

State of Arizona  
Senate  
Fifty-third Legislature  
Second Regular Session  
2018

# SENATE BILL 1390

## AN ACT

AMENDING SECTIONS 15-185, 15-241, 15-241.02, 15-971, 15-977, 15-1409, 15-1472, 15-1648, 15-2084 AND 15-2085, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5010.01; AMENDING SECTIONS 42-5029 AND 42-5029.01, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5029.02; AMENDING SECTIONS 42-5155, 43-222 AND 43-323, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1072.02; RELATING TO TRANSACTION PRIVILEGE AND USE TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-185, Arizona Revised Statutes, is amended to  
3 read:

4 15-185. Charter schools; financing; civil penalty;  
5 transportation; definition

6 A. A school district is not financially responsible for any charter  
7 school that is sponsored by the state board of education, the state board  
8 for charter schools, a university under the jurisdiction of the Arizona  
9 board of regents, a community college district or a group of community  
10 college districts.

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

15 1. The charter school shall calculate a base support level as  
16 prescribed in section 15-943, except that:

17 (a) Section 15-941 does not apply to these charter schools.

18 (b) The small school weights prescribed in section 15-943,  
19 paragraph 1 apply if a charter holder, as defined in section 15-101, holds  
20 one charter for one or more school sites and the average daily membership  
21 for the school sites are combined for the calculation of the small school  
22 weight. The small school weight shall not be applied individually to a  
23 charter holder if one or more of the following conditions exist and the  
24 combined average daily membership derived from the following conditions is  
25 greater than six hundred:

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

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

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

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

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

38 2. Notwithstanding paragraph 1 of this subsection, the student  
39 count shall be determined initially using an estimated student count based  
40 on actual registration of pupils before the beginning of the school year.  
41 Notwithstanding section 15-1042, subsection F, student level data  
42 submitted to the department may be used to determine estimated student  
43 counts. After the first forty days, one hundred days or two hundred days  
44 in session, as applicable, the charter school shall revise the student  
45 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 seventy-five dollars five cents per student count in preschool programs for children with disabilities, kindergarten programs and grades one through eight and two thousand sixty-eight dollars seventy-nine 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

1 charge a fee to recover costs for providing educational services to  
2 charter schools.

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

21 I. In addition to the withholding of state aid payments pursuant to  
22 subsection H of this section, the sponsor of a charter school may impose a  
23 civil penalty of one thousand dollars per occurrence if a charter school  
24 fails to comply with the fingerprinting requirements prescribed in section  
25 15-183, subsection C or section 15-512. The sponsor of a charter school  
26 shall not impose a civil penalty if it is the first time that a charter  
27 school is out of compliance with the fingerprinting requirements and if  
28 the charter school provides proof within forty-eight hours of written  
29 notification that an application for the appropriate fingerprint check has  
30 been received by the department of public safety. The sponsor of the  
31 charter school shall obtain proof that the charter school has been  
32 notified, and the notification shall identify the date of the deadline and  
33 shall be signed by both parties. The sponsor of a charter school shall  
34 automatically impose a civil penalty of one thousand dollars per  
35 occurrence if the sponsor determines that the charter school subsequently  
36 violates the fingerprinting requirements. Civil penalties pursuant to  
37 this subsection shall be assessed by requesting the department of  
38 education to reduce the amount of state aid that the charter school would  
39 otherwise receive by an amount equal to the civil penalty. The amount of  
40 state aid withheld shall revert to the state general fund at the end of  
41 the fiscal year.

42 J. A charter school may receive and spend monies distributed by the  
43 department of education pursuant to section 42-5029, subsection E, [SECTION](#)  
44 [42-5029.02, SUBSECTION A](#) and section 37-521, subsection B.

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

10          L. Notwithstanding any other law, a university under the  
11 jurisdiction of the Arizona board of regents, a community college district  
12 or a group of community college districts shall not include any student in  
13 the student count of the university, community college district or group  
14 of community college districts for state funding purposes if that student  
15 is enrolled in and attending a charter school sponsored by the university,  
16 community college district or group of community college districts.

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

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

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

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

1       Sec. 2. Section 15-241, Arizona Revised Statutes, is amended to  
2 read:

3       15-241. School, charter school and school district  
4           accountability; annual achievement profiles;  
5           classification; letter grade system; profiles;  
6           appeals process; failing schools tutoring fund;  
7           definition

8       A. The department of education shall compile an annual achievement  
9 profile for each public school and local education agency.

10      B. Each school, charter holder and school district shall submit to  
11 the department any data that is required and requested and that is  
12 necessary to compile the achievement profile. A school or local education  
13 agency that fails to submit the information that is necessary is not  
14 eligible to receive monies from the classroom site fund established by  
15 section 15-977.

16      C. The annual achievement profile compiled by the department shall  
17 be used to determine a standard measurement of acceptable academic  
18 progress for each school and local education agency and a school and local  
19 education agency classification pursuant to subsection F of this  
20 section. Any disclosure of educational records compiled by the department  
21 of education pursuant to this section shall comply with the family  
22 educational rights and privacy act of 1974 (20 United States Code section  
23 1232g).

24      D. The annual achievement profile for schools and local education  
25 agencies shall include, at a minimum, the following academic performance  
26 indicators:

27       1. Multiple measures of academic performance or other academically  
28 relevant indicators of school quality that are appropriate to assess the  
29 educational impact of a school during the academic year as determined by  
30 the state board of education.

31       2. Academic progress on statewide assessments adopted pursuant to  
32 section 15-741 in English language arts and mathematics.

33       3. Academic progress on the English language learner assessments  
34 administered pursuant to section 15-756, subsection B and sections  
35 15-756.05 and 15-756.06.

36       4. Progress toward college and career readiness for all schools and  
37 local education agencies that offer instruction in any of grades nine  
38 through twelve.

39      E. Subject to final adoption by the state board of education, the  
40 department shall determine the criteria for each school and local  
41 education agency classification label using a researched-based  
42 methodology. The methodology developed in collaboration with a coalition  
43 of qualified technical and policy stakeholders, at a minimum, shall  
44 include the performance of pupils at all achievement levels, account for  
45 pupil mobility, account for the distribution of pupil achievement at each

1 school and local education agency and include longitudinal indicators of  
2 academic performance. For the purposes of this subsection,  
3 "researched-based methodology" means the systematic and objective  
4 application of statistical and quantitative research principles to  
5 calculate the indicators used to determine A through F letter grades.

6 F. The annual achievement profile shall be used to determine a  
7 school and local education agency classification based on an A through F  
8 letter grade system adopted by the state board of education in which a  
9 letter grade of A reflects an excellent level of performance and a letter  
10 grade of F reflects a failing level of performance. The A through F  
11 letter grade system shall indicate expected standards of performance for  
12 all schools and the manner in which schools may rise above or fall below  
13 those expected standards of performance. The state board of education may  
14 also assign a school a letter grade of F if the state board of education  
15 determines that the school is among the "persistently lowest-achieving  
16 schools" in the state under the federal school accountability requirements  
17 pursuant to section 1003(g) of the elementary and secondary education act  
18 (20 United States Code section 6303).

19 G. The classification for each school and the criteria used to  
20 determine classification pursuant to subsections E and F of this section  
21 shall be included on the school report card prescribed in section 15-746.

22 H. Subject to final adoption by the state board of education, the  
23 department of education shall use achievement profiles appropriately to  
24 assess the educational impact of accommodation schools, alternative  
25 schools and extremely small schools, may develop profiles for schools that  
26 participate in the board examination system prescribed in chapter 7,  
27 article 6 of this title and schools that participate in Arizona online  
28 instruction pursuant to section 15-808 and may develop other exceptions as  
29 prescribed by the state board of education for the purposes of this  
30 section.

31 I. The department of education shall establish a process for a  
32 school or local education agency to correct student data used to determine  
33 the school's or local education agency's annual achievement profile. The  
34 state board of education shall establish an appeals process to allow a  
35 school or local education agency to appeal the school's or local education  
36 agency's final letter grade based on mitigating factors identified by the  
37 board. The board may delegate the administration of the appeals process  
38 to the department of education.

39 J. The failing schools tutoring fund is established consisting of  
40 monies collected pursuant to section 42-5029, subsection E **AND SECTION**  
41 **42-5029.02, SUBSECTION A, PARAGRAPH 8** as designated for this purpose. The  
42 department of education shall administer the fund. The department of  
43 education may use monies from the fund to purchase materials designed to  
44 assist students to meet the Arizona academic standards and to achieve a  
45 passing score on assessments adopted by the state board of education.



1 K. For the purposes of this section, "academic progress" means  
2 measures of both proficiency and academic gain.

3 Sec. 3. Section 15-241.02, Arizona Revised Statutes, is amended to  
4 read:

5 15-241.02. School improvement plans; solutions teams;  
6 withholding of state monies

7 A. If a school is assigned a letter grade of D pursuant to section  
8 15-241, within ninety days after receiving notice of the classification,  
9 the school district governing board shall develop an improvement plan for  
10 the school, submit a copy of the plan to the superintendent of public  
11 instruction and the county educational service agency and supervise the  
12 implementation of the plan. The governing board shall include in the plan  
13 necessary components as identified by the state board of education.  
14 Within thirty days after submitting the improvement plan to the  
15 superintendent of public instruction and the county educational service  
16 agency, the governing board shall hold a public meeting in each school  
17 that has been assigned a letter grade of D and shall present the  
18 respective improvement plans that have been developed for each school.  
19 The governing board, within thirty days after receiving notice of the  
20 classification, shall provide written notification of the classification  
21 to each residence within the attendance area of the school. The notice  
22 shall explain the improvement plan process and provide information  
23 regarding the public meeting required by this subsection.

