

REFERENCE TITLE: education funding; use tax; TPT

State of Arizona
House of Representatives
Fifty-fourth Legislature
First Regular Session
2019

HB 2563

Introduced by
Representative Udall

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

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

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

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

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

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

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

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

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

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

38 2. Notwithstanding paragraph 1 of this subsection, the student
39 count shall be determined initially using an estimated student count based
40 on actual registration of pupils before the beginning of the school year.
41 Notwithstanding section 15-1042, subsection F, student level data
42 submitted to the department may be used to determine estimated student
43 counts. After the first forty days, one hundred days or two hundred days
44 in session, as applicable, the charter school shall revise the student
45 count to be equal to the actual average daily membership, as defined in

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

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

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

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

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

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

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

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

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

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

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

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

42 G. At the request of a charter school, the county school
 43 superintendent of the county where the charter school is located may
 44 provide the same educational services to the charter school as prescribed
 45 in section 15-308, subsection A. The county school superintendent may

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

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

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

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

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

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

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

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

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

36 P. For the purposes of this section, "monies intended for the basic
37 maintenance and operations of the school" means monies intended to provide
38 support for the educational program of the school, except that it does not
39 include supplemental assistance for a specific purpose or title VIII of
40 the elementary and secondary education act of 1965 monies. The auditor
41 general shall determine which federal or state monies meet this
42 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
45 manner in which schools may rise above or fall below those expected

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

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

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

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

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

42 L. For the purposes of this section, "academic progress" means
 43 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
45 for modification. If the school district does not submit an approved

1 action plan within forty-five days, the state board of education may
2 direct the superintendent of public instruction to withhold up to ten
3 percent of state monies that the school district would otherwise be
4 entitled to receive each month until the plan is submitted to the
5 department ~~of education~~ and the county educational service agency, at
6 which time those monies shall be returned to the school district.

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

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

43 H. A school that has not submitted an improvement plan pursuant to
44 subsection G of this section is not eligible to receive monies from the
45 classroom site fund established by section 15-977 for every day that a

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

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

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

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

36 1. Whether and to what extent the local governing board may
37 participate in the operation of the school, including personnel matters.

38 2. Whether and to what extent the state board will participate in
39 the operation of the school.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 H. In addition to state general fund appropriations, all amounts
32 received pursuant to section 37-521, subsection B, paragraph 3, SECTION
33 15-977 AND section 42-5029, subsection E, paragraph 5 ~~and 42-5029.02,~~
34 ~~subsection A, paragraph 5~~ and from any other source for the purposes of
35 this section are appropriated for state aid to schools as provided in this
36 section.

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

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

3 15-977. Classroom site fund; definition

4 A. The classroom site fund is established consisting of monies
5 transferred to the fund pursuant to section 37-521, subsection B, ~~section~~
6 ~~42-5029, subsection E, paragraph 10~~ and section ~~42-5029.02, subsection A,~~
7 ~~paragraph 10~~ 42-5032.03. The department of education shall administer the
8 fund. School districts and charter schools may not supplant existing
9 school site funding with revenues from the fund. All monies distributed
10 from the fund are intended for use at the school site. ~~Each school~~
11 ~~district or charter school shall allocate forty percent of the monies for~~
12 ~~teacher compensation increases based on performance and employment related~~
13 ~~expenses, twenty percent of the monies for teacher base salary increases~~
14 ~~and employment related expenses and forty percent of the monies for~~
15 ~~maintenance and operation purposes as prescribed in subsection H of this~~
16 ~~section.~~ Teacher compensation increases ~~based on performance or teacher~~
17 ~~base salary increases~~ distributed pursuant to this ~~subsection~~ SECTION
18 shall supplement, and not supplant, teacher compensation monies from any
19 other sources. The school district or charter school shall notify each
20 school principal of the amount available to the school by April 15 of each
21 year. The district or charter school shall request from the school's
22 principal each school's priority for the allocation of the funds available
23 to the school for each program listed under subsection H of this
24 section. The amount budgeted by the school district or charter school
25 pursuant to this section shall not be included in the allowable budget
26 balance carryforward calculated pursuant to section 15-943.01.

