer otherwise promotes the dissemination of university research for
the public benefit.

B. Notwithstanding title 38, chapter 3, article 8, the Arizona
board of regents, a PUBLIC university IN THIS STATE or an entity
authorized to manage intellectual property on behalf of the GOVERNING
board OF THE UNIVERSITY or a university may enter into agreements to transfer intellectual property owned by the GOVERNING board to an officer or employee of an institution under the jurisdiction of the Arizona board of regents THE UNIVERSITY or to an entity in which an officer or employee maintains a substantial interest as defined by section 38-502.

C. Before concluding an agreement for the transfer of any intellectual property owned by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY to an officer or employee of the GOVERNING board or THE university or to an entity in which an officer or employee of the GOVERNING board or THE university maintains a substantial interest, the GOVERNING board or university shall do all of the following:

1. Identify, on a case-by-case basis, individual and institutional conflicts of interest and conflicts of commitment that may arise as a result of the proposed transfer.

2. Determine whether the potential conflicts are manageable.

3. If the potential conflicts are manageable, develop a conflict management plan and enter into agreements as necessary for the appropriate management and oversight of the potential conflicts in conformance with policies of the Arizona board of regents and the university.

D. The GOVERNING board OF EACH UNIVERSITY shall maintain appropriate policies and procedures for the implementation of this section.

Sec. 52. Section 15-1636, Arizona Revised Statutes, is amended to read:

15-1636. Lease of real property and improvements in research park; prohibited and permitted uses

A. The GOVERNING board OF A UNIVERSITY shall not lease real property located in an area defined as a research park pursuant to section 35-701 unless the lease contains a covenant that prohibits unlimited manufacturing on the site and allows the GOVERNING board to enforce the covenant by appropriate means, which may include termination of the lease.

B. The GOVERNING board OF A UNIVERSITY may take title to and lease improvements constructed on land located in an area defined as a research park pursuant to section 35-701 if the lease contains a covenant that restricts the use of the subject property to the uses permitted under this section. The lease shall allow the board to enforce the covenant by appropriate means, including termination of the lease. The GOVERNING board may lease unimproved lots or parcels located in an area defined as a research park pursuant to section 35-701 for any use by a lessee.

C. The requirements of subsection B of this section do not apply to improvements constructed before July 20, 1996 or to a lease entered into between the GOVERNING board OF A UNIVERSITY and a lessee, subsidiary, successor, sublessee or assignee of a lessee, who originally entered into any lease with the GOVERNING board before July 31, 1996.
D. The subject property may be used only for the following purposes:
1. Laboratories, offices and other facilities for testing, consulting and information processing, related to research and development.
2. Production, assembly or sale of products pursuant to research and development activities.
3. Pilot plants in which processes planned for use in production elsewhere can be tested and assembled.
4. Regional or national headquarters of the lessee or its subsidiaries that are engaged in research and development or education activities.
5. Education and training facilities.
6. Operations required to maintain or support any permitted use, including maintenance shops, power plants, wastewater treatment facilities, the keeping of animals, machine shops, common area improvements and facilities and professional and commercial services supporting permitted uses, such as child development centers, food services and post office and mailing centers.

Sec. 53. Section 15-1637, Arizona Revised Statutes, is amended to read:

15-1637. Lease of property for health care institution; requirements; conditions; reports; directors, members and officers of nonprofit corporation; definition

A. The Arizona board of regents GOVERNING BOARD OF A UNIVERSITY may lease real property, improvements or personal property owned by the GOVERNING board to a nonprofit corporation as lessee for purposes of operating a health care institution as defined in section 36-401. If the GOVERNING board leases such property for such purposes, whether title to improvements on the property rests in the GOVERNING board or in the lessee, the lease agreement and any amendments, renewals or extensions of the agreement shall be deemed binding and effective according to its terms. If, under the provisions of the lease, improvements or personal property related to the operation of a health care institution are conveyed to the nonprofit corporation, they shall be presumed to have been conveyed for their then fair market value.

B. Any lease agreement entered into pursuant to subsection A of this section may, at the discretion of the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, MAY contain provisions requiring the nonprofit corporation to acquire the approval of the Arizona board of regents GOVERNING BOARD prior to entering into any business transactions that may adversely affect the interests of this state or that are contained in subsection G, paragraph 2 of this section. The Arizona board of regents GOVERNING BOARD shall specify in the lease agreement the type
and nature of such transactions which THAT require prior approval of the
GOVERNING board.

C. To satisfy the requirements of section 103 of the internal
revenue code, as defined in section 43-105, any nonprofit corporation
which THAT is a lessee as described in subsection A of this section is
declared to be:
1. A validly organized and existing body politic and corporate
exercising its powers for the benefit of the people, to improve their
health and welfare and to increase their prosperity.
2. Engaged in a purpose essential to public health care.
3. Performing an essential governmental function.

D. Any nonprofit corporation which THAT is a lessee as described in
subsection A of this section is exempt from property taxation by this
state or any agency or subdivision of this state and possesses and may
exercise only those powers of the Arizona board of regents which GOVERNING
BOARD OF THE UNIVERSITY THAT are delegated to the nonprofit corporation by
the Arizona board of regents GOVERNING BOARD and which THAT are necessary
to satisfy the requirements of section 103 of the internal revenue code,
as defined in section 43-105, as specified in the terms, conditions,
restrictions and agreements of the lease agreement. These powers are in
addition to all those powers granted to a nonprofit corporation by title
10, chapters 24 through 40.

E. Any nonprofit corporation which THAT is a lessee as described in
subsection A of this section may issue bonds and incur obligations and
pledge its revenues as security for the payment of the bonds or other
obligations for health care institutional purposes to the extent provided
by the lease agreement or amendments, renewals or extensions of the
agreement. Nothing in this section shall be construed to authorize the
incurrence of a debt by the state within the meaning of any constitutional
restriction on debt.

F. Except as provided in subsection G of this section, any
nonprofit corporation which THAT is a lessee as described in subsection A
of this section may acquire by purchase, lease or otherwise, and may
operate, other health care institutions and real and personal property for
purposes of providing products and services related to the operation of
health care institutions owned, leased or operated by it. Such AN
acquisition or operation does not affect the powers, rights, privileges or
immunities conferred on such A nonprofit corporation by this section.

G. No nonprofit corporation which THAT is a lessee as described in
subsection A of this section shall:
1. Until September 1, 1986 enter into any agreement with a county
or a nonprofit corporation to which property is conveyed pursuant to
section 11-256.03, subsection A if the agreement provides for the
conveyance of any ownership interest whatever in the nonprofit corporation
to which property is conveyed pursuant to section 11-256.03, subsection A
or in the property described in section 11-256.03, subsection A. After August 31, 1986 any such agreement must be approved by the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY and the legislature. This subsection does not prevent the grant of an option to purchase such property, provided that the option may not be exercised before September 1, 1986 and the exercise of the option must be approved by the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY and the legislature. Under no circumstances shall any state general fund monies be used to acquire any interest in such property.

2. Own, lease, manage or operate any other health care institution or other real or personal property unless such an acquisition, management or operation either:
   (a) Relates to and furthers the educational or research purposes and goals of the university of Arizona hospital.
   (b) Promotes the efficient and economical operation of the university of Arizona hospital or any other health care institution acquired pursuant to paragraph 1 of this subsection.

H. A nonprofit corporation which is a lessee as described in subsection A of this section may manage and operate property described in section 11-256.03, subsection A subject to the restrictions of subsection G of this section. Any management or operation agreement shall provide that the nonprofit corporation which is a lessee as described in subsection A of this section shall not be liable for any bonds or other obligation of any kind relating to the ownership or operation of the property described in section 11-256.03, subsection A incurred before the property is conveyed to such nonprofit corporation in accordance with subsection G of this section.

I. A health care institution which is the subject of a lease agreement as described in subsection A of this section is subject to section 15-1630.

J. A nonprofit corporation which is a lessee as described in subsection A of this section shall make semiannual progress reports as to its financial status and deliver them on January 1 and July 1 of each year to the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY, the president of the senate, the speaker of the house of representatives and the governor. The nonprofit corporation shall present an independently audited financial statement to the auditor general within ninety days of the close of the previous fiscal year. The auditor general shall review such statements and transmit them together with a report to officers entitled to receive progress reports by this subsection.

K. Any nonprofit corporation which is a lessee as described in subsection A of this section shall:
   1. Be organized as a nonprofit corporation pursuant to title 10, chapters 24 through 40 only upon the approval of the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY.
2. Be governed by a board of directors, the members of which are appointed by the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY, provided that no more than forty-nine percent PERCENT of the members of such THE board of directors of the nonprofit corporation shall be officers or employees of this state and of such forty-nine percent PERCENT only two members of such THE board of directors may be members of the Arizona board of regents GOVERNING BOARD. Members of the Arizona board of regents GOVERNING BOARD who are appointed to the board of directors of such A nonprofit corporation shall be residents of different counties unless all members of the board of regents GOVERNING BOARD are residents of the same county.

3. Be organized under articles of incorporation or bylaws approved by the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY, which shall provide among other things that:
   (a) No earnings of the nonprofit corporation shall inure to the benefit of or be distributable to its members, directors, officers or other individuals, except that the nonprofit corporation shall be authorized to pay reasonable compensation for services rendered to it by individuals other than members of the board of directors of the nonprofit corporation acting solely in such capacity, to reimburse expenses in connection with services rendered to or expenses incurred on behalf of the nonprofit corporation and to make payments and distributions in furtherance of the purposes of the nonprofit corporation.
   (b) Upon ON the dissolution or liquidation of the nonprofit corporation, the board of directors of the nonprofit corporation shall, after paying or making provision for the payment of all of the liabilities of the nonprofit corporation, distribute all of the assets of the nonprofit corporation to the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY or its successor.
   (c) Neither the articles of incorporation nor the bylaws of the nonprofit corporation shall be amended without the approval of the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY.
   (d) The board of directors of the nonprofit corporation may adopt nondiscriminatory rules and regulations providing for the use of the university of Arizona hospital by, and staff privileges for, any persons licensed under title 32, chapter 7, 13 or 17 whether or not such persons have a faculty teaching appointment with the school of medicine, providing, however, that such rules and regulations shall contain requirements sufficient to protect the educational and research purposes and goals of the university of Arizona hospital.

L. No A member of the Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY who is also a member or director of a nonprofit corporation which THAT is a lessee as described in subsection A of this section shall as a regent vote upon NOT VOTE ON any matter pertaining to such a
corporation as may come before the Arizona board of regents GOVERNING BOARD.

M. For the purposes of this section, "nonprofit corporation" means a corporation as defined in section 10-3140.

Sec. 54. Section 15-1639, Arizona Revised Statutes, is amended to read:

15-1639. University recruitment and retention program for economically disadvantaged, minority and underrepresented student populations

A. The three PUBLIC universities under the jurisdiction of the board of regents IN THIS STATE shall each establish a comprehensive plan to initiate new programs and expand existing student recruitment and retention programs directed at economically disadvantaged, minority and underrepresented student populations. The plan shall incorporate at least the following:

1. Programs which THAT are directed at Arizona resident students and which THAT include outreach programs established to work with potential students at the high school level.

2. A program overview which THAT illustrates the coordination between existing and new recruitment and retention programs.

3. Methods for the evaluation of program impact and the establishment of target goals for success. The results of these evaluations shall be reported to the board of regents GOVERNING BOARD OF THE UNIVERSITY utilizing a standard format distributed by the GOVERNING board.

B. Monies appropriated for this program shall not be used to support remedial COURSEWORK.

C. Students admitted to the universities must meet the admission criteria established by the board of regents GOVERNING BOARD OF THE UNIVERSITY.

Sec. 55. Section 15-1640, Arizona Revised Statutes, is amended to read:

15-1640. Public records exemptions; confidential information; historical records; donor records

A. The following records of a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE are exempt from title 39, chapter 1, article 2:

1. Information or intellectual property that is not available to the public and that is a trade secret as defined in section 44-401 or that is either:

   (a) Contained in unfunded grant applications or proposals.

   (b) Developed by persons employed by a university, independent contractors working with a university or third parties that are collaborating with a university, if the disclosure of this data or material would be contrary to the best interests of this state.
(c) Provided to a university by a third party pursuant to the terms and conditions of a contract between the university and the third party. In order to qualify for the exemption prescribed in this subdivision, all of the following criteria must be met:

(i) The contract specifies that the information being provided to the university is confidential and that there is a need to maintain that confidentiality.

(ii) The contract is approved before the contract becomes effective by an official of the university who is authorized to sign these contracts.

(iii) The contract includes the name or names of the third party and a general description of the research or other work that is the subject of the contract in a manner sufficient to provide the public with the information necessary to understand the nature of that research or other work.

(iv) Except for the exemptions from public disclosure prescribed in this section, the contract will become a public document that is subject to title 39, chapter 1, article 2 when the contract is executed.

(d) Composed of unpublished research data, manuscripts, preliminary analyses, drafts of scientific papers, plans for future research and prepublication peer reviews.

2. Historical records and materials donated to a university by a private person or a private entity, if restricted access is a condition of the donation. The exemption provided by this paragraph shall expire no later than twenty years after the original donation.

3. All records concerning donors or potential donors to a university, other than the names of the donors and the description, date, amount and conditions of these donations.

B. This section does not affect the issues to be decided between a university and a contracting party, including issues related to the university's right to publish the data and the results of the university's research or discoveries and the timing of any related publication.

C. Any exemption provided by subsection A of this section shall no longer be applicable if the subject matter of the records becomes available to the general public.

Sec. 56. Section 15-1641, Arizona Revised Statutes, is amended to read:

15-1641. University collegiate special plate funds; purpose

A. The Arizona Board of Regents GOVERNING BOARD OF EACH UNIVERSITY shall establish a separate university collegiate special plate fund for each THE university UNDER ITS JURISDICTION, as described in section 15-1601, consisting of monies received by the THAT GOVERNING board from collegiate plate annual donations for universities pursuant to section 28-2412.
B. The board-of-regents GOVERNING BOARD OF EACH UNIVERSITY shall require each THE university UNDER ITS JURISDICTION, as described in section 15-1601, to submit a plan for approval of the expenditure of monies in the appropriate fund. All monies in the fund shall only be used for academic scholarships. Each university shall annually report to the board-of-regents GOVERNING BOARD OF THE UNIVERSITY the percentage of monies that was expended on behalf of minority applicants.

C. The board-of-regents GOVERNING BOARD OF EACH UNIVERSITY may delegate to a state university foundation approved by each THE university, as described in section 15-1601, the right to market and promote the purchase of collegiate special plates. No dues, fees or charges except those specified in section 28-2412 may be levied or collected by a state university foundation in connection with collegiate special plates.

D. The fund FUNDS established in this section is ARE exempt from section 35-190 relating to lapsing of appropriations. At the direction of the GOVERNING board OF EACH UNIVERSITY, the state treasurer may invest and divest inactive monies in the UNIVERSITY'S fund as provided by section 35-313. The state treasurer shall credit all interest earned on the fund monies to the fund.

Sec. 57. Section 15-1642, Arizona Revised Statutes, is amended to read:

15-1642. Financial aid trust funds; aid to students with verifiable financial need; endowment

A. The Arizona board-of-regents GOVERNING BOARD OF EACH UNIVERSITY may establish a financial aid trust fund for the purposes of providing immediate aid to students with verifiable financial need, including students who are underrepresented in the population of university students or who by virtue of their special circumstances present unique needs for financial aid, and creating an endowment for future financial aid. Subject to the limitations provided in subsection B, paragraph 3 OF THIS SECTION, the GOVERNING board may assess a surcharge on registration fees paid by students for deposit in the fund.

B. The GOVERNING board OF EACH UNIVERSITY shall adopt rules to govern the financial aid trust fund, including the following:

1. Twenty-five per-cent PERCENT of the monies received each year shall be placed in the trust fund as a permanent endowment. The remaining monies received shall be used for immediate aid for students with verifiable financial need. At least fifty per-cent PERCENT of the immediate aid monies shall be used for grant aid.

2. The immediate aid monies shall be distributed to the universities on a pro-rata basis UNIVERSITY based on relative student contributions to the fund.

3. The surcharge on student registration shall not exceed one per cent PERCENT of the registration fee for students taking more than six credit surcharge hours. The surcharge hours for students taking fewer
than seven credit hours shall equal one-half the surcharge assessed
students taking more than six credit hours.

C. Each dollar raised pursuant to the surcharge on student
registration shall be matched by two dollars appropriated by the
legislature.

D. The GOVERNING board OF EACH UNIVERSITY shall report every three
years to the legislature on the status of the financial aid trust
fund. The report shall include the use to which the monies have been put
and the impact of such use.

E. Fund monies shall only be used in university assistance programs
approved by the GOVERNING board OF THE UNIVERSITY, and such monies shall
be in addition to, and not in replacement of, existing state or
institutional financial aid monies. Assistance may be provided to
full-time or part-time students. Monies appropriated by this state shall
not be used to provide assistance to students who are not residents of
this state.

Sec. 58. Section 15-1643, Arizona Revised Statutes, is amended to
read:

15-1643. Arizona area health education system; health
education centers; health education center
governing boards; duties; annual report

A. The Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY
OF ARIZONA shall establish the Arizona area health education system in the
college of medicine of the university of Arizona. The GOVERNING board OF
THE UNIVERSITY OF ARIZONA shall appoint a system director.

B. The system shall consist of five area health education centers
administered by the director of the Arizona area health education
system. Each center shall represent a geographic area with specified
populations that the system determines currently lack services by the
health care professions.

C. The Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY
OF ARIZONA shall appoint a governing board for each HEALTH EDUCATION
center consisting of not fewer than ten people and not more than twenty
people. Board membership shall consist of health care providers and
consumers and shall reflect the ethnic representation of the center's
geographic area. Each HEALTH EDUCATION CENTER governing board shall make
recommendations to the SYSTEM director regarding health professionals'
educational needs, local program priorities and the allocation of system
monies. HEALTH EDUCATION CENTER GOVERNING board members are not eligible
to receive compensation or reimbursement of expenses.

D. Each center shall conduct:

1. Physician and other health professional education programs that
   consist of any of the following:
   (a) An undergraduate clinical training program.
   (b) A graduate program.
(c) Postgraduate continuing education.

2. Programs to recruit and retain minority students in health professions.

3. Continuing education programs for health professionals.

E. The director shall submit a written report on or before November 15 of each year to the governor, the president of the senate and the speaker of the house of representatives. The report shall contain the following:

1. The fiscal status of each center.

2. Information regarding center education, outreach and training programs.

3. Information regarding placement of health care personnel in areas the director determines are underserved by these professionals.


5. Recommendations for possible legislative action.

F. The system shall provide expertise and administrative services to each center.

Sec. 59. Section 15-1644, Arizona Revised Statutes, is amended to read:

15-1644. Statewide area health education centers commission; membership; qualifications; duties; compensation; staffing

A. The Arizona board of regents GOVERNING BOARDS OF EACH UNIVERSITY shall JOINTLY appoint a statewide area health education centers commission consisting of not fewer than ten members and not more than twenty members who are knowledgeable about the delivery of health care in this state. Members of the commission shall advise the SYSTEM director on a regular basis on the management of the system and on the expenditure of monies appropriated for the system.

B. Commission members serve at the pleasure of the Arizona board of regents GOVERNING BOARDS OF THE UNIVERSITIES and are not eligible to receive compensation or reimbursement of expenses.

C. The Arizona area health education system shall provide staffing for the commission.

Sec. 60. Section 15-1645, Arizona Revised Statutes, is amended to read:

15-1645. Health professions field scholarships; purpose; amount; repayment; definition

A. Each area health education center located in this state may grant and administer a scholarship in an amount of not more than eight thousand dollars for each student for each school year to at least two students who are residents of the center's geographic area and who are enrolled in a health professions program at an Arizona university. The scholarship shall be used to defray educational expenses, including room and board.
B. A scholarship shall be granted on the condition that the student contractually agree to practice in the center's geographic area for two years or one year of service for each year of scholarship support, whichever is longer, after completing post-graduation training. If the recipient withdraws from school, the recipient shall repay all scholarship monies within one year of the withdrawal. If the student is dismissed, an appropriate mechanism shall be negotiated to arrange repayment of the remaining un forgiven balance with eight percent interest.

C. For good cause a center may extend the time period for training prior to scholarship repayment.

D. The Arizona board of regents shall waive all tuition and fees for students granted a scholarship under this section if the legislature appropriates funds for this purpose.

E. For the purposes of this section, "health professions program" means enrollment in a school of medicine, nursing, pharmacy or physical therapy.

Sec. 61. Section 15-1646, Arizona Revised Statutes, is amended to read:

15-1646. University scholarships; notification requirements
The PUBLIC universities under the jurisdiction of the Arizona board of regents in this state shall establish policies that ensure fair and equitable access by Arizona students from public, private and charter schools and homeschooled to scholarships, including tuition waivers, that are issued solely on the basis of academic merit and for which the universities establish and administer fair and equitable selection criteria. The universities under the jurisdiction of the Arizona board of regents each university shall:

1. Annually report to the ITS GOVERNING board and publish and disclose to the extent permitted by state and federal law the following information related to each merit based scholarship awarded to students from public, private and charter schools and homeschooled by each university, for the prior academic year:
   (a) The total number and dollar amount of awards and total number of applicants.
   (b) The total number and dollar amount of awards and total number of applicants by type of student.
   (c) The specific criteria used to award each scholarship, including average and range of SAT and ACT scores.
   (d) The number of newly awarded scholarships and the number of renewed scholarships.
2. Notify students in this state of scholarship awards in a timely manner without regard to whether the students are from public, private or charter schools or homeschooled.
Sec. 62. Section 15-1647, Arizona Revised Statutes, is amended to read:

15-1647. Distribution of licensing and patent income; Arizona state university; report

A. Notwithstanding any other law, Arizona state university shall distribute the gross or net income derived from the licensing and other revenues derived from patents, including anticancer, antiviral, antifungal or antimicrobial drug discoveries or inventions, including up-front payments, royalties and any other subsequent or eventual revenue attributable to commercialization.

B. The distribution of income received pursuant to subsection A OF THIS SECTION shall be detailed by Arizona state university in an audited annual report. Arizona state university shall specify the expenditures and actual expenses in the audited annual report. The report shall be distributed annually to the president of the Arizona board of regents, the governor, the president of the senate, the speaker of the house of representatives AND the secretary of state and the department of library, archives and public records.

Sec. 63. Section 15-1648, Arizona Revised Statutes, is amended to read:

15-1648. Technology and research initiative fund; purpose

A. The technology and research initiative fund is established consisting of revenues transferred to the fund pursuant to section 42-5029, subsection E, paragraph 2. The Arizona board of regents GOVERNING BOARDS OF EACH UNIVERSITY shall JOINTLY administer the fund. The monies in the fund are continuously appropriated to the Arizona board of regents GOVERNING BOARDS OF EACH UNIVERSITY for distribution pursuant to this section and are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

B. The board GOVERNING BOARDS OF EACH UNIVERSITY shall JOINTLY adopt rules to administer the technology and research initiative fund in accordance with this section. The board GOVERNING BOARDS OF EACH UNIVERSITY may JOINTLY allocate up to twenty percent PERCENT of the monies in the fund to be used for capital projects relating to new economy initiatives, including debt service, for the universities under its jurisdiction, pursuant to chapter 13, article 5 of this title CHAPTER.

C. The Arizona board of regents GOVERNING BOARDS OF EACH UNIVERSITY shall receive requests from the individual universities and shall JOINTLY determine the amount and duration of each award. The criteria for the evaluation of each request shall be as follows:

1. The award must be related to one of the following:
   (a) A specific academic or research field.
   (b) Designed to expand THE EXPANSION OF access to baccalaureate or post-baccalaureate POSTBACCALAUREATE education for time-bound and place-bound students.
(c) To implement THE IMPLEMENTATION OF recommendations of the Arizona partnership for the new economy or the governor's task force on higher education.

2. The award may be used to develop new and existing programs that will prepare students to contribute in high technology industries located in this state.

3. The award may be used in conjunction with matching financial assistance from private industry.

4. The Arizona board of regents GOVERNING BOARDS OF EACH UNIVERSITY shall give preference to requests that are developed in conjunction with private industry, private entities or federal agencies.

D. The Arizona board of regents GOVERNING BOARDS OF EACH UNIVERSITY shall JOINTLY submit a report to the governor, the president of the senate and the speaker of the house of representatives on OR BEFORE September 1 of each year on the technology and research award program and shall transmit a copy to the secretary of state and the director of the Arizona state library, archives and public records. The report shall include a description of the amount and duration of each new award distributed and a description of the purpose and goals for each award. For existing awards, the Arizona board of regents GOVERNING BOARDS OF EACH UNIVERSITY shall use a detailed set of performance measures to determine the overall effectiveness of each award.

Sec. 64. Section 15-1649, Arizona Revised Statutes, is amended to read:

15-1649. Fingerprinting academic and nonacademic personnel; civil immunity; definitions

A. The finalist for a security or safety-sensitive position at a PUBLIC university that is under the jurisdiction of the Arizona board of regents IN THIS STATE shall be fingerprinted as a condition of employment. The finalist shall submit a full set of fingerprints to the university for the purpose of obtaining a state and federal criminal records check pursuant to section 41-1750 and Public Law 92-544. The department of public safety may exchange this fingerprint data with the federal bureau of investigation.

B. A university may use information obtained pursuant to this section only for the purpose of evaluating the finalists for employment in security or safety-sensitive positions. A university may provide information received pursuant to this section to any other PUBLIC university IN THIS STATE that is evaluating the finalist for employment if the university is under the jurisdiction of the Arizona board of regents. A university may refuse to hire, may rescind an offer of employment to or may review and terminate the employment of a finalist or employee who has been convicted of or who has admitted committing any criminal offense. A university that is considering terminating an employee pursuant to this subsection shall provide due process to the employee in accordance with
policies adopted by the Arizona board of regents and the university
GOVERNING BOARD OF THE UNIVERSITY before taking disciplinary action.

C. A university that relies on information obtained pursuant to
this section in making employment decisions is immune from civil liability
for use of the information unless the information obtained is false and
the university knows the information is false or acts with reckless
disregard of the information's truth or falsity.

D. A security or safety-sensitive position shall be identified as a
security or safety-sensitive position in the job description and in any
advertisements for the position.

E. For the purposes of this section:
1. "Finalist" means any person in the group of individuals actually
submitted to the hiring official for selection as a new hire or any
employee of a university who seeks a transfer, a reclassification or a
reassignment to a security or safety-sensitive position.
2. "Security or safety-sensitive position" means any position
designated as a security or safety-sensitive position by a university due
to applicable federal or state law or pursuant to rules or policies
adopted by the Arizona board of regents or the university GOVERNING BOARD
OF THE UNIVERSITY.

Sec. 65. Section 15-1650, Arizona Revised Statutes, is amended to
read:

15-1650. Annual financial aid report
A. On or before December 1 of each year, the Arizona board of
regents GOVERNING BOARDS OF EACH UNIVERSITY shall JOINTLY submit to the
governor, the president of the senate, the speaker of the house of
representatives and the joint legislative budget committee a financial aid
report with information from the two prior fiscal years. The report shall
provide information for each institution under the jurisdiction of the
board UNIVERSITY, a comparison to peer institutions, and summary
information for the entire university system.
B. The report shall separately delineate both full-time resident
undergraduate and full-time resident graduate students.
C. For each group identified in subsection B OF THIS SECTION, the
annual financial aid report shall detail the following:
1. Cost of attendance, delineated by tuition rates, mandatory fees,
room and board charges, book purchases and travel and related personal
expenses.
2. Expected family contribution.
3. Gift aid, delineated by source type. Source types include
federal, state, institutional and private.
4. Loans, delineated by subsidized amounts, unsubsidized amounts
and amounts loaned to the parents of students.
5. Employment, delineated by program type. Program types include federal work-study, institutional work-study, graduate assistantships and outside work.

D. The Arizona board of regents GOVERNING BOARDS OF EACH UNIVERSITY and the staff of the joint legislative budget committee shall jointly determine the methodology and format of the report.

Sec. 66. Section 15-1650.01, Arizona Revised Statutes, is amended to read:

15-1650.01. Hospitality studies scholarship funds; definition
A. The hospitality studies scholarship fund is established AT EACH PUBLIC UNIVERSITY IN THIS STATE consisting of revenues available to the fund from any lawful source. The Arizona GOVERNING board of regents OF EACH UNIVERSITY shall administer the fund and may partner with any statewide lodging and tourism association that provides matching monies in administering the fund. Monies in the fund are subject to legislative appropriation for the purposes of this section and are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

B. The GOVERNING board OF EACH UNIVERSITY shall use the monies in the fund to provide scholarships and other financial assistance to students entering into or enrolled in a hospitality studies program at any THE university under the jurisdiction of the board. The financial assistance shall be used to defray educational expenses, including room and board. If a recipient withdraws from school or from the hospitality studies program before receiving a degree, the recipient must repay all scholarship monies previously awarded to the recipient. If the recipient is dismissed from the university, the GOVERNING board shall negotiate an appropriate repayment schedule plus eight percent simple interest.

C. For the purposes of this section, "hospitality studies program" means any undergraduate or graduate academic studies program relating to THE operation or management of hotels, motels or other facilities for transient lodging as described in section 42-5070, subsection A or restaurants as described in section 42-5074.

Sec. 67. Section 15-1650.02, Arizona Revised Statutes, is amended to read:

15-1650.02. Energy and water savings accounts
The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY may establish an energy and water savings account in the same manner as a school district pursuant to section 15-910.02 and may fund and use monies for guaranteed energy COST savings contracts pursuant to section 34-105.

Sec. 68. Section 15-1651, Arizona Revised Statutes, is amended to read:

15-1651. Teacher training schools
A. Every teacher training school established in connection with the state universities shall be a part of the school system and a branch of the school district within which the training school is located.
B. Training schools shall be governed by the laws and regulations relating to schools except as otherwise provided in this article.

C. Students in the state universities may, under rules prescribed by the Arizona board of regents GOVERNING BOARD OF THE RESPECTIVE UNIVERSITY, MAY teach in the training schools and other schools without being certificated teachers.

Sec. 69. Section 15-1652, Arizona Revised Statutes, is amended to read:

15-1652. Management and expenses

A. Every teacher training school shall be under the supervision and management of the Arizona board of regents GOVERNING BOARD OF THAT UNIVERSITY. All teachers in the school, except the principal, shall be employed by the Arizona board of regents GOVERNING BOARD OF THAT UNIVERSITY and the governing board of the school district in which the training school is located, acting jointly.

B. The school district shall pay towards the expense of a teacher training school an amount equal to one-half of the school monies which it is entitled to have apportioned to it based on the student count at the training school during the preceding school year, but pupils attending from another school district shall not be credited with enrollment in the school district in which the university is located.

Sec. 70. Section 15-1653, Arizona Revised Statutes, is amended to read:

15-1653. Authority to prescribe rules governing admission and attendance

The Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY and the governing board of the school district in which a teacher training school is located shall jointly prescribe rules and regulations governing admission and attendance at the training school of children of school age who reside within the school district and governing all pupils in changing their attendance from the training school to another school in the school district. The Arizona board of regents GOVERNING BOARD OF THAT UNIVERSITY may admit all children of school age residing within the school district who are not then registered during that year for attendance at another school of the school district for attendance at the training school up to such number as necessary for the conduct of the training school.

Sec. 71. Section 15-1654, Arizona Revised Statutes, is amended to read:

15-1654. Qualifications for admission to teacher training program

On or before January 1, 1993, Each PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE shall establish qualifications for entrance into the teacher training program of its respective colleges COLLEGE of education.
Sec. 72. Section 15-1661, Arizona Revised Statutes, is amended to read:

15-1661. Annual appropriation; enrollment audit; expenditure; balance; salaries

A. There shall be appropriated in the general appropriation bill for each fiscal year a sum of monies not less than eighty-five one-hundredths of one mill on the dollar of the assessed valuation of all taxable property in the state for the improvement, support and maintenance of the institutions under the Arizona board of regents' jurisdiction PUBLIC UNIVERSITIES IN THIS STATE, including payment of salaries, current expenses, purchase of equipment, making necessary repairs, construction of new buildings, purchase of lands and in general for payment of all such expenses connected with the management of the institutions under the Arizona board of regents' jurisdiction PUBLIC UNIVERSITIES IN THIS STATE. The department of revenue, upon compiling the aggregate assessed valuation of all taxable property within this state, shall compute the amount of monies so determined and certify such amount over its seal to the department of administration and the state treasurer.

B. The full-time equivalent student enrollment reported for the previous fiscal year by each university shall be audited annually by the auditor general. The auditor general shall report the results of the audit to the staffs of the joint legislative budget committee and the governor's office of strategic planning and budgeting on or before October 15 of each year. On or before July 21 of each academic year, each university shall provide for the previous fall semester a certified report to the auditor general of the number of full-time equivalent students calculated by the university and a separate report only for those students who meet the residency requirements prescribed in section 15-1802. The university's records used to calculate full-time equivalent student enrollment shall be provided to the auditor general in an electronic format prescribed by the auditor general. Beginning in 2006, each university shall submit to the auditor general a summary of its full-time equivalent student enrollment accounting policies and procedures, compilation procedures and source records used for calculating full-time equivalent student enrollment. These accounting policies and procedures, compilation procedures and source records shall comply with policies developed on or before June 30, 2006 by the Arizona board of regents by THE GOVERNING BOARDS OF THE UNIVERSITIES, in consultation with the auditor general and reviewed by the joint legislative budget committee. These policies shall include a review and recommendations of the necessity of minimum requirements for students enrolled in classes to qualify for appropriations pursuant to this section, including requirements that the class be a for-credit course that is necessary for the completion of a degree and that the student enrolled in the course be physically present.
in this state at the time the course is conducted. The basic actual full-time equivalent student enrollment shall be counted on the forty-fifth day after the basic actual full-time equivalent student enrollment classes begin for the fall and spring semesters, as published in the university catalogs, and divided by two. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall also make recommendations of whether each professor or instructor should be required to review class rosters and make additions or deletions as necessary. If so, class rosters that reflect enrollment as of the forty-fifth day shall be provided by the registrar's office to each professor or instructor for every class section. The class roster shall indicate the course number, course title, time, instructor name and students enrolled. On the forty-fifth day class rosters, each professor or instructor shall indicate as withdrawn each student who has formally withdrawn from the course, and that student shall not be counted for state aid purposes. The official forty-fifth day rosters shall include a manual signature and date or an electronic authorization and date by the professor or instructor and shall include the following certification:

I hereby certify that the information contained in this class roster accurately reflects those students who are enrolled.

C. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall also report the basic actual full-time equivalent student enrollment for only those students who meet the residency requirements prescribed in section 15-1802. The basic actual full-time equivalent student enrollment for only those students who meet the residency requirements prescribed in section 15-1802 that is reported by each university for the previous fiscal year shall be annually audited by the auditor general.

D. Students who have withdrawn or who have been withdrawn from classes as of the forty-fifth day shall not be counted for state aid purposes. A record shall be maintained that identifies student withdrawals by date of withdrawal, as of the forty-fifth day and after the forty-fifth day for the entire semester.

E. Amounts appropriated as provided by subsection A OF THIS SECTION shall be paid as other claims against this state are paid.

F. The balance of appropriations as provided by subsection A OF THIS SECTION at the end of the fiscal year, if any, shall not revert to the general fund but shall be carried forward for the continued use for which appropriated.

G. Monies appropriated to a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE for cost of living COST-OF-LIVING salary increases for university employees shall be used to provide cost-of-living COST-OF-LIVING salary increases to all university employees, including graduate student assistants. If monies are appropriated to a university for salary increases based on merit, the
monies shall be used to provide merit increases according to the merit pay plan adopted by the Arizona board of regents GOVERNING BOARD OF THAT UNIVERSITY.

H. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall determine current actual full-time equivalent student enrollment at each of the institutions under the jurisdiction of the Arizona board of regents THAT UNIVERSITY. Full-time equivalent student enrollment shall be calculated by adding the following:

1. The total number of enrolled fall and spring semester credit hours in 100-level credit courses and 200-level credit courses divided by fifteen.

2. The total number of enrolled fall and spring semester credit hours in 300-level credit courses and 400-level credit courses divided by twelve.

3. The total number of enrolled fall and spring semester credit hours in graduate level credit courses divided by ten.

I. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY, in its annual budget request, shall not include funding for any student who is enrolled at an institution under the jurisdiction of the Arizona board of regents THAT UNIVERSITY and who has earned credit hours in excess of the undergraduate credit hour threshold, except that the undergraduate credit hour threshold shall not apply to students who are enrolled in a degree program that requires credit hours above the credit threshold. For the purposes of this subsection, the undergraduate credit hour threshold is one hundred fifty-five hours for students who attend a university under the jurisdiction of the board in fiscal year 2006-2007, one hundred fifty hours for students who attend a university under the jurisdiction of the board in fiscal year 2007-2008 and one hundred forty-five hours for students who attend a PUBLIC university under the jurisdiction of the board after fiscal year 2007-2008 IN THIS STATE. The undergraduate credit hour threshold shall be based on the actual full-time equivalent student enrollment counted on the forty-fifth day after classes begin for the fall and spring semesters and any budget adjustment based on student enrollment shall occur in the fiscal year following the actual full-time equivalent student enrollment count. The undergraduate credit hour threshold shall not apply to credits earned in the pursuit of up to two baccalaureate degrees, credits earned in the pursuit of up to two state-regulated STATE-REGULATED licensures and certificates, credits earned in the pursuit of teaching certification, credits transferred from a private institution of higher education, credits transferred from an institution of higher education in another state, credits earned at another institution of higher education but that are not accepted as transfer credits at the university where the student is currently enrolled and credits earned by students who enroll at a PUBLIC university under the jurisdiction of the board IN THIS STATE more than twenty-four months after the end of that
student's previous enrollment at a public institution of higher education UNIVERSITY in this state.

Sec. 73. Section 15-1662, Arizona Revised Statutes, is amended to read:

15-1662. Universities; funds and accounts
A. The state treasurer shall maintain the following separate permanent funds and accounts:

1. Universities land fund established by section 37-522. Distributions from the fund pursuant to article X, section 7, Constitution of Arizona, and monies derived from the lease, sale or other disposition of lands granted by the United States for the use and benefit of the universities shall be deposited in the universities land fund as provided in this section and section 37-522. Monies accruing to the universities under the laws of the United States pertaining to timber lands shall be deposited in the universities timber land account established by section 37-482, subsection B and may be used for the payment of expenditures which the state land department incurs for the conservation, sale and other administration of timber or timber products as provided in this section and sections 37-482 and 37-522.

2. Normal schools land fund established by section 37-523. Distributions from the fund pursuant to article X, section 7, Constitution of Arizona, and monies derived from the lease, sale or other disposition of lands granted by the United States for the use and benefit of normal schools shall be deposited in the normal schools land fund as provided in this section and section 37-523.

3. Agricultural and mechanical colleges land fund established by section 37-524. Distributions from the fund pursuant to article X, section 7, Constitution of Arizona, and monies derived from the lease, sale or other disposition of lands granted by the United States for the use and benefit of agricultural and mechanical colleges shall be deposited in the agricultural and mechanical colleges land fund as provided in this section and section 37-524.

4. School of mines land fund established by section 37-524. Distributions from the fund pursuant to article X, section 7, Constitution of Arizona, and monies derived from the lease, sale or other disposition of lands granted by the United States for the use and benefit of schools of mines shall be deposited in the school of mines land fund as provided in this section and section 37-524.

5. Military institutes land fund established pursuant to section 37-525. Distributions from the fund pursuant to article X, section 7, Constitution of Arizona, and monies derived from the lease, sale or other disposition of lands granted by the United States for the use and benefit of military institutes shall be deposited in the military institutes land fund as provided in this section and section 37-525.
B. The Arizona board of regents GOVERNING BOARDS OF THE UNIVERSITIES shall JOINTLY maintain a separate permanent fund to be known as the universities fund. All monies other than those specified in subsection A of this section which THAT are derived from the lease, sale or other disposition of lands or property which AND THAT are given by any person or by law as a trust fund to be administered JOINTLY by the board GOVERNING BOARDS in conformity with the terms of the gift shall be deposited in the universities fund. Such monies shall be invested and administered as designated for the use of the universities except such monies as are appropriated for specific purposes from the STATE general fund of this state for the use of the universities.

C. The state treasurer shall keep the monies of the land funds invested in safe interest bearing securities and prudent equity pursuant to article X, section 7, Constitution of Arizona, and as provided by sections 35-313 and 35-314.01, and monies earned from investment shall be credited to the funds.

D. Monies shall not be taken from one fund or deposited in any other fund nor shall any fund or the income from the fund be taken or expended for any object other than as provided by section 37-527 or as provided by the original gift or appropriation.

Sec. 74. Section 15-1663, Arizona Revised Statutes, is amended to read:

15-1663. Expenditure of land funds; eminent scholars matching grant fund

A. Except as provided in subsection B of this section, the Arizona board of regents GOVERNING BOARDS OF THE UNIVERSITIES may JOINTLY expend, as it deems THEY DEEM expedient and as is not inconsistent with the provisions of any appropriation, the income of the land funds established pursuant to the enabling act in accordance with the purposes specified in the enabling act for each land fund specified in section 15-1662.

B. Beginning with the 1998-1999 fiscal year, the universities land fund shall be known as the eminent scholars matching grant fund and shall consist of the annual income from the universities land fund. The eminent scholars matching grant fund shall be used to provide to the universities matching monies for the interest earned on nonpublic endowment monies donated to attract and retain eminent faculty. Appropriations to the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY for the eminent scholars matching grant fund shall commence in the 1998-1999 fiscal year. The eminent scholars matching grant fund shall be allocated as follows:

1. Monies in the eminent scholars matching grant fund shall be used to supplement and not supplant any other sources of monies for the universities. Monies shall be allocated to each university on a dollar-for-dollar match basis. The amount allocated shall be equal to the amount of interest earned in the previous calendar year by each university
on the nonpublic endowment monies THAT ARE donated from and after December 31, 1997 which AND THAT are designated by the universities as being solely for the purpose of attracting and retaining eminent faculty.

2. If the monies appropriated by the legislature for the eminent scholars matching grant fund are greater than the amount of interest earned on the nonpublic endowment monies designated by the universities for expenditure as provided in this subsection, the board GOVERNING BOARDS may JOINTLY allocate the excess monies as provided in subsection A of this section.

3. If the monies appropriated by the legislature for the eminent scholars matching grant fund are less than the amount of interest earned on the nonpublic endowment monies designated by the universities for expenditure as provided in this subsection, the board GOVERNING BOARDS shall JOINTLY allocate the monies to each university in a manner deemed appropriate.

Sec. 75. Section 15-1664, Arizona Revised Statutes, is amended to read:

15-1664. Expenditure of monies
All monies for the use and benefit of an institution under its jurisdiction A PUBLIC UNIVERSITY IN THIS STATE shall be expended under the direction and control of the Arizona board of regents GOVERNING BOARD OF THAT UNIVERSITY for the support and maintenance of such institution, THAT UNIVERSITY AND FOR buildings and grounds, and for any other purpose the GOVERNING board OF THE UNIVERSITY deems expedient if not inconsistent with provisions of any appropriations.

Sec. 76. Section 15-1665, Arizona Revised Statutes, is amended to read:

15-1665. Acceptance of federal and other monies
The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY may accept grants of monies from the United States or any of its officers or agencies designated or created to make grants for public construction work, or from any individual, group of individuals, corporation or association.

Sec. 77. Section 15-1667, Arizona Revised Statutes, is amended to read:

15-1667. Federal aid to experiment stations
The THIS state assents to the provisions and accepts the benefits of the act of Congress entitled "an act to authorize the more complete endowment of agricultural experiment stations and for other purposes, approved February 24, 1925." HATCH ACT OF 1887, AS AMENDED (ACT OF MAR. 2, 1887; CH. 314; 24 STAT. 440; 7 UNITED STATES CODE SECTIONS 361A THROUGH 361I). The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY is designated as a state board for the purposes of this section and is empowered to cooperate with agencies of the federal government in administering the federal law.
Sec. 78. Section 15-1669, Arizona Revised Statutes, is amended to read:

15-1669. Payment of salaries; sick leave

A. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY may provide for payment of annual salaries of any person appointed or employed as provided in section 15-1626, subsection A, paragraph 2, over a twelve-month TWELVE-MONTH pay period pursuant to agreement between such THE person and the GOVERNING board.

B. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall require institutions THE UNIVERSITY under its jurisdiction, as part of payroll reporting procedures, to identify and report hours of sick leave earned by any person appointed or employed as provided in section 15-1626, subsection A, paragraph 2, and absences on account of sickness. Compensation paid to employees on account of sickness shall be so identified in the accounting records of the institution UNIVERSITY.

Sec. 79. Section 15-1670, Arizona Revised Statutes, is amended to read:

15-1670. Appropriations for university research infrastructure facilities; university deposits; annual report; definition

A. In fiscal years 2007-2008 through 2016-2017, the following sums are appropriated each year from the state general fund to the respective universities for lease-purchase capital financing for research infrastructure projects:

1. $14,472,000 to Arizona state university.
2. $14,253,000 to the university of Arizona.
3. $5,900,000 to northern Arizona university.

B. In fiscal years 2017-2018 through 2030-2031, the following sums are appropriated from the state general fund to Arizona state university for lease-purchase capital financing for research infrastructure projects:

1. In fiscal year 2017-2018, $13,481,000.
10. In fiscal year 2026-2027, $13,450,100.
12. In fiscal year 2028-2029, $13,430,800.
C. In fiscal years 2017-2018 through 2030-2031, the following sums are appropriated from the state general fund to the university of Arizona for lease-purchase capital financing for research infrastructure projects:

1. In fiscal year 2017-2018, $14,249,300.
2. In fiscal year 2018-2019, $14,251,000.
5. In fiscal year 2021-2022, $14,248,900.
8. In fiscal year 2024-2025, $14,247,300.
10. In fiscal year 2026-2027, $14,251,300.
11. In fiscal year 2027-2028, $14,254,100.
12. In fiscal year 2028-2029, $14,251,500.
13. In fiscal year 2029-2030, $14,252,500.

D. In fiscal years 2017-2018 through 2030-2031, the following sums are appropriated from the state general fund to northern Arizona university for lease-purchase capital financing for research infrastructure projects:

5. In fiscal year 2021-2022, $5,039,800.
10. In fiscal year 2026-2027, $4,884,300.
11. In fiscal year 2027-2028, $4,894,000.
12. In fiscal year 2028-2029, $4,888,400.
13. In fiscal year 2029-2030, $4,892,000.

E. Lease-purchase financing agreements under subsections A, B, C and D of this section:

1. Must be entered into before July 1, 2006.
2. Are subject to the requirements of section 15-1682.01.

F. The appropriations under subsections A, B, C and D of this section constitute continuing year-to-year appropriations but do not constitute an obligation of the legislature or this state to continue the appropriation in any fiscal year. The annual appropriation is a current expense of this state in the fiscal year in which it occurs and is not a general obligation indebtedness of this state or of any university. If
the appropriation is discontinued in any fiscal year, this state and the university are relieved of any subsequent obligation pursuant to this section.

G. Beginning in fiscal year 2007-2008 and in each subsequent fiscal year for which an appropriation is made pursuant to subsections A, B, C and D of this section, each university shall deposit no later than October 1 with the state treasurer in the state general fund an amount equal to:

1. Twenty percent of the income from licensure and royalty payments received by the university during the preceding fiscal year.

2. Twenty-five percent of the income received by the university during the preceding fiscal year from the sale or transfer of intellectual property developed by the university.

3. If a constitutional amendment authorizing ownerships and securities by the Arizona board of regents OR BY THE GOVERNING BOARD OF EACH UNIVERSITY is approved by the qualified electors voting at a statewide general election, thirty percent of the income received in the preceding fiscal year resulting from the conveyance of ownership interests in business enterprises acquired to develop technology or intellectual property based in whole or in part on the university's research, technology or intellectual property.

H. The aggregate amount transferred in each fiscal year for deposit in the state general fund by all universities from all sources listed under subsection G of this section shall not exceed the aggregate amounts appropriated in that fiscal year under subsections A, B, C and D of this section. If amounts under subsection G of this section would otherwise exceed the limit prescribed by this subsection, the deposited amounts shall be proportionately reduced for each university.

I. On or before October 1 of each year, each university shall report to the joint legislative budget committee the total amount of income the university received in the preceding fiscal year from each category of income that is subject to deposit pursuant to subsection G of this section.

J. For the purposes of this section, "research infrastructure" means installations and facilities for continuance and growth of scientific and technological research activities at the university.

