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

SENATE BILL 1059

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 AND 43-1072.02, ARIZONA REVISED STATUTES; AMENDING LAWS 2018, CHAPTER 74, SECTION 19; RELATING TO TRANSACTION PRIVILEGE AND USE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

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

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

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

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

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

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

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

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

3. Academic progress on the English language learner assessments administered pursuant to section 15-756, subsection B and section 15-756.05.
4. Progress toward college and career readiness for all schools and local education agencies that offer instruction in any of grades nine through twelve.

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

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

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

F. Subject to final adoption by the state board of education, the department of education shall determine the criteria for each school and local education agency classification on each performance indicator of the annual achievement profile prescribed in subsection D of this section using a researched-based methodology and shall recommend to the state board for final adoption the criteria for each school and local education agency classification. The department shall develop the methodology in collaboration with a coalition of qualified technical and policy stakeholders appointed by the state board. The department shall provide technical assistance and, on request, student or statewide performance indicator data needed to determine and calculate the methodology and final letter grades. At a minimum, the methodology shall include the performance of pupils at all achievement levels, account for pupil mobility, account for the distribution of pupil achievement at each school and local education agency and include longitudinal indicators of academic performance. For the purposes of this subsection, "researched-based methodology" means the systematic and objective application of statistical and quantitative research principles to calculate the indicators used to determine A through F letter grades.

G. The annual achievement profile shall use classifications based on an A through F letter grade system adopted by the state board of education in which a letter grade of A reflects an excellent level of performance and a letter grade of F reflects a failing level of performance. The A through F letter grade system shall be applied to each performance indicator of the annual achievement profile prescribed in subsection D of this section, and the state board shall assign an overall letter grade for the public school or local education agency. The A through F letter grade system shall indicate expected standards of performance for all schools on each performance indicator of the annual achievement profile prescribed in subsection D of this section and the manner in which schools may rise above or fall below those expected
standards of performance. The state board may also assign a school a letter grade of F on each performance indicator of the annual achievement profile prescribed in subsection D of this section if the state board determines that the school is among the persistently lowest-achieving schools in the state on the majority of the performance indicators of the annual achievement profile under the federal school accountability requirements pursuant to section 1003(g) of the elementary and secondary education act (20 United States Code section 6303).

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

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

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

K. The failing schools tutoring fund is established consisting of monies collected pursuant to section 42-5029, subsection E and section 42-5029.02, subsection A, paragraph 8 as designated for this purpose AND ANY MONIES DISTRIBUTED PURSUANT TO SECTION 15-977 FOR THIS PURPOSE. The department of education shall administer the fund. The department may use monies from the fund to purchase materials designed to assist students to meet the Arizona academic standards and to achieve a passing score on assessments adopted by the state board of education.

L. For the purposes of this section, "academic progress" means measures of both proficiency and academic gain.
Sec. 2. Section 15-241.02, Arizona Revised Statutes, is amended to read:

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

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

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

C. If a charter school is assigned a letter grade of D pursuant to section 15-241, within thirty days the school shall notify the parents of the students attending the school of the classification. The notice shall explain the improvement plan process and provide information regarding the public meeting required by this subsection. Within ninety days after receiving the classification, the charter holder shall present an improvement plan to the charter sponsor at a public meeting and submit a copy of the plan to the sponsor of the charter school. The charter holder shall include in the improvement plan necessary components as identified by the state board of education. The school is not eligible to receive monies from the classroom site fund established by section 15-977 for every day that an improvement plan has not been received by the sponsor of the charter school within the time specified in this subsection plus an additional ninety days. The charter holder shall appear before the
D. If a school is assigned a letter grade of D pursuant to section 15-241 for a third consecutive year, the department of education shall visit the school site to confirm the classification data and to review the implementation of the school's improvement plan. The school shall be assigned a letter grade of F unless an alternate letter grade is assigned after an appeal pursuant to section 15-241, subsection J. A school that is assigned a letter grade of D for fewer than three consecutive years may also be assigned a letter grade of F if the state board of education determines that there is no reasonable likelihood that the school will achieve an average level of performance within the next two years.