24 B. A school that has not submitted an improvement plan pursuant to  
25 subsection A of this section is not eligible to receive monies from the  
26 classroom site fund established by section 15-977 for every day that a  
27 plan has not been received by the superintendent of public instruction  
28 within the time specified in subsection A of this section plus an  
29 additional ninety days. The state board of education shall require the  
30 superintendent of the school district to testify before the board and  
31 explain the reasons that an improvement plan for that school has not been  
32 submitted.

33 C. If a charter school is assigned a letter grade of D pursuant to  
34 section 15-241, within thirty days the school shall notify the parents of  
35 the students attending the school of the classification. The notice shall  
36 explain the improvement plan process and provide information regarding the  
37 public meeting required by this subsection. Within ninety days after  
38 receiving the classification, the charter holder shall present an  
39 improvement plan to the charter sponsor at a public meeting and submit a  
40 copy of the plan to the sponsor of the charter school. The charter holder  
41 shall include in the improvement plan necessary components as identified  
42 by the state board of education. The school is not eligible to receive  
43 monies from the classroom site fund established by section 15-977 for  
44 every day that an improvement plan has not been received by the sponsor of  
45 the charter school within the time specified in this subsection plus an

1 additional ninety days. The charter holder shall appear before the  
2 sponsoring board and explain why the improvement plan has not been  
3 submitted.

4 D. If a school is assigned a letter grade of D pursuant to section  
5 15-241 for a third consecutive year, the department of education shall  
6 visit the school site to confirm the classification data and to review the  
7 implementation of the school's improvement plan. The school shall be  
8 assigned a letter grade of F unless an alternate letter grade is assigned  
9 after an appeal pursuant to section 15-241, subsection I. A school that  
10 is assigned a letter grade of D for fewer than three consecutive years may  
11 also be assigned a letter grade of F if the state board of education  
12 determines that there is no reasonable likelihood that the school will  
13 achieve an average level of performance within the next two years.

14 E. The superintendent of public instruction and the county  
15 educational service agency shall collaborate to assign a solutions team to  
16 a school assigned a letter grade of D pursuant to section 15-241 or a  
17 school assigned a letter grade of F pursuant to section 15-241 based on  
18 academic need and available resources. County educational service  
19 agencies may enter into agreements to provide services to schools from  
20 other counties. Any other school, subject to available resources, may be  
21 assigned a solutions team pursuant to a mutual agreement between the  
22 department of education or the county education service agency, or both,  
23 and the school. The solutions team shall be composed of master teachers,  
24 fiscal analysts and curriculum assessment experts who are certified by the  
25 state board of education as Arizona academic standards technicians. The  
26 department of education or the county educational service agency may hire  
27 or contract with administrators, principals and teachers who have  
28 demonstrated experience in improving academic outcomes and may use these  
29 personnel as part of the solutions team. The department of education  
30 shall work with staff at the school to assist in curricula alignment and  
31 shall instruct teachers on how to increase pupil academic progress,  
32 considering the school's annual achievement profile. The solutions team  
33 shall consider the existing improvement plan to assess the need for  
34 changes to curricula, professional development and resource allocation and  
35 shall present a statement of its findings to the school administrator and  
36 district superintendent. Within forty-five days after the presentation of  
37 the solutions team's statement of findings, the school district governing  
38 board, in cooperation with each school within the school district that is  
39 assigned a letter grade of D and its assigned solutions team  
40 representative, shall develop and submit to the department of education  
41 and the county educational service agency an action plan that details the  
42 manner in which the school district will assist the school as the school  
43 incorporates the findings of the solutions team into the improvement plan.  
44 The department of education shall review the action plan and shall either  
45 accept the action plan or return the action plan to the school district

1 for modification. If the school district does not submit an approved  
2 action plan within forty-five days, the state board of education may  
3 direct the superintendent of public instruction to withhold up to ten  
4 percent of state monies that the school district would otherwise be  
5 entitled to receive each month until the plan is submitted to the  
6 department of education and the county educational service agency, at  
7 which time those monies shall be returned to the school district.

8 F. The parent or guardian of a pupil may apply to the department of  
9 education, in a manner determined by the department of education, for a  
10 certificate of supplemental instruction from the failing schools tutoring  
11 fund established by section 15-241. Pupils attending a school assigned a  
12 letter grade of D or F may select an alternative tutoring program in  
13 academic standards from a provider that is certified by the state board of  
14 education. To qualify, the provider must state in writing a level of  
15 academic improvement for the pupil that includes a timeline for  
16 improvement that is agreed to by the parent or guardian of the pupil. The  
17 state board of education shall annually review academic performance levels  
18 for certified providers and may remove a provider at a public hearing from  
19 an approved list of providers if that provider fails to meet its stated  
20 level of academic improvement. The state board of education shall  
21 determine the application guidelines and the maximum value for each  
22 certificate of supplemental instruction. The state board of education  
23 shall annually complete a market survey in order to determine the maximum  
24 value for each certificate of supplemental instruction. This subsection  
25 does not require this state to provide additional monies beyond the monies  
26 provided pursuant to section 42-5029, subsection E, paragraph 7 **OR SECTION**  
27 **42-5029.02, SUBSECTION A, PARAGRAPH 7.**

28 G. Within sixty days after receiving notification of a school being  
29 assigned a letter grade of F pursuant to section 15-241, the school  
30 district governing board shall evaluate needed changes to the existing  
31 school improvement plan, consider recommendations from the solutions team,  
32 submit a copy of the plan to the superintendent of public instruction and  
33 the county educational service agency and supervise the implementation of  
34 the plan. Within thirty days after submitting the improvement plan to the  
35 superintendent of public instruction and the county educational service  
36 agency, the governing board shall hold a public meeting in each school  
37 that has been assigned a letter grade of F and shall present the  
38 respective improvement plans that have been developed for each school.  
39 The governing board, within thirty days after receiving notice of the  
40 classification, shall provide written notification of the classification  
41 to each residence in the attendance area of the school. The notice shall  
42 explain the improvement plan process and provide information regarding the  
43 public meeting required by this subsection.

44 H. A school that has not submitted an improvement plan pursuant to  
45 subsection G of this section is not eligible to receive monies from the

1 classroom site fund established by section 15-977 for every day that a  
2 plan has not been received by the superintendent of public instruction  
3 within the time specified in subsection G of this section plus an  
4 additional ninety days. The state board of education shall require the  
5 superintendent of the school district to testify before the board and  
6 explain the reasons that an improvement plan for that school has not been  
7 submitted.

8 I. If a charter school is assigned a letter grade of F pursuant to  
9 section 15-241, the department of education shall immediately notify the  
10 charter school's sponsor. The charter school's sponsor shall either take  
11 action to restore the charter school to acceptable performance or revoke  
12 the charter school's charter. Within thirty days, the charter school  
13 shall notify the parents of the students attending the school of the  
14 classification and of any pending public meetings to review the issue.

15 J. The department of education shall evaluate a school that has  
16 been assigned a letter grade of F pursuant to section 15-241 to determine  
17 whether the school, charter holder or school district failed to properly  
18 implement its school improvement plan, align the curricula with academic  
19 standards, provide teacher training, prioritize the budget or implement  
20 other proven strategies to improve academic performance. After visiting  
21 the school site pursuant to subsection D of this section, the department  
22 of education shall submit to the state board of education a recommendation  
23 either to proceed pursuant to subsections E, F and G of this section or  
24 that the school be subject to a public hearing to determine whether the  
25 school failed to properly implement its improvement plan and the reasons  
26 for the department's recommendation. If the school is a charter school,  
27 the department shall submit a report to the sponsor of the charter school.  
28 The sponsor shall make a determination pursuant to subsection N of this  
29 section.

30 K. If the department recommends a public hearing, the state board  
31 of education shall meet and may provide by a majority vote at the public  
32 hearing for the continued operation of the school as allowed by this  
33 subsection. The state board of education shall determine whether  
34 governmental, nonprofit and private organizations may submit applications  
35 to the state board to fully or partially manage the school. The state  
36 board's determination shall include:

37 1. ~~IF~~ **WHETHER** and to what extent the local governing board may  
38 participate in the operation of the school, including personnel matters.

39 2. ~~IF~~ **WHETHER** and to what extent the state board will participate  
40 in the operation of the school.

41 3. Resource allocation pursuant to subsection M of this section.

42 4. Provisions for the development and submittal of a school  
43 improvement plan to be presented in a public meeting at the school.

44 5. A suggested time frame for the alternative operation of the  
45 school.

1 L. The state board of education shall periodically review the  
2 status of a school that is operated by an organization other than the  
3 school district governing board to determine whether the operation of the  
4 school should be returned to the school district governing board. Before  
5 the state board makes a determination, the state board or its designee  
6 shall meet with the school district governing board or its designee to  
7 determine the time frame, operational considerations and appropriate  
8 continuation of existing improvements that are necessary to ensure a  
9 smooth transition of authority from the other organization back to the  
10 school district governing board.