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

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

- 37 1. School district performance and school performance.
- 38 2. Individual teacher performance as measured by the teacher's
39 performance classification pursuant to section 15-203, subsection A,
40 paragraph 38. ~~The individual teacher performance component shall account~~
41 ~~for thirty-three percent of the forty percent allocation for teacher~~
42 ~~compensation based on performance and employment related expenses.~~
- 43 3. Measures of academic progress toward the academic standards
44 adopted by the state board of education.
- 45 4. Other measures of academic progress.

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

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

- 3 1. Class size reduction.
- 4 2. Teacher compensation ~~increases~~.
- 5 ~~3. Assessment intervention programs.~~
- 6 ~~4.~~ 3. Teacher development.
- 7 ~~5.~~ 4. EDUCATIONAL INTERVENTIONS AND dropout prevention programs.
- 8 ~~6. Teacher liability insurance premiums.~~
- 9 5. VOLUNTARY FULL-DAY KINDERGARTEN.
- 10 6. THE INCREASED COST OF ADDITIONAL SCHOOL DAYS THAT WERE ENACTED
11 IN 2000.
- 12 7. STUDENT SUPPORT SERVICES.
- 13 8. TUTORING.
- 14 9. CHARACTER EDUCATION.
- 15 10. SCHOOL RESOURCE OFFICERS.
- 16 11. CAREER AND TECHNICAL EDUCATION.

17 I. The district governing board or charter school shall allocate
18 the classroom site fund monies to include, ~~wherever~~ IF possible, the
19 priorities identified by the principals of the schools while ~~assuring~~
20 ENSURING that the ~~funds~~ MONIES maximize classroom opportunities and
21 conform to the authorized expenditures identified in subsection A of this
22 section.

23 J. School districts and charter schools that receive monies from
24 the classroom site fund shall submit a report by November 15 of each year
25 to the superintendent of public instruction that provides an accounting of
26 the expenditures of monies distributed from the fund during the previous
27 fiscal year and a summary of the results of district and school programs
28 funded with monies distributed from the fund. The department of education
29 in conjunction with the auditor general shall prescribe the format of the
30 report under this subsection.

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

1 L. The state education system for committed youth shall receive
2 monies from the classroom site fund in the same manner as school districts
3 and charter schools. The Arizona state schools for the deaf and the blind
4 shall receive monies from the classroom site fund in an amount that
5 corresponds to the weighted student count for the current year pursuant to
6 section 15-943, paragraph 2, subdivision (b) for each pupil enrolled in
7 the Arizona state schools for the deaf and the blind. Except as otherwise
8 provided in this subsection, the Arizona state schools for the deaf and
9 the blind and the state education system for committed youth are subject
10 to this section in the same manner as school districts and charter
11 schools.

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

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

32 O. NOTWITHSTANDING SUBSECTION H OF THE SECTION, THE DEPARTMENT OF
33 EDUCATION SHALL ANNUALLY USE \$86,280 OF THE MONIES IN THE CLASSROOM SITE
34 FUND TO FUND BASIC STATE AID FOR SCHOOLS.

35 ~~P.~~ P. For the purposes of this section, ~~:-~~

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

41 ~~2.~~ "class size reduction" means any maintenance and operations
42 expenditure that is designed to reduce the ratio of pupils to classroom
43 teachers, including the use of persons who serve as aides to classroom
44 teachers.

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

3 15-1409. Community college tuition financing districts;
4 formation; powers and duties; issuance and sale of
5 bonds for capital outlay

6 A. A community college tuition financing district shall contract
7 with an existing community college district to provide instructional and
8 student services within the community college tuition financing district.

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

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

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

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

31 F. A community college tuition financing district is not eligible
32 to receive equalization aid pursuant to section 15-1468 or state
33 contribution for capital outlay for initial or additional campuses
34 pursuant to section 15-1463.

