

State of Arizona
Senate
Fifty-fourth Legislature
First Regular Session
2019

SENATE BILL 1080

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; REPEALING SECTION 42-5010.01, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-5029 AND 42-5029.01, ARIZONA REVISED STATUTES; REPEALING SECTION 42-5029.02, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5032.03; AMENDING SECTIONS 42-5155, 43-222 AND 43-323, ARIZONA REVISED STATUTES; REPEALING SECTION 43-1072.02, ARIZONA REVISED STATUTES; REPEALING LAWS 2018, CHAPTER 74, SECTIONS 19 AND 20; RELATING TO TRANSACTION PRIVILEGE AND USE TAX.

(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 penalties;
5 transportation; definition

6 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

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

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

17 4. Equalization assistance for the charter school shall be
18 determined by adding the amount of the base support level and charter
19 additional assistance. The amount of the charter additional assistance is
20 ~~one thousand eight hundred seven dollars~~ \$1,807 per student count in
21 preschool programs for children with disabilities, kindergarten programs
22 and grades one through eight and ~~two thousand one hundred six dollars~~
23 ~~three cents~~ \$2,106.03 per student count in grades nine through twelve.

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

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

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

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

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

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

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

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

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

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

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

25 I. In addition to the withholding of state aid payments pursuant to
26 subsection H of this section, the sponsor of a charter school may impose a
27 civil penalty of ~~one thousand dollars~~ \$1,000 per occurrence if a charter
28 school fails to comply with the fingerprinting requirements prescribed in
29 section 15-183, subsection C or section 15-512. The sponsor of a charter
30 school shall not impose a civil penalty if it is the first time ~~that~~ ~~THE~~
31 charter school is out of compliance with the fingerprinting requirements
32 and if the charter school provides proof within forty-eight hours of
33 written notification that an application for the appropriate fingerprint
34 check has been received by the department of public safety. The sponsor
35 of the charter school shall obtain proof that the charter school has been
36 notified, and the notification shall identify the date of the deadline and
37 shall be signed by both parties. The sponsor of a charter school shall
38 automatically impose a civil penalty of ~~one thousand dollars~~ \$1,000 per
39 occurrence if the sponsor determines that the charter school subsequently
40 violates the fingerprinting requirements. Civil penalties pursuant to
41 this subsection shall be assessed by requesting the department of
42 education to reduce the amount of state aid that the charter school would
43 otherwise receive by an amount equal to the civil penalty. The amount of

1 state aid withheld shall revert to the state general fund at the end of
2 the fiscal year.

3 J. A charter school may receive and spend monies distributed by the
4 department of education pursuant to section 42-5029, subsection E, section
5 ~~42-5029.02, subsection A~~ 42-5032.03 and section 37-521, subsection B.

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

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

22 M. The governing body of a charter school shall transmit a copy of
23 its proposed budget or the summary of the proposed budget and a notice of
24 the public hearing to the department of education for posting on the
25 department of education's website ~~no~~ NOT later than ten days before the
26 hearing and meeting. If the charter school maintains a website, the
27 charter school governing body shall post on its website a copy of its
28 proposed budget or the summary of the proposed budget and a notice of the
29 public hearing.

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

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

38 P. For the purposes of this section, "monies intended for the basic
39 maintenance and operations of the school" means monies intended to provide
40 support for the educational program of the school, except that it does not
41 include supplemental assistance for a specific purpose or title VIII of
42 the elementary and secondary education act of 1965 monies. The auditor
43 general shall determine which federal or state monies meet this
44 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. On or before November 1 of each year, the department of
9 education shall compile for each public school and local education agency,
10 and shall recommend to the state board of education, an annual achievement
11 profile that consists of an educational dashboard that reflects the
12 achievement for each public school and local education agency on the
13 academic and educational performance indicators prescribed in subsection D
14 of this section. The department shall provide any technical assistance
15 needed by the state board ~~of education~~ to make final adoption of the
16 annual achievement profile.

17 B. Each school, charter holder and school district shall submit to
18 the department **OF EDUCATION** any data that is required and requested and
19 that is necessary to compile the achievement profile. A school or local
20 education agency that fails to submit the information that is necessary is
21 not eligible to receive monies from the classroom site fund established by
22 section 15-977.

23 C. The annual achievement profile compiled by the department **OF**
24 **EDUCATION** and recommended to the **STATE** board **OF EDUCATION** shall be used to
25 determine a standard measurement of acceptable academic progress for each
26 school and local education agency and a school and local education agency
27 classification pursuant to subsection G of this section. Any disclosure of
28 educational records compiled by the department ~~of education~~ pursuant to
29 this section shall comply with the family educational rights and privacy
30 act of 1974 (20 United States Code section 1232g).

31 D. The annual achievement profile for schools and local education
32 agencies shall include, at a minimum, the following academic and
33 educational performance indicators:

34 1. Multiple measures of academic performance or other academically
35 relevant indicators of school quality that are appropriate to assess the
36 educational impact of a school during the academic year as determined by
37 the state board of education.

38 2. Academic progress on assessments adopted pursuant to sections
39 15-741 and 15-741.02 in English language arts and mathematics.

40 3. Academic progress on the English language learner assessments
41 administered pursuant to section 15-756, subsection B and sections
42 15-756.05 and 15-756.06.

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

4 5. Academic progress on assessments administered pursuant to
5 section 15-741.02.

6 6. Multiple measures of educational performance or other relevant
7 indicators of school quality that assess a school's educational impact,
8 such as graduation rates and attendance rates.

9 E. If neither the school nor the school district meets the minimum
10 student count as recommended by the department **OF EDUCATION** and approved
11 by the state board of education for any of the performance indicators
12 prescribed in subsection D of this section, **then** the performance indicator
13 shall not be factored into the letter grade assigned pursuant to this
14 section.