Sec. 80. Section 15-1681, Arizona Revised Statutes, is amended to read:

15-1681. Definitions

In this article, unless the context otherwise requires:

1. "Acquire" includes to purchase, lease, lease-purchase, erect, build, construct, reconstruct, raze, remodel, repair, replace, alter, extend, expand, better, equip, furnish, develop, improve and embellish a project, and the acquisition, preparation and development of a site or sites therefor.
2. "Board" means the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY or its successor.
3. "Bonds" means any bonds issued pursuant to this article.
4. "Component unit" means an entity for which the nature and significance of its relationship with the A board or institution is such that exclusion would cause the board's or institution's financial statements to be misleading or incomplete.
5. "Federal agency" means the United States of America, the president of the United States of America, the department of housing and urban development or such other agency or agencies of the United States of America as may be designated or created to make loans or grants, or both.
6. "Indirect or third party financing":
   (a) Means an agreement between the A board or an institution and a component unit of an institution, a nonprofit organization or a private developer in which the component unit, organization or developer pays for, issues bonds for or enters into lease or lease-purchase agreements for:
      (i) Capital projects on the property of an institution.
      (ii) Capital projects intended to house any institution activities.
      (iii) Capital projects in which the A board or institution guarantees revenues to the component unit, organization or developer or debt service payments on behalf of the component unit, organization or developer.
      (iv) Capital projects, which may eventually become state assets.
   (b) Does not include a project that is intended to be commercial in nature, and if the majority of the project's business is anticipated to come from the nonuniversity population.
7. "Institution" means the university of Arizona, Arizona state university and northern Arizona university or any other college or university under the jurisdiction and control of the A board or its successor.
8. "Project" means and includes buildings, structures, areas and facilities THAT, as determined by the A board, are required by or necessary for the use or benefit of each of such institutions, including, without limiting the generality of the foregoing, student, faculty or staff housing facilities, residence halls, dormitories and apartments; student union and recreational buildings and stadiums; other facilities for student, faculty or staff services; any facility or building leased to the United States of America; parking garages and areas; offices, classrooms, laboratories, dining halls and food service facilities, libraries, auditoriums, or parts thereof, or additions or extensions thereto; heating, lighting and other utility service facilities in connection therewith, or parts thereof, or additions or extensions thereto; whether heretofore acquired and now or hereafter used for any or all of the purposes aforesaid, or as may be hereafter acquired under this article, with all equipment and appurtenant facilities; or any one, or
more than one, or all of the foregoing, or any combination thereof, for any institution, including sites therefor.

9. "System of building facilities" means such project or projects as the board by resolution shall collectively designate to be included in a system of building facilities at each institution, either:

(a) Hereafter acquired for each of such institutions under the terms of this article.

(b) Heretofore acquired for each of such institutions prior to May 17, 1974 under the terms of any other law and now located on the campus of each of such institutions, whether unencumbered by or encumbered by a pledge of and lien on the income and revenues derived from the operation thereof for the payment of any bonds theretofore issued by the board for the acquisition thereof.

(c) As provided in both subdivisions (a) and (b) of this paragraph.

(d) Any combination of as provided in subdivisions (a), (b) and (c) of this paragraph.

Sec. 81. Section 15-1682.03, Arizona Revised Statutes, is amended to read:

15-1682.03. University capital improvement lease-to-own and bond fund; lease-to-own and bond capital improvement agreements

A. The university capital improvement lease-to-own and bond fund is established consisting of the monies provided by the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY pursuant to this section, monies deposited pursuant to section 5-572 and monies appropriated by the legislature. The board shall administer the fund. On notice from the board, the state treasurer shall invest and divest monies in the fund as provided by section 35-313, and monies earned from investment shall be credited to the fund. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

B. Through revenues of the state university system, the board shall annually provide monies to the fund of at least twenty percent PERCENT of the aggregate annual payments of lease-to-own and bond agreements entered into by the board pursuant to this section.

C. The board shall distribute monies in the fund to make payments pursuant to lease-to-own and bond agreements entered into by the board pursuant to this section. The board may enter into lease-to-own and bond agreements for the purposes of building renewal projects and new facilities. New lease-to-own and bond agreements entered into pursuant to this section shall not exceed one hundred sixty-seven million six hundred seventy-one thousand two hundred dollars in fiscal year 2008-2009 and four hundred million dollars in fiscal year 2009-2010. The board may enter into lease-to-own and bond transactions up to a maximum of eight hundred million dollars.
D. Notwithstanding section 5-572, subsection G- F, the amount of state lottery revenues distributed to the university capital improvement lease-to-own and bond fund in fiscal year 2009-2010 and fiscal year 2010-2011 shall not exceed an amount sufficient for up to eighty percent of the annual payments of the first one hundred sixty-seven million six hundred seventy-one thousand two hundred dollars of new lease-to-own and bond agreements entered into pursuant to this section. The full amount of state lottery revenues distributed to the university capital improvement lease-to-own and bond fund pursuant to section 5-572, subsection G- F shall be made available to the board for the remaining new lease-to-own and bond agreements up to eight hundred million dollars beginning in fiscal year 2011-2012.

E. In entering into lease-to-own and bond agreements pursuant to this section, the board shall not obligate this state to provide any additional monies from the state lottery fund above the amounts authorized in this section and section 5-572, subsection G- F. In entering into lease-to-own and bond agreements pursuant to this section, the board shall not obligate any state general fund monies.

Sec. 82. Section 15-1741, Arizona Revised Statutes, is amended to read:

15-1741. Definitions
In this article, unless the context otherwise requires:
1. "Board" means the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY or its successor.
2. "Commission" means the western interstate commission for higher education.
3. "Compact" means the compact for western regional cooperation in higher education.

Sec. 83. Section 15-1743, Arizona Revised Statutes, is amended to read:

15-1743. Authorizing agreements for education of Arizona students outside compact area; limitations
A. The western interstate commission for higher education is authorized to act on behalf of this state in making arrangements for the placement of students in institutions and programs of higher learning outside the states which THAT are parties to the compact for establishing the commission. For that purpose, the commission may negotiate and enter into arrangements and contracts with the Arizona board of regents A BOARD, with public and private educational institutions and agencies and with other states. These arrangements and contracts may provide for the obtaining of one or more places for students on either a special or continuing basis; the payment of partial or full tuition and other charges not to exceed the cost of agreements within the compact area; and the furnishing of reciprocal, compensating or other advantages and benefits in support of the educational program involved.
B. The authority conferred by subsection A OF THIS SECTION shall be exercised only pursuant to a written agreement between the commission and the Arizona board of regents. Any such agreements shall include provisions for the payment of tuition and any other costs, and no such agreement shall be made which commits this state or any agency or officer of this state to any obligation for which funds have not been appropriated or otherwise made available in accordance with law.

C. Nothing in this section alters any of the obligations or restricts or impairs any rights under any compact establishing the commission.

Sec. 84. Section 15-1747, Arizona Revised Statutes, is amended to read:

15-1747. Reciprocity agreement for distance education; definition

A. The Arizona board of regents, community college districts and the state board for private postsecondary education, through intergovernmental agreement, may enter into an interstate reciprocity agreement for the purpose of managing postsecondary distance education.

B. The intergovernmental agreement pursuant to subsection A of this section, at a minimum, must identify the process for the application to participate in the interstate reciprocity agreement and be administered jointly by representatives from the Arizona board of regents, representatives from the state board for private postsecondary education and representatives from a community college district in this state. The terms of the intergovernmental agreement shall be agreed to unanimously by the Arizona board of regents, the state board for private postsecondary education and a community college district in this state.

C. The responsibilities designated through intergovernmental agreement pursuant to subsection A of this section must be limited to the administration of the distance education reciprocity agreement for participating postsecondary institutions that have a principal place of business in this state.

D. For the purposes of this section, “postsecondary institution” means any accredited, degree-granting public or private university or college located in this state, any accredited degree-granting community college located in this state and any accredited degree-granting college or university located on and operated by a federally recognized Indian tribe.

Sec. 85. Section 15-1754, Arizona Revised Statues, is amended to read:

15-1754. Rural health professions program; definition

A. The three public universities under the jurisdiction of the Arizona board of regents in this state shall select ten nurse practitioner
students, fifteen medical students and four pharmacy students each year to participate in a rural health professions program. The three universities shall develop application procedures for students to apply for voluntary participation in the program. The three universities shall attempt to ensure that each individual participating student be able to fulfill the program requirements in a single rural practice setting.

B. The university of Arizona shall choose the fifteen medical students, four pharmacy students and four nurse practitioner students, Arizona state university shall choose four nurse practitioner students, and northern Arizona university shall choose two nurse practitioner students who will participate at the respective universities.

C. Pharmacy students and medical students selected to participate in the program shall be placed in a rural practice or rural location in this state. Each placement shall be for a duration of at least one month and shall occur during the summer months between academic years, as part of the required curriculum during a clinical clerkship and in the final year of training.

D. Nurse practitioner students selected to participate in the program shall be placed in a rural practice or rural location in this state during the summer months between the first and second year of their academic instruction. A participating nurse practitioner student's internship shall also be conducted in a clinical setting located in a rural area of this state.

E. Students who participate in the program shall be teamed with two mentors throughout their period of academic instruction. The mentors shall provide guidance and counseling to students who participate in the program concerning the fulfillment of rural health professions program requirements, the selection of elective curricula and the selection of residency programs or internships. One of the faculty mentors shall be a physician, pharmacist or nurse who works closely with the participating student during the student's rural placement, and one of the mentors shall be a faculty member of the university where the program participant is enrolled. At least one of the mentors shall be available at all times to support the student's interest in rural health care.

F. For purposes of this section, "rural" means either:
1. A county with a population of less than four hundred thousand persons according to the most recent United States decennial census.
2. A census county division with less than fifty thousand persons in a county with a population of four hundred thousand or more persons according to the most recent United States decennial census.

Sec. 86. Section 15-1781, Arizona Revised Statutes, is amended to read:

15-1781. Definitions
In this article, unless the context otherwise requires:
1. "Commission" means the commission for postsecondary education.
2. "Qualified applicant" or "qualified student" means an Arizona resident who is a citizen or legal resident of the United States or who is otherwise lawfully present in the United States, who attends a qualifying postsecondary institution and, if attending a PUBLIC university under the jurisdiction of the Arizona board of regents in this state, who qualifies for in-state tuition pursuant to section 15-1802.

3. "Qualifying postsecondary institution" means a regionally or nationally accredited public or private postsecondary educational institution in this state.

Sec. 87. Section 15-1802, Arizona Revised Statutes, is amended to read:

15-1802. In-state student status

A. Except as otherwise provided in this article, no person having a domicile elsewhere than in this state is eligible for classification as an in-state student for tuition purposes.

B. A person is not entitled to classification as an in-state student until the person is domiciled in this state for one year, except that a person whose domicile is in this state is entitled to classification as an in-state student if the person meets one of the following requirements:

1. The domicile of the person's parent is in this state and the parent is entitled to claim the person as an exemption for state and federal tax purposes.

2. The person is an employee of an employer that transferred the person to this state for employment purposes or the person is the spouse of such an employee.

3. The person is an employee of a school district in this state and is under contract to teach on a full-time basis or is employed as a full-time noncertified classroom aide at a school within that school district. For the purposes of this paragraph, the person is eligible for classification as an in-state student only for courses necessary to complete the requirements for certification by the state board of education to teach in a school district in this state. No member of the person's family is eligible for classification as an in-state student pursuant to this paragraph, unless the family member is otherwise eligible for classification as an in-state student pursuant to this section.

4. The person's spouse has established domicile in this state for at least one year, has demonstrated intent and financial independence and is entitled to claim the student as an exemption for state and federal tax purposes or the person's spouse was temporarily out of state for educational purposes, but maintained a domicile in this state. If the person is a noncitizen, the person must be in an eligible visa status pursuant to federal law to classify as an in-state student for tuition purposes.
C. The domicile of an unemancipated person is that of the person's parent.

D. Any unemancipated person who remains in this state when the person's parent, who had been domiciled in this state, removes from this state is entitled to classification as an in-state student until attainment of the degree for which the person is currently enrolled, as long as the person maintains continuous attendance.

E. A person who is a member of the armed forces of the United States and who is stationed in this state pursuant to military orders or who is the spouse or a dependent child as defined in section 43-1001 of a person who is a member of the armed forces of the United States and who is stationed in this state pursuant to military orders is entitled to classification as an in-state student. A spouse or a dependent child does not lose in-state student classification under this subsection if the spouse or dependent child qualifies for in-state tuition classification at the time the spouse or dependent child is accepted for admission to a community college under the jurisdiction of a community college district governing board or a PUBLIC university under the jurisdiction of the Arizona board of regents in this state. The student, while in continuous attendance toward the degree for which currently enrolled, does not lose in-state student classification.

F. A person who is a member of the armed forces of the United States or the spouse or a dependent as defined in section 43-1001 of a member of the armed forces of the United States is entitled to classification as an in-state student if the member of the armed forces has claimed this state as the person's state of legal residence for at least twelve consecutive months before the member of the armed forces, spouse or dependent enrolls in a PUBLIC university under the jurisdiction of the Arizona board of regents in this state or a community college under the jurisdiction of a community college district governing board. For the purposes of this subsection, the requirement that a person be domiciled in this state for one year before enrollment to qualify for in-state student classification does not apply.

G. A person holding an honorable discharge from the uniformed services of the United States from either active duty or reserve or national guard status, or who has retired from active duty or reserve or national guard status, shall be granted immediate classification as an in-state student and, while continuously enrolled, does not lose in-state student classification if the person has demonstrated objective evidence of intent to be a resident of Arizona that, for the purposes of this section, includes at least one of the following:
   1. Registration to vote in this state.
   2. An Arizona driver license.
   3. Arizona motor vehicle registration.
   4. Employment history in Arizona.
5. Transfer of major banking services to Arizona.
6. Change of permanent address on all pertinent records.
7. Other materials of whatever kind or source relevant to domicile or residency status.

H. A person who, while using educational assistance under 38 United States Code chapter 30 or 33, enrolls in a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE or a community college under the jurisdiction of a community college district governing board within three years after the veteran's discharge from active duty service of ninety or more days or within three years after the service member's death in the line of duty following a period of active duty service of ninety or more days or who remains continuously enrolled beyond the three-year period following the discharge of the veteran or the service member's death shall be granted immediate classification as an in-state student and does not lose in-state student classification if the person has demonstrated objective evidence of intent to be a resident of this state that, for the purposes of this section, includes at least one of the following:

1. Registration to vote in this state.
2. An Arizona driver license.
3. Arizona motor vehicle registration.
4. Employment history in Arizona.
5. Transfer of major banking services to Arizona.
6. Change of permanent address on all pertinent records.
7. Other materials of whatever kind or source relevant to domicile or residency status.

I. A person who is a member of an Indian tribe recognized by the United States department of the interior whose reservation land lies in this state and extends into another state and who is a resident of the reservation is entitled to classification as an in-state student.

J. A person who has participated in the AmeriCorps program or the volunteers in service to America program for at least one year in this state is entitled to classification as an in-state student.

Sec. 88. Section 15-1804, Arizona Revised Statutes, is amended to read:

15-1804. Presumptions relating to student status; definition
A. Unless the contrary appears to the satisfaction of the registering authority of the community college or university at which a student is registering, it shall be presumed that:
1. No emancipated person has established a domicile in this state while attending any educational institution in this state as a full-time student, as such status is defined by subsection B OF THIS SECTION for community college students or as defined by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY for university students, in the absence of a clear demonstration to the contrary.
2. Once established, a domicile is not lost by mere absence unaccompanied by intention to establish a new domicile.

3. A person who has been domiciled in this state immediately prior to becoming a member of the armed forces of the United States shall not lose in-state status by reason of such person's presence in any other state or country while a member of the armed forces of the United States.

B. For the purposes of this section, "full-time student" means a community college student who registers for at least twelve semester hours per semester at a community college in this state.

Sec. 89. Section 15-1805, Arizona Revised Statutes, is amended to read:

15-1805. Student status guidelines

A. The Arizona board of regents shall adopt guidelines applicable to all institutions under their jurisdiction that will ensure uniform criteria to aid the institutions in determining the tuition status of any student and that will establish uniform procedures for review of that status.

B. Community college districts shall adopt policies applicable to all institutions under their jurisdiction that will ensure uniform criteria to aid the institutions in determining the tuition status of any student and that will establish uniform procedures for review of that status.

Sec. 90. Section 15-1806, Arizona Revised Statutes, is amended to read:

15-1806. Testimony concerning student status; designation of persons to administer oaths

The Arizona board of regents and each community college district shall designate a person employed at each institution under their respective jurisdictions to administer oaths or affirmations in connection with the taking of testimony relative to student status for tuition purposes.

Sec. 91. Section 15-1808, Arizona Revised Statutes, is amended to read:

15-1808. Tuition waiver for child or spouse of peace officer, correctional officer, firefighter, emergency paramedic, national guard member or member of the United States armed forces killed in the line of duty; national guard members with disabilities; United States armed forces members with disabilities; definitions

A. The board of regents, after verification by the Arizona peace officers memorial board, by the Arizona fire fighters and emergency paramedics memorial board, by the adjutant general of the national guard or by the Arizona department of veterans' services that a person is a child or a spouse of a peace officer,
correctional officer, fire-fighter FIREFIGHTER, emergency paramedic, national guard member or member of the United States armed forces who was a resident of the state of Arizona or stationed in Arizona and who was killed in the line of duty or who died from injuries suffered in the line of duty while traveling to or from duty, shall provide the person who qualifies under subsection B of this section and who otherwise meets the qualifications for admission with a tuition waiver scholarship at any THAT university under the jurisdiction of the board. A district as defined in section 15-1401, after verification by the Arizona peace officers memorial board, by the Arizona fire fighters and emergency paramedics memorial board, by the adjutant general of the national guard or by the Arizona department of veterans' services that a person is the child or the spouse of a peace officer, correctional officer, firefighter, emergency paramedic, national guard member or member of the United States armed forces who was a resident of Arizona or stationed in Arizona and who was killed in the line of duty or who died from injuries suffered in the line of duty while traveling to or from duty, shall provide the person who qualifies under subsection B of this section and who otherwise meets the qualifications for admission with a tuition waiver scholarship at any community college under the jurisdiction of the district.

B. The tuition waiver scholarships shall be limited to children who are thirty years of age or younger or a spouse who has not remarried and shall be limited for a spouse or for any one child to no more than sixty-four credit hours at Arizona community colleges and a total number of credits including any transfer credits from an Arizona community college equal to the number of credits required for a baccalaureate degree at Arizona universities for that student's initially declared course of study.

C. A member of the Arizona national guard who received a purple heart citation on or after September 11, 2001 or a former member of the Arizona national guard who was medically discharged from the Arizona national guard due to an injury or disability suffered during status under title 10, United States Code, in weekend training status, in annual training status or in response to a state of emergency declared by the governor is eligible for a tuition waiver scholarship provided for in this section.

D. The board of regents GOVERNING BOARD OF EACH UNIVERSITY, after verification by the Arizona department of veterans' services that a person is a member or former member of the United States armed forces who received a purple heart citation, who was a resident of the state of Arizona or was stationed in Arizona at the time of the injury that resulted in the purple heart citation and whose disability rating determined by the United States department of veterans affairs is fifty percent PERCENT or more, shall provide the person who otherwise meets the qualifications for admission with a tuition waiver scholarship at any THAT
university under the jurisdiction of the board. A district as defined in
section 15-1401, after verification by the Arizona department of veterans' 
services that a person is a member or former member of the United States
armed forces who received a purple heart citation, who was a resident of
the state of Arizona or was stationed in Arizona at the time of the injury
that resulted in the purple heart citation and whose disability rating
determined by the United States department of veterans affairs is fifty
percent or more, shall provide the person who otherwise meets the
qualifications for admission with a tuition waiver scholarship at any
community college under the jurisdiction of the district. A person who is
convicted of a felony is ineligible for a tuition waiver scholarship
provided for in this subsection.

E. For the purposes of this section:

1. "Correctional officer" means a person, other than an elected
   official, who is employed by this state or a county, city or town and who
   is responsible for the supervision, protection, care, custody or control
   of inmates in a state, county or municipal correctional institution,
   including counselors but excluding secretarial, clerical and
   professionally trained personnel.

2. "Emergency paramedic" means a person who has been trained in an
   emergency paramedic training program certified by the director of the
department of health services or in an equivalent training program and who
   is certified by the director of the department of health services to
   render services pursuant to section 36-2205.

3. "Firefighter" means a professional firefighter who is a member
   of a state, federal, tribal, city, county, district or private fire
department.

4. "Peace officers" means sheriffs of counties, constables,
   marshals, police officers of cities and towns, commissioned personnel of
   the department of public safety and police officers appointed by community
college district governing boards or the Arizona board of regents
   GOVERNING BOARD OF A UNIVERSITY who have received a certificate from the
   Arizona peace officer standards and training board, and other state,
federal, tribal, city or county officers vested by law with a duty to
   maintain public order and make arrests.

Sec. 92. Section 15-1809, Arizona Revised Statutes, is amended to
read:

15-1809. Tuition waiver for persons formerly in foster care;
pilot program; report; definition

A. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY
shall develop a five-year pilot program to provide a tuition waiver
scholarship at any university under the jurisdiction of the Arizona
board of regents and each community college district shall develop a
five-year pilot program to provide a tuition waiver scholarship at any
community college in that community college district to any person who meets each of the following conditions:

1. Resides in this state.
2. Either:
   (a) Is currently in foster care and is at least sixteen years of age.
   (b) Was in foster care when the person was at least sixteen years of age.
   (c) Was adopted from foster care and the adoption was finalized after the person was sixteen years of age.
3. Is a United States citizen or is a noncitizen who is lawfully present in this country.
4. Has total personal assets, not including scholarships or grants received by the person, that are worth less than ten thousand dollars.
5. Is under twenty-three years of age.
6. Is accepted into or enrolled in a degree, certificate or other accredited program at a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE or a community college under the jurisdiction of a community college district. The person must demonstrate continuous progress toward a degree or certificate in order to remain eligible for a tuition waiver scholarship issued.
7. Has completed and submitted to the United States department of education a free application for federal student aid before each year in which the person receives a tuition waiver scholarship pursuant to this section.
8. After the first academic year in which the person receives a tuition waiver scholarship pursuant to this section, annually completes at least thirty hours of volunteer service during the previous academic year.
9. Remains in good standing with the policies established by the university or community college at which the person is enrolled.

B. A tuition waiver scholarship provided pursuant to this section shall be reduced by the amount of any other federal aid scholarships or public grants and any other public aid received by that person from or through the university or community college at which the person is enrolled, except that a tuition waiver scholarship shall not be reduced by the amount of federal grants received by the person from the department of child safety under the Arizona education and training voucher program.

C. The auditor general shall review the pilot programs and on or before June 30, 2017 shall submit a report to the governor, the president of the senate and the speaker of the house of representatives that evaluates the effectiveness of the pilot programs. The auditor general shall provide a copy of this report to the secretary of state.

D. If the pilot program is terminated before a tuition waiver scholarship recipient obtains an associate’s ASSOCIATE degree, a baccalaureate degree or a certificate and before the recipient reaches
twenty-three years of age, that person shall continue to be awarded a
tuition waiver scholarship until the person reaches twenty-three years of
age or obtains a baccalaureate degree, an associate's ASSOCIATE degree or
a certificate, whichever occurs first, if the person continues to meet the
scholarship criteria prescribed by this section.

E. For the purposes of this section, "tuition" means tuition and
mandatory fees charged by the university or community college.

Sec. 93. Section 15-1821, Arizona Revised Statutes, is amended to
read:

15-1821. Special admission of students under eighteen years
of age; enrollment information; reports

A. Each community college district board shall adopt policies that
require community colleges under its jurisdiction to admit students under
eighteen YEARS OF AGE who have not yet attained a high school diploma
or high school certificate of equivalency and who meet the established
requirements of the courses for which they enroll. The Arizona board of
regents GOVERNING BOARD OF EACH UNIVERSITY shall adopt rules that require
the universities under its jurisdiction to admit students under age
eighteen YEARS OF AGE who have not yet attained a high school diploma or
high school certificate of equivalency and who meet the established
requirements of the courses for which they enroll.

B. The policies and rules as provided in subsection A of this
section shall include the following provisions:

1. A student under age eighteen YEARS OF AGE shall not be denied
admission because of age, lack of a high school diploma or high school
certificate of equivalency, grade in school, lack of permission of school
officials or lack of concurrent enrollment in a public or private school,
if the student has achieved at least a specified score on a college
entrance examination.

2. A community college or university that admits a student pursuant
to paragraph 1 of this subsection may limit the number of semester credit
hours in which the student may enroll to no less than six semester credit
hours.

3. A student admitted to a community college or university pursuant
to paragraph 1 of this subsection is not guaranteed admission to a
specific degree program or to all courses offered by the community college
or university.

C. Each community college district and the Arizona board of regents
GOVERNING BOARD OF EACH UNIVERSITY shall provide all high schools in this
state with information that describes the policies and rules, as
appropriate, the types of courses available and other information related
to the enrollment of students under the age of eighteen YEARS OF
AGE. Each unified or high school district school shall make this
information available to all students in at least grades nine through
twelve.
D. On or before November 15 of each year, the Arizona board of regents GOVERNING BOARDS OF THE UNIVERSITIES shall JOINTLY submit a report to the president of the senate, the speaker of the house of representatives and the state board of education and shall provide a copy of this report to the secretary of state on students under eighteen years of age who had not yet attained a high school diploma or high school certificate of equivalency and who were enrolled in a university course or a program for university credit during the time period of September of the previous fiscal year through August of the current fiscal year. The annual report shall include at least the following:

1. The number of students who were enrolled.
2. A general narrative of the types of courses or programs in which the students were enrolled.
3. The rules adopted pursuant to subsection A of this section.

E. On or before September 30 of each year, each institution under the jurisdiction of the Arizona board of regents shall submit to the Arizona board of regents in the form specified by the Arizona board of regents the information that the Arizona board of regents needs to compile the report required in subsection D of this section.

Sec. 94. Section 15-1821.01, Arizona Revised Statutes, is amended to read:

15-1821.01. Dual enrollment information

On a determination by a community college district governing board that it is in the best interest of the citizens of a district, the district governing board may authorize district community colleges to offer college courses that may be counted toward both high school and college graduation requirements at the high school during the school day subject to the following:

1. The community college district governing board and the governing board of the school district or organization of which the high school is a part shall enter into an agreement or contract. These intergovernmental agreements or contracts shall be based on a uniform format that has been cooperatively developed by the community college districts in this state. Each of these agreements or contracts shall clearly specify the following:

   (a) The financial provisions of the agreement or contract and the format for the billing of all services under the agreement or contract, including the amount that the community college received in full-time student equivalent funding pursuant to section 15-1466.01, the portion of the funding that is distributed to the school district governing board or charter school and any amount that is subsequently returned to the community college district by the school district governing board or charter school.
(b) Student tuition and financial aid policies, including if scholarships or grants are awarded to students in dual enrollment courses from the community college.

(c) The accountability provisions for each party to the agreement or contract.

(d) The responsibilities and services required of each party to the agreement or contract.

(e) The type of instruction that will be provided under the agreement or contract, including the titles of the courses to be offered.

(f) The quality of the instruction that will be provided under the agreement or contract.

2. Students shall be admitted to the community college under the policies adopted by each district, subject to the following:

   (a) All students enrolled for college credit shall be high school juniors or seniors. All students in the course, including those not electing to enroll for college credit, shall satisfy the prerequisites for the course as published in the college catalog and shall comply with college policies regarding student placement in courses.

   (b) A community college may waive the class status requirements specified in subdivision (a) of this paragraph for up to twenty-five percent of the students enrolled by a college in courses, provided that the community college has established written criteria for waiving the requirements for each course. These criteria shall include a demonstration, by an examination of the specific purposes and requirements of the course, that freshman and sophomore students who meet course prerequisites are prepared to benefit from the college level course. All exceptions and the justification for the exceptions shall be reported annually to the joint legislative budget committee on or before October 1.

3. The courses shall be previously evaluated and approved through the curriculum approval process of the district, shall be at a higher level than taught by the high school and shall be transferable to a public university under the jurisdiction of the Arizona Board of Regents in this state or be applicable to an established community college occupational degree or certificate program. Physical education courses shall not be available for dual enrollment purposes.

4. College-approved college-approved textbooks, syllabuses, course outlines and grading standards that are applicable to the courses if taught at the community college shall apply to these courses and to all students in the courses offered pursuant to this section. The chief executive officer of each community college shall establish an advisory committee of full-time faculty who teach in the disciplines offered at the community college to assist in course selection and implementation in the high schools and to review and report at least annually to the chief executive officer whether the course goals and standards are understood, the course guidelines are followed and the same standards of expectation
and assessment are applied to these courses as though they were being offered at the community college. The advisory committee of full-time faculty shall meet at least three times each academic year.

5. Each faculty member shall meet the requirements established by the governing board pursuant to section 15-1444. The chief executive officer of each community college district shall establish an advisory committee of full-time faculty who teach in the disciplines offered at the community college district to assist in the selection, orientation, ongoing professional development and evaluation of faculty teaching college courses in conjunction with the high schools. The advisory committee of full-time faculty shall meet at least two times each academic year.

6. A school district shall ensure that a pupil is a full-time student as defined in section 15-901 and is enrolled in and attending a full-time instructional program at a school in the school district before that pupil is allowed to enroll in a college course pursuant to this section, except that high school seniors who satisfy high school graduation requirements with less than a full-time instructional program shall be exempt from this paragraph.

Sec. 95. Section 15-1822, Arizona Revised Statutes, is amended to read:

15-1822. Report; academic performance of high school graduates

A. On or before October 31 OF EACH YEAR, each community college district and the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall submit a report to the president of the senate, the speaker of the house of representatives, the superintendent of public instruction and the state board of education and shall provide a copy of this report to the secretary of state and the director of the Arizona state library, archives and public records, on the academic performance of the preceding year's graduates from high schools in this state enrolled in institutions under their jurisdiction during the year ending on June 30 of the current calendar year. The report shall include for each school at least the following:

1. The number of graduates of the school who were enrolled in the institution during the reporting period.

2. Information about the academic performance of graduates of the school in mathematics and English courses.

B. On or before September 1, each institution under the jurisdiction of the Arizona board of regents shall submit to the Arizona board of regents in the form specified by the Arizona board of regents the information that the Arizona board of regents needs to compile the report required under this section.
C. B. The superintendent of public instruction shall provide each high school in this state with a copy of the portion of the report that is applicable to its graduates.

Sec. 96. Section 15-1823, Arizona Revised Statutes, is amended to read:

15-1823. Identification numbers; social security numbers

A. From and after June 30, 2002, if a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE assigns an individual identification number to faculty, staff or students at THE university, the identification number shall not be identical to the individual's social security number. Notwithstanding subsection B of this section, if a student was assigned an identification number after June 30, 2006, in connection with the student accountability information system established by section 15-1041, the identification number assigned to that student by the university shall correspond to or reference the identification number assigned to that student in connection with the student accountability information system. The student shall provide the student accountability information system number to the university. The school district or charter school shall provide the student with the student accountability information system number upon request. The university shall not allow the display of the individual's social security number, or any four or more consecutive numbers contained in the individual's social security number, on any internet site maintained by the university or other publicly accessible document for any purpose.

B. If a community college or community college district assigns an individual identification number to faculty, staff or students at a community college that is identical to an individual's social security number, the community college or community college district shall not allow the display of an individual's social security number, or any four or more consecutive numbers contained in the individual's social security number, on any internet site maintained by the community college or community college district or other publicly accessible document for any purpose.

C. Notwithstanding subsection B of this section, if a student was assigned an identification number after June 30, 2006, in connection with the student accountability information system established by section 15-1041, the identification number assigned to that student by the community college or community college district shall correspond to or reference the identification number assigned to that student in connection with the student accountability information system. The student shall provide the student accountability information system number to the community college. The school district or charter school shall provide the student with the student accountability information system number upon request. A community college or community college district shall assign any other student an identification number that is not identical to
the student's social security number. **Beginning January 1, 2004.** If a high school student is enrolled in a college course offered by a community college district pursuant to section 15-1821.01, the identification number assigned to that student pursuant to this subsection shall correspond to the identification number assigned to that student in connection with the student accountability information system established by section 15-1041. A community college or community college district shall notify students of the option to obtain an individual identification number for no additional fee that is not identical to an individual's social security number in applications for admission, through telecommunications registration procedures, and in college catalogs. Notification in catalogs shall occur no later than June 30, 2000, or in the next printed edition of the catalog after the current one in print, whichever is sooner.

D. On the request of a faculty or staff member, a community college or community college district shall assign the faculty or staff member an identification number that is not identical to the faculty or staff member's social security number. A community college or community college district shall provide notification to faculty and staff members of the option to obtain an individual identification number that is not identical to a faculty or staff member's social security number.

E. This section does not exempt any regulated institution from any duty of compliance it may have with any federal law that may:
   1. Regulate that institution's collection or use of social security numbers.
   2. Protect the privacy rights of faculty, staff or students.
F. This section does not prohibit the electronic transfer of student transcripts between educational institutions.

Sec. 97. Section 15-1824, Arizona Revised Statutes, is amended to read:

15-1824. Transfer articulation; course numbering; reports

A. The community college districts and universities shall cooperate in operating a statewide articulation and transfer system, including the process for transfer of lower division general education credits, general elective credits and curriculum requirements for approved majors, to facilitate the transfer of community college students to Arizona public universities without a loss of credit toward a baccalaureate degree and to ensure that the postsecondary education needs of students statewide are met without unnecessary duplication of programs.

B. The community college districts and the **PUBLIC universities under the jurisdiction of the Arizona board of regents IN THIS STATE** shall develop and implement a shared numbering system which ** THAT ** identifies courses that transfer from community colleges to Arizona public universities toward a baccalaureate degree.
C. The Arizona board of regents and the community college districts shall submit an annual report of their progress on both articulation and meeting statewide postsecondary education needs to the joint legislative budget committee on or before December 15 and shall provide a copy of this report to the secretary of state.

Sec. 98. Subject to the requirements of article IV, part 1, section 1, Constitution of Arizona, section 15-1825, Arizona Revised Statutes, is amended to read:

15-1825. Prohibited financial assistance; reports
A. A person who is not a citizen of the United States, who is without lawful immigration status and who is enrolled as a student at any PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE or at any community college under the jurisdiction of a community college district in this state is not entitled to tuition waivers, fee waivers, grants, scholarship assistance, financial aid, tuition assistance or any other type of financial assistance that is subsidized or paid in whole or in part with state monies.

B. Each community college and university shall report on December 31 and June 30 of each year to the joint legislative budget committee the total number of students who applied and the total number of students who were not entitled to tuition waivers, fee waivers, grants, scholarship assistance, financial aid, tuition assistance or any other type of financial assistance that is subsidized or paid in whole or in part with state monies under this section because the student was not a citizen or legal resident of the United States or not lawfully present in the United States.

C. This section shall be enforced without regard to race, religion, gender, ethnicity or national origin.

Sec. 99. Section 15-1831, Arizona Revised Statutes, is amended to read:

15-1831. Information on persons who have completed vocational programs; definitions
A. The center for vocational education shall:

1. By the end of each calendar year publish and distribute a report of the placement rates and average salaries earned by persons completing vocational programs in this state during the prior fiscal year. This report may include information on a program which would be a vocational program except that it was not completed by at least twenty-five persons during the fiscal year.

2. Establish an advisory committee consisting of representatives of both public and private institutions which offer vocational programs. The advisory committee shall advise the center in the implementation of this section.
3. Prescribe the format in which institutions which THAT offer vocational programs shall provide the information necessary to produce the report prescribed in paragraph 1 of this subsection.

B. **FOR THE PURPOSES OF this section,** unless the context otherwise requires:

1. "Center for vocational education" means the center for vocational education at a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE designated JOINTLY by the board GOVERNING BOARDS OF THE UNIVERSITIES.

2. "Vocational program" means a program that is completed by at least twenty-five persons during the fiscal year and that is one of the following:
   (a) Operated by a community college district organized pursuant to chapter 12 of this title and designated as a vocational program, including vocational programs operated by a skill center.
   (b) A private vocational program that is licensed pursuant to section 32-3021 and that does not provide a baccalaureate degree.

Sec. 100. Section 15-1851, Arizona Revised Statutes, is amended to read:

15-1851. **Commission for postsecondary education; purpose; report; members; terms; powers and duties; compensation; quorum; immunity; definition**

A. The commission for postsecondary education is established and shall administer the applicable programs identified under section 1203 of the higher education act amendments of 1998 (P.L. 105-244), including the leveraging educational assistance partnership program, the federal family education loan program and the Paul Douglas teacher scholarships program, and shall supervise the state guarantee agency under the higher education act amendments of 1998.

B. In addition to the responsibilities prescribed in subsection A of this section, the commission shall:

1. Provide a forum to public and private postsecondary education institutions for discussion of issues of mutual interest, including the following:
   (a) The postsecondary needs of unserved and underserved individuals in this state.
   (b) The resources of public and private institutions, organizations and agencies that are located in this state and that are capable of providing postsecondary education opportunities.
   (c) Enrollment demand and public policy options to meet statewide needs for postsecondary education services.
   (d) Cooperative comprehensive instructional and capital planning.

2. Provide reports pursuant to this subsection on discussions of issues of mutual interest.
3. Coordinate and promote collaborative studies on issues of mutual
interest to public and private postsecondary education institutions.

4. Compile and disseminate information to the public regarding
postsecondary education opportunities in this state.

5. Prepare an annual report that summarizes the results of the
commission's activities prescribed in this section and section 15-1852.
The annual report shall be submitted to the speaker of the house of
representatives, the president of the senate, the governor and the Arizona
state library, archives and public records by December 28.

6. Administer the mathematics, science, and special education AND
ELEMENTARY EDUCATION teacher student loan program established by
chapter 13, article 11 of this title.

C. The commission consists of the executive director of the Arizona
board of regents ONE MEMBER OF THE GOVERNING BOARD OF A UNIVERSITY WHO IS
JOINTLY SELECTED BY THE GOVERNING BOARDS OF THE UNIVERSITIES, the
executive director of the state board for private postsecondary education
and the following additional members who shall be ARE appointed by the
governor pursuant to section 38-211:

1. Two members who hold senior executive or managerial positions in
a PUBLIC university under the jurisdiction of the Arizona board of regents
IN THIS STATE.

2. Two members who hold senior executive or managerial positions in
a community college district, one representing a community college
district in a county with a population of five hundred thousand persons or
more and one representing a community college district in a county with a
population of less than five hundred thousand persons.

3. Two members who hold senior executive or managerial positions in
private postsecondary institutions of higher education that are licensed
under title 32, chapter 30, that are located in this state, that offer
bachelor BACHELOR'S or higher degrees and that are accredited by a
regional accreditation agency approved by the United States department of
education.

4. Two members who hold senior executive or managerial positions in
private postsecondary institutions of higher education that are licensed
under title 32, chapter 30, that are located in this state, that offer
vocational education programs and that are accredited by a national
accreditation agency approved by the United States department of
education.

5. One member who holds a senior executive or managerial position
in a private cosmetology school that is licensed under title 32, chapter
5, that is located in this state, that offers cosmetology programs
approved by the board of cosmetology and that is accredited by a national
accreditation agency approved by the United States department of
education.
6. One member who holds a senior executive or managerial position in an institution that is licensed under title 32, chapter 23 or under 14 Code of Federal Regulations part 147, that offers vocational education programs at the postsecondary level, that is located in this state and that is not an institution that is qualified under any other category.

7. One member who has held a senior executive or managerial level position in commerce or industry in this state for at least three years before the member's appointment and who is not qualified to serve under any other category.

8. Two members who hold senior executive or managerial positions in the high school education system in this state.

9. One member who is an owner, operator or administrator of a charter school in this state.

D. Members of the commission appointed pursuant to subsection C, paragraphs 1 through 9 of this section shall serve four-year terms. Appointed members of the commission shall be residents of this state. Appointed members of the commission at all times during their terms shall continue to be eligible for appointment under the category that they were appointed to represent. Terms of appointed members of the commission begin on the third Monday in January. No appointed member of the commission may serve more than two consecutive terms.

E. The selected member of the governing board of a university and the executive director of the state board for private postsecondary education serve as members of the commission during their respective terms of office and are not eligible to vote with respect to the commission's review of any postsecondary institution.

F. Members appointed pursuant to subsection C, paragraphs 1 through 9 of this section are eligible to receive compensation pursuant to section 38-611 for each day spent in the performance of commission duties and may be reimbursed for expenses properly incurred in connection with the attendance at meetings or hearings of the commission.

G. The governor shall appoint a chairman from among the members of the commission who shall serve a one-year term that begins on the third Monday in January.

H. A majority of the members of the commission constitute a quorum for the transaction of commission business. The vote of a majority of the quorum constitutes authority for the commission to act.

I. Members of the commission are immune from personal liability with respect to all actions that are taken in good faith and within the scope of the commission's authority.

J. 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 or section 15-1402.01 and that is a political subdivision of this state.
Sec. 101. Section 15-1855, Arizona Revised Statutes, is amended to read:

15-1855. Postsecondary education grant program; fund; program termination; definition

A. The commission for postsecondary education shall develop, implement and administer a postsecondary education grant program. The commission shall develop application forms, procedures and deadlines and shall select eligible students each year for participation in the postsecondary education grant program. The commission may establish partnerships with qualifying schools for the administration of the postsecondary education grant program. Participating full-time students shall receive a grant in an amount of two thousand dollars annually for a maximum of four calendar years to be used to pay all or a portion of the following:

1. The tuition charged at a qualifying school.
2. The cost of books required for classes at a qualifying school.
3. The fees charged at a qualifying school.

B. The amount of a grant awarded to a participating part-time student enrolled at least half-time for the academic year as defined in United States Code section 1088 shall be prorated in accordance with the part-time status of the student.

C. Employees of private postsecondary institutions and family members of employees of private postsecondary institutions are not eligible to receive a postsecondary education grant pursuant to this section if the employee or family member is eligible for tuition reimbursement or a tuition waiver as a benefit of employment.

D. A student who has a baccalaureate degree from any postsecondary educational institution is not eligible to receive postsecondary education grant monies pursuant to this section.

E. Students who provide satisfactory proof to the commission that the student has met each of the following criteria are eligible to submit an application for consideration by the commission for a grant under the postsecondary education grant program:

1. The student either:
   (a) Is currently a resident of this state and has been a resident of this state for at least the past twelve months.
   (b) Is a member of the military service of the United States stationed in this state or the spouse or dependent of a member of the military service of the United States stationed in this state.

2. The student has met the qualifications adopted by the commission. The commission shall adopt minimum qualifications that are comparable to the admissions standards established by the Arizona Board of Regents for Arizona Governing Boards of the public universities.

3. The student registers for enrollment as a student in a baccalaureate program at a nationally or regionally accredited private
postsecondary educational institution in this state that awards four-year
baccalaureate degrees.

4. The student has provided high school transcripts as proof of
graduation if the student has graduated from a public or private high
school. If high school records no longer exist for a student or after
every reasonable effort has been made to obtain official records, the
student may submit a letter certified by the high school from which the
student graduated or the original high school diploma.

5. The student has completed and submitted a free application for
federal student aid.

6. The student is a citizen or legal resident of the United States
or is otherwise lawfully present in the United States.

7. If the student is eligible to apply for monies from the private
postsecondary education student financial assistance fund established by
section 15-1854, the student shall apply for and receive monies from the
private postsecondary education student financial assistance fund before
the student is eligible to apply for a grant from the postsecondary
education grant fund established by this section.

F. The postsecondary education grant fund is established consisting
of legislative appropriations. The commission shall administer the fund.
Monies in the fund are continuously appropriated and are exempt from the
provisions of section 35-190 relating to lapsing of appropriations. The
commission shall make awards for payment of tuition at qualifying schools
to students who are selected to participate in the postsecondary education
grant program pursuant to subsection A of this section.

G. If the amount of monies available for postsecondary education
grants in any fiscal year is insufficient to provide grants to all
eligible applicants, the commission shall award grants to eligible
students in the order in which the applications were received by the
commission, except that priority shall be given to qualifying students who
received a grant in the previous fiscal year and who are still in good
academic standing at the same qualifying school. The commission shall
maintain a waiting list for all other applicants.

H. A student who fails to receive a baccalaureate degree within a
five-year period of receipt of the program award shall reimburse the
postsecondary education grant fund for all awards received pursuant to
subsection A of this section. On receipt of supporting documentation from
the student, for good cause shown the commission may provide for
extensions of the five-year FIVE-YEAR period to obtain a baccalaureate
degree. The commission may contract with a third-party vendor for the
purpose of collecting loan repayments from students pursuant to this
section.

I. The commission shall submit an annual report to the governor,
the president of the senate, the speaker of the house of representatives
and the joint legislative budget committee that includes a detailed
description of the amount of monies distributed under the postsecondary education grant program during the previous fiscal year and that includes the total number of qualified applicants for grants, the total number of grants awarded, the qualifying schools attended by grant recipients and the total number of qualified applicants who were placed on the waiting list. The commission shall provide a copy of this report to the secretary of state and the director of the Arizona State Library, Archives, and Public Records.

J. If the commission is notified by a qualifying school that a student who has received a postsecondary education grant is no longer in good academic standing at the qualifying school, the commission shall immediately discontinue the grant and the student shall reimburse the postsecondary education grant fund for any unused portion or any unlawfully used portion of a grant received pursuant to subsection A of this section.

K. The commission shall develop a marketing strategy that is designed to provide information about the postsecondary education grant program to all high school students in this state.

L. The program established by this section ends on July 1, 2016 pursuant to section 41-3102.

M. For the purposes of this section, "qualifying school" means a nationally or regionally accredited private postsecondary educational institution in this state that offers four-year baccalaureate degrees.

Sec. 102. Section 15-1861, Arizona Revised Statutes, is amended to read:

15-1861. Definitions
In this article, unless the context otherwise requires:
1. "Community college" has the same meaning prescribed in section 15-1401.
2. "Public forum" includes both a traditional public forum, which is any open, outdoor area on the campus of a university or community college, and a designated public forum, which is any facility, building or part of a building that the university or community college has opened to students or student organizations for expression.
3. "University" means a PUBLIC university under the jurisdiction of the Arizona Board of Regents in this state.

Sec. 103. Section 15-1891, Arizona Revised Statutes, is amended to read:

15-1891. College course materials; information; definitions
A. The publisher of course materials shall provide the following written information in accordance with the policies adopted by the Arizona Board of Regents Governing Board of Each University and the governing board of each community college district to faculty members and any other employees who are in charge of selecting or adopting course materials for
a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE or a community college under the jurisdiction of a community college district in this state whenever the publisher provides a faculty member or employee with information about course materials:

1. A listing of relevant course materials offered by the publisher and whether each of the course materials are IS offered in a bundled package or sold separately.

2. The suggested retail price, the estimated wholesale price or the price that the publisher makes available to the public for the course materials. The publisher may include the time period during which the pricing is applicable.

3. The copyright dates of the previous edition if the copyright dates do not appear in the course materials.

4. A summary of the substantive content differences between the current edition of the course materials and the immediate previous edition.

B. A PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE or a community college under the jurisdiction of a community college district in this state shall notify faculty members and employees of the requirements pursuant to subsection A OF THIS SECTION and adopt policies that instruct a faculty member or employee who is in charge of selecting or adopting course materials to place orders with sufficient lead time to enable the university or community college district bookstore or contract managed bookstore to confirm the availability of the requested materials.

C. On or before January 1, 2009, The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY and the governing board of each community college district shall adopt policies that instruct faculty members or any other employees who are in charge of adopting course materials to make a request for information pursuant to subsection A OF THIS SECTION.

D. No faculty member or employee of a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE or a community college under the jurisdiction of a community college district in this state shall demand or receive any payment, loan, advance, good or deposit of money present or promised for selecting or purchasing specific course materials required for coursework or instruction, except that the faculty member or employee may receive:

1. Free review copies, complimentary teacher editions or instructional materials that are not intended to be sold by any faculty, staff or bookstore.

2. Royalties or other compensation from the sale of course materials that include the faculty member's own writing or work.

3. Honoraria for academic peer review of course materials.
4. Training in the use of course materials and learning technologies.

E. A book buyer or vendor of course materials shall not solicit a faculty member or employee of a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE or a community college under the jurisdiction of a community college district in this state for the purpose of selling or trading a free sample copy or complimentary teacher editions provided at no charge by a publisher to a faculty member or employee.

F. This section shall not be construed in a manner that violates academic freedom.

G. For the purposes of this section:
1. "Book buyer" means any person or entity, including a university or community college district bookstore, engaged in the purchase or sale of course materials.
2. "Bundled" means one or more course materials that are packaged together to be sold as course materials for a single price.
3. "Complimentary teacher editions" means a book with information that is meant for the exclusive use of faculty members, commonly labeled as an "instructor edition" or "instructor manual" and that contains answers and solutions, test questions and pedagogical techniques.
4. "Course materials" means any textbook or other instructional tool published for the purpose of classroom instruction and used for or in conjunction with a course in a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE or a community college under the jurisdiction of a community college district in this state.
5. "Publisher" means any publishing house, firm or company that produces course materials.
6. "Sample copy" means any book that is the same as the regular student edition.
7. "Substantive content" means portions of a college textbook, including new chapters, additional eras of time, new themes or new subject matter.
8. "Written information" means information provided on print material. Written information includes electronic communication or publication on a website.