E. The superintendent of public instruction and the county educational service agency shall collaborate to assign a solutions team to a school assigned a letter grade of D pursuant to section 15-241 or a school assigned a letter grade of F pursuant to section 15-241 based on academic need and available resources. County educational service agencies may enter into agreements to provide services to schools from other counties. Any other school, subject to available resources, may be assigned a solutions team pursuant to a mutual agreement between the department of education or the county education service agency, or both, and the school. The solutions team shall be composed of master teachers, fiscal analysts and curriculum assessment experts who are certified by the state board of education as Arizona academic standards technicians. The department of education or the county educational service agency may hire or contract with administrators, principals and teachers who have demonstrated experience in improving academic outcomes and may use these personnel as part of the solutions team. The department of education shall work with staff at the school to assist in curricula alignment and shall instruct teachers on how to increase pupil academic progress, considering the school's annual achievement profile. The solutions team shall consider the existing improvement plan to assess the need for changes to curricula, professional development and resource allocation and shall present a statement of its findings to the school administrator and district superintendent. Within forty-five days after the presentation of the solutions team's statement of findings, the school district governing board, in cooperation with each school within the school district that is assigned a letter grade of D and its assigned solutions team representative, shall develop and submit to the department of education and the county educational service agency an action plan that details the manner in which the school district will assist the school as the school incorporates the findings of the solutions team into the improvement plan. The department of education shall review the action plan and shall either accept the action plan or return the action plan to the school district for modification. If the school district does not submit an approved

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

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

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

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

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

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

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

1. Whether and to what extent the local governing board may participate in the operation of the school, including personnel matters.
2. Whether and to what extent the state board will participate in the operation of the school.
3. Resource allocation pursuant to subsection M of this section.
4. Provisions for the development and submittal of a school improvement plan to be presented in a public meeting at the school.
5. A suggested time frame for the alternative operation of the school.
L. The state board of education shall periodically review the status of a school that is operated by an organization other than the school district governing board to determine whether the operation of the school should be returned to the school district governing board. Before the state board makes a determination, the state board or its designee shall meet with the school district governing board or its designee to determine the time frame, operational considerations and appropriate continuation of existing improvements that are necessary to ensure a smooth transition of authority from the other organization back to the school district governing board.

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

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

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

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

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

Q. The state board of education shall adopt guidelines to include supplementary training in reading instruction for teachers who provide instruction to pupils in a kindergarten program or grade one, two or three in an improvement plan pursuant to subsection A of this section.
R. In addition to any other corrective procedures prescribed in this section and sections 15-241 and 15-241.01, a school that has been assigned a letter grade of D or F for two consecutive years shall implement a science, technology, engineering and mathematics intervention strategy under the supervision of the state board of education.

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

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

Sec. 3. Section 15-971, Arizona Revised Statutes, is amended to read:

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

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

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

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

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

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

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

The qualifying tax rate shall be applied in the following manner:

(a) For the purposes of the amount determined in subsection A, paragraph 1 of this section:
(i) Determine separately the percentage that the weighted student count in preschool programs for children with disabilities, kindergarten programs and grades one through eight and the weighted student count in grades nine through twelve is to the weighted student count determined in subtotal A as provided in section 15-943, paragraph 2, subdivision (a).  
(ii) Apply the percentages determined in item (i) of this subdivision to the amount determined in subsection A, paragraph 1 of this section.  
(b) For the purposes of the amounts determined in subsection A, paragraph 2 of this section, determine separately the amount of the district additional assistance attributable to the student count in preschool programs for children with disabilities, kindergarten programs and grades one through eight and grades nine through twelve.  
(c) From the amounts determined in subdivisions (a) and (b) of this paragraph, subtract the levy that would be produced by the current qualifying tax rate for a high school district or a common school district within a high school district that does not offer instruction in high school subjects as provided in section 15-447. If the qualifying tax rate generates a levy that is in excess of the total determined in subsection A of this section, the school district shall not be eligible for equalization assistance. For the purposes of this subsection, "assessed valuation" includes the values used to determine voluntary contributions collected pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article 8 and the assessed value of all property subject to the government property lease excise tax pursuant to title 42, chapter 6, article 5.  
3. The amount that would be produced by levying a qualifying tax rate in a career technical education district, which shall be five cents per one hundred dollars assessed valuation unless the legislature sets a lower rate by law.  
C. County aid for equalization assistance for education shall be computed as follows:  
1. Determine the total equalization assistance for all school districts in the county as provided in subsections A and B of this section.  
2. Determine the total amount of state equalization assistance collected for all school districts in the county as provided in section 15-994.  
3. Divide the amount determined in paragraph 2 of this subsection by the amount determined in paragraph 1 of this subsection.  
4. Multiply the amount determined in subsections A and B of this section by the quotient determined in paragraph 3 of this subsection for each school district.
5. The amount determined in paragraph 4 of this subsection shall be the county aid for equalization assistance for education for a school district.