11 M. If an alternative operation plan is provided pursuant to  
12 subsection ~~L~~ K of this section, the state board of education shall pay  
13 for the operation of the school and shall adjust the school district's  
14 district additional assistance pursuant to section 15-961, base support  
15 level pursuant to section 15-943, monies distributed from the classroom  
16 site fund established by section 15-977 and transportation support level  
17 pursuant to section 15-945 to accurately reflect any reduction in district  
18 services that are no longer provided to that school by the district. The  
19 state board may modify the school district's revenue control limit, the  
20 district support level and the general budget limit calculated pursuant to  
21 section 15-947 by an amount that corresponds to this reduction in  
22 services. The state board shall retain the portion of state aid that  
23 would otherwise be due the school district for the school and shall  
24 distribute that portion of state aid directly to the organization that  
25 contracts with the state board to operate the school.

26 N. If the sponsor of a charter school determines that a charter  
27 holder failed to properly implement its improvement plan, the sponsor of  
28 the charter school shall revoke the charter school's charter.

29 O. If there are more than two schools in a district and more than  
30 one-half, or in any case more than five, of the schools in the district  
31 are assigned a letter grade of F pursuant to section 15-241 for more than  
32 two consecutive years, in the next election of governing board members the  
33 election ballot shall contain the following statement immediately above  
34 the listing of governing board candidates:

35 Within the last five years, (number of schools) schools  
36 in the \_\_\_\_\_ school district have been assigned a letter  
37 grade of D or F.

38 P. At least twice each year the department of education shall  
39 publish in a newspaper of general circulation in each county of this state  
40 a list of schools that are assigned a letter grade of F pursuant to  
41 section 15-241.

42 Q. The state board of education shall adopt guidelines to include  
43 supplementary training in reading instruction for teachers who provide  
44 instruction to pupils in a kindergarten program or grade one, two or three  
45 in an improvement plan pursuant to subsection A of this section.

1 R. In addition to any other corrective procedures prescribed in  
2 this section and sections 15-241 and 15-241.01, a school that has been  
3 assigned a letter grade of D or F for two consecutive years shall  
4 implement a science, technology, engineering and mathematics intervention  
5 strategy under the supervision of the state board of education.

6 S. In addition to any other corrective procedures prescribed in  
7 this section, a school district that has been assigned a letter grade of D  
8 or F pursuant to section 15-241 for two consecutive years shall implement  
9 a parent involvement strategy. The parent involvement strategy shall be  
10 included in the school improvement plan for each applicable school within  
11 the district, as prescribed in subsection A or G of this section, as  
12 applicable.

13 T. The department of education shall publish criteria for a  
14 school's or school district's exit status from a previous assignment of a  
15 letter grade of F in accordance with this section. The criteria shall  
16 prescribe the actions and results necessary to be deemed to have complied  
17 with this section regarding school improvement, including the proper  
18 implementation of a school improvement plan pursuant to subsection J of  
19 this section. These criteria shall be provided to a school or school  
20 district if it is assigned a letter grade of F pursuant to section 15-241.

21 Sec. 4. Section 15-971, Arizona Revised Statutes, is amended to  
22 read:

23 15-971. Determination of equalization assistance payments  
24 from county and state funds for school districts

25 A. Equalization assistance for education is computed by determining  
26 the total of the following:

27 1. The lesser of a school district's revenue control limit or  
28 district support level as determined in section 15-947 or 15-951.

29 2. District additional assistance of a school district as  
30 determined in section 15-951 or 15-961.

31 B. From the total of the amounts determined in subsection A of this  
32 section subtract:

33 1. The amount that would be produced by levying the applicable  
34 qualifying tax rate determined pursuant to section 41-1276 for a high  
35 school district or a common school district within a high school district  
36 that does not offer instruction in high school subjects as provided in  
37 section 15-447.

38 2. The amount that would be produced by levying the applicable  
39 qualifying tax rate determined pursuant to section 41-1276 for a unified  
40 school district, a common school district not within a high school  
41 district or a common school district within a high school district that  
42 offers instruction in high school subjects as provided in section  
43 15-447. The qualifying tax rate shall be applied in the following manner:

44 (a) For the purposes of the amount determined in subsection A,  
45 paragraph 1 of this section:

1 (i) Determine separately the percentage that the weighted student  
2 count in preschool programs for children with disabilities, kindergarten  
3 programs and grades one through eight and the weighted student count in  
4 grades nine through twelve is to the weighted student count determined in  
5 subtotal A as provided in section 15-943, paragraph 2, subdivision (a).

6 (ii) Apply the percentages determined in item (i) of this  
7 subdivision to the amount determined in subsection A, paragraph 1 of this  
8 section.

9 (b) For the purposes of the amounts determined in subsection A,  
10 paragraph 2 of this section, determine separately the amount of the  
11 district additional assistance attributable to the student count in  
12 preschool programs for children with disabilities, kindergarten programs  
13 and grades one through eight and grades nine through twelve.

14 (c) From the amounts determined in subdivisions (a) and (b) of this  
15 paragraph, subtract the levy that would be produced by the current  
16 qualifying tax rate for a high school district or a common school district  
17 within a high school district that does not offer instruction in high  
18 school subjects as provided in section 15-447. If the qualifying tax rate  
19 generates a levy that is in excess of the total determined in subsection A  
20 of this section, the school district shall not be eligible for  
21 equalization assistance. For the purposes of this subsection, "assessed  
22 valuation" includes the values used to determine voluntary contributions  
23 collected pursuant to title 9, chapter 4, article 3 and title 48, chapter  
24 1, article 8 and the assessed value of all property subject to the  
25 government property lease excise tax pursuant to title 42, chapter 6,  
26 article 5.

27 3. The amount that would be produced by levying a qualifying tax  
28 rate in a joint technical education district, which shall be five cents  
29 per one hundred dollars assessed valuation unless the legislature sets a  
30 lower rate by law.

31 C. County aid for equalization assistance for education shall be  
32 computed as follows:

33 1. Determine the total equalization assistance for all school  
34 districts in the county as provided in subsections A and B of this  
35 section.

36 2. Determine the total amount of state equalization assistance  
37 collected for all school districts in the county as provided in section  
38 15-994.

39 3. Divide the amount determined in paragraph 2 of this subsection  
40 by the amount determined in paragraph 1 of this subsection.

41 4. Multiply the amount determined in subsections A and B of this  
42 section by the quotient determined in paragraph 3 of this subsection for  
43 each school district.

1           5. The amount determined in paragraph 4 of this subsection shall be  
2 the county aid for equalization assistance for education for a school  
3 district.

4           D. State aid for equalization assistance for education for a school  
5 district shall be computed as follows:

6           1. Determine the equalization assistance for education for a school  
7 district as provided in subsections A and B of this section.

8           2. For each county, determine the levy that would be produced by  
9 the state equalization assistance property tax rate prescribed in section  
10 15-994, subsection A.

11           3. Prorate the amount determined in paragraph 2 of this subsection  
12 to each school district in the county as prescribed by subsection C of  
13 this section.

14           4. Subtract the amount determined in paragraph 3 of this subsection  
15 from the amount determined in paragraph 1 of this subsection.

16           E. Equalization assistance for education shall be paid from  
17 appropriations for that purpose to the school districts as provided in  
18 section 15-973.

19           F. A school district shall report expenditures on approved career  
20 and technical education and vocational education programs in the annual  
21 financial report according to uniform guidelines prescribed by the uniform  
22 system of financial records and in order to facilitate compliance with  
23 sections 15-255 and 15-904.

24           G. The additional weight for state aid purposes given to special  
25 education as provided in section 15-943 shall be given to school districts  
26 only if special education programs comply with chapter 7, article 4 of  
27 this title and the conditions and standards prescribed by the  
28 superintendent of public instruction pursuant to rules of the state board  
29 of education for pupil identification and placement pursuant to sections  
30 15-766 and 15-767.

31           H. In addition to **STATE** general fund appropriations, all amounts  
32 received pursuant to section 37-521, subsection B, paragraph 3, ~~and~~  
33 section 42-5029, subsection E, paragraph 5 **AND 42-5029.02, SUBSECTION A,**  
34 **PARAGRAPH 5** and from any other source for the purposes of this section are  
35 appropriated for state aid to schools as provided in this section.

36           I. The total amount of state monies that may be spent in any fiscal  
37 year for state equalization assistance shall not exceed the amount  
38 appropriated or authorized by section 35-173 for that purpose. This  
39 section ~~shall~~ **DOES** not ~~be construed to~~ impose a duty on an officer, agent  
40 or employee of this state to discharge a responsibility or ~~to~~ create any  
41 right in a person or group if the discharge or right would require an  
42 expenditure of state monies in excess of the expenditure authorized by  
43 legislative appropriation for that specific purpose.



1       Sec. 5. Section 15-977, Arizona Revised Statutes, is amended to  
2 read:

3       15-977. Classroom site fund; definitions

4       A. The classroom site fund is established consisting of monies  
5 transferred to the fund pursuant to section 37-521, subsection B, ~~and~~  
6 section 42-5029, subsection E, paragraph 10 ~~AND SECTION 42-5029.02,~~  
7 ~~SUBSECTION A, PARAGRAPH 10.~~ The department of education shall administer  
8 the fund. School districts and charter schools may not supplant existing  
9 school site funding with revenues from the fund. All monies distributed  
10 from the fund are intended for use at the school site. Each school  
11 district or charter school shall allocate forty percent of the monies for  
12 teacher compensation increases based on performance and employment related  
13 expenses, twenty percent of the monies for teacher base salary increases  
14 and employment related expenses and forty percent of the monies for  
15 maintenance and operation purposes as prescribed in subsection H of this  
16 section. Teacher compensation increases based on performance or teacher  
17 base salary increases distributed pursuant to this subsection shall  
18 supplement, and not supplant, teacher compensation monies from any other  
19 sources. The school district or charter school shall notify each school  
20 principal of the amount available to the school by April 15 of each year.  
21 The district or charter school shall request from the school's principal  
22 each school's priority for the allocation of the funds available to the  
23 school for each program listed under subsection H of this section. The  
24 amount budgeted by the school district or charter school pursuant to this  
25 section shall not be included in the allowable budget balance carryforward  
26 calculated pursuant to section 15-943.01.