Sec. 104. Section 15-1895, Arizona Revised Statutes, is amended to read:

15-1895. Voting information; postsecondary students
The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY in consultation with the recognized student government of the universities under its jurisdiction THAT UNIVERSITY and each community college district governing board in consultation with the recognized student government at a community college under its jurisdiction shall adopt a plan to increase student voter registration and voting in elections that includes:
1. Information about on-campus voter registration and voting
opportunities made available in at least one of the following methods:
   (a) During new student orientation.
   (b) During the issuance of student identification cards.
   (c) In admissions packets.
2. Voter registration materials at central campus locations and
high traffic areas.
3. Broad dissemination of information regarding:
   (a) Voter registration deadlines.
   (b) Deadlines for delivering ballots by mail.
4. Links on institutional and administrative websites that direct
students to voter registration websites.
5. Directions on institutional and administrative websites that
detail the voter registration process.
6. Reasonable accommodations to county election officials for
on-campus polling locations.
7. Encouragement to student government organizations to coordinate
activities aimed at increasing voter registration and election turnout.
8. Policies, consistent with section 16-402, to allow AN excused
absence from classes for the purpose of voting.
9. In accordance with section 15-1633, policies that prohibit the
use of university resources and employees to influence elections.
10. An emphasis on efficiency and conservation of resources,
including reduced use of paper handouts and increased use of electronic
communication.

Sec. 105. Section 15-1896, Arizona Revised Statutes, is amended to
read:

15-1896. Faculty employment decisions; religious and
political beliefs; definitions
A. In making employment decisions, a university or community
college shall take into account a faculty member's competence and
appropriate knowledge in the field of that faculty member's expertise in
order to foster a learning environment that respects a plurality of
methodologies and perspectives. A university or community college shall
not make employment decisions on the basis of a faculty member's political
or religious beliefs.
B. A university or community college shall not exclude a faculty
member from tenure or search committees or hiring committees on the basis
of that faculty member's political or religious beliefs.
C. For the purposes of this section:
   1. "Community college" has the same meaning prescribed in section
   15-1401.
   2. "University" means a PUBLIC university under the jurisdiction of
the Arizona board of regents IN THIS STATE.
Sec. 106. Section 15-1898, Arizona Revised Statutes, is amended to read:

15-1898. Awarding of college credits; policies; current and former military members; definition

A. Each community college district governing board shall develop policies to require community colleges under the jurisdiction of the board to award academic credit that a current or former member of the United States military may use toward the pursuit of an associate degree. The number of academic credits awarded shall be based on both of the following:

1. The member's length of time of active duty service in the United States military.

2. Skills, knowledge and competencies the member acquired during service in the United States military as determined by the board.

B. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall develop policies to require the universities under the jurisdiction of the board THAT UNIVERSITY to award academic credit that a current or former member of the United States military may use toward the pursuit of a baccalaureate degree. The number of academic credits awarded shall be based on both of the following:

1. The member's length of time of active duty service in the United States military.

2. Skills, knowledge and competencies the member acquired during service in the United States military as determined by the GOVERNING board.

C. For the purposes of this section, "member of the United States military" OR "MEMBER" means a person who is currently serving or who has served in the United States air force, army, navy, marine corps or coast guard, the national guard or a reserve unit of any of these branches of the United States military. Member of the United States military OR MEMBER does not include a person who was dishonorably discharged.

Sec. 107. Section 15-2401, Arizona Revised Statutes, is amended to read:

15-2401. Definitions

In this chapter, unless the context otherwise requires:

1. "Annual education plan" means an initial individualized evaluation and subsequent annual reviews that are developed for a qualified student who meets the criteria specified in paragraph 7, subdivision (a), item (i), (ii) or (iii) of this section to determine ongoing annual eligibility through the school year in which the qualified student reaches twenty-two years of age and whether the student may be eligible pursuant to section 36-2981 and should be referred for eligibility determination.
2. "Curriculum" means a complete course of study for content areas or grade levels, including any supplemental materials required by the curriculum, approved by the department.

3. "Department" means the department of education.

4. "Eligible postsecondary institution" means a community college as defined in section 15-1401, a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE or an accredited private postsecondary institution.

5. "Parent" means a resident of this state who is the parent or legal guardian of a qualified student.

6. "Qualified school" means a nongovernmental primary or secondary school or a preschool for pupils with disabilities that is located in this state and that does not discriminate on the basis of race, color or national origin.

7. "Qualified student" means a resident of this state who:
   (a) Is any of the following:
      (i) Identified as having a disability under section 504 of the rehabilitation act of 1973 (29 United States Code section 794).
      (ii) Identified by a school district or by an independent third party pursuant to section 15-2403, subsection I as a child with a disability as defined in section 15-731 or 15-761.
      (iii) A child with a disability who is eligible to receive services from a school district under section 15-763.
      (iv) Attending a school or school district that has been assigned a letter grade of D or F pursuant to section 15-241 or who is currently eligible to attend kindergarten and who resides within the attendance boundary of a school that has been assigned a letter grade of D or F pursuant to section 15-241.
      (v) A previous recipient of a scholarship issued pursuant to section 15-891 or this section, unless the qualified student's parent has been removed from eligibility in the program for failure to comply pursuant to section 15-2403, subsection C.
      (vi) A child of a parent who is a member of the armed forces of the United States and who is on active duty or was killed in the line of duty. A child who meets the requirements of this item is not subject to subdivision (b) of this paragraph.
      (vii) A child who is a ward of the juvenile court and who is residing with a prospective permanent placement pursuant to section 8-862 and the case plan is adoption or permanent guardianship.
      (viii) A child who was a ward of the juvenile court and who achieved permanency through adoption or permanent guardianship.
      (ix) A child who is the sibling of a current or previous empowerment scholarship account recipient or of an eligible qualified student who accepts the terms of and enrolls in the empowerment scholarship program.
(x) A child who resides within the boundaries of an Indian reservation in this state as determined by the department of education or a tribal government.

(xi) A child of a parent who is legally blind pursuant to section 41-1973, subsection C or deaf or hard of hearing pursuant to AS DEFINED IN section 36-1941.

(b) And, except as provided in subdivision (a), item (vi) of this paragraph, who meets any of the following requirements:

(i) Attended a governmental primary or secondary school as a full-time student as defined in section 15-901 for at least the first one hundred days of the prior fiscal year and who transferred from a governmental primary or secondary school under a contract to participate in an empowerment scholarship account. First, second and third grade students who are enrolled in Arizona online instruction must receive four hundred hours of logged instruction to be eligible pursuant to this item. Fourth, fifth and sixth grade students who are enrolled in Arizona online instruction must receive five hundred hours of logged instruction to be eligible pursuant to this item. Seventh and eighth grade students who are enrolled in Arizona online instruction must receive five hundred fifty hours of logged instruction to be eligible pursuant to this item. High school students who are enrolled in Arizona online instruction must receive five hundred hours of logged instruction to be eligible pursuant to this item.

(ii) Previously participated in the empowerment scholarship account program.

(iii) Received a scholarship under section 43-1505 and who continues to attend a qualified school if the student attended a governmental primary or secondary school as a full-time student as defined in section 15-901 for at least ninety days of the prior fiscal year or one full semester prior to attending a qualified school.

(iv) Was eligible for an Arizona scholarship for pupils with disabilities and received monies from a school tuition organization pursuant to section 43-1505 or received an Arizona scholarship for pupils with disabilities but did not receive monies from a school tuition organization pursuant to section 43-1505 and who continues to attend a qualified school if the student attended a governmental primary or secondary school as a full-time student as defined in section 15-901 for at least ninety days of the prior fiscal year or one full semester prior to attending a qualified school.

(v) Has not previously attended a governmental primary or secondary school but is currently eligible to enroll in a kindergarten program in a school district or charter school in this state or attended a program for preschool children with disabilities.
(vi) Has not previously attended a governmental primary or secondary school but is currently eligible to enroll in a program for preschool children with disabilities in this state.

8. "Treasurer" means the office of the state treasurer.

Sec. 108. Section 17-491, Arizona Revised Statutes, is amended to read:

17-491. Livestock loss board; members; terms; compensation; annual report; board termination

A. The livestock loss board is established to address the depredation of wolves on livestock operations. The livestock loss board consists of the following members:

1. The director of the Arizona department of agriculture or the director's designee.

2. The director of the Arizona game and fish department or the director's designee.

3. Three members who represent the livestock industry, who have knowledge and experience with wildlife impacts and management and who are appointed by the governor pursuant to section 38-211.

4. Two members who represent wildlife conservation or wildlife management, who have knowledge and experience with livestock production or management and who are appointed by the governor pursuant to section 38-211.

5. One member who is a livestock auction market owner and who is appointed by the speaker of the house of representatives.

6. One member who is a faculty member at a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE, who has expertise in agricultural and life sciences and who is appointed by the president of the senate.

B. The initial members of the livestock loss board who are appointed pursuant to subsection A, paragraphs 3, 4, 5 and 6 of this section shall assign themselves by lot to terms of two and four years in office. All subsequent members serve four-year terms of office. The chairperson shall notify the governor's office, the president of the senate and the speaker of the house of representatives on or before December 31 of each year a report of the number of applications for compensation, the total amount of monies provided to landowners,
lessees and livestock operators that year and any recommendations. The livestock loss board shall provide a copy of this report to the secretary of state.

G. The board established by this section ends on July 1, 2023 pursuant to section 41-3103.

Sec. 109. Section 18-101, Arizona Revised Statutes, is amended to read:

18-101. Definitions
In this chapter, unless the context otherwise requires:
1. "Budget unit" means a department, commission, board, institution or other agency of the state receiving, expending or disbursing state funds or incurring obligations of the state, including the Arizona board of regents but excluding the PUBLIC universities under the jurisdiction of the Arizona board of regents, the community college districts and the legislative or judicial branches.
2. "Committee" means the information technology authorization committee.
3. "Department" means the department of administration.
4. "Director" means the director of the department.
5. "Disaster recovery" means the measures required to mitigate the loss of information technology capability.
6. "Information technology" means all computerized and auxiliary automated information processing, telecommunications and related technology, including hardware, software, vendor support and related services, equipment and projects.

Sec. 110. Section 23-391, Arizona Revised Statutes, is amended to read:

23-391. Overtime pay; workweek
A. Subject to availability of appropriated funds, an employee of this state or any political subdivision serving in a position determined by the law enforcement merit system council, the director of the department of administration, the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, the board of directors for the Arizona state schools for the deaf and the blind or the governing body of a political subdivision, in the discretion of the board or body, to be eligible for overtime compensation who is required to work in excess of the person's normal work week WORKWEEK shall be compensated for the excess time at the following rates:
1. One and one-half times the regular rate at which the person is employed or one and one-half hours of compensatory time off for each hour worked if overtime compensation is mandated by federal law.
2. If federal law does not mandate overtime compensation, the person shall receive the regular rate of pay or compensatory leave on an hour-for-hour BASIS at the discretion of the board or governing body.
B. Notwithstanding subsection A of this section, the state or a political subdivision may provide, by action of the law enforcement merit system council, the Arizona board of regents, THE GOVERNING BOARD OF A UNIVERSITY, the board of directors for the Arizona state schools for the deaf and the blind or the director of the department of administration in the case of the state or of the governing body of the political subdivision, for a work week WORKWEEK of forty hours in less than five days for certain classes of employees employed by the state or the political subdivision.

C. For state agencies of the state personnel system, unless otherwise provided by law, the state work week WORKWEEK is the period of seven consecutive days starting Saturday at 12:00 a.m. and ending Friday at 11:59 p.m. Notwithstanding any other law, the director of the department of administration may authorize a workday, for the method and purpose of recording time entries to be included in a workweek and a pay period for employees of this state who are in the correctional officer class series of the state department of corrections AND who are regularly scheduled to work a shift that spans two calendar days, defined as the day a majority of the hours are regularly scheduled to be worked. If the regularly scheduled hours are equally split between two calendar days, the workday is defined as the day the shift ends. Scheduled shift start and end times shall not be adjusted to avoid the payment of overtime.

Sec. 111. Section 23-722.04, Arizona Revised Statutes, is amended to read:

23-722.04. Unemployment insurance information; disclosure; violation; classification

A. The department or the office of economic opportunity may disclose unemployment insurance information to the following entities:

1. Any federal, state or local governmental agency in the investigation of fraud relating to public programs or the misuse of public monies.

2. Divisions of the department, including the employment and rehabilitation services administrations, for program and research purposes.

3. The workforce Arizona council for program performance, regional planning and other program and research purposes.

4. The department of education to evaluate adult education program performance and for other primary and adult education program and research purposes.

5. The Arizona board of regents GOVERNING BOARDS OF UNIVERSITIES, PUBLIC universities under the jurisdiction of the Arizona board of regents IN THIS STATE and community college districts to evaluate program performance and for other program and research purposes.

6. The United States department of labor, or its agents, or the United States census bureau, or its agents, as required by law or in
connection with the requirements imposed as a result of receiving federal
funding.

7. Department contractors or subcontractors, or their agents, for
the sole purpose of providing for the processing, storage and transmission
of information. This disclosure must be consistent with this section.

B. On the request of one of the entities prescribed SPECIFIED in
subsection A of this section to the department or the office of economic
opportunity, the department or the office of economic opportunity shall
disclose unemployment insurance information to the entity pursuant to
guidelines established by the workforce data task force established by
section 41-5404 and pursuant to a written data sharing agreement with the
requesting entity in a form determined by the workforce data task force
pursuant to the laws of this state and applicable federal
regulations. The department or the office of economic opportunity may
disclose the unemployment insurance information only after the requesting
entity has demonstrated that the information will be kept confidential,
except for those purposes for which the information was provided to the
requesting entity, and that the requesting entity has security safeguards
in place to prevent the unauthorized disclosure of the information.

C. Except as otherwise allowed by law or as otherwise authorized by
agreement between the department of economic security and the United
States department of labor, the department of economic security or the
office of economic opportunity may not use federal unemployment insurance
grant monies to pay for any costs incurred in processing and handling
requests for disclosure of unemployment insurance information. The
department OF ECONOMIC SECURITY and the office of economic opportunity, in
consultation with the workforce data task force, shall establish a rate
structure that complies with 20 Code of Federal Regulations section 603.8
for costs incurred in processing requests for disclosure of unemployment
insurance information.

D. The requesting entity may not make public any unemployment
insurance information that identifies an individual or the individual's
employer. Any unauthorized disclosure, including security breaches, shall
be reported to the department and the office of economic opportunity
immediately. Any person who knowingly discloses confidential unemployment
insurance information in violation of this section without prior written
authorization from the department or the office of economic opportunity or
authorization as otherwise provided by law is guilty of a class 3
misdemeanor.

E. The office of economic opportunity may use unemployment
insurance information to perform economic analysis ANALYSES. for the
development of labor market information and a state workforce evaluation
data system and for other program and research purposes.

F. This section does not prohibit disclosure that is required or
allowed by federal law.
Sec. 112. Section 27-102, Arizona Revised Statutes, as amended by Laws 2016, chapter 128, section 5, is amended to read:

27-102. Arizona geological survey; state geologist; powers

A. The Arizona geological survey is established within the university of Arizona with offices located in proximity to the university of Arizona in Tucson. The state geologist shall administer the Arizona geological survey and shall serve at the pleasure of the Governing Board of the University of Arizona. The state geologist shall either be registered as a geologist by the State Board of Technical Registration or be a trained geologist as defined in Section 32-144, a graduate of an accredited institution and otherwise qualified by education and experience to direct the research and information functions of the Arizona geological survey.

B. The state geologist may:

1. Engage the services of faculty members or students, and shall have reasonable access to the data and other resources, of the university of Arizona or any other state university in this state to conduct or supervise research, experimentation or other related work of the Arizona geological survey.

2. Organize field expeditions to perform work for the Arizona geological survey using university students who are sufficiently advanced in their study of geology to be able to perform satisfactory work.

3. Establish and appoint an advisory board consisting of independent practicing geologists, university or college faculty, mining geologists and others who use and rely on data, information and other services of the Arizona geological survey.

4. Engage volunteer staff as necessary.

C. The expenses of the Arizona geological survey shall be paid by annual appropriation from the state general fund and as otherwise provided by this article.

Sec. 113. Repeal

Section 27-102, Arizona Revised Statutes, as amended by Laws 2016, chapter 371, section 6, is repealed.

Sec. 114. Section 27-104, Arizona Revised Statutes, is amended to read:

27-104. Qualifications of employees; private activities relating to geological services prohibited

Qualifications of employees working with the Arizona geological survey shall be prescribed by the Governing Board of the University of Arizona. Neither the state geologist nor any employee working with the Arizona geological survey shall:

1. Acquire a pecuniary interest in any mineral resources property in the state.
2. Act as broker or agent for any purchaser, owner or agent of mineral resources property, equipment or products.

3. Accept any commission or compensation for services rendered in connection with industry in this state.

4. Make an investigation or report on an individual Arizona deposit of mineral resources or metallurgical process other than pursuant to such employee’s official duties.

Sec. 115. Section 27-106, Arizona Revised Statutes, as amended by Laws 2016, chapter 128, section 8, is amended to read:

27-106. Duties of Arizona geological survey; mining, mineral and natural resources educational museum

A. The Arizona geological survey shall:

1. Map and describe the bedrock and related geologic materials and processes in this state, as follows:
   (a) Prepare geologic maps that show the distribution of rock formations and surficial materials at the surface and in the subsurface.
   (b) Describe the character of rock and surficial materials, including their age, origin and physical and chemical properties.
   (c) Map, describe and monitor known and potential geologic hazards and limitations to land and resource management.
   (d) Map and characterize energy and mineral resources and identify areas that may have potential for future discoveries.

2. Provide objective, scientific information about the geologic character of this state as follows:
   (a) Provide timely, courteous responses to requests for information, advice and assistance from the public.
   (b) Maintain a computerized bibliographic database of maps and reports on the geology of this state that is accessible to the public.
   (c) Maintain an internet website that includes information about the Arizona geological survey, products and services available and the geologic character of this state.
   (d) Give lectures and talks, conduct workshops, lead field trips and provide information and assistance to public, educational and professional groups.
   (e) Publish reports and other information, written in nontechnical terms, to inform those who are not trained in geology about the geologic character of this state.

3. Prepare all data files of known areas of earth fissures, produce maps of those areas with overlays showing affected counties, cities, towns, highways and streets and transmit the maps in printed and electronic format to the state real estate department for purposes of providing public access to the earth fissure maps pursuant to this paragraph and section 32-2117. The Arizona geological survey shall provide any map to any member of the public in printed or electronic
format on request. The following notice shall be displayed below each map:

Notice
The state of Arizona has made a reasonable effort to ensure the accuracy of this map when it was produced, but errors may be present and the state of Arizona does not guarantee its accuracy. The map supplements, and is not a substitute for, a professional inspection of property for defects and conditions.

4. Operate and maintain a central repository and a computerized database for reports, books, maps and other publications regarding the geology, mining and mineral resources and associated technologies. Such repository and database shall be available for the use of the public and may be located at or connected with the university of Arizona or another state university or agency of this state. All databases and other archival materials shall be maintained in a secure and retrievable format and at a location prescribed by the state geologist to protect and preserve information from damage or destruction.

5. Utilize the services and expertise of the universities of this state at the discretion of the state geologist.

6. Cooperate with local, county, state and federal agencies.

7. Provide quality mining data, evaluation and assistance relating to mining and mineral development to the legislature, federal, state and local governmental agencies and the public.

8. Serve as a source of mining information and data necessary or advisable to attain its objectives. The Arizona board of regents may establish reasonable fees for publications and other services of the Arizona geological survey.

9. Cooperate with the Arizona corporation commission in its investigations and administration of laws, relating to the sale of mining securities.

B. In coordination with the mining, mineral and natural resources educational museum advisory council established by section 27-111, the Arizona geological survey shall operate and maintain a mining, mineral and natural resources educational museum as the state depository for collecting, cataloging and displaying mining, mineral and natural resources artifacts and specimens. In connection with the mining, mineral and natural resources educational museum, the state geologist may:

1. Promote the recognition and celebration of the historical, cultural, economic and social contributions to this state made by the mining, mineral and natural resources industries in this state, including the livestock and agricultural industries.

2. Apply for and accept grants, gifts, bequests of legacies of real or personal property, donations, including donations of time, services and materials, or any other contribution, financial or otherwise, for use in...
accordance with the direction of the donor or, in the absence of an express direction, as prescribed by the Arizona geological survey. Monies received pursuant to this paragraph shall be deposited in a separate mining, mineral and natural resources educational museum account in the geological survey fund established by section 27-107 to be used exclusively for the maintenance, restoration and operations of the mining, mineral and natural resources educational museum.

3. Accept from the federal or state government, any local government or any of their agencies restricted and unrestricted monies made available to this state for the mining, mineral and natural resources educational museum.

4. Establish and collect entrance fees to the mining, mineral and natural resources educational museum.

5. Operate a retail gift shop, including the acquisition, purchase and resale of mining, mineral and natural resources specimens and related items.

6. Employ a curator for the mining, mineral and natural resources educational museum who possesses knowledge or experience in natural resources and operating a museum.

7. Operate educational programming for the mining, mineral and natural resources educational museum.

8. Accept the services of volunteers and provide oversight for their activities.

9. Pay the necessary maintenance and operation expenses of the mining, mineral and natural resources educational museum.

C. The Arizona geological survey:

1. With the approval of the mining, mineral and natural resources educational museum advisory council, shall adopt a collections management policy that is consistent with national standards and best practices for museums in the United States established by a national association of museums.

2. Shall maintain the items, artifacts and other inventory received for display or storage, including equipment and outdoor displays.

3. In coordination with the mining, mineral and natural resources educational museum advisory council and pursuant to the standards and best practices adopted pursuant to paragraph 1 of this subsection, may sell or otherwise dispose of materials received for the mining, mineral and natural resources educational museum.

Sec. 116. Section 27-106, Arizona Revised Statutes, as amended by Laws 2016, chapter 128, section 9, is amended to read:

27-106. Duties of Arizona geological survey

The Arizona geological survey shall:

1. Map and describe the bedrock and related geologic materials and processes in this state, as follows:
(a) Prepare geologic maps that show the distribution of rock formations and surficial materials at the surface and in the subsurface.
(b) Describe the character of rock and surficial materials, including their age, origin and physical and chemical properties.
(c) Map, describe and monitor known and potential geologic hazards and limitations to land and resource management.
(d) Map and characterize energy and mineral resources and identify areas that may have potential for future discoveries.

2. Provide objective, scientific information about the geologic character of this state as follows:
   (a) Provide timely, courteous responses to requests for information, advice and assistance from the public.
   (b) Maintain a computerized bibliographic database of maps and reports on the geology of this state that is accessible to the public.
   (c) Maintain an internet website that includes information about the Arizona geological survey, products and services available and the geologic character of this state.
   (d) Give lectures and talks, conduct workshops, lead field trips and provide information and assistance to public, educational and professional groups.
   (e) Publish reports and other information, written in nontechnical terms, to inform those who are not trained in geology about the geologic character of this state.

3. Prepare all data files of known areas of earth fissures, produce maps of those areas with overlays showing affected counties, cities, towns, highways and streets and transmit the maps in printed and electronic format to the state real estate department for purposes of providing public access to the earth fissure maps pursuant to this paragraph and section 32-2117. The Arizona geological survey shall provide any map to any member of the public in printed or electronic format on request. The following notice shall be displayed below each map:

Notice

The state of Arizona has made a reasonable effort to ensure the accuracy of this map when it was produced, but errors may be present and the state of Arizona does not guarantee its accuracy. The map supplements, and is not a substitute for, a professional inspection of property for defects and conditions.

4. Operate and maintain a central repository and a computerized database for reports, books, maps and other publications regarding the geology, mining and mineral resources and associated technologies. Such repository and database shall be available for the use of the public and may be located at or connected with the university of Arizona or another state university or agency of this state. All databases and other
archival materials shall be maintained in a secure and retrievable format
and at a location prescribed by the state geologist to protect and
preserve information from damage or destruction.

5. Utilize the services and expertise of the universities of this
state at the discretion of the state geologist.

6. Cooperate with local, county, state and federal agencies.

7. Provide quality mining data, evaluation and assistance relating
to mining and mineral development to the legislature, federal, state and
local governmental agencies and the public.

8. Serve as a source of mining information and data necessary or
advisable to attain its objectives. The Arizona board of regents
GOVERNING BOARD OF THE UNIVERSITY OF ARIZONA may establish reasonable fees
for publications and other services of the Arizona geological survey.

9. Cooperate with the Arizona corporation commission in its
investigations and administration of laws, relating to the sale of mining
securities.

Sec. 117. Section 27-108, Arizona Revised Statutes, is amended to
read:

27-108. Publications; deposit
A. The Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY
OF ARIZONA, through the state geologist, may publish, in the form of
bulletins, circulars, maps and other related series, or otherwise make
available to state agencies, government officials, industry and the public
the results of geological and related research and investigation
undertaken by the Arizona geological survey. A publication shall not
include any confidential information pursuant to section 27-522. The
state geologist shall consult with the operator and obtain the approval of
the scope of work for the publication before the state geologist releases
any proposed publication pertaining to a project regulated by the oil and
gas conservation commission.

B. The publications of the Arizona geological survey shall be
printed as the university of Arizona determines and distributed or sold as
the interests of this state or science demand. Money obtained by the sale
of publications shall be deposited in the geological survey fund
established by section 27-107 for printing further publications.

C. All materials collected, after having served the purpose of the
Arizona geological survey, shall be made available to the universities,
community colleges and high schools of this state.

Sec. 118. Section 27-110, Arizona Revised Statutes, is amended to
read:

27-110. Trade secrets; confidentiality; definition
A. The Arizona board of regents GOVERNING BOARD OF THE UNIVERSITY
OF ARIZONA may receive and accept geologic, engineering and feasibility
studies and other economic and technical information that is considered a
trade secret in the mineral industry.
B. Trade secret information obtained under this section is confidential and not subject to public disclosure.

C. For the purposes of this section, “trade secret" means information to which all of the following apply:

1. A person has taken reasonable measures to protect the information from disclosure and the person intends to continue to take those measures.

2. The information is not and has not been reasonably obtainable by legitimate means by other persons without the person's consent, other than by governmental entities and other than in discovery based on a showing of special need in a judicial or quasi-judicial proceeding.

3. A statute does not specifically require disclosure of the information to the public.

4. The person has satisfactorily shown that disclosing the information is likely to cause substantial harm to the person's competitive position.

Sec. 119. Section 28-2412, Arizona Revised Statutes, is amended to read:

28-2412. Collegiate special plates; definition

A. The department shall issue collegiate special plates that identify each university that is described in section 15-1601 or each community college district. The collegiate special plates shall have the same color and design as the collegiate license plates issued on or before December 31, 1992, except that on the request of a university as described in section 15-1601 or a community college district, the department may revise the color and design of the plates as appropriate for the university or community college district.

B. Of the twenty-five dollar fee required by section 28-2402 for original special plates and for renewal of special plates, eight dollars is a special plate administration fee and seventeen dollars is a collegiate plate annual donation.

C. The department shall deposit, pursuant to sections 35-146 and 35-147, all special plate administration fees in the state highway fund established by section 28-6991 and shall transmit the collegiate plate annual donations as follows:

1. To the board of regents APPROPRIATE GOVERNING BOARD OF A UNIVERSITY for placement in the appropriate university collegiate special plate fund.

2. To the community college district collegiate special plate fund established by PURSUANT TO section 15-1447.

D. The request for collegiate special plates may be combined with a request for personalized special plates. This request shall be on a form prescribed by the director and is subject to the fees required for the personalized special plates in addition to the fees required for collegiate special plates.
E. For the purposes of this section, "community college district" means a community college district that includes all of the following:

1. Is established pursuant to sections 15-1402 and 15-1403 or section 15-1402.01.
2. Is a political subdivision of this state.
3. Has a full-time equivalent student enrollment pursuant to section 15-1466.01 of more than fifty thousand students.

Sec. 120. Section 28-9102, Arizona Revised Statutes, is amended to read:

28-9102. Formation
A. An intergovernmental public transportation authority may be organized as provided by this section in any county with a population of two hundred thousand persons or less.
B. The governing body of one or more incorporated cities or towns may petition the county board of supervisors to establish an authority consisting of the area within the incorporated boundary of the municipality or municipalities.
C. If the organizing municipalities are not contiguous, the unincorporated areas between the organizing municipalities must also be included in the authority with the approval of the county board of supervisors. The board of supervisors shall establish the boundaries of the unincorporated area to be included in the authority.
D. Incorporated cities and towns in different counties, each of which meet the population limit prescribed by subsection A OF THIS SECTION, may petition their respective county boards of supervisors to establish a joint authority consisting of the combined areas within their respective municipal boundaries and including any intervening unincorporated areas in the counties.
E. The board of supervisors shall hold at least one hearing on the petition in one of the petitioning municipalities to determine public support for the authority and whether establishing the authority would be in the public interest. In the case of petitioning municipalities in different counties, the board of supervisors of each county shall hold separate hearings and each board shall make its determination separately.
F. If the board of supervisors determines that establishing the authority would serve the public convenience, necessity, safety or welfare, the board of supervisors shall establish the authority by a resolution that includes a description of the boundaries of the authority. In the case of an authority in different counties, the county boards of supervisors shall establish the authority by an intergovernmental agreement.
G. If an authority is established under this chapter, any PUBLIC university that is under the jurisdiction of the Arizona board of regents and IN THIS STATE that is located in a municipality in the authority, any community college district that is located in a municipality in the...
authority, or any Indian nation that has a boundary within a county in
which an authority is established, may become a member of the authority
by intergovernmental agreement.

Sec. 121. Section 34-105, Arizona Revised Statutes, is amended to
read:

34-105. Guaranteed energy cost savings contracts; definitions
A. An agent may contract for the procurement of a guaranteed energy
cost savings contract with a qualified provider.
B. An agent may enter into a guaranteed energy cost savings
contract with a qualified provider if the agent determines that the amount
the agent would spend on the energy cost savings measures recommended in
the proposal would not exceed the amount to be saved in energy costs over
the expected life, according to the manufacturer's equipment standards, of
the energy cost savings measures implemented, the term of the financial
agreement or twenty-five years, whichever is shortest, after the date that
installation or implementation is complete, if the recommendations in the
proposal are followed. An agent shall retain the cost savings achieved by
a guaranteed energy cost saving contract, and these cost savings
may be used to pay for the contract and project implementation.
C. An agent shall use objective criteria in selecting the qualified
provider, including the cost of the contract, the energy savings, the net
projected energy savings, the quality of the technical approach, the
quality of the project management plan, the financial solvency of the
qualified provider and the experience of the qualified provider with
projects of similar size and scope. An agent shall state each criterion
with its relevant order of importance in the request for proposal.
D. In selecting a contractor to perform any construction work
related to performing the guaranteed energy cost savings contract, the
qualified provider may develop and use a prequalification process for
contractors. These prequalifications may require the contractor to
demonstrate that the contractor is adequately bonded to perform the work
and that the contractor has not failed to perform on a prior job.
E. The selected qualified provider shall perform a study in order
to establish the exact scope of the guaranteed energy cost savings
contract, the fixed cost savings guarantee amount and the methodology for
determining actual savings. The agent shall review and approve this
report before the actual installation of any equipment. The qualified
provider shall transmit a copy of the approved study to the governor's
office of energy policy.
F. The guaranteed energy cost savings contract shall require that
in determining whether the projected energy savings calculations have been
met, the energy costs savings shall be computed by comparing the energy
baseline before installation or implementation of the energy cost savings
measures with the energy consumed after installation or implementation of
the energy cost savings measures. The qualified provider and the agent
may agree to make modifications to the energy baseline only for any of the following:

2. Changes in the number of days in the utility billing cycle.
3. Changes in the square footage of the facility.
4. Changes in the operational schedule of the facility.
5. Changes in facility temperature.
6. Significant changes in the weather.
7. Significant changes in the amount of equipment or lighting utilized in the facility.
8. Significant changes in the nature or intensity of energy use such as the change of classroom space to laboratory space.

G. The information to develop the energy baseline shall be derived from historical energy costs or actual energy measurements or shall be calculated from energy measurements at the facility where energy cost savings measures are to be installed or implemented. The baseline shall be established before the installation or implementation of energy cost savings measures.

H. When submitting a proposal for the installation of equipment, the qualified provider shall include information on the projected energy savings associated with each proposed energy cost savings measure.

I. An agent, or two or more agents, may enter into a financing agreement with a qualified provider or the financial institution, trustee or paying agent for the purchase and installation or implementation of energy cost savings measures. The guaranteed energy cost savings contract may provide for payments over a period of not more than the expected life, according to the manufacturer's equipment standards, of the energy cost savings measures implemented, the term of the financial agreement or twenty-five years, whichever is shortest. The contract shall provide that all payments, except obligations on termination of the contract before its expiration, shall be made pursuant to the terms of the agreement. If an agent purchases the energy cost savings measure, the qualified provider shall guarantee that the energy cost savings meet or exceed the agent's total cost of purchase.

J. The guaranteed energy cost savings contract shall include a written guarantee of the qualified provider that the energy cost savings will meet or exceed the costs of the energy cost savings measures over the expected life, according to the manufacturer's equipment standards, of the energy cost savings measures implemented, the term of the financial agreement or twenty-five years, whichever is shortest, except as provided in subsection I of this section. The qualified provider shall:

1. For the term of the contract, prepare a measurement and verification report on an annual basis in addition to an annual reconciliation of savings.
2. Reimburse the agent for any shortfall of guaranteed energy cost savings on an annual basis.

3. Use the international performance and measurement and verification protocol standards or the federal energy management program standards to validate the savings guarantee.

K. The agent may obtain any required financing as part of the original competitive sealed proposal process from the qualified provider or a third-party financing institution.

L. A qualified provider that is awarded the contract shall give a sufficient bond to the agent for its faithful performance of the equipment installment.

M. This section does not apply to the construction of new buildings.

N. An agent may use a simplified energy performance contract for projects less than five hundred thousand dollars. Simplified energy performance contracts are not required to include an energy savings guarantee and shall comply with all requirements in this section except for the requirements that are specifically related to the energy savings guarantee and the measurement and verification of the guaranteed savings.

O. For the purposes of this section:

1. "Agent" has the same meaning prescribed in section 34-101 but also includes a community college district organized under title 15, chapter 12, the department of administration and the Arizona board of GOVERNING BOARD OF EACH UNIVERSITY.

2. "Construction" means the process of building, altering, repairing, improving or demolishing any structure or building, or other public improvements of any kind to any real property. Construction does not include the routine operation, routine repair or routine maintenance of existing structures, buildings or real property.

3. "Energy baseline" means a calculation of the amount of energy used in an existing facility before the installation or implementation of the energy cost savings measures.

4. "Energy cost savings measure" means a training program or facility alteration designed to reduce energy consumption and may include one or more of the following, and any related meters or other measuring devices:

(a) Insulating the building structure or systems in the building.

(b) Storm windows or doors, caulking or weather stripping, multiglazed windows or door systems, additional glazing, reductions in glass area, or other window and door system modifications that reduce energy consumption.

(c) Automated or computerized energy control systems.

(d) Heating, ventilating or air conditioning system modifications or replacements, including ground source heat pumps.
(e) Replacing or modifying lighting fixtures to increase the energy efficiency of the lighting system without increasing the overall illumination of a facility unless an increase in illumination is necessary to conform to the applicable state or local building code for the lighting system after the proposed modifications are made.

(f) Indoor air quality improvements to increase air quality that conform to the applicable state or local building code requirements.

(g) Energy recovery systems.

(h) Installing a new or retrofitting an existing day lighting system.

(i) Procurement of low-cost utility supplies of all types, including electricity, natural gas, propane and water.

(j) Devices that reduce water consumption and water costs or that reduce sewer charges.

(k) Rainwater harvesting systems.

(l) Combined heat and power systems.

(m) Renewable and alternative energy projects and renewable energy power service agreements.

(n) Self-generation systems.

(o) Any additional building systems and infrastructure that produce energy, or that provide utility cost savings not specifically mentioned in this paragraph, if the improvements meet the life-cycle cost requirement and enhance building system performance or occupant comfort and safety.

(p) Geothermal.

5. "Life-cycle cost" means the sum of the present values of investment costs, capital costs, installation costs, energy costs, operating costs, maintenance costs and disposal costs and utility rebates over the life of the project, product or measure as provided by federal life-cycle cost rules, regulations and criteria contained in the United States department of energy federal energy management program "guidance on life-cycle cost analysis" required by executive order 13423, January 2007.

6. "Qualified provider" means a person or a business that is experienced in designing, implementing or installing energy cost savings measures, that has a record of established projects or measures of similar size and scope, that has demonstrated technical, operational, financial and managerial capabilities to design and operate cost savings measures and projects and that has the financial ability to satisfy guarantees for energy cost savings.

Sec. 122. Section 34-451, Arizona Revised Statutes, is amended to read:

A. The governor's energy office in consultation with persons responsible for building systems shall adopt and publish energy
A. Public buildings shall be constructed in compliance with the state fire code or, if at the request of a school district or charter school, the state fire marshal may authorize through an intergovernmental agreement with a city, town, county or fire district in which the school district or charter school building is located to impose the fire code adopted by the city, town, county or fire district on school district or charter school buildings. An intergovernmental agreement entered pursuant to this subsection may allow the city, town, county or fire district to conduct regularly scheduled fire safety inspections. Public
buildings shall be constructed in compliance with applicable building, plumbing, electrical, fire and mechanical codes adopted by the city, town, county or fire district in which the building is located. The owner of the public building is subject to the same fees required of other persons. Public buildings are subject to inspection during construction pursuant to these codes to determine compliance.

B. If a public building is built in an area that has not adopted local codes, the building shall be designed or constructed according to the state fire code adopted by the state fire marshal and the building, plumbing, electrical and mechanical codes that apply in the largest city in the county in which the building is located.

C. Public buildings are subject to those codes that apply and are in effect when the building is designed or constructed and to the currently adopted codes when a building is found to be structurally unsafe, without adequate egress or a fire hazard or is otherwise dangerous to human life.

D. Subsections A and B of this section do not apply to state owned buildings except for the application of the fire code in effect where a state owned building is located. In complying with the applicable codes pursuant to subsections A and B of this section, the permitting process and fees do not apply to a public school district owned building in a county with a population of more than seven hundred fifty thousand persons but less than two million persons except for the application of the design and permitting process and any fee required of a fire code in effect where such a public school district owned building is located. State department of corrections facilities are exempt from the application of the local fire code in the absence of an intergovernmental agreement between the state department of corrections and the governmental entity responsible for enforcing any local fire code.

E. Notwithstanding subsection A of this section, cities prescribed in section 37-1383, subsection A, paragraph 5 do not have authority that supersedes and are not exempt from the state fire marshal's established fire code in state or county owned buildings wherever located throughout the state.

F. Notwithstanding subsection A of this section, buildings and properties owned by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY or THE university under its jurisdiction are exempt from any city, town, county or fire district fire code in the absence of an intergovernmental agreement between the Arizona board of regents GOVERNING BOARD or the university and the city, town, county or fire district.

G. If the state fire marshal enters into an intergovernmental agreement pursuant to subsection A of this section, a school district or charter school may choose to have the plan review, permitting and any related inspections or any regularly scheduled fire safety inspections completed by either the state fire marshal or the city, town, county or
fire district. If the school district or charter school chooses to have the city, town, county or fire district perform the plan review, permitting and any related inspections or the regularly scheduled fire safety inspections, the city, town, county or fire district shall inform the school district or charter school of any fees associated with the inspection process.

H. This section does not preclude a public school district in a county with a population of more than seven hundred fifty thousand persons but less than two million persons from submitting, at its discretion, to the building design or construction permitting process of the appropriate local government entity for any given project. A public school district making such a decision is subject to subsections A and B of this section and the permit and code compliance requirements of the local government entity, including inspections and fee payments that may be required, for the duration of the project that the district submitted to the local government entity.

I. Public school districts in a county with a population of more than seven hundred fifty thousand persons but less than two million persons shall adopt policies to provide requirements to be followed by licensed or registered contractors or employees in order to ensure that construction projects are in compliance with the applicable codes pursuant to subsections A and B of this section and that records required by code or law for a given project are completed and maintained by the applicable district. At a minimum, these policies shall:

1. Include the method by which the public school district will notify the appropriate local government unit or units, and retain a record of the notification, that the public school district will not be using the permitting process for a given project pursuant to subsection D of this section.

2. Prohibit a construction contractor from serving as a district's inspector and code compliance official on the same project for which the contractor is providing construction services.

3. Require the architect of record for a given district project to be responsible for signing the certificate of occupancy when such a certificate is required for that particular project.

J. For the purposes of this section, "public building" means a building or appurtenance to a building that is built in whole or in part with public monies.

Sec. 124. Section 35-101, Arizona Revised Statutes, is amended to read:

35-101. Definitions

In this chapter, unless the context otherwise requires:

1. "Allotment" means the allocation of an appropriation or other fund source over a full fiscal year within a budget program or expenditure class.
2. "Annual budget unit" means the following agencies:
   (a) The department of education.
   (b) The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY.
   (c) Arizona state university.
   (d) Arizona state university west campus.
   (e) Arizona state university east campus.
   (f) The university of Arizona.
   (g) Northern Arizona university.
   (h) The school facilities board.
   (i) The department of economic security.
   (j) The state department of corrections.
   (k) The department of juvenile corrections.
   (l) The Arizona health care cost containment system.
   (m) The department of health services.
   (n) The department of administration.
   (o) The department of transportation.
   (p) The judiciary, including the supreme court, the court of appeals and the superior court.
   (q) The department of child safety.

3. "Authorized agent" means a commercial enterprise contracted to process transactions on behalf of a state agency.

4. "Biennial budget unit" means any department, commission, board, institution or other agency of the state organization receiving, expending or disbursing state funds or incurring obligations against the state that is not an annual budget unit.

5. "Budget estimates" means statements with accompanying explanations, as provided by this chapter, in which a budget unit states its financial requirements and requests appropriations.

6. "Budget program" means functions and activities of a budget unit or within a budget unit that are preplanned to fulfill a distinct mission.

7. "Budget unit" means any department, commission, board, institution or other agency of the state organization receiving, expending or disbursing state funds or incurring obligations against the state. Budget unit includes the annual budget units and biennial budget units.

8. "Cardholder" means any person:
   (a) Named on the face of a credit card to whom or for whose benefit the credit card is issued by an issuer.
   (b) In possession of a credit card with the consent of the person to whom the credit card was issued.

9. "Claim" means a demand against the state for payment for either:
   (a) Goods delivered or, in the case of highway construction, goods or facilities to be delivered by the federal government.
   (b) Services performed.
10. "Convenience fee" means an additional fee that is imposed by an authorized agent on a web-based or voice response portal transaction for the acceptance of a credit card that would not be charged if the same transaction were completed by an alternate method of payment.

11. "Credit card" means:
   (a) Any instrument or device, whether known as a credit card, charge card, credit plate, courtesy card or identification card or by any other name, issued with or without a fee by an issuer for the use of the cardholder in obtaining money, goods, services or anything else of value, either on credit or in possession or in consideration of an undertaking or guaranty by the issuer of the payment of a check drawn by the cardholder, on a promise to pay in part or in full at a future time, whether or not all or any part of the indebtedness represented by this promise to make deferred payment is secured or unsecured.
   (b) Any debit card, electronic benefit transfer card or other access instrument or device, other than a check that is signed by the holder or other authorized signatory on the deposit account, that draws monies from a deposit account in order to obtain money, goods, services or anything else of value.
   (c) Any stored value card, smart card or other instrument or device that enables a person to obtain goods, services or anything else of value through the use of value stored on the instrument or device.
   (d) The number assigned to an instrument or device described in subdivision (a), (b) or (c) of this paragraph even if the physical instrument or device is not used or presented.

12. "Discount fee" means the fee calculated and charged by the credit card issuer or a financial institution pursuant to an agreement for the processing of any credit card transaction.

13. "Encumbrance" means an obligation in the form of any purchase order, contract or other commitment which is chargeable to an appropriation or any other authorized fund source and for which a part of the fund source is reserved. It ceases to be an encumbrance when paid or canceled.

14. "Expenditure class" means one of the kinds of expenditure denoting a class of services or commodities purchased or properties acquired as specified in the classification of expenditures prescribed by the director of the department of administration for use in expenditure accounting, in making budget estimates and in the budget reports and budgets.

15. "Issuer" means any business organization, state agency or financial institution, or its duly authorized agent, that issues a credit card.

16. "Prepayment" means the payment of a claim before receiving the goods or services.
17. “Processing fee” means a fee charged by an entity other than a credit card issuer or the processing financial institution to process a credit card transaction.

18. “Purchase order” means a document that is signed by the appropriate agency authorized signatory, that requests a vendor to deliver described goods or services at a specific price and that on delivery and acceptance of the goods or services by this state becomes an obligation of this state.

19. “Transaction amount” means the total amount due to the state for any goods, service or license or anything else of value.

Sec. 125. Section 35-116, Arizona Revised Statutes, is amended to read:

35-116. Supervisory powers of governor relating to budget report; exceptions

A. Prior to submission of the budget report to the legislature, the governor shall examine the statements and estimates and shall make or cause to be made further investigations, with hearings before the governor, or the governor’s designee, and shall make changes or revisions in appropriations requested that the governor deems advisable.

B. The legislature shall not be subject to the control of the governor in the preparation and submission of budgets, but shall submit its requests for appropriations for the two ensuing fiscal years to the governor for review by the legislature.

C. The judiciary shall not be subject to the control of the governor in the preparation and submission of budgets, but shall submit its requests for appropriations for the ensuing fiscal year to the governor for review by the legislature.

D. The appropriation requests of the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY and the department of transportation for the ensuing fiscal year may be revised by the governor, but the governor shall also submit the appropriation request prepared and submitted by the budget unit in its original form to the legislature for review.

Sec. 126. Section 35-120, Arizona Revised Statutes, is amended to read:

35-120. Additional powers of governor

A. In aid of any powers vested in the governor under this article, the governor:

1. Shall have access to offices of all budget units.

2. May examine all books, papers, records and documents in the office of any budget unit.

3. May require any state officer or head of any budget unit to furnish such data, information or statements as may be necessary.

B. The provisions of This section shall apply APPLIES to the board of regents GOVERNING BOARD OF EACH UNIVERSITY and the institutions under
the jurisdiction of the board of regents PUBLIC UNIVERSITIES, only as they
relate to the appropriations requested.

C. The power of the governor as prescribed by the terms of this
section, to investigate budget units, including the board of regents
GOVERNING BOARD OF EACH UNIVERSITY, may be delegated to the office of
strategic planning and budgeting or the department of administration.
Such power may be used and shall extend to funds appropriated by the
legislature in its relation to budget preparation for the current and
preceding fiscal year. The powers granted by the terms of this section
may be exercised by the governor during any period of the fiscal year.

Sec. 127. Section 35-148, Arizona Revised Statutes, is amended to
read:

35-148. Payment for interagency services as credit to account
of agency; transfer of miscellaneous state monies
to general fund; exceptions

A. Interagency service agreements entered into between budget units
may provide for reimbursement for services performed or advancement of
funds for services to be performed. In either instance, monies received
by the budget unit performing the services shall be credited to its
appropriation account for its use in performing the services. If funds
are advanced, the agency performing the services shall make an accounting
of expenditures and return any advances not used to the appropriation
account of the advancing agency.

B. Except as provided in subsection A of this section, when money
belonging to the state comes into the possession of a state officer, by
recovery at law or otherwise, and no provision of law exists for the
disposition of such money, it shall be deposited, pursuant to sections
35-146 and 35-147, in the state general fund.

C. The provisions of This section shall DOES not apply to money
realized from the sale of personal property or from the sale of real
property or improvements thereon by the Arizona board of regents GOVERNING
BOARD OF A UNIVERSITY, or by educational institutions under the control of
the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, the
department of child safety or the department of economic security.

Sec. 128. Section 35-190, Arizona Revised Statutes, is amended to
read:

35-190. Incurring obligations after close of fiscal year;
lapsing appropriations; exceptions

A. Except as provided in section 35-191, no officer or other agency
of the state shall, after the close of any fiscal year, incur or order or
approve the incurring of any obligation or expenditure under any
appropriation made by the legislature for such fiscal year, and no
expenditure shall be made from or be charged to any appropriation made by
the legislature for any fiscal year which THAT has expired at the time the
obligation for such AN expenditure was incurred.
B. The department of administration may draw warrants against the available balances of appropriations made for a fiscal year for a period of one month after the close of such fiscal year:

1. For payment of obligations incurred during the fiscal year for which such appropriations were made.
2. In fulfillment of contracts properly made during such year as determined by the director of the department of administration.

C. After expiration of such period of one month from the beginning of each fiscal year, all balances of appropriations for the prior fiscal year shall lapse and no further payments shall be made on any claim on account of expenditures of such prior fiscal year.

D. Appropriations for construction or other permanent improvements shall not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, unless such appropriation is available during the entire fiscal year without an expenditure therefrom or encumbrance thereon.

E. Nothing in this section shall be construed to require reversion to the STATE general fund of any balance derived wholly or partly from federal grants, earnings or other sources, and remaining in any special revenue, endowment, interest, redemption or suspense agency fund at the close of the fiscal year unless expressly so provided by law, or to require reversion to the STATE general fund of any balance of fiscal year appropriations made for state institutions under the control of the Arizona Board of Regents GOVERNING BOARD OF A UNIVERSITY.

