Conference Engrossed

FILED
JANICE K. BREWER
SECRETARY OF STATE

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CHAPTER 351

HOUSE BILL 2871

AN ACT

REPEALING SECTION 15-1306, ARIZONA REVISED STATUTES; AMENDING SECTIONS 36-1947, 41-704, 41-986, 42-1116, 42-5014, 42-5029, 42-5033.01, 42-5252 AND 42-5253, ARIZONA REVISED STATUTES; MAKING APPROPRIATIONS; RELATING TO GENERAL REVENUES BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Repeal

Section 15-1306, Arizona Revised Statutes, is repealed.

Sec. 2. Section 36-1947, Arizona Revised Statutes, is amended to read:

36-1947. Telecommunication devices for the deaf and the hearing and speech impaired; fund

A. The commission shall establish and administer a statewide program to purchase, repair and distribute telecommunication devices to residents of this state who are deaf or severely hearing or speech impaired and establish a dual party relay system making all phases of public telephone service available to persons who are deaf or severely hearing or speech impaired.

B. The commission may adopt administrative procedures, rules, criteria and forms to establish and administer the telecommunication device program under this section.

C. Telecommunication devices furnished by the commission under this section remain the property of this state. A person who receives a telecommunication device from the commission under this section is liable for the loss of or damage to the device. The commission may impose a civil penalty against the person in an amount equal to the cost of the device or the amount of damage done to the device. If a person objects to the imposition of a civil penalty, the commission shall conduct a hearing as prescribed in title 41, chapter 6, article 10. Monies collected by the commission under this subsection shall be deposited in the telecommunication fund for the deaf established by subsection D of this section.

D. The telecommunication fund for the deaf is established. The commission shall administer the fund. Monies in the fund shall be derived from the telecommunication services excise tax ~~levied under~~ REVENUES DISTRIBUTED PURSUANT TO section 42-5252, subsection ~~A~~ B ~~, paragraph 4~~. Interest accruing to the fund shall be deposited in the fund. Monies in the fund are exempt from section 35-190 relating to lapsing of appropriations. Subject to legislative appropriation, the commission shall use fund monies to purchase and repair telecommunication devices, to administer the program established by this section and for the operating costs of the commission.

Sec. 3. Section 41-704, Arizona Revised Statutes, is amended to read:

41-704. Emergency telecommunication services; administration; revolving fund

A. The director of the department of administration shall:

1. Adopt rules and procedures for administering and disbursing monies deposited in the emergency telecommunication services revolving fund, and at least quarterly review and approve requests by political subdivisions of this state for payment for operating emergency telecommunication service systems.

2. In fiscal year 2001-2002 and every two years thereafter, recommend to the legislature the amount of the telecommunication services excise tax that will be required during the following two fiscal years for purposes of this section, with supporting documentation and information. The legislature

shall review the recommendation and take legislative action regarding the recommendation.

~~3. Separately account for costs associated with wireless access service for emergency telecommunication service systems and report those costs to the president of the senate and the speaker of the house of representatives by December 31, 2002.~~

B. An emergency telecommunication services revolving fund is established to be administered by the director. The fund shall be used for:

1. Necessary or appropriate equipment or service for implementing and operating emergency telecommunication services through political subdivisions of this state. Priority shall be given to establishing emergency telecommunication services in those areas of the state that are without emergency telecommunication services.

2. Necessary or appropriate administrative costs or fees for consultants' services, not to exceed three per cent of the amounts deposited annually in the revolving fund. For fiscal years beginning after June 30, 2001, the department may use up to two-thirds of the three per cent of the amounts deposited annually in the revolving fund for administrative costs. The remainder of the three per cent may be allocated for local network management of contracts with public safety answering points for emergency telecommunication services.

3. Monthly recurring costs of emergency telecommunication services, including expenditures for capital, maintenance and operation purposes.

4. A wireless carrier's costs associated with the provision, development, design, construction and maintenance of the wireless emergency telecommunication services in an amount that the wireless carrier has not recovered through the deduction mechanism specified in federal law.

