

Minutes of the Telephonic Meeting of the
Arizona Game and Fish Commission
Thursday, August 17, 2007 -- 9:00 a.m.
Arizona Game and Fish Department
2221 W. Greenway Road
Phoenix, Arizona 85023

PRESENT: (Commission)

(Director's Staff)

In person:
Chairman Michael M. Golightly

In person:
Director Duane L. Shroufe
Deputy Director Steve K. Ferrell

Via telephone:
Commissioner William H. McLean
Commissioner Robert Hernbrode
Commissioner Jennifer L. Martin
Commissioner Robert R. Woodhouse

Via telephone:
Assistant Attorney General Jim Odenkirk
Assistant Attorney General Shelley Cutts

Chairman Golightly called the meeting to order at 9:00 a.m. Director Shroufe conducted roll call and confirmed that all five Commissioners were present. The Director further informed the Commission of Department staff who were present and that the only member of the public present was Ellen Belbridge, Public Information Officer for Arizona State Parks. This meeting followed an agenda dated August 15, 2007.

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2. Executive Session

Motion: McLean moved and Hernbrode seconded THAT THE COMMISSION VOTE TO GO INTO EXECUTIVE SESSION.

Vote: Unanimous

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1. Supplemental Funding Initiative Language

Presenter: Anthony Guiles, Legislative Liaison

Subsequent to the Commission's discussion in Executive Session, the Commission continued with public discussion on the development of draft language for a potential supplemental funding initiative that included provisions for a new funding source from a sales tax.

Mr. Odenkirk advised the Commission that if they were going to discuss the Initiative Measure document in the public session, they would be waiving their privilege and will be making it available to the public.

Director Shroufe confirmed that the Commission understood and waived their privilege.

Chairman Golightly advised the Commission that Ellen Belbridge with State Parks was present and was being provided with a copy of the document.

The Commission reviewed the revisions made to the document by Mr. Odenkirk as they had directed and then discussed additional changes.

Chairman Golightly stated that he will meet with Billy Cordasco, Chairman of the State Parks Board in Flagstaff, and that all State Parks will have to do is insert their language and percentage, and that will be negotiable until the document is finalized. Chairman Golightly further proposed that Commissioners Hernbrode and Martin attend the working group committee meeting on August 24, 2007. They both agreed to attend.

Motion: Martin moved THAT THE COMMISSION VOTE TO CHANGE THE TAX PERCENTAGE IN THE DOCUMENT FROM 1/10TH TO 1/20TH OF 1% AND REMOVE ALL LANGUAGE PERTAINING TO STATE PARKS AND ADOPT THE DOCUMENT WITH THOSE CHANGES.

Commissioner McLean offered an amendment to add that a preamble be added to the document in easily understood terms and that it be added before the final draft.

Amended Motion: Martin moved and McLean seconded THAT THE COMMISSION VOTE TO CHANGE THE TAX PERCENTAGE IN THE DOCUMENT FROM 1/10TH TO 1/20TH OF 1% AND REMOVE ALL LANGUAGE PERTAINING TO STATE PARKS AND ADOPT THE DOCUMENT WITH THOSE CHANGES; AND TO ADD A PREAMBLE TO THE DOCUMENT IN EASILY UNDERSTOOD TERMS BEFORE THE FINAL DRAFT.

Commissioner McLean commented that he believed it was a good document, and also wanted to make it clear that State Parks will be given the opportunity to participate and add their language. Also, other entities and individuals are invited to critically review the draft Initiative and to constructively work with individual Commissioners and Department staff with suggestions or criticisms.

Chairman Golightly agreed and added that he would like the Director to hire Bob Grossfeld with the Media Guys, Inc. to review the document and provide input, including a preamble and title. Further, Chairman Golightly suggested that this Initiative be submitted to Legislative Council for an early review of the language.

Vote: Unanimous

The Commission discussed a draft list of Supplemental Funding Priorities that the Department would spend the funds on for up to the next five years.

Scott Gurtin from the Department's Funds and Planning unit provided the Commission with a matrix that showed actual dollars that would be generated by various percentages of a sales tax based on 2006 taxes. Mr. Gurtin will email a copy of the matrix to the Commission.

Mr. Odenkirk will make the final revisions to the draft Initiative and provide that to the Department. The Department will provide that to the Commission along with the list of Supplemental Funding Priorities and the matrix (also attached to these minutes).

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3. Call to the Public

There were no requests from the public to speak.

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Motion: McLean moved and Martin seconded THAT THE COMMISSION VOTE TO ADJOURN THIS MEETING.

Vote: Unanimous

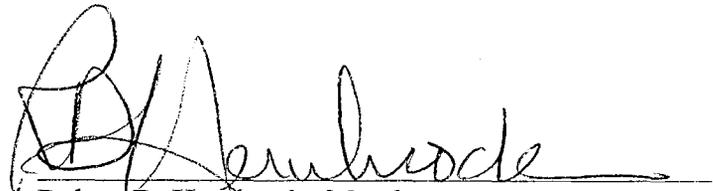
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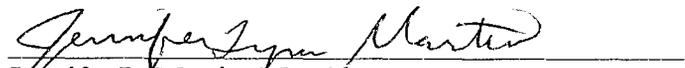
Meeting adjourned at 11:25 a.m.

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Michael M. Golightly, Chair

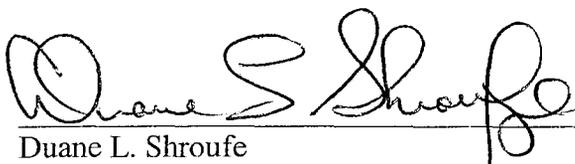

William H. McLean, Vice Chair


Robert D. Hembrode, Member


Jennifer L. Martin, Member


Robert R. Woodhouse, Member

ATTEST:


Duane L. Shroufe
Secretary and Director

Official Title

An act proposing amendments to the Arizona Revised Statutes, amending section 5-522, for the purpose of protecting the Heritage Fund; adding sections 17-274 and 17-275, and amending sections 42-5010, 42-5029 and 42-5155, for the purpose of establishing the Arizona Wildlife Beneficiaries Fund.

