APPLICATION FOR INITIATIVE OR REFERENDUM PETITION SERIAL NUMBER

Secretary of State
1700 W. Washington Street, 7th Floor
Phoenix, AZ 85007

The undersigned intends to circulate and file an **INITIATIVE** or a **REFERENDUM** (circle the appropriate word) petition and hereby makes application for the issuance of an official serial number to be printed in the lower right-hand corner of each side of each signature sheet of such petition. Pursuant to Arizona Revised Statutes § 19-111, attached hereto is the full text, in no less than eight point type, of the **MEASURE** or **CONSTITUTIONAL AMENDMENT** (circle appropriate word) intended to be **INITIATED** or **REFERRED** (circle appropriate word) at the next general election.

SUMMARY: A description of no more than one hundred words of the principal provisions of the proposed law, constitutional amendment or measure that will appear in no less than eight point type on the face of each petition signature sheet to be circulated.

The Quality Education and Jobs Act will strengthen Arizona's economy by equipping children to succeed in the classroom, ensuring an educated workforce and creating jobs. This act, which renews the one-cent sales tax, will provide dedicated funding linked to performance and accountability for students of all ages and prevent legislators from cutting K-12 funding. Scholarships will ensure that universities and community colleges remain affordable. Investment in vocational education will allow students to graduate ready to work. This act protects public safety by ensuring continued funding for DPS officers and creates jobs by funding road, rail, transit and other transportation projects.

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Date of Application March 9, 2012

Signatures Required 172,809

Deadline for Filing July 5, 2012

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SECRETARY OF STATE
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AN INITIATIVE MEASURE

AMENDING SECTION 15-901.01, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 9, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 15-981 AND 15-982; AMENDING SECTION 15-1472, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 13, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1642.01; AMENDING SECTIONS 28-5808 AND 28-6533, ARIZONA REVISED STATUTES; AMENDING TITLE 28, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 28; AMENDING SECTION 36-2995, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-113; AMENDING SECTION 42-5010, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5029.02; AMENDING SECTION 42-5155, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

Be it enacted by the People of the State of Arizona:

Section 1. Section 15-901.01, Arizona Revised Statutes, is amended to read:

15-901.01. Inflation adjustments; prohibited funding reductions

A. If approved by the qualified electors voting at a statewide general election, for ~~fiscal years 2001-2002 through 2005-2006, the legislature shall increase the base level or other components of the revenue control limit by two per cent. For~~ fiscal year ~~2006-2007~~ 2013-2014 and each fiscal year thereafter, the legislature shall increase the base level ~~or~~ AND other components of the revenue control limit by a minimum growth rate of either two per cent or the change in the GDP price deflator, as defined in section 41-563, from the second preceding calendar year to the calendar year immediately preceding the budget year, whichever is less, except that NEITHER the base level NOR THE AMOUNT APPROPRIATED FOR EQUALIZATION ASSISTANCE PURSUANT TO SECTION 15-971 shall ~~never~~ EVER be reduced below the base level established OR THE AMOUNT APPROPRIATED FOR EQUALIZATION ASSISTANCE for fiscal year ~~2001-2002~~ 2011-2012 OR FISCAL YEAR 2012-2013, WHICHEVER IS GREATER.

B. IF APPROVED BY THE QUALIFIED ELECTORS VOTING AT A STATEWIDE GENERAL ELECTION, FOR FISCAL YEAR 2012-2013 AND EACH FISCAL YEAR THEREAFTER, THE BASE SUPPORT LEVEL PRESCRIBED IN SECTION 15-943, THE MAXIMUM INDEBTEDNESS ALLOWED FOR SCHOOL DISTRICT BONDS AND THE MAXIMUM ALLOWED FOR SCHOOL DISTRICT BUDGET OVERRIDES SHALL NOT BE REDUCED BELOW THAT AMOUNT ALLOWED BY LAW ON JANUARY 1, 2012.

Sec. 2. Title 15, chapter 9, article 5, Arizona Revised Statutes, is amended by adding sections 15-981 and 15-982, to read:

15-981. Quality education and performance fund

A. THE QUALITY EDUCATION AND PERFORMANCE FUND IS ESTABLISHED CONSISTING OF MONIES DISTRIBUTED PURSUANT TO SECTION 42-5029.02. THE DEPARTMENT SHALL ADMINISTER THE FUND.

B. MONIES IN THE FUND SHALL BE DISTRIBUTED TO SCHOOL DISTRICTS AND CHARTER SCHOOLS BASED ON THE PERCENTAGE OF STATEWIDE UNWEIGHTED STUDENT COUNT SERVED BY EACH SCHOOL. FOR THE PURPOSES OF THIS SECTION, STUDENT COUNT SHALL HAVE THE MEANING PRESCRIBED IN SECTION 15-901, SUBSECTION A, PARAGRAPH 13, AND SHALL INCLUDE ANY NONRESIDENT PUPILS WHO ATTEND SCHOOL IN THE SCHOOL DISTRICT.

C. SCHOOL DISTRICTS AND CHARTER SCHOOLS RECEIVING MONIES PURSUANT TO THIS SECTION MAY USE THE MONIES FOR SCHOOL OPERATIONS, INCLUDING THE FOLLOWING:

1. TO ASSIST SCHOOL DISTRICTS AND CHARTER SCHOOLS TO COMPLY WITH INCREASED ASSESSMENT AND ACCOUNTABILITY REQUIREMENTS, INCLUDING STATE ACADEMIC STANDARDS SUCH AS THE COMMON CORE STATE STANDARDS INITIATIVE.

2. TO PROVIDE NEW TEACHER AND PRINCIPAL EVALUATION SYSTEMS THAT REQUIRE THIRTY-THREE TO FIFTY PER CENT OF A TEACHER'S OR PRINCIPAL'S EVALUATION TO BE BASED ON STUDENT ACADEMIC ACHIEVEMENT PURSUANT TO SECTION 15-203, SUBSECTION A, PARAGRAPH 38.

3. TO PROVIDE FOR SCHOOL ACCOUNTABILITY AND FOR IMPROVEMENT PLANS FOR FAILING SCHOOLS PURSUANT TO SECTION 15-241.

4. TO IMPROVE READING PROFICIENCY OF PUPILS WITH READING DEFICIENCIES BEFORE THE END OF GRADE THREE UNDER SECTION 15-701.

5. TO IMPLEMENT THE BOARD EXAMINATION SYSTEM AND THE AWARD OF GRAND CANYON DIPLOMAS PURSUANT TO SECTIONS 15-792, 15-792.01, 15-792.02 AND 15-792.03.

15-982. Education accountability and improvement fund; statewide performance measurements

A. THE EDUCATION ACCOUNTABILITY AND IMPROVEMENT FUND IS ESTABLISHED CONSISTING OF MONIES DISTRIBUTED PURSUANT TO SECTION 42-5029.02. THE DEPARTMENT SHALL ADMINISTER THE FUND. BEGINNING IN FISCAL YEAR 2015-2016, MONIES IN THE FUND SHALL BE USED TO PROVIDE PERFORMANCE FUNDING TO SCHOOL DISTRICTS AND CHARTER SCHOOLS BASED ON THE ACTUAL PERFORMANCE OF SCHOOLS IN THIS STATE AND SHALL BE DISTRIBUTED ON A PER PUPIL BASIS. THE STATE BOARD OF EDUCATION SHALL ADOPT STATEWIDE PERFORMANCE MEASUREMENTS AND ANNUALLY ALLOCATE DISTRIBUTIONS BASED ON THE STATEWIDE OVERALL IMPROVEMENT IN THE PERFORMANCE MEASUREMENTS UNDER SUBSECTION B OF THIS SECTION. THE DEPARTMENT MAY RETAIN UP TO ONE MILLION DOLLARS, ADJUSTED ANNUALLY FOR INFLATION, OF THE MONIES IN THE FUND TO DEVELOP THE MEASURES AND ADMINISTER THE FUND. BEGINNING IN FISCAL YEAR 2017-2018, UNENCUMBERED MONIES THAT REMAIN IN THE FUND AT THE END OF THREE CONSECUTIVE FISCAL YEARS SHALL BE TRANSFERRED TO THE SCHOOL FACILITIES BOARD AND SHALL BE USED TO REDUCE PRINCIPAL ON OUTSTANDING DEBT UNLESS THE REDUCTION OF PRINCIPAL WOULD RESULT IN A PREPAYMENT PENALTY. IF NO OUTSTANDING DEBT EXISTS OR A PREPAYMENT PENALTY WOULD BE INCURRED, MONIES TRANSFERRED TO THE SCHOOL FACILITIES BOARD PURSUANT TO THIS SUBSECTION SHALL BE USED FOR THE CONSTRUCTION OR REPAIR OF SCHOOL BUILDINGS.

