

State of Arizona
Senate
Fifty-fourth Legislature
Second Regular Session
2020

SB 1059

Introduced by
Senators Allen S: Brophy McGee

AN ACT

AMENDING SECTIONS 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 A NEW SECTION 42-5029.02; 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 15-241, Arizona Revised Statutes, is amended to
3 read:

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

9 A. On or before November 1 of each year, the department of
10 education shall compile for each public school and local education agency,
11 and shall recommend to the state board of education, an annual achievement
12 profile that consists of an educational dashboard that reflects the
13 achievement for each public school and local education agency on the
14 academic and educational performance indicators prescribed in subsection D
15 of this section. The department shall provide any technical assistance
16 needed by the state board to make final adoption of the annual achievement
17 profile.

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

24 C. The annual achievement profile compiled by the department of
25 education and recommended to the state board of education shall be used to
26 determine a standard measurement of acceptable academic progress for each
27 school and local education agency and a school and local education agency
28 classification pursuant to subsection G of this section. Any disclosure
29 of educational records compiled by the department pursuant to this section
30 shall comply with the family educational rights and privacy act of 1974
31 (20 United States Code section 1232g).

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

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

39 2. Academic progress on assessments adopted pursuant to sections
40 15-741 and 15-741.02 in English language arts and mathematics.

41 3. Academic progress on the English language learner assessments
42 administered pursuant to section 15-756, subsection B and section
43 15-756.05.

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, 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 for final adoption the criteria for each school and local education
21 agency classification. The department shall develop the methodology in
22 collaboration with a coalition of qualified technical and policy
23 stakeholders appointed by the state board. The department shall provide
24 technical assistance and, on request, student or statewide performance
25 indicator data needed to determine and calculate the methodology and final
26 letter grades. At a minimum, the methodology shall include the
27 performance of pupils at all achievement levels, account for pupil
28 mobility, account for the distribution of pupil achievement at each school
29 and local education agency and include longitudinal indicators of academic
30 performance. For the purposes of this subsection, "researched-based
31 methodology" means the systematic and objective application of statistical
32 and quantitative research principles to calculate the indicators used to
33 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 may also assign a school a
2 letter grade of F on each performance indicator of the annual achievement
3 profile prescribed in subsection D of this section if the state board
4 determines that the school is among the persistently lowest-achieving
5 schools in the state on the majority of the performance indicators of the
6 annual achievement profile under the federal school accountability
7 requirements pursuant to section 1003(g) of the elementary and secondary
8 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 for the purposes of this section.

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

34 K. The failing schools tutoring fund is established consisting of
35 monies collected pursuant to section 42-5029, subsection E ~~and section~~
36 ~~42-5029.02, subsection A, paragraph 8~~ as designated for this purpose **AND**
37 **ANY MONIES DISTRIBUTED PURSUANT TO SECTION 15-977 FOR THIS PURPOSE**. The
38 department of education shall administer the fund. The department may use
39 monies from the fund to purchase materials designed to assist students to
40 meet the Arizona academic standards and to achieve a passing score on
41 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. 2. 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~~ shall
29 work with staff at the school to assist in curricula alignment and shall
30 instruct teachers on how to increase pupil academic progress, considering
31 the school's annual achievement profile. The solutions team shall
32 consider the existing improvement plan to assess the need for changes to
33 curricula, professional development and resource allocation and shall
34 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. 3. 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 42-5029, subsection E, paragraph 5 and SECTION 42-5029.02, subsection A,
34 paragraph ~~5~~ 1, SUBDIVISION (a) and from any other source for the purposes
35 of this section are appropriated for state aid to schools as provided in
36 this 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. 4. Section 15-977, Arizona Revised Statutes, is amended to
2 read:

3 15-977. Classroom site fund; definitions

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

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

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

- 35 1. School district performance and school performance.
- 36 2. Individual teacher performance. ~~The individual teacher~~
37 ~~performance component shall account for thirty three percent of the forty~~
38 ~~percent allocation for teacher compensation based on performance and~~
39 ~~employment related expenses.~~
- 40 3. Measures of academic progress toward the academic standards
41 adopted by the state board of education.
- 42 4. Other measures of academic progress.
- 43 5. Dropout or graduation rates.
- 44 6. Attendance rates.
- 45 7. Ratings of school quality by parents.