27       B. A school district governing board must adopt a performance based  
28 compensation system at a public hearing to allocate funding from the  
29 classroom site fund pursuant to subsection A of this section. Individual  
30 teacher performance as measured by the teacher's performance  
31 classification pursuant to section 15-203, subsection A, paragraph 38  
32 shall be a component of the school district's portion of the forty percent  
33 allocation for teacher compensation based on performance and employment  
34 related expenses.

35       C. A school district governing board shall vote on a performance  
36 based compensation system that includes the following elements:

37       1. School district performance and school performance.

38       2. Individual teacher performance as measured by the teacher's  
39 performance classification pursuant to section 15-203, subsection A,  
40 paragraph 38. The individual teacher performance component shall account  
41 for thirty-three percent of the forty percent allocation for teacher  
42 compensation based on performance and employment related expenses.

43       3. Measures of academic progress toward the academic standards  
44 adopted by the state board of education.

45       4. Other measures of academic progress.

1           5. Dropout or graduation rates.  
2           6. Attendance rates.  
3           7. Ratings of school quality by parents.  
4           8. Ratings of school quality by students.  
5           9. The input of teachers and administrators.  
6           10. Approval of the performance based compensation system based on  
7 an affirmative vote of at least seventy percent of the teachers eligible  
8 to participate in the performance based compensation system.  
9           11. An appeals process for teachers who have been denied  
10 performance based compensation.  
11           12. Regular evaluation for effectiveness, which shall comply with  
12 section 15-203, subsection A, paragraph 38.  
13           D. A performance based compensation system shall include teacher  
14 professional development programs that are aligned with the elements of  
15 the performance based compensation system.  
16           E. A school district governing board may modify the elements  
17 contained in subsection C of this section and consider additional elements  
18 when adopting a performance based compensation system. A school district  
19 governing board shall adopt any modifications or additional elements and  
20 specify the criteria used at a public hearing.  
21           F. Until December 31, 2009, each school district shall develop an  
22 assessment plan for its performance based compensation system and submit  
23 the plan to the department of education by December 31 of each year. A  
24 copy of the performance based compensation system and assessment plan  
25 adopted by the school district governing board shall be included in the  
26 report submitted to the department of education.  
27           G. Monies in the fund are continuously appropriated, are exempt  
28 from the provisions of section 35-190 relating to lapsing of  
29 appropriations and shall be distributed as follows:  
30           1. By March 30 of each year, the staff of the joint legislative  
31 budget committee shall determine a per pupil amount from the fund for the  
32 budget year using the estimated statewide weighted count for the current  
33 year pursuant to section 15-943, paragraph 2, subdivision (a) and based on  
34 estimated available resources in the classroom site fund for the budget  
35 year adjusted for any prior year carryforward or shortfall.  
36           2. The allocation to each charter school and school district for a  
37 fiscal year shall equal the per pupil amount established in paragraph 1 of  
38 this subsection for the fiscal year multiplied by the weighted student  
39 count for the school district or charter school for the fiscal year  
40 pursuant to section 15-943, paragraph 2, subdivision (a). For the  
41 purposes of this paragraph, the weighted student count for a school  
42 district that serves as the district of attendance for nonresident pupils  
43 shall be increased to include nonresident pupils who attend school in the  
44 school district.

1 H. Monies distributed from the classroom site fund shall be spent  
2 for the following maintenance and operation purposes:

- 3 1. Class size reduction.
- 4 2. Teacher compensation increases.
- 5 3. Assessment intervention programs.
- 6 4. Teacher development.
- 7 5. Dropout prevention programs.
- 8 6. Teacher liability insurance premiums.

9 I. The district governing board or charter school shall allocate  
10 the classroom site fund monies to include, wherever possible, the  
11 priorities identified by the principals of the schools while assuring that  
12 the funds maximize classroom opportunities and conform to the authorized  
13 expenditures identified in subsection A of this section.

14 J. School districts and charter schools that receive monies from  
15 the classroom site fund shall submit a report by November 15 of each year  
16 to the superintendent of public instruction that provides an accounting of  
17 the expenditures of monies distributed from the fund during the previous  
18 fiscal year and a summary of the results of district and school programs  
19 funded with monies distributed from the fund. The department of education  
20 in conjunction with the auditor general shall prescribe the format of the  
21 report under this subsection.

22 K. School districts and charter schools that receive monies from  
23 the classroom site fund shall receive these monies monthly in an amount  
24 not to exceed one-twelfth of the monies estimated pursuant to subsection G  
25 of this section, except that if there are insufficient monies in the fund  
26 that month to make payments, the distribution for that month shall be  
27 prorated for each school district or charter school. The department of  
28 education may make an additional payment in the current month for any  
29 prior month or months in which school districts or charter schools  
30 received a prorated payment if there are sufficient monies in the fund  
31 that month for the additional payments. The state is not required to make  
32 payments to a school district or charter school classroom site fund if the  
33 state classroom site fund revenue collections are insufficient to meet the  
34 estimated allocations to school districts and charter schools pursuant to  
35 subsection G of this section.

36 L. The state education system for committed youth shall receive  
37 monies from the classroom site fund in the same manner as school districts  
38 and charter schools. The Arizona state schools for the deaf and the blind  
39 shall receive monies from the classroom site fund in an amount that  
40 corresponds to the weighted student count for the current year pursuant to  
41 section 15-943, paragraph 2, subdivision (b) for each pupil enrolled in  
42 the Arizona state schools for the deaf and the blind. Except as otherwise  
43 provided in this subsection, the Arizona state schools for the deaf and  
44 the blind and the state education system for committed youth are subject

1 to this section in the same manner as school districts and charter  
2 schools.

3 M. Each school district and charter school, including school  
4 districts that unify pursuant to section 15-448 or consolidate pursuant to  
5 section 15-459, shall establish a local level classroom site fund to  
6 receive allocations from the state level classroom site fund. The local  
7 level classroom site fund shall be a budgetary controlled account.  
8 Interest charges for any registered warrants for the local level classroom  
9 site fund shall be a charge against the local level classroom site fund.  
10 Interest earned on monies in the local level classroom site fund shall be  
11 added to the local level classroom site fund as provided in section  
12 15-978. This state shall not be required to make payments to a school  
13 district or charter school local level classroom site fund that are in  
14 addition to monies transferred to the state level classroom site fund  
15 pursuant to section 37-521, subsection B, ~~and~~ section 42-5029, subsection  
16 E, paragraph 10 **AND SECTION 42-5029.02, SUBSECTION A, PARAGRAPH 10.**

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

22 O. For the purposes of this section:

23 1. "Assessment intervention" means summer programs, after school  
24 programs, before school programs or tutoring programs that are  
25 specifically designed to ensure that pupils meet the Arizona academic  
26 standards as measured by the statewide assessment prescribed by section  
27 15-741.

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

32 Sec. 6. Section 15-1409, Arizona Revised Statutes, is amended to  
33 read:

34 **15-1409. Community college tuition financing districts;**  
35 **formation; powers and duties; issuance and sale of**  
36 **bonds for capital outlay**

37 A. A community college tuition financing district shall contract  
38 with an existing community college district to provide instructional and  
39 student services within the community college tuition financing district.

40 B. The minimum assessed valuation and population requirements  
41 prescribed in section 15-1402 do not apply to community college tuition  
42 financing districts.

43 C. A community college tuition financing district shall be formed  
44 in the same manner prescribed in sections 15-1403 and 15-1404, except that  
45 the county board of supervisors shall serve as the governing board of the

1 community college tuition financing district and the county board of  
2 supervisors by majority vote may adopt a resolution to submit the question  
3 of the formation of a community college tuition financing district and the  
4 approval of a proposed tax rate to fund the community college tuition  
5 financing district directly to the qualified electors of the county at a  
6 special or general election called for that purpose as prescribed in  
7 section 16-204 and title 35, chapter 3, article 3. The resolution adopted  
8 by the county board of supervisors shall include a statement that the  
9 primary property tax levy limit for the community college tuition  
10 financing district shall be no less than the levy limit of the most  
11 recently formed community college district in this state.

12 D. Except as provided in this section, a county board of  
13 supervisors has the same powers and duties specified in section 15-1444  
14 for community college districts.

15 E. A community college tuition financing district shall not award  
16 degrees, certificates or diplomas.

17 F. A community college tuition financing district is not eligible  
18 to receive equalization aid pursuant to section 15-1468 or state  
19 contribution for capital outlay for initial or additional campuses  
20 pursuant to section 15-1463.

21 G. The state aid eligibility requirements prescribed in section  
22 15-1466, subsection E, paragraphs 1 and 2 do not apply to community  
23 college tuition financing districts.