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

Section 1. Purpose.

It is the intent of the people by this Act:

- A. To provide a secure source of funding that will cover the cost of the programs, activities and services that will ensure the long-term conservation and sustainability of Arizona's wildlife resources.
- B. To provide that the current funding available to the Heritage Fund as approved by the voters will not be reduced or eliminated, and that the purposes and uses of the Heritage Fund as approved by the voters will not be changed.

Section 2. Section 5-522, Arizona Revised Statutes, is amended to read:

5-522. Use of monies in state lottery fund

A. The monies in the state lottery fund shall be expended only for the following purposes and in the order provided:

- 1. For the expenses of the commission incurred in carrying out its powers and duties and in the operation of the lottery.
- 2. For payment to the commerce and economic development commission fund established by section 41-1505.10 of not less than twenty-one and one-half per cent of the revenues received from the sale of two special lottery games conducted for the benefit of economic development.
- 3. Except as provided in subsection F of this section, for payment to the local transportation assistance fund established by section 28-8101 of not less than twenty-nine per cent of the revenues received from the sale of multistate lottery games, up to a maximum of eighteen million dollars each fiscal year.
- 4. For payment to the state general fund of not less than twenty-one and one-half per cent of the revenues received from the sale of any instant bingo games conducted by the state lottery and not less than twenty-nine per cent of the revenues received from the sale of any on-line three-number games conducted by the state lottery, up to a maximum of ten million dollars each fiscal year, except that if on or before June 1 of each fiscal year the state lottery director determines that monies available to the Arizona state parks board heritage fund under subsection D of this section may not equal ten million dollars in that fiscal year or that the monies available to the Arizona game and fish commission heritage fund under subsection D of this section may not equal ten million dollars in that fiscal year, or both, the director shall authorize deposits to the Arizona state parks board heritage fund in an amount so that the total monies in that fund in that fiscal year equal

1 ten million dollars or to the Arizona game and fish commission heritage fund in an
2 amount so that the total monies in that fund in that fiscal year equal ten million dollars, or
3 both. The state lottery director shall not make any deposits pursuant to this paragraph
4 until after the director's determination each fiscal year.

5 5. Of the monies remaining in the state lottery fund from the sale of instant bingo games
6 and on-line three-number games each fiscal year, thirty per cent shall be allocated to the
7 funds and programs described in subsection E of this section and seventy per cent shall
8 be deposited in the local transportation assistance fund established by section 28-8101.

9 The director shall not allocate more than the amount specified in subsection E of this
10 section for each fiscal year to the funds and programs described in subsection E of this
11 section from the state lottery fund pursuant to this paragraph and subsection E of this
12 section. A maximum of eighteen million dollars may be deposited in the local
13 transportation assistance fund each fiscal year from the state lottery fund pursuant to this
14 paragraph and paragraph 3 of this subsection.

15 B. Of the monies remaining in the state lottery fund after the appropriations authorized in
16 subsection A of this section seventy-five per cent up to a maximum of twenty-three
17 million dollars each fiscal year shall be deposited in the local transportation assistance
18 fund established by section 28-8101 and twenty-five per cent up to a maximum of seven
19 million six hundred fifty thousand dollars each fiscal year shall be deposited in the county
20 assistance fund established by section 41-175. Monies distributed pursuant to this
21 subsection shall be in addition to monies distributed pursuant to subsection A, paragraphs
22 3 and 5 of this section.

23 C. Notwithstanding subsection B of this section, if the state lottery director determines at
24 the beginning of any fiscal year that monies available to cities, towns and counties under
25 this section may not equal thirty million six hundred fifty thousand dollars, the director
26 shall not authorize deposits to the county assistance fund until the deposits to the local
27 transportation assistance fund equal twenty-three million dollars.

28 D. Of the monies remaining in the state lottery fund each fiscal year after appropriations
29 and deposits authorized in subsections A, B and C of this section, ten million dollars shall
30 be deposited in the Arizona state parks board heritage fund established by section 41-502
31 and ten million dollars shall be deposited in the Arizona game and fish commission
32 heritage fund established by section 17-297. THE AMOUNT AUTHORIZED IN THIS
33 SUBSECTION FOR THE HERITAGE FUND SHALL NOT BE REDUCED, AND
34 EXPENDITURES FROM THE HERITAGE FUND SHALL BE USED SOLELY FOR
35 THE PURPOSES APPROVED BY THE VOTERS ON NOVEMBER 6, 1990. THE
36 MONIES IN THE HERITAGE FUND ARE IN ADDITION TO ANY OTHER
37 APPROPRIATION, OR OTHER ALLOCATION FROM ANY SOURCE, AND SHALL
38 NOT SUPPLANT, REPLACE OR CAUSE A REDUCTION IN OR ELIMINATION OF
39 ANY OTHER FUNDING SOURCE, NOR SHALL THE MONIES IN THE HERITAGE
40 FUND OR MONIES DESIGNATED FOR THE HERITAGE FUND REVERT TO, OR
41 BE DEPOSITED IN, ANY OTHER FUND OR ACCOUNT, INCLUDING THE STATE
42 GENERAL FUND.