D. State aid for equalization assistance for education for a school district shall be computed as follows:
   
   1. Determine the equalization assistance for education for a school district as provided in subsections A and B of this section.
   
   2. For each county, determine the levy that would be produced by the state equalization assistance property tax rate prescribed in section 15-994, subsection A.
   
   3. Prorate the amount determined in paragraph 2 of this subsection to each school district in the county as prescribed by subsection C of this section.
   
   4. Subtract the amount determined in paragraph 3 of this subsection from the amount determined in paragraph 1 of this subsection.

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

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

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

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

I. The total amount of state monies that may be spent in any fiscal year for state equalization assistance shall not exceed the amount appropriated or authorized by section 35-173 for that purpose. This section does not impose a duty on an officer, agent or employee of this state to discharge a responsibility or create any right in a person or group if the discharge or right would require an expenditure of state monies in excess of the expenditure authorized by legislative appropriation for that specific purpose.
Sec. 4. Section 15-977, Arizona Revised Statutes, is amended to read:

15-977. Classroom site fund: definitions

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

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

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

2. Individual teacher performance. The individual teacher performance component shall account for thirty three percent of the forty percent allocation for teacher compensation based on performance and employment related expenses.
3. Measures of academic progress toward the academic standards adopted by the state board of education.
4. Other measures of academic progress.
5. Dropout or graduation rates.
6. Attendance rates.
7. Ratings of school quality by parents.
8. Ratings of school quality by students.

9. The input of teachers and administrators.

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

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

12. Regular evaluation for effectiveness.

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

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

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

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

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

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

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

1. Class size reduction.

2. Teacher compensation increases, including a base pay and performance pay component.
3. Assessment intervention programs.
4. Teacher development.
5. EDUCATIONAL INTERVENTIONS AND dropout prevention programs.
6. Teacher liability insurance premiums.

5. VOLUNTARY FULL-DAY KINDERGARTEN.
6. STUDENT SUPPORT SERVICES.
7. TUTORING.
8. CHARACTER EDUCATION.
9. SCHOOL SAFETY.
10. CAREER AND TECHNICAL EDUCATION.
11. SCHOOL IMPROVEMENT.
12. TRANSPORTATION.

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

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

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

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

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

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

O. For the purposes of this section:
   1. "Assessment intervention" means summer programs, after school
   programs, before school programs or tutoring programs that are
   specifically designed to ensure that pupils meet the Arizona academic
   standards as measured by the statewide assessment prescribed by section
   15-741.
   2. 1. "Class size reduction" means any maintenance and operations
   expenditure that is designed to reduce the ratio of pupils to classroom
   teachers, including the use of persons who serve as aides to classroom
   teachers.
   2. "STUDENT SUPPORT SERVICES" MEANS ANY EXPENDITURE IN THE STUDENT
   SUPPORT SERVICES FUNCTION AS DEFINED IN THE UNIFORM SYSTEM OF FINANCIAL
   RECORDS.

Sec. 5. Section 15-1409, Arizona Revised Statutes, is amended to
read:
15-1409. Community college tuition financing districts;
formation; powers and duties; issuance and sale of
bonds for capital outlay
A. A community college tuition financing district shall contract
with an existing community college district to provide instructional and
student services within the community college tuition financing district.
B. The minimum assessed valuation and population requirements prescribed in section 15-1402 do not apply to community college tuition financing districts.

C. A community college tuition financing district shall be formed in the same manner prescribed in sections 15-1403 and 15-1404, except that the county board of supervisors shall serve as the governing board of the community college tuition financing district and the county board of supervisors by majority vote may adopt a resolution to submit the question of the formation of a community college tuition financing district and the approval of a proposed tax rate to fund the community college tuition financing district directly to the qualified electors of the county at a special or general election called for that purpose as prescribed in section 16-204 and title 35, chapter 3, article 3. The resolution adopted by the county board of supervisors shall include a statement that the primary property tax levy limit for the community college tuition financing district shall be NOT less than the levy limit of the most recently formed community college district in this state.