24 H. Notwithstanding any other law, the same student shall not be  
25 counted twice as a full-time equivalent student in both a community  
26 college tuition financing district and a community college district.  
27 Notwithstanding any other law, beginning with the fiscal year after the  
28 year in which the community college tuition financing district is formed  
29 and has established its primary tax rate, a district that provides  
30 services in a community college tuition financing district pursuant to  
31 section 15-1470 shall no longer count these students in the district's  
32 full-time equivalent student count.

33 I. If a community college tuition financing district is converted  
34 into a community college district by the formation of a community college  
35 district pursuant to section 15-1402 or 15-1402.01, the community college  
36 tuition financing district is dissolved and any equipment, property,  
37 personnel, liabilities and assets are transferred to the community college  
38 district.

39 J. If a community college tuition financing district is formed in a  
40 county that provides reimbursement for the attendance of nonresident state  
41 students pursuant to section 15-1469, that county shall continue to  
42 provide reimbursement payments to community college districts as set forth  
43 in section 15-1469 until the fiscal year in which a qualifying levy is  
44 adopted and budgeted in support of the community college tuition financing  
45 district by the county board of supervisors. The total reimbursement

1 payments due to other community college districts in any fiscal year  
2 pursuant to section 15-1469 shall be reduced by the amount of any  
3 nonqualifying levy expended in the prior fiscal year. This reduction  
4 shall be shared by each community college district that receives a  
5 reimbursement payment from the county based on that community college  
6 district's proportionate number of full-time equivalent students from the  
7 county where the community college tuition financing district is located.  
8 For the purposes of this subsection:

9 1. "Nonqualifying levy" means a levy that is adopted to support the  
10 community college tuition financing district and that is less than the  
11 amount of a qualifying levy.

12 2. "Qualifying levy" means a levy that is at least equal to the sum  
13 of the reimbursement payments and the amount of the community college  
14 services provided in the fiscal year immediately before the year that a  
15 levy was first adopted to support the operations of the community college  
16 tuition financing district.

17 K. The board of supervisors of a county that has formed a community  
18 college tuition financing district by majority vote may enter into an  
19 intergovernmental agreement to loan monies to the community college  
20 tuition financing district in an amount that does not exceed two hundred  
21 thousand dollars. Any loan pursuant to this subsection shall be repaid  
22 from the next scheduled collection of property taxes to fund the community  
23 college tuition financing district. The annual interest charges on any  
24 loan pursuant to this subsection shall not exceed five percent.

25 L. A community college tuition financing district may issue bonds  
26 for capital outlay purposes in the same manner prescribed in section  
27 15-1465 for community college districts. The county board of supervisors  
28 is solely responsible for determining the encumbrance and approval of the  
29 expenditure of the proceeds of the bonds issued pursuant to this  
30 subsection and shall not delegate or transfer this authority to any other  
31 entity.

32 M. Notwithstanding any other law, a provisional community college  
33 district that began operations before January 1, 2015:

34 1. May continue to operate as a provisional community college  
35 district. The governing board of a provisional community college district  
36 that began operations before January 1, 2015 shall continue to be elected  
37 in the same manner prescribed in section 15-1441.

38 2. Is not eligible to receive monies pursuant to section 15-784 or  
39 section 15-1472, subsection D, paragraph 2, subdivision (a).

40 3. Is not eligible for equalization aid pursuant to section  
41 15-1468.

42 4. Is not a board as defined in section 15-1481.

43 5. Unless otherwise specified, is a community college district for  
44 purposes of section 42-5029 [OR 42-5029.02](#).

45 6. Is not subject to section 42-17056.

1       Sec. 7. Section 15-1472, Arizona Revised Statutes, is amended to  
2 read:

3       15-1472. Community college district workforce development  
4       accounts; reports

5       A. Each community college district shall establish a separate  
6 workforce development account to receive only tax revenues authorized  
7 pursuant to section 42-5029, subsection E, paragraph 3 **AND SECTION**  
8 **42-5029.02, SUBSECTION A, PARAGRAPH 3**. Each community college district  
9 board shall approve the expenditure of these monies in accordance with  
10 section 15-1461 and consistent with subsection B of this section.

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

- 14       1. Partnerships with businesses and educational institutions.
- 15       2. Additional faculty for improved and expanded classroom
- 16 instruction and course offerings.
- 17       3. Technology, equipment and technology infrastructure for advanced
- 18 teaching and learning in classrooms or laboratories.
- 19       4. Student services such as assessment, advisement and counseling
- 20 for new and expanded job opportunities.
- 21       5. The purchase, lease or lease-purchase of real property, for new
- 22 construction, remodeling or repair of buildings or facilities on real
- 23 property.

24       C. The state treasurer shall transfer monies under this section  
25 into each district's workforce development account by the fifteenth day of  
26 each month. The state treasurer shall also allocate and distribute any  
27 pooled interest earnings earned from revenues authorized in section  
28 42-5029, subsection E, paragraph 3 **AND SECTION 42-5029.02, SUBSECTION A,**  
29 **PARAGRAPH 3** to each district in accordance with the method prescribed in  
30 subsection D, paragraph 2 of this section.

31       D. Revenues authorized for community college districts in section  
32 42-5029, subsection E, paragraph 3 **AND SECTION 42-5029.02, SUBSECTION A,**  
33 **PARAGRAPH 3** shall be distributed by the state in the following manner:

- 34       1. For thirteen fiscal years beginning in fiscal year 2001-2002 the
- 35 state treasurer shall allocate one million dollars per fiscal year for the
- 36 purpose of bringing this state into compliance with the matching capital
- 37 requirements prescribed in section 15-1463. The state treasurer shall
- 38 distribute the monies authorized in this subsection to each district in
- 39 the order in which each campus qualified for funding pursuant to section
- 40 15-1463.
- 41       2. After the monies have been paid each year to the eligible
- 42 districts pursuant to paragraph 1 of this subsection, the state treasurer
- 43 shall distribute monies from the workforce development fund to each
- 44 community college district in the following manner:

1 (a) Each district shall receive the sum of two hundred thousand  
2 dollars. This subdivision does not apply to a community college tuition  
3 financing district established pursuant to section 15-1409.

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

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

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

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

31 Sec. 8. Section 15-1648, Arizona Revised Statutes, is amended to  
32 read:

33 15-1648. Technology and research initiative fund; purpose

34 A. The technology and research initiative fund is established  
35 consisting of revenues transferred to the fund pursuant to section  
36 42-5029, subsection E, paragraph 2 AND SECTION 42-5029.02, SUBSECTION A,  
37 PARAGRAPH 2. The Arizona board of regents shall administer the fund. The  
38 monies in the fund are continuously appropriated to the Arizona board of  
39 regents for distribution pursuant to this section and are exempt from the  
40 provisions of section 35-190 relating to lapsing of appropriations.

41 B. The board shall adopt rules to administer the technology and  
42 research initiative fund in accordance with this section. The board may  
43 allocate up to twenty ~~per cent~~ PERCENT of the monies in the fund to be  
44 used for capital projects relating to new economy initiatives, including



1 debt service, for the universities under its jurisdiction, pursuant to  
2 ~~chapter 13,~~ article 5 of this ~~title~~ CHAPTER.

3 C. The Arizona board of regents shall receive requests from the  
4 individual universities and shall determine the amount and duration of  
5 each award. The criteria for the evaluation of each request shall be as  
6 follows:

7 1. The award must be related to one of the following:

8 (a) A specific academic or research field.

9 (b) ~~Designed to expand~~ THE EXPANSION OF access to baccalaureate or  
10 ~~post-baccalaureate~~ POSTBACCALAUREATE education for time-bound and  
11 place-bound students.

12 (c) ~~To implement~~ THE IMPLEMENTATION OF recommendations of the  
13 Arizona partnership for the new economy or the governor's task force on  
14 higher education.

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

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

20 4. The Arizona board of regents shall give preference to requests  
21 that are developed in conjunction with private industry, private entities  
22 or federal agencies.

23 D. The Arizona board of regents shall submit a report to the  
24 governor, the president of the senate and the speaker of the house of  
25 representatives on OR BEFORE September 1 of each year on the technology  
26 and research award program and shall transmit a copy to the secretary of  
27 state ~~and the director of the Arizona state library, archives and public~~  
28 ~~records~~. The report shall include a description of the amount and duration  
29 of each new award distributed and a description of the purpose and goals  
30 for each award. For existing awards, the Arizona board of regents shall  
31 use a detailed set of performance measures to determine the overall  
32 effectiveness of each award.

33 Sec. 9. Section 15-2084, Arizona Revised Statutes, is amended to  
34 read:

35 15-2084. School improvement revenue bond debt service fund

36 A. The school facilities board shall establish a school improvement  
37 revenue bond debt service fund consisting of monies received by the school  
38 facilities board pursuant to section 42-5029, subsection E, SECTION  
39 42-5029.02, SUBSECTION A, PARAGRAPH 1 and section 37-521, subsection B,  
40 paragraph 1. All monies received pursuant to section 42-5029, subsection  
41 E AND SECTION 42-5029.02, SUBSECTION A, PARAGRAPH 1 shall be accounted for  
42 separately and shall be used only for debt service of school improvement  
43 revenue bonds. All monies received pursuant to section 37-521, subsection  
44 B, paragraph 1 shall be accounted for separately and shall be used only  
45 for debt service of qualified zone academy bonds.

1 B. Monies in the school improvement revenue bond debt service fund  
2 may be used only for the purposes authorized by this article.