B. THE STATEWIDE PERFORMANCE MEASUREMENTS ADOPTED PURSUANT TO THIS SECTION SHALL CONSIST OF THE FOLLOWING MEASURES:

1. FIFTY PER CENT OF THE PERFORMANCE MEASUREMENTS SHALL CONSIST OF MEASURES OF ACADEMIC PROGRESS, INCLUDING THE STATEWIDE PERCENTAGE OF THIRD-GRADE STUDENTS MEETING STATE READING STANDARDS PRESCRIBED PURSUANT TO SECTION 15-701, STATEWIDE GRADUATION AND DROPOUT RATES AND STATEWIDE PERFORMANCE ON NATIONALLY ADMINISTERED NORM-REFERENCED ASSESSMENTS SUCH AS THE NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS AND NATIONALLY ADMINISTERED COLLEGE PLACEMENT AND ADMISSION EXAMINATIONS.

2. TWENTY-FIVE PER CENT OF THE PERFORMANCE MEASUREMENTS SHALL BE BASED ON MEASURES OF PARENTAL SATISFACTION.

3. TWENTY-FIVE PER CENT OF THE PERFORMANCE MEASUREMENTS SHALL BE BASED ON STUDENT ENGAGEMENT.

C. BEGINNING IN FISCAL YEAR 2013-2014, MONIES DISTRIBUTED PURSUANT TO THIS SECTION MAY BE USED, IN THE DEPARTMENT'S DISCRETION, TO TRAIN TEACHERS AND FOR TECHNOLOGY NECESSARY TO IMPLEMENT THE 2010 ACADEMIC STANDARDS AND THE NEWLY ALIGNED STATEWIDE ASSESSMENTS.

Sec. 3. Section 15-1472, Arizona Revised Statutes, is amended to read:

15-1472. Community college district workforce development accounts; reports

A. Each community college district, PROVISIONAL COMMUNITY COLLEGE DISTRICT AND INDIAN TRIBAL POSTSECONDARY EDUCATIONAL INSTITUTION shall establish a separate workforce development account to receive only tax revenues authorized pursuant to section 42-5029, subsection E, paragraph 3 AND SECTION 42-5029.02. Each community college AND PROVISIONAL COMMUNITY COLLEGE district board AND INDIAN TRIBAL POSTSECONDARY EDUCATIONAL INSTITUTION shall approve the expenditure of these monies in accordance with section 15-1461 and consistent with subsection B of this section.

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

1. Partnerships with businesses and educational institutions.

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

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

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

5. The purchase, lease or lease-purchase of real property, for new construction, remodeling or repair of buildings or facilities on real property AND ACQUIRING, REMODELING OR REPAIRING MOBILE TEACHING FACILITIES.

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

D. Revenues authorized for community college districts in section 42-5029, subsection E, paragraph 3 shall be distributed by the state in 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.

(b) After each district has received the payments prescribed in subdivision (a), the remainder of monies in the fund shall be distributed to each district 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. For the purposes of this subdivision, the full-time equivalent student enrollment of a provisional community college district shall be added to the full-time equivalent student enrollment of the community college district that contracts with the provisional community college district pursuant to section 15-1409, subsection A, and that portion of the monies distributed under this subdivision to that community college district shall be used to provide services to students enrolled in that provisional community college district as approved by the provisional community college district's governing board as part of the annual budget process pursuant to section 15-1461. The percentage distribution under this subdivision shall be adjusted annually on October 1 of each year. For the purposes of this subdivision, the following distribution procedures apply:

(i) If a community college district established pursuant to section 15-1402.01 contracts with another community college district pursuant to section 15-1402.01, subsection B, the full-time equivalent student enrollment of that district shall be added to the full-time equivalent student enrollment of the other community college district that contracts with that district pursuant to section 15-1402.01, subsection B, and that portion of the monies distributed under this subdivision to the other community college district shall be used to provide services to students enrolled in the community college district established pursuant to section 15-1402.01 as approved by that district's governing board as part of the annual budget process pursuant to section 15-1461.

(ii) If a community college district established pursuant to section 15-1402.01 is no longer required to contract with another community college district pursuant to section 15-1402.01, subsection B, that community college district shall receive monies as provided in this subdivision according to its full-time equivalent student enrollment.

E. Revenues received by community college districts AND INDIAN TRIBAL POSTSECONDARY EDUCATIONAL INSTITUTIONS 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 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 department of commerce by December 1 of every even-numbered year. The report shall include the purpose and goals for which the 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. For the purposes of this subsection, "qualifying Indian tribe" has the same meaning prescribed in section 42-5031.01.

Sec. 4. Title 15, chapter 13, article 2, Arizona Revised Statutes, is amended by adding section 15-1642.01, to read:

15-1642.01. University scholarship, operations and infrastructure fund; student scholarships; university operating and infrastructure expenses

A. THE ARIZONA BOARD OF REGENTS SHALL ESTABLISH THE UNIVERSITY SCHOLARSHIP, OPERATIONS AND INFRASTRUCTURE FUND FOR THE PURPOSES OF PROVIDING SCHOLARSHIPS TO STUDENTS AND MONIES TO THE THREE STATE UNIVERSITIES FOR OPERATING AND INFRASTRUCTURE EXPENSES. THE FUND CONSISTS OF MONIES TRANSFERRED TO THE FUND PURSUANT TO SECTION 42-5029.02.

B. THE BOARD SHALL ADOPT RULES TO GOVERN THE ADMINISTRATION OF THE UNIVERSITY SCHOLARSHIP, OPERATIONS AND INFRASTRUCTURE FUND. THE BOARD SHALL ALLOCATE AN AMOUNT NOT LESS THAN FIFTY PER CENT NOR MORE THAN SIXTY PER CENT OF THE MONIES RECEIVED BY THE FUND EACH YEAR TO PROVIDE SCHOLARSHIPS TO RESIDENT STUDENTS BASED ON FINANCIAL NEED OR ACADEMIC ACHIEVEMENT. THIS AMOUNT SHALL BE IN ADDITION TO ANY AMOUNT OF FINANCIAL AID THAT IS AWARDED BY THE UNIVERSITIES PURSUANT TO ANY BOARD-ESTABLISHED TUITION SET-ASIDE PROGRAM. THE REMAINING MONIES SHALL BE ALLOCATED BASED ON PERFORMANCE IN MEETING GOALS SET BY THE BOARD.

C. THE LEGISLATURE SHALL NOT REDUCE FUTURE STATE GENERAL FUND APPROPRIATIONS FOR EACH OF THE THREE UNIVERSITIES BELOW THE GREATER OF THE AMOUNT APPROPRIATED IN FISCAL YEARS 2011-2012 OR 2012-2013.

Sec. 5. Section 28-5808, Arizona Revised Statutes, is amended to read:

28-5808. Vehicle license tax distribution

A. ~~Except as provided in subsection D of this section,~~ The director shall distribute monies collected by the director pursuant to section 28-5801, except monies deposited in the state general fund, on the first and fifteenth calendar day of each month as follows:

1. On the first calendar day, the director shall deposit, pursuant to sections 35-146 and 35-147, all of the Arizona highway user revenue fund monies received from the first through the fifteenth calendar day of the preceding month in the Arizona highway user revenue fund, except that on the first calendar day the director shall deposit, pursuant to sections 35-146 and 35-147, in the parity compensation fund established by section 41-1720, 1.51 per cent of the portion of vehicle license tax revenues that otherwise would be deposited in the state highway fund from the first through the fifteenth calendar day of the preceding month.