35 G. The state aid eligibility requirements prescribed in section
36 15-1466, subsection E, paragraphs 1 and 2 do not apply to community
37 college tuition financing districts.

38 H. Notwithstanding any other law, the same student shall not be
39 counted twice as a full-time equivalent student in both a community
40 college tuition financing district and a community college district.
41 Notwithstanding any other law, beginning with the fiscal year after the
42 year in which the community college tuition financing district is formed
43 and has established its primary tax rate, a district that provides
44 services in a community college tuition financing district pursuant to

1 section 15-1470 shall no longer count these students in the district's
2 full-time equivalent student count.

3 I. If a community college tuition financing district is converted
4 into a community college district by the formation of a community college
5 district pursuant to section 15-1402 or 15-1402.01, the community college
6 tuition financing district is dissolved and any equipment, property,
7 personnel, liabilities and assets are transferred to the community college
8 district.

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

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

27 2. "Qualifying levy" means a levy that is at least equal to the sum
28 of the reimbursement payments and the amount of the community college
29 services provided in the fiscal year immediately before the year that a
30 levy was first adopted to support the operations of the community college
31 tuition financing district.

32 K. The board of supervisors of a county that has formed a community
33 college tuition financing district by majority vote may enter into an
34 intergovernmental agreement to loan monies to the community college
35 tuition financing district in an amount that does not exceed two hundred
36 thousand dollars. Any loan pursuant to this subsection shall be repaid
37 from the next scheduled collection of property taxes to fund the community
38 college tuition financing district. The annual interest charges on any
39 loan pursuant to this subsection shall not exceed five percent.

40 L. A community college tuition financing district may issue bonds
41 for capital outlay purposes in the same manner prescribed in section
42 15-1465 for community college districts. The county board of supervisors
43 is solely responsible for determining the encumbrance and approval of the
44 expenditure of the proceeds of the bonds issued pursuant to this

1 subsection and shall not delegate or transfer this authority to any other
2 entity.

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

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

9 2. Is not eligible to receive monies pursuant to section 15-784 or
10 section ~~15-1472, subsection D, paragraph 2, subdivision (a)~~ 42-5032.03,
11 **SUBSECTION A, PARAGRAPH 3, SUBDIVISION (a), ITEM (ii)**.

12 3. Is not eligible for equalization aid pursuant to section
13 15-1468.

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

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

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

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

20 **15-1472. Community college districts; workforce development**
21 **accounts; reports**

22 A. Each community college district shall establish a separate
23 workforce development account to receive only tax revenues authorized
24 pursuant to section 42-5029, subsection E, paragraph 3 and section
25 ~~42-5029.02, subsection A, paragraph 3~~ 42-5032.03. Each community college
26 district board shall approve the expenditure of these monies in accordance
27 with section 15-1461 and consistent with subsection B of this section.

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

31 1. Partnerships with businesses and educational institutions.

32 2. Additional faculty for improved and expanded classroom
33 instruction and course offerings.

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

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

38 5. The purchase, lease or lease-purchase of real property, for new
39 construction, remodeling or repair of buildings or facilities on real
40 property.

41 C. The state treasurer shall transfer monies under this section
42 into each district's workforce development account by the fifteenth day of
43 each month. The state treasurer shall also allocate and distribute any
44 pooled interest earnings earned from revenues authorized in section
45 42-5029, subsection E, paragraph 3 and section ~~42-5029.02, subsection A,~~

1 ~~paragraph 3~~ 42-5032.03 to each district in accordance with the method
2 prescribed in subsection D, ~~paragraph 2~~ of this section.