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

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

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

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

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

I. If a community college tuition financing district is converted into a community college district by the formation of a community college district pursuant to section 15-1402 or 15-1402.01, the community college tuition financing district is dissolved and any equipment, property, personnel, liabilities and assets are transferred to the community college district.
J. If a community college tuition financing district is formed in a county that provides reimbursement for the attendance of nonresident state students pursuant to section 15-1469, that county shall continue to provide reimbursement payments to community college districts as set forth in section 15-1469 until the fiscal year in which a qualifying levy is adopted and budgeted in support of the community college tuition financing district by the county board of supervisors. The total reimbursement payments due to other community college districts in any fiscal year pursuant to section 15-1469 shall be reduced by the amount of any nonqualifying levy expended in the prior fiscal year. This reduction shall be shared by each community college district that receives a reimbursement payment from the county based on that community college district’s proportionate number of full-time equivalent students from the county where the community college tuition financing district is located.

For the purposes of this subsection:

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

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

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

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

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

1. May continue to operate as a provisional community college district. The governing board of a provisional community college district that began operations before January 1, 2015 shall continue to be elected in the same manner prescribed in section 15-1441.
1. Is not eligible to receive monies pursuant to section 15-784 or
2. section 15-1472, subsection D, paragraph 2, subdivision (a) 42-5029.02,
3. SUBSECTION A, PARAGRAPH 5, SUBDIVISION (b).
4. Is not eligible for equalization aid pursuant to section
5. 15-1468.
6. Is not a board as defined in section 15-1481.
7. Unless otherwise specified, is a community college district for
8. THE purposes of section 42-5029 or 42-5029.02.
9. 6. Is not subject to section 42-17056.
10. Sec. 6. Section 15-1472, Arizona Revised Statutes, is amended to
11. read:
12. 15-1472. Community college district trade and workforce
devolution accounts; reports; definition
13. A. Each community college district shall establish a separate TRADE
14. AND workforce development account to receive only tax revenues authorized
15. pursuant to section 42-5029, subsection E, paragraph 3 and section
16. 42-5029.02, subsection A, paragraph 5, SUBDIVISION (a). Each community
17. college district board shall approve the expenditure of these monies in
18. accordance with section 15-1461 and consistent with subsection B of this
19. section.
20. B. Monies received pursuant to subsection A of this section shall
21. be expended for TRADE AND workforce development and job training purposes.
22. These expenditures may include:
23. 1. Partnerships with businesses and educational institutions.
24. 2. Additional faculty for improved and expanded classroom
25. instruction and course offerings.
26. 3. Technology, equipment and technology infrastructure for advanced
27. teaching and learning in classrooms or laboratories.
28. 4. Student services such as assessment, advisement and counseling
29. for new and expanded job opportunities.
30. 5. The purchase, lease or lease-purchase of real property, for new
31. construction, remodeling or repair of buildings or facilities on real
32. property.
33. C. The state treasurer shall transfer monies under this section
34. into each district's TRADE AND workforce development account by the
35. fifteenth day of each month. The state treasurer shall also allocate and
36. distribute any pooled interest earnings earned from revenues authorized in
37. section 42-5029, subsection E, paragraph 3 and section 42-5029.02,
38. subsection A, paragraph 5, SUBDIVISION (a) to each district in
39. accordance with the method prescribed in subsection D, paragraph 2 of this
40. section.
41. D. Revenues authorized for community college districts in section
42. 42-5029, subsection E, paragraph 3 and section 42-5029.02, subsection A,
43. paragraph 5, SUBDIVISION (c) shall be distributed by the THIS state in
44. the following manner.
1. For thirteen fiscal years beginning in fiscal year 2001-2002 the state treasurer shall allocate one million dollars per fiscal year for the purpose of bringing this state into compliance with the matching capital requirements prescribed in section 15-1463. The state treasurer shall distribute the monies authorized in this subsection to each district in the order in which each campus qualified for funding pursuant to section 15-1463.

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

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

   (b) After each district has received the payments prescribed in subdivision (a) of this paragraph, the remainder of monies in the fund shall be distributed to each community college district, each provisional community college district, each community college that is owned, operated or chartered by a qualifying Indian tribe on its own Indian reservation according to each district's full-time equivalent student enrollment percentage of the total statewide audited full-time equivalent student enrollment in the preceding fiscal year prescribed in section 15-1466.01. The percentage distribution under this subdivision shall be adjusted annually on October 1 of each year.