C. At the end of each fiscal year, any unexpended monies in the fund, including interest, shall be carried over and do not revert to the general fund but shall be applied to the extent possible to reduce the levy under section 42-5252, subsection A~~, paragraphs 1, 2 and 3~~ for the following fiscal year.

Sec. 4. Section 41-986, Arizona Revised Statutes, is amended to read:

41-986. Arizona arts endowment fund

A. The Arizona arts endowment fund is established consisting of monies appropriated annually to the fund ~~pursuant to section 42-5029, subsection D, paragraph 4~~.

B. The Arizona commission on the arts shall administer the fund. On notice from the commission, the state treasurer shall invest and divest monies in the fund as provided by section 35-313. Monies earned from investment:

1. Shall be credited to the fund.

2. Are a continuing appropriation to the commission.

C. The commission may not spend any monies in the fund except monies earned from investment of fund monies.

D. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

E. The commission may enter into contracts with private charitable, nonprofit organizations that qualify for tax exemption under section 501(c)(3) of the United States internal revenue code to administer monies that are donated by the organization for use in conjunction with monies from the Arizona arts endowment fund. The commission shall adopt rules regarding matching private monies with monies from the Arizona arts endowment fund in a manner consistent with the intent of the fund.

F. The commission shall include in its annual report an accounting of the private monies that are donated for use in conjunction with the monies from the Arizona arts endowment fund. Each year the joint legislative budget committee shall review the commission's records regarding amounts received from private sources in comparison with the amount appropriated to the fund ~~pursuant to section 42-5029, subsection D, paragraph 4, subdivision (d)~~.

G. Notwithstanding any law to the contrary, no monies from the Arizona arts endowment fund ~~consisting of monies appropriated annually to the fund pursuant to section 42-5029, subsection D, paragraph 4, subdivision (d)~~ may be spent for payment to any person or entity for use in desecrating, casting contempt on, mutilating, defacing, defiling, burning, trampling or otherwise dishonoring or causing to bring dishonor on religious objects, the flag of the United States or the flag of this state.

Sec. 5. Section 42-1116, Arizona Revised Statutes, is amended to read:

42-1116. Disposition of tax revenues

A. The department shall promptly deposit, pursuant to sections 35-146 and 35-147, all monies it collects from the taxes administered pursuant to this article except the telecommunication services excise tax, separately accounting for each type of tax and each tax classification within each type of tax. At the same time the department of revenue shall also furnish copies of the transmittal schedules to the director of the department of administration.

B. Except as provided by subsection C of this section, the department shall deposit all monies and remittances received under this section to the credit of the following specific funds and accounts:

1. Amounts sufficient to meet the requirements for tax refunds to the tax refund account established in section 42-1117.

2. Amounts sufficient to meet the requirements of urban revenue sharing to the urban revenue sharing fund established in section 43-206.

3. Amounts collected pursuant to chapter 5, articles 1, 5 and 9 of this title and section 42-5352, subsection A~~,~~ to the transaction privilege and severance tax clearing account established in section 42-5029.

4. Through June 30, 2010, amounts sufficient to meet the requirements of section 42-3104 to the corrections fund.

5. Amounts sufficient to meet the requirements of section 49-282, subsection B relating to the water quality assurance revolving fund.

6. All remaining monies to the state general fund.

C. From the monies and remittances received under this section, each month beginning July, 2001 the state treasurer shall transmit to the tourism and sports authority, established by title 5, chapter 8, for deposit in its facility revenue clearing account established by section 5-834~~, the greater of:~~

~~1.~~ one-twelfth of the amount reported by the department pursuant to section 43-209.

