

Quality Education and Jobs Act

I. Sales Tax Increase and Earmarks

Earmarking

- Enacts, with approval of the voters at the 2012 general election, a 1% TPT increase, effective May 31, 2013.
- Beginning FY 2014, the earmarking of the first \$1 billion is as follows and in the following order:
 1. \$500 million to the newly established **Quality Education and Performance Fund**, plus any monies not used for the inflationary adjustment in Step 8;
 - Monies will be distributed to districts and charters based on the percentage of statewide unweighted student count, including nonresident pupils.
 - School districts and charters may use the monies in the fund for school operations, including the following:
 - Compliance with increased accountability and assessment requirements, including state academic standards such as the Common Core State Standards initiative;
 - New teacher and principal evaluation systems that require 33%-50% of a teacher's or principal's evaluation to be based on student academic achievement;
 - Accountability and improvement plans for failing schools;
 - Improve reading proficiency of pupils with reading deficiencies before the end of third grade;
 - Implementation of the Board Examination System and the award of the Grand Canyon Diplomas.
 2. \$10 million to the existing **Education Learning and Accountability Fund**;
 - Consists of monies supporting the Education Learning and Accountability system for public education, which are used for:
 - Collection, compilation, and maintenance of student level data for students attending public schools.
 - Incorporating the Student Accountability Information System, allowing public and charter schools to transmit data to the Department of Education (ADE) in order to meet statutory reporting obligations.
 3. \$90 million to the newly established **Education Accountability and Improvement Fund**;
 - Beginning FY 2016, monies will be used to provide performance funding to districts and charters based on the actual performance and is distributed on a per pupil basis.
 - Requires the State Board of Education to adopt statewide performance measurements and allocate distributions based on statewide overall improvement in the performance measurements. Performance measures will consist of:
 - 50%: Academic progress (i.e. statewide percentage of 3rd-graders meeting state reading standards, graduation/dropout rates, college admissions exams, National Assessment of Educational Progress)
 - 25%: Parental satisfaction
 - 25%: Student engagement

- Allows the ADE to retain up to \$1 million (adjusted annually for inflation) to develop the measures and administer the fund.
 - Beginning FY 2018, unencumbered monies at the end of three fiscal years will be transferred to the School Facilities Board (SFB) for repayment of debt or, if debt reduction would result in a prepayment penalty, the construction or repair of school buildings.
 - Beginning FY 2014 and at the ADE's discretion, monies may be used for training teachers and for technology to implement the 2010 academic standards and the newly aligned statewide assessments.
4. \$100 million to the newly established **State Infrastructure Fund**;
- Uses of monies include:
 - Costs associated with the planning, designing, engineering, constructing, improving, financing or maintaining:
 - State highways, rest stops, state routes, and interstate highways;
 - Streets, bridges, roadways, and parking facilities;
 - Public transportation and passenger rail systems;
 - Areas for pedestrian, bicycle or other non-motor vehicle use;
 - Landscaping for streets or highways, including earthworks, structures, lakes, and other water features, plants, trees and related water delivery systems;
 - Buildings and facilities;
 - Lighting systems, communications facilities, energy conservation systems, and other public safety-enhancing systems, including signals, controls, markings, and signage;
 - Traffic control systems and devices;
 - Land clearance activities, demolition of public and private buildings and facilities, environmental remediation;
 - Equipment, vehicles, furnishings, and personnel related to the items listed above.
 - Accelerate projects for state highways, state routes, and interstate improvements.
 - Payments in connection with public-private partnerships relating to transportation projects.
 - Other incidental costs associated with highway projects.
 - Environmentally sensitive designs.
 - Wildlife improvement projects disrupted by transportation projects.
 - Principal, interest, and premium on bonds and other financial obligations for transportation projects.
 - Authorizes the Director of ADOT to issue bonds for transportation-related projects and allows the bonds to be secured with monies in the fund.
 - Protects the Fund from reversions, sweeps, and transfers to other funds.
5. \$25 million to the existing **Children's Health Insurance Program**.
- Also known as KidsCare, provides health insurance and services to qualified children of indigent families.
 - This amount may be reduced or eliminated if either of the following apply and the amount is appropriated to the Family Stability and Self-Sufficiency Fund:

- The federal government provides funding for the Children’s Health Insurance Program, which supersedes state funding or
 - The Director of AHCCCS determines that a private or non-profit entity has provided funding for the Program.
- 6. \$100 million to the newly established **Family Stability and Self-Sufficiency Fund**;
 - Requires the Governor’s office to administer the fund, with an allowance of up to 1% of the fund for administrative costs.
 - Monies in the fund would be allocated to state agencies or awarded to private nonprofit entities to provide services for the “basic needs” of children, families, and vulnerable adults whose income is less than 200% of the federal poverty level.
 - Requires the Governor’s office to provide an annual report delineating the amount of money allocated and awarded, the amount not allocated, and the outcomes, including the number of families that made progress toward stability and self-sufficiency.
 - The definition of “basic needs” includes preventing hunger, homelessness and family and domestic violence and proving child care and other community and social services that lead to family stability and self-sufficiency.
- 7. \$50 million to the newly established **University Scholarship, Operations, and Infrastructure Fund**;
 - Requires the Arizona Board of Regents to establish the University Scholarship, Operations, and Infrastructure Fund for providing:
 - Scholarships to students;
 - Monies to the state universities for operating and infrastructure expenses.
 - In addition to any amount of financial aid that is awarded by the universities to any board-established tuition set-aside program, the Board is mandated to allocate 50%-60% of the fund for scholarships for resident students based on financial need or academic achievement. The remainder of funds will be allocated based on meeting performance goals set by the Board.
 - Prohibits the Legislature from reducing future state general fund appropriations below the amount appropriated in FY 2012 or FY 2013, whichever is greater.
- 8. Up to \$125 million for the inflationary adjustment to base level funding or equalization assistance appropriated to schools (If \$125 million is insufficient to fund the inflationary adjustment, the excess will be covered by the **Quality Education and Performance Fund**).
 - The excess of \$1 billion collected, if any, is distributed as follows:
 - 33% for districts and charters based on proportion of students qualifying for the Free or Reduced Price Lunches Program to the total number of qualifying students in the state, up to \$100 million;
 - 22.5% to community college, provisional community college districts, and Indian tribal postsecondary educational institutions to deposit into workforce development accounts, up to \$66 million (85% distributed by FTSE; 15% by performance);
 - 9% to JTEDs to increase student enrollment and provide state-of-the-art technical equipment, up to \$29 million (85% distributed FTSE; 15% by performance);
 - 2% to ADE for adult education programs, up to \$5 million;

- 22.5% to the University Scholarships, Operations and Infrastructure Fund, up to \$250 million;
- 11% to State Infrastructure Fund, up to \$100 million.
- Any remaining funds are distributed as follows:
 - 40% to the Quality Education and Performance Fund;
 - 30% to school districts and charters based on the proportion of students qualifying for the reduced price lunch program to the total number of qualifying students in the state;
 - 10% to the State Infrastructure Fund;
 - 7.5% to the University Scholarship, Operations, and Infrastructure Fund;
 - 2.5% to CCDs for deposit into workforce development accounts (85% distributed FTSE; 15% by performance);
 - 2.5% to JTEDs for career and technical training (85% distributed FTSE; 15% by performance);
 - 7.5% to the Education Accountability and Improvement Fund.
- Requires the distributions to be proportionally reduced when revenues collected pursuant to the 1% TPT increase are less than \$1 billion.
- Effective for FY 2016, requires a performance audit to be conducted on all the funds every five years by an independent, third-party auditor, except for the Children's Health Insurance Program, the Family Stability and Self-Sufficiency Fund, the State General Fund or Indian Tribal Postsecondary Educational Institutions.
- Provides stipulations of the performance audit.

II. Other Transportation Funding Limitations

Vehicle License Tax

- Strikes language requiring the transfer of monies from the State Highway Fund's portion of VLT to the state general fund.
- Prohibits VLT monies from being reverted, swept or transferred to other funds.

Highway User Revenue Funds

- Prohibits HURF from being reverted, swept or transferred to other funds.
- Allows for HURF monies to fund the Highway Patrol Division.

III. School District Funding Provisions

School District Base Level Funding

- Beginning FY 2014, the Legislature is required to increase the base level *AND* other components of the revenue control limit (RCL) by the lesser of 2% or the change in the GDP price deflator. The base level or the amount appropriated for equalization assistance can never be reduced below the amounts appropriated in FY 2012 or FY 2013, whichever is greater.
- Beginning FY 2013, the base support level, the maximum allowable bonded indebtedness for school districts, and the maximum amount for budget overrides cannot be reduced below the levels in place on January 1, 2012.

IV. Sales Tax Provisions

In addition to the permanent sales tax increase effective May 31, 2013, the initiative also creates the following legislative restriction on changes to the TPT base:

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 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.