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

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

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

H. For the purposes of this subsection "qualifying Indian tribe" has the same meaning prescribed in section 42-5031.01.
Sec. 7. Section 15-1648, Arizona Revised Statutes, is amended to read:

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

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

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

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

1. The award must be related to one of the following:
   (a) A specific academic or research field.
   (b) The expansion of EXPANDING access to baccalaureate or postbaccalaureate education for time-bound and place-bound students.
   (c) The implementation of IMPLEMENTING recommendations of the Arizona partnership for the new economy or the governor's task force on higher education.

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

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

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

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

Sec. 8. Section 15-2084, Arizona Revised Statutes, is amended to 2 read:

15-2084. School improvement revenue bond debt service fund

A. The school facilities board shall establish a school improvement 3 revenue bond debt service fund consisting of monies received by the school 4 facilities board pursuant to section 42-5029, subsection E, section 5 42-5029.02, subsection A, paragraph 1 and section 37-521, subsection B, 6 paragraph 1. All monies received pursuant to section 42-5029, subsection 7 E and section 42-5029.02, subsection A, paragraph 1 shall be accounted for 8 separately and shall be used only for debt service of school improvement 9 revenue bonds. All monies received pursuant to section 37-521, subsection 10 B, paragraph 1 shall be accounted for separately and shall be used only 11 for debt service of qualified zone academy bonds.

B. Monies in the school improvement revenue bond debt service fund 12 may be used only for the purposes authorized by this article.

C. The state treasurer or bond trustee shall administer and account 13 for the school improvement revenue bond debt service fund.

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

15-2085. Securing principal and interest

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:

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.

2. Provide that the bonds issued under this article 32 BE secured 33 by a first lien on the monies paid into the school improvement revenue 34 bond debt service fund as provided by section 42-5029, subsection E, 35 paragraph 1 and section 42-5029.02, subsection A, paragraph 1 and pledge 36 and assign to or in trust for the benefit of the holder or holders of the 37 bonds all or part of the monies in the school improvement revenue bond 38 debt service fund, in any account or subaccount in the fund or in the 39 school improvement revenue bond proceeds fund as is necessary to secure 40 and pay the principal, the interest and any premium on the bonds as they 41 come due.

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

4. Set aside, regulate and dispose of reserves and sinking 44 accounts.
5. Prescribe the procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent to and the manner in which the consent may be given.

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

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

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

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

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

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

Sec. 10. Repeal
Section 42-5010.01, Arizona Revised Statutes, is repealed.

Sec. 11. Section 42-5029, Arizona Revised Statutes, is amended to read:

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

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

1. Payments of estimated tax under section 42-5014, subsection D.
2. Revenues collected pursuant to section 42-5070.
3. Revenues collected under this article and article 5 of this chapter from and after June 30, 2000 from sources located on Indian reservations in this state.
4. Revenues collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D.

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

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

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

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

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

2. Pay 38.08 percent to the counties in this state by averaging the following proportions:
   (a) The proportion that the population of each county bears to the total state population.
   (b) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B and section 42-5205, subsection B bear to the total distribution base monies collected under this article, section 42-5164, subsection B and section 42-5205, subsection B throughout the state for the calendar month.

3. Pay an additional 2.43 percent to the counties in this state as follows:
   (a) Average the following proportions:
      (i) The proportion that the assessed valuation used to determine secondary property taxes of each county, after deducting that part of the assessed valuation that is exempt from taxation at the beginning of the month for which the amount is to be paid, bears to the total assessed valuations used to determine secondary property taxes of all the counties after deducting that portion of the assessed valuations that is exempt from taxation at the beginning of the month for which the amount is to be paid. Property of a city or town that is not within or contiguous to the municipal corporate boundaries and from which water is or may be withdrawn or diverted and transported for use on other property is considered to be taxable property in the county for purposes of determining assessed valuation in the county under this item.
      (ii) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B and section 42-5205, subsection B bear to the total distribution base monies collected under this article, section 42-5164,
subsection B and section 42-5205, subsection B throughout the THIS state for the calendar month.