15 F. Subject to final adoption by the state board of education, the
16 department **OF EDUCATION** shall determine the criteria for each school and
17 local education agency classification on each performance indicator of the
18 annual achievement profile prescribed in subsection D of this section
19 using a researched-based methodology and shall recommend to the state
20 board **of education** for final adoption the criteria for each school and
21 local education agency classification. The department **of education** shall
22 develop the methodology **developed** in collaboration with a coalition of
23 qualified technical and policy stakeholders appointed by the **STATE** board.
24 The department shall provide technical assistance and, **upon** **ON** request,
25 student or statewide performance indicator data needed to determine and
26 calculate the methodology and final letter grades. At a minimum, the
27 methodology shall include the performance of pupils at all achievement
28 levels, account for pupil mobility, account for the distribution of pupil
29 achievement at each school and local education agency and include
30 longitudinal indicators of academic performance. For the purposes of this
31 subsection, "researched-based methodology" means the systematic and
32 objective application of statistical and quantitative research principles
33 to calculate the indicators used to determine A through F letter grades.

34 G. The annual achievement profile shall use classifications based
35 on an A through F letter grade system adopted by the state board of
36 education in which a letter grade of A reflects an excellent level of
37 performance and a letter grade of F reflects a failing level of
38 performance. The A through F letter grade system shall be applied to each
39 performance indicator of the annual achievement profile prescribed in
40 subsection D of this section, and **THE STATE BOARD** shall assign an overall
41 letter grade for the public school or local education agency. The A
42 through F letter grade system shall indicate expected standards of
43 performance for all schools on each performance indicator of the annual
44 achievement profile prescribed in subsection D of this section and the

1 manner in which schools may rise above or fall below those expected
2 standards of performance. The state board ~~of education~~ may also assign a
3 school a letter grade of F on each performance indicator of the annual
4 achievement profile prescribed in subsection D of this section if the
5 state board determines that the school is among the persistently
6 lowest-achieving schools in the state on the majority of the performance
7 indicators of the annual achievement profile under the federal school
8 accountability requirements pursuant to section 1003(g) of the elementary
9 and secondary education act (20 United States Code section 6303).

10 H. The classification on each performance indicator of the annual
11 achievement profile for each school and the criteria used to determine
12 classification pursuant to subsections F and G of this section shall be
13 included on the school report card prescribed in section 15-746.

14 I. Subject to final adoption by the state board of education, the
15 department of education shall use achievement profiles appropriately to
16 assess the educational impact of accommodation schools, alternative
17 schools and extremely small schools, may develop profiles for schools that
18 participate in the board examination system prescribed in chapter 7,
19 article 6 of this title and schools that participate in Arizona online
20 instruction pursuant to section 15-808 and may develop other exceptions as
21 prescribed by the state board ~~of education~~ for the purposes of this
22 section.

23 J. The department of education shall establish a process, including
24 a deadline for when requests must be submitted, for a school or local
25 education agency to correct student data used to determine the school's or
26 local education agency's annual achievement profile. If a correction to
27 student data is required, the department shall notify the school or local
28 education agency of the data correction process and shall annually process
29 student data correction requests. The state board of education shall
30 establish an appeals process to allow a school or local education agency
31 to appeal the school's or local education agency's final letter grade, or
32 a letter grade applied to a performance indicator prescribed in subsection
33 D of this section, based on mitigating factors, including achievement
34 profile designations based on incorrect data, identified by the
35 department.

36 K. The failing schools tutoring fund is established consisting of
37 monies collected pursuant to section 42-5029, subsection E ~~and section~~
38 ~~42-5029.02, subsection A, paragraph 8~~ as designated for this purpose. The
39 department of education shall administer the fund. The department ~~of~~
40 ~~education~~ may use monies from the fund to purchase materials designed to
41 assist students to meet the Arizona academic standards and to achieve a
42 passing score on assessments adopted by the state board of education.

43 L. For the purposes of this section, "academic progress" means
44 measures of both proficiency and academic gain.

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

3 15-241.02. School improvement plans: public meeting;
4 solutions teams; withholding of state monies

5 A. If a school is assigned a letter grade of D pursuant to section
6 15-241, within ninety days after receiving notice of the classification,
7 the school district governing board shall develop an improvement plan for
8 the school, submit a copy of the plan to the superintendent of public
9 instruction and the county educational service agency and supervise the
10 implementation of the plan. The governing board shall include in the plan
11 necessary components as identified by the state board of education.
12 Within thirty days after submitting the improvement plan to the
13 superintendent of public instruction and the county educational service
14 agency, the governing board shall hold a public meeting in each school
15 that has been assigned a letter grade of D and shall present the
16 respective improvement plans that have been developed for each school.
17 The governing board, within thirty days after receiving notice of the
18 classification, shall provide written notification of the classification
19 to each residence within the attendance area of the school. The notice
20 shall explain the improvement plan process and provide information
21 regarding the public meeting required by this subsection.

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

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

1 sponsoring board and explain why the improvement plan has not been
2 submitted.

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

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

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

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

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

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

- 39 1. Whether and to what extent the local governing board may
40 participate in the operation of the school, including personnel matters.
- 41 2. Whether and to what extent the state board will participate in
42 the operation of the school.
- 43 3. Resource allocation pursuant to subsection M of this section.

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

3 5. A suggested time frame for the alternative operation of the
4 school.

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

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

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

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

39 Within the last five years, (number of schools) schools
40 in the _____ school district have been assigned a letter
41 grade of D or F.

42 P. At least twice each year the department of education shall
43 publish in a newspaper of general circulation in each county of this state

1 a list of schools that are assigned a letter grade of F pursuant to
2 section 15-241.

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

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

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

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

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

29 **15-971. Determination of equalization assistance payments
30 from county and state funds for school districts**

31 A. Equalization assistance for education is computed by determining
32 the total of the following:

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

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

37 B. From the total of the amounts determined in subsection A of this
38 section subtract:

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

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

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

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

14 (ii) Apply the percentages determined in item (i) of this
15 subdivision to the amount determined in subsection A, paragraph 1 of this
16 section.

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

22 (c) From the amounts determined in subdivisions (a) and (b) of this
23 paragraph, subtract the levy that would be produced by the current
24 qualifying tax rate for a high school district or a common school district
25 within a high school district that does not offer instruction in high
26 school subjects as provided in section 15-447. If the qualifying tax rate
27 generates a levy that is in excess of the total determined in subsection A
28 of this section, the school district shall not be eligible for
29 equalization assistance. For the purposes of this subsection, "assessed
30 valuation" includes the values used to determine voluntary contributions
31 collected pursuant to title 9, chapter 4, article 3 and title 48, chapter
32 1, article 8 and the assessed value of all property subject to the
33 government property lease excise tax pursuant to title 42, chapter 6,
34 article 5.