~~2. Two hundred ninety-two thousand dollars per month for the first twelve month period, increased in each subsequent twelve month period by an additional eight per cent over the prior twelve months' distribution.~~

Sec. 6. Section 42-5014, Arizona Revised Statutes, is amended to read:

42-5014. Return and payment of tax; estimated tax; extensions; abatements

A. Except as provided in subsection B, C or D of this section, the taxes levied under this article are due and payable monthly in the form required by section 42-5018 for the amount of the tax, to the department, on or before the twentieth day of the month next succeeding the month in which the tax accrues and are delinquent:

1. If not postmarked on or before the twenty-fifth day of that month.

2. If not received by the department on or before the business day preceding the last business day of that month for those taxpayers electing to file by mail.

3. If not received by the department on the business day preceding the last business day of that month for those taxpayers electing to file in person.

4. If not received by the department on or before the twenty-fifth day of that month for those taxpayers required or electing to pay in immediately available monies pursuant to section 42-1129.

B. For tax reporting periods that begin from and after December 31, 1998, the department ~~may~~, for any taxpayer whose estimated annual liability for taxes imposed by this article is between five hundred dollars and one thousand two hundred fifty dollars, MAY authorize such taxpayer to pay such taxes on a quarterly basis. For tax reporting periods that begin from and after December 31, 1998, the department may, for any taxpayer whose estimated annual liability for taxes imposed by this article is five hundred dollars or less, authorize such taxpayer to pay such taxes on an annual basis.

C. The department may require a taxpayer whose business is of a transient character to file the return and remit the taxes imposed by this article on a daily, a weekly or a transaction by transaction basis, and those returns and payments are due and payable on the date fixed by the department without a grace period otherwise allowed by this section. For purposes of this subsection, "business of a transient character" means sales activity by

a taxpayer not regularly engaged in selling within the state conducted from vehicles, portable stands, rented spaces, structures or booths, or concessions at fairs, carnivals, circuses, festivals or similar activities for not more than thirty consecutive days.

D. If the business entity under which a taxpayer reports and pays income tax under title 43 has an annual total tax liability under this article, article 6 of this chapter and chapter 6, article 3 of this title of ~~one hundred thousand~~ ONE MILLION dollars or more, based on the actual tax liability in the preceding calendar year, regardless of the number of offices at which the taxes imposed by this article, article 6 of this chapter or chapter 6, article 3 of this title are collected, or if the taxpayer can reasonably anticipate such liability in the current year, the taxpayer shall report on a form prescribed by the department and pay an estimated tax payment each June. Any other taxpayer may voluntarily elect to pay the estimated tax payment pursuant to this subsection. The payment shall be made on or before June 20 and is delinquent if not postmarked on or before that date or if not received by the department on or before the business day preceding the last business day of June for those taxpayers electing to file by mail, or delinquent if not received by the department on the business day preceding the last business day of June for those taxpayers electing to file in person. A taxpayer paying by using the method prescribed in subsection A, paragraph 4 of this section shall make the estimated tax payments on or before June 25, and the payment is delinquent if not transferred by the last day to make the estimated payment. The estimated tax paid shall be credited against the taxpayer's tax liability under this article, article 6 of this chapter and chapter 6, article 3 of this title for the month of June for the current calendar year. The estimated tax payment shall equal either:

1. One-half of the actual tax liability under this article plus one-half of any tax liability under article 6 of this chapter and chapter 6, article 3 of this title for May of the current calendar year.

2. The actual tax liability under this article plus any tax liability under article 6 of this chapter and chapter 6, article 3 of this title for the first fifteen days of June of the current calendar year.

E. The taxpayer shall prepare a return showing the amount of the tax for which the taxpayer is liable for the preceding month, and shall mail or deliver the return to the department in the same manner and time as prescribed for the payment of taxes in subsection A of this section. The return shall be verified by the oath of the taxpayer or an authorized agent or as prescribed by the department pursuant to section 42-1105, subsection B.

F. Any person taxable under this article making cash and credit sales shall report such cash and credit sales separately and upon making application may obtain from the department an extension of time for payment of taxes due on the credit sales. The extension shall be granted by the department under such rules as the department prescribes. When the extension is granted, the taxpayer shall thereafter include in each monthly report all

collections made on such credit sales during the month next preceding, and shall pay the taxes due at the time of filing such report.