3 C. The state treasurer or bond trustee shall administer and account  
4 for the school improvement revenue bond debt service fund.

5 Sec. 10. Section 15-2085, Arizona Revised Statutes, is amended to  
6 read:

7 15-2085. Securing principal and interest

8 A. In connection with issuing bonds authorized by this article and  
9 to secure the principal and interest on the bonds, the school facilities  
10 board by resolution may:

11 1. Segregate the school improvement revenue bond debt service fund  
12 into one or more accounts and subaccounts and provide that bonds issued  
13 under this article may be secured by a lien on all or part of the monies  
14 paid into the revenue bond debt service fund or into any account or  
15 subaccount in the fund.

16 2. Provide that the bonds issued under this article are secured by  
17 a first lien on the monies paid into the school improvement revenue bond  
18 debt service fund as provided by section 42-5029, subsection E, paragraph  
19 1 AND SECTION 42-5029.02, SUBSECTION A, PARAGRAPH 1 and pledge and assign  
20 to or in trust for the benefit of the holder or holders of the bonds all  
21 or part of the monies in the school improvement revenue bond debt service  
22 fund, in any account or subaccount in the fund or in the school  
23 improvement revenue bond proceeds fund as is necessary to secure and pay  
24 the principal, the interest and any premium on the bonds as they come due.

25 3. Establish priorities among bondholders based on criteria adopted  
26 by the board.

27 4. Set aside, regulate and dispose of reserves and sinking  
28 accounts.

29 5. Prescribe the procedure, if any, by which the terms of any  
30 contract with bondholders may be amended or abrogated, the amount of bonds  
31 the holders of which must consent to and the manner in which the consent  
32 may be given.

33 6. Provide for payment of bond related expenses from the proceeds  
34 of the sale of the bonds or other revenues authorized by this article and  
35 available to the board.

36 7. Provide for the services of trustees, cotrustees, agents and  
37 consultants and other specialized services with respect to the bonds.

38 8. Take any other action that in any way may affect the security  
39 and protection of the bonds or interest on the bonds.

40 9. Refund any bonds issued by the board, if these bonds are secured  
41 from the same source of revenues as the bonds authorized by this article,  
42 by issuing new bonds, whether at or before maturity of the bonds being  
43 refunded.

44 10. Issue bonds partly to refund outstanding bonds and partly for  
45 any other purpose consistent with this article.

1 B. Bonds issued to refund any bonds issued by the board as provided  
2 by subsection A, paragraphs 9 and 10 of this section are not subject to  
3 legislative authorization or subject to the eight hundred million dollar  
4 limitation prescribed by section 15-2081, subsection A.

5 Sec. 11. Title 42, chapter 5, article 1, Arizona Revised Statutes,  
6 is amended by adding section 42-5010.01, to read:

7 42-5010.01. Transaction privilege tax: additional rate  
8 increment

9 A. FROM AND AFTER JUNE 30, 2021 THROUGH JUNE 30, 2041, IN ADDITION  
10 TO THE RATES PRESCRIBED BY SECTION 42-5010, SUBSECTION A, AN ADDITIONAL  
11 RATE INCREMENT IS IMPOSED AND SHALL BE COLLECTED. THE ADDITIONAL TAX RATE  
12 INCREMENT IS LEVIED AT THE RATE OF SIX-TENTHS OF ONE PERCENT OF THE TAX  
13 BASE OF EVERY PERSON ENGAGING OR CONTINUING IN THIS STATE IN A BUSINESS  
14 CLASSIFICATION LISTED IN SECTION 42-5010, SUBSECTION A, PARAGRAPH 1.

15 B. THE TAXPAYER SHALL PAY TAXES PURSUANT TO THIS SECTION AT THE  
16 SAME TIME AND IN THE SAME MANNER AS UNDER SECTION 42-5010, SUBSECTION A.  
17 THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR THE REVENUES COLLECTED WITH  
18 RESPECT TO THE RATES IMPOSED BY THIS SECTION, AND THE STATE TREASURER  
19 SHALL DISTRIBUTE ALL OF THOSE REVENUES IN THE MANNER PRESCRIBED BY SECTION  
20 42-5029.02. THE RATES IMPOSED BY THIS SECTION ARE NOT CONSIDERED LOCAL  
21 REVENUES FOR PURPOSES OF ARTICLE IX, SECTION 21, CONSTITUTION OF ARIZONA.

22 Sec. 12. Section 42-5029, Arizona Revised Statutes, is amended to  
23 read:

24 42-5029. Remission and distribution of monies: withholding:  
25 definition

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

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

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

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

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

36 5. REVENUES COLLECTED PURSUANT TO SECTION 42-5010.01 AND SECTION  
37 42-5155, SUBSECTION E.

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

1 collected pursuant to this article and articles 4, 5 and 8 of this  
2 chapter.

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

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

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

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

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

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

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

25 (a) Average the following proportions:

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

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

44 (b) If the proportion computed under subdivision (a) of this  
45 paragraph for any county is greater than the proportion computed under

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (e) In fiscal year 2005-2006 and each fiscal year thereafter,  
31 \$86,280,500.

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

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

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

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

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

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

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

18        (c) Forty per cent shall be allocated for maintenance and operation  
19 purposes.

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

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

40        H. On receiving a certificate of default from the greater Arizona  
41 development authority pursuant to section 41-2257 or 41-2258 and to the  
42 extent not otherwise expressly prohibited by law, the state treasurer  
43 shall withhold from the next succeeding distribution of monies pursuant to  
44 this section due to the defaulting political subdivision the amount  
45 specified in the certificate of default and immediately deposit the amount

1 withheld in the greater Arizona development authority revolving fund. The  
2 state treasurer shall continue to withhold and deposit the monies until  
3 the greater Arizona development authority certifies to the state treasurer  
4 that the default has been cured. In no event may the state treasurer  
5 withhold any amount that the defaulting political subdivision certifies to  
6 the state treasurer and the authority as being necessary to make any  
7 required deposits then due for the payment of principal and interest on  
8 bonds of the political subdivision that were issued before the date of the  
9 loan repayment agreement or bonds and that have been secured by a pledge  
10 of distributions made pursuant to this section.

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

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

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

40 L. Except as otherwise provided by this subsection, on notice from  
41 the attorney general pursuant to section 41-194.01, subsection B,  
42 paragraph 1 that an ordinance, regulation, order or other official action  
43 adopted or taken by the governing body of a county, city or town violates  
44 state law or the Constitution of Arizona, the state treasurer shall  
45 withhold the distribution of monies pursuant to this section to the



affected county, city or town and shall continue to withhold monies pursuant to this subsection until the attorney general certifies to the state treasurer that the violation has been resolved. The state treasurer shall redistribute the monies withheld pursuant to this subsection among all other counties, cities and towns in proportion to their population as provided by subsection D of this section. The state treasurer shall not withhold any amount that the county, city or town certifies to the attorney general and the state treasurer as being necessary to make any required deposits or payments for debt service on bonds or other long-term obligations of the county, city or town that were issued or incurred before committing the violation.

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

Sec. 13. Section 42-5029.01, Arizona Revised Statutes, is amended to read:

42-5029.01. Qualifying Indian tribe; report; accounting procedures; definitions

A. To qualify for funding pursuant to section 42-5029, subsection E, paragraph 4 OR SECTION 42-5029.02, SUBSECTION A, PARAGRAPH 4, a qualifying Indian tribe shall report its full-time equivalent student enrollment, as calculated under section 15-1466.01, in the preceding fiscal year to the auditor general by June 30 each year and shall comply with the same accounting procedures and practices prescribed by the auditor general for calculating full-time equivalent student enrollment for community college districts. A qualifying Indian tribe may report to the state board of education the number of students simultaneously enrolled in a course for both high school and community college credit.

B. For the purposes of this section:

1. "Community college" includes any college THAT IS owned, operated or chartered by a qualifying Indian tribe.

2. "Qualifying Indian tribe" has the same meaning prescribed in section 42-5031.01, subsection D.

Sec. 14. Title 42, chapter 5, article 1, Arizona Revised Statutes, is amended by adding section 42-5029.02, to read:

42-5029.02. Distribution of revenues for education; definitions

A. ALL MONIES COLLECTED PURSUANT TO SECTION 42-5010.01 AND SECTION 42-5155, SUBSECTION E SHALL BE DISTRIBUTED EACH FISCAL YEAR PURSUANT TO THIS SUBSECTION. THE MONIES DISTRIBUTED PURSUANT TO THIS SUBSECTION ARE IN ADDITION TO ANY OTHER APPROPRIATION, TRANSFER OR OTHER ALLOCATION OF PUBLIC OR PRIVATE MONIES FROM ANY OTHER SOURCE AND MAY NOT SUPPLANT, REPLACE OR CAUSE A REDUCTION IN OTHER SCHOOL DISTRICT, CHARTER SCHOOL,

1 UNIVERSITY OR COMMUNITY COLLEGE FUNDING SOURCES. THE MONIES SHALL BE  
2 DISTRIBUTED AS FOLLOWS:

3 1. \$64,100,000 IS APPROPRIATED EACH FISCAL YEAR, TO BE PAID IN  
4 MONTHLY INSTALLMENTS, TO THE CLASSROOM SITE FUND ESTABLISHED BY SECTION  
5 15-977.

