

PROPOSITION 104
OFFICIAL TITLE

HOUSE CONCURRENT RESOLUTION 2002

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; AMENDING ARTICLE IX, SECTION 21, CONSTITUTION OF ARIZONA; RELATING TO SCHOOL AND COMMUNITY COLLEGE DISTRICT EXPENDITURE LIMITATIONS.

TEXT OF THE PROPOSED AMENDMENT

Be it resolved by the House of Representatives of the State of Arizona, the Senate concurring:

1. Article IX, section 21, Constitution of Arizona, is proposed to be amended as follows if approved by the voters and on proclamation of the Governor:

21. Expenditure limitations for school districts and community college districts

Section 21. (1) The economic estimates commission shall determine and publish prior to April 1 of each year the expenditure limitation for the following fiscal year for each community college district. The expenditure limitations shall be determined by adjusting the amount of expenditures of local revenues for each such district for fiscal year 1979-1980 to reflect the changes in the student population of each district and the cost of living. The governing board of any community college district shall not authorize expenditures of local revenues in excess of the limitation prescribed in this section, except in the manner provided by law.

(2) The economic estimates commission shall determine and publish prior to May 1 of each year the aggregate expenditure limitation for all school districts for the following fiscal year. The aggregate expenditure limitation shall be determined by adjusting the total amount of expenditures of local revenues for all school districts for fiscal year 1979-1980 to reflect the changes in student population in the school districts and the cost of living, and multiplying the result by 1.10. The aggregate expenditures of local revenues for all school districts shall not exceed the limitation prescribed in this section, except as provided in subsection (3) of this section.

(3) Expenditures in excess of the limitation determined pursuant to subsection (2) of this section may be authorized BY THE LEGISLATURE for a single fiscal year, BY CONCURRENT RESOLUTION, upon affirmative vote of two-thirds of the membership of each house of the legislature.

(4) As used in this section:

(a) "Cost of living" means either:

(i) The price of goods and services as measured by the implicit price deflator for the gross national product or its successor as reported by the United States department of commerce, or its successor agency.

(ii) A different measure or index of the cost of living adopted at the direction of the legislature, by concurrent resolution, upon affirmative vote of two-thirds of the membership of each house of the legislature. Such measure or index shall apply for subsequent fiscal years, except it shall not apply for the fiscal year following the adoption of such measure or index if the measure or index is adopted after March 1 of the preceding fiscal year.

(b) "Expenditure" means any amounts budgeted to be paid from local revenues as prescribed by law.

(c) "Local revenues" includes all monies, revenues, funds, property and receipts of any kind whatsoever received by or for the account of a school DISTRICT or community college district or any of its agencies, departments, offices, boards, commissions, authorities, councils and institutions, except:

(i) Any amounts or property received from the issuance or incurrence of bonds, or other lawful long-term obligations issued or incurred for a specific purpose, or any amounts or property collected or segregated to make payments or deposits required by a contract concerning such bonds or obligations. For the purpose of this subdivision long-term obligations shall not include warrants issued in the ordinary course of operation or registered for payment by a political subdivision.

(ii) Any amounts or property received as payment of dividends and interest, or any gain on the sale or redemption of investment securities, the purchase of which is authorized by law.

(iii) Any amounts or property received by a school DISTRICT or community college district in the capacity of trustee, custodian or agent.

(iv) Any amounts received as grants and aid of any type received from the federal government or any of its agencies except school assistance in federally affected areas.

(v) Any amounts or property received as grants, gifts, aid or contributions of any type except amounts received directly or indirectly in lieu of taxes received directly or indirectly from any private agency or organization, or any individual.

(vi) Any amounts received from the state for the purpose of purchasing land, buildings or improvements or constructing buildings or improvements.

(vii) Any amounts received pursuant to a transfer during a fiscal year from another agency, department, office, board, commission, authority, council or institution of the same community college DISTRICT or school district which were included as local revenues for such fiscal year or which are excluded from local revenue under other provisions of this subsection.

(viii) Any amounts or property accumulated by a community college district for the purpose of purchasing land, buildings or improvements or constructing buildings or improvements.