1 8. Ratings of school quality by students.

2 9. The input of teachers and administrators.

3 10. Approval of the performance based compensation system based on
4 an affirmative vote of at least seventy percent of the teachers eligible
5 to participate in the performance based compensation system.

6 11. An appeals process for teachers who have been denied
7 performance based compensation.

8 12. Regular evaluation for effectiveness.

9 D. A performance based compensation system shall include teacher
10 professional development programs that are aligned with the elements of
11 the performance based compensation system.

12 E. A school district governing board may modify the elements
13 contained in subsection C of this section and consider additional elements
14 when adopting a performance based compensation system. A school district
15 governing board shall adopt any modifications or additional elements and
16 specify the criteria used at a public hearing.

17 F. Until December 31, 2009, each school district shall develop an
18 assessment plan for its performance based compensation system and submit
19 the plan to the department of education by December 31 of each year. A
20 copy of the performance based compensation system and assessment plan
21 adopted by the school district governing board shall be included in the
22 report submitted to the department of education.

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

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

32 2. The allocation to each charter school and school district for a
33 fiscal year shall equal the per pupil amount established in paragraph 1 of
34 this subsection for the fiscal year multiplied by the weighted student
35 count for the school district or charter school for the fiscal year
36 pursuant to section 15-943, paragraph 2, subdivision (a). For the
37 purposes of this paragraph, the weighted student count for a school
38 district that serves as the district of attendance for nonresident pupils
39 shall be increased to include nonresident pupils who attend school in the
40 school district.

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

43 1. Class size reduction.

44 2. Teacher compensation ~~increases~~.

45 ~~3. Assessment intervention programs.~~

- 1 ~~4.~~ 3. Teacher development.
- 2 ~~5.~~ 4. EDUCATIONAL INTERVENTIONS AND dropout prevention programs.
- 3 ~~6. Teacher liability insurance premiums.~~
- 4 5. VOLUNTARY FULL-DAY KINDERGARTEN.
- 5 6. STUDENT SUPPORT SERVICES.
- 6 7. TUTORING.
- 7 8. CHARACTER EDUCATION.
- 8 9. SCHOOL SAFETY.
- 9 10. CAREER AND TECHNICAL EDUCATION.
- 10 11. ACCOUNTABILITY PURPOSES AS PRESCRIBED IN SECTION 15-241 AND
- 11 CHAPTER 9, ARTICLE 8 OF THIS TITLE.
- 12 12. TRANSPORTATION.

13 I. The district governing board or charter school shall allocate
14 the classroom site fund monies to include, if possible, the priorities
15 identified by the principals of the schools while ensuring that the monies
16 maximize classroom opportunities and conform to the authorized
17 expenditures identified in subsection A of this section.

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

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

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

1 the Arizona state schools for the deaf and the blind. Except as otherwise
2 provided in this subsection, the Arizona state schools for the deaf and
3 the blind and the state education system for committed youth are subject
4 to this section in the same manner as school districts and charter
5 schools.

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

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

25 0. For the purposes of this section:

26 ~~1. "Assessment intervention" means summer programs, after school~~
27 ~~programs, before school programs or tutoring programs that are~~
28 ~~specifically designed to ensure that pupils meet the Arizona academic~~
29 ~~standards as measured by the statewide assessment prescribed by section~~
30 ~~15-741.~~

31 ~~2.~~ 1. "Class size reduction" means any maintenance and operations
32 expenditure that is designed to reduce the ratio of pupils to classroom
33 teachers, including the use of persons who serve as aides to classroom
34 teachers.