3 D. Revenues authorized for community college districts in section
4 42-5029, subsection E, paragraph 3 and section ~~42-5029.02, subsection A,~~
5 ~~paragraph 3~~ 42-5032.03, SUBSECTION A, PARAGRAPH 3, SUBDIVISION (a), ITEM
6 (iii) shall be distributed by the state ~~in the following manner:~~

7 ~~1. For thirteen fiscal years beginning in fiscal year 2001-2002,~~
8 ~~the state treasurer shall allocate one million dollars per fiscal year for~~
9 ~~the purpose of bringing this state into compliance with the matching~~
10 ~~capital requirements prescribed in section 15-1463. The state treasurer~~
11 ~~shall distribute the monies authorized in this subsection to each district~~
12 ~~in the order in which each campus qualified for funding pursuant to~~
13 ~~section 15-1463.~~

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

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

21 ~~(b) After each district has received the payments prescribed in~~
22 ~~subdivision (a) of this paragraph, the remainder of monies in the fund~~
23 ~~shall be distributed~~ to each COMMUNITY COLLEGE DISTRICT AND PROVISIONAL
24 COMMUNITY COLLEGE district according to each district's full-time
25 equivalent student enrollment percentage of the total statewide audited
26 full-time equivalent student enrollment in the preceding fiscal year
27 prescribed in section 15-1466.01. The percentage distribution under this
28 subdivision shall be adjusted annually on October 1 of each year.

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

33 F. Monies received under this section shall not be considered to be
34 local revenues for THE purposes of article IX, section 21, Constitution of
35 Arizona.

36 G. Each community college district or community college that is
37 owned, operated or chartered by a qualifying Indian tribe on its own
38 Indian reservation shall submit a report once every two years of its
39 workforce development plan activities and the expenditures authorized in
40 this section to the governor, president of the senate, speaker of the
41 house of representatives, joint legislative budget committee and Arizona
42 commerce authority by December 1 of every even-numbered year. The report
43 shall include the purpose and goals for which the workforce development
44 monies were expended by each district or community college together with a
45 general accounting of the expenditures authorized in subsection B of this

1 section. A copy of the final report shall also be provided to the
2 secretary of state. For the purposes of this subsection, "qualifying
3 Indian tribe" has the same meaning prescribed in section 42-5031.01.

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

6 15-1648. Technology and research initiative fund; exemption;
7 purpose; rules; award criteria; report

8 A. The technology and research initiative fund is established
9 consisting of revenues transferred to the fund pursuant to section
10 42-5029, subsection E, paragraph 2 and section ~~42-5029.02, subsection A,~~
11 ~~paragraph 2~~ 42-5032.03, SUBSECTION A, PARAGRAPH 2, SUBDIVISION (a). The
12 Arizona board of regents shall administer the fund. The monies in the
13 fund are continuously appropriated to the Arizona board of regents for
14 distribution pursuant to this section and are exempt from the provisions
15 of section 35-190 relating to lapsing of appropriations.

16 B. The board shall adopt rules to administer the technology and
17 research initiative fund in accordance with this section. The board may
18 allocate up to twenty percent of the monies in the fund to be used for
19 capital projects relating to new economy initiatives, including debt
20 service, for the universities under its jurisdiction, pursuant to article
21 5 of this chapter.

22 C. The Arizona board of regents shall receive requests from the
23 individual universities and shall determine the amount and duration of
24 each award. The criteria for ~~the evaluation of~~ EVALUATING each request
25 ~~shall be~~ ARE as follows:

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

27 (a) A specific academic or research field.

28 (b) The expansion of access to baccalaureate or postbaccalaureate
29 education for time-bound and place-bound students.

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

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

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

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

41 D. The Arizona board of regents shall submit a report to the
42 governor, the president of the senate and the speaker of the house of
43 representatives on or before September 1 of each year on the technology
44 and research award program and shall transmit a copy to the secretary of
45 state. The report shall include a description of the amount and duration

1 of each new award distributed and a description of the purpose and goals
2 for each award. For existing awards, the Arizona board of regents shall
3 use a detailed set of performance measures to determine the overall
4 effectiveness of each award.