(ix) Any amounts received in return for goods or services pursuant to a contract with another political subdivision, school district, community college district or the state and expended by the other political subdivision, school district, community college district or the state pursuant to the expenditure limitation in effect when the amounts are expended by the other political subdivision, school district, community college district or the state.

(x) Any amounts received as tuition or fees directly or indirectly from any public or private agency or organization or any individual.

(xi) Any ad valorem taxes received pursuant to an election to exceed the limitation prescribed by section 19 of this article or for the purposes of funding expenditures in excess of the expenditure limitations prescribed by subsection (7) of this section.

(xii) Any amounts received during a fiscal year as refunds, reimbursements or other recoveries of amounts expended which were applied against the expenditure limitation for such fiscal year or which were excluded from local revenues under other provisions of this subsection.

(d) For the purpose of subsection (2) of this section, the following items are also excluded from local revenues OF SCHOOL DISTRICTS:

(i) Any amounts received as the proceeds from the sale, lease or rental of school property as authorized by law.

(ii) Any amounts received from the capital levy as authorized by law.

(iii) Any amounts received from the acquisition, operation, or maintenance of school services of a commercial nature which are entirely or predominantly self-supporting.

(iv) Any amounts received for the purpose of funding expenditures authorized in the event of destruction of or damage to the facilities of a school district as authorized by law.

(v) ANY REVENUES DERIVED FROM AN ADDITIONAL STATE TRANSACTION PRIVILEGE TAX RATE INCREMENT FOR EDUCATIONAL PURPOSES THAT WAS AUTHORIZED BY THE VOTERS BEFORE JANUARY 1, 2001.

(vi) ANY AMOUNTS RECEIVED PURSUANT TO ARTICLE XI, SECTION 8, CONSTITUTION OF ARIZONA, THAT ARE APPROVED BY THE MAJORITY OF QUALIFIED VOTERS AT A STATEWIDE GENERAL ELECTION HELD AFTER NOVEMBER 1, 2002, AND BEFORE JANUARY 1, 2003.

(e) "Student population" means the number of actual, full-time or the equivalent of actual full-time students enrolled in the school district or community college district determined in a manner prescribed by law.

(5) The economic estimates commission shall adjust the amount of expenditures of local revenues in fiscal year 1979-1980, as used to determine the expenditure limitation pursuant to ~~subsections~~ SUBSECTION (1) ~~and~~ OR (2) of this section, to reflect subsequent transfers of all or any part of the cost of providing a governmental function, in a manner prescribed by law. The adjustment provided for in this subsection shall be used in determining the expenditure limitation pursuant to ~~subsections~~ SUBSECTION (1) ~~and~~ OR (2) of this section beginning with the fiscal year immediately following the transfer.

(6) The economic estimates commission shall adjust the amount of expenditures of local revenues in fiscal year 1979-1980,

as used to determine the expenditure limitation OF A COMMUNITY COLLEGE DISTRICT pursuant to subsection (1) of this section, to reflect any subsequent annexation, creation of a new district, consolidation or change in the boundaries of a district, in a manner prescribed by law. The adjustment provided for in this subsection shall be used in determining the expenditure limitation pursuant to subsection (1) of this section beginning with the fiscal year immediately following the annexation, creation of a new district, consolidation or change in the boundaries of a district.

(7) The legislature shall establish by law expenditure limitations for each school district beginning with the fiscal year beginning July 1, 1980. Expenditures by a school district in excess of such an expenditure limitation must be approved by a majority of the electors voting on the excess expenditures.

(8) The legislature shall establish by law a uniform reporting system for SCHOOL DISTRICTS AND COMMUNITY COLLEGE districts to ~~ensure~~ ENSURE compliance with this section. The legislature shall establish by law sanctions and penalties for failure to comply with this section.

~~(9) This section is not effective for any community college district until the fiscal year beginning July 1, 1981.~~

~~(10) Subsections (2), (3), (5) and (6) of this section do not apply to school districts until the fiscal year beginning July 1, 1981.~~

2. The Secretary of State shall submit this proposition to the voters at the next general election as provided by article XXI, Constitution of Arizona.

