

REFERENCE TITLE: education TPT; school finance

State of Arizona
House of Representatives
Fifty-third Legislature
Second Regular Session
2018

HCR 2043

Introduced by
Representative Rivero

A CONCURRENT RESOLUTION

ENACTING AND ORDERING THE SUBMISSION TO THE PEOPLE OF A MEASURE RELATING
TO TRANSACTION PRIVILEGE AND USE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it resolved by the House of Representatives of the State of Arizona,
2 the Senate concurring:

3 1. Under the power of the referendum, as vested in the Legislature,
4 the following measure, relating to transaction privilege and use tax, is
5 enacted to become valid as a law if approved by the voters and on
6 proclamation of the Governor:

7 AN ACT

8 AMENDING SECTIONS 15-977, 15-1021, 42-5010, 42-5029 AND
9 42-5155, ARIZONA REVISED STATUTES; RELATING TO TRANSACTION
10 PRIVILEGE AND USE TAX.

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

12 Section 1. Section 15-977, Arizona Revised Statutes, is
13 amended to read:

14 15-977. Classroom site fund; definitions

15 A. The classroom site fund is established consisting of
16 monies transferred to the fund pursuant to section 37-521,
17 subsection B and section 42-5029, subsection E, paragraph
18 10. The department of education shall administer the fund.
19 School districts and charter schools may not supplant existing
20 school site funding with revenues from the fund. All monies
21 distributed from the fund are intended for use at the school
22 site. Each school district or charter school shall allocate
23 ~~forty~~ TWENTY percent of the monies for teacher compensation
24 increases based on performance and employment related
25 expenses, ~~twenty~~ FORTY percent of the monies for teacher base
26 salary increases and employment related expenses and forty
27 percent of the monies for ~~maintenance and operation~~ purposes
28 as prescribed in subsection H of this section. Teacher
29 compensation increases based on performance or teacher base
30 salary increases distributed pursuant to this subsection shall
31 supplement, and not supplant, teacher compensation monies from
32 any other sources. The school district or charter school
33 shall notify each school principal of the amount available to
34 the school by April 15 of each year. The district or charter
35 school shall request from the school's principal each school's
36 priority for the allocation of the funds available to the
37 school for each program listed under subsection H of this
38 section. The amount budgeted by the school district or
39 charter school pursuant to this section shall not be included
40 in the allowable budget balance carryforward calculated
41 pursuant to section 15-943.01.

42 B. A school district governing board must adopt a
43 performance based compensation system at a public hearing to
44 allocate funding from the classroom site fund pursuant to
45 subsection A of this section. Individual teacher performance

1 as measured by the teacher's performance classification
2 pursuant to section 15-203, subsection A, paragraph 38 shall
3 be a component of the school district's portion of the ~~forty~~
4 ~~TWENTY~~ percent allocation for teacher compensation based on
5 performance and employment related expenses.

6 C. A school district governing board shall vote on a
7 performance based compensation system **AS DETERMINED BY THE**
8 **GOVERNING BOARD.** ~~that includes the following elements:~~

- 9 ~~1. School district performance and school performance.~~
- 10 ~~2. Individual teacher performance as measured by the~~
11 ~~teacher's performance classification pursuant to section~~
12 ~~15-203, subsection A, paragraph 38. The individual teacher~~
13 ~~performance component shall account for thirty-three percent~~
14 ~~of the forty percent allocation for teacher compensation based~~
15 ~~on performance and employment related expenses.~~
- 16 ~~3. Measures of academic progress toward the academic~~
17 ~~standards adopted by the state board of education.~~
- 18 ~~4. Other measures of academic progress.~~
- 19 ~~5. Dropout or graduation rates.~~
- 20 ~~6. Attendance rates.~~
- 21 ~~7. Ratings of school quality by parents.~~
- 22 ~~8. Ratings of school quality by students.~~
- 23 ~~9. The input of teachers and administrators.~~
- 24 ~~10. Approval of the performance based compensation~~
25 ~~system based on an affirmative vote of at least seventy~~
26 ~~percent of the teachers eligible to participate in the~~
27 ~~performance based compensation system.~~
- 28 ~~11. An appeals process for teachers who have been~~
29 ~~denied performance based compensation.~~
- 30 ~~12. Regular evaluation for effectiveness, which shall~~
31 ~~comply with section 15-203, subsection A, paragraph 38.~~

32 D. A performance based compensation system shall
33 include teacher professional development programs that are
34 aligned with the elements of the performance based
35 compensation system **AS DETERMINED BY THE GOVERNING BOARD.**

36 E. ~~A school district governing board may modify the~~
37 ~~elements contained in subsection C of this section and~~
38 ~~consider additional elements when adopting a performance based~~
39 ~~compensation system.~~ A school district governing board shall
40 ~~adopt any modifications or additional elements and~~ specify the
41 criteria used **FOR THE PERFORMANCE BASED COMPENSATION SYSTEM** at
42 a public hearing.