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

7 15-2084. School improvement revenue bond debt service fund

8 A. The school facilities board shall establish a school improvement
9 revenue bond debt service fund consisting of monies received by the school
10 facilities board pursuant to section 42-5029, subsection E, ~~section~~
11 ~~42-5029.02, subsection A, paragraph 1~~ and section 37-521, subsection B,
12 paragraph 1. All monies received pursuant to section 42-5029, subsection
13 E ~~and section 42-5029.02, subsection A, paragraph 1~~ shall be accounted for
14 separately and shall be used only for debt service of school improvement
15 revenue bonds. All monies received pursuant to section 37-521, subsection
16 B, paragraph 1 shall be accounted for separately and shall be used only
17 for debt service of qualified zone academy bonds.

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

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

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

24 15-2085. Securing principal and interest

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

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

33 2. Provide that the bonds issued under this article ~~are~~ BE secured
34 by a first lien on the monies paid into the school improvement revenue
35 bond debt service fund as provided by section 42-5029, subsection E,
36 paragraph 1 ~~and section 42-5029.02, subsection A, paragraph 1~~ and pledge
37 and assign to or in trust for the benefit of the holder or holders of the
38 bonds all or part of the monies in the school improvement revenue bond
39 debt service fund, in any account or subaccount in the fund or in the
40 school improvement revenue bond proceeds fund as is necessary to secure
41 and pay the principal, the interest and any premium on the bonds as they
42 come due.

43 3. Establish priorities among bondholders based on criteria adopted
44 by the board.

1 4. Set aside, regulate and dispose of reserves and sinking
2 accounts.

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

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

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

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

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

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

20 B. Bonds THAT ARE issued to refund any bonds issued by the board as
21 provided by subsection A, paragraphs 9 and 10 of this section are not
22 subject to legislative authorization or subject to the ~~eight hundred~~
23 ~~million dollar limitation~~ \$800,000,000 LIMIT prescribed by section
24 15-2081, subsection A.

25 Sec. 11. Repeal

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

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

29 42-5029. Remission and distribution of monies; withholding;
30 definition

31 A. The department shall deposit, pursuant to sections 35-146 and
32 35-147, all revenues collected under this article and articles 4, 5 and 8
33 of this chapter pursuant to section 42-1116, separately accounting for:

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

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

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

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

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

43 B. The department shall credit payments of estimated tax to an
44 estimated tax clearing account and each month shall transfer all monies in
45 the estimated tax clearing account to a fund designated as the transaction

1 privilege and severance tax clearing account. The department shall credit
2 all other payments to the transaction privilege and severance tax clearing
3 account, separately accounting for the monies designated as distribution
4 base under sections 42-5010, 42-5164 and 42-5205. Each month the
5 department shall report to the state treasurer the amount of monies
6 collected pursuant to this article and articles 4, 5 and 8 of this
7 chapter.

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

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

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

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

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

22 (b) The proportion that the distribution base monies collected
23 during the calendar month in each county under this article, section
24 42-5164, subsection B and section 42-5205, subsection B bear to the total
25 distribution base monies collected under this article, section 42-5164,
26 subsection B and section 42-5205, subsection B throughout the state for
27 the calendar month.

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

30 (a) Average the following proportions:

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

43 (ii) The proportion that the distribution base monies collected
44 during the calendar month in each county under this article, section
45 42-5164, subsection B and section 42-5205, subsection B bear to the total

1 distribution base monies collected under this article, section 42-5164,
2 subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state
3 for the calendar month.

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

15 4. After any distributions required by sections 42-5030,
16 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making
17 any transfer to the water quality assurance revolving fund as required by
18 section 49-282, subsection B, credit the remainder of the monies
19 designated as distribution base to the state general fund. From this
20 amount the legislature shall annually appropriate to:

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

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

25 (c) The firearms safety and ranges fund established by section
26 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected
27 from the retail classification pursuant to section 42-5061 for the current
28 fiscal year.