2. On the fifteenth calendar day, the director shall deposit, pursuant to sections 35-146 and 35-147, all of the Arizona highway user revenue fund monies received from the sixteenth through the last day of the preceding month in the Arizona highway user revenue fund, except that on the fifteenth calendar day, the director shall deposit, pursuant to sections 35-146 and 35-147, in the parity compensation fund established by section 41-1720, 1.51 per cent of the portion of vehicle license tax revenues that otherwise would be deposited in the state highway fund from the sixteenth through the last day of the preceding month. On the fifteenth calendar day, the director shall distribute or deposit all other monies received during the entire preceding month as follows:

(a) The county general fund monies to the county general fund.

(b) The county transportation monies to the state treasurer to be apportioned among the counties for any purposes related to transportation, as determined by the board of supervisors, on the basis that the population of the unincorporated area of each county bears to the population of the unincorporated areas of all counties in this state.

(c) The incorporated cities and towns monies to the incorporated cities and towns of the county in proportion to the population of each.

3. The deposit of the monies in the parity compensation fund pursuant to paragraphs 1 and 2 of this subsection shall not impact the distribution of vehicle license tax revenues to the state general fund and to cities, towns and counties pursuant to this section.

B. The director shall distribute monies collected by the director pursuant to sections 28-5804, 28-5805, 28-5806 and 28-5810, except monies deposited in the state general fund, on the first and fifteenth calendar day of each month as follows:

1. On the first calendar day, the director shall deposit, pursuant to sections 35-146 and 35-147, 37.61 per cent of all monies received from the first through the fifteenth calendar day of the preceding month in the highway user revenue fund.

2. On the fifteenth calendar day, the director shall deposit, pursuant to sections 35-146 and 35-147, 37.61 per cent of all monies received from the sixteenth through the last day of the preceding month in the highway user revenue fund and distribute or deposit the following amounts as a percentage of all monies received pursuant to sections 28-5804, 28-5805, 28-5806 and 28-5810 during the entire preceding month as follows:

(a) 20.45 per cent to the county general fund.

(b) 4.91 per cent to the state treasurer to be apportioned among the counties for any purposes related to transportation, as determined by the board of supervisors, on the basis that the population of the unincorporated area of each county bears to the population of the unincorporated areas of all counties in this state.

(c) 20.45 per cent to the incorporated cities and towns of the county in proportion to the population of each.

(d) 1.64 per cent, pursuant to sections 35-146 and 35-147, in the state highway fund established by section 28-6991.

(e) 4.09 per cent in the state highway fund established by section 28-6991.

(f) 10.85 per cent, pursuant to sections 35-146 and 35-147, in the state general fund to aid school financial assistance.

C. For purposes of this section the population of a county, city or town shall be determined as provided by section 28-6532 or 42-5033.01. If an incorporated city or town has had no federal enumeration of population, the supervisors shall both:

1. Appoint a qualified person to take an accurate census of the incorporated city or town.

2. Certify the results to the county treasurer, and the incorporated city or town shall share in the distribution as provided by this section.

~~D. On the fifteenth calendar day of each month, the director shall transfer to the state general fund from the portion of vehicle license tax revenues that otherwise would be deposited in the state highway fund pursuant to section 28-6538, subsection A, paragraph 1 the following amounts:~~

~~1. An amount equal to ninety per cent of the fees collected pursuant to section 28-4802, subsection A in the preceding month.~~

~~2. An amount equal to sixty per cent of the fees collected pursuant to section 28-4802, subsection B in the preceding month.~~

~~E. On the fifteenth calendar day of each month, the director shall transfer to the state general fund from the portion of vehicle license tax revenues that otherwise would be deposited in the state highway fund pursuant to section 28-6538, subsection A, paragraph 1 the difference between the actual amount of the vehicle license tax revenue collected as a result of registration of vehicles pursuant to section 28-2159 in the preceding month for a five-year registration period and the amount that would have been collected if those same vehicles had been registered for a two-year vehicle registration period.~~

D. NOTWITHSTANDING ANY OTHER LAW, VEHICLE LICENSE TAX MONIES SHALL BE DEPOSITED AND DISTRIBUTED PURSUANT TO THIS SECTION. VEHICLE LICENSE TAX MONIES SHALL NOT BE SUBJECT TO REVERSION, FUND SWEEP OR TRANSFER TO ANY OTHER FUND BY THE LEGISLATURE.

Sec. 6. Section 28-6533, Arizona Revised Statutes, is amended to read:

28-6533. <u>Arizona highway user revenue fund</u>

A. The officer collecting all highway user revenues, as defined in section 28-6501 and in article IX, section 14, Constitution of Arizona, and all fees, penalties and fines collected under sections 28-1101, 28-1103, 28-1105 and 28-1521 shall transfer the revenues to the department. After the deduction of all exemptions and refunds and after taking actions required under subsection C of this section, the department shall immediately deposit, pursuant to sections 35-146 and 35-147, the revenues in a fund designated as the Arizona highway user revenue fund.

B. The revenues in the Arizona highway user revenue fund shall only be spent for the purposes prescribed in article IX, section 14, Constitution of Arizona. Counties and incorporated cities and towns shall not spend highway user revenue fund monies distributed to them pursuant to this article for enforcement of traffic laws or administration of traffic safety programs. If the auditor general reports to the state treasurer after conducting a performance audit pursuant to section 41-1279.03, subsection A, paragraph 7 that a jurisdiction has not used revenues as required by this subsection, the state treasurer shall withhold the noncomplying jurisdiction's revenues until the noncomplying jurisdiction presents evidence that is satisfactory to the auditor general and that shows that the jurisdiction has spent monies for purposes prescribed in this subsection from another general revenue source equal to the amount of the revenues diverted from the uses prescribed in this subsection.

C. If there is any default, the department shall deduct all amounts required by law or any resolution authorizing the issuance of bonds of the board to be placed in the principal funds, interest funds, reserve funds or sinking funds or any other funds established to service bonds issued or to be issued by the board before the revenues are deposited in the Arizona highway user revenue fund.

D. NOTWITHSTANDING ANY OTHER LAW, MONIES IN THE ARIZONA HIGHWAY USER REVENUE FUND ARE NOT SUBJECT TO REVERSION, FUND SWEEP OR TRANSFER TO ANY OTHER FUND BY THE LEGISLATURE, BUT THE MONIES MAY BE USED TO FUND THE HIGHWAY PATROL DIVISION.

Sec. 7. Title 28, Arizona Revised Statutes, is amended by adding chapter 28, to read:

CHAPTER 28

STATE INFRASTRUCTURE FUNDING

ARTICLE 1. ADDITIONAL FUNDING FOR STATE INFRASTRUCTURE

28-9301. State infrastructure fund

A. THE STATE INFRASTRUCTURE FUND IS ESTABLISHED CONSISTING OF LEGISLATIVE APPROPRIATIONS, FEDERAL MONIES, PRIVATE GRANTS, GIFTS, CONTRIBUTIONS, DEVISES AND MONIES DEPOSITED IN THE FUND PURSUANT TO SECTION 42-5029.02. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED TO THE DEPARTMENT FOR THE PURPOSES PRESCRIBED IN THIS SECTION AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

B. THE DIRECTOR SHALL ADMINISTER THE FUND AND, WITH THE APPROVAL OF THE TRANSPORTATION BOARD, SHALL USE AND DISTRIBUTE THE MONIES IN THE FUND SOLELY FOR THE PURPOSES SET FORTH IN THIS SECTION. NOTWITHSTANDING ANY OTHER LAW, MONIES HELD IN THE FUND AND ANY INTEREST THAT IS CREDITED TO THE FUND SHALL NOT BE SUBJECT TO REVERSION, FUND SWEEP OR TRANSFER BY THE LEGISLATURE. ON NOTICE FROM THE DIRECTOR, THE STATE TREASURER SHALL INVEST AND DIVEST MONIES IN THE FUND AS PROVIDED IN SECTION 35-313, AND MONIES EARNED FROM INVESTMENT SHALL BE CREDITED TO THE FUND.