35 3. The amount that would be produced by levying a qualifying tax
36 rate in a career technical education district, which shall be five cents
37 per one hundred dollars assessed valuation unless the legislature sets a
38 lower rate by law.

39 C. County aid for equalization assistance for education shall be
40 computed as follows:

41 1. Determine the total equalization assistance for all school
42 districts in the county as provided in subsections A and B of this
43 section.

1 2. Determine the total amount of state equalization assistance
2 collected for all school districts in the county as provided in section
3 15-994.

4 3. Divide the amount determined in paragraph 2 of this subsection
5 by the amount determined in paragraph 1 of this subsection.

6 4. Multiply the amount determined in subsections A and B of this
7 section by the quotient determined in paragraph 3 of this subsection for
8 each school district.

9 5. The amount determined in paragraph 4 of this subsection shall be
10 the county aid for equalization assistance for education for a school
11 district.

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

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

16 2. For each county, determine the levy that would be produced by
17 the state equalization assistance property tax rate prescribed in section
18 15-994, subsection A.

19 3. Prorate the amount determined in paragraph 2 of this subsection
20 to each school district in the county as prescribed by subsection C of
21 this section.

22 4. Subtract the amount determined in paragraph 3 of this subsection
23 from the amount determined in paragraph 1 of this subsection.

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

27 F. A school district shall report expenditures on approved career
28 and technical education and vocational education programs in the annual
29 financial report according to uniform guidelines prescribed by the uniform
30 system of financial records and in order to facilitate compliance with
31 sections 15-255 and 15-904.

32 G. The additional weight for state aid purposes given to special
33 education as provided in section 15-943 shall be given to school districts
34 only if special education programs comply with chapter 7, article 4 of
35 this title and the conditions and standards prescribed by the
36 superintendent of public instruction pursuant to rules of the state board
37 of education for pupil identification and placement pursuant to sections
38 15-766 and 15-767.

39 H. In addition to state general fund appropriations, all amounts
40 received pursuant to section 37-521, subsection B, paragraph 3, SECTION
41 15-977 AND section 42-5029, subsection E, paragraph 5 ~~and 42-5029.02,~~
42 ~~subsection A, paragraph 5~~ and from any other source for the purposes of
43 this section are appropriated for state aid to schools as provided in this
44 section.

1 I. The total amount of state monies that may be spent in any fiscal
2 year for state equalization assistance shall not exceed the amount
3 appropriated or authorized by section 35-173 for that purpose. This
4 section does not impose a duty on an officer, agent or employee of this
5 state to discharge a responsibility or create any right in a person or
6 group if the discharge or right would require an expenditure of state
7 monies in excess of the expenditure authorized by legislative
8 appropriation for that specific purpose.

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

11 15-977. Classroom site fund; definitions

12 A. The classroom site fund is established consisting of monies
13 transferred to the fund pursuant to section 37-521, subsection B, ~~section~~
14 ~~42-5029, subsection E, paragraph 10~~ and section ~~42-5029.02, subsection A,~~
15 ~~paragraph 10~~ ~~42-5032.03~~. The department of education shall administer the
16 fund. School districts and charter schools may not supplant existing
17 school site funding with revenues from the fund. All monies distributed
18 from the fund are intended for use at the school site. ~~Each school~~
19 ~~district or charter school shall allocate forty percent of the monies for~~
20 ~~teacher compensation increases based on performance and employment related~~
21 ~~expenses, twenty percent of the monies for teacher base salary increases~~
22 ~~and employment related expenses and forty percent of the monies for~~
23 ~~maintenance and operation purposes as prescribed in subsection H of this~~
24 ~~section.~~ Teacher compensation increases ~~based on performance or teacher~~
25 ~~base salary increases~~ distributed pursuant to this ~~subsection~~ SECTION
26 shall supplement, and not supplant, teacher compensation monies from any
27 other sources. The school district or charter school shall notify each
28 school principal of the amount available to the school by April 15 of each
29 year. The district or charter school shall request from the school's
30 principal each school's priority for the allocation of the funds available
31 to the school for each program listed under subsection H of this
32 section. The amount budgeted by the school district or charter school
33 pursuant to this section shall not be included in the allowable budget
34 balance carryforward calculated pursuant to section 15-943.01.

35 B. A school district governing board must adopt a performance based
36 compensation system at a public hearing to allocate funding from the
37 classroom site fund pursuant to subsection A of this section. Individual
38 teacher performance as measured by the teacher's performance
39 classification pursuant to section 15-203, subsection A, paragraph 38
40 shall be a component of the ~~school district's portion of the forty percent~~
41 allocation for teacher compensation ~~based on performance and employment~~
42 ~~related expenses.~~

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

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

1 2. The allocation to each charter school and school district for a
2 fiscal year shall equal the per pupil amount established in paragraph 1 of
3 this subsection for the fiscal year multiplied by the weighted student
4 count for the school district or charter school for the fiscal year
5 pursuant to section 15-943, paragraph 2, subdivision (a). For the
6 purposes of this paragraph, the weighted student count for a school
7 district that serves as the district of attendance for nonresident pupils
8 shall be increased to include nonresident pupils who attend school in the
9 school district.

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

- 12 1. Class size reduction.
- 13 2. Teacher compensation ~~increases~~.
- 14 ~~3. Assessment intervention programs.~~
- 15 ~~4. Teacher development.~~
- 16 ~~5. EDUCATIONAL INTERVENTIONS AND~~ dropout prevention programs.
- 17 ~~6. Teacher liability insurance premiums.~~
- 18 5. VOLUNTARY FULL-DAY KINDERGARTEN.
- 19 6. STUDENT SUPPORT SERVICES.
- 20 7. TUTORING.
- 21 8. CHARACTER EDUCATION.
- 22 9. SCHOOL SAFETY.
- 23 10. CAREER AND TECHNICAL EDUCATION.

24 11. ACCOUNTABILITY PURPOSES AS PRESCRIBED IN SECTION 15-241 AND
25 CHAPTER 9, ARTICLE 8 OF THIS TITLE.

26 I. The district governing board or charter school shall allocate
27 the classroom site fund monies to include, ~~wherever~~ IF possible, the
28 priorities identified by the principals of the schools while ~~assuring~~
29 ~~ENSURING~~ that the ~~funds~~ MONIES maximize classroom opportunities and
30 conform to the authorized expenditures identified in subsection A of this
31 section.