ANALYSIS BY LEGISLATIVE COUNCIL

The Arizona Constitution requires the Economic Estimates Commission (EEC) to annually establish an aggregate expenditure limitation of local revenues for all Arizona school districts. The EEC calculates the aggregate expenditure limitation by adjusting the base level expenditures of local revenues to reflect changes in the student population and cost of living. The Constitution prohibits school districts from spending more than the aggregate expenditure limitation established by the EEC. The Constitution excludes certain revenues from the definition of local revenues, thereby making those monies exempt from the aggregate expenditure limitation.

In 2000, the voters approved a ballot measure increasing the state transaction privilege (sales) tax and allocating the additional revenue derived from the increase for various education purposes. The additional revenue is subject to the aggregate expenditure limitation. Proposition 104 would exempt from the aggregate expenditure limitation revenue derived from the transaction privilege (sales) tax rate increase for educational purposes that was authorized by the voters in 2000.

Proposition 300, which is also being voted on at this, the 2002 election, specifies how income from public lands is to be used for educational purposes. If both Proposition 104 and Proposition 300 are approved by the voters at the 2002 election, the monies received from public lands for educational purposes as provided in Proposition 300 will be exempt from the aggregate expenditure limitation.

ARGUMENTS "FOR" PROPOSITION 104

Protect Teacher Salaries

During the last election, voters approved a sales tax for teacher pay raises. Unfortunately schools may not be able to give teachers these raises! Why? Spending limits in the Arizona Constitution restrict schools from paying the increased salaries. Proposition 104 would exempt voter-approved teacher pay raises from these constitutional limits.

I urge you to join me in voting in favor of Proposition 104. We must protect voter-approved teacher raises so that Arizona can continue to improve its schools.

Jay Blanchard Ph.D, State Senator, Phoenix

Paid for by "Educational Resources International"

TO HELP ARIZONA'S TEACHERS AND STUDENTS, VOTE YES ON PROP 104!!!

Two years ago Arizona voters passed Proposition 301 (Education 2000), a major increase in education funding. But because of a drafting error, our schools might not be able to spend that money. Proposition 104 corrects that error, allowing the money to be spent where the voters intended.

In Education 2000, the Classroom Site Fund was established to give direct aid to our state's classroom teachers. Monies in the fund would go to raising teacher pay, lowering class sizes, and reducing the dropout rate. Last year alone the Classroom Site Fund generated over \$225 million for these programs, and it should provide much more in the years ahead.

But a drafting error could prevent future money from reaching our classrooms. School districts are limited by the state constitution in how much they can spend each year. Education 2000 money was supposed to be exempted from that limit, but the ballot language failed to include that in the text of the proposition. In 2001, because of the added revenue from Education 2000, the districts were \$123 million over the limit. Had the legislature not voted to override the limit, thousands of teachers would have faced pay cuts and could have lost millions in classroom improvements. It would have been a major educational crisis.

Proposition 104 will prevent such a crisis from ever happening. It will exempt Classroom Site Fund money from the spending limit, so that our schools receive the money that was promised to them in Education 2000. A vote for Prop 104 will greatly improve the quality of education in our state, and make sure that our money does not go to waste. For our teachers and for our children, vote YES on 104!!!

*Penny Kotterman, President, Arizona Education Association,
Phoenix*

*John Wright, Vice President, Arizona Education Association,
Phoenix*

Paid for by "Arizona Education Association"

In November, 2000, Arizona voters approved Proposition 301 to infuse new dollars into our education system. These funds are targeted to direct classroom needs in our K-12 system, workforce development in our community colleges and university research. Arizona children deserve the best opportunities to learn and this requires a strong commitment to education. The vote in support of Proposition 301 was a strong message from Arizona citizens to make education a top priority, recognizing that our education system is vital to the future of our economy and a productive citizenry.

Proposition 104 is a critical follow-up measure. Support for this proposition will not cost another dime, but will allow our K-12 system to use the dollars promised by Proposition 301, which are likely to be held up in the future by a constitutional limit on spending. The Legislature can give a one-year exemption from the limit, but a permanent solution is necessary to make sure that the dollars raised through Proposition 301 are spent for that purpose.