C. FUND MONIES MAY BE USED FOR ANY OF THE FOLLOWING:

1. THE COSTS ASSOCIATED WITH THE PLANNING, DESIGNING, ENGINEERING, CONSTRUCTING, IMPROVING, FINANCING OR MAINTAINING OF THE FOLLOWING:

(a) STATE HIGHWAYS, REST STOPS, STATE ROUTES AND INTERSTATE HIGHWAYS.

(b) STREETS, BRIDGES, ROADWAYS AND PARKING FACILITIES, INCLUDING ALL AREAS FOR VEHICULAR USE FOR TRAVEL, INGRESS, EGRESS AND PARKING.

(c) PUBLIC TRANSPORTATION AND PASSENGER RAIL SYSTEMS.

(d) AREAS FOR PEDESTRIAN, BICYCLE OR OTHER NONMOTOR VEHICLE USE FOR TRAVEL, INGRESS, EGRESS AND PARKING.

(e) LANDSCAPING FOR STREETS OR HIGHWAYS, INCLUDING EARTHWORKS, STRUCTURES, LAKES AND OTHER WATER FEATURES, PLANTS, TREES AND RELATED WATER DELIVERY SYSTEMS.

(f) BUILDINGS AND FACILITIES.

(g) LIGHTING SYSTEMS, COMMUNICATIONS FACILITIES, ENERGY CONSERVATION SYSTEMS AND OTHER SYSTEMS THAT ENHANCE PUBLIC SAFETY.

(h) TRAFFIC CONTROL SYSTEMS AND DEVICES, INCLUDING SIGNALS, CONTROLS, MARKINGS AND SIGNAGE.

(i) LAND CLEARANCE ACTIVITIES, DEMOLITION OF PUBLIC AND PRIVATE BUILDINGS AND FACILITIES AND ENVIRONMENTAL REMEDIATION.

(j) EQUIPMENT, VEHICLES, FURNISHINGS AND OTHER PERSONNEL RELATED TO THE ITEMS LISTED IN THIS PARAGRAPH.

2. TO ACCELERATE STATE HIGHWAYS, STATE ROUTES AND INTERSTATE IMPROVEMENT PROJECTS.

3. TO MAKE PAYMENTS IN CONNECTION WITH PUBLIC-PRIVATE PARTNERSHIPS RELATING TO TRANSPORTATION PROJECTS.

4. TO PAY FOR OTHER INCIDENTAL COSTS ASSOCIATED WITH HIGHWAY PROJECTS.

5. TO FUND ENVIRONMENTALLY SENSITIVE DESIGNS.

6. TO FUND WILDLIFE IMPROVEMENT PROJECTS THAT ARE DISRUPTED BY TRANSPORTATION PROJECTS.

7. TO PAY THE PRINCIPAL, INTEREST AND PREMIUM ON BONDS AND OTHER FINANCIAL OBLIGATIONS FOR TRANSPORTATION PROJECTS, INCLUDING COSTS OF ISSUANCE. 28-9302. Additional bonding authority

IN ADDITION TO ANY OTHER AUTHORITY FOR THE ISSUANCE OF BONDS UNDER THIS TITLE, THE DIRECTOR, WITH THE APPROVAL OF THE BOARD, IS AUTHORIZED TO ISSUE BONDS NECESSARY TO PAY FOR ANY OF THE TRANSPORTATION-RELATED PROJECTS AUTHORIZED IN SECTION 28-9301 , SUBSECTION C. MONIES IN THE STATE INFRASTRUCTURE FUND ESTABLISHED BY SECTION 28-9301 OR MONIES TO BE DEPOSITED INTO THAT FUND MAY BE USED TO SECURE THE BONDS AND TO PROVIDE FOR ANY PAYMENT NECESSARY TO CARRY OUT THE PURPOSES OF THIS SECTION.

Sec. 8. Section 36-2995, Arizona Revised Statutes, is amended to read:

36-2995. Children's health insurance program fund; sources of monies; use; reversion; claims

A. The children's health insurance program fund is established. The administration shall administer the fund and shall use fund monies to pay administrative and program costs associated with the operation of the program established by this article.

B. Separate accounting shall be made for each source of monies received pursuant to subsection C of this section for expenses and income activity associated with the program established pursuant to this article.

C. Monies in the fund ~~are comprised~~ CONSIST of:

1. Federal monies available to this state for the operation of the program.

2. Tobacco tax and state general fund monies appropriated as state matching monies.

3. Gifts, donations and grants from any source.

4. Interest paid on monies deposited in the fund.

5. ~~Third party~~ THIRD-PARTY liability recoveries.

6. MONIES DISTRIBUTED PURSUANT TO SECTION 42-5029.02.

D. If a gift, a donation or a grant of over ten thousand dollars received from any private source contains a condition, the administration shall first meet with the joint legislative study committee on the integration of health care services to review the condition before it spends that gift, donation or grant.

E. All monies in the fund other than monies appropriated by this state do not lapse.

F. Monies appropriated from the medically needy account of the tobacco tax and health care fund are exempt from section 35-190 relating to lapsing of appropriations. Notwithstanding section 35-191, subsection B, the period for administrative adjustments extends for only six months for appropriations made for administration covered services.

G. Notwithstanding sections 35-190 and 35-191, all approved claims for system covered services presented after the end of the fiscal year in which they were incurred shall be paid either in accordance with this section or in the current fiscal year with the monies available in the funds established by this section.

H. Claims for covered services that are determined to be valid by the director and the grievance and appeal procedure shall be paid from the children's health insurance program fund.

I. All payments for claims from the children's health insurance program fund shall be accounted for by the administration by the fiscal year in which the claims were incurred, regardless of the fiscal year in which the payments were made.

J. Notwithstanding any other law, county owned or contracted providers and special health care district owned or contracted providers are subject to all claims processing and payment requirements or limitations of this chapter that are applicable to noncounty providers.

Sec. 9. Title 41, chapter 1, article 1, Arizona Revised Statutes, is amended by adding section 41-113, to read:

41-113. Family stability and self-sufficiency fund; report; nonlapsing; definition

A. THE HUMAN SERVICES SELF-SUFFICIENCY FUND IS ESTABLISHED CONSISTING OF DONATIONS FROM ANY PUBLIC OR PRIVATE SOURCE AND MONIES DISTRIBUTED PURSUANT TO SECTION 42-5029.02. THE GOVERNOR'S OFFICE SHALL ADMINISTER THE FUND AND EACH YEAR MAY USE UP TO ONE PER CENT OF THE MONIES IN THE FUND FOR ADMINISTRATIVE COSTS. THE GOVERNOR'S OFFICE SHALL ANNUALLY ALLOCATE THE MONIES IN THE FUND TO STATE AGENCIES OR AWARD MONIES IN THE FUND TO PRIVATE NONPROFIT ENTITIES

TO PROVIDE SERVICES FOR THE BASIC NEEDS OF CHILDREN, FAMILIES AND VULNERABLE ADULTS WHOSE HOUSEHOLD INCOME IS LESS THAN TWO HUNDRED PER CENT OF THE FEDERAL POVERTY LEVEL. MONIES IN THE FUND SHALL BE USED TO THE EXTENT PRACTICABLE TO MATCH FEDERAL FUNDS.

B. ALL MONIES RECEIVED UNDER THIS SECTION SHALL BE USED TO SUPPLEMENT AND NOT SUPPLANT EXISTING AND FUTURE APPROPRIATIONS FOR THE PURPOSES DESCRIBED IN THIS SECTION. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO THE LAPSING OF APPROPRIATIONS.