G. The returns required under this article shall be made upon forms prescribed by the department.

H. The department, for good cause, may extend the time for making any return required by this article, and may grant such reasonable additional time within which to make the return as it deems proper, but the time for filing the return shall not be extended beyond the first day of the third month next succeeding the regular due date of the return.

I. The department, with the approval of the attorney general, may abate small tax balances if the administration costs exceed the amount of tax due.

J. For the purposes of subsection D of this section, "taxpayer" means the business entity under which the business reports and pays state income taxes regardless of the number of offices at which the taxes imposed by this article, article 6 of this chapter or chapter 6, article 3 of this title are collected.

Sec. 7. Section 42-5029, Arizona Revised Statutes, is amended to read:

42-5029. Remission and distribution of monies; definition

A. The department shall deposit, pursuant to sections 35-146 and 35-147, all revenues collected under this article and articles 4, 5, 8 and 9 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.

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, 42-5205, 42-5353 and 42-5409. Each month the department shall report to the state treasurer the amount of monies collected pursuant to this article and articles 4, 5, 8 and 9 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, 42-5205, 42-5353 and 42-5409, after deducting warrants drawn against the account pursuant to sections 42-1118 and 42-1254.

D. Of the monies designated as distribution base the department shall:

1. Pay twenty-five per cent 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 per cent 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, section 42-5205, subsection B and sections 42-5353 and 42-5409 bear to the total distribution base monies collected under this article, section 42-5164, subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409 throughout the state for the calendar month.

3. Pay an additional 2.43 per cent 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, section 42-5205, subsection B and sections 42-5353 and 42-5409 bear to the total distribution base monies collected under this article, section 42-5164, subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409 throughout the 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 and 42-5032.01, 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:

(a) The legislature shall annually appropriate to:

(i) The department of revenue sufficient monies to administer and enforce this article and articles 5, 8 and 9 of this chapter.

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

~~(iii) The Arizona arts endowment fund established by section 41-986, the full amount by which revenues derived from the amusement classification pursuant to section 42-5073 for the current fiscal year exceed the revenues that were derived from that classification in fiscal year 1993-1994, except that this amount shall not exceed two million dollars through fiscal year 2008-2009.~~

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

(b) The state treasurer shall transfer to the tourism fund an amount equal to the sum of the following:

(i) Three and one-half per cent of the gross revenues derived from the transient lodging classification pursuant to section 42-5070 during the preceding fiscal year.

(ii) Three per cent of the gross revenues derived from the amusement classification pursuant to section 42-5073 during the preceding fiscal year.

(iii) Two per cent of the gross revenues derived from the restaurant classification pursuant to section 42-5074 during the preceding 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 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 is 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, 8 and 9 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. 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 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 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 per cent 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 41-1554.06 or 41-1554.07 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. 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.

Sec. 8. Section 42-5033.01, Arizona Revised Statutes, is amended to read:

42-5033.01. <u>Use of population estimates for state shared revenues; report</u>

A. In lieu of conducting a special census as provided by sections 28-6532 and 42-5033, before May 1, 2006:

1. A city, town or county may submit to the director of the department of revenue, the director of the department of transportation and the state treasurer its July 2005 population estimate as approved by the director of the department of economic security. On submittal, that population, plus any revisions due to annexations certified by the United States bureau of the census, shall be used for distribution of state shared tax revenues pursuant to sections 28-5808, 28-6540, 42-5029 and 43-206 to the city, town or county beginning July 1, 2006 through June 30, 2011.

2. A city, town or county may contract with the United States bureau of the census to conduct a sample survey that results in a 2005 resident population and submit the results of that survey to the director of the department of revenue, the director of the department of transportation and the state treasurer. The survey shall also report total resident population in housing units, total resident population in group quarters, total housing units and total occupied housing units for the city, town or county. On submittal, that 2005 resident population, plus any revisions due to

annexations certified by the United States bureau of the census, shall be used as the base for the calculation of population estimates for 2006 through 2010 by the department of economic security and for distribution of state shared tax revenues pursuant to sections 28-5808, 28-6540, 42-5029 and 43-206 to the city, town or county beginning July 1, 2006 through June 30, 2011. Any city, town or county contracting for the survey may not exercise the option provided in ~~subsection A,~~ paragraph 1 of this ~~section~~ SUBSECTION.