Sec. 129. Section 35-515, Arizona Revised Statutes, is amended to read:

35-515. Rebate reporting; state agencies
A. The state treasurer shall report to the United States government any rebate resulting from bonds issued by any state agency. The state treasurer may contract with professional consultants deemed necessary by the state treasurer in order to comply with the provisions of this section. The state treasurer may charge any costs associated with this section proportionally among the state agencies for which reports are made. Rebate reporting by the state treasurer does not relieve the state agency from the responsibility for any payment of any rebate that may become due.

B. State agencies shall deliver to the state treasurer in a timely manner all information required by the state treasurer to comply with rebate reporting requirements. Such information shall include official statements, certificates of rebate, certificates of yield, investment accounting documentation, amortization schedules and contract documents.

C. The state treasurer shall make rebate payments on behalf of the agency as required. The rebate payment and any charges incurred pursuant to subsection A OF THIS SECTION shall be transferred from the account of the state agency to the state treasurer for such payments.
D. This section shall apply to the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY and the institutions under the jurisdiction of the THAT board upon ON the approval of the board of regents THAT GOVERNING BOARD.

Sec. 130. Section 35-701, Arizona Revised Statutes, is amended to read:

35-701. Definitions
In this chapter, unless the context otherwise requires:
1. "Corporation" means any corporation organized as an authority as provided in this chapter.
2. "Governing body" means:
   (a) The board or body in which the general legislative powers of the municipality or the county are vested.
   (b) The Arizona board of regents GOVERNING BOARD OF A UNIVERSITY with respect to a corporation formed with the permission of the Arizona board of regents THAT GOVERNING BOARD.
   (c) The Arizona finance authority board of directors established by title 41, chapter 53, article 2.
3. "Income" means gross earnings from wages, salary, commissions, bonuses or tips from all jobs, net earnings from such person's or family's own nonfarm business, professional practice or partnership, and net earnings from such person's or family's own farm. Income includes income, other than earnings, that consists of amounts received from social security or railroad retirement, interest, dividends, veterans payments, pensions and other regular payments, public assistance or welfare payments, including aid for dependent children, old age assistance and aid to the blind or persons with total disability, but excluding separate payments for hospital or other medical care.
4. "Manufactured house" means a structure that is manufactured in a factory after June 15, 1976, that is delivered to a homesite in more than one section and that is placed on a permanent foundation. The dimensions of the completed house shall not be less than twenty feet by forty feet, the roof must be sloping, the siding and roofing must be the same as those found in site-built houses and the house must be eligible for thirty-year THIRTY-YEAR real estate mortgage financing.
5. "Municipality" or "county" means the Arizona finance authority, the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY or any incorporated city or town, including charter cities, or any county in this state in which a corporation may be organized and in which it is contemplated the corporation will function.
6. "Persons of low and moderate income" means, for the purposes of financing owner-occupied single family dwelling units in areas that the municipality has found, pursuant to section 36-1479, to be slum or blighted areas, as defined in section 36-1471, persons and families whose income does not exceed two and one-half times the median family income of
this state. In all other areas it means persons and families whose income
does not exceed one and one-half times the median family income of this
state.

7. "Project" means any land, any building or any other improvement
and all real and personal properties, including machinery and equipment
whether or not now in existence or under construction and whether located
within or without this state or the municipality or county approving the
formation of the corporation, that are suitable for any of the following:
(a) With respect to a corporation formed with the permission of the
Arizona finance authority, a municipality or a county other than the
Arizona board of regents GOVERNING BOARD OF A UNIVERSITY:
(i) Any enterprise for the manufacturing, processing or assembling
of any agricultural or manufactured products.
(ii) Any commercial enterprise for the storing, warehousing,
distributing or selling of products of agriculture, mining or industry, or
of processes related thereto, including research and development.
(iii) A health care institution as defined in section 36-401.
(iv) Residential real property for dwelling units located within
the municipality or county approving the formation of the corporation and,
in the case of a county, whether or not also within a municipality that is
within the county.
(v) Repairing or rehabilitating single family dwelling units or
constructing or repairing residential fences and walls.
(vi) Convention or trade show facilities.
(vii) Airports, docks, wharves, mass commuting facilities, parking
facilities or storage or training facilities directly related to any of
the facilities as provided in this item.
(viii) Sewage or solid waste disposal facilities or facilities for
the furnishing of electric energy, gas or water.
(ix) Industrial park facilities.
(x) Air or water pollution control facilities.
(xi) Any educational institution that is operated by a nonprofit
educational organization that is exempt from taxation under section
501(c)(3) of the United States internal revenue code and that is not
otherwise funded by state monies, any educational institution or
organization that is established under title 15, chapter 1, article 8 and
that is owned by a nonprofit organization, any private nonsectarian school
or any private nonsectarian organization established for the purpose of
funding a joint technical education school district.
(xii) Research and development facilities.
(xiii) Any commercial enterprises, including facilities for
manufacturing, office, recreational, hotel, motel and service uses.
(xiv) A child welfare agency, as defined in section 8-501, owned and operated by a nonprofit organization.

(xv) A transportation facility constructed or operated pursuant to title 28, chapter 22.

(xvi) A museum operated by a nonprofit organization.

(xvii) Facilities owned or operated by a nonprofit organization described in section 501(c) of the United States internal revenue code of 1986.

(xviii) New or existing correctional facilities within this state.

(b) With respect to a corporation formed with the permission of the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, any facility consisting of classrooms, lecture halls or conference centers or any facility for research and development or for manufacturing, processing, assembling, marketing, storing and transferring items developed through or connected with research and development or in which the results of such research and development are utilized, but only if the facility is located in an area designated as a research park by the Arizona board of regents GOVERNING BOARD.

8. "Property" means any land, improvements thereon, buildings and any improvements thereto, machinery and equipment of any and all kinds necessary to a project and any other personal properties deemed necessary in connection with a project.

9. "Research park" means an area of land that has been designated by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY as a research park for THAT university and that, at the date of designation, is owned by this state or by the Arizona board of regents UNIVERSITY.

10. "Single family dwelling unit" includes any new, used or manufactured house that meets the insuring requirements of the federal housing administration, the United States department of veterans affairs or any other insuring entity of the United States government or any private mortgage insurance or surety company that is approved by the federal home loan mortgage corporation or the federal national mortgage association.

Sec. 131. Section 35-702, Arizona Revised Statutes, is amended to read:

35-702. Proceedings to incorporate industrial development authority

A. Whenever any number of natural persons, not less than three, each of whom is a qualified elector of the municipality or the county or, in the case of a corporation to be formed with the permission of the Arizona finance authority or the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, qualified electors of this state, file FILES with any governing body thereof an application in writing seeking permission to apply for the incorporation of an industrial development board of the municipality or county, the governing body shall consider the application.
If the governing body by resolution finds and determines that it is wise, expedient, necessary or advisable that the corporation be formed and authorizes the persons making the application to form the corporation, then the persons making the application shall proceed to incorporate as prescribed by this chapter. A corporation may not be formed unless the application first has been filed with the governing body having jurisdiction and the governing body adopts a resolution as provided in this section. Any corporation when formed shall be a political subdivision of this state and have only the governmental powers as are set forth in this chapter or in chapter 6 of this title and the power to enter into intergovernmental agreements in accordance with title 11, chapter 7, article 3.

B. Only one corporation shall be approved by a municipality or county for operation at any time.

Sec. 132. Section 35-703, Arizona Revised Statutes, is amended to read:

**35-703. Articles of incorporation of industrial development authority**

In addition to the requirements of title 10, the articles of incorporation shall set forth:

1. The names and residences of the applicants, together with a recital that each of them is a qualified elector of the municipality or the county or, in the case of a corporation to be formed with the permission of the Arizona finance authority or the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, a qualified elector of this state.

2. The name of the corporation, which shall be "the industrial development authority of the _________ of _________." (the blank spaces to be filled in with the name of the municipality or the county). In the case of a corporation formed with the permission of the Arizona finance authority, the name shall be the "Arizona industrial development authority". In the case of a corporation formed with the permission of the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, the name shall be the "Arizona research park authority".

3. A recital that permission to organize the authority has been granted by resolution duly adopted by the governing body of the municipality or county and the date of the adoption of such a resolution.

4. The location of the principal office of the authority, which shall be in the municipality or county. In the case of a corporation formed with the permission of the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, the principal office of the corporation shall be the principal office of the Arizona board of regents THAT GOVERNING BOARD. In the case of a corporation formed with the permission of the Arizona finance authority, the Arizona finance authority is the principal office of the corporation.
Sec. 133. Section 35-705, Arizona Revised Statutes, is amended to read:

35-705. Board of directors

The authority shall have a board of directors in which all powers of the authority shall be vested and that shall consist of any number of directors, not less than three nor more than nine, all of whom shall be duly qualified electors of the municipality or county with respect to which the authority was formed, except that a corporation that is formed by the Arizona finance authority shall be governed pursuant to section 41-5353. In the case of a corporation formed with the permission of the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, the directors must be qualified electors of this state. In the case of a corporation formed with the permission of the Arizona finance authority, the Arizona finance authority board shall serve as the board of the industrial development authority. The directors shall serve without compensation, except that the directors shall be reimbursed for their actual expenses incurred in the performance of their duties in the same manner as is provided for other state officers. A director shall not be an officer or employee of the authorizing municipality or county. All directors shall declare any conflict of interest as provided in title 38, chapter 3, article 8. The directors shall be elected by the governing body of the authorizing municipality or county, and they shall be so elected that they shall hold office for overlapping terms. At the time of the election of the first board of directors, the governing body of the municipality or the county shall divide the directors into three groups containing as nearly equal whole numbers as possible. The first term of the directors included in the first group shall be two years, the first term of the directors included in the second group shall be four years, the first term of the directors included in the third group shall be six years, and thereafter the terms of all directors shall be six years. The governing body may remove a director at any time, with or without cause.

Sec. 134. Section 35-722, Arizona Revised Statutes, is amended to read:

35-722. Approval by elected official if required by federal law

The governor or the attorney general, or the state treasurer if designated by the governor, may approve the issuance of any bonds issued by a corporation formed with the permission of the Arizona finance authority or the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY for purposes of complying with federal laws requiring approval by an applicable elected representative.
Sec. 135. Section 35-771, Arizona Revised Statutes, is amended to read:

35-771. Definitions
In this article, unless the context otherwise requires:
1. "Educational institution" means a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE, a community college in this state, an accredited private postsecondary institution eligible under title IV of the higher education act of 1965 licensed by this state and any other accredited institution eligible under title IV of the higher education act of 1965 offering postsecondary education or courses, whether located within or outside of the boundaries of this state, that awards any eligible degree.
2. "Eligible degree" means any postsecondary degree or program.
3. "Eligible lender" means an entity affiliated or contracting with a corporation or a qualified educational institution that may make student loans to eligible students or to the parents of eligible students or a nonprofit entity that is exempt from taxation under section 501(c)(3) of the internal revenue code and that makes student loans.
4. "Eligible student" means any student attending any qualified educational institution and any resident of this state attending any educational institution.
5. "Parent" means a student's mother, father, adoptive parent, grandparent or guardian or any person with the duty and authority to make important decisions in matters having a permanent effect on the life and development of THE student and to be concerned about the student's general welfare.
6. "Qualified educational institution" means an educational institution, as defined in paragraph 1 of this section, with a campus and facilities located in this state that offers one or more eligible degrees.
7. "State program representative" means the state treasurer or the state treasurer's designee.
8. "Student loan" means a loan to or for the benefit of an eligible student for the purpose of financing all or a part of the eligible student's cost of attending an educational institution in pursuit of an eligible degree or refinancing any such loan previously made.

Sec. 136. Section 36-2102, Arizona Revised Statutes, is amended to read:

36-2102. Medical affiliation; contract for services; funds; limitation
A. The director may contract with any Arizona hospital, the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, a licensed dialysis center or home delivery health service for:
1. The operation and administration of limited care dialysis centers.
2. Assistance in home dialysis.

B. State funds appropriated to the department for the continuation of limited care dialysis centers, assistance in home dialysis, kidney transplants and related services shall not be utilized to pay for general medical care services other than kidney transplants, dialysis treatment and necessary laboratory procedures, including prescription drugs, related to such treatment or transplant and complications arising in the treatment of dialysis patients.

Sec. 137. Section 36-2903.01, Arizona Revised Statutes, is amended to read:

36-2903.01. Additional powers and duties; report; definition  
A. The director of the Arizona health care cost containment system administration may adopt rules that provide that the system may withhold or forfeit payments to be made to a noncontracting provider by the system if the noncontracting provider fails to comply with this article, the provider agreement or rules that are adopted pursuant to this article and that relate to the specific services rendered for which a claim for payment is made.

B. The director shall:

1. Prescribe uniform forms to be used by all contractors. The rules shall require a written and signed application by the applicant or an applicant's authorized representative, or, if the person is incompetent or incapacitated, a family member or a person acting responsibly for the applicant may obtain a signature or a reasonable facsimile and file the application as prescribed by the administration.

2. Enter into an interagency agreement with the department to establish a streamlined eligibility process to determine the eligibility of all persons defined pursuant to section 36-2901, paragraph 6, subdivision (a). At the administration's option, the interagency agreement may allow the administration to determine the eligibility of certain persons, including those defined pursuant to section 36-2901, paragraph 6, subdivision (a).

3. Enter into an intergovernmental agreement with the department to:

(a) Establish an expedited eligibility and enrollment process for all persons who are hospitalized at the time of application.

(b) Establish performance measures and incentives for the department.

(c) Establish the process for management evaluation reviews that the administration shall perform to evaluate the eligibility determination functions performed by the department.

(d) Establish eligibility quality control reviews by the administration.

(e) Require the department to adopt rules, consistent with the rules adopted by the administration for a hearing process, that applicants
or members may use for appeals of eligibility determinations or redeterminations.

(f) Establish the department's responsibility to place sufficient eligibility workers at federally qualified health centers to screen for eligibility and at hospital sites and level one trauma centers to ensure that persons seeking hospital services are screened on a timely basis for eligibility for the system, including a process to ensure that applications for the system can be accepted on a twenty-four hour basis, seven days a week.

(g) Withhold payments based on the allowable sanctions for errors in eligibility determinations or redeterminations or failure to meet performance measures required by the intergovernmental agreement.

(h) Recoup from the department all federal fiscal sanctions that result from the department's inaccurate eligibility determinations. The director may offset all or part of a sanction if the department submits a corrective action plan and a strategy to remedy the error.

4. By rule establish a procedure and time frames for the intake of grievances and requests for hearings, for the continuation of benefits and services during the appeal process and for a grievance process at the contractor level. Notwithstanding sections 41-1092.02, 41-1092.03 and 41-1092.05, the administration shall develop rules to establish the procedure and time frame for the informal resolution of grievances and appeals. A grievance that is not related to a claim for payment of system covered services shall be filed in writing with and received by the administration or the prepaid capitated provider or program contractor not later than sixty days after the date of the adverse action, decision or policy implementation being grieved. A grievance that is related to a claim for payment of system covered services must be filed in writing and received by the administration or the prepaid capitated provider or program contractor within twelve months after the date of service, within twelve months after the date that eligibility is posted or within sixty days after the date of the denial of a timely claim submission, whichever is later. A grievance for the denial of a claim for reimbursement of services may contest the validity of any adverse action, decision, policy implementation or rule that related to or resulted in the full or partial denial of the claim. A policy implementation may be subject to a grievance procedure, but it may not be appealed for a hearing. The administration is not required to participate in a mandatory settlement conference if it is not a real party in interest. In any proceeding before the administration, including a grievance or hearing, persons may represent themselves or be represented by a duly authorized agent who is not charging a fee. A legal entity may be represented by an officer, partner or employee who is specifically authorized by the legal entity to represent it in the particular proceeding.
5. Apply for and accept federal funds available under title XIX of the social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section 1396 (1980)) in support of the system. The application made by the director pursuant to this paragraph shall be designed to qualify for federal funding primarily on a prepaid capitated basis. Such funds may be used only for the support of persons defined as eligible pursuant to title XIX of the social security act or the approved section 1115 waiver.

6. At least thirty days before the implementation of a policy or a change to an existing policy relating to reimbursement, provide notice to interested parties. Parties interested in receiving notification of policy changes shall submit a written request for notification to the administration.

7. In addition to the cost sharing requirements specified in subsection D, paragraph 4 of this section:
   (a) Charge monthly premiums up to the maximum amount allowed by federal law to all populations of eligible persons who may be charged.
   (b) Implement this paragraph to the extent permitted under the federal deficit reduction act of 2005 and other federal laws, subject to the approval of federal waiver authority and to the extent that any changes in the cost sharing requirements under this paragraph would permit this state to receive any enhanced federal matching rate.

C. The director is authorized to apply for any federal funds available for the support of programs to investigate and prosecute violations arising from the administration and operation of the system. Available state funds appropriated for the administration and operation of the system may be used as matching funds to secure federal funds pursuant to this subsection.

D. The director may adopt rules or procedures to do the following:
   1. Authorize advance payments based on estimated liability to a contractor or a noncontracting provider after the contractor or noncontracting provider has submitted a claim for services and before the claim is ultimately resolved. The rules shall specify that any advance payment shall be conditioned on the execution before payment of a contract with the contractor or noncontracting provider that requires the administration to retain a specified percentage, which shall be at least twenty percent, of the claimed amount as security and that requires repayment to the administration if the administration makes any overpayment.
   2. Defer liability, in whole or in part, of contractors for care provided to members who are hospitalized on the date of enrollment or under other circumstances. Payment shall be on a capped fee-for-service basis for services other than hospital services and at the rate established pursuant to subsection G of this section for hospital services or at the rate paid by the health plan, whichever is less.
3. Deputize, in writing, any qualified officer or employee in the administration to perform any act that the director by law is empowered to do or charged with the responsibility of doing, including the authority to issue final administrative decisions pursuant to section 41-1092.08.

4. Notwithstanding any other law, require persons eligible pursuant to section 36-2901, paragraph 6, subdivision (a), section 36-2931 and section 36-2981, paragraph 6 to be financially responsible for any cost sharing requirements established in a state plan or a section 1115 waiver and approved by the centers for medicare and medicaid services. Cost sharing requirements may include copayments, coinsurance, deductibles, enrollment fees and monthly premiums for enrolled members, including households with children enrolled in the Arizona long-term care system.

E. The director shall adopt rules that further specify the medical care and hospital services that are covered by the system pursuant to section 36-2907.

F. In addition to the rules otherwise specified in this article, the director may adopt necessary rules pursuant to title 41, chapter 6 to carry out this article. Rules adopted by the director pursuant to this subsection shall consider the differences between rural and urban conditions on the delivery of hospitalization and medical care.

G. For inpatient hospital admissions and outpatient hospital services on and after March 1, 1993, the administration shall adopt rules for the reimbursement of hospitals according to the following procedures:

1. For inpatient hospital stays from March 1, 1993 through September 30, 2014, the administration shall use a prospective tiered per diem methodology, using hospital peer groups if analysis shows that cost differences can be attributed to independently definable features that hospitals within a peer group share. In peer grouping the administration may consider such factors as length of stay differences and labor market variations. If there are no cost differences, the administration shall implement a stop loss-stop gain or similar mechanism. Any stop loss-stop gain or similar mechanism shall ensure that the tiered per diem rates assigned to a hospital do not represent less than ninety percent of its 1990 base year costs or more than one hundred ten percent of its 1990 base year costs, adjusted by an audit factor, during the period of March 1, 1993 through September 30, 1994. The tiered per diem rates set for hospitals shall represent no less than eighty-seven and one-half percent or more than one hundred twelve and one-half percent of its 1990 base year costs, adjusted by an audit factor, from October 1, 1994 through September 30, 1995 and no less than eighty-five percent or more than one hundred fifteen percent of its 1990 base year costs, adjusted by an audit factor, from October 1, 1995 through September 30, 1996. For the periods after September 30, 1996 no stop loss-stop gain or similar mechanisms shall be in effect. An adjustment in the stop loss-stop gain percentage may be made to ensure that total payments do not increase as a result of
this provision. If peer groups are used, the administration shall establish initial peer group designations for each hospital before implementation of the per diem system. The administration may also use a negotiated rate methodology. The tiered per diem methodology may include separate consideration for specialty hospitals that limit their provision of services to specific patient populations, such as rehabilitative patients or children. The initial per diem rates shall be based on hospital claims and encounter data for dates of service November 1, 1990 through October 31, 1991 and processed through May of 1992. The administration may also establish a separate reimbursement methodology for claims with extraordinarily high costs per day that exceed thresholds established by the administration.

2. For rates effective on October 1, 1994, and annually through September 30, 2011, the administration shall adjust tiered per diem payments for inpatient hospital care by the data resources incorporated market basket index for prospective payment system hospitals. For rates effective beginning on October 1, 1999, the administration shall adjust payments to reflect changes in length of stay for the maternity and nursery tiers.

3. Through June 30, 2004, for outpatient hospital services, the administration shall reimburse a hospital by applying a hospital specific outpatient cost-to-charge ratio to the covered charges. Beginning on July 1, 2004 through June 30, 2005, the administration shall reimburse a hospital by applying a hospital specific outpatient cost-to-charge ratio to covered charges. If the hospital increases its charges for outpatient services filed with the Arizona department of health services pursuant to chapter 4, article 3 of this title, by more than 4.7 percent for dates of service effective on or after July 1, 2004, the hospital specific cost-to-charge ratio will be reduced by the amount that it exceeds 4.7 percent. If charges exceed 4.7 percent, the effective date of the increased charges will be the effective date of the adjusted Arizona health care cost containment system cost-to-charge ratio. The administration shall develop the methodology for a capped fee-for-service schedule and a statewide cost-to-charge ratio. Any covered outpatient service not included in the capped fee-for-service schedule shall be reimbursed by applying the statewide cost-to-charge ratio that is based on the services not included in the capped fee-for-service schedule. Beginning on July 1, 2005, the administration shall reimburse clean claims with dates of service on or after July 1, 2005, based on the capped fee-for-service schedule or the statewide cost-to-charge ratio established pursuant to this paragraph. The administration may make additional adjustments to the outpatient hospital rates established pursuant to this section based on other factors, including the number of beds in the hospital, specialty services available to patients and the geographic location of the hospital.
4. Except if submitted under an electronic claims submission system, a hospital bill is considered received for purposes of this paragraph on initial receipt of the legible, error-free claim form by the administration if the claim includes the following error-free documentation in legible form:
   (a) An admission face sheet.
   (b) An itemized statement.
   (c) An admission history and physical.
   (d) A discharge summary or an interim summary if the claim is split.
   (e) An emergency record, if admission was through the emergency room.
   (f) Operative reports, if applicable.
   (g) A labor and delivery room report, if applicable.

Payment received by a hospital from the administration pursuant to this subsection or from a contractor either by contract or pursuant to section 36-2904, subsection I is considered payment by the administration or the contractor of the administration's or contractor's liability for the hospital bill. A hospital may collect any unpaid portion of its bill from other third-party payors or in situations covered by title 33, chapter 7, article 3.

5. For services rendered on and after October 1, 1997, the administration shall pay a hospital's rate established according to this section subject to the following:
   (a) If the hospital's bill is paid within thirty days of the date the bill was received, the administration shall pay ninety-nine percent of the rate.
   (b) If the hospital's bill is paid after thirty days but within sixty days of the date the bill was received, the administration shall pay one hundred percent of the rate.
   (c) If the hospital's bill is paid any time after sixty days of the date the bill was received, the administration shall pay one hundred percent of the rate plus a fee of one percent per month for each month or portion of a month following the sixtieth day of receipt of the bill until the date of payment.

6. In developing the reimbursement methodology, if a review of the reports filed by a hospital pursuant to section 36-125.04 indicates that further investigation is considered necessary to verify the accuracy of the information in the reports, the administration may examine the hospital's records and accounts related to the reporting requirements of section 36-125.04. The administration shall bear the cost incurred in connection with this examination unless the administration finds that the records examined are significantly deficient or incorrect, in which case the administration may charge the cost of the investigation to the hospital examined.
7. Except for privileged medical information, the administration shall make available for public inspection the cost and charge data and the calculations used by the administration to determine payments under the tiered per diem system, provided that individual hospitals are not identified by name. The administration shall make the data and calculations available for public inspection during regular business hours and shall provide copies of the data and calculations to individuals requesting such copies within thirty days of receipt of a written request. The administration may charge a reasonable fee for the provision of the data or information.

8. The prospective tiered per diem payment methodology for inpatient hospital services shall include a mechanism for the prospective payment of inpatient hospital capital related costs. The capital payment shall include hospital specific and statewide average amounts. For tiered per diem rates beginning on October 1, 1999, the capital related cost component is frozen at the blended rate of forty percent of the hospital specific capital cost and sixty percent of the statewide average capital cost in effect as of January 1, 1999 and as further adjusted by the calculation of tier rates for maternity and nursery as prescribed by law. Through September 30, 2011, the administration shall adjust the capital related cost component by the data resources incorporated market basket index for prospective payment system hospitals.

9. For graduate medical education programs:
   (a) Beginning September 30, 1997, the administration shall establish a separate graduate medical education program to reimburse hospitals that had graduate medical education programs that were approved by the administration as of October 1, 1999. The administration shall separately account for monies for the graduate medical education program based on the total reimbursement for graduate medical education reimbursed to hospitals by the system in federal fiscal year 1995-1996 pursuant to the tiered per diem methodology specified in this section. The graduate medical education program reimbursement shall be adjusted annually by the increase or decrease in the index published by the global insight hospital market basket index for prospective hospital reimbursement. Subject to legislative appropriation, on an annual basis, each qualified hospital shall receive a single payment from the graduate medical education program that is equal to the same percentage of graduate medical education reimbursement that was paid by the system in federal fiscal year 1995-1996. Any reimbursement for graduate medical education made by the administration shall not be subject to future settlements or appeals by the hospitals to the administration. The monies available under this subdivision shall not exceed the fiscal year 2005-2006 appropriation adjusted annually by the increase or decrease in the index published by the global insight hospital market basket index for prospective hospital reimbursement.
reimbursement, except for monies distributed for expansions pursuant to
subdivision (b) of this paragraph.

(b) The monies available for graduate medical education programs
pursuant to this subdivision shall not exceed the fiscal year 2006-2007
appropriation adjusted annually by the increase or decrease in the index
published by the global insight hospital market basket index for
prospective hospital reimbursement. Graduate medical education programs
eligible for such reimbursement are not precluded from receiving
reimbursement for funding under subdivision (c) of this paragraph.
Beginning July 1, 2006, the administration shall distribute any monies
appropriated for graduate medical education above the amount prescribed in
subdivision (a) of this paragraph in the following order or priority:

(i) For the direct costs to support the expansion of graduate
medical education programs established before July 1, 2006 at hospitals
that do not receive payments pursuant to subdivision (a) of this
paragraph. These programs must be approved by the administration.

(ii) For the direct costs to support the expansion of graduate
medical education programs established on or before October 1, 1999.
These programs must be approved by the administration.

(c) The administration shall distribute to hospitals any monies
appropriated for graduate medical education above the amount prescribed in
subdivisions (a) and (b) of this paragraph for the following purposes:

(i) For the direct costs of graduate medical education programs
established or expanded on or after July 1, 2006. These programs must be
approved by the administration.

(ii) For a portion of additional indirect graduate medical
education costs for programs that are located in a county with a
population of less than five hundred thousand persons at the time the
residency position was created or for a residency position that includes a
rotation in a county with a population of less than five hundred thousand
persons at the time the residency position was established. These
programs must be approved by the administration.

(d) The administration shall develop, by rule, the formula by which
the monies are distributed.

(e) Each graduate medical education program that receives funding
pursuant to subdivision (b) or (c) of this paragraph shall identify and
report to the administration the number of new residency positions created
by the funding provided in this paragraph, including positions in rural
areas. The program shall also report information related to the number of
funded residency positions that resulted in physicians locating their
practices in this state. The administration shall report to the joint
legislative budget committee by February 1 of each year on the number of
new residency positions as reported by the graduate medical education
programs.
(f) Local, county and tribal governments and any PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE may provide monies in addition to any state general fund monies appropriated for graduate medical education in order to qualify for additional matching federal monies for providers, programs or positions in a specific locality and costs incurred pursuant to a specific contract between the administration and providers or other entities to provide graduate medical education services as an administrative activity. Payments by the administration pursuant to this subdivision may be limited to those providers designated by the funding entity and may be based on any methodology deemed appropriate by the administration, including replacing any payments that might otherwise have been paid pursuant to subdivision (a), (b) or (c) of this paragraph had sufficient state general fund monies or other monies been appropriated to fully fund those payments. These programs, positions, payment methodologies and administrative graduate medical education services must be approved by the administration and the centers for medicare and medicaid services. The administration shall report to the president of the senate, the speaker of the house of representatives and the director of the joint legislative budget committee on or before July 1 of each year on the amount of money contributed and number of residency positions funded by local, county and tribal governments, including the amount of federal matching monies used.

(g) Any funds appropriated but not allocated by the administration for subdivision (b) or (c) of this paragraph may be reallocated if funding for either subdivision is insufficient to cover appropriate graduate medical education costs.

10. Notwithstanding section 41-1005, subsection A, paragraph 9, the administration shall adopt rules pursuant to title 41, chapter 6 establishing the methodology for determining the prospective tiered per diem payments that are in effect through September 30, 2014.

11. For inpatient hospital services rendered on or after October 1, 2011, the prospective tiered per diem payment rates are permanently reset to the amounts payable for those services as of October 1, 2011 pursuant to this subsection.

12. The administration shall adopt a diagnosis-related group based hospital reimbursement methodology consistent with title XIX of the social security act for inpatient dates of service on and after October 1, 2014. The administration may make additional adjustments to the inpatient hospital rates established pursuant to this section for hospitals that are publicly operated or based on other factors, including the number of beds in the hospital, the specialty services available to patients, the geographic location and diagnosis-related group codes that are made publicly available by the hospital pursuant to section 36-437. The administration may also provide additional reimbursement for extraordinarily high cost cases that exceed a threshold above the standard
payment. The administration may also establish a separate payment methodology for specific services or hospitals serving unique populations.

H. The director may adopt rules that specify enrollment procedures, including notice to contractors of enrollment. The rules may provide for varying time limits for enrollment in different situations. The administration shall specify in contract when a person who has been determined eligible will be enrolled with that contractor and the date on which the contractor will be financially responsible for health and medical services to the person.

I. The administration may make direct payments to hospitals for hospitalization and medical care provided to a member in accordance with this article and rules. The director may adopt rules to establish the procedures by which the administration shall pay hospitals pursuant to this subsection if a contractor fails to make timely payment to a hospital. Such payment shall be at a level determined pursuant to section 36-2904, subsection H or I. The director may withhold payment due to a contractor in the amount of any payment made directly to a hospital by the administration on behalf of a contractor pursuant to this subsection.

J. The director shall establish a special unit within the administration for the purpose of monitoring the third-party payment collections required by contractors and noncontracting providers pursuant to section 36-2903, subsection B, paragraph 10 and subsection F and section 36-2915, subsection E. The director shall determine by rule:

1. The type of third-party payments to be monitored pursuant to this subsection.

2. The percentage of third-party payments that is collected by a contractor or noncontracting provider and that the contractor or noncontracting provider may keep and the percentage of such payments that the contractor or noncontracting provider may be required to pay to the administration. Contractors and noncontracting providers must pay to the administration one hundred percent of all third-party payments that are collected and that duplicate administration fee-for-service payments. A contractor that contracts with the administration pursuant to section 36-2904, subsection A may be entitled to retain a percentage of third-party payments if the payments collected and retained by a contractor are reflected in reduced capitation rates. A contractor may be required to pay the administration a percentage of third-party payments that are collected by a contractor and that are not reflected in reduced capitation rates.

K. The administration shall establish procedures to apply to the following if a provider that has a contract with a contractor or noncontracting provider seeks to collect from an individual or financially responsible relative or representative a claim that exceeds the amount that is reimbursed or should be reimbursed by the system:
1. On written notice from the administration or oral or written notice from a member that a claim for covered services may be in violation of this section, the provider that has a contract with a contractor or noncontracting provider shall investigate the inquiry and verify whether the person was eligible for services at the time that covered services were provided. If the claim was paid or should have been paid by the system, the provider that has a contract with a contractor or noncontracting provider shall not continue billing the member.

2. If the claim was paid or should have been paid by the system and the disputed claim has been referred for collection to a collection agency or referred to a credit reporting bureau, the provider that has a contract with a contractor or noncontracting provider shall:
   (a) Notify the collection agency and request that all attempts to collect this specific charge be terminated immediately.
   (b) Advise all credit reporting bureaus that the reported delinquency was in error and request that the affected credit report be corrected to remove any notation about this specific delinquency.
   (c) Notify the administration and the member that the request for payment was in error and that the collection agency and credit reporting bureaus have been notified.

3. If the administration determines that a provider that has a contract with a contractor or noncontracting provider has billed a member for charges that were paid or should have been paid by the administration, the administration shall send written notification by certified mail or other service with proof of delivery to the provider that has a contract with a contractor or noncontracting provider stating that this billing is in violation of federal and state law. If, twenty-one days or more after receiving the notification, a provider that has a contract with a contractor or noncontracting provider knowingly continues billing a member for charges that were paid or should have been paid by the system, the administration may assess a civil penalty in an amount equal to three times the amount of the billing and reduce payment to the provider that has a contract with a contractor or noncontracting provider accordingly. Receipt of delivery signed by the addressee or the addressee's employee is prima facie evidence of knowledge. Civil penalties collected pursuant to this subsection shall be deposited in the state general fund. Section 36-2918, subsections C, D and F, relating to the imposition, collection and enforcement of civil penalties, apply to civil penalties imposed pursuant to this paragraph.

L. The administration may conduct postpayment review of all claims paid by the administration and may recoup any monies erroneously paid. The director may adopt rules that specify procedures for conducting postpayment review. A contractor may conduct a postpayment review of all claims paid by the contractor and may recoup monies that are erroneously paid.
M. Subject to title 41, chapter 4, article 4, the director or the
director's designee may employ and supervise personnel necessary to assist
the director in performing the functions of the administration.

N. The administration may contract with contractors for obstetrical
care who are eligible to provide services under title XIX of the social
security act.

O. Notwithstanding any other law, on federal approval the
administration may make disproportionate share payments to private
hospitals, county operated hospitals, including hospitals owned or leased
by a special health care district, and state operated institutions for
mental disease beginning October 1, 1991 in accordance with federal law
and subject to legislative appropriation. If at any time the
administration receives written notification from federal authorities of
any change or difference in the actual or estimated amount of federal
funds available for disproportionate share payments from the amount
reflected in the legislative appropriation for such purposes, the
administration shall provide written notification of such change or
difference to the president and the minority leader of the senate, the
speaker and the minority leader of the house of representatives, the
director of the joint legislative budget committee, the legislative
committee of reference and any hospital trade association within this
state, within three working days not including weekends after receipt of
the notice of the change or difference. In calculating disproportionate
share payments as prescribed in this section, the administration may use
either a methodology based on claims and encounter data that is submitted
to the administration from contractors or a methodology based on data that
is reported to the administration by private hospitals and state operated
institutions for mental disease. The selected methodology applies to all
private hospitals and state operated institutions for mental disease
qualifying for disproportionate share payments.

P. Disproportionate share payments made pursuant to subsection O of
this section include amounts for disproportionate share hospitals
designated by political subdivisions of this state, tribal governments and
PUBLIC universities under the jurisdiction of the Arizona board of regents
IN THIS STATE. Subject to the approval of the centers for medicare and
medicaid services, any amount of federal funding allotted to this state
pursuant to section 1923(f) of the social security act and not otherwise
spent under subsection O of this section shall be made available for
distribution pursuant to this subsection. Political subdivisions of this
state, tribal governments and PUBLIC universities under the jurisdiction
of the Arizona board of regents IN THIS STATE may designate hospitals
eligible to receive disproportionate share payments in an amount up to the
limit prescribed in section 1923(g) of the social security act if those
political subdivisions, tribal governments or universities provide
sufficient monies to qualify for the matching federal monies for the
disproportionate share payments.

Q. Notwithstanding any law to the contrary, the administration may
receive confidential adoption information to determine whether an adopted
child should be terminated from the system.
R. The adoption agency or the adoption attorney shall notify the
administration within thirty days after an eligible person receiving
services has placed that person's child for adoption.
S. If the administration implements an electronic claims submission
system, it may adopt procedures pursuant to subsection G of this section
requiring documentation different than prescribed under subsection G,
paragraph 4 of this section.
T. In addition to any requirements adopted pursuant to subsection
D, paragraph 4 of this section, notwithstanding any other law, subject to
approval by the centers for medicare and medicaid services, beginning
July 1, 2011, members eligible pursuant to section 36-2901, paragraph 6,
subdivision (a), section 36-2931 and section 36-2981, paragraph 6 shall
pay the following:
   1. A monthly premium of fifteen dollars, except that the total
      monthly premium for an entire household shall not exceed sixty dollars.
   2. A copayment of five dollars for each physician office visit.
   3. A copayment of ten dollars for each urgent care visit.
   4. A copayment of thirty dollars for each emergency department
      visit.
U. Subject to the approval of the centers for medicare and medicaid
services, political subdivisions of this state, tribal governments and any
PUBLIC university under the jurisdiction of the Arizona board of regents
IN THIS STATE may provide to the Arizona health care cost containment
system administration monies in addition to any state general fund monies
appropriated for critical access hospitals in order to qualify for
additional federal monies. Any amount of federal monies received by this
state pursuant to this subsection shall be distributed as supplemental
payments to critical access hospitals.
V. For the purposes of this section, "disproportionate share
payment" means a payment to a hospital that serves a disproportionate
share of low-income patients as described by 42 United States Code section
1396r-4.

Sec. 138. Section 38-533, Arizona Revised Statutes, is amended to
read:

38-533. Exemptions
This article does not apply to an employee or former employee of a
state university or the board of regents which GOVERNING BOARD OF A
UNIVERSITY THAT has in effect at the time a personnel action is taken
against the employee a rule or provision for the protection of its
employees from reprisal for the disclosure of information to a public
body, except that the employee or former employee may appeal the final
administrative decision to the superior court as provided in title 12,
chapter 7, article 6. Notwithstanding section 12-910, an employee or
former employee who has been dismissed is entitled to a trial de novo in
superior court.

Sec. 139. Section 38-611, Arizona Revised Statutes, is amended to
read:

38-611. Compensation of certain state officers and employees
A. Except as otherwise provided in subsections B and C of this
section, any officer or employee of the state, or any of its agencies, is
entitled to receive a salary within the range as determined by the
department of administration unless modified by the legislature.
B. Elected state officers, employees of the supreme court,
employees of the court of appeals, employees of the legislature, employees
of the governor’s office, employees of the Arizona state schools for the
deaf and the blind except the superintendent and the medical officer and
all employees of the Arizona board of regents GOVERNING BOARD OF A
UNIVERSITY and the state universities are exempt from the provisions of
this section.
C. Except as otherwise provided by statute or specific legislative
appropriation, members of boards, commissions, councils or advisory
committees who are authorized by law to receive compensation may receive
compensation at the rate of not to exceed thirty dollars for each day
engaged in the service of such board, commission, council or advisory
committee.

Sec. 140. Section 38-612, Arizona Revised Statutes, is amended to
read:

38-612. Administration of payroll salary deductions
A. There shall be no payroll salary deductions from the
compensation of state officers or employees except as specifically
authorized by federal law or regulation or by a statute of this state. An
administrative agency of this state may not authorize any other deduction.
B. Notwithstanding subsection A of this section, reductions to
retroactive payroll compensation are authorized pursuant to section
38-1106, subsection J, paragraph 5.
C. In addition to those payroll salary deductions required by
federal law or regulation or by statute, state officers or employees may
authorize deductions to be made from their salaries or wages for the
payment of:
1. Premiums on any health benefits, disability plans or group life
plans provided for by statute and any existing insurance programs already
provided by payroll deduction.
2. Shares or obligations to any state or federally chartered credit
union established primarily for the purpose of serving state officers and
employees and their families.
3. Dues in a recognized association composed principally of employees and former employees of agencies of this state, subject to the following criteria:
   (a) When composed of at least one thousand state employees other than employees of the state universities, the department of public safety and academic personnel of the Arizona state schools for the deaf and the blind.
   (b) When composed of at least twenty-five percent of the academic personnel or of the nonacademic employees of any state university.
   (c) When composed of at least twenty-five percent of the academic personnel of the Arizona state schools for the deaf and the blind.
   (d) When composed of at least four hundred state employees who are certified as peace officers by the Arizona peace officer standards and training board established by section 41-1821.
   (e) When composed of a combined total of at least eight hundred state employees described in subdivision (d) of this paragraph, state employees of the state department of corrections and state employees who are law enforcement officers.
4. Deferred compensation or tax sheltered annuity salary reductions when made under approved plans.
5. Federal savings bond plans.
6. Recurrent fees, charges or other payments payable to a state agency under a collection plan approved by the director of the department of administration.
7. Except as provided in subsection G of this section, contributions made to a charitable organization:
   (a) Organized and operated exclusively for charitable purposes and selected by the presidents of the state universities. Employees of the state universities shall be advised by form of the charitable organizations to which the employees may contribute through payroll salary deductions. The advisory provided under this subdivision shall be substantially similar to the following and prominently printed:
      "You may contribute to any charitable organization registered under internal revenue code section 501(c)(3), tax exempt status.
      __________________________________________________________________________
      Charitable organization name"
      This subdivision applies only to academic personnel and nonacademic employees of the state universities.
   (b) Organized and operated exclusively for charitable purposes, provided a fund drive by such an organization shall be applicable to all state agencies except the state universities covered under subdivision (a) of this paragraph and no state officer or employee of state agencies subject to this subdivision may authorize more than one deduction for charitable purposes to be in effect at the same time. This subdivision...
applies to all state agencies except the universities covered under subdivision (a) of this paragraph.

8. Contributions made for the purpose of contributing to a fund raising campaign for a university or a club for faculty or staff, or both, which is recognized by the university president and authorized by the Arizona board of regents. This paragraph applies only to academic personnel and nonacademic employees of the state universities.

9. Charges payable for transportation expenses pursuant to section 41-710.01.

10. Payments ordered by courts of competent jurisdiction within this state.

11. Automobile or homeowner's insurance premiums.

12. Premiums for the following state-sponsored group benefits that are established primarily for the purpose of serving state officers and employees and their families:
   (a) Long-term care insurance.
   (b) Critical care insurance.
   (c) Prepaid legal services.
   (d) Identity theft protection services.

13. A computer system as defined in section 13-2301 for personal use.

D. In order for the department of administration to establish and maintain a dues deduction pursuant to subsection C, paragraph 3 of this section, the department of administration may establish and maintain the deduction without the appropriation of any additional monies or technological improvements. The department of administration shall track all personnel hours dedicated to dues deduction. The department of administration may charge a fee to a recognized association that qualifies under subsection C, paragraph 3 of this section for establishing the automatic dues deduction and anytime changes are needed in the automatic dues deduction system as a result of an increase or decrease in association dues. If the membership criteria of a recognized association falls below the criteria set forth in subsection C, paragraph 3 of this section, the recognized association shall be on probation for one year. If the membership of a recognized association falls below the criteria set forth in subsection C, paragraph 3 of this section for more than one year, or if the members of the association engage in a work slowdown or work stoppage, the dues deduction authorized by this section shall immediately be discontinued.

E. For those state officers and employees under payroll systems that are under the direction of the director of the department of administration, the director shall provide for the administration of payroll deductions for the purposes set forth in this section. For all other state officers and employees and for persons receiving allowances or
benefits under other state payroll and retirement systems, the appropriate
state officer shall provide for such administration of payroll deductions.
Such administration shall operate without cost or contribution from the
state other than the incidental expense of making the deductions and
remittances to the payees. If any payee requests additional services, the
director of the department of administration or any other appropriate
state officer may require payment for the additional cost of providing
such services.

F. As a means of readily identifying the employee from whom payroll
deductions are to be made, the state officer administering payroll
deductions may request an employee to enter the employee's social
security identification number on the payroll deduction authorization.
Such number shall not be used for any other purpose.

G. There shall be no payroll salary deductions from the
compensation of state officers or employees for contributions made to a
charitable organization that performs a nonfederally qualified abortion or
maintains or operates a facility where a nonfederally qualified abortion
is performed for the provision of family planning services. For the
purposes of this subsection, "nonfederally qualified abortion" has the
same meaning prescribed in section 35-196.05 MEANS AN ABORTION THAT DOES
NOT MEET THE REQUIREMENTS FOR FEDERAL REIMBURSEMENT UNDER TITLE XIX OF THE
SOCIAL SECURITY ACT.

H. The state, the director of the department of administration
or any other appropriate state officer shall be relieved of any liability
to employees authorizing deductions or organizations receiving deductions
that may result from authorizations pursuant to this section.

Sec. 141. Section 38-615, Arizona Revised Statutes, is amended to
read:

38-615. Payment for accumulated sick leave; requirements;
limit; definition

A. An officer or employee of this state, subject to legislative
appropriation, or an officer of employee of a county, subject to
authorization by the board of supervisors, is eligible, on retirement, to
receive benefits as follows:

1. An officer or employee who has at least five hundred but less
than seven hundred fifty hours of sick leave is entitled to receive
payments equal to twenty-five percent of the officer's or
employee's salary at the officer's or employee's current hourly rate for
each hour of accumulated sick leave.

2. An officer or employee who has at least seven hundred fifty but
less than one thousand hours of sick leave is entitled to receive payments
equal to thirty-three percent of the officer's or employee's
salary at the officer's or employee's current hourly rate for each hour of
accumulated sick leave.
3. An officer or employee who has at least one thousand hours of sick leave is entitled to receive payments equal to fifty percent of the officer's or employee's current hourly rate for each hour of accumulated sick leave not to exceed one thousand five hundred hours of accumulated sick leave.

B. In order to be eligible to receive payments pursuant to subsection A of this section:

1. An officer or employee must establish a retirement date not later than thirty-one days after termination of employment by qualifying with an authorized retirement system or plan of this state.

2. The retirement date must be effective not later than thirty-one days after termination of employment.

3. An officer or employee shall elect retirement benefits that are defined not later than thirty-one days after termination of employment.

C. An officer or employee who receives payments as provided in subsection A of this section shall not receive more than thirty thousand dollars.

D. If an officer or employee receives payments pursuant to subsection A of this section, the officer or employee shall be paid the amount due the officer or employee either in a lump sum or in installments over a three-year period.

E. If an officer or employee dies before the officer or employee receives the total payment due to the officer or employee or if an officer or employee is eligible for normal retirement but has not retired at the time of the officer's or employee's death, the officer's or employee's beneficiary is entitled to receive the balance due to the officer or employee in a lump sum.

F. Notwithstanding any other law:

1. The cash value of the sick leave credit pursuant to subsection A of this section shall not be used to compute the average salary.

2. The payment authorized by this section for accumulated sick leave is not salary or compensation for the purposes of making retirement contributions or computing any pension benefit.

3. The sick leave must be available for use by the officer or employee at the time of termination of employment. This section does not apply to previously forfeited sick leave.

G. This section applies to an officer or employee of this state or a county who is eligible to participate in the Arizona state retirement system as provided in chapter 5, article 2 of this title, in the public safety personnel retirement system as provided in chapter 5, article 4 of this title, in the corrections officer retirement plan as provided in chapter 5, article 6 of this title or in an optional retirement program established by the Arizona board of regents pursuant to section 15-1628.
H. This section applies retroactively to July 1, 1998 to an officer or employee of a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE who participates in a federal retirement system, except that this section does not apply to a participant in a federal retirement system if the participant receives any sick leave payment from the federal government.

I. This section applies only to officers or employees of this state or a county whose compensation regulations provide for a forfeiture of sick leave on retirement.

J. For the purposes of this section, “hourly rate” means an officer's or employee's hourly salary on retirement, excluding overtime pay and pay for unused annual leave.

Sec. 142. Section 38-618, Arizona Revised Statutes, is amended to read:

38-618. Performance based incentives program

A. The director of the department of administration and the president of the Arizona board of regents GOVERNING BOARDS OF THE UNIVERSITIES may JOINTLY establish a performance based incentives program to promote efficiency and effectiveness in state government. The director of the department of administration shall identify state agencies and the president of the Arizona board of regents GOVERNING BOARDS shall identify state universities in which to implement the program.

B. The director of the department of administration and the president of the Arizona board of regents GOVERNING BOARDS OF THE UNIVERSITIES shall cooperate with the directors of agencies and the presidents of the identified universities, respectively, to:

1. Develop a performance based appraisal system of state employee performance that is based on agency or university goals and objectives, as identified and approved by the agency's or university's employees, supervisors, director or president.

2. Authorize all agency directors and university presidents participating in the program to recognize the performance of state employees, who are under their authority, based on the outcome of the appraisal conducted pursuant to paragraph 1 of this subsection.

C. The director of the department of administration shall cooperate with the director of the department of public safety, the superintendent of public instruction and the superintendent of the ARIZONA state schools for the deaf and the blind to implement the performance based incentives program. The president of the Arizona board of regents shall cooperate with the president of each university under the jurisdiction of the Arizona board of regents to implement the performance based incentives program.