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

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

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

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

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

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

1. If there are outstanding state school facilities revenue bonds pursuant to title 15, chapter 16, article 7, each month one-twelfth of the amount that is necessary to pay the fiscal year’s debt service on outstanding state school improvement revenue bonds for the current fiscal year shall be transferred each month to the school improvement revenue bond debt service fund established by section 15-2084. The total amount of bonds for which these monies may be allocated for the payment of debt service shall not exceed a principal amount of eight hundred million dollars exclusive of refunding bonds and other refinancing obligations.
2. After any transfer of monies pursuant to paragraph 1 of this subsection, twelve per cent of the remaining monies collected during the preceding month shall be transferred to the technology and research initiative fund established by section 15-1648 to be distributed among the universities for the purpose of investment in technology and research-based initiatives.

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

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

5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the following amounts shall be transferred each month to the department of education for the increased cost of basic state aid under section 15-971 due to added school days and associated teacher salary increases enacted in 2000:
   (a) In fiscal year 2001-2002, $15,305,900.
   (b) In fiscal year 2002-2003, $31,530,100.
   (c) In fiscal year 2003-2004, $48,727,700.
   (d) In fiscal year 2004-2005, $66,957,200.
   (e) In fiscal year 2005-2006 and each fiscal year thereafter, $86,280,500.

6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, seven million eight hundred thousand dollars appropriated each fiscal year, to be paid in monthly installments, to the department of education to be used for school safety as provided in section 15-154 and two hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments to the department of education to be used for the character education matching grant program as provided in section 15-154.01.
7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, no more than seven million dollars may be appropriated by the legislature each fiscal year to the department of education to be used for accountability purposes as described in section 15-241 and title 15, chapter 9, article 8.

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

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

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

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

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

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

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

G. Notwithstanding subsection D of this section, if a court of competent jurisdiction finally determines that tax monies distributed under this section were illegally collected under this article or articles 5 and 8 of this chapter and orders the monies to be refunded to the taxpayer, the department shall compute the amount of such monies that was distributed to each city, town and county under this section. Each city's, town's and county's proportionate share of the costs shall be based on the amount of the original tax payment each municipality and county received. Each month the state treasurer shall reduce the amount otherwise distributable to the city, town and county under this section by one thirty-sixth 1/36 of the total amount to be recovered from the city, town or county until the total amount has been recovered, but the monthly reduction for any city, town or county shall not exceed ten percent of the full monthly distribution to that entity. The reduction shall begin for the first calendar month after the final disposition of the case and shall continue until the total amount, including interest and costs, has been recovered.
H. On receiving a certificate of default from the greater Arizona development authority pursuant to section 41-2257 or 41-2258 and to the extent not otherwise expressly prohibited by law, the state treasurer shall withhold from the next succeeding distribution of monies pursuant to this section due to the defaulting political subdivision the amount specified in the certificate of default and immediately deposit the amount withheld in the greater Arizona development authority revolving fund. The state treasurer shall continue to withhold and deposit the monies until the greater Arizona development authority certifies to the state treasurer that the default has been cured. In no event may the state treasurer withhold any amount that the defaulting political subdivision certifies to the state treasurer and the authority as being necessary to make any required deposits then due for the payment of principal and interest on bonds of the political subdivision that were issued before the date of the loan repayment agreement or bonds and that have been secured by a pledge of distributions made pursuant to this section.

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

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

K. On notice from the auditor general pursuant to section 9-626, subsection D, the state treasurer shall withhold from the distribution of monies pursuant to this section to the affected city the amount computed pursuant to section 9-626, subsection D. The state treasurer shall continue to withhold monies pursuant to this subsection until the entire amount specified in the notice has been withheld. The state treasurer shall credit any monies withheld pursuant to this subsection to the state general fund as provided by subsection D, paragraph 4 of this section.
L. Except as otherwise provided by this subsection, on notice from the attorney general pursuant to section 41-194.01, subsection B, paragraph 1 that an ordinance, regulation, order or other official action adopted or taken by the governing body of a county, city or town violates state law or the Constitution of Arizona, the state treasurer shall withhold the distribution of monies pursuant to this section to the affected county, city or town and shall continue to withhold monies pursuant to this subsection until the attorney general certifies to the state treasurer that the violation has been resolved. The state treasurer shall redistribute the monies withheld pursuant to this subsection among all other counties, cities and towns in proportion to their population as provided by subsection D of this section. The state treasurer shall not withhold any amount that the county, city or town certifies to the attorney general and the state treasurer as being necessary to make any required deposits or payments for debt service on bonds or other long-term obligations of the county, city or town that were issued or incurred before committing the violation.

