Senate Engrossed

FILED
MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
Senate
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 130

SENATE BILL 1537

AN ACT

AMENDING SECTIONS 15-1626, 15-1670 AND 35-146, ARIZONA REVISED STATUTES; AMENDING LAWS 2014, CHAPTER 18, SECTION 134; RELATING TO BUDGET RECONCILIATION FOR HIGHER EDUCATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 15-1626, Arizona Revised Statutes, is amended to read:

15-1626. General administrative powers and duties of board; definition

A. The board shall:

1. Have and exercise the powers necessary for the effective governance and administration of the institutions under its control. To that end, the board may adopt, and authorize each university to adopt, such regulations, policies, rules or measures as are deemed necessary and may delegate in writing to its committees, to its university presidents, or their designees, or to other entities under its control, any part of its authority for the administration and governance of such institutions, including those powers enumerated in section 15-1625, subsection B, paragraphs 2 and 4, paragraphs 3, 4, 8, 9, 11 and 12 of this subsection and subsection B of this section. Any delegation of authority may be rescinded by the board at any time in whole or in part.

2. Appoint and employ and determine the compensation of presidents with such power and authority and for such purposes in connection with the operation of the institutions as the board deems necessary.

3. Appoint and employ and determine the compensation of vice-presidents, deans, professors, instructors, lecturers, fellows and such other officers and employees with such power and authority and for such purposes in connection with the operation of the institutions as the board deems necessary, or delegate its authority pursuant to paragraph 1 of this subsection.

4. Remove any officer or employee when the interests of education in this state so require in accordance with its personnel rules and policies.

5. Fix tuitions and fees to be charged and differentiate the tuitions and fees between institutions and between residents, nonresidents, undergraduate students, graduate students, students from foreign countries and students who have earned credit hours in excess of the credit hour threshold. For the purposes of this paragraph, the undergraduate credit hour threshold is one hundred forty-five hours for students who attend a university under the jurisdiction of the board. The undergraduate credit hour threshold shall be based on the actual full-time equivalent student enrollment counted on the forty-fifth day of every fall and spring semester, divided by two, and any budget adjustment based on student enrollment shall occur in the fiscal year following the actual full-time equivalent student enrollment count. The undergraduate credit hour threshold shall not apply to degree programs that require credit hours above the credit hour threshold, credits earned in the pursuit of up to two baccalaureate degrees, credits earned in the pursuit of up to two state regulated licensures or certificates, credits earned in the pursuit of teaching certification,

credits transferred from a private institution of higher education, credits transferred from an institution of higher education in another state, credits earned at another institution of higher education but that are not accepted as transfer credits at the university where the student is currently enrolled and credits earned by students who enroll at a university under the jurisdiction of the board more than twenty-four months after the end of that student's previous enrollment at a public institution of higher education in this state. On or before October 15 of each year, the board shall report to the joint legislative budget committee the number of in-state students and out-of-state students who were enrolled at universities under the jurisdiction of the board during the previous fiscal year who met or exceeded the undergraduate credit hour threshold prescribed in this paragraph. The amount of tuition~~, registration~~ AND fees ~~and other revenues~~ included in the operating budget for the university adopted by the board as prescribed in paragraph 13 of this subsection shall be SUBJECT TO LEGISLATIVE APPROPRIATION AND deposited~~, pursuant to sections 35-146 and 35-147~~ IN A SEPARATE TUITION AND FEES SUBACCOUNT FOR EACH UNIVERSITY. All other tuition and fee revenue shall be retained by each university for expenditure as approved by the board~~, except that~~ IN A SEPARATE LOCAL TUITION AND FEES SUBACCOUNT FOR EACH UNIVERSITY. THIS SUBACCOUNT SHALL CONSIST OF ONLY TUITION AND FEES. The universities shall not use any tuition or fee revenue to fund or support an alumni association.

6. Except as provided in subsection I of this section, adopt rules to govern its tuition and fee setting process that provide for the following:

(a) At least one public hearing at each university as an opportunity for students and members of the public to comment on any proposed increase in tuition or fees.

(b) Publication of the notice of public hearing at least ten days prior to the hearing in a newspaper of general circulation in Maricopa county, Coconino county and Pima county. The notice shall include the date, time and location of the public hearing.

(c) Public disclosure by each university of any proposed increases in tuition or fees at least ten days prior to the public hearing.

(d) A ROLL CALL VOTE OF ANY final board action on changes in tuition or fees ~~shall be taken by roll call vote~~.