D. Notwithstanding section 35-174, subsection B, the director of the department of administration, the director of the department of public safety, the president of the Arizona board of regents GOVERNING BOARD OF
EACH UNIVERSITY, the superintendent of public instruction and the superintendent of the ARIZONA state schools for the deaf and the blind may authorize the expenditure of up to eighty percent of excess vacancy savings to recognize employees of state agencies and state universities who are under their respective authority and who are participating in the performance based incentives program. In addition to excess vacancy savings, the participating agency or university may use monies appropriated from the state general fund or other sources, including federal enhanced funding an agency or university receives for quality initiatives. Federal enhanced monies do not revert to the state general fund but remain in a separate agency or university account at the end of the fiscal year for use by the agency or university in accordance with the terms and conditions imposed by the federal funding source. For the purposes of this subsection, "excess vacancy savings" means the same as "vacancy saving" as defined in section 35-174, subsection A, except that excess vacancy savings are any vacancy savings that are over and above the amount eliminated from an agency's budget as the result of the applied vacancy factor reported in the annual appropriations report prepared by the joint legislative budget committee.

E. As provided for in subsection D of this section, any incentive or performance compensation using monies from excess vacancy savings or other fund sources, including state general fund appropriations, shall not be added to an agency's salary base.

F. Recognition of state employees may be in the form of increase in compensation for future services, but the increase may not exceed two hundred seventy-five dollars per month per employee.

G. An approved program shall notify the director of the department of administration or the president of the Arizona board of regents GOVERNING BOARD OF THE APPROPRIATE UNIVERSITY when it makes any substantive changes to the approved program.

Sec. 143. Section 38-626, Arizona Revised Statutes, is amended to read:

38-626. Out-of-state travel; approval; exemptions
A. When the official duties or activities of a public officer, deputy or employee of the THIS state or of any department, institution, commission, board or other agency of the THIS state necessitate out-of-state travel, the travel order shall be countersigned by the agency head or by the president of the respective university for its university employees and is authority to pay the claims from any funds available for such travel. The agency head or the university president may delegate the authority to countersign out-of-state travel orders. Except as provided by subsection B OF THIS SECTION, the department of administration shall:

1. Adopt policies and procedures for the approval of out-of-state travel orders.

2. Disseminate these policies and procedures to all agencies.
3. Perform compliance reviews on out-of-state travel orders for
   compliance with the policies and procedures.
4. Require that all outside travel orders shall be available for
   public inspection.
B. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY
   is responsible for implementing the provisions of subsection A, paragraphs
   1, 3 and 4, OF THIS SECTION for the universities under its jurisdiction
   THAT UNIVERSITY.
C. The requirements of subsection A OF THIS SECTION shall not apply
   under the following:
   1. When, by the shortest practical routing, travel through an
      adjoining state is necessary to reach remote areas of this state.
   2. When any legislative member, officers and employees of the
      legislature, the legislative council, joint legislative budget committee
      members and employees, and other legislative interim committee members are
      traveling on official business.
Sec. 144. Section 38-671, Arizona Revised Statutes, is amended to
read:
38-671. Employee benefits; exclusions; definitions
A. Notwithstanding any other law, any state employee initially
   hired on or after July 20, 2011 is not eligible to become a member of any
   state retirement system before the twenty-seventh week of employment. The
   state employee shall become a member of the state retirement system on the
   twenty-seventh week of employment if membership criteria are met under the
   state retirement system statutes.
B. Subsection A of this section does not apply to a person who is
   already a member of the state retirement system.
C. For the purposes of this section:
   1. "State employee" means a person who is employed by an agency, department, board or commission of this state, a PUBLIC university under
   the jurisdiction of the Arizona board of regents IN THIS STATE, the
   judicial branch and whose salary is paid through the department of
   administration, the Arizona corporation commission or the legislature.
   2. "State retirement system" means the Arizona state retirement
   system established by chapter 5, article 2 of this title and the long-term
   disability program established by chapter 5, article 2.1 of this title.
Sec. 145. Section 38-727, Arizona Revised Statutes, is amended to
read:
38-727. Eligibility; options
A. The following provisions apply to all employees hired on or
   after the effective date:
   1. All employees and officers of this state and all officers and
      employees of political subdivisions establishing a retirement plan
      administered by the board pursuant to this article are subject to this
      article, except that membership is not mandatory:
(a) On the part of any employee who is eligible and who elects to participate in the optional retirement programs established by the Arizona Board of Regents GOVERNING BOARD OF A UNIVERSITY pursuant to the authority conferred by section 15-1628 or by a community college district board pursuant to authority conferred by section 15-1451.

(b) For a state elected official who is subject to term limits, who is elected or appointed before January 1, 2014, who is eligible for participation in ASRS because the state elected official elected not to participate in the elected officials' retirement plan as provided in section 38-804, subsection A and who elects not to participate in ASRS as provided in paragraph 7 of this subsection.

(c) On the part of any employee or officer who is eligible to participate and who participates in the elected officials' retirement plan pursuant to article 3 of this chapter, the elected officials' defined contribution retirement system pursuant to article 3.1 of this chapter, the public safety personnel retirement system pursuant to article 4 of this chapter or the corrections officer retirement plan pursuant to article 6 of this chapter.

2. All employees and officers of political subdivisions whose compensation is provided wholly or in part from state monies and who are declared to be state employees and officers by the legislature for retirement purposes are subject, on legislative enactment, to this article and are members of ASRS.

3. Any member whose service terminates other than by death or withdrawal from membership is deemed to be a member of ASRS until the member's death benefit is paid.

4. Employees and officers shall not become members of ASRS and, if they are members immediately before becoming employed as provided by this section, shall have their membership status suspended while they are employed by state departments paying the salaries of their officers and employees wholly or in part from monies received from sources other than appropriations from the state general fund for the period or periods payment of the employer contributions is not made by or on behalf of the departments.

5. Notwithstanding other provisions of this section, a temporary employee of the legislature whose projected term of employment is for not more than six months is ineligible for membership in ASRS. If the employment continues beyond six successive months, the employee may elect to either:

(a) Receive credit for service for the first six months of employment and establish membership in ASRS as of the beginning of the current term of employment if, within forty-five days after the first six months of employment, both the employer and the employee contribute to ASRS the amount that would have been required to be contributed to ASRS
during the first six months of employment as if the employee had been a member of ASRS during those six months.

(b) Establish membership in ASRS as of the day following the completion of six months of employment.

6. A person who is employed in postgraduate training in an approved medical residency training program of an employer or a postdoctoral scholar who is employed by a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE is ineligible for membership in ASRS.

7. A state elected official who is subject to term limits, who is elected or appointed before January 1, 2014 and who is eligible for participation in ASRS because the state elected official elected not to participate in the elected officials' retirement plan as provided in section 38-804, subsection A may elect not to participate in ASRS. The election not to participate is specific for that term of office. The state elected official who is subject to term limits shall make the election in writing and file the election with ASRS within thirty days after the elected official's retirement plan mails the notice to the state elected official of the state elected official's eligibility to participate in ASRS. The election is effective on the first day of the state elected official's eligibility. If a state elected official who is subject to term limits fails to make an election as provided in this paragraph, the state elected official is deemed to have elected to participate in ASRS. The election not to participate in ASRS is irrevocable and constitutes a waiver of all benefits provided by ASRS for the state elected official's entire term, except for any benefits accrued by the state elected official in ASRS for periods of participation before being elected to an office subject to term limits or any benefits expressly provided by law.

8. A person may elect not to participate in ASRS if the person becomes employed by an employer after the person has attained at least sixty-five years of age, is not an active member, inactive member, retired member or receiving benefits pursuant to article 2.1 of this chapter and does not have any credited service or prior service in ASRS. The employee shall make the election not to participate in writing and file the election with ASRS within thirty days after employment. The election not to participate is irrevocable for the remainder of the person's employment for which the person made the election and constitutes a waiver of all benefits provided by the Arizona state retirement system. The period the person works is not eligible for purchase under section 38-743 or 38-744.

9. The following are ineligible for membership in ASRS:

(a) A person who performs services in a hospital, home or other institution as an inmate or patient at the hospital, home or other institution.
(b) A person who performs agricultural labor services, as defined in section 210 of the social security act.

(c) A person who is a nonresident alien temporarily residing in the United States and who holds an F-1, J-1, M-1 or Q-1 visa when services are performed.

(d) A person who performs services for a school, college or university in this state at which the person is enrolled as a student, as defined by the employing institution. The employing institution shall maintain an appeal process for a person who disagrees with the employing institution's determination that the person is a student and not eligible for membership in ASRS.

(e) A person who performs services under a program designed to relieve the person from unemployment.

B. The following elected officials are subject to this article if the member's employer is an employer under article 3 of this chapter:

1. A state elected official who is subject to term limits, who is elected or appointed on or before December 31, 2013 and who is an active, an inactive or a retired member of ASRS or a member of ASRS with a disability because the state elected official had previously elected not to participate in the elected officials' retirement plan as provided in section 38-804, subsection A.

2. An elected official, as defined in section 38-831, who is an active, an inactive or a retired member of ASRS or a member of ASRS with a disability, if the elected official's employer is a participating employer under this article.

Sec. 146. Section 38-842, Arizona Revised Statutes, is amended to read:

38-842. Definitions

In this article, unless the context otherwise requires:

1. "Accidental disability" means a physical or mental condition that the local board finds totally and permanently prevents an employee from performing a reasonable range of duties within the employee's job classification and that was incurred in the performance of the employee's duty.

2. "Accumulated contributions" means, for each member, the sum of the amount of the member's aggregate contributions made to the fund and the amount, if any, attributable to the employee's contributions before the member's effective date under another public retirement system, other than the federal social security act, and transferred to the fund minus the benefits paid to or on behalf of the member.

3. "Actuarial equivalent" means equality in present value of the aggregate amounts expected to be received under two different forms of payment, based on mortality and interest assumptions adopted by the board.

4. "Alternate payee" means the spouse or former spouse of a participant as designated in a domestic relations order.
5. "Alternate payee's portion" means benefits that are payable to an alternate payee pursuant to a plan approved domestic relations order.

6. "Annuitant" means a person who is receiving a benefit pursuant to section 38-846.01.

7. "Average monthly benefit compensation" means the result obtained by dividing the total compensation paid to an employee during a considered period by the number of months, including fractional months, in which such compensation was received. For an employee who becomes a member of the system:

(a) Before January 1, 2012, the considered period shall be the three consecutive years within the last twenty completed years of credited service that yield the highest average.

(b) On or after January 1, 2012 and before July 1, 2017, the considered period is the five consecutive years within the last twenty completed years of credited service that yield the highest average. In the computation under this paragraph, a period of nonpaid or partially paid industrial leave shall be considered based on the compensation the employee would have received in the employee's job classification if the employee was not on industrial leave.

(c) On or after July 1, 2017, the considered period is the five consecutive years within the last fifteen completed years of credited service that yield the highest average. In the computation under this paragraph, a period of nonpaid or partially paid industrial leave shall be considered based on the compensation the employee would have received in the employee's job classification if the employee was not on industrial leave.

8. "Board" means the board of trustees of the system, who are the persons appointed to invest and operate the fund.

9. "Catastrophic disability" means a physical and not a psychological condition that the local board determines prevents the employee from totally and permanently engaging in any gainful employment and that results from a physical injury incurred in the performance of the employee's duty.

10. "Certified peace officer" means a peace officer certified by the Arizona peace officer standards and training board.

11. "Claimant" means any member or beneficiary who files an application for benefits pursuant to this article.

12. "Compensation" means, for the purpose of computing retirement benefits, base salary, overtime pay, shift differential pay, military differential wage pay, compensatory time used by an employee in lieu of overtime not otherwise paid by an employer and holiday pay paid to an employee by the employer for the employee's performance of services in an eligible group on a regular monthly, semimonthly or biweekly payroll basis and longevity pay paid to an employee at least every six months for which contributions are made to the system pursuant to section 38-843,
subsection D. Compensation does not include, for the purpose of computing retirement benefits, payment for unused sick leave, payment in lieu of vacation, payment for unused compensatory time or payment for any fringe benefits. In addition, compensation does not include, for the purpose of computing retirement benefits, payments made directly or indirectly by the employer to the employee for work performed for a third party on a contracted basis or any other type of agreement under which the third party pays or reimburses the employer for the work performed by the employee for that third party, except for third party contracts between public agencies for law enforcement, criminal, traffic and crime suppression activities training or fire, wildfire, emergency medical or emergency management activities or where the employer supervises the employee's performance of law enforcement, criminal, traffic and crime suppression activities training or fire, wildfire, emergency medical or emergency management activities. For the purposes of this paragraph, "base salary" means the amount of compensation each employee is regularly paid for personal services rendered to an employer before the addition of any extra monies, including overtime pay, shift differential pay, holiday pay, longevity pay, fringe benefit pay and similar extra payments.

13. "Credited service" means the member's total period of service before the member's effective date of participation, plus those compensated periods of the member's service thereafter for which the member made contributions to the fund.

14. "Cure period" means the ninety-day period in which a participant or alternate payee may submit an amended domestic relations order and request a determination, calculated from the time the system issues a determination finding that a previously submitted domestic relations order did not qualify as a plan approved domestic relations order.

15. "Depository" means a bank in which all monies of the system are deposited and held and from which all expenditures for benefits, expenses and investments are disbursed.

16. "Determination" means a written document that indicates to a participant and alternate payee whether a domestic relations order qualifies as a plan approved domestic relations order.

17. "Determination period" means the ninety-day period in which the system must review a domestic relations order that is submitted by a participant or alternate payee to determine whether the domestic relations order qualifies as a plan approved domestic relations order, calculated from the time the system mails a notice of receipt to the participant and alternate payee.

18. "Direct rollover" means a payment by the system to an eligible retirement plan that is specified by the distributee.
19. "Distributee" means a member, a member's surviving spouse or a
member's spouse or former spouse who is the alternate payee under a plan
approved domestic relations order.

20. "Domestic relations order" means an order of a court of this
state that is made pursuant to the domestic relations laws of this state
and that creates or recognizes the existence of an alternate payee's right
to, or assigns to an alternate payee the right to, receive a portion of
the benefits payable to a participant.

21. "Effective date of participation" means July 1, 1968, except
with respect to employers and their covered employees whose contributions
to the fund commence thereafter, the effective date of their participation
in the system is as specified in the applicable joinder agreement.

22. "Effective date of vesting" means the date a member's rights to
benefits vest pursuant to section 38-844.01.

23. "Eligible child" means an unmarried child of a deceased member
or retired member who meets one of the following qualifications:
(a) Is under eighteen years of age.
(b) Is at least eighteen years of age and under twenty-three years
of age only during any period that the child is a full-time student.
(c) Is under a disability that began before the child attained
twenty-three years of age and remains a dependent of the surviving spouse
or guardian.

24. "Eligible groups" means only the following who are regularly
assigned to hazardous duty:
(a) Municipal police officers who are certified peace officers.
(b) Municipal firefighters.
(c) Paid full-time firefighters employed directly by a fire
district organized pursuant to section 48-803 or 48-804 or a joint powers
authority pursuant to section 48-805.01 with three or more full-time
firefighters, but not including firefighters employed by a fire district
pursuant to a contract with a corporation.
(d) State highway patrol officers who are certified peace officers.
(e) State firefighters.
(f) County sheriffs and deputies who are certified peace officers.
(g) Game and fish wardens who are certified peace officers.
(h) Police officers who are certified peace officers and
firefighters of a nonprofit corporation operating a public airport
pursuant to sections 28-8423 and 28-8424. A police officer shall be
designated pursuant to section 28-8426 to aid and supplement state and
local law enforcement agencies and a firefighter's sole duty shall be to
perform firefighting services, including services required by federal
regulations.
(i) Police officers who are certified peace officers and who are
appointed by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY.
(j) Police officers who are certified peace officers and who are appointed by a community college district governing board.

(k) State attorney general investigators who are certified peace officers.

(l) County attorney investigators who are certified peace officers.

(m) Police officers who are certified peace officers and who are employed by an Indian reservation police agency.

(n) Firefighters who are employed by an Indian reservation firefighting agency.

(o) Department of liquor licenses and control investigators who are certified peace officers.

(p) Arizona department of agriculture officers who are certified peace officers.

(q) Arizona state parks board rangers and managers who are certified peace officers.

(r) County park rangers who are certified peace officers.

25. "Eligible retirement plan" means any of the following that accepts a distributee's eligible rollover distribution:

(a) An individual retirement account described in section 408(a) of the internal revenue code.

(b) An individual retirement annuity described in section 408(b) of the internal revenue code.

(c) An annuity plan described in section 403(a) of the internal revenue code.

(d) A qualified trust described in section 401(a) of the internal revenue code.

(e) An annuity contract described in section 403(b) of the internal revenue code.

(f) An eligible deferred compensation plan described in section 457(b) of the internal revenue code that is maintained by a state, a political subdivision of a state or any agency or instrumentality of a state or a political subdivision of a state and that agrees to separately account for amounts transferred into the eligible deferred compensation plan from this plan.

26. "Eligible rollover distribution" means a payment to a distributee, but does not include any of the following:

(a) Any distribution that is one of a series of substantially equal periodic payments made not less frequently than annually for the life or life expectancy of the member or the joint lives or joint life expectancies of the member and the member's beneficiary or for a specified period of ten years or more.

(b) Any distribution to the extent the distribution is required under section 401(a)(9) of the internal revenue code.

(c) The portion of any distribution that is not includable in gross income.
(d) Any distribution made to satisfy the requirements of section 415 of the internal revenue code.

(e) Hardship distributions.

(f) Similar items designated by the commissioner of the United States internal revenue service in revenue rulings, notices and other guidance published in the internal revenue bulletin.

27. "Employee" means any person who is employed by a participating employer and who is a member of an eligible group but does not include any persons compensated on a contractual or fee basis. If an eligible group requires certified peace officer status or firefighter certification and at the option of the local board, employee may include a person who is training to become a certified peace officer or firefighter.

28. "Employers" means:

(a) Cities contributing to the fire fighters' relief and pension fund as provided in sections 9-951 through 9-971 or statutes amended thereby and antecedent thereto, as of June 30, 1968 on behalf of their full-time paid firefighters.

(b) Cities contributing under the state police pension laws as provided in sections 9-911 through 9-934 or statutes amended thereby and antecedent thereto, as of June 30, 1968 on behalf of their municipal policemen.

(c) The state highway patrol covered under the state highway patrol retirement system.

(d) The state, or any political subdivision of this state, including towns, cities, fire districts, joint powers authorities, counties and nonprofit corporations operating public airports pursuant to sections 28-8423 and 28-8424, that has elected to participate in the system on behalf of an eligible group of public safety personnel pursuant to a joinder agreement entered into after July 1, 1968.

(e) Indian tribes that have elected to participate in the system on behalf of an eligible group of public safety personnel pursuant to a joinder agreement entered into after July 1, 1968.

29. "Fund" means the public safety personnel retirement fund, which is the fund established to receive and invest contributions accumulated under the system and from which benefits are paid.

30. "Local board" means the retirement board of the employer, who are the persons appointed to administer the system as it applies to their members in the system.

31. "Member":

(a) Means any full-time employee who meets all of the following qualifications:

(i) Who is either a paid municipal police officer, a paid firefighter, a law enforcement officer who is employed by this state including the director thereof, a state firefighter who is primarily assigned to firefighting duties, a firefighter or police officer of a
nonprofit corporation operating a public airport pursuant to sections 28-8423 and 28-8424, all ranks designated by the Arizona law enforcement merit system council, a state attorney general investigator who is a certified peace officer, a county attorney investigator who is a certified peace officer, a department of liquor licenses and control investigator who is a certified peace officer, an Arizona department of agriculture officer who is a certified peace officer, an Arizona state parks board ranger or manager who is a certified peace officer, a county park ranger who is a certified peace officer, a person who is a certified peace officer and who is employed by an Indian reservation police agency, a firefighter who is employed by an Indian reservation firefighting agency or an employee included in a group designated as eligible employees under a joinder agreement entered into by their employer after July 1, 1968 and who is or was regularly assigned to hazardous duty or, beginning retroactively to January 1, 2009, who is a police chief or a fire chief.

(ii) Who, on or after the employee's effective date of participation, is receiving compensation for personal services rendered to an employer or would be receiving compensation except for an authorized leave of absence.

(iii) Whose customary employment is at least forty hours per week or, for those employees who customarily work fluctuating workweeks, whose customary employment averages at least forty hours per week.

(iv) Who is engaged to work for more than six months in a calendar year.

(v) Who, if economic conditions exist, is required to take furlough days or reduce the hours of the employee's normal workweek below forty hours but not less than thirty hours per pay cycle, and maintain the employee's active member status within the system as long as the hour change does not extend beyond twelve consecutive months.

(vi) Who has not attained age sixty-five before the employee's effective date of participation or who was over age sixty-five with twenty-five years or more of service prior to the employee's effective date of participation.

(b) Does not include an employee who is hired on or after July 1, 2017, who makes the irrevocable election to participate solely in the public safety personnel defined contribution retirement plan established pursuant to article 4.1 of this chapter and who was not an active, an inactive or a retired member of the system or a member of the system with a disability on June 30, 2017.

32. "Normal retirement date" means:

(a) For an employee who becomes a member of the system before January 1, 2012, the first day of the calendar month immediately following the employee's completion of twenty years of service or the employee's sixty-second birthday and the employee's completion of fifteen years of service.
(b) For an employee who becomes a member of the system on or after January 1, 2012 and before July 1, 2017, the first day of the calendar month immediately following the employee's completion of twenty-five years of service if the employee is at least fifty-two and one-half years of age.

(c) For an employee who becomes a member of the system on or after July 1, 2017, the first day of the calendar month immediately following the employee's completion of fifteen years of credited service if the employee is at least fifty-five years of age.

33. "Notice of receipt" means a written document that is issued by the system to a participant and alternate payee and that states that the system has received a domestic relations order and a request for a determination that the domestic relations order is a plan approved domestic relations order.

34. "Ordinary disability" means a physical condition that the local board determines will prevent an employee totally and permanently from performing a reasonable range of duties within the employee's department or a mental condition that the local board determines will prevent an employee totally and permanently from engaging in any substantial gainful activity.

35. "Participant" means a member who is subject to a domestic relations order.

36. "Participant's portion" means benefits that are payable to a participant pursuant to a plan approved domestic relations order.

37. "Pension" means a series of monthly amounts that are payable to a person who is entitled to receive benefits under the plan but does not include an annuity that is payable pursuant to section 38-846.01.

38. "Personal representative" means the personal representative of a deceased alternate payee.

39. "Physician" means a physician who is licensed pursuant to title 32, chapter 13 or 17.

40. "Plan approved domestic relations order" means a domestic relations order that the system approves as meeting all the requirements for a plan approved domestic relations order as otherwise prescribed in this article.

41. "Plan year" or "fiscal year" means the period beginning on July 1 of any year and ending on June 30 of the next succeeding year.

42. "Regularly assigned to hazardous duty" means regularly assigned to duties of the type normally expected of municipal police officers, municipal or state firefighters, eligible fire district firefighters, state highway patrol officers, county sheriffs and deputies, fish and game wardens, firefighters and police officers of a nonprofit corporation operating a public airport pursuant to sections 28-8423 and 28-8424, police officers who are appointed by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY or a community college district governing
board, state attorney general investigators who are certified peace
officers, county attorney investigators who are certified peace officers,
department of liquor licenses and control investigators who are certified
peace officers, Arizona department of agriculture officers who are
certified peace officers, Arizona state parks board rangers and managers
who are certified peace officers, county park rangers who are certified
peace officers, police officers who are certified peace officers and who
are employed by an Indian reservation police agency or firefighters who
are employed by an Indian reservation firefighting agency. Those
individuals who are assigned solely to support duties such as secretaries,
stenographers, clerical personnel, clerks, cooks, maintenance personnel,
mechanics and dispatchers are not assigned to hazardous duty regardless of
their position classification title. Since the normal duties of those
jobs described in this paragraph are constantly changing, questions as to
whether a person is or was previously regularly assigned to hazardous duty
shall be resolved by the local board on a case-by-case basis. Resolutions
by local boards are subject to rehearing and appeal.

43. "Retirement" or "retired" means termination of employment after
a member has fulfilled all requirements for a pension, for an employee who
becomes a member of the system on or after January 1, 2012 and before
July 1, 2017, attains the age and service requirements for a normal
retirement date or for an employee who becomes a member of the system on
or after July 1, 2017 attains the age and credited service requirements
for a normal retirement date. Retirement shall be considered as
commencing on the first day of the month immediately following a member's
last day of employment or authorized leave of absence, if later.

44. "Segregated funds" means the amount of benefits that would
currently be payable to an alternate payee pursuant to a domestic
relations order under review by the system, or a domestic relations order
submitted to the system that failed to qualify as a plan approved domestic
relations order, if the domestic relations order were determined to be a
plan approved domestic relations order.

45. "Service" means the last period of continuous employment of an
employee by the employers before the employee's retirement, except that if
such period includes employment during which the employee would not have
qualified as a member had the system then been effective, such as
employment as a volunteer firefighter, then only twenty-five percent of
such noncovered employment shall be considered as service. Any absence
that is authorized by an employer shall not be considered as interrupting
continuity of employment if the employee returns within the period of
authorized absence. Transfers between employers also shall not be
considered as interrupting continuity of employment. Any period during
which a member is receiving sick leave payments or a temporary disability
pension shall be considered as service. Notwithstanding any other
provision of this paragraph, any period during which a person was employed
as a full-time paid firefighter for a corporation that contracted with an employer to provide firefighting services on behalf of the employer shall be considered as service if the employer has elected at its option to treat part or all of the period the firefighter worked for the company as service in its applicable joinder agreement. Any reference in this system to the number of years of service of an employee shall be deemed to include fractional portions of a year.

46. "State" means the state of Arizona, including any department, office, board, commission, agency or other instrumentality of the state.

47. "System" means the public safety personnel retirement system established by this article.

48. "Temporary disability" means a physical or mental condition that the local board finds totally and temporarily prevents an employee from performing a reasonable range of duties within the employee's department and that was incurred in the performance of the employee's duty.

Sec. 147. Section 41-191.09, Arizona Revised Statutes, is amended to read:

41-191.09. Attorney general legal services cost allocation fund; contributions; annual report; exemptions

A. The attorney general legal services cost allocation fund is established for the purpose of reimbursing the department of law for general agency counsel. Monies in the fund are subject to legislative appropriation. The attorney general shall administer the fund.

B. Except as provided in subsection E of this section, each state agency or department may be charged for general agency counsel provided by the department of law. The amount, if any, shall be specified annually in the general appropriations act.

C. On or before September 1 of each year, each state agency or department shall submit a report to the joint legislative budget committee that identifies the funding sources for the monies to be deposited pursuant to this section. The funding sources may not include the state general fund, federal funds or other funds that are legally restricted from making such payments.

D. A claim for the legal services cost allocation payment shall be submitted according to the fund source to the department of administration for deposit in the attorney general legal services cost allocation fund.

E. The following agencies are exempt from this section:

1. The department of water resources.
2. The residential utility consumer office.
3. The industrial commission.
4. The universities and the Arizona board of regents governing board of each university.
5. The auditor general.
6. The corporation commission.
7. The office of the governor.
8. The department of law.
10. The senate.
11. The joint legislative budget committee.
12. The Arizona state library, archives and public records.
13. The legislative council.
14. The department of administration risk management fund.
15. The department of transportation.
16. The Arizona game and fish department.
17. The department of economic security.
18. The Arizona health care cost containment system.
19. The superior court.
20. The court of appeals.
21. The supreme court.
22. The Arizona department of agriculture and councils that receive administrative and budgetary services from the Arizona department of agriculture.
23. All self-supporting regulatory agencies as determined pursuant to section 35-143.01.
24. The Arizona commerce authority.
25. The department of child safety.

F. Monies in the attorney general legal services cost allocation fund are exempt from lapsing to the state general fund at the end of each fiscal year.

Sec. 148. Section 41-192, Arizona Revised Statutes, is amended to read:

41-192. Powers and duties of attorney general; restrictions on state agencies as to legal counsel; exceptions; compromise and settlement monies

A. The attorney general shall have charge of and direct the department of law and shall serve as chief legal officer of the state. The attorney general shall:
1. Be the legal advisor of the departments of this state and render such legal services as the departments require.
2. Establish administrative and operational policies and procedures within THE department OF LAW.
3. Approve long-range plans for developing departmental programs therein, and coordinate the legal services required by other departments of this state or other state agencies.
4. Represent school districts and governing boards of school districts in any lawsuit involving a conflict of interest with other county offices.
5. Represent political subdivisions, school districts and municipalities in suits to enforce state or federal statutes pertaining to
antitrust, restraint of trade or price-fixing activities or conspiracies, if the attorney general notifies in writing the political subdivisions, school districts and municipalities of the attorney general's intention to bring any such action on its THEIR behalf. At any time within thirty days after the notification, the political subdivisions, school districts and municipalities, by formal resolution of its THEIR governing body, may withdraw the authority of the attorney general to bring the intended action on its THEIR behalf.

6. In any action brought by the attorney general pursuant to state or federal statutes pertaining to antitrust, restraint of trade, or price-fixing activities or conspiracies for the recovery of damages by this state or any of its political subdivisions, school districts or municipalities, in addition to the attorney general's other powers and authority, the attorney general on behalf of this state may enter into contracts relating to the investigation and prosecution of such AN action with any other party plaintiff who has brought a similar action for the recovery of damages and with whom the attorney general finds it advantageous to act jointly or to share common expenses or to cooperate in any manner relative to such action. In any such action, notwithstanding any other laws to the contrary, the attorney general may undertake, among other things, to render legal services as special counsel or to obtain the legal services of special counsel from any department or agency of the United States, of this state or any other state or any department or agency thereof or any county, city, public corporation or public district in this state or in any other state that has brought or intends to bring a similar action for the recovery of damages or their ITS duly authorized legal representatives in such AN action.

7. Organize the civil rights division within the department of law and administer such THE division pursuant to the powers and duties provided in chapter 9 of this title.

8. Compile, publish and distribute to all state agencies, departments, boards, commissions and councils, and to other persons and government entities on request, at least every ten years, the Arizona agency handbook that sets forth and explains the major state laws that govern state agencies, including information on the laws relating to bribery, conflicts of interest, contracting with the government, disclosure of public information, discrimination, nepotism, financial disclosure, gifts and extra compensation, incompatible employment, political activity by employees, public access and misuse of public resources for personal gain. A supplement to the handbook reflecting revisions to the information contained in the handbook shall be compiled and distributed by the attorney general as deemed necessary.

B. Except as otherwise provided by law, the attorney general may:
1. Organize the department into such bureaus, subdivisions or units as the Attorney General deems most efficient and economical, and consolidate or abolish them.

2. Adopt rules for the orderly conduct of the business of the department.

3. Subject to chapter 4, article 4 of this title, employ and assign assistant attorneys general and other employees necessary to perform the functions of the department.

4. Compromise or settle any action or claim by or against this state or any department, board or agency of this state. If the compromise or settlement involves a particular department, board or agency of this state, the compromise or settlement shall be first approved by the department, board or agency. If no department or agency is named or otherwise materially involved, the approval of the governor shall be first obtained.

5. Charge reasonable fees for distributing official publications, including attorney general legal opinions and the Arizona agency handbook. The fees received shall be transmitted to the state treasurer for deposit in the state general fund.

C. The powers and duties of a bureau, subdivision or unit shall be limited to those assigned by law to the department.

D. Notwithstanding any law to the contrary, except as provided in subsections E and F of this section, no state agency other than the attorney general shall employ legal counsel or make an expenditure or incur an indebtedness for legal services, but the following are exempt from this section:

1. The director of water resources.
2. The residential utility consumer office.
3. The industrial commission.
4. The Arizona board of regents (GOVERNING BOARD OF EACH UNIVERSITY).
5. The auditor general.
6. The corporation commissioners and the corporation commission other than the securities division.
7. The office of the governor.
8. The constitutional defense council.
9. The office of the state treasurer.
10. The Arizona commerce authority.

E. If the attorney general determines that he is disqualified from providing judicial or quasi-judicial legal representation or legal services on behalf of any state agency in relation to any matter, the attorney general shall give written notification to the state agency affected. If the agency has received written notification from the attorney general that the attorney general is disqualified from providing judicial or quasi-judicial legal representation or legal services in relation to any particular matter, the state agency is authorized to make
expenditures and incur indebtedness to employ attorneys to provide the
representation or services.

F. If the attorney general and the director of the department of
agriculture cannot agree on the final disposition of a pesticide complaint
under section 3-368, if the attorney general and the director determine
that a conflict of interest exists as to any matter or if the attorney
general and the director determine that the attorney general does not have
the expertise or attorneys available to handle a matter, the director is
authorized to make expenditures and incur indebtedness to employ attorneys
to provide representation or services to the department with regard to
that matter.

G. Any department or agency of this state authorized by law to
maintain a legal division or incur expenses for legal services from funds
derived from sources other than the general revenue of the state, or from
any special or trust fund, shall pay from such source of revenue or
special or trust fund into the general fund of the state, to the extent
such funds are available and upon a reimbursable basis for warrants
drawn, the amount actually expended by the department of law within
legislative appropriations for such legal division or legal services.

H. Appropriations made pursuant to subsection G of this section
shall not be subject to lapsing provisions otherwise provided by law.
Services for departments or agencies to which this subsection and
subsection F of this section are applicable shall be performed by special
or regular assistants to the attorney general.

I. Notwithstanding section 35-148, monies received by the attorney
general from charges to state agencies and political subdivisions for
legal services relating to interagency service agreements shall be
deposited, pursuant to sections 35-146 and 35-147, in an attorney general
agency services fund. Monies in the fund are subject to legislative
appropriation and are exempt from the provisions of section 35-190
relating to lapsing of appropriations.

J. Unless otherwise provided by law, monies received for and
belonging to the state and resulting from compromises and settlements
entered into pursuant to subsection B of this section, excluding
restitution and reimbursement to state agencies for costs or attorney
fees, shall be deposited into the state treasury and credited to the state
general fund pursuant to section 35-142. Monies received for and
belonging to the state and resulting from a compromise or settlement are
not considered custodial, private or quasi-private monies unless
specifically provided by law. On or before January 15, April 15, July 15
and October 15, the attorney general shall file with the governor, with
copies to the director of the department of administration, the president
of the senate, the speaker of the house of representatives, the secretary
of state and the staff director of the joint legislative budget committee,
a full and complete account of the deposits into the state treasury made
pursuant to this subsection in the previous calendar quarter. For the
purposes of this subsection, "restitution" means monies intended to
compensate a specific, identifiable person, including this state, for
economic loss.

Sec. 149. Section 41-612, Arizona Revised Statutes, is amended to
read:

41-612. Post-9/11 veteran education relief fund; advisory
committee; committee termination; definitions
A. The post-9/11 veteran education relief fund is established
consisting of private donations, grants, bequests and any other
monies. The department shall administer the fund. Monies in the fund are
continuously appropriated to the department solely for the purposes
prescribed in this section. On notice from the director, the state
treasurer shall invest and divest monies in the fund as provided by
section 35-313, and monies earned from investment shall be credited to the
fund.

B. The post-9/11 veteran education relief advisory committee is
established consisting of the following members:
1. The director or the director's designee.
2. One member who is JOINTLY recommended by the Arizona board of
regents GOVERNING BOARDS OF THE UNIVERSITIES.
3. One member who holds a certificate from the state board of
education and who has teaching experience that includes high school
education or one public member who has teaching experience at a
postsecondary institution.
4. One member who is an active duty or reserve member of the
uniformed services of the United States or national guard or who has
retired from active duty or reserve or national guard status and who has
served as a command career counselor or in a regular assignment that
included oversight of training or education programs.
5. Two public members who have professional experience in human
resource management.
6. One member from an education profession who is employed by a
public or private school entity.
7. Two members who are military members or family members of
military members.
C. Except for the director, the governor shall appoint the members
based on recommendations by the director, the adjutant general, the
Arizona board of regents GOVERNING BOARDS OF THE UNIVERSITIES and THE
commanders of military bases or reserve centers in this state. Appointed
members shall serve for a term of two years, that WHICH may be extended or
renewed by the governor at the recommendation of the director. The
advisory committee shall elect a chairperson from among the appointed
members.

D. The advisory committee shall:
1. Establish criteria for the use of monies in the fund.
2. Establish and revise as necessary the application process for financial assistance.
3. Review and evaluate applications.
4. Make other recommendations as necessary.

E. The advisory committee may meet in executive session, with notice pursuant to section 38-431.02, to review and evaluate applications. Applications for financial assistance and all committee considerations and evaluations of the applications are confidential.

F. The monies in the fund shall be used to provide financial assistance pursuant to this subsection. A qualifying military veteran may apply for financial assistance for the cost of tuition at a PUBLIC university that is under the jurisdiction of the Arizona board of regents and IN THIS STATE that is an Arizona veteran supportive campus as defined in section 41-609. The assistance shall be based on financial need up to the amount of tuition that the qualifying military veteran was charged in the last year that the veteran received benefits under the post-9/11 veterans educational assistance act of 2008 (P.L. 110-252; 122 Stat. 2357; 38 United States Code sections 3301 through 3325). The advisory committee shall make tuition assistance payments directly to the university.

G. The advisory committee shall adopt rules to carry out the purposes of this section that include both the following:

1. A mechanism to publicize the availability of financial assistance to potential qualifying military veterans.
2. A procedure to ensure that financial assistance awards made before a military veteran withdraws from a university due to military activation remain available on reentry to a university.

H. The committee established by this section ends on July 1, 2024 pursuant to section 41-3103.

I. For the purposes of this section:

1. "Department" means the department of veterans' services.
2. "Director" means the director of the department of veterans' services.
3. "Military member" includes an active duty, reserve or retired member of the uniformed services of the United States or national guard, a veteran who is a member of a veterans' organization or a veteran who has a service-connected disability.
4. "Qualifying military veteran" means a person who meets all of the following requirements:
   (a) Is eligible for in-state tuition status pursuant to section 15-1802, subsection G.
   (b) Is attending a PUBLIC university that is under the jurisdiction of the Arizona board of regents and IN THIS STATE that is an Arizona veteran supportive campus as defined in section 41-609.
(c) Maintains a grade point average of at least 2.2 on a 4.0 scale, or the equivalent.
(d) Has qualified for benefits under the post-9/11 veterans educational assistance act of 2008 (P.L. 110-252; 122 Stat. 2357; 38 United States Code sections 3301 through 3325).
(e) Has not transferred any portion of the person's benefits under the program to a dependent.
(f) Is within one year of completion of the person's first baccalaureate degree as a full-time student or within two years of completion of the person's first baccalaureate degree as a part-time student.

Sec. 150. Section 41-706, Arizona Revised Statutes, is amended to read:

41-706. State employee living donor leave; definitions
A. An employee is entitled to a leave of absence for the time specified for the following purposes:
1. Five work days to serve as a bone marrow donor for a bone marrow transplant if the employee provides the employee's employer with written verification that the employee is to serve as a bone marrow donor.
2. Thirty work days to serve as an organ donor for a human organ transplant if the employee provides the employee's employer with written verification that the employee is to serve as an organ donor.
B. An employee who is granted a leave of absence pursuant to this section is entitled to receive base pay without interruption during the leave of absence. For the purpose of determining seniority, pay or pay advancement and performance awards and for the receipt of any benefit that may be affected by a leave of absence, the service of the employee is considered uninterrupted by the leave of absence.
C. The employer shall not penalize an employee for requesting or obtaining a leave of absence pursuant to this section.
D. For the purposes of this section:
1. "Bone marrow" means the soft material that fills human bone cavities.
2. "Bone marrow transplant" means the medical procedure by which transfer of bone marrow is made from the body of a person to the body of another person.
3. "Employee" means a person employed in a position in any office, board, commission or department in state government, a person employed by the judiciary or a person employed by a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE or a community college district.
4. "Human organ transplant" means the medical procedure by which transfer of an organ or part of an organ is made from the body of a person to the body of another person.
5. "Organ" means human organs or parts of an organ that are capable of being transferred from the body of a person to the body of another person.

Sec. 151. Section 41-724, Arizona Revised Statutes, is amended to read:

41-724. Exemptions
A. The Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, the Arizona commerce authority and the legislative and judicial branches of state government shall not be subject to the provisions of this article except as prescribed by law.

B. The Arizona board of regents GOVERNING BOARD OF A UNIVERSITY and the judicial branch of state government shall be subject to the provisions of sections 35-112 and 35-113.

Sec. 152. Section 41-741, Arizona Revised Statutes, is amended to read:

41-741. Definitions
In this article and articles 5 and 6 of this chapter, unless the context otherwise requires:

1. "Appointing authority" means the person or group of persons authorized by law or delegated authority to make appointments to fill positions.

2. "At will" means an employment relationship where IN WHICH either party to the relationship may sever the relationship at any time for any reason other than an unlawful reason.

3. "Break in service" means a separation from state employment, regardless of the reason for separation.

4. "Change in assignment" means movement of an employee to a different position in the same state agency or another state agency.

5. "Covered employee" means an employee who:
   (a) Before September 29, 2012, is in the state service, is not uncovered pursuant to section 41-742, subsection A and has remained in covered status without a break in service since that date.
   (b) Before September 29, 2012, is in the state service, is employed as a correctional officer I, correctional officer II, correctional officer III or community corrections officer and has remained in covered status without a break in service since that date.
   (c) Before September 29, 2012, is in the state service, is a full authority peace officer as certified by the Arizona peace officer standards and training board and has remained in that status without a break in service since that date.
   (d) On or after September 29, 2012, is a correctional officer I, correctional officer II, correctional officer III or community corrections officer and is appointed to a position in the covered service, but does not include a position in any other class in the correctional officer
class series or the community correctional officer class series or in any
other correctional class series.

(e) On or after September 29, 2012, is a full authority peace
officer as certified by the Arizona peace officer standards and training
board and is appointed to a position that requires such a certification in
the covered service.

6. "Covered service" means that employment status conferring rights
of appeal as prescribed in sections 41-782 and 41-783 or section
41-1830.16, as applicable.

7. "Director" means the director of the department of
administration, or the director's designee, who is responsible for
administering the state personnel system pursuant to applicable state and
federal laws.

8. "Employee" means all officers and employees of this state,
whether in covered service or uncovered service, unless otherwise
prescribed.

9. "Full authority peace officer" means a peace officer whose
authority to enforce the laws of this state is not limited by the rules
adopted by the Arizona peace officer standards and training board.

10. "Original probationary period" means the specified period
following initial appointment to covered service.

11. "Probationary period" means a working test period of employment
in a covered service position for evaluation of the employee's work.

12. "Promotional probation" means the specified period of
employment following promotion of a permanent status employee to another
covered service position that has a higher pay grade.

13. "Rules" means rules adopted by the department of
administration, human resources division.

14. "Significant procurement role":
   (a) Means any role that includes any of the following duties:
      (i) Participating in the development of a procurement as defined in
          section 41-2503.
      (ii) Participating in the development of an evaluation tool.
      (iii) Approving a procurement as defined in section 41-2503 or an
          evaluation tool.
      (iv) Soliciting quotes greater than ten thousand dollars for the
          provision of materials, services or construction.
      (v) Serving as a technical advisor or an evaluator who evaluates a
          procurement as defined in section 41-2503.
      (vi) Recommending or selecting a vendor that will provide
          materials, services or construction to this state.
      (vii) Serving as a decision-maker DECISION-MAKER or designee on a
          protest or an appeal by a party regarding an agency procurement selection
          or decision.
(b) Does not include making decisions on developing specifications and the scope of work for a procurement as defined in section 41-2503 if the decision is based on the application of commonly accepted industry standards or known published standards of the agency as applied to the project, services, goods or materials.

15. "State agency" means a department, board, office, authority, commission or other governmental budget unit of this state and includes an agency assigned to a department for administrative purposes. State agency does not include the legislative and judicial branches, the Arizona Board of Regents GOVERNING BOARD OF A UNIVERSITY, state universities, the Arizona state schools for the deaf and the blind, the department of public safety, the Arizona peace officer standards and training board, the cotton research and protection council or public corporations.

16. "State personnel board" means the board established by section 41-781.

17. "State personnel system" means all state agencies and employees of those agencies that are not exempted by this article.

18. "State service" means all offices and positions of employment in state government that, before September 29, 2012, were subject to the provisions of articles 5 and 6 of this chapter that were in effect before September 29, 2012.

19. "Supervisor" means a state employee who has one or more other state employees reporting directly to the person and, for those state employees, typically has the authority to:
   (a) Approve sick or annual leave.
   (b) Recommend hiring, discipline or dismissal.
   (c) Assign or schedule daily work.
   (d) Complete a performance evaluation.

20. "Uncovered employee" means an employee in uncovered service.

21. "Uncovered service" means employment at will and includes all state employees except those in covered service.

Sec. 153. Section 41-742, Arizona Revised Statutes, is amended to read:

41-742. State personnel system; covered and uncovered employees; application; exemptions

A. Beginning September 29, 2012, unless otherwise prescribed in this article:

1. All new hires are at will uncovered employees.

2. Any employee who meets any of the following criteria is an at will uncovered employee:
   (a) Is employed as an attorney in a position assigned to the attorney salary schedule.
   (b) IS a supervisor.
(c) Is at a pay grade of nineteen or above or, if a successor compensation system is established, in an equivalent pay range as determined by the director.

(d) Is in a position assigned to the information technology salary schedule, in a position assigned to an information technology classification or, if a successor compensation system is established, in an equivalent pay range as determined by the director.

3. Any covered employee who voluntarily accepts a change in assignment to a position in the uncovered service, regardless of whether the voluntary change in assignment is a promotion, demotion or lateral transfer, is an at will uncovered employee on the start date of the voluntary change in assignment.

4. A covered employee may voluntarily elect to become an at will uncovered employee without a change in assignment on approval by the state agency head and the director. If approved, the change from covered to uncovered status is immediate.

5. Once a covered employee becomes an at will uncovered employee, the change is irrevocable.

B. Except as provided in subsection F of this section, the purpose of this article is for all state agencies in the state personnel system to treat employees pursuant to the following principles:

1. Recruiting, selecting and advancing employees on the basis of the employee’s relative ability, knowledge and skills after open competition.

2. Providing compensation based on merit, performance, job value and competitiveness within applicable labor markets.

3. Training employees if the training will result in better organizational and individual performance.

4. Retaining employees on the basis of the adequacy of their performance, correct inadequate performance where possible and separate employees whose performance is inadequate.

5. Managing applicants and employees in all aspects of personnel administration without regard to political affiliation, race, color, national origin, sex, age, disability or religious creed and with proper regard for their privacy and constitutional rights as citizens.

6. Ensuring that employees are protected against coercion for partisan political purposes and are prohibited from using their official authority for the purpose of interfering with or affecting the result of an election or nomination for office.

C. The director shall establish and administer the state personnel system, including:

1. A classification system and job classes and associated knowledge, skills and abilities for those classes.
2. A centralized job announcement system to streamline statewide recruiting for applicants.

3. A centralized employment system to be used by all successful applicants, including a common application form to be used by all state agencies.

4. A compensation system, including assigning pay ranges for all job classes and special pay plans for certain classes or groups of employees considering such factors as occupational patterns, economic conditions and pay plans common to government, business and industry.

5. A statewide training program.

6. A statewide performance management system.

7. An audit function to review state agencies' processes and compliance with applicable statutes, personnel rules and policies.

8. An integrated system to process personnel, payroll and benefits transactions and serve as the system of record for state employees.

D. This article and articles 5 and 6 OF THIS CHAPTER do not apply to:

1. An elected state officer. An elected state officer means only elected officials and does not include the employees of elected state officers unless expressly provided.

2. Members of boards and commissions who are appointed by the legislature or the governor, board members appointed pursuant to section 41-619.52 unless otherwise prescribed by law, employees of the Arizona legislative council, employees appointed or employed by the legislature, any legislative agency or either house of the legislature and employees of the supreme court and the court of appeals.

3. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY, officers or employees of state universities and personnel of the Arizona state schools for the deaf and the blind.

4. Patients or inmates employed in state institutions.

5. Officers and enlisted personnel of the national guard of Arizona and employees of the department of emergency and military affairs who occupy Arizona national guard positions identified as mobilization assets.

6. The cotton research and protection council.

7. The department of public safety.

8. The Arizona peace officer standards and training board.

E. Unless otherwise prescribed in this article, subsection A, paragraphs 1, 2 and 3 of this section do not apply to either an initial appointment to or changes in assignment to:

1. An employee of any state agency who is a full authority peace officer as certified by the Arizona peace officer standards and training board.

2. An employee of the state department of corrections who is employed as a correctional officer I, correctional officer II, correctional officer III, community corrections officer or, if a successor
classification system is established, in an equivalent job class as
determined by the director.

F. Subsection B, paragraph 1 of this section, relating to open
competition and subsection B, paragraph 4 of this section and subsection
B. paragraph 5 of this section, relating to political affiliation, do not
apply to:
1. Employees of the governor's office.
2. Employees of offices of elected officials who either:
   (a) Report directly to the elected official.
   (b) Head a primary component or report directly to the head of a
       primary component of the office of the elected official.
   (c) As a primary duty, determine or publicly advocate substantive
       program policy for the office of the elected official.
3. The state agency head and each deputy director, or equivalent,
of each state agency and employees of the state agency who report directly
to either the state agency head or deputy director.
4. Each assistant director, or equivalent, of each state agency and
   employees in the state agency who report directly to an assistant
   director.
5. Attorneys in the office of the attorney general.
6. Employees in investment related positions in the state
   retirement system or plans established by title 38, chapter 5, article 2,
3, 4 or 6.