43 F. Until December 31, 2009, each school district shall
44 develop an assessment plan for its performance based
45 compensation system and submit the plan to the department of

1 education by December 31 of each year. A copy of the
2 performance based compensation system and assessment plan
3 adopted by the school district governing board shall be
4 included in the report submitted to the department of
5 education.

6 G. Monies in the fund are continuously appropriated,
7 are exempt from the provisions of section 35-190 relating to
8 lapsing of appropriations and shall be distributed as follows:

9 1. By March 30 of each year, the staff of the joint
10 legislative budget committee shall determine a per pupil
11 amount from the fund for the budget year using the estimated
12 statewide weighted count for the current year pursuant to
13 section 15-943, paragraph 2, subdivision (a) and based on
14 estimated available resources in the classroom site fund for
15 the budget year adjusted for any prior year carryforward or
16 shortfall.

17 2. The allocation to each charter school and school
18 district for a fiscal year shall equal the per pupil amount
19 established in paragraph 1 of this subsection for the fiscal
20 year multiplied by the weighted student count for the school
21 district or charter school for the fiscal year pursuant to
22 section 15-943, paragraph 2, subdivision (a). For the
23 purposes of this paragraph, the weighted student count for a
24 school district that serves as the district of attendance for
25 nonresident pupils shall be increased to include nonresident
26 pupils who attend school in the school district.

27 H. Monies distributed from the classroom site fund
28 shall be spent for the following ~~maintenance and operation~~
29 purposes:

- 30 1. Class size reduction.
- 31 2. Teacher compensation increases.
- 32 3. Assessment intervention programs.
- 33 4. Teacher development.
- 34 5. Dropout prevention programs.
- 35 6. Teacher liability insurance premiums.

36 I. The district governing board or charter school shall
37 allocate the classroom site fund monies to include, wherever
38 possible, the priorities identified by the principals of the
39 schools while assuring that the funds maximize classroom
40 opportunities and conform to the authorized expenditures
41 identified in subsection A of this section.

42 J. School districts and charter schools that receive
43 monies from the classroom site fund shall submit a report by
44 November 15 of each year to the superintendent of public
45 instruction that provides an accounting of the expenditures of

1 monies distributed from the fund during the previous fiscal
2 year and a summary of the results of district and school
3 programs funded with monies distributed from the fund. The
4 department of education in conjunction with the auditor
5 general shall prescribe the format of the report under this
6 subsection.

7 K. School districts and charter schools that receive
8 monies from the classroom site fund shall receive these monies
9 monthly in an amount not to exceed one-twelfth of the monies
10 estimated pursuant to subsection G of this section, except
11 that if there are insufficient monies in the fund that month
12 to make payments, the distribution for that month shall be
13 prorated for each school district or charter school. The
14 department of education may make an additional payment in the
15 current month for any prior month or months in which school
16 districts or charter schools received a prorated payment if
17 there are sufficient monies in the fund that month for the
18 additional payments. The state is not required to make
19 payments to a school district or charter school classroom site
20 fund if the state classroom site fund revenue collections are
21 insufficient to meet the estimated allocations to school
22 districts and charter schools pursuant to subsection G of this
23 section.

24 L. The state education system for committed youth shall
25 receive monies from the classroom site fund in the same manner
26 as school districts and charter schools. The Arizona state
27 schools for the deaf and the blind shall receive monies from
28 the classroom site fund in an amount that corresponds to the
29 weighted student count for the current year pursuant to
30 section 15-943, paragraph 2, subdivision (b) for each pupil
31 enrolled in the Arizona state schools for the deaf and the
32 blind. Except as otherwise provided in this subsection, the
33 Arizona state schools for the deaf and the blind and the state
34 education system for committed youth are subject to this
35 section in the same manner as school districts and charter
36 schools.