The procedural requirements of subdivisions (a), (b), (c) and (d) of this paragraph apply only to those changes in tuition or fees that require board approval.

7. Pursuant to section 35-115, submit a budget request for each institution under its jurisdiction that includes the estimated tuition and fee revenue available to support the programs of the institution as described in the budget request. The estimated available tuition and fee revenue shall be based on the tuition and registration fee rates in effect at the time the

budget request is submitted with adjustments for projected changes in enrollment as provided by the board.

8. Establish ~~curriculums~~ CURRICULA and designate courses at the several institutions that in its judgment will best serve the interests of this state.

9. Award such degrees and diplomas on the completion of such courses and curriculum requirements as it deems appropriate.

10. Prescribe qualifications for admission of all students to the universities. The board shall establish policies for guaranteed admission that ~~assure~~ ENSURE fair and equitable access to students in this state from public, private and charter schools and homeschools. For the purpose of determining the qualifications of honorably discharged veterans, veterans are those persons who served in the armed forces for a minimum of two years and who were previously enrolled at a university or community college in this state. No prior failing grades received by the veteran at the university or community college in this state may be considered.

11. Adopt any energy conservation standards promulgated by the department of administration for the construction of new buildings.

12. Employ for such time and purposes as the board requires attorneys whose compensation shall be fixed and paid by the board. Litigation to which the board is a party and for which self-insurance is not provided may be compromised or settled at the direction of the board.

13. Adopt annually an operating budget for each university equal to the sum of appropriated general fund monies and the amount of tuition~~, registration~~ AND fees ~~and other revenues~~ approved by the board and allocated to each university operating budget.

14. In consultation with the state board of education and other education groups, develop and implement a program to award honors endorsements to be affixed to the high school diplomas of qualifying high school pupils and to be included in the transcripts of pupils who are awarded endorsements. The board shall develop application procedures and testing criteria and adopt testing instruments and procedures to administer the program. In order to receive an honors endorsement, a pupil must demonstrate an extraordinary level of knowledge, skill and competency as measured by the testing instruments adopted by the board in mathematics, English, science and social studies. Additional subjects may be added at the determination of the board. The program is voluntary for pupils.

15. Require the publisher of each literary and nonliterary textbook used in the universities of this state to furnish computer software in a standardized format when software becomes available for nonliterary textbooks to the Arizona board of regents from which braille versions of the textbooks may be produced.

16. Require universities that provide a degree in education to require courses that are necessary to obtain a provisional structured English immersion endorsement as prescribed by the state board of education.

17. Acquire United States flags for each classroom that are manufactured in the United States and that are at least two feet by three feet and hardware to appropriately display the United States flags, acquire a legible copy of the Constitution of the United States and the Bill of Rights, display the flags in each classroom in accordance with title 4 of the United States Code and display a legible copy of the Constitution of the United States and the Bill of Rights adjacent to the flag.

18. To facilitate the transfer of military personnel and their dependents to and from the public schools of this state, pursue, in cooperation with the state board of education, reciprocity agreements with other states concerning the transfer credits for military personnel and their dependents. A reciprocity agreement entered into pursuant to this paragraph shall:

(a) Address procedures for each of the following:

(i) The transfer of student records.

(ii) Awarding credit for completed ~~course work~~ COURSEWORK.

(iii) Permitting a student to satisfy the graduation requirements prescribed in section 15-701.01 through the successful performance on comparable exit-level assessment instruments administered in another state.

(b) Include appropriate criteria developed by the state board of education and the Arizona board of regents.

19. Require a university to publicly post notices of all of its employment openings, including the title and description, instructions for applying and relevant contact information.

20. In consultation with the community college districts in this state, develop and implement common equivalencies for specific levels of achievement on advanced placement examinations and international baccalaureate examinations in order to award commensurate postsecondary academic credits at community colleges and public universities in this state.

21. On or before August 1 of each year, report to the joint legislative budget committee the graduation rate by university campus during the previous fiscal year. The board shall also report the retention rate by university campus and by class, as determined by date of entry during the previous fiscal year.

B. The board shall adopt personnel policies for all employees of the board and the universities.

C. In conjunction with the auditor general, the board shall develop a uniform accounting and reporting system, which shall be reviewed by the joint legislative budget committee before final adoption by the board. The board shall require each university to comply with the uniform accounting and reporting system.

D. The board may employ legal assistance in procuring loans for the institutions from the United States government. Fees or compensation paid for such legal assistance shall not be a claim on the general fund of this state but shall be paid from funds of the institutions.