The voters did not approve Proposition 301 to leave those funds in a bank account; they wanted results in the classroom. Join me and re-affirm your support for public education.

Please vote "YES" on Proposition 104.

Jane Dee Hull, Governor, Phoenix

YES on Prop. 104

Arizona's Constitution limits what the Legislature can spend every year. It allows increases for population growth and inflation. However, during the 1990's Arizona fell well behind in keeping up with inflationary costs for k-12 education. Consequently, Arizonans took matters into their own hands and made a significant commitment to our teachers.

Two years ago, Arizona voters passed Education 2000, a comprehensive plan to improve our schools. The proposal was historic: it put meaningful resources into reducing class sizes, increasing teacher pay, and lowering the dropout rate. The measure authorized a 6/10th of a percent sales tax increase for the next 20 years to help fund an educational system that was severely under-funded. Now, it was determined, this law needs a technical fix to allow schools to use the revenue Arizonans approved in the last election. Without this fix, the revenues from the sales tax will go unused in the very near future. Classroom size reduction and teacher pay increases based on performance will be two important classroom items that will lose this voter-approved funding source. Voting YES on proposition 104 will ensure that we will use the dollars dedicated to education by the voters rather than simply languish somewhere in a government account.

Meaningful school accountability and meaningful resources in combination with parental involvement and school choice will bring our school system out of the shadows and improve our children's chances for success. Please join with me and support this important issue. Vote YES for Proposition 104.

Jaime A. Molera, State Superintendent of Public Instruction, Phoenix

TO HELP ARIZONA'S TEACHERS AND STUDENTS, VOTE YES ON PROP 104!!!

Two years ago Arizona voters passed Proposition 301 (Education2000) a major increase in education funding. But because of a drafting error, our schools might not be able to spend that money. Proposition 104 corrects that error, allowing the money to be spent where voters intended.

In Education 2000, the Classroom Site Fund was established to give direct aid to our state's classroom teachers. Monies in the fund would go to raising teacher salaries, reducing class size, and reducing the dropout rate. Last year alone the Classroom Site Fund generated over \$225 million for these programs, and it should provide millions more in the years ahead.

But a drafting error could prevent that money from reaching our classrooms. School districts are limited by the state constitution in how much they can spend each year. Education 2000 money was supposed to be exempted from that limit, but the ballot failed to include that in the text of the proposition. In 2001, because of the added revenue from Education 2000 (Proposition 301), the districts were \$123 million over the limit. Had the legislature not voted to override the limit, thousands of teachers would have faced pay cuts and could have lost millions in classroom improvements. It would have been a major educational crisis.

Proposition 104 will prevent such a crisis from ever happening. It will exempt Classroom Site Fund money from the spending limit, so that our schools receive the money that was promised to them in Education 2000. A vote for Prop 104 will greatly improve the quality of education in our state, and make sure that our money does not go to waste. For our teachers and for our children, vote YES on 104!!!

Karla Gable, ASA Board, Phoenix

*Harold Porter, Executive Director, Arizona School Administrators,
Phoenix*

Paid for by "Arizona School Administrators"

Vote Yes on Proposition 104

In November of 2000, the citizens of Arizona passed Education 2000 (Proposition 301). Education 2000 increased the sales tax by 6/10ths of a cent with all of the new dollars available to improve teacher salaries and education programs for students. However, Education 2000 did not complete one important step. That step was to make sure these new dollars are exempt from Arizona's constitutional spending limit. The state constitution limits the amount of money that school districts can spend each year. Because of a drafting error, money generated from Education 2000 counts against that limit. This means that our schools may not be able to spend the money that we voted to them, leaving Arizona's teachers without the money and classroom improvements that they were promised. Without this exemption, millions of new dollars could end up not being available to Arizona Schools.

We urge the citizens of Arizona to vote yes on Proposition 104 and ensure that these dollars will be spent on Arizona's classrooms. The taxes to pay for this program are being collected, but Proposition 104 is needed to ensure that these dollars can be spent in the future.