3. A city, town or county may request the director of the department of revenue, the director of the department of transportation and the state treasurer to continue to use the 2000 United States decennial census through June 30, 2011 for distribution of state shared tax revenues pursuant to sections 28-5808, 28-6540, 42-5029 and 43-206.

B. No later than ~~June 30~~ JULY 31, 2006, the joint legislative budget committee shall prepare a report on the use of population estimates pursuant to this section and shall include a comparison of:

1. The population estimate data produced by the department of economic security for purposes of this section with any available census data.

2. State shared revenue amounts distributed to cities, towns and counties using the special census or sample survey population data with amounts that would have been distributed using the population estimate data produced by the department of economic security for the purposes of this section.

Sec. 9. Section 42-5252, Arizona Revised Statutes, is amended to read:

42-5252. Levy of tax

A. A tax is levied on every provider in an amount as follows:

1. For the fiscal years beginning from and after June 30, 2001 and ending before July 1, 2006, thirty-seven cents per month for each activated wire and wireless service account for the purpose of financing emergency telecommunication services.

2. For fiscal year 2006-2007, twenty-eight cents per month for each activated wire and wireless service account for the purpose of financing emergency telecommunication services.

3. For the fiscal years beginning from and after June 30, 2007, twenty cents per month for each activated wire and wireless service account for the purpose of financing emergency telecommunication services.

B. A TAX IS LEVIED ON EVERY PROVIDER AT THE RATE OF 1.1 PER CENT OF THE PROVIDERS' GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE BUSINESS OF PROVIDING EXCHANGE ACCESS SERVICES. REVENUES FROM THE TAX SHALL BE USED

~~4. 0.68 per cent of the provider's gross proceeds of sales or gross income derived from the business of providing exchange access services~~ for the purpose of financing telecommunication devices for the deaf and the severely hearing and speech impaired under the program established pursuant to section 36-1947.

~~5. 0.25 per cent of the provider's gross proceeds of sales or gross income derived from the business of providing exchange access services for the purpose of financing the Arizona poison control system. These monies shall be deposited in the poison control fund administered by the department of health services and are subject to legislative appropriation.~~

~~6. 0.16 per cent of the provider's gross proceeds of sales or gross income derived from the business of providing exchange access services for the purpose of financing the operating expenses of the Arizona state schools for the deaf and the blind pursuant to section 15-1306.~~

~~7. 0.01 per cent of the provider's gross proceeds of sales or gross income derived from the business of providing exchange access services for the purpose of financing the teratogen information program at the university of Arizona. These monies shall be deposited in the teratogen information program fund administered by the university of Arizona health sciences center.~~

~~B.~~ C. Each provider shall state on the invoice to customers a separate line item stating the amount of tax levied pursuant to ~~subsection~~ SUBSECTIONS A AND B of this section.

~~C.~~ D. Unless the context otherwise requires, article 1 of this chapter governs the administration of the tax imposed under this section.

Sec. 10. Section 42-5253, Arizona Revised Statutes, is amended to read:

42-5253. Remission and distribution of revenues

A. Each provider shall remit monthly to the department the amount of tax due pursuant to section 42-5252, accompanied by an information return as prescribed by the department.

B. The department shall deposit, pursuant to sections 35-146 and 35-147, all monies remitted pursuant to this article as follows:

1. Section 42-5252, subsection A~~, paragraphs 1, 2 and 3~~ in the emergency telecommunication services revolving fund.

2. Section 42-5252, subsection ~~A~~ B~~, paragraph 4~~ in the telecommunication fund for the deaf.

Sec. 11. Lottery deposits

A. Notwithstanding section 5-505, subsection B, Arizona Revised Statutes, for fiscal year 2006-2007, at least 31.6 per cent of the total annual revenues accruing from the sale of multistate lottery tickets shall be deposited in the state lottery fund established by section 5-521, Arizona Revised Statutes, to be used as prescribed in section 5-522, Arizona Revised Statutes, including deposits to the state general fund pursuant to section 5-522, subsection F, Arizona Revised Statutes.