37 M. Each school district and charter school, including
38 school districts that unify pursuant to section 15-448 or
39 consolidate pursuant to section 15-459, shall establish a
40 local level classroom site fund to receive allocations from
41 the state level classroom site fund. The local level
42 classroom site fund shall be a budgetary controlled account.
43 Interest charges for any registered warrants for the local
44 level classroom site fund shall be a charge against the local
45 level classroom site fund. Interest earned on monies in the

1 local level classroom site fund shall be added to the local
2 level classroom site fund as provided in section 15-978. This
3 state shall not be required to make payments to a school
4 district or charter school local level classroom site fund
5 that are in addition to monies transferred to the state level
6 classroom site fund pursuant to section 37-521, subsection B
7 and section 42-5029, subsection E, paragraph 10.

8 N. Monies distributed from the classroom site fund for
9 class size reduction, assessment intervention and dropout
10 prevention programs shall only be used for instructional
11 purposes in the instruction function as defined in the uniform
12 system of financial records, except that monies shall not be
13 used for school-sponsored athletics.

14 O. TEACHER BASE SALARY INCREASES PURSUANT TO THIS
15 SECTION ARE SUBJECT TO THE FOLLOWING:

16 1. THE TEACHER MUST BE A CLASSROOM TEACHER.

17 2. THE TEACHER MUST BE A PAID EMPLOYEE OF THE SCHOOL
18 DISTRICT OR CHARTER SCHOOL.

19 3. THE TEACHER MUST BE ABLE TO PARTICIPATE FULLY IN A
20 LEARNING COMMUNITY OR CHOOSE TO OPT OUT OF PARTICIPATION.

21 4. THE TEACHER MUST BE ASSIGNED TO A SPECIFIC SCHOOL
22 SITE OR TO SPECIFIC SCHOOL SITES.

23 5. THE TEACHER MUST BE A PAID EMPLOYEE OF THE SCHOOL
24 DISTRICT OR CHARTER SCHOOL FOR AT LEAST NINETY DAYS BEFORE
25 RECEIVING THESE BASE SALARY INCREASES.

26 6. THE BASE SALARY INCREASES MAY NOT BE USED FOR
27 BENEFITS, EXTRA DUTIES OR ASSIGNMENTS.

28 7. ALL OF THESE MONIES MUST BE ALLOCATED FOR INCREASING
29 BASE PAY AND NOT BE USED FOR ANY OTHER PURPOSE, INCLUDING TO
30 REPLACE MONIES DUE TO A DEFICIT IN OTHER FUNDING.

31 8. THE BASE SALARY INCREASES MUST BE PAID OUT THROUGH
32 THE REGULAR SCHOOL YEAR AND WITHIN THE CURRENT SCHOOL YEAR
33 THROUGH THE REGULAR PAYROLL PROCESS.

34 P. PERFORMANCE PAY PURSUANT TO THIS SECTION SHALL BE
35 DISBURSED WITHIN THE CURRENT SCHOOL YEAR AND SHALL BE PAID
36 TWICE EACH YEAR, WITH THE FIRST PAYMENT MADE NOT LATER THAN ON
37 JANUARY 15 AND THE SECOND PAYMENT MADE NOT LATER THAN THE LAST
38 DAY OF SCHOOL.

39 ~~O.~~ Q. For the purposes of this section:

40 1. "Assessment intervention" means summer programs,
41 after school programs, before school programs or tutoring
42 programs that are specifically designed to ensure that pupils
43 meet the Arizona academic standards as measured by the
44 statewide assessment prescribed by section 15-741.

1 2. "Class size reduction" means any maintenance and
2 operations expenditure that is designed to reduce the ratio of
3 pupils to classroom teachers, including the use of persons who
4 serve as aides to classroom teachers.

5 Sec. 2. Section 15-1021, Arizona Revised Statutes, is
6 amended to read:

7 15-1021. Limitation on bonded indebtedness;
8 limitation on authorization and issuance
9 of bonds; definitions

10 A. Until December 31, 1999, a school district may issue
11 class A bonds for the purposes specified in this section and
12 chapter 4, article 5 of this title to an amount in the
13 aggregate, including the existing indebtedness, not exceeding
14 fifteen percent of the taxable property used for secondary
15 property tax purposes, as determined pursuant to title 42,
16 chapter 15, article 1, within a school district as ascertained
17 by the last property tax assessment previous to issuing the
18 bonds.