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

38 1. If there are outstanding state school facilities revenue bonds
39 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
40 amount that is necessary to pay the fiscal year's debt service on
41 outstanding state school improvement revenue bonds for the current fiscal
42 year shall be transferred each month to the school improvement revenue
43 bond debt service fund established by section 15-2084. The total amount
44 of bonds for which these monies may be allocated for the payment of debt

1 service shall not exceed a principal amount of eight hundred million
2 dollars exclusive of refunding bonds and other refinancing obligations.

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

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

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

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

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

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

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

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

36 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
37 \$86,280,500.

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

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

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

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

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

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

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

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

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

28 G. Notwithstanding subsection D of this section, if a court of
29 competent jurisdiction finally determines that tax monies distributed
30 under this section were illegally collected under this article or articles
31 5 and 8 of this chapter and orders the monies to be refunded to the
32 taxpayer, the department shall compute the amount of such monies that was
33 distributed to each city, town and county under this section. Each
34 city's, town's and county's proportionate share of the costs shall be
35 based on the amount of the original tax payment each municipality and
36 county received. Each month the state treasurer shall reduce the amount
37 otherwise distributable to the city, town and county under this section by
38 ~~one thirty-sixth~~ 1/36 of the total amount to be recovered from the city,
39 town or county until the total amount has been recovered, but the monthly
40 reduction for any city, town or county shall not exceed ten percent of the
41 full monthly distribution to that entity. The reduction shall begin for
42 the first calendar month after the final disposition of the case and shall
43 continue until the total amount, including interest and costs, has been
44 recovered.

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

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

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

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

1 L. Except as otherwise provided by this subsection, on notice from
2 the attorney general pursuant to section 41-194.01, subsection B,
3 paragraph 1 that an ordinance, regulation, order or other official action
4 adopted or taken by the governing body of a county, city or town violates
5 state law or the Constitution of Arizona, the state treasurer shall
6 withhold the distribution of monies pursuant to this section to the
7 affected county, city or town and shall continue to withhold monies
8 pursuant to this subsection until the attorney general certifies to the
9 state treasurer that the violation has been resolved. The state treasurer
10 shall redistribute the monies withheld pursuant to this subsection among
11 all other counties, cities and towns in proportion to their population as
12 provided by subsection D of this section. The state treasurer shall not
13 withhold any amount that the county, city or town certifies to the
14 attorney general and the state treasurer as being necessary to make any
15 required deposits or payments for debt service on bonds or other long-term
16 obligations of the county, city or town that were issued or incurred
17 before committing the violation.

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

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

25 42-5029.01. Qualifying Indian tribe; report; accounting
26 procedures; definitions

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

37 B. For the purposes of this section:

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

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

42 Sec. 14. Repeal

43 Section 42-5029.02, Arizona Revised Statutes, is repealed.

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

3 42-5032.03. Distribution of revenues for primary, secondary
4 and higher education; definitions

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

8 1. SEVENTY PERCENT OF THE AMOUNT GENERATED BY THE TAX TO BE PAID IN
9 MONTHLY INSTALLMENTS TO THE CLASSROOM SITE FUND ESTABLISHED BY SECTION
10 15-977.

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

13 (a) THIRTY-FOUR PERCENT OF THE AMOUNT DISTRIBUTED PURSUANT TO THIS
14 PARAGRAPH TO THE TECHNOLOGY AND RESEARCH INITIATIVE FUND ESTABLISHED BY
15 SECTION 15-1648.

16 (b) SIXTY-SIX PERCENT OF THE AMOUNT DISTRIBUTED PURSUANT TO THIS
17 PARAGRAPH TO THE ARIZONA BOARD OF REGENTS TO BE DISTRIBUTED PROPORTIONALLY
18 TO EACH UNIVERSITY BASED ON THE NUMBER OF STUDENTS WHO RECEIVE IN-STATE
19 TUITION AT THAT UNIVERSITY TO SUBSIDIZE RESIDENT STUDENT TUITION COSTS.