6 2. AFTER ANY TRANSFER OF MONIES PURSUANT TO PARAGRAPH 1 OF THIS  
7 SUBSECTION, TWELVE PERCENT OF THE REMAINING MONIES COLLECTED DURING THE  
8 PRECEDING MONTH SHALL BE TRANSFERRED TO THE TECHNOLOGY AND RESEARCH  
9 INITIATIVE FUND ESTABLISHED BY SECTION 15-1648 TO BE DISTRIBUTED AMONG THE  
10 UNIVERSITIES UNDER THE JURISDICTION OF THE ARIZONA BOARD OF REGENTS FOR  
11 THE PURPOSE OF INVESTMENT IN TECHNOLOGY AND RESEARCH-BASED INITIATIVES.

12 3. AFTER THE TRANSFER OF MONIES PURSUANT TO PARAGRAPHS 1 AND 2 OF  
13 THIS SUBSECTION, THREE PERCENT OF THE REMAINING MONIES COLLECTED DURING  
14 THE PRECEDING MONTH SHALL BE TRANSFERRED TO THE WORKFORCE DEVELOPMENT  
15 ACCOUNT ESTABLISHED IN EACH COMMUNITY COLLEGE DISTRICT PURSUANT TO SECTION  
16 15-1472 FOR THE PURPOSE OF INVESTMENT IN WORKFORCE DEVELOPMENT PROGRAMS.

17 4. AFTER THE TRANSFER OF MONIES PURSUANT TO PARAGRAPHS 1, 2 AND 3  
18 OF THIS SUBSECTION, ONE-TWELFTH OF THE AMOUNT A COMMUNITY COLLEGE THAT IS  
19 OWNED, OPERATED OR CHARTERED BY A QUALIFYING INDIAN TRIBE ON ITS OWN  
20 INDIAN RESERVATION WOULD RECEIVE PURSUANT TO SECTION 15-1472, SUBSECTION  
21 D, PARAGRAPH 2 IF IT WERE A COMMUNITY COLLEGE DISTRICT SHALL BE  
22 DISTRIBUTED EACH MONTH TO THE TREASURER OR OTHER DESIGNATED DEPOSITORY OF  
23 THE QUALIFYING INDIAN TRIBE. MONIES DISTRIBUTED PURSUANT TO THIS  
24 PARAGRAPH ARE FOR THE EXCLUSIVE PURPOSE OF PROVIDING SUPPORT TO ONE OR  
25 MORE COMMUNITY COLLEGES THAT ARE OWNED, OPERATED OR CHARTERED BY A  
26 QUALIFYING INDIAN TRIBE AND SHALL BE USED IN A MANNER CONSISTENT WITH  
27 SECTION 15-1472, SUBSECTION B.

28 5. AFTER THE TRANSFER OF MONIES PURSUANT TO PARAGRAPHS 1, 2 AND 3  
29 OF THIS SUBSECTION, ONE-TWELFTH OF \$86,280,500 SHALL BE TRANSFERRED EACH  
30 MONTH TO THE DEPARTMENT OF EDUCATION FOR THE INCREASED COST OF BASIC STATE  
31 AID UNDER SECTION 15-971 DUE TO ADDED SCHOOL DAYS AND ASSOCIATED TEACHER  
32 SALARY INCREASES THAT WERE ENACTED IN 2000.

33 6. AFTER THE TRANSFER OF MONIES PURSUANT TO PARAGRAPHS 1, 2 AND 3  
34 OF THIS SUBSECTION, \$7,800,000 IS APPROPRIATED EACH FISCAL YEAR, TO BE  
35 PAID IN MONTHLY INSTALLMENTS, TO THE DEPARTMENT OF EDUCATION TO BE USED  
36 FOR SCHOOL SAFETY AS PROVIDED IN SECTION 15-154 AND \$200,000 IS  
37 APPROPRIATED EACH FISCAL YEAR, TO BE PAID IN MONTHLY INSTALLMENTS, TO THE  
38 DEPARTMENT OF EDUCATION TO BE USED FOR THE CHARACTER EDUCATION MATCHING  
39 GRANT PROGRAM AS PROVIDED IN SECTION 15-154.01.

40 7. AFTER THE TRANSFER OF MONIES PURSUANT TO PARAGRAPHS 1, 2 AND 3  
41 OF THIS SUBSECTION, THE LEGISLATURE MAY NOT APPROPRIATE MORE THAN  
42 \$7,000,000 EACH FISCAL YEAR TO THE DEPARTMENT OF EDUCATION TO BE USED FOR  
43 ACCOUNTABILITY PURPOSES AS DESCRIBED IN SECTION 15-241.02 AND TITLE 15,  
44 CHAPTER 9, ARTICLE 8.

8. AFTER THE TRANSFER OF MONIES PURSUANT TO PARAGRAPHS 1, 2 AND 3 OF THIS SUBSECTION, \$1,500,000 IS APPROPRIATED EACH FISCAL YEAR, TO BE PAID IN MONTHLY INSTALLMENTS, TO THE FAILING SCHOOLS TUTORING FUND ESTABLISHED BY SECTION 15-241.

9. AFTER THE TRANSFER OF MONIES PURSUANT TO PARAGRAPHS 1, 2 AND 3 OF THIS SUBSECTION, \$25,000,000 SHALL BE TRANSFERRED EACH FISCAL YEAR TO THE STATE GENERAL FUND TO REIMBURSE THE STATE GENERAL FUND FOR THE COST OF THE INCOME TAX CREDIT ALLOWED BY SECTION 43-1072.02.

10. AFTER THE TRANSFER OF MONIES PURSUANT TO PARAGRAPHS 1 THROUGH 9 OF THIS SUBSECTION, THE REMAINING MONIES COLLECTED DURING THE PRECEDING MONTH SHALL BE TRANSFERRED TO THE CLASSROOM SITE FUND ESTABLISHED BY SECTION 15-977. THE MONIES SHALL BE ALLOCATED AS FOLLOWS IN THE MANNER PRESCRIBED BY SECTION 15-977:

(a) FORTY PERCENT SHALL BE ALLOCATED FOR TEACHER COMPENSATION BASED ON PERFORMANCE.

(b) TWENTY PERCENT SHALL BE ALLOCATED FOR INCREASES IN TEACHER BASE COMPENSATION AND EMPLOYEE-RELATED EXPENSES.

(c) FORTY PERCENT SHALL BE ALLOCATED FOR MAINTENANCE AND OPERATION PURPOSES.

B. FOR THE PURPOSES OF THIS SECTION:

1. "COMMUNITY COLLEGE DISTRICT" MEANS A COMMUNITY COLLEGE DISTRICT THAT IS ESTABLISHED PURSUANT TO SECTIONS 15-1402 AND 15-1403 AND THAT IS A POLITICAL SUBDIVISION OF THIS STATE AND, UNLESS OTHERWISE SPECIFIED, INCLUDES A COMMUNITY COLLEGE TUITION FINANCING DISTRICT ESTABLISHED PURSUANT TO SECTION 15-1409.

2. "QUALIFYING INDIAN TRIBE" HAS THE SAME MEANING AS DEFINED IN SECTION 42-5031.01.

Sec. 15. Section 42-5155, Arizona Revised Statutes, is amended to read:

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

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

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

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

D. In addition to the rate prescribed by subsection C of this section, if approved by the qualified electors voting at a statewide

1 general election, an additional rate increment of six-tenths of one per  
 2 cent is imposed and shall be collected through June 30, 2021. The  
 3 taxpayer shall pay taxes pursuant to this subsection at the same time and  
 4 in the same manner as under subsection C of this section. The department  
 5 shall separately account for the revenues collected with respect to the  
 6 rate imposed pursuant to this subsection, and the state treasurer shall  
 7 pay all of those revenues in the manner prescribed by section 42-5029,  
 8 subsection E.

9 E. FROM AND AFTER JUNE 30, 2021 THROUGH JUNE 30, 2041, IN ADDITION  
 10 TO THE RATE PRESCRIBED BY SUBSECTION C OF THIS SECTION, AN ADDITIONAL RATE  
 11 INCREMENT OF SIX-TENTHS OF ONE PERCENT IS IMPOSED AND SHALL BE COLLECTED.  
 12 THE TAXPAYER SHALL PAY TAXES PURSUANT TO THIS SUBSECTION AT THE SAME TIME  
 13 AND IN THE SAME MANNER AS UNDER SUBSECTION C OF THIS SECTION. THE  
 14 DEPARTMENT SHALL SEPARATELY ACCOUNT FOR THE REVENUES COLLECTED WITH  
 15 RESPECT TO THE RATE IMPOSED PURSUANT TO THIS SUBSECTION, AND THE STATE  
 16 TREASURER SHALL PAY ALL OF THOSE REVENUES IN THE MANNER PRESCRIBED BY  
 17 SECTION 42-5029.02, SUBSECTION A.

18 ~~F.~~ F. Every person storing, using or consuming in this state  
 19 tangible personal property purchased from a retailer or utility business  
 20 is liable for the tax. The person's liability is not extinguished until  
 21 the tax has been paid to this state.

22 ~~F.~~ G. A receipt from a retailer or utility business that maintains  
 23 a place of business in this state or from a retailer or utility business  
 24 that is authorized by the department to collect the tax, under such rules  
 25 as it may prescribe, and that is for the purposes of this article regarded  
 26 as a retailer or utility business maintaining a place of business in this  
 27 state, given to the purchaser as provided in section 42-5161 is sufficient  
 28 to relieve the purchaser from further liability for the tax to which the  
 29 receipt refers.