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

Sec. 12. Section 42-5029.01, Arizona Revised Statutes, is amended to read:

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

A. To qualify for funding pursuant to section 42-5029, subsection E, paragraph 4 or section 42-5029.02, subsection A, paragraph 4–5, a qualifying Indian tribe shall report its full-time equivalent student enrollment, as calculated under section 15-1466.01, in the preceding fiscal year to the auditor general by June 30 each year and shall comply with the same accounting procedures and practices prescribed by the auditor general for calculating full-time equivalent student enrollment for community college districts. A qualifying Indian tribe may report to the state board of education the number of students simultaneously enrolled in a course for both high school and community college credit.

B. For the purposes of this section:

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

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

Sec. 13. Repeal

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

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

A. All monies collected pursuant to section 42-5101.01 and section 42-5155, subsection E shall be distributed each fiscal year pursuant to this section as follows:

1. $86,280,500 to be paid in monthly installments to the Department of Education to fund basic state aid for additional school days.
2. $7,800,000 to be paid in monthly installments to the Department of Education to be used for school safety as provided in section 15-154.
3. Eighty-two percent of the amount generated by the tax remaining after the distributions made in paragraphs 1 and 2 of this subsection to be paid in monthly installments to the classroom site fund established by section 15-977.
4. Thirteen and three-fourths percent of the amount generated by the tax remaining after the distributions made in paragraphs 1 and 2 of this subsection to be paid in monthly installments is appropriated as follows:
   (a) $86,469,200 of the amount distributed pursuant to this paragraph to the technology and research initiative fund established by section 15-1648. Beginning in fiscal year 2022-2023, the amount distributed pursuant to this subdivision from the previous fiscal year shall be increased annually by two percent.
   (b) After the distribution prescribed in subdivision (a) of this paragraph, the remaining monies shall be distributed to the Arizona Board of Regents to be distributed proportionally to each university based on the number of students who receive in-state tuition at that university to subsidize resident student tuition costs.
5. Four and one-fourth percent of the amount generated by the tax remaining after the distributions made in paragraphs 1 and 2 of this subsection to be paid in monthly installments is appropriated as follows:
   (a) $1,500,000 to the trade and workforce development account established by each community college district pursuant to section 15-1472 for the purpose of investing in trade and workforce development programs.
   (b) The following amounts to each provisional community college district as prescribed in section 15-1409 and to the treasurer or other designated depository of each qualifying Indian tribe for each community college that is owned, operated or chartered on its own Indian reservation based on the full-time equivalent student count provided in each item of this subdivision. Except that a community college tuition financing district established pursuant to section 15-1409 may not receive monies pursuant to this subdivision:
      (i) For a full-time equivalent student count of more than one hundred but less than two hundred fifty, $100,000.
(ii) FOR A FULL-TIME EQUIVALENT STUDENT COUNT OF AT LEAST TWO HUNDRED FIFTY BUT LESS THAN FIVE HUNDRED, $250,000.

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

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

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

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

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

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

D. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

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

1. $86,280,500 TO BE PAID IN MONTHLY INSTALLMENTS TO THE DEPARTMENT OF EDUCATION TO FUND BASIC STATE AID FOR ADDITIONAL SCHOOL DAYS.

2. $7,800,000 TO BE PAID IN MONTHLY INSTALLMENTS TO THE DEPARTMENT OF EDUCATION TO BE USED FOR SCHOOL SAFETY AS PROVIDED IN SECTION 15-154.

3. EIGHTY-TWO PERCENT OF THE AMOUNT GENERATED BY THE TAX REMAINING AFTER THE DISTRIBUTIONS MADE IN PARAGRAPHS 1 AND 2 OF THIS SUBSECTION TO BE PAID IN MONTHLY INSTALLMENTS TO THE CLASSROOM SITE FUND ESTABLISHED BY SECTION 15-977.

4. THIRTEEN AND THREE-FOURTHS PERCENT OF THE AMOUNT GENERATED BY THE TAX REMAINING AFTER THE DISTRIBUTIONS MADE IN PARAGRAPHS 1 AND 2 OF
THIS SUBSECTION TO BE PAID IN MONTHLY INSTALLMENTS IS APPROPRIATED AS FOLLOWS:

(a) $86,469,200 OF THE AMOUNT DISTRIBUTED PURSUANT TO THIS PARAGRAPH TO THE TECHNOLOGY AND RESEARCH INITIATIVE FUND ESTABLISHED BY SECTION 15-1648. BEGINNING IN FISCAL YEAR 2022-2023, THE AMOUNT DISTRIBUTED PURSUANT TO THIS SUBDIVISION FROM THE PREVIOUS FISCAL YEAR SHALL BE INCREASED ANNUALLY BY TWO PERCENT.