Arizona's teachers need every dollar available to improve K-12 education for the students of our state.

John C. Fung, Executive Director, Arizona Association of School Business Officials, Phoenix *Scott Thompson, President, Arizona Association of School Business Officials, Phoenix*

Paid for by "Arizona Association of School Business Officials"

VOTE YES ON PROPOSITION 104

As part of the business community, we supported a measure that appeared on the ballot two years ago that provides additional monies to teachers and the classroom. Proposition 104 ensures that the additional monies voters' earmarked for teacher salaries will, in fact, go to teacher salaries. In addition, Proposition 104 ensures that interest monies earned off the sale and lease of school trust lands can be spent to increase teacher salaries.

Proposition 104 is the answer to a mistake that was made two years ago. While voters' approved increasing teacher salaries and classroom opportunities for such items as dropout prevention and class size reduction, technical language was left out that **ALLOWS THESE ADDITIONAL MONIES TO BE SPENT**. If this mistake is not corrected by voting Yes on Proposition 104, it could result in tragic ramifications.

Without the passage of Proposition 104, monies that were supposed to increase the classroom site fund will be left sitting in a pot, UNABLE TO BE SPENT, all because of a technical mistake.

Don't let a technical mistake harm our teachers and limit our children's classroom opportunities. **Protect your investment in quality education and increased teacher salaries by voting YES on Proposition 104.**

Judith E. Allen, President, Arizona Association of Industries, Phoenix *John B. Kelly, Boardmember, Arizona Association of Industries, Phoenix*

Paid for by Judith E. Allen

YES ON PROPOSITION 104 - ENSURE ADDITIONAL FUNDS FOR TEACHERS AND STUDENTS REACH THE CLASSROOM

Two years ago, Arizona voters passed Proposition 301, and in doing so supported a small increase in sales taxes to pay for increased teacher salaries, and additional funds for dropout prevention and reduced class sizes. Without the passage of Proposition 104, however, these improvements for our schools are threatened, since there is no authority to spend the money. Proposition 104 fixes this problem.

Those who drafted Proposition 301 simply failed to include the authority to spend the funds in the Proposition. It was an understandable oversight in a complicated law. That failure however, may prevent teacher salaries from being increased, could hinder dropout prevention programs and could result in increased class sizes. We voters approved additional funding for teachers and students. It is now appropriate for us to fix this drafting mistake and allow the dollars to flow to our teachers and students.

Please do not let a scrivener's error result in lower teacher compensation or limited classroom opportunities for our students. **Please Vote Yes on Proposition 104.**

Clifford B. Altfeld, Attorney, Leonard Felker Altfeld Greenberg & Battaile, P.C., Tucson

THE ARIZONA SCHOOL BOARDS ASSOCIATION URGES YOU TO VOTE YES ON PROPOSITION 104!

The Arizona Constitution prohibits the total expenditures of school districts from exceeding the growth allowed by increases in the number of students and increases in the rate of inflation. The Constitution does allow for a number of exceptions, such as voter approved overrides and bonds, from this limit.

In November 2000, voters approved a ballot measure to provide additional monies for increased teacher compensation and opportunities to reduce class size, provide before and after school programs to enhance student achievement and to help reduce the dropout rate. Unfortunately, the 2000 ballot measure did not provide for an exception from the Constitutional limit. **Without this exception, school districts will not be able to spend these already voter approved monies for the benefit of teachers and the students in the classroom.** Proposition 104 corrects this oversight by allowing an exception from the Constitutional Limit for these voter approved monies. **Proposition 104 does not raise taxes – it allows taxes already being collected to be spent as voters intended!**

Proposition 104 also provides for an exception from the Constitutional limit for additional revenues generated through the sale or lease of school trust lands that are specified to go into the Classroom Site Fund. Proposition 300 is on this ballot to provide voter protection for these revenues to also go into the Classroom Site Fund. Without this exception, these critical dollars will not go into the classrooms and into teacher salaries. **YOU CAN MAKE SURE THE MONIES GO WHERE YOU, THE VOTERS, INTENDED BY VOTING YES ON PROPOSITION 104.**

Harry Garewal, President, Arizona School Boards Association, Phoenix *Cheryl Main, Vice President, Arizona School Boards Association, Phoenix*

Paid for by "Arizona School Boards Association, Inc."