G. This article and articles 5 and 6 of this chapter do not confer
any rights in excess of, or in addition to, those previously authorized to
any state employee.

H. This article does not create or confer any contractual
employment right for any employee and, unless otherwise provided by law,
state agencies are prohibited from executing employment contracts with any
state employee.

I. Any communications, including policy manuals, employee
handbooks, job offers and performance appraisals and other communications
as determined by the director, whether in writing or oral, that conflict
with article 1, 5 or 6 of this chapter or this article are void and do not
alter or supersede article 1, 5 or 6 of this chapter or this article.

Sec. 154. Section 41-751, Arizona Revised Statutes, is amended to
read:

41-751. Annual report and recommendations
A. The director shall prepare a report on state personnel and the
operation of the state personnel system.
B. The report shall include:
   1. Information concerning all state employees, including employees
      of all executive, legislative and judicial branch agencies. All state
      agencies shall provide any information requested by the director to
      prepare the annual report.
2. Information concerning turnover, including the number of employees separating from state employment and the reasons for separation.

3. Information concerning the compensation during the preceding year and the coming year of state employees and the compensation of other public employees and private employees.

4. An advisory recommendation on state employees' salaries. In establishing the recommendation, the director shall consider the relative levels of duties and responsibilities of the various classes of positions, rates paid for comparable positions elsewhere and other relevant factors. Salary recommendations are not required for elected officials. The director shall make advisory salary recommendations for specific positions in the governor's office, the legislature and the courts if requested by the respective administrative heads of these units of state government.

5. The overtime pay of all state agencies.

6. Other information as determined by the director.

C. The annual report and recommendations shall be presented to the governor and the legislature on or before September 1 of each year. The director shall provide a copy of the report to the secretary of state.

D. The Arizona Board of Regents, Governing Board of Each University, the department of public safety, the judicial department and the Arizona state schools for the deaf and the blind shall each prepare and submit an annual report on their personnel as prescribed in this section. The report shall include:

1. Information concerning the number of employees affected by and reasons for turnover of their employees.

2. Information concerning the compensation during the preceding year and the coming year of their employees and the compensation of other public employees and private employees.

3. An advisory recommendation on the salary plan and adjustments for their employees. In establishing the salary plan, they shall consider the relative levels of duties and responsibilities of the various classes of positions, rates paid for comparable positions elsewhere and other relevant factors.

4. The overtime pay for their employees.

Sec. 155. Section 41-782, Arizona Revised Statutes, is amended to read:

41-782. Powers and duties of the state personnel board

A. Except as provided by section 41-1830.16, the state personnel board shall hear and review appeals as provided in this article relating to dismissal of a covered employee from covered service, suspension for more than eighty working hours or involuntary demotion resulting from disciplinary action as defined in the personnel rules for an employee in covered service.

B. The state personnel board shall hear and review complaints as provided in title 38, chapter 3, article 9, relating to any personnel
action taken against an employee or former employee of this state, except an employee or former employee of a state university or the board of regents GOVERNING BOARD OF A UNIVERSITY, which the employee or former employee believes was taken in reprisal for the employee's or former employee's disclosure of information to a public body. The state personnel board shall recommend the dismissal of a supervisor or other responsible person, other than an elected official, who it determines committed a prohibited personnel practice.

C. The state personnel board may adopt rules it deems necessary for the administration of hearings and the review of appeals and complaints as prescribed in this section.

D. The state personnel board shall only exercise authority that is specifically granted to the board pursuant to this article.

Sec. 156. Section 41-791.01, Arizona Revised Statutes, is amended to read:

41-791.01. **Powers and duties relating to facilities planning and construction; exemption**

A. The department has the following facilities planning and construction powers and duties:

1. Review all architectural, engineering and construction contracts before submission to the department of law.

2. Approve plans and specifications and changes thereof for all capital projects for which monies are appropriated by the legislature.

3. Review and approve all progress payments on all major capital projects.

4. Make regular inspections of all capital projects during the course of construction to ensure compliance with the plans and specifications approved by the director.

B. The Arizona board of regents GOVERNING BOARD OF A UNIVERSITY shall not be subject to the provisions of this section.

Sec. 157. Section 41-792, Arizona Revised Statutes, is amended to read:

41-792. **Lease cost review board; members; duties; square footage lease costs**

A. A THE lease cost review board is established. Board membership consists of the director or the director's designee and four members appointed by the director, as follows:

1. Three directors of other state agencies.

2. A staff member of the joint legislative budget committee.

B. The term of office of appointed members is three years. A director of a state agency may appoint an employee of the agency to serve on the committee in the director's stead.

C. Before July 1 of each even-numbered year, the lease cost review board shall:
1. Estimate an average square foot dollar cost for the following two fiscal years for leasing privately owned office space.

2. Recommend to the director a rental rate to be charged to state agencies for using space in buildings owned by or leased to this state.

D. Leases proposed to be entered into by a state agency for privately owned office space must be approved by the director, or in the case of the state universities, by the Arizona board of regents GOVERNING BOARD OF THAT UNIVERSITY. Before August 1 of each even-numbered year, the director and the LEASE COST REVIEW board shall each submit a report to the joint committee on capital review that lists all leases that were approved during the prior two fiscal years and that exceeded the average square foot dollar cost estimated for the prior fiscal year pursuant to subsection C OF THIS SECTION.

Sec. 158. Section 41-793, Arizona Revised Statutes, is amended to read:

41-793. Building systems; capital improvement plans

A. The department of administration, the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY and the department of transportation shall each be considered as a separate building system. Subject to approval by the joint committee on capital review, the director of the department of administration shall establish additional building systems for the purpose of computing and funding building renewal. Subject to approval by the joint committee on capital review, each building system shall designate an agency that is responsible for computing building renewal needs for each fiscal year pursuant to the formula approved by the committee and for allocating appropriated building renewal monies within the building system.

B. The agency responsible for each building system established pursuant to subsection A of this section shall prepare each year a capital improvement plan that contains proposals for state spending on land acquisition, capital projects, energy systems, energy management systems and building renewal for the building system. Copies of the plan shall be submitted to the governor no later than October 15. Each plan shall include:

1. A detailed list of all land acquisition and capital projects that are recommended to be undertaken or continued for the building system during the next fiscal year, an explanation as to the need for each acquisition or project, the effect of the recommended acquisition or capital project on the future operating expenses of this state, recommendations as to the priority of recommended acquisitions or capital projects and the means of financing those acquisitions or projects.

2. Forecasts as to the requirements for land acquisition and capital projects for the building system during the two fiscal years following the fiscal year provided for in paragraph 1 of this subsection and for any additional periods as may be necessary or desirable for an
adequate presentation of the capital projects and a schedule for the
planning and implementation or construction of those capital projects.

3. A report on the status of all ongoing or recently completed land
acquisitions and capital projects for the building system, with a summary
of monies expended for each acquisition or project.

4. A report on the condition, maintenance and utilization of all
buildings within the building system that were inspected during the prior
fiscal year.

5. A report on the building renewal activities undertaken during
the past fiscal year, including the specific purposes for which monies
were expended, proposed activities for the current fiscal year and a
prioritized schedule of renewal projects proposed for the following fiscal
year.

6. The amount of appropriation required in the following fiscal
year for building renewal as determined by the building renewal formula
set forth in section 41-793.01.

C. On or before June 1 of each year or thirty days after the state
legislature adjourns its regular session sine die, whichever is later,
each state agency under the department of administration building system
and not later than August 1 of each year each agency under the Arizona
board of regents UNIVERSITY building system shall provide to the agency
responsible for its building system:

1. A detailed list of land acquisition and capital projects the
agency seeks to undertake or continue in the next fiscal year, an
explanation as to the need for each acquisition or project, the effect of
the acquisitions or capital projects on future operating expenses of this
state, including energy systems and energy management systems, and other
relevant supporting data requested by the agency responsible for the
building system.

2. Forecasts as to the requirements for land acquisition or capital
projects of the agency for the two fiscal years following the fiscal year
provided for in paragraph 1 of this subsection and for any additional
periods as may be necessary or desirable for the adequate presentation of
the capital projects and a schedule for the planning and implementation or
construction of those capital projects.

3. A report on all ongoing or recently completed land acquisitions
and capital projects of the agency, with a summary of monies expended for
each acquisition or project, and energy consumption and expenditure
information.

4. Any other information requested by the agency responsible for
the building system.

D. Each state agency in complying with subsection C, paragraph 1 of
this section and the agency responsible for each building system in
complying with subsection B, paragraph 1 of this section should give
priority to fire and life safety projects.
E. The agency responsible for a building system shall inspect the condition, maintenance and utilization of each building within the building system not less than once every four fiscal years and shall report its findings pursuant to subsection B of this section. For purposes of complying with this requirement, the agency responsible for each building system shall inspect approximately fifty percent of its buildings within the first two years of the four-year cycle. The agency shall inspect the other fifty percent of the buildings in the remaining two years of the four-year cycle.

F. The governor shall prescribe standard forms in accordance with the provisions of this section to be used by state agencies in preparing and submitting capital improvement plans. The forms prescribed shall be so constructed as to allow each building system to adequately provide information pertinent to its manner of operation.

G. Each plan, forecast and report required for two or more fiscal years in this section shall be delineated separately for each year.

Sec. 159. Section 41-1002.01, Arizona Revised Statutes, is amended to read:

41-1002.01. Educational programs; enrollment limit prohibited; definition

A. An agency may not limit enrollment in any school or educational program of an institution of higher education.

B. For the purposes of this section, "agency" has the same meaning prescribed in section 41-1001 but does not include the Arizona board of regents or any community college district governing board.

Sec. 160. Section 41-1005, Arizona Revised Statutes, is amended to read:

41-1005. Exemptions

A. This chapter does not apply to any:

1. Rule that relates to the use of public works, including streets and highways, under the jurisdiction of an agency if the effect of the order is indicated to the public by means of signs or signals.

2. Order or rule of the Arizona game and fish commission that does the following:

   (a) Opens, closes or alters seasons or establishes bag or possession limits for wildlife.

   (b) Establishes a fee pursuant to section 5-321, 5-322 or 5-327.

   (c) Establishes a license classification, fee or application fee pursuant to title 17, chapter 3, article 2.

3. Rule relating to section 28-641 or to any rule regulating motor vehicle operation that relates to speed, parking, standing, stopping or passing enacted pursuant to title 28, chapter 3.
4. Rule concerning only the internal management of an agency that does not directly and substantially affect the procedural or substantive rights or duties of any segment of the public.

5. Rule that only establishes specific prices to be charged for particular goods or services sold by an agency.

6. Rule concerning only the physical servicing, maintenance or care of agency owned or operated facilities or property.

7. Rule or substantive policy statement concerning inmates or committed youths of a correctional or detention facility in secure custody or patients admitted to a hospital, if made by the state department of corrections, the department of juvenile corrections, the board of executive clemency or the department of health services or a facility or hospital under the jurisdiction of the state department of corrections, the department of juvenile corrections or the department of health services.

8. Form whose contents or substantive requirements are prescribed by rule or statute, and instructions for the execution or use of the form.

9. Capped fee-for-service schedule adopted by the Arizona health care cost containment system administration pursuant to title 36, chapter 29.

10. Fees prescribed by section 6-125.

11. Order of the director of water resources adopting or modifying a management plan pursuant to title 45, chapter 2, article 9.

12. Fees established under section 3-1086.

13. Fees established under sections 41-4010 and 41-4042.

14. Rule or other matter relating to agency contracts.

15. Fees established under section 32-2067 or 32-2132.

16. Rules made pursuant to section 5-111, subsection A.

17. Rules made by the Arizona state parks board concerning the operation of the Tonto natural bridge state park, the facilities located in the Tonto natural bridge state park and the entrance fees to the Tonto natural bridge state park.

18. Fees or charges established under section 41-511.05.

19. Emergency medical services protocols except as provided in section 36-2205, subsection B.

20. Fee schedules established pursuant to section 36-3409.

21. Procedures of the state transportation board as prescribed in section 28-7048.

22. Rules made by the state department of corrections.

23. Fees prescribed pursuant to section 32-1527.

24. Rules made by the department of economic security pursuant to section 46-805.


26. Procedure that is established pursuant to title 23, chapter 6, article 6.
27. Rules, administrative policies, procedures and guidelines adopted for any purpose by the Arizona commerce authority pursuant to chapter 10 of this title if the authority provides, as appropriate under the circumstances, for notice of an opportunity for comment on the proposed rules, administrative policies, procedures and guidelines.

28. Rules made by a marketing commission or marketing committee pursuant to section 3-414.

29. Administration of public assistance program monies authorized for liabilities that are incurred for disasters declared pursuant to sections 26-303 and 35-192.

30. User charges, tolls, fares, rents, advertising and sponsorship charges, services charges or similar charges established pursuant to section 28-7705.

31. Administration and implementation of the hospital assessment pursuant to section 36-2901.08, except that the Arizona health care cost containment system administration must provide notice and an opportunity for public comment at least thirty days before establishing or implementing the administration of the assessment.

32. Rules made by the Arizona department of agriculture to adopt and implement the provisions of the federal milk ordinance as prescribed by section 3-605.

B. Notwithstanding subsection A, paragraph 21 of this section, at such time as the federal highway administration authorizes the privatization of rest areas, the state transportation board shall make rules governing the lease or license by the department of transportation to a private entity for the purposes of privatization of a rest area.

C. Coincident with the making of a final rule pursuant to an exemption from the applicability of this chapter under this section, another statute or session law, the agency shall file a copy of the rule with the secretary of state for publication pursuant to section 41-1012 and provide a copy to the council.

D. Unless otherwise required by law, articles 2, 3, 4 and 5 of this chapter do not apply to the Arizona board of regents and the institutions under its jurisdiction GOVERNING BOARDS OF THE UNIVERSITIES AND THE PUBLIC UNIVERSITIES, except that the Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY shall make policies or rules for the THAT GOVERNING board and the institutions under its jurisdiction UNIVERSITY that provide, as appropriate under the circumstances, for notice of and opportunity for comment on the policies or rules proposed.

E. Unless otherwise required by law, articles 2, 3, 4 and 5 of this chapter do not apply to the Arizona state schools for the deaf and the blind, except that the board of directors of all the state schools for the deaf and the blind shall adopt policies for the board and the schools under its jurisdiction that provide, as appropriate under the
circumstances, for notice of and opportunity for comment on the policies proposed for adoption.

F. Unless otherwise required by law, articles 2, 3, 4 and 5 of this chapter do not apply to the state board of education, except that the state board of education shall adopt policies or rules for the board and the institutions under its jurisdiction that provide, as appropriate under the circumstances, for notice of and opportunity for comment on the policies or rules proposed for adoption. In order to implement or change any rule, the state board of education shall provide at least two opportunities for public comment.

Sec. 161. Section 41-1092.02, Arizona Revised Statutes, is amended to read:

41-1092.02. Appealable agency actions; application of procedural rules; exemption from article

A. This article applies to all contested cases as defined in section 41-1001 and all appealable agency actions, except contested cases with or appealable agency actions of:

1. The state department of corrections.

2. The board of executive clemency.

3. The industrial commission of Arizona.

4. The Arizona corporation commission.

5. The Arizona board of regents and institutions under its jurisdiction GOVERNING BOARD OF EACH UNIVERSITY AND THE PUBLIC UNIVERSITIES.

6. The state personnel board.

7. The department of juvenile corrections.

8. The department of transportation, except as provided in title 28, chapter 30, article 2.

9. The department of economic security except as provided in section 46-458.

10. The department of revenue regarding:

(a) Income tax or withholding tax.

(b) Any tax issue related to information associated with the reporting of income tax or withholding tax unless the taxpayer requests in writing that this article apply and waives confidentiality under title 42, chapter 2, article 1.

11. The board of tax appeals.

12. The state board of equalization.

13. The state board of education, but only in connection with contested cases and appealable agency actions related to applications for issuance or renewal of a certificate and discipline of certificate holders pursuant to sections 15-203, 15-534, 15-534.01, 15-535, 15-545 and 15-550.

14. The board of fingerprinting.

15. The department of child safety except as provided in sections 8-506.01 and 8-811.
B. Unless waived by all parties, an administrative law judge shall conduct all hearings under this article, and the procedural rules set forth in this article and rules made by the director apply.

C. Except as provided in subsection A of this section:
   1. A contested case heard by the office of administrative hearings regarding taxes administered under title 42 shall be subject to section 42-1251.
   2. A final decision of the office of administrative hearings regarding taxes administered under title 42 may be appealed by either party to the director of the department of revenue, or a taxpayer may file and appeal directly to the board of tax appeals pursuant to section 42-1253.

D. Except as provided in subsections A, B, E, F and G of this section and notwithstanding any other administrative proceeding or judicial review process established in statute or administrative rule, this article applies to all appealable agency actions and to all contested cases.

E. Except for a contested case or an appealable agency action regarding unclaimed property, sections 41-1092.03, 41-1092.08 and 41-1092.09 do not apply to the department of revenue.

F. The board of appeals established by section 37-213 is exempt from:
   1. The time frames for hearings and decisions provided in section 41-1092.05, subsection A, section 41-1092.08 and section 41-1092.09.
   2. The requirement in section 41-1092.06, subsection A to hold an informal settlement conference at the appellant's request if the sole subject of an appeal pursuant to section 37-215 is the estimate of value reported in an appraisal of lands or improvements.

G. Auction protest procedures pursuant to title 37, chapter 2, article 4.1 are exempt from this article.

Sec. 162. Section 41-1231, Arizona Revised Statutes, is amended to read:

41-1231. Definitions

In this article, unless the context otherwise requires:

1. "Authorized lobbyist" means any person, other than a designated lobbyist or lobbyist for compensation, who is employed by, retained by or representing a principal, with or without compensation, for the purpose of lobbying and who is listed as an authorized lobbyist by the principal in its registration pursuant to section 41-1232.

2. "Authorized public lobbyist" means a person, other than a designated public lobbyist, who is employed by, retained by or representing a public body, with or without compensation, for the purpose of lobbying and who is listed as an authorized public lobbyist by the public body in its registration pursuant to section 41-1232.01.
3. "Designated lobbyist" means the person who is designated by a principal as the single point of contact for the principal and who is listed as the designated lobbyist by the principal in its registration pursuant to section 41-1232.

4. "Designated public lobbyist" means the person who is designated by a public body as the single point of contact for the public body and who is listed as the designated public lobbyist by the public body in its registration pursuant to section 41-1232.01.

5. "Entertainment" means the amount of any expenditure paid or incurred for admission to any sporting or cultural event or for participation in any sporting or cultural activity.

6. "Expenditure" means a payment, distribution, loan, advance, deposit or gift of money or anything of value and includes a contract, promise or agreement, whether or not legally enforceable, to make an expenditure that provides a benefit to an individual state officer or state employee and that is incurred by or on behalf of one or more principals, public bodies, lobbyists, designated public lobbyists or authorized public lobbyists.

7. "Family gift" means a gift to a state officer or employee or a member of the officer's or employee's household from a principal, lobbyist, designated public lobbyist or authorized public lobbyist who is a relative of the state officer or employee or a member of the household of the state officer or employee if the donor is not acting as the agent or intermediary for someone other than a person covered by this paragraph.

8. "Food or beverage" means the amount of any expenditure paid or incurred for food or beverages for a state officer or employee provided at a location at which the principal, public body, lobbyist, designated public lobbyist or authorized public lobbyist who made the expenditure is present.

9. "Gift" means a payment, distribution, expenditure, advance, deposit or donation of money, any intangible personal property or any kind of tangible personal or real property. For the purposes of this article, gift does not include:
   (a) A gift, devise or inheritance from an individual's spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle or first cousin or the spouse of any such individual if the donor is not acting as the agent or intermediary for someone other than a person covered by this subdivision.
   (b) Expenditures that are either properly reported or exempt from reporting under this chapter for:
      (i) A speaking engagement.
      (ii) Food or beverages.
      (iii) Travel and lodging.
      (iv) Flowers.
(c) Salary, compensation or employer-reimbursed expenses lawfully paid to a public official.

(d) The value, cost or price of professional or consulting services that are not rendered to obtain a benefit for any registered principal, public body, lobbyist, designated public lobbyist or authorized public lobbyist or the clients of a principal or lobbyist.

(e) Expenses relating to a special event or function to which all members of the legislature, either house of the legislature or any committee of the legislature is invited.

(f) A plaque or other form of recognition similar to a plaque to a state officer or state employee to signify the honorary recognition of a service or other notable accomplishment.

(g) Informational material such as books, reports, pamphlets, calendars or periodicals.

(h) An item that is not used and that is returned within fifteen days of receipt to the donor or that is delivered within fifteen days of receipt to a charitable organization and that is not claimed as a charitable contribution for state or federal income tax purposes.

(i) A campaign contribution that is properly received and reported as required by law.

(j) An item that is given to a state officer or employee if the state officer or employee gives an item of approximately the same value to the giver of the item at the same time that the item is given or on a similar occasion as the one that prompted the original item to be given.

(k) Gifts of a personal nature that were customarily received by an individual from the donor before the individual became a state officer or employee.

(l) An item that is given to the general public at an event.

10. "Legislation" means bills, resolutions, memorials, amendments, nominations and other matters that are pending or proposed in either house of the legislature of this state.

11. "Lobbying":

(a) Means attempting to influence the passage or defeat of any legislation by directly communicating with any legislator or attempting to influence any formal rulemaking proceeding pursuant to chapter 6 of this title or rulemaking proceedings that are exempt from chapter 6 of this title by directly communicating with any state officer or employee.

(b) Includes, for a person who is otherwise required to be registered as a lobbyist for compensation pursuant to this article, attempting to influence the procurement of materials, services or construction by an agency as defined in section 41-1001, including the office of the governor.

(c) Does not include:

(i) Interagency communications between state agency employees.
(ii) Communications between a public official or employee of a public body, designated public lobbyist or authorized public lobbyist and any state officer, except for a member of the legislature, or an employee of the legislature.

(iii) Oral questions or comments made by a person to a state officer or employee regarding a proposed rule and made in public at a meeting or workshop that is open to the public and that is sponsored by a state agency, board, commission, council or office.

(iv) Communications between a public body and a self-employed person or person employed by a partnership or company regarding the procurement of materials, services or construction unless the self-employed person or person employed by a partnership or company is otherwise required to register pursuant to this article or is employed by, supervised by at any level or contracted by a person who is otherwise required to register as a lobbyist for compensation pursuant to this article.

12. "Lobbyist" means any person, other than a designated public lobbyist or authorized public lobbyist, who is employed by, retained by or representing a person other than himself, with or without compensation, for the purpose of lobbying and who is listed as a lobbyist by the principal in its registration pursuant to section 41-1232. Lobbyist includes a lobbyist for compensation, designated lobbyist and authorized lobbyist.

13. "Lobbyist for compensation" means a lobbyist who is compensated for the primary purpose of lobbying on behalf of a principal and who is listed by the principal in its registration pursuant to section 41-1232.

14. "Person" means an individual, partnership, committee, association or corporation and any other organization or group of persons, except legislators and political parties qualified for representation on the ballot pursuant to section 16-801 or 16-804.

15. "Personal hospitality" means hospitality, meals, beverages, transportation or lodging furnished but not commercially provided by a person on property or facilities owned or possessed by the person or the person's family.

16. "Principal" means any person, other than a public body, that employs, retains, engages or uses, with or without compensation, a lobbyist. Principal includes any subsidiary of a corporation.

17. "Procurement" has the same meaning prescribed in section 41-2503.

18. "Public body" means the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE, the judicial department, any state agency, board, commission or council, any county, any county elected officer who elects to appoint a designated public lobbyist or any city, town, district or other political subdivision of this state that receives
and uses tax revenues and that employs, retains, engages or uses, with or
without compensation, a designated public lobbyist or authorized public
lobbyist.

19. "Public official" means a person who is duly elected, appointed
or retained through election to an elected state, county or local office.
20. "Single expenditure" means an expenditure that provides a
benefit of more than twenty dollars to an individual state officer or
state employee and that is incurred by or on behalf of one or more
principals, public bodies, lobbyists, designated public lobbyists or
authorized public lobbyists.

21. "Speaking engagement":
(a) Means the amount of any expense paid or incurred for entrance
fees, lodging, food and beverage, entertainment, travel and other expenses
for the state officer's or employee's attendance at an event, committee,
meeting, conference or seminar, including meetings of state, regional or
national organizations or their committees concerned with legislative or
governmental activities if the state officer or employee participates in
the event as a speaker or panel participant by presenting information
relating to the state officer's or employee's legislative or official
duties or by performing a ceremonial function appropriate to the state
officer's or employee's position.
(b) Does not include expenditures for an honorarium or any other
similar fee paid to a speaker.

22. "State employee" means an employee of the legislature, a PUBLIC
university under the jurisdiction of the Arizona board of regents IN THIS
STATE, the judicial department or a state office, agency, board, commission or council.
23. "State officer" means a person who is duly elected, appointed
or retained through election to any state office, or a member of any state
board, commission or council, and includes a member of the legislature.

Sec. 163. Section 41-1232.08, Arizona Revised Statutes, is amended
to read:

41-1232.08. Entertainment ban; state and political
subdivisions; exceptions
A. A principal, designated lobbyist, authorized lobbyist, lobbyist
for compensation, public body, designated public lobbyist or authorized
public lobbyist or any other person acting on that person's behalf shall
not make an expenditure or single expenditure for entertainment for a
state officer or state employee. A state officer or state employee shall
not accept an expenditure or single expenditure for entertainment from a
principal, designated lobbyist, authorized lobbyist, lobbyist for
compensation, public body, designated public lobbyist or authorized public
lobbyist or any other person acting on that person's behalf.

B. A person who for compensation attempts to influence the
procurement of materials, services or construction by an agency as defined
in section 41-1001, including the office of the governor, or the passage
or defeat of legislation, ordinances, rules, regulations, nominations and
other matters that are pending or proposed or that are subject to formal
approval by the corporation commission, a county board of supervisors, a
city or town governing body or a school district governing board or any
person acting on that person's behalf shall not make an expenditure or
single expenditure for entertainment for an elected or appointed member of
the corporation commission, a county board of supervisors, a city or town
governing body or a school district governing board. An elected or
appointed member of the corporation commission, a county board of
supervisors, a city or town governing body or a school district governing
board shall not accept an expenditure or single expenditure for
entertainment from a person who for compensation attempts to influence the
procurement of materials, services or construction by an agency as defined
in section 41-1001, including the office of the governor, or the passage
or defeat of legislation, ordinances, rules, regulations, nominations and
other matters that are pending or proposed or that are subject to formal
approval by the corporation commission, a county board of supervisors, a
city or town governing body or a school district governing board.
C. This section shall not apply to:
1. Entertainment in connection with a special event properly
reported pursuant to this article.
2. Entertainment that is incidental to a speaking engagement.
3. The following persons while attending or participating in any
sporting or cultural event or activity, sponsored by the board, district
or institution, in a facility that is owned or operated by the board,
district or institution:
   (a) Employees of a school district governing board.
   (b) Employees of a community college district governing board.
   (c) Employees of any institution under the jurisdiction of the
Arizona board of regents PUBLIC UNIVERSITY IN THIS STATE.
D. The provisions of this article that define special events for
legislators apply to special events for members of the Arizona board of
regents GOVERNING BOARD OF EACH UNIVERSITY.
Sec. 164. Section 41-1371, Arizona Revised Statutes, is amended to
read:
41-1371. Definitions
In this article, unless the context otherwise requires:
1. "Administrative act" means an action, decision, omission,
recommendation, practice, policy or procedure of an agency but does not
include the preparation or presentation of legislation or the substantive
content of a judicial order, decision or opinion.
2. "Agency" means a department, office, corporation, authority,
organization, commission, council or board of the executive branch of
state government, a department, office, institution, authority,
organization, commission, committee, council or board of state government
that is independent of the executive or legislative branches of state
government or an officer, employee or member of an agency acting or
purporting to act in the exercise of official duties. Agency does not
mean the judicial department of state government, the board of regents
GOVERNING BOARD OF A UNIVERSITY, universities or community college
districts.

3. "Record" means any document, photograph, film, exhibit or other
item developed or received under law or in connection with the transaction
of official business except an attorney's work product, communications
that are protected under the attorney-client privilege and confidential
information as defined in section 41-1378, subsection D, paragraph 4.

Sec. 165. Section 41-1502, Arizona Revised Statutes, is amended to
read:

41-1502. Arizona commerce authority; board of directors;
conduct of office; audit

A. The Arizona commerce authority is established. The mission of
the authority is to provide private sector leadership in growing and
diversifying the economy of this state, creating high quality employment
in this state through expansion, attraction and retention of businesses
and marketing this state for the purpose of expansion, attraction and
retention of businesses.

B. The authority shall be governed by a board of directors
consisting of:

1. The governor, who serves as chairperson.

2. The chief executive officer.

3. Seventeen private sector business leaders who are chief
executive officers of private, for-profit enterprises. None of these
members may be an elected official of any government entity. These
members must be appointed from geographically diverse areas of this state
and not all from the same county. These members shall serve staggered
three-year terms of office beginning and ending on the third Monday in
January. These members shall be appointed as follows:

(a) Nine members who are appointed by the governor.

(b) Four members who are appointed by the president of the senate.

(c) Four members who are appointed by the speaker of the house of
representatives.

4. The following as ex officio members without the power to vote:

(a) The president of the senate.

(b) The speaker of the house of representatives.

(c) The president of the Arizona board of regents A MEMBER OF THE
GOVERNING BOARD OF A UNIVERSITY WHO IS SELECTED BY THE GOVERNING BOARDS OF
THE UNIVERSITIES.

(d) The president of each state university under the jurisdiction
of the Arizona board of regents.
(e) One president of a community college who is appointed by a statewide organization of community college presidents.

(f) The chairperson of the governor's council on small business, or its successor.

(g) The chairperson of the workforce Arizona council, if established by executive order pursuant to section 41-5401.

(h) One member of the rural business development advisory council established by section 41-1505 who is appointed by the governor.

(i) The president of a statewide organization of incorporated cities and towns who is appointed by the governor.

(j) The president of a statewide organization of county boards of supervisors who is appointed by the governor.

C. The following shall serve as technical advisors to the board to enhance collaboration among state agencies to meet infrastructure needs and facilitate growth opportunities throughout this state:

1. The director of environmental quality.

2. The state land commissioner.

3. The director of the department of revenue.

4. The director of the office of tourism.

5. The director of the department of transportation.

6. The director of water resources.

7. The director of the department of financial institutions.

8. The director of the Arizona-Mexico commission in the governor's office.

9. The director of the office of economic opportunity.

D. The governor shall appoint a cochairperson of the board of directors from among the voting members. The board may establish an executive committee consisting of the chairperson, the cochairperson, the chief executive officer, and additional voting members of the board elected by the board. The chairperson may appoint subcommittees as necessary.

E. The board may request assistance from representatives of other state agencies to maximize economic development opportunities by leveraging their access to strategic assets and planning processes.

F. Board members serve without compensation but are eligible for reimbursement of expenses pursuant to section 41-1504, subsection E, paragraph 1.

G. A majority of the voting members, which must include the chairperson and the chief executive officer, constitute a quorum for the purpose of an official meeting for conducting business. An affirmative vote of a majority of the members present at an official meeting is sufficient for any action to be taken.

H. The board of directors shall keep and maintain a complete and accurate record of all of its proceedings. Public access to the board's records is subject to section 41-1504, subsection L.
I. The board of directors, executive committee, subcommittees and advisory councils are subject to title 38, chapter 3, article 3.1, relating to public meetings, except as follows:

1. In addition to section 38-431.03, the board of directors, executive committee and subcommittees may meet in executive session for discussion about potential business development opportunities and strategies, which, if made public, could potentially harm the applicant's, the potential applicant's or this state's competitive position.

2. Social and travel events related to the expansion, attraction and retention of businesses are not public meetings if no legal action involving a final vote or decision is taken.

3. Activities and events held in public for the purpose of announcing the expansion, attraction and retention of projects are not public meetings.

J. The board of directors and the officers and employees of the authority are subject to title 38, chapter 3, article 8, relating to conflicts of interest.

K. The board of directors shall adopt written policies, procedures and guidelines for standards of conduct, including a gift policy, for members of the board and for officers and employees of the authority.

L. The compensation of all officers and employees is considered a public record pursuant to title 39, chapter 1.

M. The authority shall operate on the state fiscal year. The board of directors shall cause an annual audit to be conducted on or before October 31 of each of the authority's public funds established by this chapter by an independent certified public accountant. The board shall immediately file a certified copy of the audit with the auditor general. The auditor general may make such further audits and examinations as necessary and may take appropriate action relating to the audit or examination pursuant to chapter 7, article 10.1 of this title. If the auditor general takes no further action within thirty days after the audit is filed, the audit is considered to be sufficient.

N. All state agencies shall cooperate with the authority and make available data pertaining to the functions of the authority as requested by the authority.

Sec. 166. Section 41-1829.01, Arizona Revised Statutes, is amended to read:

41-1829.01. Arizona peace officers memorial board; duties
A. The Arizona peace officers memorial board shall:
1. Add to the memorial at least annually the names of all members of the law enforcement community in this state who have lost their lives in the line of duty and provide for a dedication ceremony which commemorates the addition of their names.
2. Plan and provide for the maintenance of the peace officers memorial.

3. Report annually to the president of the senate and the speaker of the house of representatives on the progress of the memorial and shall provide a copy of this report to the secretary of state and the director of the Arizona state library, archives and public records.

4. Determine those persons who are eligible for the tuition waiver pursuant to section 15-1808 and report the determination to the Arizona board of regents or to each community college district governing board, as applicable.

B. The Arizona peace officers memorial board may:

1. Solicit private monetary donations for deposit in the Arizona peace officers memorial fund.

2. Use the monies deposited in the Arizona peace officers memorial fund established by section 41-1829.02 for persons who are eligible for the tuition waiver pursuant to section 15-1808 to pay for tuition, if tuition has not been waived, and other educational expenses incurred at a community college or a publicly or privately funded college or university or technical school.

Sec. 167. Section 41-1862, Arizona Revised Statutes, is amended to read:

41-1862. Arizona fire fighters and emergency paramedics memorial board; duties

The Arizona fire fighters and emergency paramedics memorial board shall:

1. Establish a memorial for all fire fighters and emergency paramedics who have lost their lives in the line of duty.

2. Determine those persons who are eligible to be memorialized.

3. Plan and provide for additions to and maintenance of the fire fighters and emergency paramedics memorial.

4. Solicit private monetary donations or public monies from municipalities for deposit in the Arizona fire fighters and emergency paramedics memorial fund.

5. Receive property from any public source for use in establishing or maintaining the memorial.

6. Report annually to the president of the senate and the speaker of the house of representatives on the progress of the memorial and shall provide a copy of this report to the secretary of state and the director of the Arizona state library, archives and public records.

7. Determine those persons who are eligible for the tuition waiver scholarship pursuant to section 15-1808 and report the determination to the Arizona board of regents or to each community college district governing board, as applicable.
Sec. 168. Section 41-2501, Arizona Revised Statutes, as amended by Laws 2016, chapter 214, section 2 and chapter 312, section 7, is amended to read:

41-2501. Applicability
A. This chapter applies only to procurements initiated after January 1, 1985 unless the parties agree to its application to procurements initiated before that date.
B. This chapter applies to every expenditure of public monies, including federal assistance monies except as otherwise specified in section 41-2637, by this state, acting through a state governmental unit as defined in this chapter, under any contract, except that this chapter does not apply to either grants as defined in this chapter, or contracts between this state and its political subdivisions or other governments, except as provided in chapter 24 of this title and in article 10 of this chapter. This chapter also applies to the disposal of state materials. This chapter and rules adopted under this chapter do not prevent any state governmental unit or political subdivision from complying with the terms of any grant, gift, bequest or cooperative agreement.
C. All political subdivisions and other local public agencies of this state may adopt all or any part of this chapter and the rules adopted pursuant to this chapter.
D. Notwithstanding any other law, sections 41-2517 and 41-2546 apply to any agency as defined in section 41-1001, including the office of the governor.
E. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY and the legislative and judicial branches of state government are not subject to this chapter except as prescribed in subsection F of this section.
F. The Arizona board of regents GOVERNING BOARD OF EACH UNIVERSITY and the judicial branch shall adopt rules prescribing procurement policies and procedures for themselves and institutions under their jurisdiction. The rules must be substantially equivalent to the policies and procedures prescribed in this chapter.
G. The Arizona state lottery commission is exempt from this chapter for procurement relating to the design and operation of the lottery or purchase of lottery equipment, tickets and related materials. The executive director of the Arizona state lottery commission shall adopt rules substantially equivalent to the policies and procedures in this chapter for procurement relating to the design and operation of the lottery or purchase of lottery equipment, tickets or related materials. All other procurement shall be as prescribed by this chapter.
H. The Arizona health care cost containment system administration is exempt from this chapter for provider contracts pursuant to section 36-2904, subsection A and contracts for goods and services, including
program contractor contracts pursuant to title 36, chapter 29, articles 2 and 3 and contracts with regional behavioral health authorities pursuant to title 36, chapter 34. All other procurement, including contracts for the statewide administrator of the program pursuant to section 36-2903, subsection B, shall be as prescribed by this chapter.

I. Arizona industries for the blind is exempt from this chapter for purchases of finished goods from members of national industries for the blind and for purchases of raw materials for use in the manufacture of products for sale pursuant to section 41-1972. All other procurement shall be as prescribed by this chapter.

J. Arizona correctional industries is exempt from this chapter for purchases of raw materials, components and supplies that are used in the manufacture or production of goods or services for sale entered into pursuant to section 41-1622. All other procurement shall be as prescribed by this chapter.

K. The state transportation board and the director of the department of transportation are exempt from this chapter other than section 41-2586 for the procurement of construction or reconstruction, including engineering services, of transportation facilities or highway facilities and any other services that are directly related to land titles, appraisals, real property acquisition, relocation, property management or building facility design and construction for highway development and that are required pursuant to title 28, chapter 20.

L. The Arizona highways magazine is exempt from this chapter for contracts for the production, promotion, distribution and sale of the magazine and related products and for contracts for sole source creative works entered into pursuant to section 28-7314, subsection A, paragraph 5. All other procurement shall be as prescribed by this chapter.

M. The secretary of state is exempt from this chapter for contracts entered into pursuant to section 41-1012 to publish and sell the administrative code. All other procurement shall be as prescribed by this chapter.

N. This chapter is not applicable to contracts for professional witnesses if the purpose of such contracts is to provide for professional services or testimony relating to an existing or probable judicial proceeding in which this state is or may become a party or to contract for special investigative services for law enforcement purposes.

O. The head of any state governmental unit, in relation to any contract exempted by this section from this chapter, has the same authority to adopt rules, procedures or policies as is delegated to the director pursuant to this chapter.

P. Agreements negotiated by legal counsel representing this state in settlement of litigation or threatened litigation are exempt from this chapter.
Q. This chapter is not applicable to contracts entered into by the department of economic security:
   1. With a provider licensed or certified by an agency of this state to provide child day care services.
   2. With area agencies on aging created pursuant to the older Americans act of 1965 (P.L. 89-73; 79 Stat. 218; 42 United States Code sections 3001 through 3058ff).
   3. For services pursuant to title 36, chapter 29, article 2.
   4. With an eligible entity as defined by Public Law 105-285, section 673(1)(A)(i), as amended, for designated community services block grant program monies and any other monies given to the eligible entity that accomplishes the purpose of Public Law 105-285, section 672.

R. The Arizona health care cost containment system may not require that persons with whom it contracts follow this chapter for the purposes of subcontracts entered into for the provision of the following:
   1. Mental health services pursuant to section 36-189, subsection B.
   2. Services for the seriously mentally ill pursuant to title 36, chapter 5, article 10.
   3. Drug and alcohol services pursuant to section 36-141.

S. The department of health services may not require that persons with whom it contracts follow this chapter for the purpose of subcontracts entered into for the provision of domestic violence services pursuant to title 36, chapter 30, article 1.

T. The department of health services is exempt from this chapter for contracts for services of physicians at the Arizona state hospital.

U. Contracts for goods and services approved by the board of trustees of the public safety personnel retirement system are exempt from this chapter.

V. The Arizona department of agriculture is exempt from this chapter with respect to contracts for private labor and equipment to effect cotton or cotton stubble plow-up pursuant to rules adopted under title 3, chapter 2, article 1.

W. The Arizona state parks board is exempt from this chapter for purchases of guest supplies and items for resale such as food, linens, gift items, sundries, furniture, china, glassware and utensils for the facilities located in the Tonto natural bridge state park.

X. The Arizona state parks board is exempt from this chapter for the purchase, production, promotion, distribution and sale of publications, souvenirs and sundry items obtained and produced for resale.

Y. The Arizona state schools for the deaf and the blind are exempt from this chapter for the purchase of textbooks and when purchasing products through a cooperative that is organized and operates in accordance with state law if such products are not available on a statewide contract and are related to the operation of the schools or are
products for which special discounts are offered for educational institutions.

Z. Expenditures of monies in the morale, welfare and recreational fund established by section 26-153 are exempt from this chapter.

AA. Notwithstanding section 41-2534, the director of the state department of corrections may contract with local medical providers in counties with a population of less than four hundred thousand persons for the following purposes:

1. To acquire hospital and professional medical services for inmates who are incarcerated in state department of corrections facilities that are located in those counties.

2. To ensure the availability of emergency medical services to inmates in all counties by contracting with the closest medical facility that offers emergency treatment and stabilization.

BB. The department of environmental quality is exempt from this chapter for contracting for procurements relating to the water quality assurance revolving fund program established pursuant to title 49, chapter 2, article 5. The department shall engage in a source selection process that is similar to the procedures prescribed by this chapter. The department may contract for remedial actions with a single selection process. The exclusive remedy for disputes or claims relating to contracting pursuant to this subsection is as prescribed by article 9 of this chapter and the rules adopted pursuant to that article. All other procurement by the department shall be as prescribed by this chapter.

CC. The motor vehicle division of the department of transportation is exempt from this chapter for third-party authorizations pursuant to title 28, chapter 13, only if all of the following conditions exist:

1. The division does not pay any public monies to an authorized third party.

2. Exclusivity is not granted to an authorized third party.

3. The director has complied with the requirements prescribed in title 28, chapter 13 in selecting an authorized third party.

DD. This section does not exempt third-party authorizations pursuant to title 28, chapter 13 from any other applicable law.

EE. The state forester is exempt from this chapter for purchases and contracts relating to wildland fire suppression and pre-positioning equipment resources and for other activities related to combating wildland fires and other unplanned risk activities, including fire, flood, earthquake, wind and hazardous material responses. All other procurement by the state forester shall be as prescribed by this chapter.

FF. The cotton research and protection council is exempt from this chapter for procurements.

GG. Expenditures of monies in the Arizona agricultural protection fund established by section 3-3304 are exempt from this chapter.
HH. The Arizona commerce authority is exempt from this chapter, except article 10 for the purpose of cooperative purchases. The authority shall adopt policies, procedures and practices, in consultation with the department of administration, that are similar to and based on the policies and procedures prescribed by this chapter for the purpose of increased public confidence, fair and equitable treatment of all persons engaged in the process and fostering broad competition while accomplishing flexibility to achieve the authority's statutory requirements. The authority shall make its policies, procedures and practices available to the public. The authority may exempt specific expenditures from the policies, procedures and practices.

II. The Arizona exposition and state fair board is exempt from this chapter for contracts for professional entertainment.

JJ. This chapter does not apply to the purchase of water, gas or electric utilities.

KK. This chapter does not apply to professional certifications, professional memberships and conference registrations.

LL. The department of gaming is exempt from this chapter for problem gambling treatment services contracts with licensed behavioral health professionals.

MM. This chapter does not apply to contracts for credit reporting services.

NN. This chapter does not apply to contracts entered into by the department of child safety:
   1. With a provider of family foster care pursuant to section 8-503.
   2. With an eligible entity as defined by Public Law 105-285, section 673(1)(A)(i), as amended, for designated community services block grant program monies and any other monies given to the eligible entity that accomplishes the purpose of Public Law 105-285, section 672.

OO. This chapter does not apply to contracts entered into by the department of economic security with a financial institution to serve as a program manager and depository under section 46-903.

Sec. 169. Section 41-2616, Arizona Revised Statutes, is amended to read:

41-2616. Violation; classification; liability; civil penalty; enforcement authority

A. A person who contracts for or purchases any material, services, construction or construction services in a manner contrary to the requirements of this chapter, the rules adopted pursuant to this chapter, the rules adopted by the state board of education pursuant to section 15-213 or rules adopted by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, the Arizona lottery commission or the judicial branch pursuant to section 41-2501 is personally liable for the recovery of all public monies paid plus twenty per cent PERCENT of such amount and legal
interest from the date of payment and all costs and damages arising out of
the violation.

B. A person who intentionally or knowingly contracts for or
purchases any material, services, construction or construction services
pursuant to a scheme or artifice to avoid the requirements of this
chapter, rules adopted pursuant to this chapter, rules adopted by the
state board of education pursuant to section 15-213 or rules adopted by
the state board of regents GOVERNING BOARD OF A UNIVERSITY, the state
lottery commission or the judicial branch pursuant to section 41-2501 is
guilty of a class 4 felony.

C. A person who serves on an evaluation committee for a procurement
shall sign a statement before reviewing bids or proposals that the
person has no interest in the procurement other than that disclosed and
will have no contact with any representative of a competing vendor related
to the particular procurement during the course of evaluation of bids or
proposals, except those contacts specifically authorized by section
41-2534, 41-2537, 41-2538, 41-2578, 41-2579 or 41-2581. The person shall
disclose on the statement any contact unrelated to the pending procurement
that the person may need to have with a representative of a competing
vendor and any contact with a representative of a competing vendor during
evaluation of bids or proposals except those contacts specifically
authorized by section 41-2534, 41-2537, 41-2538, 41-2578, 41-2579 or
41-2581. A person who serves on an evaluation committee and who fails to
disclose contact with a representative of a competing vendor or who fails
to provide accurate information on the statement is subject to a civil
penalty of at least one thousand dollars but not more than ten thousand
dollars.

D. The attorney general on behalf of this state shall enforce the
provisions of this chapter.

Sec. 170. Section 41-2706, Arizona Revised Statutes, is amended to
read:

41-2706. Applicability of chapter
A. This chapter applies to the solicitation of grants initiated
after August 6, 1999.

B. This chapter does not apply to:

1. Any grant program that was exempt from chapter 23, article 3 of
this title and for which administrative rules establishing grant
solicitation procedures were adopted pursuant to chapter 6 of this title
before August 6, 1999.

2. The Arizona board of regents GOVERNING BOARD OF A UNIVERSITY and
THE schools, colleges, institutions and universities UNIVERSITY under its
control if the Arizona board of regents GOVERNING BOARD adopts rules or
policies governing the award of grants that encourage as much competition
as practicable.
3. Grants made by the cotton research and protection council for research programs related to cotton production or protection.

4. Grants made by the Arizona iceberg lettuce research council for research programs under section 3-526.02, subsection C, paragraph 3 or 5.

5. Grants made by the Arizona citrus research council for research programs under section 3-468.02, subsection C, paragraph 3 or 5.

6. Grants made by the Arizona grain research and promotion council for research projects and programs under section 3-584, subsection C, paragraph 5.

7. Grants made under section 3-268, subsection C.

8. Grants made by the Arizona commerce authority from the Arizona competes fund pursuant to chapter 10, article 5 of this title. With respect to other grants, the authority shall adopt policies, procedures and practices, in consultation with the department of administration, that are similar to and based on the policies and procedures prescribed by this chapter for the purpose of increased public confidence, fair and equitable treatment of all persons engaged in the process and fostering broad competition while accomplishing flexibility to achieve the authority's statutory requirements. The authority shall make its policies, procedures and practices available to the public.

9. Grants of less than five thousand dollars from the veterans' donations fund if the department of veterans' services adopts rules or policies governing these grants that encourage as much competition as practicable.

Sec. 171. Section 41-2751, Arizona Revised Statutes, is amended to read:

41-2751. Definitions

In this article, unless the context otherwise requires:

1. "Governing board" means the Arizona board of regents for the universities or any community college district governing board.

2. "Invited guests" means persons who enter onto a campus for an educational, research or public service activity and not primarily to purchase or receive goods and services not related to the educational, research or public service activity for which such persons enter onto the campus.

3. "Private enterprise" means an individual, firm, partnership, joint venture, corporation, association or any other legal entity engaging in the manufacturing, processing, sale, offering for sale, rental, leasing, delivery, dispensing, distributing or advertising of goods or services for profit.

4. "Public service" means an activity that is normally and generally associated with community colleges and universities in this state, a purpose or significant result of which is not to engage in competition with private enterprise.
5. "State agency" means a department, office, commission, institution, board or other agency of state organization regardless of whether monies are appropriated to the agency.

Sec. 172. Section 41-2771, Arizona Revised Statutes, is amended to read:

41-2771. Definitions

In this article, unless the context otherwise requires:

1. "Competitive government process" means the process, as developed by the governor's office of management and budget STRATEGIC PLANNING AND BUDGETING, designed to standardize the methodology for how the state identifies and evaluates state functions to determine if future competitive contracting with the private sector and other state agencies is in the best interest of this state.