32 J. School districts and charter schools that receive monies from
33 the classroom site fund shall submit a report by November 15 of each year
34 to the superintendent of public instruction that provides an accounting of
35 the expenditures of monies distributed from the fund during the previous
36 fiscal year and a summary of the results of district and school programs
37 funded with monies distributed from the fund. The department of education
38 in conjunction with the auditor general shall prescribe the format of the
39 report under this subsection.

40 K. School districts and charter schools that receive monies from
41 the classroom site fund shall receive these monies monthly in an amount
42 not to exceed one-twelfth of the monies estimated pursuant to subsection G
43 of this section, except that if there are insufficient monies in the fund
44 that month to make payments, the distribution for that month shall be

1 prorated for each school district or charter school. The department of
2 education may make an additional payment in the current month for any
3 prior month or months in which school districts or charter schools
4 received a prorated payment if there are sufficient monies in the fund
5 that month for the additional payments. The state is not required to make
6 payments to a school district or charter school classroom site fund if the
7 state classroom site fund revenue collections are insufficient to meet the
8 estimated allocations to school districts and charter schools pursuant to
9 subsection G of this section.

10 L. The state education system for committed youth shall receive
11 monies from the classroom site fund in the same manner as school districts
12 and charter schools. The Arizona state schools for the deaf and the blind
13 shall receive monies from the classroom site fund in an amount that
14 corresponds to the weighted student count for the current year pursuant to
15 section 15-943, paragraph 2, subdivision (b) for each pupil enrolled in
16 the Arizona state schools for the deaf and the blind. Except as otherwise
17 provided in this subsection, the Arizona state schools for the deaf and
18 the blind and the state education system for committed youth are subject
19 to this section in the same manner as school districts and charter
20 schools.

21 M. Each school district and charter school, including school
22 districts that unify pursuant to section 15-448 or consolidate pursuant to
23 section 15-459, shall establish a local level classroom site fund to
24 receive allocations from the state level classroom site fund. The local
25 level classroom site fund shall be a budgetary controlled account.
26 Interest charges for any registered warrants for the local level classroom
27 site fund shall be a charge against the local level classroom site fund.
28 Interest earned on monies in the local level classroom site fund shall be
29 added to the local level classroom site fund as provided in section
30 15-978. This state shall not be required to make payments to a school
31 district or charter school local level classroom site fund that are in
32 addition to monies transferred to the state level classroom site fund
33 pursuant to section 37-521, subsection B, ~~section 42-5029, subsection E,~~
34 ~~paragraph 10~~ and section ~~42-5029.02, subsection A, paragraph 10~~
35 ~~42-5032.03~~.

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

41 O. For the purposes of this section:

42 ~~1. "Assessment intervention" means summer programs, after school~~
43 ~~programs, before school programs or tutoring programs that are~~
44 ~~specifically designed to ensure that pupils meet the Arizona academic~~

1 ~~standards as measured by the statewide assessment prescribed by section~~
2 ~~15-741.~~

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

7 ~~2. "STUDENT SUPPORT SERVICES" MEANS ANY EXPENDITURE IN THE STUDENT~~
8 ~~SUPPORT SERVICES FUNCTION AS DEFINED IN THE UNIFORM SYSTEM OF FINANCIAL~~
9 ~~RECORDS.~~

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

12 15-1409. Community college tuition financing districts;
13 formation; powers and duties; issuance and sale of
14 bonds for capital outlay

15 A. A community college tuition financing district shall contract
16 with an existing community college district to provide instructional and
17 student services within the community college tuition financing district.

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

21 C. A community college tuition financing district shall be formed
22 in the same manner prescribed in sections 15-1403 and 15-1404, except that
23 the county board of supervisors shall serve as the governing board of the
24 community college tuition financing district and the county board of
25 supervisors by majority vote may adopt a resolution to submit the question
26 of the formation of a community college tuition financing district and the
27 approval of a proposed tax rate to fund the community college tuition
28 financing district directly to the qualified electors of the county at a
29 special or general election called for that purpose as prescribed in
30 section 16-204 and title 35, chapter 3, article 3. The resolution adopted
31 by the county board of supervisors shall include a statement that the
32 primary property tax levy limit for the community college tuition
33 financing district shall be ~~no~~ NOT less than the levy limit of the most
34 recently formed community college district in this state.

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

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

40 F. A community college tuition financing district is not eligible
41 to receive equalization aid pursuant to section 15-1468 or state
42 contribution for capital outlay for initial or additional campuses
43 pursuant to section 15-1463.

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

4 H. Notwithstanding any other law, the same student shall not be
5 counted twice as a full-time equivalent student in both a community
6 college tuition financing district and a community college district.
7 Notwithstanding any other law, beginning with the fiscal year after the
8 year in which the community college tuition financing district is formed
9 and has established its primary tax rate, a district that provides
10 services in a community college tuition financing district pursuant to
11 section 15-1470 shall no longer count these students in the district's
12 full-time equivalent student count.

13 I. If a community college tuition financing district is converted
14 into a community college district by the formation of a community college
15 district pursuant to section 15-1402 or 15-1402.01, the community college
16 tuition financing district is dissolved and any equipment, property,
17 personnel, liabilities and assets are transferred to the community college
18 district.

19 J. If a community college tuition financing district is formed in a
20 county that provides reimbursement for the attendance of nonresident state
21 students pursuant to section 15-1469, that county shall continue to
22 provide reimbursement payments to community college districts as set forth
23 in section 15-1469 until the fiscal year in which a qualifying levy is
24 adopted and budgeted in support of the community college tuition financing
25 district by the county board of supervisors. The total reimbursement
26 payments due to other community college districts in any fiscal year
27 pursuant to section 15-1469 shall be reduced by the amount of any
28 nonqualifying levy expended in the prior fiscal year. This reduction
29 shall be shared by each community college district that receives a
30 reimbursement payment from the county based on that community college
31 district's proportionate number of full-time equivalent students from the
32 county where the community college tuition financing district is located.
33 For the purposes of this subsection:

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

37 2. "Qualifying levy" means a levy that is at least equal to the sum
38 of the reimbursement payments and the amount of the community college
39 services provided in the fiscal year immediately before the year that a
40 levy was first adopted to support the operations of the community college
41 tuition financing district.