43 E. Of the monies remaining in the state lottery fund each fiscal year after appropriations
44 and deposits authorized in subsections A, B, C and D of this section, and appropriations

1 and deposits to the local transportation assistance fund authorized by this section, five
2 million dollars shall be allocated to the department of economic security for the healthy
3 families program established by section 8-701, four million dollars shall be allocated to
4 the Arizona board of regents for the Arizona area health education system established by
5 section 15-1643, three million dollars shall be allocated to the department of health
6 services to fund the teenage pregnancy prevention programs established in Laws 1995,
7 chapter 190, sections 2 and 3, two million dollars shall be allocated to the department of
8 health services for the health start program established by section 36-697, two million
9 dollars shall be deposited in the disease control research fund established by section 36-
10 274 and one million dollars shall be allocated to the department of health services for the
11 federal women, infants and children food program. The allocations in this subsection
12 shall be adjusted annually according to changes in the GDP price deflator as defined in
13 section 41-563 and the allocations are exempt from the provisions of section 35-190,
14 relating to lapsing of appropriations. If there are not sufficient monies available pursuant
15 to this subsection, the allocation of monies for each program shall be reduced on a pro
16 rata basis.

17 F. Notwithstanding subsection A, paragraph 3 of this section, if the state lottery director
18 determines that monies available to the state general fund from the sale of multistate
19 lottery games may not equal thirty-one million dollars in a fiscal year, the director shall
20 not authorize deposits to the local transportation assistance fund pursuant to subsection
21 A, paragraph 3 of this section until the deposits to the state general fund from the sale of
22 multistate lottery games equal thirty-one million dollars in a fiscal year.

23 G. Of the monies remaining in the state lottery fund each fiscal year after appropriations
24 and deposits authorized in subsections A through F of this section, one million dollars or
25 the remaining balance in the fund, whichever is less, is appropriated to the department of
26 economic security for grants to nonprofit organizations, including faith based
27 organizations, for homeless emergency and transitional shelters and related support
28 services. The department of economic security shall submit a report on the amounts,
29 recipients, purposes and results of each grant to the governor, the speaker of the house of
30 representatives and the president of the senate on or before December 31 of each year for
31 the prior fiscal year and shall provide a copy of this report to the secretary of state and the
32 director of the Arizona state library, archives and public records.

33 H. All monies remaining in the state lottery fund after the appropriations and deposits
34 authorized in this section shall be deposited in the state general fund.

35 I. Except for monies expended for prizes as provided in section 5-504, subsection G and
36 section 41-1505.10, monies expended under subsection A of this section are subject to
37 legislative appropriation.

38 Section 3. Title 17, Chapter 2, Article 4, Arizona Revised Statutes, is amended by
39 adding section 17-274 to read:

40 17-274 Arizona Wildlife Beneficiaries Fund

41 A. THE ARIZONA WILDLIFE BENEFICIARIES FUND IS ESTABLISHED
42 CONSISTING OF MONIES DEPOSITED PURSUANT TO SECTION 42-5029,

1 SUBSECTION A, AND INTEREST EARNED ON THE MONIES. THE ARIZONA
2 GAME AND FISH DEPARTMENT SHALL ADMINISTER THE FUND.

3 B. THE DEPARTMENT SHALL MAKE AN ANNUAL REPORT TO THE
4 GOVERNOR, THE PRESIDENT OF THE SENATE, AND THE SPEAKER OF THE
5 HOUSE WITHIN 90 DAYS OF THE END OF THE STATE'S FISCAL YEAR. THE
6 REPORT SHALL INCLUDE A STATEMENT OF GROSS REVENUES DEPOSITED
7 INTO THE ARIZONA WILDLIFE BENEFICIARIES FUND. THE DEPARTMENT
8 SHALL PROVIDE A COPY OF THE REPORT TO THE SECRETARY OF STATE
9 AND THE DIRECTOR OF THE ARIZONA STATE LIBRARY, ARCHIVES AND
10 PUBLIC RECORDS.

11 C. THE ARIZONA WILDLIFE BENEFICIARIES FUND IS NOT SUBJECT TO
12 APPROPRIATION OR SUBJECT TO OUTSIDE APPROVAL, NOTWITHSTANDING
13 ANY PROVISION OF SECTIONS 17-241 OR 17-261 OR ANY OTHER STATUTORY
14 PROVISION TO THE CONTRARY. THE MONIES IN THE FUND ARE IN
15 ADDITION TO ANY OTHER APPROPRIATION, TRANSFER OR OTHER
16 ALLOCATION FROM ANY SOURCE AND SHALL NOT SUPPLANT, REPLACE
17 OR CAUSE A REDUCTION IN OR ELIMINATION OF ANOTHER FUNDING
18 SOURCE, EXCEPT AS AUTHORIZED BY THE DEPARTMENT. MONIES
19 DESIGNATED FOR OR DEPOSITED IN THE ARIZONA WILDLIFE
20 BENEFICIARIES FUND SHALL BE EXPENDED ONLY AS PROVIDED IN
21 SECTION 17-275, AND SHALL NOT REVERT TO, OR BE DEPOSITED IN, ANY
22 OTHER FUND OR ACCOUNT, INCLUDING THE STATE GENERAL FUND.
23 MONIES IN THE ARIZONA WILDLIFE BENEFICIARIES FUND ARE EXEMPT
24 FROM THE PROVISIONS OF SECTION 35-190 RELATING TO THE LAPSING OF
25 APPROPRIATIONS.

26 D. IF THE DEPARTMENT USES MONIES FROM THE ARIZONA WILDLIFE
27 BENEFICIARIES FUND TO PURCHASE REAL PROPERTY, THE DEPARTMENT
28 SHALL MAKE PAYMENTS IN LIEU OF PROPERTY TAXES IN A MANNER SET
29 FORTH IN SECTION 17-272, SUBSECTIONS B AND C.

30 E. ON NOTICE FROM THE DEPARTMENT, THE STATE TREASURER SHALL
31 INVEST AND DIVEST MONIES IN THE ARIZONA WILDLIFE BENEFICIARIES
32 FUND, AS PROVIDED IN SECTION 35-313, AND MONIES EARNED FROM
33 INVESTMENT SHALL BE CREDITED TO THE FUND.