C. THE GOVERNOR'S OFFICE SHALL PROVIDE AN ANNUAL REPORT ON THE GOVERNOR'S WEBSITE THAT DELINEATES THE AMOUNT OF ALLOCATIONS AND CONTRACT AWARDS UNDER THIS SECTION, THE PURPOSES, THE AMOUNT OF MONEY NOT ALLOCATED IN THE PRIOR FISCAL YEAR AND THE OUTCOMES OF ALLOCATIONS AND AWARDS, INCLUDING THE NUMBER OF INDIVIDUALS AND FAMILIES WHO MADE PROGRESS TOWARD FAMILY STABLITY AND SELF-SUFFICIENCY.

D. FOR THE PURPOSES OF THIS SECTION, "BASIC NEEDS" INCLUDES PREVENTING HUNGER, HOMELESSNESS AND FAMILY AND DOMESTIC VIOLENCE AND PROVIDING CHILD CARE AND OTHER COMMUNITY AND SOCIAL SERVICES THAT LEAD TO FAMILY STABILITY AND SELF-SUFFICIENCY.

Sec. 10. Section 42-5010, Arizona Revised Statutes, is amended to read:

42-5010. Rates; distribution base

A. The tax imposed by this article is levied and shall be collected at the following rates:

1. Five per cent of the tax base as computed for the business of every person engaging or continuing in this state in the following business classifications described in article 2 of this chapter:

(a) Transporting classification.
(b) Utilities classification.
(c) Telecommunications classification.
(d) Pipeline classification.
(e) Private car line classification.
(f) Publication classification.
(g) Job printing classification.
(h) Prime contracting classification.
(i) Owner builder sales classification.
(j) Amusement classification.
(k) Restaurant classification.
(l) Personal property rental classification.
(m) Retail classification.

2. Five and one-half per cent of the tax base as computed for the business of every person engaging or continuing in this state in the transient lodging classification described in section 42-5070.

3. Three and one-eighth per cent of the tax base as computed for the business of every person engaging or continuing in this state in the mining classification described in section 42-5072.

4. Zero per cent of the tax base as computed for the business of every person engaging or continuing in this state in the commercial lease classification described in section 42-5069.

B. Twenty per cent of the tax revenues collected at the rate prescribed by subsection A, paragraph 1 of this section from persons on account of engaging in business under the business classifications listed in subsection A, paragraph 1, subdivisions (a) through (i) of this section is designated as distribution base for purposes of section 42-5029.

C. Forty per cent of the tax revenues collected at the rate prescribed by subsection A, paragraph 1 of this section from persons on account of engaging in business under the business classifications listed in subsection A, paragraph 1, subdivisions (j) through (m) of this section is designated as distribution base for purposes of section 42-5029.

D. Thirty-two per cent of the tax revenues collected from persons on account of engaging in business under the business classification listed in subsection A, paragraph 3 of this section is designated as distribution base for purposes of section 42-5029.

E. Fifty-three and one-third per cent of the tax revenues collected from persons on account of engaging in business under the business classification listed in subsection A, paragraph 4 of this section is designated as distribution base for purposes of section 42-5029.

F. Fifty per cent of the tax revenues collected from persons on account of engaging in business under the business classification listed in subsection A, paragraph 2 of this section is designated as distribution base for purposes of section 42-5029.

G. In addition to the rates prescribed by subsection A of this section, if approved by the qualified electors voting at a statewide general election, an additional rate increment 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 A of this section. The department shall separately account for the revenues collected with respect to the rates imposed pursuant to this subsection and the state treasurer shall distribute all of those revenues in the manner prescribed by section 42-5029, subsection E. The rates imposed pursuant to this subsection shall not be considered local revenues for purposes of article IX, section 21, Constitution of Arizona. The additional tax rate increment is levied at the rate of six-tenths of one per cent of the tax base of every person engaging or continuing in this state in a business classification listed in subsection A, paragraph 1 of this section.

H. IN ADDITION TO THE RATES PRESCRIBED BY SUBSECTION A OF THIS SECTION, IF APPROVED BY THE QUALIFIED ELECTORS VOTING AT A STATEWIDE GENERAL ELECTION, AN ADDITIONAL RATE INCREMENT IS IMPOSED AND SHALL BE COLLECTED BEGINNING FROM AND AFTER MAY 31, 2013. THE TAXPAYER SHALL PAY TAXES PURSUANT TO THIS SUBSECTION AT THE SAME TIME AND IN THE SAME MANNER AS UNDER SUBSECTION A OF THIS SECTION. THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR THE REVENUES COLLECTED WITH RESPECT TO THE RATES IMPOSED PURSUANT TO THIS SUBSECTION, AND THE STATE TREASURER SHALL DISTRIBUTE ALL OF THOSE REVENUES IN THE MANNER PRESCRIBED BY SECTION 42-5029.02. THE RATES IMPOSED PURSUANT TO THIS SUBSECTION SHALL NOT BE CONSIDERED LOCAL REVENUES FOR THE PURPOSES OF ARTICLE IX, SECTION 21, CONSTITUTION OF ARIZONA. THE ADDITIONAL TAX RATE INCREMENT IS LEVIED AT THE RATE OF ONE PER CENT OF THE TAX BASE OF EVERY PERSON ENGAGING OR CONTINUING IN THIS STATE IN A BUSINESS CLASSIFICATION LISTED IN SUBSECTION A, PARAGRAPH 1 OF THIS SECTION.

~~H.~~ I. Any increase in the rate of tax that is imposed by this chapter and that is enacted by the legislature or by a vote of the people does not apply with respect to contracts entered into by prime contractors or pursuant to written bids made by prime contractors on or before the effective date of the legislation or the date of the election enacting the increase. To qualify for the exemption under this subsection, the prime contractor must maintain sufficient documentation, in a manner and form prescribed by the department, to verify the date of the contract or written bid.

~~I.~~ J. For taxpayers taxable under this chapter other than prime contractors taxable pursuant to section 42-5075:

1. Any increase in the rate of tax that is levied by this article or article 2 of this chapter enacted by the legislature or by a vote of the people does not apply for a period of one hundred twenty days from the date of the tax rate increase to the gross proceeds of sales or gross income from the business of the taxpayer with respect to written contracts entered into before the effective date of the tax rate increase unless the taxpayer has entered into a contract that contains a provision that entitles the taxpayer to recover from the purchaser the amount of the additional tax levied.

2. The provisions of this subsection apply without regard to the accounting method used by the taxpayer to report the taxes imposed under article 2 of this chapter.

3. The provisions of this subsection shall not be considered in determining the rate of tax imposed under chapter 6, article 3 of this title.

Sec. 11. Title 42, chapter 5, article 1, Arizona Revised Statutes, is amended by adding section 42-5029.02, to read:

42-5029.02. <u>Remission and distribution of monies; nonlapsing; audit requirement</u>

A. IF APPROVED BY THE QUALIFIED ELECTORS VOTING AT A STATEWIDE GENERAL ELECTION, ALL MONIES COLLECTED PURSUANT TO SECTION 42-5010, SUBSECTION H AND SECTION 42-5155, SUBSECTION E SHALL BE DISTRIBUTED PURSUANT TO THIS SECTION.

B. OF THE FIRST ONE BILLION DOLLARS COLLECTED PURSUANT TO SECTION 42-5010, SUBSECTION H AND SECTION 42-5155, SUBSECTION E, THE MONIES SHALL BE DISTRIBUTED BEGINNING IN FISCAL YEAR 2013-2014 AS FOLLOWS:

1. FIVE HUNDRED MILLION DOLLARS PLUS ANY REMAINDER AMOUNT UNDER PARAGRAPH 9 OF THIS SUBSECTION IS APPROPRIATED EACH FISCAL YEAR, TO BE IN

MONTHLY INSTALLMENTS, TO THE QUALITY EDUCATION AND PERFORMANCE FUND ESTABLISHED BY SECTION 15-981.