19 B. From and after December 31, 1998, a school district
20 may issue class B bonds for the purposes specified in this
21 section and chapter 4, article 5 of this title to an amount in
22 the aggregate, including the existing class B indebtedness,
23 not exceeding ~~ten~~ SIX percent of the net assessed value of the
24 full cash value of the property in that school district, or
25 one thousand five hundred dollars per student count pursuant
26 to section 15-901, subsection A, paragraph 13, whichever
27 amount is greater. A school district shall not issue class B
28 bonds until the proceeds of any class A bonds issued by the
29 school district have been obligated in contract. The total
30 amount of class A and class B bonds issued by a school
31 district shall not exceed the debt limitations prescribed in
32 article IX, section 8, Constitution of Arizona.

33 C. Until December 31, 1999, a unified school district,
34 as defined under article IX, section 8.1, Constitution of
35 Arizona, may issue class A bonds for the purposes specified in
36 this section and chapter 4, article 5 of this title to an
37 amount in the aggregate, including the existing indebtedness,
38 not exceeding thirty percent of the taxable property used for
39 secondary property tax purposes, as determined pursuant to
40 title 42, chapter 15, article 1, within a unified school
41 district as ascertained by the last property tax assessment
42 previous to issuing the bonds.

43 D. From and after December 31, 1998, a unified school
44 district, as defined under article IX, section 8.1,
45 Constitution of Arizona, may issue class B bonds for the

1 purposes specified in this section and chapter 4, article 5 of
2 this title to an amount in the aggregate, including the
3 existing class B indebtedness, not exceeding twenty percent of
4 the net assessed value of the full cash value of the property
5 in that school district, or one thousand five hundred dollars
6 per student count pursuant to section 15-901, subsection A,
7 paragraph 13, whichever amount is greater. A unified school
8 district shall not issue class B bonds until the proceeds of
9 any class A bonds issued by the unified school district have
10 been obligated in contract. The total amount of class A and
11 class B bonds issued by a unified school district shall not
12 exceed the debt limitations prescribed in article IX, section
13 8.1, Constitution of Arizona.

14 E. No bonds authorized to be issued by an election held
15 after July 1, 1980 and before November 24, 2009 may be issued
16 more than six years after the date of the election, except
17 that the time period may be extended to ten years pursuant to
18 an election conducted pursuant to section 15-491, subsection
19 A, paragraph 6 and except that class A bonds shall not be
20 issued after December 31, 1999. No bonds authorized to be
21 issued by an election held after November 24, 2009 may be
22 issued more than ten years after the date of the election.

23 F. Except as provided in section 15-491, subsection A,
24 paragraph 3, bond proceeds shall not be expended for items
25 whose useful life is less than the average life of the bonds
26 issued, except that bond proceeds shall not be expended for
27 items whose useful life is less than five years.

28 G. A joint technical education district shall not spend
29 class B bond proceeds to construct or renovate a facility
30 located on the campus of a school in a school district that
31 participates in the joint district unless the facility is only
32 used to provide career and technical education and is
33 available to all pupils who live within the joint technical
34 education district. If the facility is not owned by the joint
35 technical education district, an intergovernmental agreement
36 or a written contract shall be executed for ten years or the
37 duration of the bonded indebtedness, whichever is
38 greater. The intergovernmental agreement or written contract
39 shall include provisions:

40 1. That preserve the usage of the facility renovated or
41 constructed, or both, only for career and technology programs
42 operated by the joint technical education district.

43 2. That include the process to be used by the
44 participating district to compensate the joint technical
45 education district in the event that the facility is no longer

1 used only for career and technical education programs offered
2 by the joint technical education district during the life of
3 the bond.

4 H. A school district shall not authorize, issue or sell
5 bonds pursuant to this section if the school district has any
6 existing indebtedness from impact aid revenue bonds pursuant
7 to chapter 16, article 8 of this title, except for bonds
8 issued to refund any bonds issued by the governing board.

9 I. For the purposes of this section, "full cash value"
10 and "net assessed value" have the same meanings prescribed in
11 section 42-11001.

12 Sec. 3. Section 42-5010, Arizona Revised Statutes, is
13 amended to read:

14 42-5010. Rates; distribution base

15 A. The tax imposed by this article is levied and shall
16 be collected at the following rates:

17 1. Five percent of the tax base as computed for the
18 business of every person engaging or continuing in this state
19 in the following business classifications described in article
20 2 of this chapter:

- 21 (a) Transporting classification.
- 22 (b) Utilities classification.
- 23 (c) Telecommunications classification.
- 24 (d) Pipeline classification.
- 25 (e) Private car line classification.
- 26 (f) Publication classification.
- 27 (g) Job printing classification.
- 28 (h) Prime contracting classification.
- 29 (i) Amusement classification.
- 30 (j) Restaurant classification.
- 31 (k) Personal property rental classification.