34 Section 4, Title 17, Chapter 2, Article 4, Arizona Revised Statutes, is amended by
35 adding section 17-275 to read:

36 17-275 Expenditures from the Fund; Purpose.

37 A. MONIES IN THE ARIZONA WILDLIFE BENEFICIARIES FUND SHALL BE
38 SPENT BY THE DEPARTMENT AND ARE AVAILABLE TO ADMINISTER,
39 ENFORCE AND CARRY OUT THE PROVISIONS OF THIS TITLE.

40 B. IN ADDITION TO THE PURPOSES IN SUBSECTION A, EXPENDITURES
41 FROM THE FUND SHALL INCLUDE, BUT NOT BE LIMITED TO, THE
42 FOLLOWING:

43 1. IMPLEMENTING STRATEGIC PLANS FOR COMPREHENSIVE WILDLIFE
44 CONSERVATION.

45 2. CONSERVING, PROTECTING, RESTORING, AND ENHANCING
46 COMMISSION-OWNED WILDLIFE AREAS AND SENSITIVE HABITATS.

- 1 3. ACQUIRING, EXCHANGING AND MANAGING WILDLIFE AREAS,
2 SENSITIVE HABITATS AND SHOOTING FACILITIES.
- 3 4. ACQUIRING, PRESERVING AND ENHANCING PUBLIC ACCESS TO
4 PUBLIC AND PRIVATE LANDS FOR RECREATIONAL USE.
- 5 5. DEVELOPING AND RESTORING WATER RESOURCES THROUGH THE
6 RESTORATION AND IMPROVEMENT OF WATERSHEDS, STREAMS, RIPARIAN
7 AREAS, LAKES, ACQUIFERS, AND SPRINGS.
- 8 6. EXPANDING WILDLIFE-RELATED EDUCATION, **INCLUDING** FIREARMS
9 AND SHOOTING SPORTS INSTRUCTION AND TRAINING.
- 10 7. INCREASING AND ENHANCING WILDLIFE VIEWING OPPORTUNITIES
11 THROUGHOUT THE STATE.

12 8. EXPANDING AND ENHANCING URBAN WILDLIFE PROGRAMS.
13 C. TO CARRY OUT THE PURPOSES OF THE FUND, THE DEPARTMENT
14 MAY GRANT MONIES TO ANY AGENCY OF THE STATE OR ANY POLITICAL
15 SUBDIVISION, INDIAN TRIBE, OR NON-PROFIT ORGANIZATION EXEMPT
16 FROM FEDERAL INCOME TAXATION UNDER SECTION 501(C)(3) OF THE
17 INTERNAL REVENUE CODE. THE GRANTS SHALL BE FOR THE PURPOSES
18 SET FORTH HEREIN. A GRANT OF MONEY UNDER THIS SUBSECTION TO A
19 NONPROFIT ORGANIZATION IS CONDITIONED ON THE ORGANIZATION
20 PROVIDING REASONABLE PUBLIC ACCESS TO ANY LAND THAT IS WHOLLY
21 OR PARTIALLY PURCHASED WITH GRANT MONEY.

22 D. THE DEPARTMENT MAY DISPOSE OF LANDS NO LONGER
23 NECESSARY FOR THE PURPOSES OF THIS SECTION. THE DEPARTMENT
24 SHALL DISPOSE OF SUCH LANDS PURSUANT TO SECTION 37-803.

25 E. THE TERMS USED IN THIS SECTION SHALL HAVE THE SAME
26 MEANING AS THOSE TERMS ARE DEFINED IN SECTION 17-296.

27 Section 5. Section 42-5010, Arizona Revised Statutes, is amended to read:
28 42-5010. Rates; distribution base

29 A. The tax imposed by this article is levied and shall be collected at the following rates:
30 1. Five per cent of the tax base as computed for the business of every person engaging or
31 continuing in this state in the following business classifications described in article 2 of
32 this chapter:

- 33 (a) Transporting classification.
- 34 (b) Utilities classification.
- 35 (c) Telecommunications classification.
- 36 (d) Pipeline classification.
- 37 (e) Private car line classification.
- 38 (f) Publication classification.
- 39 (g) Job printing classification.
- 40 (h) Prime contracting classification.
- 41 (i) Owner builder sales classification.
- 42 (j) Amusement classification.
- 43 (k) Restaurant classification.
- 44 (l) Personal property rental classification.
- 45 (m) Retail classification.

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

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

7 4. Zero per cent of the tax base as computed for the business of every person engaging or
8 continuing in this state in the commercial lease classification described in section 42-
9 5069.

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

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

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

21 E. Fifty-three and one-third per cent of the tax revenues collected from persons on
22 account of engaging in business under the business classification listed in subsection A,
23 paragraph 4 of this section is designated as distribution base for purposes of section 42-
24 5029.

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

28 G. In addition to the rates prescribed by subsection A of this section, if approved by the
29 qualified electors voting at a statewide general election, an additional rate increment is
30 imposed and shall be collected through June 30, 2021. The taxpayer shall pay taxes
31 pursuant to this subsection at the same time and in the same manner as under subsection
32 A of this section. The department shall separately account for the revenues collected
33 with respect to the rates imposed pursuant to this subsection and the state treasurer shall
34 distribute all of those revenues in the manner prescribed by section 42-5029, subsection
35 E. The rates imposed pursuant to this subsection shall not be considered local revenues
36 for purposes of article IX, § 21, Constitution of Arizona. The additional tax rate
37 increment is levied at the rate of six-tenths of one per cent of the tax base of every person
38 engaging or continuing in this state in a business classification listed in subsection A,
39 paragraph 1 of this section.