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

22 (A) \$48,000,000 TO BE DISTRIBUTED AS FOLLOWS:

23 (i) \$1,000,000 TO THE WORKFORCE DEVELOPMENT ACCOUNT ESTABLISHED IN
24 EACH COMMUNITY COLLEGE DISTRICT PURSUANT TO SECTION 15-1472 FOR THE
25 PURPOSE OF INVESTMENT IN WORKFORCE DEVELOPMENT PROGRAMS.

26 (ii) \$300,000 TO EACH PROVISIONAL COMMUNITY COLLEGE DISTRICT
27 ESTABLISHED PURSUANT TO SECTION 15-1409 FOR TRADE AND WORKFORCE
28 DEVELOPMENT PROGRAMS. THIS ITEM DOES NOT APPLY TO A COMMUNITY COLLEGE
29 TUITION FINANCING DISTRICT ESTABLISHED PURSUANT TO SECTION 15-1409.

30 (iii) AFTER EACH COMMUNITY COLLEGE DISTRICT AND PROVISIONAL
31 COMMUNITY COLLEGE DISTRICT RECEIVES THE PAYMENT PRESCRIBED IN ITEM (i) OR
32 (ii) OF THIS SUBDIVISION, THE REMAINING MONIES SHALL BE DISTRIBUTED AS
33 PROVIDED BY SECTION 15-1472, SUBSECTION D.

34 (B) \$2,000,000 TO BE DISTRIBUTED AS FOLLOWS:

35 (i) \$500,000 TO THE TREASURER OR OTHER DESIGNATED DEPOSITORY OF
36 EACH QUALIFYING INDIAN TRIBE THAT OWNS, OPERATES OR CHARTERS A COMMUNITY
37 COLLEGE ON ITS INDIAN RESERVATION FOR EACH COMMUNITY COLLEGE THAT IS
38 OWNED, OPERATED OR CHARTERED ON ITS INDIAN RESERVATION FOR TRADE AND
39 WORKFORCE DEVELOPMENT PROGRAMS.

40 (II) AFTER EACH QUALIFYING INDIAN TRIBE HAS RECEIVED THE PAYMENT
41 PRESCRIBED IN ITEM (i) OF THIS SUBDIVISION, THE REMAINING MONIES SHALL BE
42 DISTRIBUTED PROPORTIONALLY TO EACH QUALIFYING INDIAN TRIBE THAT OWNS,
43 OPERATES OR CHARTERS A COMMUNITY COLLEGE ON ITS RESERVATION FOR EACH
44 COMMUNITY COLLEGE THAT IS OWNED, OPERATED OR CHARTERED ON ITS INDIAN
45 RESERVATION BASED ON THE FULL-TIME EQUIVALENT STUDENT COUNT.

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

3 (a) \$25,000,000 TO THE STATE GENERAL FUND FOR THE COST OF THE
4 INCOME TAX CREDIT ALLOWED BY SECTION 43-1072.01.

5 (b) \$15,000,000 TO THE DEPARTMENT OF EDUCATION TO BE USED FOR
6 SCHOOL SAFETY AS PROVIDED IN SECTION 15-154.

7 (c) \$7,000,000 TO THE DEPARTMENT OF EDUCATION TO BE USED FOR THE
8 CONTINUED MAINTENANCE, OPERATION AND EVALUATION OF THE EDUCATION LEARNING
9 AND ACCOUNTABILITY SYSTEM AS PROVIDED IN SECTION 15-249.

10 (d) \$3,000,000 TO THE AUDITOR GENERAL TO REPORT ON THE USE OF THE
11 MONIES APPROPRIATED PURSUANT TO THIS SECTION BY SCHOOL DISTRICTS, CHARTER
12 SCHOOLS, COMMUNITY COLLEGE DISTRICTS AND UNIVERSITIES IN THIS STATE.

13 (e) AFTER THE MONIES ARE APPROPRIATED PURSUANT TO SUBDIVISIONS
14 (a)(b)(c) AND (d) OF THIS PARAGRAPH, ANY REMAINING MONIES COLLECTED DURING
15 THE MONTH TO THE CLASSROOM SITE FUND ESTABLISHED BY SECTION 15-977.