32 (l) Retail classification and amounts equal to retail
33 transaction privilege tax due pursuant to section 42-5008.01.

34 2. Five and one-half percent of the tax base as
35 computed for the business of every person engaging or
36 continuing in this state in:

37 (a) The transient lodging classification described in
38 section 42-5070.

39 (b) The online lodging marketplace classification
40 described in section 42-5076 who has entered into an agreement
41 with the department to register for, or has otherwise obtained
42 from the department, a license to collect tax pursuant to
43 section 42-5005, subsection L.

44 3. Three and one-eighth percent of the tax base as
45 computed for the business of every person engaging or

1 continuing in this state in the mining classification
2 described in section 42-5072.

3 4. Zero percent of the tax base as computed for the
4 business of every person engaging or continuing in this state
5 in the commercial lease classification described in section
6 42-5069.

7 B. Except as provided by subsection J of this section,
8 twenty percent of the tax revenues collected at the rate
9 prescribed by subsection A, paragraph 1 of this section from
10 persons on account of engaging in business under the business
11 classifications listed in subsection A, paragraph 1,
12 subdivisions (a) through (h) of this section is designated as
13 distribution base for purposes of section 42-5029.

14 C. Forty percent of the tax revenues collected at the
15 rate prescribed by subsection A, paragraph 1 of this section
16 from persons on account of engaging in business under the
17 business classifications listed in subsection A, paragraph 1,
18 subdivisions (i) through (l) of this section is designated as
19 distribution base for purposes of section 42-5029.

20 D. Thirty-two percent of the tax revenues collected
21 from persons on account of engaging in business under the
22 business classification listed in subsection A, paragraph 3 of
23 this section is designated as distribution base for purposes
24 of section 42-5029.

25 E. Fifty-three and one-third percent of the tax
26 revenues collected from persons on account of engaging in
27 business under the business classification listed in
28 subsection A, paragraph 4 of this section is designated as
29 distribution base for purposes of section 42-5029.

30 F. Fifty percent of the tax revenues collected from
31 persons on account of engaging in business under the business
32 classification listed in subsection A, paragraph 2 of this
33 section is designated as distribution base for purposes of
34 section 42-5029.

35 G. In addition to the rates prescribed by subsection A
36 of this section, if approved by the qualified electors voting
37 at a statewide general election, an additional rate increment
38 is imposed and shall be collected ~~through June 30, 2021~~. The
39 taxpayer shall pay taxes pursuant to this subsection at the
40 same time and in the same manner as under subsection A of this
41 section. The department shall separately account for the
42 revenues collected with respect to the rates imposed pursuant
43 to this subsection and the state treasurer shall distribute
44 all of those revenues in the manner prescribed by section
45 42-5029, subsection E. The rates imposed pursuant to this

1 subsection shall not be considered local revenues for purposes
2 of article IX, section 21, Constitution of Arizona. The
3 additional tax rate increment is levied at the rate of
4 six-tenths of one ~~per cent~~ PERCENT of the tax base of every
5 person engaging or continuing in this state in a business
6 classification listed in subsection A, paragraph 1 of this
7 section.

8 H. Any increase in the rate of tax that is imposed by
9 this chapter and that is enacted by the legislature or by a
10 vote of the people does not apply with respect to contracts
11 entered into by prime contractors or pursuant to written bids
12 made by prime contractors on or before the effective date of
13 the legislation or the date of the election enacting the
14 increase. To qualify for the exemption under this subsection,
15 the prime contractor must maintain sufficient documentation,
16 in a manner and form prescribed by the department, to verify
17 the date of the contract or written bid.

18 I. For taxpayers taxable under this chapter other than
19 prime contractors taxable pursuant to section 42-5075:

20 1. Any increase in the rate of tax that is levied by
21 this article or article 2 of this chapter enacted by the
22 legislature or by a vote of the people does not apply for a
23 period of one hundred twenty days from the date of the tax
24 rate increase to the gross proceeds of sales or gross income
25 from the business of the taxpayer with respect to written
26 contracts entered into before the effective date of the tax
27 rate increase unless the taxpayer has entered into a contract
28 that contains a provision that entitles the taxpayer to
29 recover from the purchaser the amount of the additional tax
30 levied.

31 2. The provisions of this subsection apply without
32 regard to the accounting method used by the taxpayer to report
33 the taxes imposed under article 2 of this chapter.