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

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

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

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

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

14 J. IN ADDITION TO THE RATES PRESCRIBED BY SUBSECTIONS A AND G OF
15 THIS SECTION, AN ADDITIONAL INCREMENT SHALL BE COLLECTED,
16 CREDITED AND DEPOSITED INTO THE ARIZONA WILDLIFE BENEFICIARIES
17 FUND, AS PROVIDED IN SECTION 17-274, SUBSECTION A AND SECTION 42-
18 5029, SUBSECTIONS A AND L. THE ADDITIONAL TAX RATE INCREMENT IS
19 LEVIED AT A RATE OF ONE-TWENTIETH OF ONE PERCENT OF THE TAX
20 BASE OF EVERY PERSON ENGAGING OR CONTINUING IN THIS STATE IN A
21 BUSINESS CLASSIFICATION LISTED IN SUBSECTION A, PARAGRAPH 1 OF
22 THIS SECTION. THE TAXPAYER SHALL PAY TAXES PURSUANT TO THIS
23 SUBSECTION AT THE SAME TIME AND IN THE SAME MANNER AS UNDER
24 SUBSECTIONS A AND G OF THIS SECTION. THE DEPARTMENT SHALL
25 SEPARATELY ACCOUNT FOR REVENUES COLLECTED WITH RESPECT TO
26 THE RATE IMPOSED PURSUANT TO THIS SUBSECTION AND THE STATE
27 TREASURER SHALL DEPOSIT ALL THOSE REVENUES IN A MANNER
28 PRESCRIBED BY SECTION 42-5029, SUBSECTION L.

29 Section 6. Section 42-5029, Arizona Revised Statutes, is amended to read:

30 42-5029. Remission and distribution of monies; definition

31 A. The department shall deposit, pursuant to sections 35-146 and 35-147, all revenues
32 collected under this article and articles 4, 5, 8 and 9 of this chapter pursuant to sections
33 42-1116 OR THIS SECTION, separately accounting for:

34 1. Payments of estimated tax under section 42-5014, subsection D.

35 2. Revenues collected pursuant to section 42-5070.

36 3. Revenues collected under this article and article 5 of this chapter from and after June
37 30, 2000 from sources located on Indian reservations in this state.

38 4. Revenues collected pursuant to section 42-5010, subsection G and section 42-5155,
39 subsection D.

40 5. REVENUES COLLECTED PURSUANT TO SECTION 42-5010, SUBSECTION J
41 AND SECTION 42-5155, SUBSECTION G. THESE REVENUES ARE NOT
42 SUBJECT TO APPROPRIATION FOR PURPOSES OF ARTICLE IX, SECTION 17,
43 CONSTITUTION OF ARIZONA.

44 B. The department shall credit payments of estimated tax to an estimated tax clearing
45 account and each month shall transfer all monies in the estimated tax clearing account to
46 a fund designated as the transaction privilege and severance tax clearing account. The

1 department shall credit all other payments to the transaction privilege and severance tax
2 clearing account, separately accounting for the monies designated as distribution base
3 under sections 42-5010, 42-5164, 42-5205, 42-5353 and 42-5409. Each month the
4 department shall report to the state treasurer the amount of monies collected pursuant to
5 this article and articles 4, 5, 8 and 9 of this chapter.

6 C. On notification by the department, the state treasurer shall distribute the monies
7 deposited in the transaction privilege and severance tax clearing account in the manner
8 prescribed by this section and by sections 42-5164, 42-5205, 42-5353 and 42-5409, after
9 deducting warrants drawn against the account pursuant to sections 42-1118 and 42-1254.

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

11 1. Pay twenty-five per cent to the various incorporated municipalities in this state in
12 proportion to their population to be used by the municipalities for any municipal purpose.

13 2. Pay 38.08 per cent to the counties in this state by averaging the following proportions:

14 (a) The proportion that the population of each county bears to the total state population.

15 (b) The proportion that the distribution base monies collected during the calendar month
16 in each county under this article, section 42-5164, subsection B, section 42-5205,
17 subsection B and sections 42-5353 and 42-5409 bear to the total distribution base monies
18 collected under this article, section 42-5164, subsection B, section 42-5205, subsection B
19 and sections 42-5353 and section 42-5409 throughout the state for the calendar month.

20 3. Pay an additional 2.43 per cent to the counties in this state as follows:

21 (a) Average the following proportions:

22 (i) The proportion that the assessed valuation used to determine secondary property taxes
23 of each county, after deducting that part of the assessed valuation that is exempt from
24 taxation at the beginning of the month for which the amount is to be paid, bears to the
25 total assessed valuations used to determine secondary property taxes of all the counties
26 after deducting that portion of the assessed valuations that is exempt from taxation at the
27 beginning of the month for which the amount is to be paid. Property of a city or town
28 that is not within or contiguous to the municipal corporate boundaries and from which
29 water is or may be withdrawn or diverted and transported for use on other property is
30 considered to be taxable property in the county for purposes of determining assessed
31 valuation in the county under this item.

32 (ii) The proportion that the distribution base monies collected during the calendar month
33 in each county under this article, section 42-5164, subsection B, section 42-5205,
34 subsection B and sections 42-5353 and 42-5409 bear to the total distribution base monies
35 collected under this article, section 42-5164, subsection B, section 42-5205, subsection B
36 and sections 42-5353 and 42-5409 throughout the state for the calendar month.

37 (b) If the proportion computed under subdivision (a) of this paragraph for any county is
38 greater than the proportion computed under paragraph 2 of this subsection, the
39 department shall compute the difference between the amount distributed to that county
40 under paragraph 2 of this subsection and the amount that would have been distributed
41 under paragraph 2 of this subsection using the proportion computed under subdivision (a)
42 of this paragraph and shall pay that difference to the county from the amount available
43 for distribution under this paragraph. Any monies remaining after all payments under
44 this subdivision shall be distributed among the counties according to the proportions
45 computed under paragraph 2 of this subsection.