VOTE YES ON PROPOSITION 104

Proposition 104 is not a tax increase. Proposition 104 is about fixing an oversight in the education sales tax initiative from the 2000 election. Simply put: if Proposition 104 does not pass, we will continue to have sales tax collected for teacher salaries but not be able to use it to improve education in this state. **TEACHER SALARIES WILL BE DRAMATICALLY CUT IF PROPOSITION 104 DOES NOT PASS.**

It almost seems nonsensical to have monies collected and not be able to spend them; however, that is just the scenario that will play out if this omission is not corrected. By voting YES on Proposition 104, we uphold the intent of voters by making sure these sales tax dollars go to increase teacher salaries and student programs.

We always tell our children that it is okay to make a mistake as long as you learn from it and correct it as soon as possible. It is important that the voters help correct this mistake before it causes any problems. We have that opportunity today. Vote YES on Proposition 104 – upholding voter-approved intent and protecting teacher salaries.

Joan Fleming, Governing Board Member, Prescott Unified School District, Prescott

To Correct an Error that Could Cost Our Schools Billions, VOTE FOR PROP 104!

Proposition 104 is common sense: it allows Arizona's teachers and our children to receive the money and resources that we have already voted to them.

Two years ago, Arizona voters passed Education 2000 to increase education funding for lowering class sizes, reducing the dropout rate, and raising teacher pay. After years of ranking at or near the bottom in per pupil spending and teacher salaries, we made a strong commitment to educating our children. But now that money may be in jeopardy.

The state constitution limits the amount of money that school districts can spend each year. Because of a drafting error, money generated from Education 2000 counts against that limit. This means that our schools may not be able to spend the money that we voted to them, leaving Arizona's teachers without the money and classroom improvements that they were promised. Our children would be the losers again.

In 2001, because of the added revenue from Education 2000, Arizona's schools districts were \$123 million over the limit. The state legislature voted to override the limit for that year, but that was only a temporary solution. Without Proposition 104, our schools could lose over \$225 million in funding next year alone, and billions more would go to waste in later years. We must act to save this money for our children and our schools!

Prop 104 will allow our schools to spend the money that they already have. It corrects the error in Education 2000, continuing our commitment to improving the quality of education in Arizona. For our children and for their teachers, vote YES on 104!

James P. Walsh, Phoenix

ARGUMENTS "AGAINST" PROPOSITION 104

The Secretary of State did not receive any arguments "against" Proposition 104.

BALLOT FORMAT**PROPOSITION 104****PROPOSED AMENDMENT TO THE CONSTITUTION
BY THE LEGISLATURE****OFFICIAL TITLE**

HOUSE CONCURRENT RESOLUTION 2002
PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; AMENDING ARTICLE IX, SECTION 21, CONSTITUTION OF ARIZONA; RELATING TO SCHOOL AND COMMUNITY COLLEGE DISTRICT EXPENDITURE LIMITATIONS.

DESCRIPTIVE TITLE

EXEMPTS FUNDS RECEIVED FROM THE TRANSACTION PRIVILEGE (SALES) TAX FOR EDUCATIONAL PURPOSES APPROVED BY VOTERS IN 2000 AND REVENUES FROM PUBLIC LANDS FOR EDUCATIONAL PURPOSES IN THE PERMANENT SCHOOL TRUST FUND FROM THE AGGREGATE EXPENDITURE LIMITATION ON K-12 SCHOOL DISTRICTS.

PROPOSITION 104

A "yes" vote shall have the effect of exempting funds received from the sales tax for education passed by voters in 2000 and funds received from the Permanent School Trust Fund from K-12 school districts' aggregate expenditure limitation.	YES <input type="checkbox"/>
A "no" vote shall have the effect of not exempting funds received from the sales tax for education or funds received from public lands for education from K-12 school districts' aggregate expenditure limitation.	NO <input type="checkbox"/>