34 3. The provisions of this subsection shall not be
35 considered in determining the rate of tax imposed under
36 chapter 6, article 3 of this title.

37 J. Zero percent of the tax revenues that are collected
38 at the rate prescribed by subsection A, paragraph 1 of this
39 section from persons on account of engaging in business under
40 the business classification listed in subsection A, paragraph
41 1, subdivision (h) of this section, and that are subject to
42 any distribution required by section 42-5032.02, is designated
43 as distribution base for the purposes of section 42-5029 until
44 the total amount subject to distribution pursuant to section
45 42-5032.02 has reached the maximum amount prescribed by

1 section 42-5032.02, subsection C. Thereafter, twenty percent
2 of the remaining tax revenues is designated as distribution
3 base for the purposes of section 42-5029 as provided by
4 subsection B of this section.

5 Sec. 4. Section 42-5029, Arizona Revised Statutes, is
6 amended to read:

7 42-5029. Remission and distribution of monies;
8 withholding; definition

9 A. The department shall deposit, pursuant to sections
10 35-146 and 35-147, all revenues collected under this article
11 and articles 4, 5 and 8 of this chapter pursuant to section
12 42-1116, separately accounting for:

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

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

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

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

21 B. The department shall credit payments of estimated
22 tax to an estimated tax clearing account and each month shall
23 transfer all monies in the estimated tax clearing account to a
24 fund designated as the transaction privilege and severance tax
25 clearing account. The department shall credit all other
26 payments to the transaction privilege and severance tax
27 clearing account, separately accounting for the monies
28 designated as distribution base under sections 42-5010,
29 42-5164 and 42-5205. Each month the department shall report
30 to the state treasurer the amount of monies collected pursuant
31 to this article and articles 4, 5 and 8 of this chapter.

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

38 D. Of the monies designated as distribution base, and
39 subject to the requirements of section 42-5041, the department
40 shall:

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

44 2. Pay 38.08 percent to the counties in this state by
45 averaging the following proportions:

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

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

10 3. Pay an additional 2.43 percent to the counties in
11 this state as follows:

12 (a) Average the following proportions:

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

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

35 (b) If the proportion computed under subdivision (a) of
36 this paragraph for any county is greater than the proportion
37 computed under paragraph 2 of this subsection, the department
38 shall compute the difference between the amount distributed to
39 that county under paragraph 2 of this subsection and the
40 amount that would have been distributed under paragraph 2 of
41 this subsection using the proportion computed under
42 subdivision (a) of this paragraph and shall pay that
43 difference to the county from the amount available for
44 distribution under this paragraph. Any monies remaining after
45 all payments under this subdivision shall be distributed among

1 the counties according to the proportions computed under
2 paragraph 2 of this subsection.

3 4. After any distributions required by sections
4 42-5030, 42-5030.01, 42-5031, 42-5032, 42-5032.01 and
5 42-5032.02, and after making any transfer to the water quality
6 assurance revolving fund as required by section 49-282,
7 subsection B, credit the remainder of the monies designated as
8 distribution base to the state general fund. From this amount
9 the legislature shall annually appropriate to:

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

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

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

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

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

41 2. After any transfer of monies pursuant to paragraph 1
42 of this subsection, twelve ~~per cent~~ PERCENT of the remaining
43 monies collected during the preceding month shall be
44 transferred to the technology and research initiative fund
45 established by section 15-1648 to be distributed among the

1 universities for the purpose of investment in technology and
2 research-based initiatives.

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

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

24 5. After transferring monies pursuant to paragraphs 1,
25 2 and 3 of this subsection, one-twelfth of the following
26 amounts shall be transferred each month to the department of
27 education for the increased cost of basic state aid under
28 section 15-971 due to added school days and associated teacher
29 salary increases enacted in 2000:

- 30 (a) In fiscal year 2001-2002, \$15,305,900.
- 31 (b) In fiscal year 2002-2003, \$31,530,100.
- 32 (c) In fiscal year 2003-2004, \$48,727,700.
- 33 (d) In fiscal year 2004-2005, \$66,957,200.
- 34 (e) In fiscal year 2005-2006 and each fiscal year
35 thereafter, \$86,280,500.

36 6. After transferring monies pursuant to paragraphs 1,
37 2 and 3 of this subsection, seven million eight hundred
38 thousand dollars is appropriated each fiscal year, to be paid
39 in monthly installments, to the department of education to be
40 used for school safety as provided in section 15-154 and two
41 hundred thousand dollars is appropriated each fiscal year, to
42 be paid in monthly installments to the department of education
43 to be used for the character education matching grant program
44 as provided in section 15-154.01.