30 Sec. 16. Section 43-222, Arizona Revised Statutes, is amended to  
 31 read:

32 43-222. Income tax credit review schedule

33 The joint legislative income tax credit review committee shall  
 34 review the following income tax credits:

35 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087,  
 36 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

37 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,  
 38 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

39 3. For years ending in 2 and 7, sections 43-1073, 43-1080, 43-1085,  
 40 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164, 43-1169 and  
 41 43-1181.

42 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,  
 43 43-1168, 43-1170 and 43-1178.

1           5. For years ending in 4 and 9, sections 43-1076, 43-1081.01,  
2 43-1083.04, 43-1084, 43-1162, 43-1164.05, 43-1170.01 and 43-1184 and,  
3 beginning in 2019, sections 43-1083.03 and 43-1164.04.

4           Sec. 17. Section 43-323, Arizona Revised Statutes, is amended to  
5 read:

6           43-323. Place and form of filing returns

7           A. All returns required by this title shall be in such a form as  
8 the department may from time to time prescribe and shall be filed with the  
9 department.

10          B. The department shall prescribe a short form return for  
11 individual taxpayers who:

12           1. Are eligible and elect to pay tax based on the optional tax  
13 tables pursuant to section 43-1012.

14           2. Elect to claim the optional standard deduction pursuant to  
15 section 43-1041.

16           3. Elect not to file for credits against income tax liability other  
17 than those contained in sections 43-1072, 43-1072.01, 43-1072.02 and  
18 43-1073.

19           4. Are not required to add any income under section 43-1021 and do  
20 not elect any subtractions under section 43-1022, except for the  
21 exemptions allowed under section 43-1023.

22          C. The department may provide a simplified return form for  
23 individual taxpayers who:

24           1. Are eligible and elect to pay tax based on the optional tax  
25 tables pursuant to section 43-1012.

26           2. Are residents for the full taxable year.

27           3. File as single individuals or married couples filing joint  
28 returns under section 43-309.

29           4. Are not sixty-five years of age or older or blind at the end of  
30 the taxable year.

31           5. Claim no exemptions under section 43-1023 for the taxable year.

32           6. Elect to claim the optional standard deduction under section  
33 43-1041.

34           7. Are not required to add any income under section 43-1021 and do  
35 not elect to claim any subtractions under section 43-1022 or file for any  
36 credits under chapter 10, article 5 of this title, except the credits  
37 provided by sections 43-1072.01, 43-1072.02 and 43-1073.

38           8. Do not elect to contribute a portion of any tax refund as  
39 provided by any provision of chapter 6, article 1 of this title.  
40 Notwithstanding any provision of chapter 6, article 1 of this title, a  
41 simplified return form under this subsection shall not include any space  
42 for the taxpayer to so contribute a portion of a refund.

43          D. The department shall prepare blank forms for the returns and  
44 furnish them on request. Failure to receive or secure the form does not  
45 relieve any taxpayer from making any return required.

1 E. An individual income tax preparer who prepares more than ten  
2 original income tax returns that are timely filed during any taxable year  
3 that begins from and after December 31, 2017 shall file electronically all  
4 individual tax returns prepared by that tax preparer, for that taxable  
5 year and each subsequent taxable year. An individual income tax preparer  
6 may not charge a separate fee to the taxpayer for filing a return using  
7 the department's electronic filing program. This subsection does not  
8 apply if the taxpayer elects to have the return filed on paper or if the  
9 return cannot be filed electronically for reasons outside of the tax  
10 preparer's control.

11 F. Annual fiduciary returns, partnership returns and corporate  
12 returns shall be filed electronically for taxable years beginning from and  
13 after December 31, 2019, or when the department establishes an electronic  
14 filing program, whichever is later. Any person who is required to file  
15 electronically pursuant to this subsection may apply to the director, on a  
16 form prescribed by the department, for an annual waiver from the  
17 electronic filing requirement. The director may grant the waiver, which  
18 may be renewed for one subsequent year, if any of the following applies:

- 19 1. The taxpayer has no computer.
- 20 2. The taxpayer has no internet access.
- 21 3. Any other circumstance considered to be worthy by the director  
22 EXISTS.

23 G. A waiver is not required if the return cannot be electronically  
24 filed for reasons beyond the taxpayer's control, including situations in  
25 which the taxpayer was instructed by either the internal revenue service  
26 or the department of revenue to file by paper.

27 Sec. 18. Title 43, chapter 10, article 5, Arizona Revised Statutes,  
28 is amended by adding section 43-1072.02, to read:

29 43-1072.02. Credit for increased transaction privilege or  
30 excise tax paid for education

31 A. SUBJECT TO THE CONDITIONS PRESCRIBED BY THIS SECTION, FOR  
32 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020 AND ENDING BEFORE  
33 JANUARY 1, 2042 A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS  
34 CHAPTER FOR A TAXABLE YEAR FOR A TAXPAYER WHO IS NOT CLAIMED AS A  
35 DEPENDENT BY ANY OTHER TAXPAYER AND WHOSE FEDERAL ADJUSTED GROSS INCOME  
36 IS:

37 1. TWENTY-FIVE THOUSAND DOLLARS OR LESS FOR A MARRIED COUPLE OR A  
38 SINGLE PERSON WHO IS A HEAD OF A HOUSEHOLD.

39 2. TWELVE THOUSAND FIVE HUNDRED DOLLARS OR LESS FOR A SINGLE PERSON  
40 OR A MARRIED PERSON FILING SEPARATELY.

41 B. THE CREDIT IS CONSIDERED TO BE IN MITIGATION OF INCREASED TAX  
42 RATES PURSUANT TO SECTION 42-5010.01 AND SECTION 42-5155, SUBSECTION E.

43 C. THE AMOUNT OF THE CREDIT MAY NOT EXCEED TWENTY-FIVE DOLLARS FOR  
44 EACH PERSON WHO IS A RESIDENT OF THIS STATE AND FOR WHOM A PERSONAL OR  
45 DEPENDENT EXEMPTION IS ALLOWED WITH RESPECT TO THE TAXPAYER PURSUANT TO

1 SECTION 43-1023, SUBSECTION B, PARAGRAPH 1 AND SECTION 43-1043, BUT NOT  
2 MORE THAN ONE HUNDRED DOLLARS FOR ALL PERSONS IN THE TAXPAYER'S HOUSEHOLD,  
3 AS DEFINED IN SECTION 43-1072.

4 D. IF THE ALLOWABLE AMOUNT OF THE CREDIT EXCEEDS THE INCOME TAXES  
5 OTHERWISE DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED  
6 AS AN OFFSET AGAINST INCOME TAXES SHALL BE PAID IN THE SAME MANNER AS A  
7 REFUND GRANTED UNDER SECTION 42-1118. REFUNDS MADE PURSUANT TO THIS  
8 SUBSECTION ARE SUBJECT TO SETOFF UNDER SECTION 42-1122.

9 E. A PERSON WHO IS SENTENCED FOR AT LEAST SIXTY DAYS OF THE TAXABLE  
10 YEAR TO THE CUSTODY OF THE FEDERAL BUREAU OF PRISONS, THE STATE DEPARTMENT  
11 OF CORRECTIONS OR A COUNTY JAIL IS NOT ELIGIBLE TO CLAIM A CREDIT PURSUANT  
12 TO THIS SECTION.

13 F. THE DEPARTMENT SHALL MAKE AVAILABLE SUITABLE FORMS WITH  
14 INSTRUCTIONS FOR CLAIMANTS. CLAIMANTS WHO CERTIFY ON THE PRESCRIBED FORM  
15 THAT THEY HAVE NO INCOME TAX LIABILITY FOR THE TAXABLE YEAR AND WHO DO NOT  
16 MEET THE FILING REQUIREMENTS OF SECTION 43-301 ARE NOT REQUIRED TO FILE AN  
17 INDIVIDUAL INCOME TAX RETURN. THE CLAIM SHALL BE IN A FORM PRESCRIBED BY  
18 THE DEPARTMENT.

19 G. A TAX RETURN OR FORM PRESCRIBED BY SUBSECTION F OF THIS SECTION  
20 MUST HAVE:

21 1. A SOCIAL SECURITY NUMBER THAT IS VALID FOR EMPLOYMENT FOR THE  
22 CLAIMANT.

23 2. EITHER A VALID SOCIAL SECURITY NUMBER OR AN INDIVIDUAL TAXPAYER  
24 IDENTIFICATION NUMBER ISSUED BY THE INTERNAL REVENUE SERVICE FOR THE  
25 CLAIMANT'S SPOUSE AND ANY QUALIFYING CHILDREN OF THE CLAIMANT.

26 Sec. 19. Purpose

27 Pursuant to section 43-223, Arizona Revised Statutes, the  
28 legislature enacts section 43-1072, Arizona Revised Statutes, as added by  
29 this act, to mitigate the increased tax rates pursuant to section  
30 42-5010.01 and section 42-5155, subsection E, Arizona Revised Statutes, as  
31 added by this act.

32 Sec. 20. Requirements for enactment: two-thirds vote

33 Pursuant to article IX, section 22, Constitution of Arizona, this  
34 act is effective only on the affirmative vote of at least two-thirds of  
35 the members of each house of the legislature and is effective immediately  
36 on the signature of the governor or, if the governor vetoes this act, on  
37 the subsequent affirmative vote of at least three-fourths of the members  
38 of each house of the legislature.