B. Notwithstanding section 5-522, subsection F, Arizona Revised Statutes, if the state lottery director determines that monies available to the state general fund from the sale of multistate lottery games may not equal thirty-seven million dollars in fiscal year 2006-2007, the director shall not authorize deposits to the local transportation assistance fund

pursuant to section 5-522, subsection A, paragraph 3, Arizona Revised Statutes, until the deposits to the state general fund from the sale of multistate lottery games equal thirty-seven million dollars in fiscal year 2006-2007. After the state general fund receives thirty-seven million dollars, any additional monies, up to eighteen million dollars, from the sale of multistate lottery games shall be deposited in the local transportation assistance fund.

C. It is the intent of the legislature that deposits of monies from the sale of multistate lottery games shall be made pursuant to statute in fiscal year 2007-2008.

Sec. 12. Unrestricted federal monies

Any unrestricted federal monies received from May 1, 2006 through June 30, 2007 shall be deposited in the state general fund. The monies shall be used for the payment of essential governmental services.

Sec. 13. Appropriation; towns; population

A. The sum of $850,000 is appropriated from the state general fund in fiscal year 2006-2007 to the department of revenue for distribution to towns with a population of one thousand five hundred persons or less.

B. The appropriated monies shall be distributed in the following amounts to the qualifying towns in fiscal year 2006-2007, based proportionately on the difference between each town's 2004 population estimate from the department of economic security and the population of a hypothetical incorporated municipality of one thousand five hundred persons:

1.	Fredonia	$ 73,750.
2.	Patagonia	$110,620.
3.	Hayden	$116,300.
4.	Duncan	$131,420.
5.	Winkleman	$196,660.
6.	Jerome	$221,250.

Sec. 14. Urban revenue sharing fund; appropriation; deposit

A. The sum of $717,127,600 is appropriated from the state general fund in fiscal year 2008-2009 for deposit in the urban revenue sharing fund established by section 43-206, subsection A, Arizona Revised Statutes.

B. Notwithstanding section 43-206, subsection A, Arizona Revised Statutes, the appropriation in subsection A of this section is in lieu of the transfer of the state income tax revenues to the urban revenue sharing fund in fiscal year 2008-2009 as provided by section 43-206, subsection A, Arizona Revised Statutes.

C. The $717,127,600 deposited in the urban revenue sharing fund pursuant to subsection A of this section shall be distributed to incorporated cities and towns pursuant to section 43-206, subsections B, C, D and E.

D. The sum of $10,549,800 is appropriated from the state general fund in fiscal year 2008-2009 for deposit in the urban revenue sharing fund established by section 43-206, subsection A, Arizona Revised Statutes, as

1 repayment of the fiscal year 2002-2003 and fiscal year 2003-2004 reduction in
2 the distribution percentage from 15.0% to 14.8%.
3 E. The $10,549,800 deposited in the urban revenue sharing fund
4 pursuant to subsection D of this section shall be distributed to incorporated
5 cities and towns in the same manner that distributions were made in fiscal
6 year 2003-2004.
7 Sec. 15. Effective date
8 Section 42-1116, Arizona Revised Statutes, as amended by this act, is
9 effective from and after June 30, 2007.
10 Sec. 16. Retroactivity
11 A. Sections 36-1947, 41-704, 41-986, 42-5029, 42-5033.01, 42-5252 and
12 42-5253, Arizona Revised Statutes, as amended by this act, apply
13 retroactively to June 30, 2006.
14 B. Section 12 of this act, relating to unrestricted federal monies, is
15 effective retroactively to from and after April 30, 2006.

APPROVED BY THE GOVERNOR JUNE 21, 2006.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 21, 2006.