E. The board shall approve or disapprove any contract or agreement entered into by the university of Arizona hospital with the Arizona health facilities authority.

F. The board may adopt policies that authorize the institutions under its jurisdiction to enter into employment contracts with nontenured employees for periods of more than one year but not more than five years. The policies shall prescribe limitations on the authority of the institutions to enter into employment contracts for periods of more than one year but not more than five years, including the requirement that the board approve the contracts.

G. The board may adopt a plan or plans for employee benefits that allow for participation in a cafeteria plan that meets the requirements of the United States internal revenue code of 1986.

H. The board may establish a program for the exchange of students between the universities under the jurisdiction of the board and colleges and universities located in the state of Sonora, Mexico. Notwithstanding subsection A, paragraph 5 of this section, the program may provide for in-state tuition at the universities under the jurisdiction of the board for fifty Sonoran students in exchange for similar tuition provisions for up to fifty Arizona students enrolled or seeking enrollment in Sonoran colleges or universities. The board may direct the universities to work in conjunction with the Arizona-Mexico commission to coordinate recruitment and admissions activities.

I. Subsection A, paragraph 6, subdivisions (a), (b), (c) and (d) of this section do not apply to fee increases that are set by individual universities and that do not require approval by the Arizona board of regents before the fee increase becomes effective.

J. The Arizona board of regents, in collaboration with the universities under its jurisdiction, shall adopt a performance funding model. The performance funding model shall use performance metrics that include the increase in degrees awarded, the increase in completed student credit hours and the increase in externally generated research and public service funding. The funding formula may give added weight to degrees related to science, technology, engineering and mathematics and other high-value degrees that are in short supply or that are essential to this state's long-term economic development strategy.

K. The Arizona board of regents shall use the performance funding model adopted pursuant to subsection J of this section in developing and submitting budget requests for the universities under its jurisdiction.

L. On or before November 1 of each year, the Arizona board of regents shall submit to the joint legislative budget committee and the governor's

office of strategic planning and budgeting a report on university debt and obligations, including:

1. Long-term notes and obligations.

2. Certificates of participation and other obligations pursuant to any lease-purchase agreements.

3. Revenue bonds.

4. Bonds issued pursuant to section 15-1682.03.

M. The report issued pursuant to subsection L of this section shall contain, for the most recent fiscal year:

1. The aggregate level of outstanding principal and the principal and interest payments, by type of debt or obligation.

2. An itemization, by campus and project, of the amount of yearly principal and interest to be paid in the most recent and the next five fiscal years.

N. The board may enter into an intergovernmental agreement pursuant to section 15-1747 to manage universities under its jurisdiction subject to the terms of the reciprocity agreement.

O. For the purposes of this section, "university debt and obligations" means debt and obligations, the principal and interest of which are paid in whole or in part with university monies.

Sec. 2. Section 15-1670, Arizona Revised Statutes, is amended to read:

15-1670. Appropriations for university research infrastructure facilities; university deposits; annual report; definition

A. In fiscal years 2007-2008 through ~~2030-2031,~~ 2016-2017, the following sums are appropriated each year from the state general fund to the respective universities for lease-purchase capital financing for research infrastructure projects:

1. $14,472,000 to Arizona state university.

2. $14,253,000 to the university of Arizona.

3. $5,900,000 to northern Arizona university.

B. IN FISCAL YEARS 2017-2018 THROUGH 2030-2031, THE FOLLOWING SUMS ARE APPROPRIATED FROM THE STATE GENERAL FUND TO ARIZONA STATE UNIVERSITY FOR LEASE-PURCHASE CAPITAL FINANCING FOR RESEARCH INFRASTRUCTURE PROJECTS:

1. IN FISCAL YEAR 2017-2018, $13,481,000.

2. IN FISCAL YEAR 2018-2019, $13,478,700.

3. IN FISCAL YEAR 2019-2020, $13,456,300.

4. IN FISCAL YEAR 2020-2021, $13,458,700.

5. IN FISCAL YEAR 2021-2022, $13,451,900.

6. IN FISCAL YEAR 2022-2023, $13,462,100.

7. IN FISCAL YEAR 2023-2024, $13,468,200.

8. IN FISCAL YEAR 2024-2025, $13,459,300.

9. IN FISCAL YEAR 2025-2026, $13,453,900.

10. IN FISCAL YEAR 2026-2027, $13,450,100.

11. IN FISCAL YEAR 2027-2028, $13,436,200.
12. IN FISCAL YEAR 2028-2029, $13,430,800.
13. IN FISCAL YEAR 2029-2030, $13,423,500.
14. IN FISCAL YEAR 2030-2031, $13,428,800.