1 4. After any distributions required by sections 42-5030, 42-5030.01, 42-5031, 42-5032
2 and 42-5032.01, and after making any transfer to the water quality assurance revolving
3 fund as required by sections 49-282, subsection B, credit the remainder of the monies
4 designated as distribution base to the state general fund. From this amount:
5 (a) The legislature shall annually appropriate to:
6 (i) The department of revenue sufficient monies to administer and enforce this article and
7 articles 5, 8 and 9 of this chapter.
8 (ii) The department of economic security monies to be used for the purposes stated in title
9 46, chapter 1.
10 (iii) The firearms safety and ranges fund established by section 17-273, fifty thousand
11 dollars derived from the taxes collected from the retail classification pursuant to section
12 42-5061 for the current fiscal year.
13 (b) The state treasurer shall transfer to the tourism fund an amount equal to the sum of the
14 following:
15 (i) Three and one-half per cent of the gross revenues derived from the transient lodging
16 classification pursuant to section 42-5070 during the preceding fiscal year.
17 (ii) Three per cent of the gross revenues derived from the amusement classification
18 pursuant to section 42-5073 during the preceding fiscal year.
19 (iii) Two per cent of the gross revenues derived from the restaurant classification
20 pursuant to section 42-5074 during the preceding fiscal year.
21 E. If approved by the qualified electors voting at a statewide general election, all monies
22 collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D
23 shall be distributed each fiscal year pursuant to this subsection. The monies distributed
24 pursuant to this subsection are in addition to any other appropriation, transfer or other
25 allocation of public or private monies from any other source and shall not supplant,
26 replace or cause a reduction in other school district, charter school, university or
27 community college funding sources. The monies shall be distributed as follows:
28 1. If there are outstanding state school facilities revenue bonds pursuant to title 15,
29 chapter 16, article 7, each month one-twelfth of the amount that is necessary to pay the
30 fiscal year's debt service on outstanding state school improvement revenue bonds for the
31 current fiscal year shall be transferred each month to the school improvement revenue
32 bond debt service fund established by section 15-2084. The total amount of bonds for
33 which these monies may be allocated for the payment of debt service shall not exceed a
34 principal amount of eight hundred million dollars exclusive of refunding bonds and other
35 refinancing obligations.
36 2. After any transfer of monies pursuant to paragraph 1 of this subsection, twelve per cent
37 of the remaining monies collected during the preceding month shall be transferred to the
38 technology and research initiative fund established by section 15-1648 to be distributed
39 among the universities for the purpose of investment in technology and research-based
40 initiatives.
41 3. After the transfer of monies pursuant to paragraph 1 of this subsection, three per cent
42 of the remaining monies collected during the preceding month shall be transferred to the
43 workforce development account established in each community college district pursuant
44 to section 15-1472 for the purpose of investment in workforce development programs.
45 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-
46 twelfth of the amount a community college that is owned, operated or chartered by a

1 qualifying Indian tribe on its own Indian reservation would receive pursuant to section
2 15-1472, subsection D, paragraph 2 if it were a community college district shall be
3 distributed each month to the treasurer or other designated depository of a qualifying
4 Indian tribe. Monies distributed pursuant to this paragraph are for the exclusive purpose
5 of providing support to one or more community colleges owned, operated or chartered by
6 a qualifying Indian tribe and shall be used in a manner consistent with section 15-1472,
7 subsection B. For the purposes of this paragraph, "qualifying Indian tribe" has the same
8 meaning as defined in section 42-5031.01, subsection D.

9 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-
10 twelfth of the following amounts shall be transferred each month to the department of
11 education for the increased cost of basic state aid under section 15-971 due to added
12 school days and associated teacher salary increases enacted in 2000:

13 (a) In fiscal year 2001-2002, \$15,305,900.

14 (b) In fiscal year 2002-2003, \$31,530,100.

15 (c) In fiscal year 2003-2004, \$48,727,700.

16 (d) In fiscal year 2004-2005, \$66,957,200.

17 (e) In fiscal year 2005-2006 and each fiscal year thereafter, \$86,280,500.

18 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, seven
19 million eight hundred thousand dollars is appropriated each fiscal year, to be paid in
20 monthly installments, to the department of education to be used for school safety as
21 provided in section 15-154 and two hundred thousand dollars is appropriated each fiscal
22 year, to be paid in monthly installments to the department of education to be used for the
23 character education matching grant program as provided in section 15-154.01.

24 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, no more
25 than seven million dollars may be appropriated by the legislature each fiscal year to the
26 department of education to be used for accountability purposes as described in section
27 15-241 and title 15, chapter 9, article 8.

28 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one
29 million five hundred thousand dollars is appropriated each fiscal year, to be paid in
30 monthly installments, to the failing schools tutoring fund established by section 15-241.

31 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, twenty-
32 five million dollars shall be transferred each fiscal year to the state general fund to
33 reimburse the general fund for the cost of the income tax credit allowed by section 43-
34 1072.01.

35 10. After the payment of monies pursuant to paragraphs 1 through 9 of this subsection,
36 the remaining monies collected during the preceding month shall be transferred to the
37 classroom site fund established by section 15-977. The monies shall be allocated as
38 follows in the manner prescribed by section 15-977:

39 (a) Forty per cent shall be allocated for teacher compensation based on performance.

40 (b) Twenty per cent shall be allocated for increases in teacher base compensation and
41 employee related expenses.

42 (c) Forty per cent shall be allocated for maintenance and operation purposes.

43 F. The department shall credit the remainder of the monies in the transaction privilege
44 and severance tax clearing account to the state general fund, subject to any distribution
45 required by THIS SECTION AND section 42-5030.01.