2. AFTER TRANSFERRING MONIES PURSUANT TO PARAGRAPH 1 OF THIS SUBSECTION, TEN MILLION DOLLARS IS APPROPRIATED EACH FISCAL YEAR, TO BE PAID IN MONTHLY INSTALLMENTS, TO THE EDUCATION LEARNING AND ACCOUNTABILITY FUND ESTABLISHED BY SECTION 15-249.02. NOTWITHSTANDING SUBSECTION D OF THIS SECTION, IF THE MONIES IN THE EDUCATION LEARNING AND ACCOUNTABILITY FUND ESTABLISHED BY SECTION 15-249.02 ARE NO LONGER NECESSARY FOR THE PURPOSES OF SECTION 15-249, ANY OR ALL OF THE MONIES APPROPRIATED UNDER THIS PARAGRAPH SHALL BE APPROPRIATED TO THE EDUCATION ACCOUNTABILITY AND IMPROVEMENT FUND ESTABLISHED BY SECTION 15-982.

3. AFTER TRANSFERRING MONIES PURSUANT TO PARAGRAPHS 1 AND 2 OF THIS SUBSECTION, NINETY MILLION DOLLARS IS APPROPRIATED EACH FISCAL YEAR, TO BE PAID IN MONTHLY INSTALLMENTS, TO THE EDUCATION ACCOUNTABILITY AND IMPROVEMENT FUND ESTABLISHED BY SECTION 15-982.

4. AFTER TRANSFERRING MONIES PURSUANT TO PARAGRAPHS 1, 2 AND 3 OF THIS SUBSECTION, ONE HUNDRED MILLION DOLLARS IS APPROPRIATED EACH FISCAL YEAR, TO BE PAID IN MONTHLY INSTALLMENTS, TO THE STATE INFRASTRUCTURE FUND ESTABLISHED BY SECTION 28-9301.

5. AFTER TRANSFERRING MONIES PURSUANT TO PARAGRAPHS 1 THROUGH 4 OF THIS SUBSECTION, TWENTY-FIVE MILLION DOLLARS IS APPROPRIATED EACH FISCAL YEAR, TO BE PAID IN MONTHLY INSTALLMENTS, TO THE CHILDREN'S HEALTH INSURANCE PROGRAM FUND ESTABLISHED BY SECTION 36-2995. NOTWITHSTANDING SUBSECTION D OF THIS SECTION, THE MONIES APPROPRIATED UNDER THIS PARAGRAPH MAY BE REDUCED OR ELIMINATED IF EITHER OF THE FOLLOWING APPLIES AND THE AMOUNT APPROPRIATED UNDER THIS PARAGRAPH SHALL BE APPROPRIATED TO THE FAMILY STABILITY AND SELF-SUFFICIENCY FUND ESTABLISHED BY SECTION 41-113:

(a) THE FEDERAL GOVERNMENT PROVIDES FUNDING FOR THE CHILDREN'S HEALTH INSURANCE PROGRAM AND THAT FUNDING SUPERSEDES STATE FUNDING FOR THE PROGRAM.

(b) THE DIRECTOR OF THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION DETERMINES THAT A PRIVATE OR NONPROFIT ENTITY HAS PROVIDED FUNDING FOR THE CHILDREN'S HEALTH INSURANCE PROGRAM.

6. AFTER TRANSFERRING MONIES PURSUANT TO PARAGRAPHS 1 THROUGH 5 OF THIS SUBSECTION, ONE HUNDRED MILLION DOLLARS IS APPROPRIATED EACH FISCAL YEAR, TO BE PAID IN MONTHLY INSTALLMENTS, TO THE FAMILY STABILITY AND SELF-SUFFICIENCY FUND ESTABLISHED BY SECTION 41-113.

7. AFTER TRANSFERRING MONIES PURSUANT TO PARAGRAPHS 1 THROUGH 6 OF THIS SUBSECTION, FIFTY MILLION DOLLARS IS APPROPRIATED EACH FISCAL YEAR, TO BE PAID IN MONTHLY INSTALLMENTS, TO THE UNIVERSITY SCHOLARSHIP, OPERATIONS AND INFRASTRUCTURE FUND ESTABLISHED PURSUANT TO SECTION 15-1642.01.

8. AFTER TRANSFERRING MONIES PURSUANT TO PARAGRAPHS 1 THROUGH 7 OF THIS SUBSECTION, FOR FISCAL YEARS 2013-2014 AND BEYOND, AN AMOUNT SUFFICIENT TO FUND THE INFLATIONARY ADJUSTMENT REQUIRED BY SECTION 15-901.01, SUBSECTION A SHALL BE TRANSFERRED TO THE STATE GENERAL FUND. NO MORE THAN ONE HUNDRED TWENTY-FIVE MILLION DOLLARS SHALL BE TRANSFERRED PURSUANT TO THIS SECTION. IF THE AMOUNT TRANSFERRED PURSUANT TO THIS PARAGRAPH DOES NOT FULLY FUND THE INFLATIONARY ADJUSTMENT REQUIRED BY SECTION 15-901.01, AN ADDITIONAL AMOUNT SUFFICIENT TO FULLY FUND THE INFLATIONARY ADJUSTMENT SHALL BE TRANSFERRED TO THE STATE GENERAL FUND DIRECTLY FROM THE QUALITY EDUCATION AND PERFORMANCE FUND ESTABLISHED BY SECTION 15-981.

9. AFTER TRANSFERRING MONIES PURSUANT TO PARAGRAPH 8 OF THIS SUBSECTION, ANY REMAINDER AMOUNT NOT NECESSARY TO FULLY FUND THE INFLATIONARY ADJUSTMENT REQUIRED BY SECTION 15-901.01 SHALL BE TRANSFERRED PURSUANT TO PARAGRAPH 1 OF THIS SUBSECTION.

C. AFTER TRANSFERRING THE MONIES PURSUANT TO SUBSECTION B OF THIS SECTION, ANY AMOUNT COLLECTED IN ANY FISCAL YEAR PURSUANT TO SECTION 42-5010,

SUBSECTION H AND SECTION 42-5155, SUBSECTION E THAT EXCEEDS ONE BILLION DOLLARS SHALL BE TRANSFERRED IN MONTHLY INSTALLMENTS FOR THE REMAINING MONTHS OF THE FISCAL YEAR AS FOLLOWS:

1. THIRTY-THREE PER CENT SHALL BE TRANSFERRED TO SCHOOL DISTRICTS AND CHARTER SCHOOLS IN PROPORTIONATE AMOUNTS BASED ON THE PROPORTION OF STUDENTS IN THE SCHOOL DISTRICT OR CHARTER SCHOOL WHO QUALIFY FOR FREE OR REDUCED PRICE LUNCHES UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1785) AS A PERCENTAGE OF THE TOTAL NUMBER OF STUDENTS WHO QUALIFY FOR FREE OR REDUCED PRICE LUNCHES IN THIS STATE, EXCEPT THAT THE AMOUNT UNDER THIS PARAGRAPH SHALL NOT EXCEED ONE HUNDRED MILLION DOLLARS IN ANY FISCAL YEAR UNLESS AN ADDITIONAL AMOUNT IS AVAILABLE AND TRANSFERRED PURSUANT TO PARAGRAPH 7, SUBDIVISION (b) OF THIS SUBSECTION. SCHOOL DISTRICTS AND CHARTER SCHOOLS MAY USE THE MONIES TRANSFERRED UNDER THIS PARAGRAPH TO IMPROVE STUDENT ACHIEVEMENT FOR STUDENTS WHO QUALIFY FOR FREE OR REDUCED PRICE LUNCHES AND TO PROVIDE INSTRUCTION IN VOLUNTARY PRESCHOOL PROGRAMS.