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

5. FOUR AND ONE-FOURTH PERCENT OF THE AMOUNT GENERATED BY THE TAX REMAINING AFTER THE DISTRIBUTIONS MADE IN PARAGRAPHS 1 AND 2 OF THIS SUBSECTION TO BE PAID IN MONTHLY INSTALLMENTS IS APPROPRIATED AS FOLLOWS:

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

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

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

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

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

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

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

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

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

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

D. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

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

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

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

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

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

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

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

Sec. 17. Section 43-1072.02, Arizona Revised Statutes, is amended
to read:

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

A. Subject to the conditions prescribed by this section, for
taxable years beginning from and after December 31, 2020 and ending before
January 1, 2042, a credit is allowed against the taxes imposed by this
chapter for a taxable year for a taxpayer who is not claimed as a
dependent by any other taxpayer and whose federal adjusted gross income
is:

1. $25,000 or less for a married couple or a single person who is a
head of a household.

2. $12,500 or less for a single person or a married person filing
separately.

B. The credit is considered to be in mitigation of increased tax
rates pursuant to section 42-5010.01 and section 42-5155, subsection E THE
ADDITIONAL RATE INCREMENT TO THE STATE TRANSACTION PRIVILEGE TAX AND USE
TAX RATE FOR EDUCATION.

C. The amount of the credit may not exceed $25 for each person who
is a resident of this state and who is either the taxpayer, the taxpayer's
spouse who does not file a return or a dependent and shall not exceed $100
for all persons in the taxpayer's household as defined in section 43-1072.

D. If the allowable amount of the credit exceeds the income taxes
otherwise due on the claimant's income, the amount of the claim not used
as an offset against income taxes shall be paid in the same manner as a
refund granted under section 42-1118. Refunds made pursuant to this
subsection are subject to setoff under section 42-1122.

E. A person who is sentenced for at least sixty days of the taxable
year to the custody of the federal bureau of prisons, the state department
of corrections or a county jail is not eligible to claim a credit pursuant
to this section.
F. The department shall make available suitable forms with instructions for claimants. Claimants who certify on the prescribed form that they have no income tax liability for the taxable year and who do not meet the filing requirements of section 43-301 are not required to file an individual income tax return. The claim shall be in a form prescribed by the department.

G. A tax return or form prescribed pursuant to subsection F of this section must have:

1. A social security number that is valid for employment for the claimant.
2. Either a valid social security number or an individual taxpayer identification number issued by the internal revenue service for the claimant's spouse and any qualifying children of the claimant.

Sec. 18. Laws 2018, chapter 74, section 19 is amended to read:

Sec. 19. Purpose

Pursuant to section 43-223, Arizona Revised Statutes, the legislature enacts section 43-1072 43-1072.02, Arizona Revised Statutes, as added by this act, to mitigate the increased tax rates pursuant to section 42-5010.01 and section 42-5155, subsection E, Arizona Revised Statutes, as added by this act TO MITIGATE THE ADDITIONAL RATE INCREMENT TO THE STATE TRANSACTION PRIVILEGE TAX AND USE TAX RATE FOR EDUCATION.

Sec. 19. Conforming legislation

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

Sec. 20. Effective date

Except as provided in sections 21 and 22 of this act, this act is effective from and after June 30, 2021.

Sec. 21. Conditional enactment

Section 42-5029.02, Arizona Revised Statutes, as added by section 14 of this act, is effective from and after June 30, 2021 only if the Constitution of Arizona is not amended at the next general election by Senate Concurrent Resolution 1002, fifty-fourth legislature, second regular session.

Sec. 22. Conditional enactment

Section 42-5010.01, Arizona Revised Statutes, as repealed by this act, section 42-5029, Arizona Revised Statutes, as amended by this act, section 42-5029.02, Arizona Revised Statutes, as added by section 15 of this act, and section 42-5155, Arizona Revised Statutes, as amended by this act, are effective from and after June 30, 2021 only if the Constitution of Arizona is amended by a vote of the people at the next general election by passage of Senate Concurrent Resolution 1002, fifty-fourth legislature, second regular session.