35 2. "STUDENT SUPPORT SERVICES" MEANS ANY EXPENDITURE IN THE STUDENT
36 SUPPORT SERVICES FUNCTION AS DEFINED IN THE UNIFORM SYSTEM OF FINANCIAL
37 RECORDS.

38 Sec. 5. Section 15-1409, Arizona Revised Statutes, is amended to
39 read:

40 15-1409. Community college tuition financing districts;
41 formation; powers and duties; issuance and sale of
42 bonds for capital outlay

43 A. A community college tuition financing district shall contract
44 with an existing community college district to provide instructional and
45 student services within the community college tuition financing district.

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

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

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

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

23 F. A community college tuition financing district is not eligible
24 to receive equalization aid pursuant to section 15-1468 or state
25 contribution for capital outlay for initial or additional campuses
26 pursuant to section 15-1463.

27 G. The state aid eligibility requirements prescribed in section
28 15-1466, subsection E, paragraphs 1 and 2 do not apply to community
29 college tuition financing districts.

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

39 I. If a community college tuition financing district is converted
40 into a community college district by the formation of a community college
41 district pursuant to section 15-1402 or 15-1402.01, the community college
42 tuition financing district is dissolved and any equipment, property,
43 personnel, liabilities and assets are transferred to the community college
44 district.

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

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

19 2. "Qualifying levy" means a levy that is at least equal to the sum
20 of the reimbursement payments and the amount of the community college
21 services provided in the fiscal year immediately before the year that a
22 levy was first adopted to support the operations of the community college
23 tuition financing district.

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

32 L. A community college tuition financing district may issue bonds
33 for capital outlay purposes in the same manner prescribed in section
34 15-1465 for community college districts. The county board of supervisors
35 is solely responsible for determining the encumbrance and approval of the
36 expenditure of the proceeds of the bonds issued pursuant to this
37 subsection and shall not delegate or transfer this authority to any other
38 entity.

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

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

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

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

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

15 ~~(b) After each district has received the payments prescribed in~~
16 ~~subdivision (a) of this paragraph, the remainder of monies in the fund~~
17 ~~shall be distributed to each COMMUNITY COLLEGE DISTRICT, EACH PROVISIONAL~~
18 ~~COMMUNITY COLLEGE district AND EACH COMMUNITY COLLEGE THAT IS OWNED,~~
19 ~~OPERATED OR CHARTERED BY A QUALIFYING INDIAN TRIBE ON ITS OWN INDIAN~~
20 ~~RESERVATION according to each district's ENTITY'S full-time equivalent~~
21 ~~student enrollment percentage of the total statewide audited full-time~~
22 ~~equivalent student enrollment in the preceding fiscal year prescribed in~~
23 ~~section 15-1466.01. The percentage distribution under this subdivision~~
24 ~~shall be adjusted annually on October 1 of each year.~~

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

29 F. Monies received under this section shall not be considered to be
30 local revenues for purposes of article IX, section 21, Constitution of
31 Arizona.

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

44 H. For the purposes of this ~~subsection~~ SECTION, "qualifying Indian
45 tribe" has the same meaning prescribed in section 42-5031.01.

1 Sec. 7. Section 15-1648, Arizona Revised Statutes, is amended to
2 read:

3 15-1648. Technology and research initiative fund; purpose;
4 annual report

5 A. The technology and research initiative fund is established
6 consisting of revenues transferred to the fund pursuant to section
7 42-5029, subsection E, paragraph 2 and section 42-5029.02, subsection A,
8 paragraph 2, **SUBDIVISION (a)**. The Arizona board of regents shall
9 administer the fund. The monies in the fund are continuously appropriated
10 to the Arizona board of regents for distribution pursuant to this section
11 and are exempt from the provisions of section 35-190 relating to lapsing
12 of appropriations.