2. "Competitive government program" means the program, as developed by the governor's office of management and budget STRATEGIC PLANNING AND BUDGETING, designed to manage the process of introducing private sector and interagency competition into the delivery of state goods and services.

3. "Function" means a good or service that is provided through the direct efforts of state employees.

4. "Office" means the governor's office of management and budget, STRATEGIC PLANNING AND BUDGETING established by executive order, or its successor.

5. "Privatization" means the utilization of a private sector entity in the delivery of goods and services currently provided by a state function or program.

6. "Relevant costs" means those costs that relate to a target function that can be eliminated if the target function is transferred to another agency or the private sector.

7. "State agency" means any executive department, office, commission, institution, board or other executive agency of state organization regardless of whether monies are appropriated to the agency. State agency does not include the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, the PUBLIC universities under its jurisdiction or community college districts.

8. "Target function" means a current state function that has been identified for review through the competitive government process.

9. "Total costs" means all costs borne by an agency to provide a state function including all indirect costs and applicable allocated costs.

Sec. 173. Section 41-2772, Arizona Revised Statutes, is amended to read:

41-2772. Arizona state competitive government program; annual report

A. A statewide competitive government program shall be established within the governor's office of management and budget STRATEGIC PLANNING
AND BUDGETING. The program shall emphasize this state's fiduciary responsibility to taxpayers by encouraging value in the provision and delivery of state services by identifying and pursuing opportunities for increasing the use of market forces in the delivery of state services, while preventing unfair competition between state agencies and the private sector.

B. The competitive government process shall be utilized whenever a state agency chooses to, or is compelled to, privatize a state function or program currently provided through the direct use of state employees.

C. The Arizona board of regents (GOVERNING BOARD OF EACH UNIVERSITY) and the community college districts shall develop a program comparable to the competitive government program for themselves and institutions under their jurisdiction and shall present a report to the office on or before October 1 of each year that contains a summary of all activities conducted by the Arizona board of regents (GOVERNING BOARD OF EACH UNIVERSITY) and community college districts relating to competitive government activities. The office may require oral or written status reports relating to competitive government activities from the state agencies as deemed necessary.

Sec. 174. Section 41-3022.12, Arizona Revised Statutes, is amended to read:

41-3022.12. Arizona board of regents; termination July 1, 2022

Subject to approval by the voters of a constitutional amendment repealing the authority for the board pursuant to article XI, section 5, Constitution of Arizona:

1. the Arizona board of regents terminates on July 1, 2022.
2. Title 15, chapter 13, article 2 is repealed on January 1, 2023.

Sec. 175. Title 41, chapter 27, article 2, Arizona Revised Statutes, is amended by adding sections 41-3027.01, 41-3027.02 and 41-3027.03, to read:

41-3027.01. Governing board for the university of Arizona; termination July 1, 2027

A. THE GOVERNING BOARD FOR THE UNIVERSITY OF ARIZONA TERMINATES ON JULY 1, 2027.
B. TITLE 15, CHAPTER 13, ARTICLE 2 AND THIS SECTION ARE REPEALED ON JANUARY 1, 2028.

41-3027.02. Governing board for Arizona state university; termination July 1, 2027

A. THE GOVERNING BOARD FOR ARIZONA STATE UNIVERSITY TERMINATES ON JULY 1, 2027.
B. TITLE 15, CHAPTER 13, ARTICLE 2 AND THIS SECTION ARE REPEALED ON JANUARY 1, 2028.
41-3027.03. Governing board for northern Arizona university; termination July 1, 2027

A. THE GOVERNING BOARD FOR NORTHERN ARIZONA UNIVERSITY TERMINATES ON JULY 1, 2027.
B. TITLE 15, CHAPTER 13, ARTICLE 2 AND THIS SECTION ARE REPEALED ON JANUARY 1, 2028.

Sec. 176. Section 41-5404, Arizona Revised Statutes, is amended to read:

41-5404. Workforce data task force; membership; duties; report; task force termination

A. The workforce data task force is established in the office of economic opportunity to oversee workforce system evaluation data sharing. The task force shall consist of the following members:
1. The director of the office of economic opportunity, or the director's designee, who shall serve as chairperson of the task force.
2. The director of the department of economic security or the director's designee.
3. The superintendent of public instruction or the superintendent's designee.
4. The president of the Arizona board of regents or the president's designee.
5. A member of the governing board of a university who is selected by the governing boards of the universities.
6. A representative of a community college district or the representative's designee.

B. The director of the office of economic opportunity may appoint advisory members to the task force as necessary.
C. Members of the task force are not eligible to receive compensation. The office of economic opportunity shall provide adequate staff support for the task force.
D. The task force shall:
1. Oversee development and maintenance of the state workforce evaluation data system.
2. Define and regularly review requirements, structures and methodologies for the system, including:
   (a) A retention schedule for unemployment insurance records that supports the longitudinal evaluation of workforce and education programs.
   (b) Data standards relating to unemployment insurance data, including rules for definition, format, source, provenance, element level and contextual integrity.
   (c) Technical requirements for the storage, handling and distribution of data.
   (d) System performance expectations.
   (e) Controls for data confidentiality and data security for unemployment data, including when data is in transmission.
(f) Data quality and reporting standards.

(g) Required elements for data sharing agreements that conform to relevant state and federal requirements and that establish adequacy of receiving system requirements.

(h) A methodology to fund the development and ongoing database costs from existing resources of entities that have entered into current data sharing agreements pursuant to section 23-722.04.

3. Provide analyses and recommendations for all of the following:

(a) Data audit management, including data quality metrics, sanctions and incentives for data quality improvement.

(b) Documentation standards for data elements and systems components.

(c) Data archival and retrieval management systems, including change control and change tracking.

(d) Publication of standard and ad hoc reports for state and local level use on workforce system performance.

4. Submit an annual report regarding the task force's activities on or before November 1 to the governor, the president of the senate and the speaker of the house of representatives and provide a copy of this report to the secretary of state. The initial report shall include all initial requirements, structures and methodologies determined pursuant to this section.

E. The task force established by this section ends on July 1, 2024 pursuant to section 41-3103.

Sec. 177. Section 42-5032.01, Arizona Revised Statutes, is amended to read:

42-5032.01. Distribution of revenues for tourism and sports authority

A. Each month the state treasurer shall pay, from the amount designated as distribution base pursuant to section 42-5029, subsection D, the amount determined under subsection B of this section to the tourism and sports authority for deposit in the authority's facility revenue clearing account established by section 5-834.

B. The amount to be paid under subsection A of this section is the total amount of state transaction privilege tax revenues received from persons conducting business under:

1. The retail, amusement and restaurant classifications at, or with respect to events held at, a multipurpose facility that is owned or operated by the authority pursuant to title 5, chapter 8.

2. The retail, amusement and restaurant classifications at, or with respect to, professional football contests that are held beginning July 2001 in a stadium located on the campus of a public university in this state.
C. Each month the state treasurer shall pay, from the amount designated as distribution base pursuant to section 42-5029, subsection D, the total amount of state transaction privilege tax revenues received from persons conducting business under the prime contracting classification at a multipurpose facility that is owned or operated by the tourism and sports authority pursuant to title 5, chapter 8 for deposit in the authority's construction account established by section 5-833.

Sec. 178. Section 42-5061, Arizona Revised Statutes, as amended by _____ Bill ____, section 11, fifty-third legislature, first regular session, as transmitted to the governor, is amended to read:

42-5061. Retail classification; definitions

A. The retail classification is comprised of the business of selling tangible personal property at retail. The tax base for the retail classification is the gross proceeds of sales or gross income derived from the business. The tax imposed on the retail classification does not apply to the gross proceeds of sales or gross income from:

1. Professional or personal service occupations or businesses that involve sales or transfers of tangible personal property only as inconsequential elements.

2. Services rendered in addition to selling tangible personal property at retail.

3. Sales of warranty or service contracts. The storage, use or consumption of tangible personal property provided under the conditions of such contracts is subject to tax under section 42-5156.

4. Sales of tangible personal property by any nonprofit organization organized and operated exclusively for charitable purposes and recognized by the United States internal revenue service under section 501(c)(3) of the internal revenue code.

5. Sales to persons engaged in business classified under the restaurant classification of articles used by human beings for food, drink or condiment, whether simple, mixed or compounded.

6. Business activity that is properly included in any other business classification that is taxable under this article.

7. The sale of stocks and bonds.

8. Drugs and medical oxygen, including delivery hose, mask or tent, regulator and tank, on the prescription of a member of the medical, dental or veterinarian profession who is licensed by law to administer such substances.

9. Prosthetic appliances as defined in section 23-501 and as prescribed or recommended by a health professional who is licensed pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.

10. Insulin, insulin syringes and glucose test strips.

11. Prescription eyeglasses or contact lenses.

12. Hearing aids as defined in section 36-1901.
13. Durable medical equipment that has a centers for medicare and
medicaid services common procedure code, is designated reimbursable by
medicare, is prescribed by a person who is licensed under title 32,
chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is
primarily and customarily used to serve a medical purpose, is generally
not useful to a person in the absence of illness or injury and is
appropriate for use in the home.

14. Sales of motor vehicles to nonresidents of this state for use
outside this state if the motor vehicle dealer ships or delivers the motor
vehicle to a destination out of this state.

15. Food, as provided in and subject to the conditions of article 3
of this chapter and section 42-5074.

16. Items purchased with United States department of agriculture
food stamp coupons issued under the food stamp act of 1977 (P.L. 95-113;
91 Stat. 958) or food instruments issued under section 17 of the child
nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42
United States Code section 1786).

17. Textbooks by any bookstore that are required by any state
university or community college.

18. Food and drink to a person that is engaged in a business that
is classified under the restaurant classification and that provides such
food and drink without monetary charge to its employees for their own
consumption on the premises during the employees' hours of employment.

19. Articles of food, drink or condiment and accessory tangible
personal property to a school district or charter school if such articles
and accessory tangible personal property are to be prepared and served to
persons for consumption on the premises of a public school within the
district or on the premises of the charter school during school hours.

20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
article 1.

21. The sale of cash equivalents and the sale of precious metal
bullion and monetized bullion to the ultimate consumer, but the sale of
coins or other forms of money for manufacture into jewelry or works of art
is subject to the tax and the gross proceeds of sales or gross income
derived from the redemption of any cash equivalent by the holder as a
means of payment for goods or services that are taxable under this article
is subject to the tax. For the purposes of this paragraph:

(a) "Cash equivalents" means items or intangibles, whether or not
negotiable, that are sold to one or more persons, through which a value
denominated in money is purchased in advance and may be redeemed in full
or in part for tangible personal property, intangibles or services. Cash
equivalents include gift cards, stored value cards, gift certificates,
vouchers, traveler's checks, money orders or other instruments, orders or
electronic mechanisms, such as an electronic code, personal identification
number or digital payment mechanism, or any other prepaid intangible right
to acquire tangible personal property, intangibles or services in the future, whether from the seller of the cash equivalent or from another person. Cash equivalents do not include either of the following:

(i) Items or intangibles that are sold to one or more persons, through which a value is not denominated in money.

(ii) Prepaid calling cards or prepaid authorization numbers for telecommunications services made taxable by subsection P of this section.

(b) "Monetized bullion" means coins and other forms of money that are manufactured from gold, silver or other metals and that have been or are used as a medium of exchange in this or another state, the United States or a foreign nation.

(c) "Precious metal bullion" means precious metal, including gold, silver, platinum, rhodium and palladium, that has been smelted or refined so that its value depends on its contents and not on its form.

22. Motor vehicle fuel and use fuel that are subject to a tax imposed under title 28, chapter 16, article 1, sales of use fuel to a holder of a valid single trip use fuel tax permit issued under section 28-5739, sales of aviation fuel that are subject to the tax imposed under section 28-8344 and sales of jet fuel that are subject to the tax imposed under article 8 of this chapter.

23. Tangible personal property sold to a person engaged in the business of leasing or renting such property under the personal property rental classification if such property is to be leased or rented by such person.

24. Tangible personal property sold in interstate or foreign commerce if prohibited from being so taxed by the constitution of the United States or the constitution of this state.

25. Tangible personal property sold to:

(a) A qualifying hospital as defined in section 42-5001.

(b) A qualifying health care organization as defined in section 42-5001 if the tangible personal property is used by the organization solely to provide health and medical related educational and charitable services.

(c) A qualifying health care organization as defined in section 42-5001 if the organization is dedicated to providing educational, therapeutic, rehabilitative and family medical education training for blind and visually impaired children and children with multiple disabilities from the time of birth to age twenty-one.

(d) A qualifying community health center as defined in section 42-5001.

(e) A nonprofit charitable organization that has qualified under section 501(c)(3) of the internal revenue code and that regularly serves meals to the needy and indigent on a continuing basis at no cost.

(f) For taxable periods beginning from and after June 30, 2001, a nonprofit charitable organization that has qualified under section
501(c)(3) of the internal revenue code and that provides residential
apartment housing for low income persons over sixty-two years of age in a
facility that qualifies for a federal housing subsidy, if the tangible
personal property is used by the organization solely to provide
residential apartment housing for low income persons over sixty-two years
of age in a facility that qualifies for a federal housing subsidy.

(g) A qualifying health sciences educational institution as defined
in section 42-5001.

(h) Any person representing or working on behalf of another person
described in subdivisions (a) through (g) of this paragraph if the
tangible personal property is incorporated or fabricated into a project
described in section 42-5075, subsection 0.

26. Magazines or other periodicals or other publications by this
state to encourage tourist travel.

27. Tangible personal property sold to:

(a) A person that is subject to tax under this article by reason of
being engaged in business classified under section 42-5075 or to a
subcontractor working under the control of a person engaged in business
classified under section 42-5075, if the property so sold is any of the
following:

(i) Incorporated or fabricated by the person into any real
property, structure, project, development or improvement as part of the
business.

(ii) Incorporated or fabricated by the person into any project
described in section 42-5075, subsection 0.

(iii) Used in environmental response or remediation activities
under section 42-5075, subsection B, paragraph 6.

(b) A person that is not subject to tax under section 42-5075 and
that has been provided a copy of a certificate under section 42-5009,
subsection L, if the property so sold is incorporated or fabricated by the
person into the real property, structure, project, development or
improvement described in the certificate.

28. The sale of a motor vehicle to:

(a) A nonresident of this state if the purchaser's state of
residence does not allow a corresponding use tax exemption to the tax
imposed by article 1 of this chapter and if the nonresident has secured a
special ninety day nonresident registration permit for the vehicle as
prescribed by sections 28-2154 and 28-2154.01.

(b) An enrolled member of an Indian tribe who resides on the Indian
reservation established for that tribe.

29. Tangible personal property purchased in this state by a
nonprofit charitable organization that has qualified under section
501(c)(3) of the United States internal revenue code and that engages in
and uses such property exclusively in programs for persons with mental or
physical disabilities if the programs are exclusively for training, job
placement, rehabilitation or testing.

30. Sales of tangible personal property by a nonprofit organization
that is exempt from taxation under section 501(c)(3), 501(c)(4) or
501(c)(6) of the internal revenue code if the organization is associated
with a major league baseball team or a national touring professional
golfing association and no part of the organization's net earnings inures
to the benefit of any private shareholder or individual.

31. Sales of commodities, as defined by title 7 United States Code
section 2, that are consigned for resale in a warehouse in this state in
or from which the commodity is deliverable on a contract for future
delivery subject to the rules of a commodity market regulated by the
United States commodity futures trading commission.

32. Sales of tangible personal property by a nonprofit organization
that is exempt from taxation under section 501(c)(3), 501(c)(4),
501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
organization sponsors or operates a rodeo featuring primarily farm and
ranch animals and no part of the organization's net earnings inures to the
benefit of any private shareholder or individual.

33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
propagative material to persons who use those items to commercially
produce agricultural, horticultural, viticultural or floricultural crops
in this state.

34. Machinery, equipment, technology or related supplies that are
only useful to assist a person with a physical disability as defined in
section 46-191 or a person who has a developmental disability as defined
in section 36-551 or has a head injury as defined in section 41-3201 to be
more independent and functional.

35. Sales of natural gas or liquefied petroleum gas used to propel
a motor vehicle.

36. Paper machine clothing, such as forming fabrics and dryer
felts, sold to a paper manufacturer and directly used or consumed in paper
manufacturing.

37. Coal, petroleum, coke, natural gas, virgin fuel oil and
electricity sold to a qualified environmental technology manufacturer,
producer or processor as defined in section 41-1514.02 and directly used
or consumed in the generation or provision of on-site power or energy
solely for environmental technology manufacturing, producing or processing
or environmental protection. This paragraph shall apply for twenty full
consecutive calendar or fiscal years from the date the first paper
manufacturing machine is placed in service. In the case of an
environmental technology manufacturer, producer or processor who does not
manufacture paper, the time period shall begin with the date the first
manufacturing, processing or production equipment is placed in service.
38. Sales of liquid, solid or gaseous chemicals used in manufacturing, processing, fabricating, mining, refining, metallurgical operations, research and development and, beginning on January 1, 1999, printing, if using or consuming the chemicals, alone or as part of an integrated system of chemicals, involves direct contact with the materials from which the product is produced for the purpose of causing or permitting a chemical or physical change to occur in the materials as part of the production process. This paragraph does not include chemicals that are used or consumed in activities such as packaging, storage or transportation but does not affect any deduction for such chemicals that is otherwise provided by this section. For the purposes of this paragraph, "printing" means a commercial printing operation and includes job printing, engraving, embossing, copying and bookbinding.

39. Through December 31, 1994, personal property liquidation transactions, conducted by a personal property liquidator. From and after December 31, 1994, personal property liquidation transactions shall be taxable under this section provided that nothing in this subsection shall be construed to authorize the taxation of casual activities or transactions under this chapter. For the purposes of this paragraph:
   (a) "Personal property liquidation transaction" means a sale of personal property made by a personal property liquidator acting solely on behalf of the owner of the personal property sold at the dwelling of the owner or on the death of any owner, on behalf of the surviving spouse, if any, any devisee or heir or the personal representative of the estate of the deceased, if one has been appointed.
   (b) "Personal property liquidator" means a person who is retained to conduct a sale in a personal property liquidation transaction.

40. Sales of food, drink and condiment for consumption within the premises of any prison, jail or other institution under the jurisdiction of the state department of corrections, the department of public safety, the department of juvenile corrections or a county sheriff.

41. A motor vehicle and any repair and replacement parts and tangible personal property becoming a part of such motor vehicle sold to a motor carrier who is subject to a fee prescribed in title 28, chapter 16, article 4 and who is engaged in the business of leasing or renting such property.

42. Sales of:
   (a) Livestock and poultry to persons engaging in the businesses of farming, ranching or producing livestock or poultry.
   (b) Livestock and poultry feed, salts, vitamins and other additives for livestock or poultry consumption that are sold to persons for use or consumption by their own livestock or poultry, for use or consumption in the businesses of farming, ranching and producing or feeding livestock, poultry, or livestock or poultry products or for use or consumption in
noncommercial boarding of livestock. For the purposes of this paragraph, "poultry" includes ratites.

43. Sales of implants used as growth promotants and injectable medicines, not already exempt under paragraph 8 of this subsection, for livestock or poultry owned by or in possession of persons who are engaged in producing livestock, poultry, or livestock or poultry products or who are engaged in feeding livestock or poultry commercially. For the purposes of this paragraph, "poultry" includes ratites.

44. Sales of motor vehicles at auction to nonresidents of this state for use outside this state if the vehicles are shipped or delivered out of this state, regardless of where title to the motor vehicles passes or its free on board point.

45. Tangible personal property sold to a person engaged in business and subject to tax under the transient lodging classification if the tangible personal property is a personal hygiene item or articles used by human beings for food, drink or condiment, except alcoholic beverages, that are furnished without additional charge to and intended to be consumed by the transient during the transient's occupancy.

46. Sales of alternative fuel, as defined in section 1-215, to a used oil fuel burner who has received a permit to burn used oil or used oil fuel under section 49-426 or 49-480.

47. Sales of materials that are purchased by or for publicly funded libraries including school district libraries, charter school libraries, community college libraries, state university libraries or federal, state, county or municipal libraries for use by the public as follows:
   (a) Printed or photographic materials, beginning August 7, 1985.
   (b) Electronic or digital media materials, beginning July 17, 1994.

48. Tangible personal property sold to a commercial airline and consisting of food, beverages and condiments and accessories used for serving the food and beverages, if those items are to be provided without additional charge to passengers for consumption in flight. For the purposes of this paragraph, "commercial airline" means a person holding a federal certificate of public convenience and necessity or foreign air carrier permit for air transportation to transport persons, property or United States mail in intrastate, interstate or foreign commerce.

49. Sales of alternative fuel vehicles if the vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in section 1-215.

50. Sales of any spirituous, vinous or malt liquor by a person that is licensed in this state as a wholesaler by the department of liquor licenses and control pursuant to title 4, chapter 2, article 1.
51. Sales of tangible personal property to be incorporated or installed as part of environmental response or remediation activities under section 42-5075, subsection B, paragraph 6.

52. Sales of tangible personal property by a nonprofit organization that is exempt from taxation under section 501(c)(6) of the internal revenue code if the organization produces, organizes or promotes cultural or civic related festivals or events and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

53. Application services that are designed to assess or test student learning or to promote curriculum design or enhancement purchased by or for any school district, charter school, community college or state university. For the purposes of this paragraph:
   (a) "Application services" means software applications provided remotely using hypertext transfer protocol or another network protocol.
   (b) "Curriculum design or enhancement" means planning, implementing or reporting on courses of study, lessons, assignments or other learning activities.

54. Sales of motor vehicle fuel and use fuel to a qualified business under section 41-1516 for off-road use in harvesting, processing or transporting qualifying forest products removed from qualifying projects as defined in section 41-1516.

55. Sales of repair parts installed in equipment used directly by a qualified business under section 41-1516 in harvesting, processing or transporting qualifying forest products removed from qualifying projects as defined in section 41-1516.

56. Sales or other transfers of renewable energy credits or any other unit created to track energy derived from renewable energy resources. For the purposes of this paragraph, "renewable energy credit" means a unit created administratively by the corporation commission or governing body of a public power utility to track kilowatt hours of electricity derived from a renewable energy resource or the kilowatt hour equivalent of conventional energy resources displaced by distributed renewable energy resources.

57. Computer data center equipment sold to the owner, operator or qualified colocation tenant of a computer data center that is certified by the Arizona commerce authority under section 41-1519 or an authorized agent of the owner, operator or qualified colocation tenant during the qualification period for use in the qualified computer data center. For the purposes of this paragraph, "computer data center", "computer data center equipment", "qualification period" and "qualified colocation tenant" have the same meanings prescribed in section 41-1519.

58. Orthodontic devices dispensed by a dental professional who is licensed under title 32, chapter 11 to a patient as part of the practice of dentistry.
59. Sales of tangible personal property incorporated or fabricated into a project described in section 42-5075, subsection 0, that is located within the exterior boundaries of an Indian reservation for which the owner, as defined in section 42-5075, of the project is an Indian tribe or an affiliated Indian. For the purposes of this paragraph:

(a) "Affiliated Indian" means an individual native American Indian who is duly registered on the tribal rolls of the Indian tribe for whose benefit the Indian reservation was established.

(b) "Indian reservation" means all lands that are within the limits of areas set aside by the United States for the exclusive use and occupancy of an Indian tribe by treaty, law or executive order and that are recognized as Indian reservations by the United States department of the interior.

(c) "Indian tribe" means any organized nation, tribe, band or community that is recognized as an Indian tribe by the United States department of the interior and includes any entity formed under the laws of the Indian tribe.

60. Sales of works of fine art, as defined in section 44-1771, at an art auction or gallery in this state to nonresidents of this state for use outside this state if the vendor ships or delivers the work of fine art to a destination outside this state.

B. In addition to the deductions from the tax base prescribed by subsection A of this section, the gross proceeds of sales or gross income derived from sales of the following categories of tangible personal property shall be deducted from the tax base:

1. Machinery, or equipment, used directly in manufacturing, processing, fabricating, job printing, refining or metallurgical operations. The terms "manufacturing", "processing", "fabricating", "job printing", "refining" and "metallurgical" as used in this paragraph refer to and include those operations commonly understood within their ordinary meaning. "Metallurgical operations" includes leaching, milling, precipitating, smelting and refining.

2. Mining machinery, or equipment, used directly in the process of extracting ores or minerals from the earth for commercial purposes, including equipment required to prepare the materials for extraction and handling, loading or transporting such extracted material to the surface. "Mining" includes underground, surface and open pit operations for extracting ores and minerals.

3. Tangible personal property sold to persons engaged in business classified under the telecommunications classification, including a person representing or working on behalf of such a person in a manner described in section 42-5075, subsection 0, and consisting of central office switching equipment, switchboards, private branch exchange equipment, microwave radio equipment and carrier equipment including optical fiber,
coaxial cable and other transmission media that are components of carrier systems.

4. Machinery, equipment or transmission lines used directly in producing or transmitting electrical power, but not including distribution. Transformers and control equipment used at transmission substation sites constitute equipment used in producing or transmitting electrical power.

5. Neat animals, horses, asses, sheep, ratites, swine or goats used or to be used as breeding or production stock, including sales of breedings or ownership shares in such animals used for breeding or production.

6. Pipes or valves four inches in diameter or larger used to transport oil, natural gas, artificial gas, water or coal slurry, including compressor units, regulators, machinery and equipment, fittings, seals and any other part that is used in operating the pipes or valves.

7. Aircraft, navigational and communication instruments and other accessories and related equipment sold to:
   (a) A person:
      (i) Holding, or exempted by federal law from obtaining, a federal certificate of public convenience and necessity for use as, in conjunction with or becoming part of an aircraft to be used to transport persons for hire in intrastate, interstate or foreign commerce.
      (ii) That is certificated or licensed under federal aviation regulations (14 Code of Federal Regulations part 121 or 135) as a scheduled or unscheduled carrier of persons for hire for use as or in conjunction with or becoming part of an aircraft to be used to transport persons for hire in intrastate, interstate or foreign commerce.
      (iii) Holding a foreign air carrier permit for air transportation for use as or in conjunction with or becoming a part of aircraft to be used to transport persons, property or United States mail in intrastate, interstate or foreign commerce.
      (iv) Operating an aircraft to transport persons in any manner for compensation or hire including as an air carrier, a foreign air carrier or a commercial operator or under a restricted category, within the meaning of 14 Code of Federal Regulations, regardless of whether the operation or aircraft is regulated or certified under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code of Federal Regulations.
      (v) That will lease or otherwise transfer operational control, within the meaning of federal aviation administration operations specification A008, or its successor, of the aircraft, instruments or accessories to one or more persons described in item (i), (ii), (iii) or (iv) of this subdivision, subject to section 42-5009, subsection Q.
   (b) Any foreign government.
   (c) Persons who are not residents of this state and who will not use such property in this state other than in removing such property from
this state. This subdivision also applies to corporations that are not incorporated in this state, regardless of maintaining a place of business in this state, if the principal corporate office is located outside this state and the property will not be used in this state other than in removing the property from this state.

8. Machinery, tools, equipment and related supplies used or consumed directly in repairing, remodeling or maintaining aircraft, aircraft engines or aircraft component parts by or on behalf of a certificated or licensed carrier of persons or property.

9. Railroad rolling stock, rails, ties and signal control equipment used directly to transport persons or property.

10. Machinery or equipment used directly to drill for oil or gas or used directly in the process of extracting oil or gas from the earth for commercial purposes.

11. Buses or other urban mass transit vehicles that are used directly to transport persons or property for hire or pursuant to a governmental or controlled urban mass transportation program and that are sold to bus companies holding a federal certificate of convenience and necessity or operated by any city, town or other governmental entity or by any person contracting with such governmental entity as part of a governmental or controlled program to provide urban mass transportation.


13. New machinery and equipment consisting of agricultural aircraft, tractors, tractor-drawn implements, self-powered implements, machinery and equipment necessary for extracting milk, and machinery and equipment necessary for cooling milk and livestock, and drip irrigation lines not already exempt under paragraph 6 of this subsection and that are used for commercial production of agricultural, horticultural, viticultural and floricultural crops and products in this state. For the purposes of this paragraph:

   (a) "New machinery and equipment" means machinery and equipment that have never been sold at retail except pursuant to leases or rentals that do not total two years or more.

   (b) "Self-powered implements" includes machinery and equipment that are electric-powered.

14. Machinery or equipment used in research and development. For the purposes of this paragraph, "research and development" means basic and applied research in the sciences and engineering, and designing, developing or testing prototypes, processes or new products, including research and development of computer software that is embedded in or an integral part of the prototype or new product or that is required for machinery or equipment otherwise exempt under this section to function effectively. Research and development do not include manufacturing quality control, routine consumer product testing, market research, sales
promotion, sales service, research in social sciences or psychology, computer software research that is not included in the definition of research and development, or other nontechnological activities or technical services.

15. Tangible personal property that is used by either of the following to receive, store, convert, produce, generate, decode, encode, control or transmit telecommunications information:
   (a) Any direct broadcast satellite television or data transmission service that operates pursuant to 47 Code of Federal Regulations part 25.
   (b) Any satellite television or data transmission facility, if both of the following conditions are met:
       (i) Over two-thirds of the transmissions, measured in megabytes, transmitted by the facility during the test period were transmitted to or on behalf of one or more direct broadcast satellite television or data transmission services that operate pursuant to 47 Code of Federal Regulations part 25.
       (ii) Over two-thirds of the transmissions, measured in megabytes, transmitted by or on behalf of those direct broadcast television or data transmission services during the test period were transmitted by the facility to or on behalf of those services.

For the purposes of subdivision (b) of this paragraph, "test period" means the three hundred sixty-five day period beginning on the later of the date on which the tangible personal property is purchased or the date on which the direct broadcast satellite television or data transmission service first transmits information to its customers.

16. Clean rooms that are used for manufacturing, processing, fabrication or research and development, as defined in paragraph 14 of this subsection, of semiconductor products. For the purposes of this paragraph, "clean room" means all property that comprises or creates an environment where humidity, temperature, particulate matter and contamination are precisely controlled within specified parameters, without regard to whether the property is actually contained within that environment or whether any of the property is affixed to or incorporated into real property. Clean room:
   (a) Includes the integrated systems, fixtures, piping, movable partitions, lighting and all property that is necessary or adapted to reduce contamination or to control airflow, temperature, humidity, chemical purity or other environmental conditions or manufacturing tolerances, as well as the production machinery and equipment operating in conjunction with the clean room environment.
   (b) Does not include the building or other permanent, nonremovable component of the building that houses the clean room environment.

17. Machinery and equipment used directly in the feeding of poultry, the environmental control of housing for poultry, the movement of eggs within a production and packaging facility or the sorting or cooling
of eggs. This exemption does not apply to vehicles used for transporting eggs.

18. Machinery or equipment, including related structural components, that is employed in connection with manufacturing, processing, fabricating, job printing, refining, mining, natural gas pipelines, metallurgical operations, telecommunications, producing or transmitting electricity or research and development and that is used directly to meet or exceed rules or regulations adopted by the federal energy regulatory commission, the United States environmental protection agency, the United States nuclear regulatory commission, the Arizona department of environmental quality or a political subdivision of this state to prevent, monitor, control or reduce land, water or air pollution.

19. Machinery and equipment that are sold to a person engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state, including a person representing or working on behalf of such a person in a manner described in section 42-5075, subsection 0, if the machinery and equipment are used directly and primarily to prevent, monitor, control or reduce air, water or land pollution.

20. Machinery or equipment that enables a television station to originate and broadcast or to receive and broadcast digital television signals and that was purchased to facilitate compliance with the telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States Code section 336) and the federal communications commission order issued April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does not exempt any of the following:

(a) Repair or replacement parts purchased for the machinery or equipment described in this paragraph.

(b) Machinery or equipment purchased to replace machinery or equipment for which an exemption was previously claimed and taken under this paragraph.

(c) Any machinery or equipment purchased after the television station has ceased analog broadcasting, or purchased after November 1, 2009, whichever occurs first.

21. Qualifying equipment that is purchased from and after June 30, 2004 through June 30, 2024 by a qualified business under section 41-1516 for harvesting or processing qualifying forest products removed from qualifying projects as defined in section 41-1516. To qualify for this deduction, the qualified business at the time of purchase must present its certification approved by the department.

C. The deductions provided by subsection B of this section do not include sales of:

1. Expendable materials. For the purposes of this paragraph, expendable materials do not include any of the categories of tangible
personal property specified in subsection B of this section regardless of
the cost or useful life of that property.

2. Janitorial equipment and hand tools.

3. Office equipment, furniture and supplies.

4. Tangible personal property used in selling or distributing
   activities, other than the telecommunication transmissions described in
   subsection B, paragraph 15 of this section.

5. Motor vehicles required to be licensed by this state, except
   buses or other urban mass transit vehicles specifically exempted pursuant
   to subsection B, paragraph 11 of this section, without regard to the use
   of such motor vehicles.

6. Shops, buildings, docks, depots and all other materials of
   whatever kind or character not specifically included as exempt.

7. Motors and pumps used in drip irrigation systems.

8. Machinery and equipment or other tangible personal property used
   by a contractor in the performance of a contract.

D. In addition to the deductions from the tax base prescribed by
subsection A of this section, there shall be deducted from the tax base
the gross proceeds of sales or gross income derived from sales of
machinery, equipment, materials and other tangible personal property used
directly and predominantly to construct a qualified environmental
technology manufacturing, producing or processing facility as described in
section 41-1514.02. This subsection applies for ten full consecutive
calendar or fiscal years after the start of initial construction.

E. In computing the tax base, gross proceeds of sales or gross
income from retail sales of heavy trucks and trailers does not include any
amount attributable to federal excise taxes imposed by 26 United States
Code section 4051.

F. If a person is engaged in an occupation or business to which
subsection A of this section applies, the person's books shall be kept so
as to show separately the gross proceeds of sales of tangible personal
property and the gross income from sales of services, and if not so kept
the tax shall be imposed on the total of the person's gross proceeds of
sales of tangible personal property and gross income from services.

G. If a person is engaged in the business of selling tangible
personal property at both wholesale and retail, the tax under this section
applies only to the gross proceeds of the sales made other than at
wholesale if the person's books are kept so as to show separately the
gross proceeds of sales of each class, and if the books are not so kept,
the tax under this section applies to the gross proceeds of every sale so
made.

H. A person who engages in manufacturing, baling, crating, boxing,
barreling, canning, bottling, sacking, preserving, processing or otherwise
preparing for sale or commercial use any livestock, agricultural or
horticultural product or any other product, article, substance or
commodity and who sells the product of such business at retail in this
state is deemed, as to such sales, to be engaged in business classified
under the retail classification. This subsection does not apply to:

1. Agricultural producers who are owners, proprietors or tenants of
agricultural lands, orchards, farms or gardens where agricultural products
are grown, raised or prepared for market and who are marketing their own
agricultural products.

2. Businesses classified under the:
   (a) Transporting classification.
   (b) Utilities classification.
   (c) Telecommunications classification.
   (d) Pipeline classification.
   (e) Private car line classification.
   (f) Publication classification.
   (g) Job printing classification.
   (h) Prime contracting classification.
   (i) Restaurant classification.

1. The gross proceeds of sales or gross income derived from the
following shall be deducted from the tax base for the retail
classification:

1. Sales made directly to the United States government or its
departments or agencies by a manufacturer, modifier, assembler or
repairer.

2. Sales made directly to a manufacturer, modifier, assembler or
repairer if such sales are of any ingredient or component part of products
sold directly to the United States government or its departments or
agencies by the manufacturer, modifier, assembler or repairer.

3. Overhead materials or other tangible personal property that is
used in performing a contract between the United States government and a
manufacturer, modifier, assembler or repairer, including property used in
performing a subcontract with a government contractor who is a
manufacturer, modifier, assembler or repairer, to which title passes to
the government under the terms of the contract or subcontract.

4. Sales of overhead materials or other tangible personal property
to a manufacturer, modifier, assembler or repairer if the gross proceeds
of sales or gross income derived from the property by the manufacturer,
modifier, assembler or repairer will be exempt under paragraph 3 of this
subsection.

J. There shall be deducted from the tax base fifty percent of the
gross proceeds or gross income from any sale of tangible personal property
made directly to the United States government or its departments or
agencies that is not deducted under subsection I of this section.

K. The department shall require every person claiming a deduction
provided by subsection I or J of this section to file on forms prescribed
by the department at such times as the department directs a sworn
statement disclosing the name of the purchaser and the exact amount of
sales on which the exclusion or deduction is claimed.

L. In computing the tax base, gross proceeds of sales or gross
income does not include:

1. A manufacturer's cash rebate on the sales price of a motor
vehicle if the buyer assigns the buyer's right in the rebate to the
retailer.

2. The waste tire disposal fee imposed pursuant to section 44-1302.

M. There shall be deducted from the tax base the amount received
from sales of solar energy devices. The retailer shall register with the
department as a solar energy retailer. By registering, the retailer
acknowledges that it will make its books and records relating to sales of
solar energy devices available to the department for examination.

N. In computing the tax base in the case of the sale or transfer of
wireless telecommunications equipment as an inducement to a customer to
enter into or continue a contract for telecommunications services that are
taxable under section 42-5064, gross proceeds of sales or gross income
does not include any sales commissions or other compensation received by
the retailer as a result of the customer entering into or continuing a
contract for the telecommunications services.

O. For the purposes of this section, a sale of wireless
 telecommunications equipment to a person who holds the equipment for sale
or transfer to a customer as an inducement to enter into or continue a
contract for telecommunications services that are taxable under section
42-5064 is considered to be a sale for resale in the regular course of
business.

P. Retail sales of prepaid calling cards or prepaid authorization
numbers for telecommunications services, including sales of
reauthorization of a prepaid card or authorization number, are subject to
tax under this section.

Q. For the purposes of this section, the diversion of gas from a
pipeline by a person engaged in the business of:

1. Operating a natural or artificial gas pipeline, for the sole
purpose of fueling compressor equipment to pressurize the pipeline, is not
a sale of the gas to the operator of the pipeline.

2. Converting natural gas into liquefied natural gas, for the sole
purpose of fueling compressor equipment used in the conversion process, is
not a sale of gas to the operator of the compressor equipment.

R. For the purposes of this section, the transfer of title or
possession of coal from an owner or operator of a power plant to a person
in the business of refining coal is not a sale of coal if both of the
following apply:

1. The transfer of title or possession of the coal is for the
purpose of refining the coal.
2. The title or possession of the coal is transferred back to the owner or operator of the power plant after completion of the coal refining process. For the purposes of this paragraph, "coal refining process" means the application of a coal additive system that aids in the reduction of power plant emissions during the combustion of coal and the treatment of flue gas.

5. If a seller is entitled to a deduction pursuant to subsection B, paragraph 15, subdivision (b) of this section, the department may require the purchaser to establish that the requirements of subsection B, paragraph 15, subdivision (b) of this section have been satisfied. If the purchaser cannot establish that the requirements of subsection B, paragraph 15, subdivision (b) of this section have been satisfied, the purchaser is liable in an amount equal to any tax, penalty and interest that the seller would have been required to pay under article 1 of this chapter if the seller had not made a deduction pursuant to subsection B, paragraph 15, subdivision (b) of this section. Payment of the amount under this subsection exempts the purchaser from liability for any tax imposed under article 4 of this chapter and related to the tangible personal property purchased. The amount shall be treated as transaction privilege tax to the purchaser and as tax revenues collected from the seller to designate the distribution base pursuant to section 42-5029.

T. For the purposes of section 42-5032.01, the department shall separately account for revenues collected under the retail classification from businesses selling tangible personal property at retail:

1. On the premises of a multipurpose facility that is owned, leased or operated by the tourism and sports authority pursuant to title 5, chapter 8.

2. At professional football contests that are held in a stadium located on the campus of an institution under the jurisdiction of the Arizona board of regents A PUBLIC UNIVERSITY IN THIS STATE.

U. In computing the tax base for the sale of a motor vehicle to a nonresident of this state, if the purchaser's state of residence allows a corresponding use tax exemption to the tax imposed by article 1 of this chapter and the rate of the tax in the purchaser's state of residence is lower than the rate prescribed in article 1 of this chapter or if the purchaser's state of residence does not impose an excise tax, and the nonresident has secured a special ninety day nonresident registration permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01, there shall be deducted from the tax base a portion of the gross proceeds or gross income from the sale so that the amount of transaction privilege tax that is paid in this state is equal to the excise tax that is imposed by the purchaser's state of residence on the nonexempt sale or use of the motor vehicle.
V. For the purposes of this section:

1. "Agricultural aircraft" means an aircraft that is built for agricultural use for the aerial application of pesticides or fertilizer or for aerial seeding.

2. "Aircraft" includes:
   (a) An airplane flight simulator that is approved by the federal aviation administration for use as a phase II or higher flight simulator under appendix H, 14 Code of Federal Regulations part 121.
   (b) Tangible personal property that is permanently affixed or attached as a component part of an aircraft that is owned or operated by a certificated or licensed carrier of persons or property.

3. "Other accessories and related equipment" includes aircraft accessories and equipment such as ground service equipment that physically contact aircraft at some point during the overall carrier operation.

4. "Selling at retail" means a sale for any purpose other than for resale in the regular course of business in the form of tangible personal property, but transfer of possession, lease and rental as used in the definition of sale mean only such transactions as are found on investigation to be in lieu of sales as defined without the words lease or rental.

W. For the purposes of subsection I of this section:

1. "Assembler" means a person who unites or combines products, wares or articles of manufacture so as to produce a change in form or substance without changing or altering the component parts.

2. "Manufacturer" means a person who is principally engaged in the fabrication, production or manufacture of products, wares or articles for use from raw or prepared materials, imparting to those materials new forms, qualities, properties and combinations.

3. "Modifier" means a person who reworks, changes or adds to products, wares or articles of manufacture.

4. "Overhead materials" means tangible personal property, the gross proceeds of sales or gross income derived from that would otherwise be included in the retail classification, and that are used or consumed in the performance of a contract, the cost of which is charged to an overhead expense account and allocated to various contracts based on generally accepted accounting principles and consistent with government contract accounting standards.

5. "Repairer" means a person who restores or renews products, wares or articles of manufacture.

6. "Subcontract" means an agreement between a contractor and any person who is not an employee of the contractor for furnishing of supplies or services that, in whole or in part, are necessary to the performance of one or more government contracts, or under which any portion of the contractor's obligation under one or more government contracts is performed, undertaken or assumed and that includes provisions causing
title to overhead materials or other tangible personal property used in
the performance of the subcontract to pass to the government or that
includes provisions incorporating such title passing clauses in a
government contract into the subcontract.

Sec. 179. Section 42-5073, Arizona Revised Statutes, is amended to
read:

42-5073. Amusement classification

A. The amusement classification is comprised of the business of
operating or conducting theaters, movies, operas, shows of any type or
nature, exhibitions, concerts, carnivals, circuses, amusement parks,
menageries, fairs, races, contests, games, billiard or pool parlors,
bowling alleys, public dances, dance halls, boxing and wrestling matches,
skating rinks, tennis courts, except as provided in subsection B of this
section, video games, pinball machines, sports events or any other
business charging admission or user fees for exhibition, amusement or
entertainment, including the operation or sponsorship of events by a
tourism and sports authority under title 5, chapter 8. For the purposes
of this section, admission or user fees include, but are not limited to,
any revenues derived from any form of contractual agreement for rights to
or use of premium or special seating facilities or arrangements. The
amusement classification does not include:

1. Activities or projects of bona fide religious or educational
institutions.
2. Private or group instructional activities. For the purposes of
this paragraph, "private or group instructional activities" includes, but
is not limited to, performing arts, martial arts, gymnastics and aerobic
instruction.
3. The operation or sponsorship of events by the Arizona exposition
and state fair board or county fair commissions.
4. A musical, dramatic or dance group or a botanical garden, museum
or zoo that is qualified as a nonprofit charitable organization under
section 501(c)(3) of the United States internal revenue code and if no
part of its net income inures to the benefit of any private shareholder or
individual.
5. Exhibition events in this state sponsored, conducted or operated
by a nonprofit organization that is exempt from taxation under section
501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
organization is associated with major league baseball teams or a national
touring professional golfing association and no part of the organization's
net earnings inures to the benefit of any private shareholder or
individual.
6. Operating or sponsoring rodeos that feature primarily farm and
ranch animals in this state and that are sponsored, conducted or operated
by a nonprofit organization that is exempt from taxation under section
501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal
revenue code and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

7. Sales of admissions to intercollegiate football contests if the contests are both:
   (a) Operated by a nonprofit organization that is exempt from taxation under section 501(c)(3) of the internal revenue code and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.
   (b) Not held in a multipurpose facility that is owned or operated by the tourism and sports authority pursuant to title 5, chapter 8.

8. Activities and events of, or fees and assessments received by, a homeowners organization from persons who are members of the organization or accompanied guests of members. For the purposes of this paragraph, "homeowners organization" means a mandatory membership organization comprised of owners of residential property within a specified residential real estate subdivision development or similar area and established to own property for the benefit of its members where both of the following apply:
   (a) No part of the organization's net earnings inures to the benefit of any private shareholder or individual.
   (b) The primary purpose of the organization is to provide for the acquisition, construction, management, maintenance or care of organization property.

9. Activities and events of, or fees received by, a nonprofit organization that is exempt from taxation under section 501(c)(6) of the internal revenue code if the organization produces, organizes or promotes cultural or civic related festivals or events and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

10. Arranging an amusement activity as a service to a person's customers if that person is not otherwise engaged in the business of operating or conducting an amusement personally or through others. This exception does not apply to businesses that operate or conduct amusements pursuant to customer orders and send the billings and receive the payments associated with that activity, including when the amusement is performed by third-party independent contractors. For the purposes of this paragraph, "arranging" includes billing for or collecting amusement charges from a person's customers on behalf of the persons providing the amusement.

B. The tax base for the amusement classification is the gross proceeds of sales or gross income derived from the business, except that the following shall be deducted from the tax base:

1. The gross proceeds of sales or gross income derived from memberships, including initiation fees, that provide for the right to use a health or fitness establishment or a private recreational establishment, or any portion of an establishment, including tennis and other racquet
courts at that establishment, for participatory purposes for twenty-eight
days or more and fees charged for use of the health or fitness
establishment or private recreational establishment by bona fide
accompanied guests of members, except that this paragraph does not include
additional fees, other than initiation fees, charged by a health or
fitness establishment or a private recreational establishment for purposes
other than memberships which THAT provide for the right to use a health or
fitness establishment or private recreational establishment, or any
portion of an establishment, for participatory purposes for twenty-eight
days or more and accompanied guest use fees.

2. Amounts that are exempt under section 5-111, subsection H.

3. The gross proceeds of sales or gross income derived from
membership fees, including initiation fees, that provide for the right to
use a transient lodging recreational establishment, including golf courses
and tennis and other racquet courts at that establishment, for
participatory purposes for twenty-eight days or more, except that this
paragraph does not include additional fees, other than initiation fees,
that are charged by a transient lodging recreational establishment for
purposes other than memberships and that provide for the right to use a
transient lodging recreational establishment or any portion of the
establishment for participatory purposes for twenty-eight days or more.

4. The gross proceeds of sales or gross income derived from sales
to persons engaged in the business of transient lodging classified under
section 42-5070, if all of the following apply:
   (a) The persons who are engaged in the transient lodging business
sell the amusement to another person for consideration.
   (b) The consideration received by the transient lodging business is
equal to or greater than the amount to be deducted under this subsection.
   (c) The transient lodging business has provided an exemption
certificate to the person engaging in business under this section.

5. The gross proceeds of sales or gross income derived from:
   (a) Business activity that is properly included in any other
business classification under this article and that is taxable to the
person engaged in that classification, but the gross proceeds of sales or
gross income to be deducted shall not exceed the consideration paid to the
person conducting the activity.
   (b) Business activity that is arranged by the person who is subject
to tax under this section and that is not taxable to the person conducting
the activity due to an exclusion, exemption or deduction under this
section or section 42-5062, but the gross proceeds of sales or gross
income to be deducted shall not exceed the consideration paid to the
person conducting the activity.
   (c) Business activity that is arranged by a person who is subject
to tax under this section and that is taxable to another person under this
section who conducts the activity, but the gross proceeds of sales or
gross income to be deducted shall not exceed the consideration paid to the
person conducting the activity.

6. The gross proceeds of sales or gross income derived from entry
fees paid by participants for events that either:
   (a) Until March 1, 2017, consist of a run, walk, swim or bicycle
   ride or a similar event, or any combination of these events.
   (b) Are operated or conducted by nonprofit organizations that are
   exempt from taxation under section 501(c)(3) of the internal revenue code
   and of which no part of the organization's net earnings inures to the
   benefit of any private shareholder or individual, if the event consists of
   a run, walk, swim or bicycle ride or a similar event, or any combination
   of these events.

C. For the purposes of subsection B of this section:
   1. "Health or fitness establishment" means a facility whose primary
      purpose is to provide facilities, equipment, instruction or education to
      promote the health and fitness of its members and at least eighty percent
      of the monthly gross revenue of the facility is received through accounts
      of memberships and accompanied guest use fees which provide for the right
      to use the facility, or any portion of the facility, under the terms of
      the membership agreement for participatory purposes for twenty-eight days
      or more.