42 K. The board of supervisors of a county that has formed a community
43 college tuition financing district by majority vote may enter into an
44 intergovernmental agreement to loan monies to the community college

1 tuition financing district in an amount that does not exceed two hundred
2 thousand dollars. Any loan pursuant to this subsection shall be repaid
3 from the next scheduled collection of property taxes to fund the community
4 college tuition financing district. The annual interest charges on any
5 loan pursuant to this subsection shall not exceed five percent.

6 L. A community college tuition financing district may issue bonds
7 for capital outlay purposes in the same manner prescribed in section
8 15-1465 for community college districts. The county board of supervisors
9 is solely responsible for determining the encumbrance and approval of the
10 expenditure of the proceeds of the bonds issued pursuant to this
11 subsection and shall not delegate or transfer this authority to any other
12 entity.

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

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

19 2. Is not eligible to receive monies pursuant to section 15-784 or
20 section ~~15-1472, subsection D, paragraph 2, subdivision (a)~~ 42-5032.03,
21 **SUBSECTION A, PARAGRAPH 3, SUBDIVISION (b)**.

22 3. Is not eligible for equalization aid pursuant to section
23 15-1468.

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

25 5. Unless otherwise specified, is a community college district for
26 THE purposes of section ~~42-5029 or 42-5029.02~~ 42-5032.03.

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

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

30 **15-1472. Community college districts; workforce development**
31 **accounts: reports**

32 A. Each community college district shall establish a separate
33 workforce development account to receive only tax revenues authorized
34 pursuant to section 42-5029, subsection E, paragraph 3 and section
35 ~~42-5029.02, subsection A, paragraph 3~~ 42-5032.03. Each community college
36 district board shall approve the expenditure of these monies in accordance
37 with section 15-1461 and consistent with subsection B of this section.

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

41 1. Partnerships with businesses and educational institutions.
42 2. Additional faculty for improved and expanded classroom
43 instruction and course offerings.

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

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

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

8 C. The state treasurer shall transfer monies under this section
9 into each district's workforce development account by the fifteenth day of
10 each month. The state treasurer shall also allocate and distribute any
11 pooled interest earnings earned from revenues authorized in section
12 42-5029, subsection E, paragraph 3 ~~and section 42-5029.02, subsection A,~~
13 ~~paragraph 3~~ to each district in accordance with the method prescribed in
14 subsection D, ~~paragraph 2~~ of this section.

15 D. Revenues authorized for community college districts in section
16 42-5029, subsection E, paragraph 3 and section ~~42-5029.02, subsection A,~~
17 ~~paragraph 3~~ 42-5032.03, SUBSECTION A, PARAGRAPH 3, SUBDIVISION (c) shall
18 be distributed by the state ~~in the following manner:~~

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

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

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

33 (b) ~~After each district has received the payments prescribed in
34 subdivision (a) of this paragraph, the remainder of monies in the fund
35 shall be distributed to each COMMUNITY COLLEGE DISTRICT, PROVISIONAL
36 COMMUNITY COLLEGE district AND COMMUNITY COLLEGE THAT IS OWNED, OPERATED
37 OR CHARTERED BY A QUALIFYING INDIAN TRIBE ON ITS OWN INDIAN RESERVATION
38 according to each ~~district's~~ ENTITY'S full-time equivalent student
39 enrollment percentage of the total statewide audited full-time equivalent
40 student enrollment in the preceding fiscal year prescribed in section
41 15-1466.01. The percentage distribution under this subdivision shall be
42 adjusted annually on October 1 of each year.~~

43 E. Revenues received by community college districts shall not be
44 used by the legislature to supplant or reduce any state aid authorized in

1 this chapter or supplant any proceeds from the sale of bonds authorized in
2 this article and article 5 of this chapter.

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

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

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

21 **15-1648. Technology and research initiative fund; exemption;**
22 **purpose; rules; award criteria; report**

23 A. The technology and research initiative fund is established
24 consisting of revenues transferred to the fund pursuant to section
25 42-5029, subsection E, paragraph 2 and section ~~42-5029.02, subsection A,~~
~~paragraph 2~~ **42-5032.03, SUBSECTION A, PARAGRAPH 2, SUBDIVISION (a)**. The
26 Arizona board of regents shall administer the fund. The monies in the
27 fund are continuously appropriated to the Arizona board of regents for
28 distribution pursuant to this section and are exempt from the provisions
29 of section 35-190 relating to lapsing of appropriations.

30 B. The board shall adopt rules to administer the technology and
31 research initiative fund in accordance with this section. The board may
32 allocate up to twenty percent of the monies in the fund to be used for
33 capital projects relating to new economy initiatives, including debt
34 service, for the universities under its jurisdiction, pursuant to article
35 5 of this chapter.

36 C. The Arizona board of regents shall receive requests from the
37 individual universities and shall determine the amount and duration of
38 each award. The criteria for ~~the evaluation of~~ **EVALUATING** each request
39 ~~shall be~~ **ARE** as follows:

40 1. The award must be related to one of the following:
41 (a) A specific academic or research field.
42 (b) The expansion of access to baccalaureate or postbaccalaureate
43 education for time-bound and place-bound students.

(c) The implementation of recommendations of the Arizona partnership for the new economy or the governor's task force on higher education.

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

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

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

D. The Arizona board of regents shall submit a report to the governor, the president of the senate and the speaker of the house of representatives on or before September 1 of each year on the technology and research award program and shall transmit a copy to the secretary of state. The report shall include a description of the amount and duration of each new award distributed and a description of the purpose and goals for each award. For existing awards, the Arizona board of regents shall use a detailed set of performance measures to determine the overall effectiveness of each award.

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

15-2084. School improvement revenue bond debt service fund

A. The school facilities board shall establish a school improvement revenue bond debt service fund consisting of monies received by the school facilities board pursuant to section 42-5029, subsection E, ~~section 42-5029.02, subsection A, paragraph 1~~ and section 37-521, subsection B, paragraph 1. All monies received pursuant to section 42-5029, subsection E ~~and section 42-5029.02, subsection A, paragraph 1~~ shall be accounted for separately and shall be used only for debt service of school improvement revenue bonds. All monies received pursuant to section 37-521, subsection B, paragraph 1 shall be accounted for separately and shall be used only for debt service of qualified zone academy bonds.