16 B. THE MONIES DISTRIBUTED PURSUANT TO THIS SECTION ARE IN ADDITION
17 TO ANY OTHER APPROPRIATION, TRANSFER OR ALLOCATION OF PUBLIC OR PRIVATE
18 MONIES FROM ANY OTHER SOURCE AND MAY NOT SUPPLANT, REPLACE OR CAUSE A
19 REDUCTION IN OTHER SCHOOL DISTRICT, CHARTER SCHOOL, UNIVERSITY OR
20 COMMUNITY COLLEGE FUNDING SOURCES.

21 C. IF THE MONIES COLLECTED PURSUANT TO ARTICLE IX, SECTION 12.2,
22 CONSTITUTION OF ARIZONA, ARE INSUFFICIENT TO APPROPRIATE THE DOLLAR
23 AMOUNTS PROVIDED IN SUBSECTION A, PARAGRAPHS 3 AND 4 OF THIS SECTION, EACH
24 DOLLAR AMOUNT SHALL BE REDUCED PROPORTIONALLY BASED ON THE AMOUNT OF
25 MONIES COLLECTED FOR THAT PARAGRAPH.

26 D. FOR THE PURPOSES OF THIS SECTION:

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

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

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

34 42-5155. Levy of tax; tax rate; purchaser's liability

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

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

44 C. The tax rate shall equal the rate of tax prescribed by section
45 42-5010, subsection A as applied to retailers and utility businesses

1 according to the respective classification under articles 1 and 2 of this
2 chapter for the same type of transaction or business activity.

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

13 ~~E. From and after June 30, 2021 through June 30, 2041, in addition~~
14 ~~to the rate prescribed by subsection C of this section, an additional rate~~
15 ~~increment of six-tenths of one percent is imposed and shall be collected.~~
16 ~~The taxpayer shall pay taxes pursuant to this subsection at the same time~~
17 ~~and in the same manner as under subsection C of this section. The~~
18 ~~department shall separately account for the revenues collected with~~
19 ~~respect to the rate imposed pursuant to this subsection, and the state~~
20 ~~treasurer shall pay all of those revenues in the manner prescribed by~~
21 ~~section 42-5029.02, subsection A.~~

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

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

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

36 43-222. Income tax credit review schedule

37 The joint legislative income tax credit review committee shall
38 review the following income tax credits:

39 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087,
40 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

41 2. For years ending in 1 and 6, sections ~~43-1072.02~~, 43-1074.02,
42 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

43 3. For years ending in 2 and 7, sections 43-1073, 43-1080, 43-1085,
44 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164, 43-1169 and
45 43-1181.

1 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
2 43-1168, 43-1170 and 43-1178.

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

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

8 43-323. Place and form of filing returns

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

12 B. The department shall prescribe a short form return for
13 individual taxpayers who:

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

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

18 3. Elect not to file for credits against income tax liability other
19 than those contained in sections 43-1072, 43-1072.01, ~~43-1072.02~~ and
20 43-1073.

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

24 C. The department may provide a simplified return form for
25 individual taxpayers who:

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

28 2. Are residents for the full taxable year.

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

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

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

34 6. Elect to claim the optional standard deduction under section
35 43-1041.

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

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

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

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

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

- 23 1. The taxpayer has no computer.
- 24 2. The taxpayer has no internet access.
- 25 3. Any other circumstance considered to be worthy by the director
26 exists.

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

31 Sec. 19. Repeal

32 A. Section 43-1072.02, Arizona Revised Statutes, is repealed.

33 B. Laws 2018, chapter 74, sections 19 and 20 are repealed.

34 Sec. 20. Conforming legislation

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

38 Sec. 21. Conditional enactment

39 This act is effective from and after June 30, 2021 only if the
40 Constitution of Arizona is amended by a vote of the people at the next
41 general election by passage of House Concurrent Resolution _____,
42 fifty-fourth legislature, first regular session.