C. IN FISCAL YEARS 2017-2018 THROUGH 2030-2031, THE FOLLOWING SUMS ARE APPROPRIATED FROM THE STATE GENERAL FUND TO THE UNIVERSITY OF ARIZONA FOR LEASE-PURCHASE CAPITAL FINANCING FOR RESEARCH INFRASTRUCTURE PROJECTS:

1. IN FISCAL YEAR 2017-2018, $14,249,300.
2. IN FISCAL YEAR 2018-2019, $14,251,000.
3. IN FISCAL YEAR 2019-2020, $14,250,200.
4. IN FISCAL YEAR 2020-2021, $14,251,500.
5. IN FISCAL YEAR 2021-2022, $14,248,900.
6. IN FISCAL YEAR 2022-2023, $14,252,500.
7. IN FISCAL YEAR 2023-2024, $14,255,300.
8. IN FISCAL YEAR 2024-2025, $14,247,300.
9. IN FISCAL YEAR 2025-2026, $14,248,400.
10. IN FISCAL YEAR 2026-2027, $14,251,300.
11. IN FISCAL YEAR 2027-2028, $14,254,100.
12. IN FISCAL YEAR 2028-2029, $14,251,500.
13. IN FISCAL YEAR 2029-2030, $14,252,500.
14. IN FISCAL YEAR 2030-2031, $14,255,800.

D. IN FISCAL YEARS 2017-2018 THROUGH 2030-2031, THE FOLLOWING SUMS ARE APPROPRIATED FROM THE STATE GENERAL FUND TO NORTHERN ARIZONA UNIVERSITY FOR LEASE-PURCHASE CAPITAL FINANCING FOR RESEARCH INFRASTRUCTURE PROJECTS:

1. IN FISCAL YEAR 2017-2018, $5,896,500.
2. IN FISCAL YEAR 2018-2019, $5,896,200.
3. IN FISCAL YEAR 2019-2020, $5,899,500.
4. IN FISCAL YEAR 2020-2021, $4,879,500.
5. IN FISCAL YEAR 2021-2022, $5,039,800.
6. IN FISCAL YEAR 2022-2023, $5,301,500.
7. IN FISCAL YEAR 2023-2024, $5,302,900.
8. IN FISCAL YEAR 2024-2025, $4,885,500.
9. IN FISCAL YEAR 2025-2026, $4,884,500.
10. IN FISCAL YEAR 2026-2027, $4,884,300.
11. IN FISCAL YEAR 2027-2028, $4,894,000.
12. IN FISCAL YEAR 2028-2029, $4,888,400.
13. IN FISCAL YEAR 2029-2030, $4,892,000.
14. IN FISCAL YEAR 2030-2031, $4,889,300.

~~B.~~ E. Lease-purchase financing agreements under ~~subsection A~~ SUBSECTIONS A, B, C AND D of this section:

1. Must be entered into before July 1, 2006.
2. Are subject to the requirements of section 15-1682.01.

~~C.~~ F. The appropriations under ~~subsection A~~ SUBSECTIONS A, B, C AND D of this section constitute continuing year-to-year appropriations but do not

constitute an obligation of the legislature or this state to continue the appropriation in any fiscal year. The annual appropriation is a current expense of this state in the fiscal year in which it occurs and is not a general obligation indebtedness of this state or of any university. If the appropriation is discontinued in any fiscal year, this state and the university are relieved of any subsequent obligation pursuant to this section.

~~D.~~ G. Beginning in fiscal year 2007-2008 and in each subsequent fiscal year for which an appropriation is made pursuant to ~~subsection A~~ SUBSECTIONS A, B, C AND D of this section, each university shall deposit no later than October 1 with the state treasurer in the state general fund an amount equal to:

1. Twenty ~~per cent~~ PERCENT of the income from licensure and royalty payments received by the university during the preceding fiscal year.

2. Twenty-five ~~per cent~~ PERCENT of the income received by the university during the preceding fiscal year from the sale or transfer of intellectual property developed by the university.

3. If a constitutional amendment authorizing ownerships and securities by the Arizona board of regents is approved by the qualified electors voting at a statewide general election, thirty ~~per cent~~ PERCENT of the income received in the preceding fiscal year resulting from the conveyance of ownership interests in business enterprises acquired to develop technology or intellectual property based in whole or in part on the university's research, technology or intellectual property.