1 G. Notwithstanding subsection D of this section, if a court of competent jurisdiction
2 finally determines that tax monies distributed under this section were illegally collected
3 under this article or articles 5, 8 and 9 of this chapter and orders the monies to be
4 refunded to the taxpayer, the department shall compute the amount of such monies that
5 was distributed to each city, town and county under this section. The department shall
6 notify the state treasurer of that amount plus the proportionate share of additional
7 allocated costs required to be paid to the taxpayer. Each city's, town's and county's
8 proportionate share of the costs shall be based on the amount of the original tax payment
9 each municipality and county received. Each month the state treasurer shall reduce the
10 amount otherwise distributable to the city, town and county under this section by one
11 thirty-sixth of the total amount to be recovered from the city, town or county until the
12 total amount has been recovered, but the monthly reduction for any city, town or county
13 shall not exceed ten per cent of the full monthly distribution to that entity. The reduction
14 shall begin for the first calendar month after the final disposition of the case and shall
15 continue until the total amount, including interest and costs, has been recovered.

16 H. On receiving a certificate of default from the greater Arizona development authority
17 pursuant to section 41-1554.06 or 41-1554.07 and to the extent not otherwise expressly
18 prohibited by law, the state treasurer shall withhold from the next succeeding distribution
19 of monies pursuant to this section due to the defaulting political subdivision the amount
20 specified in the certificate of default and immediately deposit the amount withheld in the
21 greater Arizona development authority revolving fund. The state treasurer shall continue
22 to withhold and deposit the monies until the greater Arizona development authority
23 certifies to the state treasurer that the default has been cured. In no event may the state
24 treasurer withhold any amount that the defaulting political subdivision certifies to the
25 state treasurer and the authority as being necessary to make any required deposits then
26 due for the payment of principal and interest on bonds of the political subdivision that
27 were issued before the date of the loan repayment agreement or bonds and that have been
28 secured by a pledge of distributions made pursuant to this section.

29 I. Except as provided by sections 42-5033 and 42-5033.01, the population of a county,
30 city or town as determined by the most recent United States decennial census plus any
31 revisions to the decennial census certified by the United States bureau of the census shall
32 be used as the basis for apportioning monies pursuant to subsection D of this section.

33 J. Except as otherwise provided by this subsection, on notice from the department of
34 revenue pursuant to section 42-6010, subsection b, the state treasurer shall withhold from
35 the distribution of monies pursuant to this section to the affected city or town the amount
36 of the penalty for business location municipal tax incentives provided by the city or town
37 to a business entity that locates a retail business facility in the city or town. The state
38 treasurer shall continue to withhold monies pursuant to this subsection until the entire
39 amount of the penalty has been withheld. The state treasurer shall credit any monies
40 withheld pursuant to this subsection to the state general fund as provided by subsection d,
41 paragraph 4 of this section. The state treasurer shall not withhold any amount that the city
42 or town certifies to the department of revenue and the state treasurer as being necessary
43 to make any required deposits or payments for debt service on bonds or other long-term
44 obligations of the city or town that were issued or incurred before the location incentives
45 provided by the city or town.

1 K. For the purposes of this section, "community college district" means a community
2 college district that is established pursuant to sections 15-1402 and 15-1403 and that is a
3 political subdivision of this state.

4 L. ALL MONIES COLLECTED PURSUANT TO SECTION 42-5010, SUBSECTION J
5 AND SECTION 42-5155, SUBSECTION G SHALL BE DEPOSITED INTO THE
6 ARIZONA WILDLIFE BENEFICIARIES FUND. THE STATE TREASURER SHALL
7 NOT WITHHOLD MONIES IN THE FUNDS FOR ANY USE NOT AUTHORIZED
8 BY SECTIONS 17-274, 17-275.

9 Section 7. Section 42-5155, Arizona Revised Statutes, is amended to read:

10 42-5155. Levy of tax; tax rate; purchaser's liability

11 A. There is levied and imposed an excise tax on the storage, use or consumption in this
12 state of tangible personal property purchased from a retailer or utility business, as a
13 percentage of the sales price.

14 B. The tax imposed by this section applies to any purchaser which purchased tangible
15 personal property for resale but subsequently uses or consumes the property.

16 C. The tax rate shall equal the rate of tax prescribed by section 42-5010, subsection A as
17 applied to retailers and utility businesses according to the respective classification under
18 articles 1 and 2 of this chapter for the same type of transaction or business activity.

19 D. In addition to the rate prescribed by subsection C of this section, if approved by the
20 qualified electors voting at a statewide general election, an additional rate increment of
21 six-tenths of one per cent is imposed and shall be collected through June 30, 2021. The
22 taxpayer shall pay taxes pursuant to this subsection at the same time and in the same
23 manner as under subsection C of this section. The department shall separately account
24 for the revenues collected with respect to the rate imposed pursuant to this subsection,
25 and the state treasurer shall pay all of those revenues in the manner prescribed by section
26 42-5029, subsection E.

27 E. Every person storing, using or consuming in this state tangible personal property
28 purchased from a retailer or utility business is liable for the tax. The person's liability is
29 not extinguished until the tax has been paid to this state.

30 F. A receipt from a retailer or utility business that maintains a place of business in this
31 state or from a retailer or utility business that is authorized by the department to collect
32 the tax, under such rules as it may prescribe, and that is for the purposes of this article
33 regarded as a retailer or utility business maintaining a place of business in this state,
34 given to the purchaser as provided in section 42-5161 is sufficient to relieve the purchaser
35 from further liability for the tax to which the receipt refers.