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

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

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

24 (a) A specific academic or research field.

25 (b) ~~The expansion of~~ **EXPANDING** access to baccalaureate or
26 postbaccalaureate education for time-bound and place-bound students.

27 (c) ~~The implementation of~~ **IMPLEMENTING** recommendations of the
28 Arizona partnership for the new economy or the governor's task force on
29 higher education.

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

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

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

38 D. The Arizona board of regents shall submit a report to the
39 governor, the president of the senate and the speaker of the house of
40 representatives on or before September 1 of each year on the technology
41 and research award program and shall transmit a copy to the secretary of
42 state. The report shall include a description of the amount and duration
43 of each new award distributed and a description of the purpose and goals
44 for each award. For existing awards, the Arizona board of regents shall

1 use a detailed set of performance measures to determine the overall
2 effectiveness of each award.

3 Sec. 8. Section 15-2084, Arizona Revised Statutes, is amended to
4 read:

5 15-2084. School improvement revenue bond debt service fund

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

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

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

20 Sec. 9. Section 15-2085, Arizona Revised Statutes, is amended to
21 read:

22 15-2085. Securing principal and interest

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

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

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

41 3. Establish priorities among bondholders based on criteria adopted
42 by the board.

43 4. Set aside, regulate and dispose of reserves and sinking
44 accounts.

1 account, separately accounting for the monies designated as distribution
2 base under sections 42-5010, 42-5164 and 42-5205. Each month the
3 department shall report to the state treasurer the amount of monies
4 collected pursuant to this article and articles 4, 5 and 8 of this
5 chapter.

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

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

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

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

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

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

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

28 (a) Average the following proportions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
35 \$86,280,500.

36 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
37 this subsection, seven million eight hundred thousand dollars appropriated
38 each fiscal year, to be paid in monthly installments, to the department of
39 education to be used for school safety as provided in section 15-154 and
40 two hundred thousand dollars is appropriated each fiscal year, to be paid
41 in monthly installments to the department of education to be used for the
42 character education matching grant program as provided in section
43 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. 12. 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~~ 3, 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. 13. Repeal

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

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

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

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

13 C. IF THE MONIES COLLECTED PURSUANT TO SECTION 42-5010.01 AND
14 SECTION 42-5155, SUBSECTION E ARE INSUFFICIENT TO APPROPRIATE THE DOLLAR
15 AMOUNTS PROVIDED IN THIS SECTION, EACH DOLLAR AMOUNT SHALL BE REDUCED
16 PROPORTIONALLY BASED ON THE AMOUNT OF MONIES COLLECTED FOR THAT PARAGRAPH.

17 D. FOR THE PURPOSES OF THIS SECTION:

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

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

23 Sec. 15. Title 42, chapter 5, article 1, Arizona Revised Statutes
24 is amended by adding a new section 42-5029.02, to read:

25 42-5029.02. Distribution of revenues for primary, secondary
26 and higher education; definitions

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

30 1. SEVENTY-FIVE PERCENT OF THE AMOUNT GENERATED BY THE TAX TO BE
31 PAID IN MONTHLY INSTALLMENTS TO THE CLASSROOM SITE FUND ESTABLISHED BY
32 SECTION 15-977, EXCEPT THAT \$86,280,500 OF THE AMOUNT DISTRIBUTED PURSUANT
33 TO THIS PARAGRAPH SHALL BE PAID ANNUALLY IN MONTHLY INSTALLMENTS TO THE
34 DEPARTMENT OF EDUCATION TO FUND BASIC STATE AID.