~~E.~~ H. The aggregate amount transferred in each fiscal year for deposit in the state general fund by all universities from all sources listed under subsection ~~D~~ G of this section shall not exceed the aggregate amounts appropriated in that fiscal year under ~~subsection A~~ SUBSECTIONS A, B, C AND D of this section. If amounts under subsection ~~D~~ G of this section would otherwise exceed the limit prescribed by this subsection, the deposited amounts shall be proportionately reduced for each university.

~~F.~~ I. On or before October 1 of each year, each university shall report to the joint legislative budget committee the total amount of income the university received in the preceding fiscal year from each category of income that is subject to deposit pursuant to subsection ~~D~~ G of this section.

~~G.~~ J. For the purposes of this section, "research infrastructure" means installations and facilities for continuance and growth of scientific and technological research activities at the university.

Sec. 3. Section 35-146, Arizona Revised Statutes, is amended to read:

35-146. Deposit of receipts by budget units

A. All monies received by any officer or employee of any budget unit shall be promptly remitted to the state treasurer, and no monies shall be held, used or deposited in any personal or special bank account temporarily

or otherwise by any agent or employee except as expressly provided by this chapter.

B. All monies received by the state treasurer shall be credited to the state general fund, unless otherwise prescribed by law.

~~C. Upon receipt, the amount of tuition, registration fees and other revenues included in the operating budget adopted by the board for each university as prescribed in section 15-1626, subsection A, paragraph 13 shall be promptly remitted to the state treasurer.~~

Sec. 4. Laws 2014, chapter 18, section 134 is amended to read:

Sec. 134. Universities; appropriations; reduction; fiscal years 2014-2015, 2015-2016 and 2016-2017

A. Notwithstanding any other law, the following amounts are reduced from the state general fund appropriation made to Arizona state university pursuant to section 15-1670, ~~subsection A,~~ Arizona Revised Statutes, AS AMENDED BY THIS ACT:

1. In fiscal year 2014-2015, $522,600.
2. In fiscal year 2015-2016, $3,045,900.
3. In fiscal year 2016-2017, ~~$2,329,800~~ $3,281,700.

B. Notwithstanding any other law, the following amounts are reduced from the state general fund appropriation made to the university of Arizona pursuant to section 15-1670, ~~subsection A,~~ Arizona Revised Statutes, AS AMENDED BY THIS ACT:

1. In fiscal year 2014-2015, $4,659,800.
2. In fiscal year 2015-2016, $4,659,400.
3. In fiscal year 2016-2017, $274,600.

C. Notwithstanding any other law, the following amounts are reduced from the state general fund appropriation made to northern Arizona university pursuant to section 15-1670, ~~subsection A,~~ Arizona Revised Statutes, AS AMENDED BY THIS ACT:

1. In fiscal year 2014-2015, $408,500.
2. In fiscal year 2015-2016, $406,800.
3. In fiscal year 2016-2017, $1,653,200.

Sec. 5. Financial aid trust fund; required state match; reduction

Notwithstanding section 15-1642, subsection C, Arizona Revised Statutes, for fiscal year 2016-2017, each dollar raised pursuant to the surcharge on student registration fees assessed pursuant to section 15-1642, subsection A, Arizona Revised Statutes, may be matched by less than two dollars appropriated by the legislature.

Sec. 6. Community college districts; state aid for science, technology, engineering and mathematics and workforce programs

Notwithstanding section 15-1464, Arizona Revised Statutes, state aid for science, technology, engineering and mathematics and workforce programs

for community college districts for fiscal year 2016-2017 is as specified in the general appropriation act.

Sec. 7. Retroactivity

Laws 2014, chapter 18, section 134, as amended by this act, applies retroactively to from and after June 30, 2016.

Sec. 8. Effective date

Sections 15-1626 and 35-146, Arizona Revised Statutes, as amended by this act, are effective from and after June 30, 2018.

APPROVED BY THE GOVERNOR MAY 10, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 10, 2016.

Passed the House May 4, 2016,

by the following vote: 36 Ayes,

24 Nays, 0 Not Voting

Speaker of the House

Jim Drake

Chief Clerk of the House

Passed the Senate May 3, 2016,

by the following vote: 18 Ayes,

12 Nays, 0 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

4th day of May, 2016,

at 2:07 o'clock P. M.

Secretary to the Governor

Approved this 10th day of

May, 2016,

at 8:58 o'clock A. M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 10th day of May, 2016,

at 11:41 o'clock A M.

Secretary of State

S.B. 1537