

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

CHAPTER 74
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

1 section 15-901, of the charter school. Before the fortieth day, one
2 hundredth day or two hundredth day in session, as applicable, the state
3 board of education, the state board for charter schools, the sponsoring
4 university, the sponsoring community college district or the sponsoring
5 group of community college districts may require a charter school to
6 report periodically regarding pupil enrollment and attendance, and the
7 department of education may revise its computation of equalization
8 assistance based on the report. A charter school shall revise its student
9 count, base support level and charter additional assistance before May 15.
10 A charter school that overestimated its student count shall revise its
11 budget before May 15. A charter school that underestimated its student
12 count may revise its budget before May 15.

13 3. A charter school may utilize section 15-855 for the purposes of
14 this section. The charter school and the department of education shall
15 prescribe procedures for determining average daily membership.

16 4. Equalization assistance for the charter school shall be
17 determined by adding the amount of the base support level and charter
18 additional assistance. The amount of the charter additional assistance is
19 one thousand seven hundred seventy-five dollars five cents per student
20 count in preschool programs for children with disabilities, kindergarten
21 programs and grades one through eight and two thousand sixty-eight dollars
22 seventy-nine cents per student count in grades nine through twelve.

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

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

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

38 C. If a pupil is enrolled in both a charter school and a public
39 school that is not a charter school, the sum of the daily membership,
40 which includes enrollment as prescribed in section 15-901, subsection A,
41 paragraph 1, subdivisions (a) and (b) and daily attendance as prescribed
42 in section 15-901, subsection A, paragraph 5, for that pupil in the school
43 district and the charter school shall not exceed 1.0. If a pupil is
44 enrolled in both a charter school and a public school that is not a
45 charter school, the department of education shall direct the average daily

1 membership to the school with the most recent enrollment date. On
2 validation of actual enrollment in both a charter school and a public
3 school that is not a charter school and if the sum of the daily membership
4 or daily attendance for that pupil is greater than 1.0, the sum shall be
5 reduced to 1.0 and shall be apportioned between the public school and the
6 charter school based on the percentage of total time that the pupil is
7 enrolled or in attendance in the public school and the charter school.
8 The uniform system of financial records shall include guidelines for the
9 apportionment of the pupil enrollment and attendance as provided in this
10 section.

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

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

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

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

42 G. At the request of a charter school, the county school
43 superintendent of the county where the charter school is located may
44 provide the same educational services to the charter school as prescribed
45 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 0. 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

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

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

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

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

20 (c) The firearms safety and ranges fund established by section
21 17-273, fifty thousand dollars derived from the taxes collected from the
22 retail classification pursuant to section 42-5061 for the current fiscal
23 year.

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

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

42 2. After any transfer of monies pursuant to paragraph 1 of this
43 subsection, twelve per cent of the remaining monies collected during the
44 preceding month shall be transferred to the technology and research
45 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

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

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

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

19 42-5029.01. Qualifying Indian tribe; report; accounting
20 procedures; definitions

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

31 B. For the purposes of this section:

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

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

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

38 42-5029.02. Distribution of revenues for education;
39 definitions

40 A. ALL MONIES COLLECTED PURSUANT TO SECTION 42-5010.01 AND SECTION
41 42-5155, SUBSECTION E SHALL BE DISTRIBUTED EACH FISCAL YEAR PURSUANT TO
42 THIS SUBSECTION. THE MONIES DISTRIBUTED PURSUANT TO THIS SUBSECTION ARE
43 IN ADDITION TO ANY OTHER APPROPRIATION, TRANSFER OR OTHER ALLOCATION OF
44 PUBLIC OR PRIVATE MONIES FROM ANY OTHER SOURCE AND MAY NOT SUPPLANT,
45 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.

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

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

9 10. AFTER THE TRANSFER 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 PERCENT SHALL BE ALLOCATED FOR TEACHER COMPENSATION BASED
15 ON PERFORMANCE.

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

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

20 B. FOR THE PURPOSES OF THIS SECTION:

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

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

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

30 42-5155. Levy of tax; tax rate; purchaser's liability

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

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

40 C. The tax rate shall equal the rate of tax prescribed by section
41 42-5010, subsection A as applied to retailers and utility businesses
42 according to the respective classification under articles 1 and 2 of this
43 chapter for the same type of transaction or business activity.

44 D. In addition to the rate prescribed by subsection C of this
45 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.

APPROVED BY THE GOVERNOR MARCH 26, 2018.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 26, 2018.