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

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

42 (b) AFTER THE DISTRIBUTION PRESCRIBED IN SUBDIVISION (a) OF THIS
43 PARAGRAPH, THE REMAINING MONIES SHALL BE DISTRIBUTED TO THE ARIZONA BOARD
44 OF REGENTS TO BE DISTRIBUTED PROPORTIONALLY TO EACH UNIVERSITY BASED ON

1 THE NUMBER OF STUDENTS WHO RECEIVE IN-STATE TUITION AT THAT UNIVERSITY TO
2 SUBSIDIZE RESIDENT STUDENT TUITION COSTS.

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

5 (a) \$1,500,000 TO THE TRADE AND WORKFORCE DEVELOPMENT ACCOUNT
6 ESTABLISHED BY EACH COMMUNITY COLLEGE DISTRICT PURSUANT TO SECTION 15-1472
7 FOR THE PURPOSE OF INVESTING IN TRADE AND WORKFORCE DEVELOPMENT PROGRAMS.

8 (b) THE FOLLOWING AMOUNTS TO EACH PROVISIONAL COMMUNITY COLLEGE
9 DISTRICT AS PRESCRIBED IN SECTION 15-1409 AND TO THE TREASURER OR OTHER
10 DESIGNATED DEPOSITORY OF EACH QUALIFYING INDIAN TRIBE FOR EACH COMMUNITY
11 COLLEGE THAT IS OWNED, OPERATED OR CHARTERED ON ITS OWN INDIAN RESERVATION
12 BASED ON THE FULL-TIME EQUIVALENT STUDENT COUNT PROVIDED IN EACH ITEM OF
13 THIS SUBDIVISION, EXCEPT THAT A COMMUNITY COLLEGE TUITION FINANCING
14 DISTRICT ESTABLISHED PURSUANT TO SECTION 15-1409 MAY NOT RECEIVE MONIES
15 PURSUANT TO THIS SUBDIVISION:

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

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

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

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

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

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

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

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

40 D. FOR THE PURPOSES OF THIS SECTION:

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

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

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

3 42-5155. Levy of tax; tax rate; purchaser's liability

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

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

13 C. The tax rate shall equal the rate of tax prescribed by section
14 42-5010, subsection A as applied to retailers and utility businesses
15 according to the respective classification under articles 1 and 2 of this
16 chapter for the same type of transaction or business activity.

17 D. In addition to the rate prescribed by subsection C of this
18 section, if approved by the qualified electors voting at a statewide
19 general election, an additional rate increment of six-tenths of one per
20 cent is imposed and shall be collected through June 30, 2021. The
21 taxpayer shall pay taxes pursuant to this subsection at the same time and
22 in the same manner as under subsection C of this section. The department
23 shall separately account for the revenues collected with respect to the
24 rate imposed pursuant to this subsection, and the state treasurer shall
25 pay all of those revenues in the manner prescribed by section 42-5029,
26 subsection E.

27 ~~E. From and after June 30, 2021 through June 30, 2041, in addition~~
28 ~~to the rate prescribed by subsection C of this section, an additional rate~~
29 ~~increment of six-tenths of one percent is imposed and shall be collected.~~
30 ~~The taxpayer shall pay taxes pursuant to this subsection at the same time~~
31 ~~and in the same manner as under subsection C of this section. The~~
32 ~~department shall separately account for the revenues collected with~~
33 ~~respect to the rate imposed pursuant to this subsection, and the state~~
34 ~~treasurer shall pay all of those revenues in the manner prescribed by~~
35 ~~section 42-5029.02, subsection A.~~

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

40 ~~G.~~ F. A receipt from a retailer or utility business that maintains
41 a place of business in this state or from a retailer or utility business
42 that is authorized by the department to collect the tax, under such rules
43 as it may prescribe, and that is for the purposes of this article regarded
44 as a retailer or utility business maintaining a place of business in this
45 state, given to the purchaser as provided in section 42-5161 is sufficient

1 to relieve the purchaser from further liability for the tax to which the
2 receipt refers.

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

5 43-222. Income tax credit review schedule

6 The joint legislative income tax credit review committee shall
7 review the following income tax credits:

8 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087,
9 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

10 2. For years ending in 1 and 6, sections ~~43-1072.02~~, 43-1074.02,
11 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

12 3. For years ending in 2 and 7, sections 43-1073, 43-1080, 43-1085,
13 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164, 43-1169 and
14 43-1181.