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

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

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

15-2085. Securing principal and interest

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

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

6 2. Provide that the bonds issued under this article ~~are~~ BE secured
7 by a first lien on the monies paid into the school improvement revenue
8 bond debt service fund as provided by section 42-5029, subsection E,
9 paragraph 1 ~~and section 42-5029.02, subsection A, paragraph 1~~ and pledge
10 and assign to or in trust for the benefit of the holder or holders of the
11 bonds all or part of the monies in the school improvement revenue bond
12 debt service fund, in any account or subaccount in the fund or in the
13 school improvement revenue bond proceeds fund as is necessary to secure
14 and pay the principal, the interest and any premium on the bonds as they
15 come due.

16 3. Establish priorities among bondholders based on criteria adopted
17 by the board.

18 4. Set aside, regulate and dispose of reserves and sinking
19 accounts.

20 5. Prescribe the procedure, if any, by which the terms of any
21 contract with bondholders may be amended or abrogated, the amount of bonds
22 the holders of which must consent to and the manner in which the consent
23 may be given.

24 6. Provide for payment of ~~bond-related~~ BOND-RELATED expenses from
25 the proceeds of the sale of the bonds or other revenues authorized by this
26 article and available to the board.

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

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

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

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

37 B. Bonds THAT ARE issued to refund any bonds issued by the board as
38 provided by subsection A, paragraphs 9 and 10 of this section are not
39 subject to legislative authorization or subject to the ~~eight hundred~~
40 ~~million dollar limitation~~ \$800,000,000 LIMIT prescribed by section
41 15-2081, subsection A.

42 Sec. 11. Repeal

43 Section 42-5010.01, Arizona Revised Statutes, is repealed.

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

3 42-5029. Remission and distribution of monies: withholding;
4 definition

5 A. The department shall deposit, pursuant to sections 35-146 and
6 35-147, all revenues collected under this article and articles 4, 5 and 8
7 of this chapter pursuant to section 42-1116, separately accounting for:

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

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

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

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

15 5. ~~Revenues collected pursuant to section 42-5010.01 and section~~
16 ~~42-5155, subsection E.~~

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

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

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

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

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

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

41 (b) The proportion that the distribution base monies collected
42 during the calendar month in each county under this article, section
43 42-5164, subsection B and section 42-5205, subsection B bear to the total
44 distribution base monies collected under this article, section 42-5164,

1 subsection B and section 42-5205, subsection B throughout the state for
2 the calendar month.

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

5 (a) Average the following proportions:

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

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

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

35 4. After any distributions required by sections 42-5030,
36 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making
37 any transfer to the water quality assurance revolving fund as required by
38 section 49-282, subsection B, credit the remainder of the monies
39 designated as distribution base to the state general fund. From this
40 amount the legislature shall annually appropriate to:

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

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

(c) The firearms safety and ranges fund established by section 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected from the retail classification pursuant to section 42-5061 for the current fiscal year.

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

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

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

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

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

1 tribe" has the same meaning as defined in section 42-5031.01,
2 subsection D.

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

8 (a) In fiscal year 2001-2002, \$15,305,900.
9 (b) In fiscal year 2002-2003, \$31,530,100.
10 (c) In fiscal year 2003-2004, \$48,727,700.
11 (d) In fiscal year 2004-2005, \$66,957,200.

12 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
13 \$86,280,500.

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

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

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

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

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

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

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

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

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

G. Notwithstanding subsection D of this section, if a court of competent jurisdiction finally determines that tax monies distributed under this section were illegally collected under this article or articles 5 and 8 of this chapter and orders the monies to be refunded to the taxpayer, the department shall compute the amount of such monies that was distributed to each city, town and county under this section. Each city's, town's and county's proportionate share of the costs shall be based on the amount of the original tax payment each municipality and county received. Each month the state treasurer shall reduce the amount otherwise distributable to the city, town and county under this section by ~~one-thirty-sixth~~ 1/36 of the total amount to be recovered from the city, town or county until the total amount has been recovered, but the monthly reduction for any city, town or county shall not exceed ten percent of the full monthly distribution to that entity. The reduction shall begin for the first calendar month after the final disposition of the case and shall continue until the total amount, including interest and costs, has been recovered.

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

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

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

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

25 L. Except as otherwise provided by this subsection, on notice from
26 the attorney general pursuant to section 41-194.01, subsection B,
27 paragraph 1 that an ordinance, regulation, order or other official action
28 adopted or taken by the governing body of a county, city or town violates
29 state law or the Constitution of Arizona, the state treasurer shall
30 withhold the distribution of monies pursuant to this section to the
31 affected county, city or town and shall continue to withhold monies
32 pursuant to this subsection until the attorney general certifies to the
33 state treasurer that the violation has been resolved. The state treasurer
34 shall redistribute the monies withheld pursuant to this subsection among
35 all other counties, cities and towns in proportion to their population as
36 provided by subsection D of this section. The state treasurer shall not
37 withhold any amount that the county, city or town certifies to the
38 attorney general and the state treasurer as being necessary to make any
39 required deposits or payments for debt service on bonds or other long-term
40 obligations of the county, city or town that were issued or incurred
41 before committing the violation.

42 M. For the purposes of this section, "community college district"
43 means a community college district that is established pursuant to
44 sections 15-1402 and 15-1403 and that is a political subdivision of this

1 state and, unless otherwise specified, includes a community college
2 tuition financing district established pursuant to section 15-1409.

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

5 42-5029.01. Qualifying Indian tribe; report; accounting
6 procedures; definitions

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

17 B. For the purposes of this section:

18 1. "Community college" includes any college that is owned, operated
19 or chartered by a qualifying Indian tribe.