2. TWENTY-TWO AND ONE-HALF PER CENT SHALL BE TRANSFERRED TO COMMUNITY COLLEGE AND PROVISIONAL COMMUNITY COLLEGE DISTRICTS AND INDIAN TRIBAL POSTSECONDARY EDUCATIONAL INSTITUTIONS FOR DEPOSIT INTO THEIR WORKFORCE DEVELOPMENT ACCOUNTS ESTABLISHED PURSUANT TO SECTION 15-1472 TO SUPPORT COMMUNITY COLLEGE SCHOLARSHIPS AND CAREER AND TECHNICAL TRAINING PROGRAMS, EXCEPT THAT THE AMOUNT UNDER THIS PARAGRAPH SHALL NOT EXCEED SIXTY-SIX MILLION DOLLARS IN ANY FISCAL YEAR UNLESS AN ADDITIONAL AMOUNT IS AVAILABLE AND TRANSFERRED PURSUANT TO PARAGRAPH 7, SUBDIVISION (e) OF THIS SUBSECTION. EIGHTY-FIVE PER CENT OF THE MONIES TRANSFERRED PURSUANT TO THIS PARAGRAPH SHALL BE ALLOCATED AMONG COMMUNITY COLLEGE AND PROVISIONAL COMMUNITY COLLEGE DISTRICTS AND INDIAN TRIBAL POSTSECONDARY EDUCATIONAL INSTITUTIONS BASED ON THE FULL-TIME STUDENT EQUIVALENT COUNT SERVED BY EACH DISTRICT OR INSTITUTION. FIFTEEN PER CENT OF THE MONIES DISTRIBUTED PURSUANT TO THIS PARAGRAPH SHALL BE ALLOCATED BASED ON PERFORMANCE STANDARDS TO BE DEVELOPED BY AGREEMENT AMONG THE COMMUNITY COLLEGE AND PROVISIONAL COMMUNITY COLLEGE DISTRICTS AND INDIAN TRIBAL POSTSECONDARY EDUCATIONAL INSTITUTIONS ELIGIBLE TO RECEIVE MONIES PURSUANT TO THIS PARAGRAPH.

3. NINE PER CENT SHALL BE TRANSFERRED TO JOINT TECHNICAL EDUCATION DISTRICTS TO SUPPORT CAREER AND VOCATIONAL TRAINING, INCLUDING TO INCREASE STUDENT ENROLLMENT AND TO PROVIDE STATE-OF-THE-ART TECHNICAL EQUIPMENT, EXCEPT THAT THE AMOUNT UNDER THIS PARAGRAPH SHALL NOT EXCEED TWENTY-NINE MILLION DOLLARS IN ANY FISCAL YEAR UNLESS AN ADDITIONAL AMOUNT IS AVAILABLE AND TRANSFERRED PURSUANT TO PARAGRAPH 7, SUBDIVISION (f) OF THIS SUBSECTION. EIGHTY-FIVE PER CENT OF THE MONIES DISTRIBUTED PURSUANT TO THIS PARAGRAPH SHALL BE DISTRIBUTED BASED ON THE FULL-TIME STUDENT EQUIVALENT COUNT SERVED BY EACH DISTRICT. FIFTEEN PERCENT OF THE MONIES DISTRIBUTED PURSUANT TO THIS PARAGRAPH SHALL BE DISTRIBUTED BASED ON PERFORMANCE METRICS DETERMINED BY THE DEPARTMENT OF EDUCATION.

4. TWO PER CENT SHALL BE TRANSFERRED TO THE DEPARTMENT OF EDUCATION TO FUND ADULT EDUCATION PROGRAMS, EXCEPT THAT THE AMOUNT UNDER THIS PARAGRAPH SHALL NOT EXCEED FIVE MILLION DOLLARS IN ANY FISCAL YEAR.

5. TWENTY-TWO AND ONE-HALF PER CENT SHALL BE TRANSFERRED TO THE UNIVERSITY SCHOLARSHIP, OPERATIONS AND INFRASTRUCTURE FUND ESTABLISHED PURSUANT TO SECTION 15-1642.01, EXCEPT THAT THE AMOUNT UNDER THIS PARAGRAPH SHALL NOT EXCEED TWO HUNDRED FIFTY MILLION DOLLARS IN ANY FISCAL YEAR UNLESS AN ADDITIONAL AMOUNT IS AVAILABLE AND TRANSFERRED PURSUANT TO PARAGRAPH 7, SUBDIVISION (d) OF THIS SUBSECTION.

6. ELEVEN PER CENT OF THE REMAINING MONIES COLLECTED SHALL BE TRANSFERRED TO THE STATE INFRASTRUCTURE FUND ESTABLISHED BY SECTION 28-9301, EXCEPT THAT THE AMOUNT UNDER THIS PARAGRAPH SHALL NOT EXCEED ONE HUNDRED

MILLION DOLLARS IN ANY FISCAL YEAR UNLESS AN ADDITIONAL AMOUNT IS AVAILABLE AND TRANSFERRED PURSUANT TO PARAGRAPH 7, SUBDIVISION (c) OF THIS SUBSECTION.

7. AFTER TRANSFERRING MONIES PURSUANT TO PARAGRAPHS 1 THROUGH 6 OF THIS SUBSECTION, ANY REMAINING MONIES SHALL BE TRANSFERRED AS FOLLOWS:

(a) FORTY PER CENT OF THESE REMAINING MONIES SHALL BE TRANSFERRED TO THE QUALITY EDUCATION AND PERFORMANCE FUND ESTABLISHED BY SECTION 15-981.

(b) THIRTY PER CENT OF THESE REMAINING MONIES SHALL BE TRANSFERRED AND DISTRIBUTED TO SCHOOL DISTRICTS AND CHARTER SCHOOLS PURSUANT TO THE FORMULA SET FORTH IN PARAGRAPH 1 OF THIS SUBSECTION.

(c) TEN PER CENT OF THESE REMAINING MONIES SHALL BE TRANSFERRED TO THE STATE INFRASTRUCTURE FUND ESTABLISHED BY SECTION 28-9301.

(d) SEVEN AND ONE-HALF PER CENT OF THESE REMAINING MONIES SHALL BE TRANSFERRED TO THE UNIVERSITY SCHOLARSHIP, OPERATIONS AND INFRASTRUCTURE FUND ESTABLISHED PURSUANT TO SECTION 14-1642.01.

(e) TWO AND ONE-HALF PER CENT OF THESE REMAINING MONIES SHALL BE TRANSFERRED TO COMMUNITY COLLEGE AND PROVISIONAL COMMUNITY COLLEGE DISTRICTS AND INDIAN TRIBAL POSTSECONDARY EDUCATIONAL INSTITUTIONS PURSUANT TO THE FORMULA ESTABLISHED BY PARAGRAPH 2 OF THIS SUBSECTION.

(f) TWO AND ONE-HALF PER CENT OF THESE REMAINING MONIES SHALL BE TRANSFERRED TO JOINT TECHNICAL EDUCATION DISTRICTS PURSUANT TO THE FORMULA ESTABLISHED BY PARAGRAPH 3 OF THIS SUBSECTION.

(g) SEVEN AND ONE-HALF PER CENT OF THESE REMAINING MONIES SHALL BE TRANSFERRED TO THE EDUCATION ACCOUNTABILITY AND IMPROVEMENT FUND ESTABLISHED BY SECTION 15-982.

D. ALL MONIES TRANSFERRED PURSUANT TO THIS SECTION SHALL BE USED TO SUPPLEMENT AND NOT SUPPLANT EXISTING AND FUTURE APPROPRIATIONS FOR THE PURPOSES DESCRIBED IN THIS SECTION. MONIES TRANSFERRED PURSUANT TO THIS SECTION ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO THE LAPSING OF APPROPRIATIONS.

E. IF, IN ANY FISCAL YEAR, LESS THAN ONE BILLION DOLLARS IS COLLECTED PURSUANT TO SECTION 42-5010, SUBSECTION H AND SECTION 42-5155, SUBSECTION E, THE AMOUNTS DISTRIBUTED UNDER SUBSECTION B OF THIS SECTION SHALL BE PROPORTIONATELY REDUCED.