15 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
16 43-1168, 43-1170 and 43-1178.

17 5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,
18 43-1081.01, 43-1084, 43-1162, 43-1164.05, 43-1170.01 and 43-1184 and,
19 beginning in 2019, sections 43-1083.03 and 43-1164.04.

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

22 43-323. Place and form of filing returns

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

26 B. The department shall prescribe a short form return for
27 individual taxpayers who:

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

30 2. Elect to claim the optional standard deduction pursuant to
31 section 43-1041, subsection A, but not the increased amount for charitable
32 deductions under section 43-1041, subsection I.

33 3. Elect not to file for credits against income tax liability other
34 than those contained in sections 43-1072, 43-1072.01, ~~43-1072.02~~, 43-1073
35 and 43-1073.01.

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

39 C. The department may provide a simplified return form for
40 individual taxpayers who:

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

43 2. Are residents for the full taxable year.

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

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

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

6 6. Elect to claim the optional standard deduction under section
7 43-1041, subsection A, but not the increased amount for charitable
8 deductions under section 43-1041, subsection I.

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

13 8. Do not elect to contribute a portion of any tax refund as
14 provided by any provision of chapter 6, article 1 of this title.
15 Notwithstanding any provision of chapter 6, article 1 of this title, a
16 simplified return form under this subsection shall not include any space
17 for the taxpayer to so contribute a portion of a refund.

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

21 E. An individual income tax preparer who prepares more than ten
22 original income tax returns that are timely filed during any taxable year
23 that begins from and after December 31, 2017 shall file electronically all
24 individual tax returns prepared by that tax preparer, for that taxable
25 year and each subsequent taxable year. An individual income tax preparer
26 may not charge a separate fee to the taxpayer for filing a return using
27 the department's electronic filing program. This subsection does not
28 apply if the taxpayer elects to have the return filed on paper or if the
29 return cannot be filed electronically for reasons outside of the tax
30 preparer's control.

31 F. Fiduciary returns, partnership returns, withholding returns and
32 corporate returns shall be filed electronically for taxable years
33 beginning from and after December 31, 2019, or when the department
34 establishes an electronic filing program, whichever is later. Any person
35 who is required to file electronically pursuant to this subsection may
36 apply to the director, on a form prescribed by the department, for an
37 annual waiver from the electronic filing requirement. The director may
38 grant the waiver, which may be renewed for one subsequent year, if any of
39 the following applies:

40 1. The taxpayer has no computer.

41 2. The taxpayer has no internet access.

42 3. Any other circumstance considered to be worthy by the director
43 exists.

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

5 Sec. 19. Repeal

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

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

8 Sec. 20. Conforming legislation

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

12 Sec. 21. Effective date

13 Except as provided in sections 22 and 23 of this act, this act is
14 effective from and after June 30, 2021.

15 Sec. 22. Conditional enactment

16 Section 42-5029.02, Arizona Revised Statutes, as added by section 14
17 of this act, is effective from and after June 30, 2021 only if the
18 Constitution of Arizona is not amended at the next general election by
19 Senate Concurrent Resolution ____, fifty-fourth legislature, second
20 regular session.

21 Sec. 23. Conditional enactment

22 Section 42-5010.01, Arizona Revised Statutes, as repealed by this
23 act, section 42-5029, Arizona Revised Statutes, as amended by this act,
24 section 42-5029.02, Arizona Revised Statutes, as added by section 15 of
25 this act, and section 42-5155, Arizona Revised Statutes, as amended by
26 this act, are effective from and after June 30, 2021 only if the
27 Constitution of Arizona is amended by a vote of the people at the next
28 general election by passage of Senate Concurrent Resolution ____,
29 fifty-fourth legislature, second regular session.