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

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

12 9. After transferring monies pursuant to paragraphs 1,
13 2 and 3 of this subsection, twenty-five million dollars shall
14 be transferred each fiscal year to the state general fund to
15 reimburse the general fund for the cost of the income tax
16 credit allowed by section 43-1072.01.

17 10. After the payment of monies pursuant to paragraphs
18 1 through 9 of this subsection, the remaining monies collected
19 during the preceding month shall be transferred to the
20 classroom site fund established by section 15-977. The monies
21 shall be allocated as follows in the manner prescribed by
22 section 15-977:

23 (a) ~~Forty per cent~~ TWENTY PERCENT shall be allocated
24 for teacher compensation based on performance.

25 (b) ~~Twenty per cent~~ FORTY PERCENT shall be allocated
26 for increases in teacher base compensation and employee
27 related expenses.

28 (c) ~~Forty per cent~~ PERCENT shall be allocated for
29 ~~maintenance and operation~~ purposes PRESCRIBED BY SECTION
30 15-977, SUBSECTION H.

31 11. THE LEGISLATURE SHALL CONSIDER ALLOCATING 0.01
32 PERCENT OF THESE MONIES TO THE SCHOOL FACILITIES BOARD TO
33 REHABILITATE AND BUILD NEW SCHOOLS, SUBJECT TO APPROVAL BY THE
34 QUALIFIED ELECTORS VOTING AT A STATEWIDE GENERAL
35 ELECTION. ANY MONIES ALLOCATED PURSUANT TO THIS PARAGRAPH MAY
36 NOT BE SWEEPED INTO ANOTHER FUND OR REALLOCATED FOR A DIFFERENT
37 PURPOSE. TEN PERCENT OF ANY MONIES ALLOCATED PURSUANT TO THIS
38 PARAGRAPH SHALL BE DISTRIBUTED TO CHARTER SCHOOLS TO
39 REHABILITATE AND FUND REPAIRS TO CHARTER SCHOOL FACILITIES.

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

44 G. Notwithstanding subsection D of this section, if a
45 court of competent jurisdiction finally determines that tax

1 monies distributed under this section were illegally collected
2 under this article or articles 5 and 8 of this chapter and
3 orders the monies to be refunded to the taxpayer, the
4 department shall compute the amount of such monies that was
5 distributed to each city, town and county under this
6 section. Each city's, town's and county's proportionate share
7 of the costs shall be based on the amount of the original tax
8 payment each municipality and county received. Each month the
9 state treasurer shall reduce the amount otherwise
10 distributable to the city, town and county under this section
11 by one thirty-sixth of the total amount to be recovered from
12 the city, town or county until the total amount has been
13 recovered, but the monthly reduction for any city, town or
14 county shall not exceed ten ~~per cent~~ PERCENT of the full
15 monthly distribution to that entity. The reduction shall
16 begin for the first calendar month after the final disposition
17 of the case and shall continue until the total amount,
18 including interest and costs, has been recovered.

19 H. On receiving a certificate of default from the
20 greater Arizona development authority pursuant to section
21 41-2257 or 41-2258 and to the extent not otherwise expressly
22 prohibited by law, the state treasurer shall withhold from the
23 next succeeding distribution of monies pursuant to this
24 section due to the defaulting political subdivision the amount
25 specified in the certificate of default and immediately
26 deposit the amount withheld in the greater Arizona development
27 authority revolving fund. The state treasurer shall continue
28 to withhold and deposit the monies until the greater Arizona
29 development authority certifies to the state treasurer that
30 the default has been cured. In no event may the state
31 treasurer withhold any amount that the defaulting political
32 subdivision certifies to the state treasurer and the authority
33 as being necessary to make any required deposits then due for
34 the payment of principal and interest on bonds of the
35 political subdivision that were issued before the date of the
36 loan repayment agreement or bonds and that have been secured
37 by a pledge of distributions made pursuant to this section.

38 I. Except as provided by sections 42-5033 and
39 42-5033.01, the population of a county, city or town as
40 determined by the most recent United States decennial census
41 plus any revisions to the decennial census certified by the
42 United States bureau of the census shall be used as the basis
43 for apportioning monies pursuant to subsection D of this
44 section.