36 G. IN ADDITION TO THE RATE PRESCRIBED IN SUBSECTIONS C AND D OF
37 THIS SECTION, AN ADDITIONAL INCREMENT OF ONE-TWENTIETH ONE
38 PERCENT IS IMPOSED AND SHALL BE COLLECTED, CREDITED AND
39 DEPOSITED INTO THE ARIZONA WILDLIFE BENEFICIARIES FUND, AS
40 PRESCRIBED BY SECTION 42-5029, SUBSECTION L. THE TAXPAYER SHALL
41 PAY TAXES PURSUANT TO THIS SUBSECTION AT THE SAME TIME AND IN
42 THE SAME MANNER AS UNDER SUBSECTIONS C AND D OF THIS SECTION.
43 THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR THE REVENUES
44 COLLECTED WITH RESPECT TO THE RATE IMPOSED PURSUANT TO THIS
45 SUBSECTION, AND THE STATE TREASURER SHALL DEPOSIT ALL THOSE

1 REVENUES IN THE MANNER PRESCRIBED IN SECTION 42-5029, SUBSECTION
2 L.

3 Section 8. Severability

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

8

DRAFT

Supplemental Funding Priorities

1. Preserve Arizona's Wildlife Heritage

- Imperiled Species Management and Recovery
- Biodiversity
- Wildlife Reintroductions

2. Habitat Protection and Restoration

- Pinyon Juniper Treatments
- Reseeding Wildfires
- Chaparral Rejuvenation
- Linkages and Connectivity

3. Enhance Public Access

- Private property Access Agreements
- Purchase Easements, Right Of Ways, and Conservation Agreements
- Road Improvements and Maintenance
- ADA Access (CHAMP and facilities)

4. Water Restoration and Development

- Riparian Restoration
- Grassland Restoration
- Stream Restoration
- Water Development and Maintenance

5. Wildlife Education

- Education Center Development
- Conservation Education
- Class Room Curricula Development
- Web Based Education Development

6. Watchable Wildlife

- Local Government Partnerships and Grants
- Wildlife Festivals
- Arizona Office of Tourism Partnerships

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7. Urban

- Living With Urban Wildlife Development
- Urban Wildlife Enforcement
- Local Government Partnerships
- Urban Wildlife Conflict Resolutions

8. Law Enforcement

- Wildlife Enforcement
- Habitat Protection
- Education

9. Shooting Sports and Ranges

- Shooting Range Development (including archery)
- Shooter Development
- Shooting Range Operation
- Recover Wildcat Shooting Ranges

10. Funding Matches

- State Wildlife Grants
- Federal Contracts

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Most often a tax rate is discussed in terms of fractions of a percent. For example: 1/8th of a percent tax, or in decimal form 0.125 percent. In order to do calculations, we need to convert that for multiplication by dividing by 100. That results in a decimal of 0.00125. In order to calculate how much the additional TPT will cost for a purchase, you multiply the purchase price by 0.00125.

There is some confusion over the difference in “1/8th cent” vs “1/8th of a percent”. Many times that terminology is used interchangeably, but if one considers a “1/8th cent” tax to mean 1/8th penny for every penny spent, the tax rate would be dramatically different. Tables 1-2 below illustrate the different rates and associated consumer impacts and estimated revenue.

Transaction Privilege Tax

The Transaction Privilege Tax (TPT) is a (sales) tax imposed on a seller for doing business in the state, although the tax is usually passed on to the consumer. Various business activities are subject to TPT and must be licensed, including retail sales, restaurants/bars, hotel/motel (transient lodging), commercial leasing, amusements, personal property rentals, contracting, owner/builders, severance (mining, timbering), transportation, printing, publishing, utilities, communications, air/railroad, and private cars/pipelines.

Tax rates vary by city and county. The state sales tax rate in Arizona for example, is 5.6%. To that, a county tax is usually added, which in Maricopa County is 0.7%, for a new sales tax rate of 6.3%. Moreover on top of that, city/municipal taxes are added, which brings most sales tax rates in Arizona to around 8.0%.

For reference, Proposition 301 (Education Tax) was approved by Arizona voters in November 2000. As a result, the state sales tax rate increased from 5.0% to 5.6% on June 1, 2001, with the extra revenue received from the 6/10ths (0.6%) increment being dedicated to education. According to the Arizona Department of Revenue, that addition to the sales tax contributed \$ 628.4 million in revenue for education needs in fiscal year 2006.

Table 1. Resulting additional tax based on various purchase prices. Note: These figures are based on fiscal year 2006 figures from the Arizona Department of Revenue and do not include a base sales tax rate of approximately 8%.

Purchase Price	1/8 th cent	1/8 th of one percent ¹ (0.00125)	1/10 th of one percent (0.0010)	1/15 th of one percent (0.0006)	1/20 th of one percent (0.0005)
\$ 1.00 ²	\$ 0.125	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001
\$ 10.00	\$ 1.250	\$ 0.013	\$ 0.010	\$ 0.007	\$ 0.005
\$ 100.00	\$ 12.500	\$ 0.125	\$ 0.100	\$ 0.067	\$ 0.050
\$ 1,000.00	\$ 25.000	\$ 1.250	\$ 1.000	\$ 0.667	\$ 0.500
\$ 10,000.00	\$ 250.000	\$ 12.500	\$ 10.000	\$ 6.667	\$ 5.000

Table 2. Estimated revenue from an increase in the Transaction Privilege Tax (sales tax) based on fiscal year 2006 figures from the Arizona Department of Revenue.

Additional sales tax amount	Estimated revenue from resulting sales tax increase
1/8 th of one percent (0.00125)	\$ 144,624,048
1/10 th of one percent (0.0010)	\$ 115,219,718
1/15 th of one percent (0.00066)	\$ 76,805,464
1/20 th of one percent (0.0005)	\$ 57,609,859

¹ Missouri and Arkansas currently have a conservation sales tax of 1/8th of one percent which is dedicated to wildlife conservation programs.
² Tax rate is so small on 1/8th percent and smaller that it likely will not register on very small purchases.