   2. "Private recreational establishment" means a facility whose
      primary purpose is to provide recreational facilities, such as tennis,
      golf and swimming, for its members and where at least eighty percent of
      the monthly gross revenue of the facility is received through accounts of
      memberships and accompanied guest use fees which provide for the right to
      use the facility, or any portion of the facility, for participatory
      purposes for twenty-eight days or more.

   3. "Transient lodging recreational establishment" means a facility
      whose primary purpose is to provide facilities for transient lodging, that
      is subject to taxation under this chapter and that also provides
      recreational facilities, such as tennis, golf and swimming, for members
      for a period of twenty-eight days or more.

D. Until December 31, 1988, the revenues from hayrides and other
animal-drawn amusement rides, from horseback riding and riding instruction
and from recreational tours using motor vehicles designed to operate on
and off public highways are exempt from the tax imposed by this section.
Beginning January 1, 1989, the gross proceeds or gross income from
hayrides and other animal-drawn amusement rides, from horseback riding and
from recreational tours using motor vehicles designed to operate on and
off public highways are subject to taxation under this section. Tax
liabilities, penalties and interest paid for taxable periods before
January 1, 1989 shall not be refunded unless the taxpayer requesting the
refund provides proof satisfactory to the department that the taxes will
be returned to the customer.
E. If a person is engaged in the business of offering both exhibition, amusement or entertainment and private or group instructional activities, the person's books shall be kept to show separately the gross income from exhibition, amusement or entertainment and the gross income from instructional activities. If the books do not provide this separate accounting, the tax is imposed on the person's total gross income from the business.

F. The department shall separately account for revenues collected under the amusement classification for the purposes of section 42-5029, subsection D, paragraph 4, subdivision (b).

G. For the purposes of section 42-5032.01, the department shall separately account for revenues collected under the amusement classification from sales of admissions to:

1. Events that are held in a multipurpose facility that is owned or operated by the tourism and sports authority pursuant to title 5, chapter 8, including intercollegiate football contests that are operated by a nonprofit organization that is exempt from taxation under section 501(c)(3) of the internal revenue code.

2. Professional football contests that are held in a stadium located on the campus of an institution under the jurisdiction of the Arizona Board of Regents A PUBLIC UNIVERSITY IN THIS STATE.

Sec. 180. Section 42-5074, Arizona Revised Statutes, is amended to read:

42-5074. Restaurant classification

A. The restaurant classification is comprised of the business of operating restaurants, dining cars, dining rooms, lunchrooms, lunch stands, soda fountains, catering services or similar establishments where articles of food or drink are sold for consumption on or off the premises.

B. The tax base for the restaurant classification is the gross proceeds of sales or gross income derived from the business. The gross proceeds of sales or gross income derived from the following shall be deducted from the tax base:

1. Sales to a person engaged in business classified under the restaurant classification if the items sold are to be resold in the regular course of the business.

2. Sales by a congressionally chartered veterans organization of food or drink prepared for consumption on the premises leased, owned or maintained by the organization.

3. Sales by churches, fraternal benefit societies and other nonprofit organizations, as these organizations are defined in the federal internal revenue code (26 United States Code section 501), that do not regularly engage or continue in the restaurant business for the purpose of fund-raising.

4. Sales by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue
code if the organization is associated with a major league baseball team or a national touring professional golfing association and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

5. Sales at a rodeo featuring primarily farm and ranch animals in this state by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

6. Sales by any nonprofit organization organized and operated exclusively for charitable purposes and recognized by the United States internal revenue service under section 501(c)(3) of the internal revenue code.

7. Sales to qualifying hospitals as defined in section 42-5001.

8. Sales to a qualifying health care organization as defined in section 42-5001 if the tangible personal property is used by the organization solely to provide health and medical related educational and charitable services.

9. Sales of food, drink and condiment for consumption within the premises of any prison, jail or other institution under the jurisdiction of the state department of corrections, the department of public safety, the department of juvenile corrections or a county sheriff.

10. Sales of articles of prepared or unprepared food, drink or condiment and accessory tangible personal property to a school district or charter school if the articles and accessory tangible personal property are served to persons for consumption on the premises of a public school in the school district or charter school during school hours.

11. Prepared food, drink or condiment donated by a restaurant to a nonprofit charitable organization that has qualified under section 501(c)(3) of the internal revenue code and that regularly serves meals to the needy and indigent on a continuing basis at no cost.

12. Sales of articles of food and drink at low or reduced prices to eligible elderly, disabled or homeless persons OR PERSONS WITH A DISABILITY by a restaurant that contracts with the department of economic security and that is approved by the food and nutrition services of the United States department of agriculture pursuant to the supplemental nutrition assistance program established by the food and nutrition act of 2008 (P.L. 110-246; 122 Stat. 1651; 7 United States Code sections 2011 through 2036a), if the purchases of the articles of food and drink are made with the benefits issued pursuant to the supplemental nutrition assistance program.

C. The tax imposed on the restaurant classification pursuant to this section does not apply to the gross proceeds of sales or gross income from tangible personal property sold to a commercial airline consisting of food, beverages and condiments and accessories used for serving the food
and beverages, if those items are to be provided without additional charge to passengers for consumption in flight. For the purposes of this subsection, "commercial airline" means a person holding a federal certificate of public convenience and necessity or foreign air carrier permit for air transportation to transport persons, property or United States mail in intrastate, interstate or foreign commerce.

D. The department shall separately account for revenues collected under the restaurant classification for the purposes of section 42-5029, subsection D, paragraph 4, subdivision (b).

E. For the purposes of section 42-5032.01, the department shall separately account for revenues collected under the restaurant classification from businesses operating restaurants, dining rooms, lunchrooms, lunch stands, soda fountains, catering services or similar establishments:

1. On the premises of a multipurpose facility that is owned or operated by the tourism and sports authority pursuant to title 5, chapter 8 for consumption on or off the premises.

2. At professional football contests that are held in a stadium located on the campus of an institution under the jurisdiction of the Arizona Board of Regents a public university in this state.

Sec. 181. Section 43-1022, Arizona Revised Statutes, is amended to read:

43-1022. Subtractions from Arizona gross income

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

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

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

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

   (b) The Arizona state retirement system, the corrections officer retirement plan, the public safety personnel retirement system, the elected officials' retirement plan, an optional retirement program established by the Arizona Board of Regents Governing Board of a University under section 15-1628, an optional retirement program established by a community college district board under section 15-1451 or a retirement plan established for employees of a county, city or town in this state.

3. A beneficiary's share of the fiduciary adjustment to the extent that the amount determined by section 43-1333 decreases the beneficiary's Arizona gross income.
4. Interest income received on obligations of the United States, less any interest on indebtedness, or other related expenses, and deducted in arriving at Arizona gross income, which were incurred or continued to purchase or carry such obligations.

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

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

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

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

9. The portion of any wages or salaries paid or incurred by the taxpayer for the taxable year that is equal to the amount of the federal work opportunity credit, the empowerment zone employment credit, the credit for employer paid social security taxes on employee cash tips and the Indian employment credit that the taxpayer received under sections 45A, 45B, 51(a) and 1396 of the internal revenue code.

10. The amount of prizes or winnings less than five thousand dollars in a single taxable year from any of the state lotteries established and operated pursuant to title 5, chapter 5.1, article 1.

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

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

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

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

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

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

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

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

19. The amount authorized by section 43-1030 relating to holocaust survivors.

20. For property placed in service:
   (a) In taxable years beginning before December 31, 2012, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year computed as if the election described in section 168(k)(2)(D)(iii) of the internal revenue code had been made for each applicable class of property in the year the property was placed in service.
   (b) In taxable years beginning from and after December 31, 2012 through December 31, 2013, an amount determined in the year the asset was placed in service based on the calculation in subdivision (a) of this paragraph. In the first taxable year beginning from and after December 31, 2013, the taxpayer may elect to subtract the amount necessary to make the depreciation claimed to date for the purposes of this title the same as it would have been if subdivision (c) of this paragraph had applied for the entire time the asset was in service. Subdivision (c) of this paragraph applies for the remainder of the asset's life. If the taxpayer does not make the election under this subdivision, subdivision (a) of this paragraph applies for the remainder of the asset's life.
   (c) In taxable years beginning from and after December 31, 2013 through December 31, 2015, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been
ten percent of the amount allowed pursuant to section 168(k) of the internal revenue code.

(d) In taxable years beginning from and after December 31, 2015 through December 31, 2016, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been fifty-five percent of the amount allowed pursuant to section 168(k) of the internal revenue code.

(e) In taxable years beginning from and after December 31, 2016, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been the full amount allowed pursuant to section 168(k) of the internal revenue code.

21. With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer that complied with section 43-1021, paragraph 16 with respect to that property, the amount of depreciation that has been allowed pursuant to section 167(a) of the internal revenue code to the extent that the amount has not already reduced Arizona taxable income in the current or prior taxable years.

22. With respect to property for which an adjustment was made under section 43-1021, paragraph 17, an amount equal to one-fifth of the amount of the adjustment pursuant to section 43-1021, paragraph 17 in the year in which the amount was adjusted under section 43-1021, paragraph 17 and in each of the following four years.

23. The amount contributed during the taxable year to college savings plans established pursuant to section 529 of the internal revenue code to the extent that the contributions were not deducted in computing federal adjusted gross income. The amount subtracted shall not exceed:

(a) Two thousand dollars for a single individual or a head of household.

(b) Four thousand dollars for a married couple filing a joint return. In the case of a husband and wife who file separate returns, the subtraction may be taken by either taxpayer or may be divided between them, but the total subtractions allowed both husband and wife shall not exceed four thousand dollars.

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

25. The amount of previously deferred discharge of indebtedness income that is included in the computation of federal adjusted gross income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount
was previously added to Arizona gross income pursuant to section 43-1021, paragraph 19.

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

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

28. An amount of any net long-term capital gain included in federal adjusted gross income for the taxable year that is derived from an investment in an asset acquired after December 31, 2011, as follows:
   (a) For taxable years beginning from and after December 31, 2012 through December 31, 2013, ten percent of the net long-term capital gain included in federal adjusted gross income.
   (b) For taxable years beginning from and after December 31, 2013 through December 31, 2014, twenty percent of the net long-term capital gain included in federal adjusted gross income.
   (c) For taxable years beginning from and after December 31, 2014, twenty-five percent of the net long-term capital gain included in federal adjusted gross income.

For the purposes of this paragraph, a transferee that receives an asset by gift or at the death of a transferor is considered to have acquired the asset when the asset was acquired by the transferor. If the date an asset is acquired cannot be verified, a subtraction under this paragraph is not allowed.

29. If an individual is not claiming itemized deductions pursuant to section 43-1042, the amount of premium costs for long-term care insurance, as defined in section 20-1691.

30. With respect to a long-term health care savings account established pursuant to section 43-1032, the amount deposited by the taxpayer in the account during the taxable year to the extent that the taxpayer's contributions are included in the taxpayer's federal adjusted gross income.

31. Any amount of qualified disability expenses that is distributed from a qualified able program determined pursuant to 26 United States Code...
section 529A and any regulations issued pursuant to that section and that is included in income in computing federal adjusted gross income. For the purposes of this paragraph, "qualified disability expenses" has the same meaning prescribed in section 46-901.

Sec. 182. Section 43-1074.01, Arizona Revised Statutes, as amended by Laws 2014, chapter 168, section 5, is amended to read:

**43-1074.01. Credit for increased research activities**

A. A credit is allowed against the taxes imposed by this title in an amount determined pursuant to section 41 of the internal revenue code, except that:

1. The amount of the credit is based on the excess, if any, of the qualified research expenses for the taxable year over the base amount as defined in section 41(c) of the internal revenue code and is computed as follows:

   (a) If the excess is two million five hundred thousand dollars or less, the credit is equal to twenty-four percent of that amount.

   (b) If the excess is over two million five hundred thousand dollars, the credit is equal to six hundred thousand dollars plus fifteen percent of any amount exceeding two million five hundred thousand dollars, except that:

      (i) For taxable years beginning from and after December 31, 2000 through December 31, 2001, the credit shall not exceed one million five hundred thousand dollars.

      (ii) For taxable years beginning from and after December 31, 2001 through December 31, 2002, the credit shall not exceed two million five hundred thousand dollars.

   (c) For taxable years beginning from and after December 31, 2011, an additional credit amount is allowed if the taxpayer made basic research payments during the taxable year to a public university under the jurisdiction of an Arizona Board of Regents in this state. The additional credit amount is equal to ten percent of the excess, if any, of the basic research payments over the qualified organization base period amount for the taxable year. The department shall not allow credit amounts under this subdivision and section 43-1168, subsection A, paragraph 1, subdivision (d) that exceed, in the aggregate, a combined total of ten million dollars in any calendar year. Subject to that limit, on application by the taxpayer, the department shall certify credit amounts under this subdivision and section 43-1168, subsection A, paragraph 1, subdivision (d) based on priority placement established by the date that the taxpayer filed the application. For taxable years beginning from and after December 31, 2014, any basic research payments used to determine the additional credit under this subdivision must first receive certification from the Arizona commerce authority pursuant to section 41-1507.01. The additional credit amount under this subdivision shall not exceed the amount allowed based on actual basic research.
payments or the department's certification, whichever is less. If an application, if certified in full, would exceed the ten million dollar limit, the department shall certify only an amount within that limit. After the limit is attained, the department shall deny any subsequent applications regardless of whether other certified amounts are not actually claimed as a credit or other taxpayers fail to qualify to actually claim certified amounts. Notwithstanding subsections B and C of this section, any amount of the additional credit under this subdivision that exceeds the taxes otherwise due under this title is not refundable, but may be carried forward to the next five consecutive taxable years. For the purposes of this subdivision, "basic research payments" and "qualified organization base period amount" have the same meanings prescribed by section 41(e) of the internal revenue code without regard to whether the taxpayer is or is not a corporation.

2. Qualified research includes only research conducted in this state, including research conducted at a university in this state and paid for by the taxpayer.

3. If two or more taxpayers, including partners in a partnership and shareholders of an S corporation, as defined in section 1361 of the internal revenue code, share in the eligible expenses, each taxpayer is eligible to receive a proportionate share of the credit.

4. The credit under this section applies only to expenses incurred from and after December 31, 2000.

5. The termination provisions of section 41 of the internal revenue code do not apply.

B. Except as provided by subsection C of this section, if the allowable credit under this section exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the amount of the credit not used to offset taxes may be carried forward to the next fifteen consecutive taxable years. The amount of credit carryforward from taxable years beginning from and after December 31, 2000 through December 31, 2002 that may be used in any taxable year may not exceed the taxpayer's tax liability under this title or five hundred thousand dollars, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses. The amount of credit carryforward from taxable years beginning from and after December 31, 2002 that may be used in any taxable year may not exceed the taxpayer's tax liability under this title minus the credit under this section for the current taxable year's qualified research expenses. A taxpayer who carries forward any amount of credit under this subsection may not thereafter claim a refund of any amount of the credit under subsection C of this section.

C. For taxable years beginning from and after December 31, 2009, if a taxpayer who claims a credit under this section employs fewer than one hundred fifty persons in the taxpayer's trade or business and if the
allowable credit under this section exceeds the taxes otherwise due under
this title on the claimant's income, or if there are no taxes due under
this title, in lieu of carrying the excess amount of credit forward to
subsequent taxable years under subsection B of this section, the taxpayer
may elect to receive a refund as follows:

1. The taxpayer must apply to the Arizona commerce authority for
qualification for the refund pursuant to section 41-1507 and submit a copy
of the authority's certificate of qualification to the department of
revenue with the taxpayer's income tax return.

2. The amount of the refund is limited to seventy-five percent of the amount by which the allowable credit under this section exceeds the taxpayer's tax liability under this title for the taxable year. The remainder of the excess amount of the credit is waived.

3. The refund shall be paid in the manner prescribed by section 42-1118.

4. The refund is subject to setoff under section 42-1122.

5. If the department determines that a credit refunded pursuant to this subsection is incorrect or invalid, the excess credit issued may be treated as a tax deficiency pursuant to section 42-1108.

D. A taxpayer that claims a credit for increased research and development activity under this section shall not claim a credit under the same expenses.

Sec. 183. Section 43-1074.01, Arizona Revised Statutes, as amended by Laws 2014, chapter 168, section 6, is amended to read:

43-1074.01. Credit for increased research activities

A. A credit is allowed against the taxes imposed by this title in an amount determined pursuant to section 41 of the internal revenue code, except that:

1. The amount of the credit is based on the excess, if any, of the qualified research expenses for the taxable year over the base amount as defined in section 41(c) of the internal revenue code and is computed as follows:

(a) If the excess is two million five hundred thousand dollars or less, the credit is equal to twenty percent of that amount.

(b) If the excess is over two million five hundred thousand dollars, the credit is equal to five hundred thousand dollars plus eleven percent of any amount exceeding two million five hundred thousand dollars, except that:

(i) For taxable years beginning from and after December 31, 2000 through December 31, 2001, the credit shall not exceed one million five hundred thousand dollars.

(ii) For taxable years beginning from and after December 31, 2001 through December 31, 2002, the credit shall not exceed two million five hundred thousand dollars.
(c) For taxable years beginning from and after December 31, 2011, an additional credit amount is allowed if the taxpayer made basic research payments during the taxable year to a PUBLIC university under the jurisdiction of the Arizona board of regents in this state. The additional credit amount is equal to ten per cent of the excess, if any, of the basic research payments over the qualified organization base period amount for the taxable year. The department shall not allow credit amounts under this subdivision and section 43-1168, subsection A, paragraph 1, subdivision (d) that exceed, in the aggregate, a combined total of ten million dollars in any calendar year. Subject to that limit, on application by the taxpayer, the department shall certify credit amounts under this subdivision and section 43-1168, subsection A, paragraph 1, subdivision (d) based on priority placement established by the date that the taxpayer filed the application. For taxable years beginning from and after December 31, 2014, any basic research payments used to determine the additional credit under this subdivision must first receive certification from the Arizona commerce authority pursuant to section 41-1507.01. The additional credit amount under this subdivision shall not exceed the amount allowed based on actual basic research payments or the department's certification, whichever is less. If an application, if certified in full, would exceed the ten million dollar limit, the department shall certify only an amount within that limit. After the limit is attained, the department shall deny any subsequent applications regardless of whether other certified amounts are not actually claimed as a credit or other taxpayers fail to qualify to actually claim certified amounts. Notwithstanding subsections B and C of this section, any amount of the additional credit under this subdivision that exceeds the taxes otherwise due under this title is not refundable, but may be carried forward to the next five consecutive taxable years. For the purposes of this subdivision, "basic research payments" and "qualified organization base period amount" have the same meanings prescribed by section 41(e) of the internal revenue code without regard to whether the taxpayer is or is not a corporation.

2. Qualified research includes only research conducted in this state, including research conducted at a university in this state and paid for by the taxpayer.

3. If two or more taxpayers, including partners in a partnership and shareholders of an S corporation, as defined in section 1361 of the internal revenue code, share in the eligible expenses, each taxpayer is eligible to receive a proportionate share of the credit.

4. The credit under this section applies only to expenses incurred from and after December 31, 2000.
5. The termination provisions of section 41 of the internal revenue code do not apply.

B. Except as provided by subsection C of this section, if the allowable credit under this section exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the amount of the credit not used to offset taxes may be carried forward to the next fifteen consecutive taxable years. The amount of credit carryforward from taxable years beginning from and after December 31, 2000 through December 31, 2002 that may be used in any taxable year may not exceed the taxpayer's tax liability under this title or five hundred thousand dollars, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses. The amount of credit carryforward from taxable years beginning from and after December 31, 2002 that may be used in any taxable year may not exceed the taxpayer's tax liability under this title minus the credit under this section for the current taxable year's qualified research expenses. A taxpayer who carries forward any amount of credit under this subsection may not thereafter claim a refund of any amount of the credit under subsection C of this section.

C. For taxable years beginning from and after December 31, 2009, if a taxpayer who claims a credit under this section employs fewer than one hundred fifty persons in the taxpayer's trade or business and if the allowable credit under this section exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, in lieu of carrying the excess amount of credit forward to subsequent taxable years under subsection B of this section, the taxpayer may elect to receive a refund as follows:

1. The taxpayer must apply to the Arizona commerce authority for qualification for the refund pursuant to section 41-1507 and submit a copy of the authority's certificate of qualification to the department of revenue with the taxpayer's income tax return.

2. The amount of the refund is limited to seventy-five percent of the amount by which the allowable credit under this section exceeds the taxpayer's tax liability under this title for the taxable year. The remainder of the excess amount of the credit is waived.

3. The refund shall be paid in the manner prescribed by section 42-1118.

4. The refund is subject to setoff under section 42-1122.

5. If the department determines that a credit refunded pursuant to this subsection is incorrect or invalid, the excess credit issued may be treated as a tax deficiency pursuant to section 42-1108.

D. A taxpayer that claims a credit for increased research and development activity under this section shall not claim a credit under section 43-1085.01 for the same expenses.
Sec. 184. Section 43-1168, Arizona Revised Statutes, as amended by Laws 2014, chapter 168, section 9, is amended to read:

43-1168. Credit for increased research activities

A. A credit is allowed against the taxes imposed by this title in an amount determined pursuant to section 41 of the internal revenue code, except that:
1. The amount of the credit is computed as follows:
   (a) Add:
      (i) The excess, if any, of the qualified research expenses for the taxable year over the base amount as defined in section 41(c) of the internal revenue code.
      (ii) The basic research payments determined under section 41(e)(1)(A) of the internal revenue code.
   (b) If the sum computed under subdivision (a) is two million five hundred thousand dollars or less, the credit is equal to twenty-four percent of that amount.
   (c) If the sum computed under subdivision (a) is over two million five hundred thousand dollars, the credit is equal to six hundred thousand dollars plus fifteen percent of any amount exceeding two million five hundred thousand dollars, except that:
      (i) For taxable years beginning from and after December 31, 2000 through December 31, 2001, the credit shall not exceed one million five hundred thousand dollars.
      (ii) For taxable years beginning from and after December 31, 2001 through December 31, 2002, the credit shall not exceed two million five hundred thousand dollars.
   (d) For taxable years beginning from and after December 31, 2011, an additional credit amount is allowed if the taxpayer made basic research payments during the taxable year to a public university under the jurisdiction of the Arizona Board of Regents in this state. The additional credit amount is equal to ten percent of the excess, if any, of the basic research payments over the qualified organization base period amount for the taxable year. The department shall not allow credit amounts under this subdivision and section 43-1074.01, subsection A, paragraph 1, subdivision (c) that exceed, in the aggregate, a combined total of ten million dollars in any calendar year. Subject to that limit, on application by the taxpayer, the department shall certify credit amounts under this subdivision and section 43-1074.01, subsection A, paragraph 1, subdivision (c) based on priority placement established by the date that the taxpayer filed the application. For taxable years beginning from and after December 31, 2014, any basic research payments used to determine the additional credit under this subdivision must first receive certification from the Arizona Commerce Authority pursuant to section 41-1507.01. The additional credit amount under this subdivision shall not exceed the amount allowed based on actual basic research.
payments or the department's certification, whichever is less. If an
application, if certified in full, would exceed the ten million dollar
limit, the department shall certify only an amount within that
limit. After the limit is attained, the department shall deny any
subsequent applications regardless of whether other certified amounts are
not actually claimed as a credit or other taxpayers fail to qualify to
actually claim certified amounts. Notwithstanding subsections B and D of
this section, any amount of the additional credit under this subdivision
that exceeds the taxes otherwise due under this title is not refundable,
but may be carried forward to the next five consecutive taxable years.
For the purposes of this subdivision, "basic research payments" and
"qualified organization base period amount" have the same meanings
prescribed by section 41(e) of the internal revenue code.
2. Qualified research includes only research conducted in this
state, including research conducted at a university in this state and paid
for by the taxpayer.
3. If two or more taxpayers, including corporate partners in a
partnership, share in the eligible expenses, each taxpayer is eligible to
receive a proportionate share of the credit.
4. The credit under this section applies only to expenses incurred
from and after December 31, 1993.
5. The termination provisions of section 41 of the internal revenue
code do not apply.
B. Except as provided by subsection D of this section, if the
allowable credit under this section exceeds the taxes otherwise due under
this title on the claimant's income, or if there are no taxes due under
this title, the amount of the credit not used to offset taxes may be
carried forward to the next fifteen consecutive taxable years. The amount
of credit carryforward from taxable years beginning from and after
December 31, 2000 through December 31, 2002 that may be used under this
subsection in any taxable year may not exceed the taxpayer's tax liability
under this title or five hundred thousand dollars, whichever is less,
minus the credit under this section for the current taxable year's
qualified research expenses. The amount of credit carryforward from
taxable years beginning from and after December 31, 2002 that may be used
under this subsection in any taxable year may not exceed the taxpayer's
tax liability under this title minus the credit under this section for the
current taxable year's qualified research expenses. A taxpayer that
carries forward any amount of credit under this subsection may not
thereafter claim a refund of any amount of the credit under subsection D
of this section.
C. If a taxpayer has qualified research expenses that are carried
forward from taxable years beginning before January 1, 2001, the amount of
the expenses carried forward shall be converted to a credit carryforward
by multiplying the amount of the qualified expenses carried forward by
twenty per cent PERCENT. A credit carryforward determined under this subsection may be carried forward to not more than fifteen years from the year in which the expenses were incurred. The amount of credit carryforward from taxable years beginning before January 1, 2001 that may be used under this subsection in any taxable year may not exceed the taxpayer's tax liability under this title or five hundred thousand dollars, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses. The total amount of credit carryforward from taxable years beginning before January 1, 2003 that may be used in any taxable year under subsection B and this subsection may not exceed the taxpayer's tax liability under this title or five hundred thousand dollars, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses.

D. For taxable years beginning from and after December 31, 2009, if a taxpayer who claims a credit under this section employs fewer than one hundred fifty persons in the taxpayer's trade or business and if the allowable credit under this section exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, in lieu of carrying the excess amount of credit forward to subsequent taxable years under subsection B of this section, the taxpayer may elect to receive a refund as follows:

1. The taxpayer must apply to the Arizona commerce authority for qualification for the refund pursuant to section 41-1507 and submit a copy of the authority's certificate of qualification to the department of revenue with the taxpayer's income tax return.

2. The amount of the refund is limited to seventy-five per cent PERCENT of the amount by which the allowable credit under this section exceeds the taxpayer's tax liability under this title for the taxable year. The remainder of the excess amount of the credit is waived.

3. The refund shall be paid in the manner prescribed by section 42-1118.

4. The refund is subject to setoff under section 42-1122.

5. If the department determines that a credit refunded pursuant to this subsection is incorrect or invalid, the excess credit issued may be treated as a tax deficiency pursuant to section 42-1108.

E. A taxpayer that claims a credit for increased research and development activity under this section shall not claim a credit under section 43-1164.02 for the same expenses.

Sec. 185. Section 43-1168, Arizona Revised Statutes, as amended by Laws 2014, chapter 168, section 10, is amended to read:

43-1168. Credit for increased research activity

A. A credit is allowed against the taxes imposed by this title in an amount determined pursuant to section 41 of the internal revenue code, except that:

1. The amount of the credit is computed as follows:
(a) Add:

(i) The excess, if any, of the qualified research expenses for the taxable year over the base amount as defined in section 41(c) of the internal revenue code.

(ii) The basic research payments determined under section 41(e)(1)(A) of the internal revenue code.

(b) If the sum computed under subdivision (a) is two million five hundred thousand dollars or less, the credit is equal to twenty percent of that amount.

(c) If the sum computed under subdivision (a) is over two million five hundred thousand dollars, the credit is equal to five hundred thousand dollars plus eleven percent of any amount exceeding two million five hundred thousand dollars, except that:

(i) For taxable years beginning from and after December 31, 2000 through December 31, 2001, the credit shall not exceed one million five hundred thousand dollars.

(ii) For taxable years beginning from and after December 31, 2001 through December 31, 2002, the credit shall not exceed two million five hundred thousand dollars.

(d) For taxable years beginning from and after December 31, 2011, an additional credit amount is allowed if the taxpayer made basic research payments during the taxable year to a PUBLIC university under the jurisdiction of the Arizona board of regents IN THIS STATE. The additional credit amount is equal to ten percent of the excess, if any, of the basic research payments over the qualified organization base period amount for the taxable year. The department shall not allow credit amounts under this subdivision and section 43-1074.01, subsection A, paragraph 1, subdivision (c) that exceed, in the aggregate, a combined total of ten million dollars in any calendar year. Subject to that limit, on application by the taxpayer, the department shall certify credit amounts under this subdivision and section 43-1074.01, subsection A, paragraph 1, subdivision (c) based on priority placement established by the date that the taxpayer filed the application. For taxable years beginning from and after December 31, 2014, any basic research payments used to determine the additional credit under this subdivision must first receive certification from the Arizona commerce authority pursuant to section 41-1507.01. The additional credit amount under this subdivision shall not exceed the amount allowed based on actual basic research payments or the department's certification, whichever is less. If an application, if certified in full, would exceed the ten million dollar limit, the department shall certify only an amount within that limit. After the limit is attained, the department shall deny any subsequent applications regardless of whether other certified amounts are not actually claimed as a credit or other taxpayers fail to qualify to actually claim certified amounts. Notwithstanding subsections B and D of
this section, any amount of the additional credit under this subdivision that exceeds the taxes otherwise due under this title is not refundable, but may be carried forward to the next five consecutive taxable years. For the purposes of this subdivision, “basic research payments” and “qualified organization base period amount” have the same meanings prescribed by section 41(e) of the internal revenue code.

2. Qualified research includes only research conducted in this state, including research conducted at a university in this state and paid for by the taxpayer.

3. If two or more taxpayers, including corporate partners in a partnership, share in the eligible expenses, each taxpayer is eligible to receive a proportionate share of the credit.

4. The credit under this section applies only to expenses incurred from and after December 31, 1993.

5. The termination provisions of section 41 of the internal revenue code do not apply.

B. Except as provided by subsection D of this section, if the allowable credit under this section exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the amount of the credit not used to offset taxes may be carried forward to the next fifteen consecutive taxable years. The amount of credit carryforward from taxable years beginning from and after December 31, 2000 through December 31, 2002 that may be used under this subsection in any taxable year may not exceed the taxpayer's tax liability under this title or five hundred thousand dollars, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses. The amount of credit carryforward from taxable years beginning from and after December 31, 2002 that may be used under this subsection in any taxable year may not exceed the taxpayer's tax liability under this title minus the credit under this section for the current taxable year's qualified research expenses. A taxpayer that carries forward any amount of credit under this subsection may not thereafter claim a refund of any amount of the credit under subsection D of this section.

C. If a taxpayer has qualified research expenses that are carried forward from taxable years beginning before January 1, 2001, the amount of the expenses carried forward shall be converted to a credit carryforward by multiplying the amount of the qualified expenses carried forward by twenty percent. A credit carryforward determined under this subsection may be carried forward to not more than fifteen years from the year in which the expenses were incurred. The amount of credit carryforward from taxable years beginning before January 1, 2001 that may be used under this subsection in any taxable year may not exceed the taxpayer's tax liability under this title or five hundred thousand dollars, whichever is less, minus the credit under this section for the
current taxable year's qualified research expenses. The total amount of
credit carryforward from taxable years beginning before January 1, 2003
that may be used in any taxable year under subsection B and this
subsection may not exceed the taxpayer's tax liability under this title or
five hundred thousand dollars, whichever is less, minus the credit under
this section for the current taxable year’s qualified research expenses.

D. For taxable years beginning from and after December 31, 2009, if
a taxpayer who claims a credit under this section employs fewer than
one hundred fifty persons in the taxpayer's trade or business and if the
allowable credit under this section exceeds the taxes otherwise due under
this title on the claimant's income, or if there are no taxes due under
this title, in lieu of carrying the excess amount of credit forward to
subsequent taxable years under subsection B of this section, the taxpayer
may elect to receive a refund as follows:
1. The taxpayer must apply to the Arizona commerce authority for
qualification for the refund pursuant to section 41-1507 and submit a copy
of the authority's certificate of qualification to the department of
revenue with the taxpayer's income tax return.
2. The amount of the refund is limited to seventy-five percent of the amount by which the allowable credit under this section exceeds the taxpayer's tax liability under this title for the taxable year. The remainder of the excess amount of the credit is waived.
3. The refund shall be paid in the manner prescribed by section 42-1118.
4. The refund is subject to setoff under section 42-1122.
5. If the department determines that a credit refunded pursuant to
this subsection is incorrect or invalid, the excess credit issued may be
treated as a tax deficiency pursuant to section 42-1108.

E. A taxpayer that claims a credit for increased research and
development activity under this section shall not claim a credit under
section 43-1164.02 for the same expenses.
Sec. 186. Section 44-7002, Arizona Revised Statutes, is amended to
read:

44-7002. Definitions
In this chapter, unless the context otherwise requires:
1. "Agreement" means the bargain of the parties in fact, as found
in their language or inferred from other circumstances and from rules,
regulations and procedures that are given the effect of agreements under
laws otherwise applicable to a particular transaction.
2. "Automated transaction" means a transaction that is conducted or
performed, in whole or in part, by electronic means or electronic records
and in which the acts or records of one or both parties are not reviewed
by an individual in the ordinary course in forming a contract, performing
under an existing contract or fulfilling an obligation that is required by
the transaction.
3. "Computer program" means a set of statements or instructions to be used directly or indirectly in an information processing system in order to bring about a certain result.

4. "Contract" means the total legal obligation resulting from the parties' agreement as affected by this chapter and any other applicable law.

5. "Electronic" means relating to technology that has electrical, digital, magnetic, wireless, optical or electromagnetic capabilities or similar capabilities.

6. "Electronic agent" means a computer program or an electronic or other automated means that is used independently to initiate an action or respond to electronic records or performances, in whole or in part, without review or action by an individual.

7. "Electronic record" means a record that is created, generated, sent, communicated, received or stored by electronic means.

8. "Electronic signature" means an electronic sound, symbol or process that is attached to or logically associated with a record and that is executed or adopted by an individual with the intent to sign the record.

9. "Governmental agency" means an executive, legislative or judicial agency, department, board, commission, authority, institution or instrumentality of the federal government or a state or of a county or municipality or other political subdivision of a state.

10. "Information" means data, text, images, sounds, codes, computer programs, software or databases or similar items.

11. "Information processing system" means an electronic system for creating, generating, sending, receiving, storing, displaying or processing information.

12. "Person" means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, governmental agency or public corporation or any other legal or commercial entity.

13. "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and that is retrievable in perceivable form.

14. "Security procedure" means a procedure that is employed to verify that an electronic signature, record or performance is that of a specific person or to detect changes or errors in the information in an electronic record. Security procedure includes a procedure that requires the use of algorithms or other codes, identifying words or numbers or encryption, callback or other acknowledgment procedures.

15. "State" means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands or any territory or insular possession subject to the jurisdiction of the United States.
State includes an Indian tribe or band or Alaskan native village that is recognized by federal law or formally acknowledged by another state.

16. "State agency" means any department, commission, board, institution or other agency of the state that receives, expends or disburses state funds or incurs obligations of the state, including the Arizona board of regents but excluding the PUBLIC universities under the jurisdiction of the Arizona board of regents, the community college districts and the legislative or judicial branches.

17. "Transaction" means an action or set of actions occurring between two or more persons relating to the conduct of business, commercial or governmental affairs.

Sec. 187. Section 48-4202, Arizona Revised Statutes, is amended to read:

48-4202. Formation of district
A. The board of supervisors of each county having a population of more than one million five hundred thousand persons or any county in which a major league baseball organization has established or seeks to establish a spring training operation may organize a countywide district to include both the incorporated and unincorporated areas of the county, if the board determines that the public convenience, necessity or welfare will be promoted by establishing the district.

B. Two or more municipalities in the same county may organize a district for multipurpose facilities if the governing bodies of the municipalities determine that the public convenience, necessity or welfare will be promoted by establishing the district. The district shall be composed of the areas within the corporate boundaries of the municipalities. After formation, the boundaries of the district shall not be altered. A district may be established under this subsection in the same county in which a district is established under subsection A of this section. A district formed pursuant to this subsection shall be deemed a county stadium district for the purposes of this chapter. Notwithstanding any other law, a district may not be organized under this subsection from and after October 31, 1999, except that a district may be organized under this subsection after October 31, 1999 if before that date the governing body of two or more of the municipalities identified the location of a multipurpose facility site and has voted with the purpose of forming a district for multipurpose facilities under this subsection.

C. The board of supervisors of any county in which a state supported university is established may organize a single university athletic facilities district if the board determines that the public convenience, necessity or welfare will be promoted by establishing the district. The district shall include only the area in the county within the contiguous exterior boundaries of real property owned by the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY and shall exclude any such real property subject to an existing ground lease or subject to an
existing agreement granting a third party the right or option to a ground lease. After formation, the boundaries of the district shall be altered only as the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY acquires and disposes of real property. A district may be established under this subsection in the same county in which a district is established under subsection A of this section. A district formed pursuant to this subsection is deemed a county stadium district for the purposes of this chapter.

D. The county board of supervisors shall be the board of directors of a countywide district established under subsection A of this section.

E. The board of directors of a district established under subsection B of this section shall consist of persons who are residents of the county in which the district is located, at least four of whom must reside in the municipality in which the district is located and who are appointed as follows:

1. Five members who are appointed by the governor, each of whom must have experience in commercial real estate, construction, redevelopment, real estate law, architecture, economic development or commercial or public finance. The governor may receive nominations for appointment from any interested organization or person. Members appointed by the governor serve at the pleasure of the governor.

2. Two members who are appointed by the president of the senate. The members appointed by the president serve at the pleasure of the president.

3. Two members who are appointed by the speaker of the house of representatives. The members appointed by the speaker serve at the pleasure of the speaker.

F. The board of directors of a district established under subsection C of this section shall be established pursuant to an intergovernmental agreement between the county and the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY.

G. The directors of any district are not eligible for compensation for their services but are eligible for reimbursement for their necessary expenses in attending to and traveling on district business.

H. The board of supervisors may pay the necessary costs incurred in connection with establishing a countywide district from any county monies available for that purpose. The municipalities may pay their proportionate share of the necessary costs incurred in establishing a district formed by two or more municipalities under subsection B of this section from any monies available for that purpose. The Arizona board of regents GOVERNING BOARD OF A UNIVERSITY may pay the necessary costs incurred in connection with establishing a district under subsection C of this section from any monies available for that purpose.

I. Subject to limitations imposed by this chapter, by intergovernmental agreement and by the ordinance or resolution authorizing
the formation of the district, the district is a tax levying public
improvement district and a political taxing subdivision of this state and
has all the powers, privileges and immunities granted generally to
municipal corporations for the purposes of implementing this chapter,
including eminent domain, as provided by section 48-4203, subsection A,
paragraph 7, and immunity of its property, bonds and interest on and
transfer of its bonds from taxation.

Sec. 188. Section 48-4204, Arizona Revised Statutes, is amended to
read:

48-4204. Constructing and operating a stadium and other
structures; regulating alcoholic beverages

A. From the taxes and surcharges levied pursuant to article 2 of
this chapter for use with respect to major league baseball spring
training, the district may acquire land and construct, finance, furnish,
maintain, improve, operate, market and promote the use of existing or
proposed major league baseball spring training facilities or stadiums and
other structures, utilities, roads, parking areas or buildings necessary
for full use of the training facilities or stadiums for sports and other
purposes and do all things necessary or convenient to accomplish those
purposes. The board shall require that any project undertaken by the
district include financial participation from the county or municipality
in which the project is located, from a private party or from any
combination of these entities which equals or exceeds one-half of the
amount to be expended or distributed by the district. Capital improvement
funds expended at any time after June 1, 1991 by a county, municipality or
private party for a purpose authorized by this section may be deemed
financial participation with respect to any project the district may
undertake.

B. From the taxes and charges levied or identified pursuant to
section 48-4237 for use with respect to multipurpose facilities and from
other monies lawfully available to the district, the district may acquire
land and construct, finance, furnish, maintain, improve, operate, market
and promote the use of multipurpose facilities and other structures,
utilities, roads, parking areas or buildings necessary for full use of the
multipurpose facilities and do all things necessary or convenient to
accomplish those purposes. Public funds identified in section
48-4237, including funds distributed pursuant to section 42-5031,
may only be used for the components for a multipurpose facility that are
owned by the district or that are publicly owned or for the following
purposes:

1. Debt service for bonds issued by the district before January 1,
2009.

2. Contractual obligations incurred by the district before June 1,
2009.
3. Fiduciary, reasonable legal and administrative expenses of the district.

4. The design and construction of the hotel and convention center located on the multipurpose facility site.

C. For the public funds MONIES identified in section 48-4237, including funds MONIES distributed pursuant to section 42-5031, and from which the district board has planned an expenditure of five hundred thousand dollars or more, the following apply:

1. Each district board member shall provide advance notice of the consideration of the expenditure by the board to the person who holds the office that is responsible for that board member's appointment.

2. The notice prescribed in paragraph 1 of this subsection must be provided by regular mail delivered to the office that is responsible for that board member's appointment and may be preceded by any other form of notice. The notice must be provided at least two weeks before the date of the meeting and must be posted to the district's website on the day the notice is mailed.

3. The notice prescribed in paragraph 1 of this subsection must be accompanied by the board member's written statement as to whether the board member has any financial interest in the subject of the proposed expenditure by the board. The board members' written statements may be provided in a single document that is prepared by the board's administrative personnel but must be signed by the board members and must be posted to the district's website with the notice prescribed in paragraph 1 of this subsection.

4. The district board may not artificially divide or fragment planned expenditures so as to circumvent the requirements of this subsection.

D. A district established pursuant to section 48-4202, subsection B may not use monies distributed pursuant to section 42-5031 for the salaries or compensation of any employee of the municipality in which the district is located.

E. Pursuant to an intergovernmental agreement with the Arizona board of regents GOVERNING BOARD OF A UNIVERSITY, from the revenues collected from assessments pursuant to section 48-4235 for use with respect to Arizona board of regents-owned intercollegiate athletic facilities OWNED BY THAT GOVERNING BOARD, the district may construct, reconstruct, finance, furnish, maintain and improve existing intercollegiate athletic facilities located on Arizona board of regents' property OF THAT GOVERNING BOARD, including utilities, roads, parking areas or buildings necessary for full use of the athletic facilities.

F. Title 34 applies to the district, except that regardless of the funding source for design and construction of facilities and structures the district may establish alternative systems and procedures, including the use of the design-build method of construction or the use of
qualifications-based selection of contractors with experience in stadium
design or construction, to expedite the design and construction or
reconstruction of any of its facilities or structures or any facilities or
structures leased to it or used by it pursuant to an intergovernmental
agreement. For the purposes of this subsection:

1. "Design-build" means a process of entering into and managing a
contract between the district and another party in which the other party
agrees to both design and build a structure, a facility or other items
specified in the contract.

2. "Qualifications-based selection" means a process of entering
into and managing a contract between the district and another party in
which the other party is selected by the district on the basis of the
party's qualifications and experience in designing or constructing
facilities, structures or other items similar to those the district is
authorized to construct or lease. The other party may be selected by
direct selection or by public competition.

G. For the purposes of financing, designing, constructing,
reconstructing or operating facilities or structures, the district is not
the agent of any municipality, this state or any agency or instrumentality
of this state participating in the funding of such facilities or
structures.

H. Subject to the requirements of title 4, the board of directors
may permit and regulate the sale, use and consumption of alcoholic
beverages at events held on property acquired, leased or subleased under
this article.

Sec. 189. Section 48-4235, Arizona Revised Statutes, is amended to
read:

48-4235. Assessment in lieu of property tax; rate;
administration

A. The board of directors of a district established pursuant to
section 48-4202, subsection C shall provide by intergovernmental agreement
for the imposition and collection of an assessment from prime commercial
lessees of Arizona board of regents' property OF THE GOVERNING BOARD OF A
UNIVERSITY in the district.

B. The board of directors shall determine the amount of the
assessment each year as follows:

1. Determine the valuation of each parcel of Arizona board of
regents' property OF THE GOVERNING BOARD OF A UNIVERSITY in the same
manner as is used by the county assessor to determine the valuation of
similar property in the county. The board of directors shall make
available the method and calculation of the valuation of any property on
request. On the petition of a prime lessee, the board of directors shall
meet with the petitioner to resolve any disagreement on the amount of the
valuation.
2. Compute a comparable assessed valuation by applying the appropriate assessment percentage prescribed by title 42, chapter 15, article 1 to the valuation determined under paragraph 1.

3. Multiply the comparable assessed valuation determined under paragraph 2 by a rate per one hundred dollars established by the board of directors, but not to exceed the composite tax rates of all taxing jurisdictions in which the parcel of property is located.

C. The district treasurer shall collect the assessment from the prime lessee. The district treasurer shall deposit the net revenues from the assessment in the district fund to be used for the purposes allowed by this chapter.

D. The board of directors may pledge all or part of the assessment revenues to secure district bonds or financial obligations under this chapter. The board of directors must continue to impose and collect the assessment in an amount that is at least adequate for all debt service requirements of the district under this chapter.

Sec. 190. Succession

A. On the effective date of this act, except for the authority, powers, duties and responsibilities specifically retained by the Arizona board of regents pursuant to section 15-1625, Arizona Revised Statutes, as amended by this act, the governing board of each university succeeds to the authority, powers, duties and responsibilities of the Arizona board of regents for any matter or action that occurs on or affects that university's campus or campuses, including the authority, powers, duties and responsibilities concerning federal monies that are allocated to that university.

B. This act does not alter the effect of any actions that were taken or impair the valid obligations of the Arizona board of regents in existence before January 1, 2018.

C. Administrative rules and orders that were adopted by the Arizona board of regents continue in effect until superseded by administrative action by the governing boards of the universities.

D. All administrative matters, contracts and judicial and quasi-judicial actions, whether completed, pending or in process, of the Arizona board of regents on January 1, 2018 are transferred to and retain the same status with the governing boards of the universities.

E. All certificates, licenses, registrations, permits and other indicia of qualification and authority that were issued by the Arizona board of regents retain their validity for the duration of their terms of validity as provided by law.

F. All data and investigative findings, all obligations and all appropriated monies that remain unexpended and unencumbered on January 1, 2018 of the Arizona board of regents are transferred to the governing boards of the universities.
G. Title to all real and personal property that is owned by the Arizona board of regents on the effective date of this act is transferred to the university for whose use or benefit the property was originally obtained, or, if the property was acquired for the use or benefit of all three universities, that property shall be transferred and allocated in an equitable or proportionate manner between the three universities.

Sec. 191.  Purpose
Pursuant to section 41-2955, subsection E, Arizona Revised Statutes, the legislature establishes the governing board for the university of Arizona to adopt, prescribe and regulate administrative and financial policies applicable to the university of Arizona, to adopt rules and measures for the university of Arizona and to supervise the operation of the university of Arizona.

Sec. 192.  Purpose
Pursuant to section 41-2955, subsection E, Arizona Revised Statutes, the legislature establishes the governing board for Arizona state university to adopt, prescribe and regulate administrative and financial policies applicable to Arizona state university, to adopt rules and measures for Arizona state university and to supervise the operation of Arizona state university.

Sec. 193.  Purpose
Pursuant to section 41-2955, subsection E, Arizona Revised Statutes, the legislature establishes the governing board for northern Arizona university to adopt, prescribe and regulate administrative and financial policies applicable to northern Arizona university, to adopt rules and measures for northern Arizona university and to supervise the operation of northern Arizona university.

Sec. 194.  Effective dates
A. Except as provided in subsections B through D of this section, this act is effective from and after December 31, 2017.
B. Section 15-1626, Arizona Revised Statutes, as amended by Laws 2016, chapter 130, section 1 and this act, is effective from and after June 30, 2018.
C. Section 43-1074.01, Arizona Revised Statutes, as amended by Laws 2014, chapter 168, section 6 and this act, is effective from and after December 31, 2017.
D. Section 43-1168, Arizona Revised Statutes, as amended by Laws 2014, chapter 168, section 10 and this act, is effective from and after December 31, 2017.

Sec. 195.  Requirements for enactment; three-fourths vote
Pursuant to article IV, part 1, section 1, Constitution of Arizona, section 15-1825, Arizona Revised Statutes, as amended by this act, is effective only on the affirmative vote of at least three-fourths of the members of each house of the legislature.
Sec. 196. Conditional enactment; notice

A. Section 27-106, Arizona Revised Statutes, as amended by Laws 2016, chapter 128, section 9 and this act, does not become effective if, on or before July 1, 2018, the Arizona geological survey has raised sufficient monies to refurbish and open a mining, mineral and natural resources educational museum at 1502 West Washington Street.

B. The president of the university of Arizona shall notify in writing the director of the Arizona legislative council on or before July 15, 2018 either:

1. Of the date on which the condition was met.
2. That the condition was not met.

Sec. 197. Conditional enactment

Section 42-5061, Arizona Revised Statutes, does not become effective unless Senate Bill 1010, fifty-third legislature, first regular session, relating to multiple, defective and conflicting legislative dispositions of statutory text, becomes law.