1 J. Except as otherwise provided by this subsection, on
2 notice from the department of revenue pursuant to section
3 42-6010, subsection B, the state treasurer shall withhold from
4 the distribution of monies pursuant to this section to the
5 affected city or town the amount of the penalty for business
6 location municipal tax incentives provided by the city or town
7 to a business entity that locates a retail business facility
8 in the city or town. The state treasurer shall continue to
9 withhold monies pursuant to this subsection until the entire
10 amount of the penalty has been withheld. The state treasurer
11 shall credit any monies withheld pursuant to this subsection
12 to the state general fund as provided by subsection D,
13 paragraph 4 of this section. The state treasurer shall not
14 withhold any amount that the city or town certifies to the
15 department of revenue and the state treasurer as being
16 necessary to make any required deposits or payments for debt
17 service on bonds or other long-term obligations of the city or
18 town that were issued or incurred before the location
19 incentives provided by the city or town.

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

30 L. Except as otherwise provided by this subsection, on
31 notice from the attorney general pursuant to section
32 41-194.01, subsection B, paragraph 1 that an ordinance,
33 regulation, order or other official action adopted or taken by
34 the governing body of a county, city or town violates state
35 law or the Constitution of Arizona, the state treasurer shall
36 withhold the distribution of monies pursuant to this section
37 to the affected county, city or town and shall continue to
38 withhold monies pursuant to this subsection until the attorney
39 general certifies to the state treasurer that the violation
40 has been resolved. The state treasurer shall redistribute the
41 monies withheld pursuant to this subsection among all other
42 counties, cities and towns in proportion to their population
43 as provided by subsection D of this section. The state
44 treasurer shall not withhold any amount that the county, city
45 or town certifies to the attorney general and the state

1 treasurer as being necessary to make any required deposits or
2 payments for debt service on bonds or other long-term
3 obligations of the county, city or town that were issued or
4 incurred before committing the violation.

5 M. For the purposes of this section, "community college
6 district" means a community college district that is
7 established pursuant to sections 15-1402 and 15-1403 and that
8 is a political subdivision of this state and, unless otherwise
9 specified, includes a community college tuition financing
10 district established pursuant to section 15-1409.

11 Sec. 5. Section 42-5155, Arizona Revised Statutes, is
12 amended to read:

13 42-5155. Levy of tax; tax rate; purchaser's liability

14 A. There is levied and imposed an excise tax on the
15 storage, use or consumption in this state of tangible personal
16 property purchased from a retailer or utility business, as a
17 percentage of the sales price. A manufactured building
18 purchased outside this state and set up in this state is
19 subject to tax under this section and in this case the RATE IS
20 A percentage ~~is~~ OF sixty-five ~~per cent~~ PERCENT of the sales
21 price.

22 B. The tax imposed by this section applies to any
23 purchaser ~~which~~ THAT purchased tangible personal property for
24 resale but subsequently uses or consumes the property.

25 C. The tax rate shall equal the rate of tax prescribed
26 by section 42-5010, subsection A as applied to retailers and
27 utility businesses according to the respective classification
28 under articles 1 and 2 of this chapter for the same type of
29 transaction or business activity.

30 D. In addition to the rate prescribed by subsection C
31 of this section, if approved by the qualified electors voting
32 at a statewide general election, an additional rate increment
33 of six-tenths of one ~~per cent~~ PERCENT is imposed and shall be
34 collected ~~through June 30, 2021~~. The taxpayer shall pay taxes
35 pursuant to this subsection at the same time and in the same
36 manner as under subsection C of this section. The department
37 shall separately account for the revenues collected with
38 respect to the rate imposed pursuant to this subsection, and
39 the state treasurer shall pay all of those revenues in the
40 manner prescribed by section 42-5029, subsection E.

41 E. Every person storing, using or consuming in this
42 state tangible personal property purchased from a retailer or
43 utility business is liable for the tax. The person's
44 liability is not extinguished until the tax has been paid to
45 this state.

1 F. A receipt from a retailer or utility business that
2 maintains a place of business in this state or from a retailer
3 or utility business that is authorized by the department to
4 collect the tax, under such rules as it may prescribe, and
5 that is for the purposes of this article regarded as a
6 retailer or utility business maintaining a place of business
7 in this state, given to the purchaser as provided in section
8 42-5161 is sufficient to relieve the purchaser from further
9 liability for the tax to which the receipt refers.

10 2. The Secretary of State shall submit this proposition to the
11 voters at the next general election as provided by article IV, part 1,
12 section 1, Constitution of Arizona.