F. NOTWITHSTANDING ANY OTHER LAW, MONIES COLLECTED PURSUANT TO SECTION 42-5010, SUBSECTION H AND SECTION 42-5155, SUBSECTION E AND DISTRIBUTED UNDER THIS SECTION ARE NOT SUBJECT TO ANY APPROPRIATION OR EXPENDITURE LIMITATION UNLESS THE LIMITATION WAS ENACTED BEFORE JANUARY 1, 2012.

G. THE TAX BASE UNDER THIS TITLE SHALL NOT BE ADJUSTED IN ANY MANNER THAT CAUSES A REDUCTION TO THE ANNUAL AMOUNT COLLECTED AND DISTRIBUTED UNDER THIS SECTION TO BE LESS THAN THE AMOUNT THAT WAS COLLECTED AND DISTRIBUTED IN THE PRIOR FISCAL YEAR INCREASED BY SIX PER CENT UNLESS THE REDUCTION IN THE TAX BASE IS OFFSET BY A CORRESPONDING CHANGE IN THE TAX BASE THAT EFFECTIVELY RESULTS EITHER IN NO CHANGE IN THE ANNUAL AMOUNT COLLECTED OR AN INCREASE IN THE AMOUNT COLLECTED. ON WRITTEN REQUEST BY A LEGISLATOR, THE DEPARTMENT SHALL PROVIDE AN ESTIMATE OF THE CHANGES OR ADJUSTMENTS TO THE TAX BASE THAT IS CONTAINED IN PROPOSED LEGISLATION THAT IS SCHEDULED FOR A COMMITTEE HEARING. THE DEPARTMENT SHALL ELECTRONICALLY PROVIDE THE ESTIMATE TO ALL LEGISLATORS.

H. IF A COURT OF COMPETENT JURISDICTION FINALLY DETERMINES THAT TAX MONIES DISTRIBUTED PURSUANT TO 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 ENTITY OR FUND PURSUANT TO THIS SECTION. THE DEPARTMENT SHALL NOTIFY THE STATE TREASURER OF THAT AMOUNT PLUS THE PROPORTIONATE SHARE OF ADDITIONAL ALLOCATED COSTS REQUIRED TO BE PAID TO THE TAXPAYER. EACH ENTITY'S OR FUND'S PROPORTIONATE SHARE OF THE COSTS SHALL BE BASED ON THE AMOUNT OF THE ORIGINAL DISTRIBUTION THAT ENTITY OR FUND

RECEIVED PURSUANT TO THIS SECTION. EACH MONTH THE STATE TREASURER SHALL REDUCE THE AMOUNT OTHERWISE DISTRIBUTABLE TO EACH ENTITY OR FUND BY ONE THIRTY-SIXTH OF THE TOTAL AMOUNT TO BE RECOVERED FROM THAT ENTITY OR FUND UNTIL THE TOTAL AMOUNT HAS BEEN RECOVERED, BUT THE MONTHLY REDUCTION FOR ANY ENTITY OR FUND SHALL NOT EXCEED TEN PER CENT OF THE FULL MONTHLY DISTRIBUTION TO THAT ENTITY OR FUND. 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.

I. A PERFORMANCE AUDIT OF THE MONIES DISTRIBUTED PURSUANT TO THIS SECTION SHALL BE CONDUCTED EVERY FIVE YEARS. THE PERFORMANCE AUDIT SHALL BE CONDUCTED BY AN INDEPENDENT, THIRD-PARTY AUDITOR AND NOT BY ANY STATE AGENCY. THE PERFORMANCE AUDIT REQUIRED BY THIS SUBSECTION SHALL DETERMINE THE AMOUNT OF MONIES DISTRIBUTED, THE PURPOSES FOR WHICH THOSE FUNDS WERE USED, AND THE EFFECTS OR OUTCOMES OF THE EXPENDITURES MADE WITH THOSE MONIES, INCLUDING ANY EFFECTS OR OUTCOMES ON THE PERFORMANCE MEASURES REFERENCED IN THIS SECTION AND IN SECTION 15-982.

J. THE AUDIT REQUIRED BY PARAGRAPH I OF THIS SECTION SHALL BE PROCURED AND FUNDED AS FOLLOWS:

(a) FOR ALL MONIES DISTRIBUTED TO SCHOOL DISTRICTS, CHARTER SCHOOLS, AND JOINT TECHNICAL EDUCATION DISTRICTS, THE SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL PROCURE THE AUDIT REQUIRED BY SUBSECTION I AND MAY USE THE MONIES APPROPRIATED BY SUBSECTION B, PARAGRAPH 2 OF THIS SECTION TO PAY ANY COSTS OF THE AUDIT.

(b) FOR ALL MONIES DISTRIBUTED TO THE STATE INFRASTRUCTURE FUND, THE ARIZONA DEPARTMENT OF TRANSPORTATION SHALL PROCURE THE AUDIT REQUIRED BY SUBSECTION I AND MAY USE THE MONIES APPROPRIATED BY THIS SECTION TO THE STATE INFRASTRUCTURE FUND TO PAY ANY COSTS OF THE AUDIT.

(c) FOR ALL MONIES DISTRIBUTED TO THE UNIVERSITY SCHOLARSHIP, OPERATIONS AND INFRASTRUCTURE FUND, THE ARIZONA BOARD OF REGENTS SHALL PROCURE THE AUDIT REQUIRED BY SUBSECTION I AND MAY USE THE MONIES APPROPRIATED BY THIS SECTION TO THE UNIVERSITY SCHOLARSHIP, OPERATIONS AND INFRASTRUCTURE FUND TO PAY ANY COSTS OF THE AUDIT.

(d) FOR ALL MONIES DISTRIBUTED TO COMMUNITY COLLEGE AND PROVISIONAL COMMUNITY COLLEGE DISTRICTS, THE DISTRICT RECEIVING THE FUNDS SHALL PROCURE THE AUDIT REQUIRED BY SUBSECTION I AND MAY USE THE MONIES APPROPRIATED BY THIS SECTION TO THE DISTRICT'S OR INSTITUTION'S WORKFORCE DEVELOPMENT ACCOUNT TO PAY ANY COSTS OF THE AUDIT.

K. THE REQUIREMENTS OF SUBSECTION I DO NOT APPLY TO MONIES TRANSFERRED PURSUANT TO THIS STATUTE TO THE CHILDREN'S HEALTH INSURANCE PROGRAM FUND, TO THE FAMILY STABILITY AND SELF-SUFFICIENCY FUND, TO THE STATE GENERAL FUND, OR TO INDIAN TRIBAL POSTSECONDARY EDUCATIONAL INSTITUTIONS.

Sec. 12. 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 ~~is~~ OF sixty-five per cent of the sales price.

B. The tax imposed by this section applies to any purchaser which 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 per cent 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. 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 ONE PER CENT IS IMPOSED AND SHALL BE COLLECTED BEGINNING FROM AND AFTER MAY 31, 2013. 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.

~~E.~~ F. 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.~~ G. 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. 13. Conforming legislation

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

B. Notwithstanding subsection A of this section, the executive director of legislative council may blend nonconflicting changes made by the legislature with the changes in the measure.

C. The legislature may make technical and conforming changes to any section of this measure, subject to article IV, part 1, section 1, Constitution of Arizona.

Sec. 14. Initial performance audit

Notwithstanding section 42-5029.02, subsection I, as added by this initiative measure, the first performance audit required by section 42-5029.02, subsection I shall be prepared by December 31, 2016 and shall cover the period from the effective date of this initiative measure through the end of fiscal year 2015-2016. Further audits shall be conducted every five subsequent years pursuant to section 42-5029.02, subsection I, as added by this initiative measure.

Sec. 15. Severability

If a provision of this act or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the act that can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

Sec. 16. Short title

This measure shall be cited as the "Quality Education and Jobs Act".