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

22 Sec. 14. Repeal

23 Section ~~42-5029.02~~, Arizona Revised Statutes, is repealed.

24 Sec. 15. Title 42, chapter 5, article 1, Arizona Revised Statutes,
25 is amended by adding section 42-5032.03, to read:

26 42-5032.03. Distribution of revenues for primary, secondary
27 and higher education; definitions

28 A. ALL MONIES COLLECTED PURSUANT TO ARTICLE IX, SECTION 12.2,
29 CONSTITUTION OF ARIZONA, SHALL BE DISTRIBUTED EACH FISCAL YEAR PURSUANT TO
30 THIS SECTION AS FOLLOWS:

31 1. SEVENTY-FIVE PERCENT OF THE AMOUNT GENERATED BY THE TAX TO BE
32 PAID IN MONTHLY INSTALLMENTS TO THE CLASSROOM SITE FUND ESTABLISHED BY
33 SECTION 15-977, EXCEPT:

34 (a) \$86,280,500 OF THE AMOUNT DISTRIBUTED PURSUANT TO THIS
35 PARAGRAPH SHALL BE PAID ANNUALLY IN MONTHLY INSTALLMENTS TO THE DEPARTMENT
36 OF EDUCATION TO FUND BASIC STATE AID.

37 (b) AFTER THE PAYMENT PRESCRIBED IN SUBDIVISION (a) OF THIS
38 PARAGRAPH, \$1,500,000 OF THE AMOUNT DISTRIBUTED PURSUANT TO THIS PARAGRAPH
39 SHALL BE PAID ANNUALLY IN MONTHLY INSTALLMENTS TO THE AUDITOR GENERAL TO
40 REPORT ON THE USE OF APPROPRIATED MONIES PURSUANT TO THIS SECTION BY
41 SCHOOL DISTRICTS, CHARTER SCHOOLS, COMMUNITY COLLEGE DISTRICTS AND
42 UNIVERSITIES IN THIS STATE. SCHOOL DISTRICTS, CHARTER SCHOOLS, COMMUNITY
43 COLLEGE DISTRICTS AND UNIVERSITIES IN THIS STATE SHALL COOPERATE WITH AND

1 PROVIDE ALL NECESSARY INFORMATION AND DATA TO THE AUDITOR GENERAL IN A
2 FORMAT PRESCRIBED BY THE AUDITOR GENERAL.

3 2. TWENTY PERCENT OF THE AMOUNT GENERATED BY THE TAX TO BE PAID IN
4 MONTHLY INSTALLMENTS IS APPROPRIATED AS FOLLOWS:

5 (a) \$78,000,000 OF THE AMOUNT DISTRIBUTED PURSUANT TO THIS
6 PARAGRAPH TO THE TECHNOLOGY AND RESEARCH INITIATIVE FUND ESTABLISHED BY
7 SECTION 15-1648. BEGINNING IN FISCAL YEAR 2022-2023, THE AMOUNT
8 DISTRIBUTED PURSUANT TO THIS SUBDIVISION FROM THE PREVIOUS FISCAL YEAR
9 SHALL BE INCREASED ANNUALLY BY TWO PERCENT.

10 (b) AFTER THE DISTRIBUTION PRESCRIBED IN SUBDIVISION (a) OF THIS
11 PARAGRAPH, THE REMAINING MONIES SHALL BE DISTRIBUTED TO THE ARIZONA BOARD
12 OF REGENTS TO BE DISTRIBUTED PROPORTIONALLY TO EACH UNIVERSITY BASED ON
13 THE NUMBER OF STUDENTS WHO RECEIVE IN-STATE TUITION AT THAT UNIVERSITY TO
14 SUBSIDIZE RESIDENT STUDENT TUITION COSTS.

15 3. FIVE PERCENT OF THE AMOUNT GENERATED BY THE TAX TO BE PAID IN
16 MONTHLY INSTALLMENTS IS APPROPRIATED AS FOLLOWS:

17 (a) \$1,500,000 TO THE WORKFORCE DEVELOPMENT ACCOUNT ESTABLISHED IN
18 EACH COMMUNITY COLLEGE DISTRICT PURSUANT TO SECTION 15-1472 FOR THE
19 PURPOSE OF INVESTMENT IN WORKFORCE DEVELOPMENT PROGRAMS.

20 (b) THE FOLLOWING AMOUNTS TO EACH PROVISIONAL COMMUNITY COLLEGE
21 DISTRICT ESTABLISHED PURSUANT TO SECTION 15-1409 AND TO THE TREASURER OR
22 OTHER DESIGNATED DEPOSITORY OF EACH QUALIFYING INDIAN TRIBE FOR EACH
23 COMMUNITY COLLEGE THAT IS OWNED, OPERATED OR CHARTERED ON ITS OWN INDIAN
24 RESERVATION BASED ON THE FULL-TIME EQUIVALENT STUDENT COUNT PROVIDED IN
25 EACH ITEM OF THIS SUBDIVISION, EXCEPT THAT A COMMUNITY COLLEGE TUITION
26 FINANCING DISTRICT ESTABLISHED PURSUANT TO SECTION 15-1409 MAY NOT RECEIVE
27 MONIES PURSUANT TO THIS SUBDIVISION:

28 (i) FOR A FULL-TIME EQUIVALENT STUDENT COUNT OF MORE THAN ONE
29 HUNDRED BUT LESS THAN TWO HUNDRED FIFTY, \$100,000.

30 (ii) FOR A FULL-TIME EQUIVALENT STUDENT COUNT OF AT LEAST TWO
31 HUNDRED FIFTY BUT LESS THAN FIVE HUNDRED, \$250,000.

32 (iii) FOR A FULL-TIME EQUIVALENT STUDENT COUNT OF AT LEAST FIVE
33 HUNDRED BUT LESS THAN SEVEN HUNDRED FIFTY, \$500,000.

34 (iv) FOR A FULL-TIME EQUIVALENT STUDENT COUNT OF AT LEAST SEVEN
35 HUNDRED FIFTY BUT LESS THAN NINE HUNDRED, \$1,000,000.

36 (v) FOR A FULL-TIME EQUIVALENT STUDENT COUNT OF AT LEAST NINE
37 HUNDRED, \$1,500,000.

38 (c) AFTER EACH COMMUNITY COLLEGE DISTRICT, PROVISIONAL COMMUNITY
39 COLLEGE DISTRICT AND QUALIFYING INDIAN TRIBE RECEIVES THE PAYMENT
40 PRESCRIBED IN SUBDIVISION (b), ITEMS (i) THROUGH (v) OF THIS PARAGRAPH,
41 THE REMAINING MONIES SHALL BE DISTRIBUTED AS PROVIDED BY SECTION 15-1472,
42 SUBSECTION D.

43 B. THE MONIES DISTRIBUTED PURSUANT TO THIS SECTION ARE IN ADDITION
44 TO ANY OTHER APPROPRIATION, TRANSFER OR ALLOCATION OF PUBLIC OR PRIVATE

1 MONIES FROM ANY OTHER SOURCE AND MAY NOT SUPPLANT, REPLACE OR CAUSE A
2 REDUCTION IN OTHER SCHOOL DISTRICT, CHARTER SCHOOL, UNIVERSITY OR
3 COMMUNITY COLLEGE FUNDING SOURCES.

4 C. IF THE MONIES COLLECTED PURSUANT TO ARTICLE IX, SECTION 12.2,
5 CONSTITUTION OF ARIZONA, ARE INSUFFICIENT TO APPROPRIATE THE DOLLAR
6 AMOUNTS PROVIDED IN THIS SECTION, EACH DOLLAR AMOUNT SHALL BE REDUCED
7 PROPORTIONALLY BASED ON THE AMOUNT OF MONIES COLLECTED FOR THAT PARAGRAPH.

8 D. FOR THE PURPOSES OF THIS SECTION:

9 1. "COMMUNITY COLLEGE DISTRICT" MEANS A COMMUNITY COLLEGE DISTRICT
10 THAT IS ESTABLISHED PURSUANT TO SECTIONS 15-1402 AND 15-1403 AND THAT IS A
11 POLITICAL SUBDIVISION OF THIS STATE.

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

14 Sec. 16. Section 42-5155, Arizona Revised Statutes, is amended to
15 read:

16 42-5155. Levy of tax; tax rate; purchaser's liability

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

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

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

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

40 ~~E. From and after June 30, 2021 through June 30, 2041, in addition
41 to the rate prescribed by subsection C of this section, an additional rate
42 increment of six-tenths of one percent is imposed and shall be collected.
43 The taxpayer shall pay taxes pursuant to this subsection at the same time
44 and in the same manner as under subsection C of this section. The~~

1 ~~department shall separately account for the revenues collected with~~
2 ~~respect to the rate imposed pursuant to this subsection, and the state~~
3 ~~treasurer shall pay all of those revenues in the manner prescribed by~~
4 ~~section 42-5029.02, subsection A.~~

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

9 ~~G.~~ F. A receipt from a retailer or utility business that maintains
10 a place of business in this state or from a retailer or utility business
11 that is authorized by the department to collect the tax, under such rules
12 as it may prescribe, and that is for the purposes of this article regarded
13 as a retailer or utility business maintaining a place of business in this
14 state, given to the purchaser as provided in section 42-5161 is sufficient
15 to relieve the purchaser from further liability for the tax to which the
16 receipt refers.

17 Sec. 17. Section 43-222, Arizona Revised Statutes, is amended to
18 read:

19 **43-222. Income tax credit review schedule**

20 The joint legislative income tax credit review committee shall
21 review the following income tax credits:

22 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087,
23 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

24 2. For years ending in 1 and 6, sections ~~43-1072.02~~, 43-1074.02,
25 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

26 3. For years ending in 2 and 7, sections 43-1073, 43-1080, 43-1085,
27 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164, 43-1169 and
28 43-1181.

29 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
30 43-1168, 43-1170 and 43-1178.

31 5. For years ending in 4 and 9, sections 43-1076, 43-1081.01,
32 43-1083.04, 43-1084, 43-1162, 43-1164.05, 43-1170.01 and 43-1184 and,
33 beginning in 2019, sections 43-1083.03 and 43-1164.04.

34 Sec. 18. Section 43-323, Arizona Revised Statutes, is amended to
35 read:

36 **43-323. Place and form of filing returns**

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

40 B. The department shall prescribe a short form return for
41 individual taxpayers who:

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

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

3 3. Elect not to file for credits against income tax liability other
4 than those contained in sections 43-1072, 43-1072.01, ~~43-1072.02~~ and
5 43-1073.

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

9 C. The department may provide a simplified return form for
10 individual taxpayers who:

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

13 2. Are residents for the full taxable year.

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

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

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

19 6. Elect to claim the optional standard deduction under section
20 43-1041.

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

25 8. Do not elect to contribute a portion of any tax refund as
26 provided by any provision of chapter 6, article 1 of this title.
27 Notwithstanding any provision of chapter 6, article 1 of this title, a
28 simplified return form under this subsection shall not include any space
29 for the taxpayer to so contribute a portion of a refund.

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

33 E. An individual income tax preparer who prepares more than ten
34 original income tax returns that are timely filed during any taxable year
35 that begins from and after December 31, 2017 shall file electronically all
36 individual tax returns prepared by that tax preparer, for that taxable
37 year and each subsequent taxable year. An individual income tax preparer
38 may not charge a separate fee to the taxpayer for filing a return using
39 the department's electronic filing program. This subsection does not
40 apply if the taxpayer elects to have the return filed on paper or if the
41 return cannot be filed electronically for reasons outside of the tax
42 preparer's control.

43 F. Fiduciary returns, partnership returns, withholding returns and
44 corporate returns shall be filed electronically for taxable years

1 beginning from and after December 31, 2019, or when the department
2 establishes an electronic filing program, whichever is later. Any person
3 who is required to file electronically pursuant to this subsection may
4 apply to the director, on a form prescribed by the department, for an
5 annual waiver from the electronic filing requirement. The director may
6 grant the waiver, which may be renewed for one subsequent year, if any of
7 the following applies:

- 8 1. The taxpayer has no computer.
- 9 2. The taxpayer has no internet access.
- 10 3. Any other circumstance considered to be worthy by the director
11 exists.

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

16 Sec. 19. Repeal

- 17 A. Section 43-1072.02, Arizona Revised Statutes, is repealed.
- 18 B. Laws 2018, chapter 74, sections 19 and 20 are repealed.

19 Sec. 20. Conforming legislation

20 The legislative council staff shall prepare proposed legislation
21 conforming the Arizona Revised Statutes to the provisions of this act for
22 consideration in the fifty-fifth legislature, first regular session.

23 Sec. 21. Conditional enactment

24 This act is effective, from and after June 30, 2021 only if the
25 Constitution of Arizona is amended by a vote of the people at the next
26 general election by passage of Senate Concurrent Resolution 1001,
27 fifty-fourth legislature, first regular session.