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House Engrossed

State of Arizona  
House of Representatives  
Forty-sixth Legislature  
Second Regular Session  
2004

# HOUSE BILL 2268

AN ACT

AMENDING SECTION 15-910, ARIZONA REVISED STATUTES; AMENDING LAWS 2002, CHAPTER 68, SECTION 3; RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1

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

2 Section 1. Section 15-910, Arizona Revised Statutes, is amended to  
3 read:

4 15-910. School district budgets; excess utility costs;  
5 desegregation costs; tuition costs for bond issues;  
6 costs for registering warrants; report

7 A. The governing board may budget for the district's excess utility  
8 costs which are specifically exempt from the district's revenue control  
9 limit. If approved by the qualified electors voting at a statewide general  
10 election, the exemption from the revenue control limit under this subsection  
11 expires at the end of the 2008-2009 budget year. The uniform system of  
12 financial records shall specify expenditure items allowable as excess utility  
13 costs, which are limited to direct operational costs of heating, cooling,  
14 water and electricity, telephone communications and sanitation fees. The  
15 department of education and the auditor general shall include in the  
16 maintenance and operation section of the budget format, as provided in  
17 section 15-903, a separate line for utility expenditures and a special excess  
18 utility cost category. The special excess utility cost category shall  
19 contain budgeted expenditures for excess utility costs, determined as  
20 follows:

21 1. Determine the lesser of the total budgeted or total actual utility  
22 expenditures for fiscal year 1984-1985.

23 2. Multiply the amount in paragraph 1 of this subsection by the total  
24 percentage increase or decrease in the revenue control limit and the capital  
25 outlay revenue limit for the budget year over the revenue control limit and  
26 the capital outlay revenue limit for fiscal year 1984-1985 excluding monies  
27 available from a career ladder program or a teacher compensation program  
28 provided for in section 15-952.

29 3. The sum of the amounts in paragraphs 1 and 2 of this subsection is  
30 the amount budgeted in the utility expenditure line.

31 4. Additional expenditures for utilities are budgeted in the excess  
32 utility cost category.

33 B. The governing board shall apply the same percentage increase or  
34 decrease allowed in the revenue control limit and the capital outlay revenue  
35 limit as provided in section 15-905, subsection E or section 15-948 to the  
36 utility expenditure line of the budget.

37 C. The governing board may expend from the excess utility cost  
38 category only after it has expended for utility purposes the full amount  
39 budgeted in the utility expenditure line of the budget.

40 D. The governing board may, after notice is given and a public meeting  
41 is held as provided in section 15-905, subsection D, revise at any time  
42 before May 15 the amount budgeted in the excess utility cost category for the  
43 current year. Not later than May 18, the budget as revised shall be  
44 submitted electronically to the superintendent of public instruction.

1 E. If the revised excess utility cost category results in an  
2 expenditure of monies in excess of school district revenues for the current  
3 year, the county school superintendent shall include within the revenue  
4 estimate for the budget year monies necessary to meet the liabilities  
5 incurred by the school district in the current year in excess of revenues  
6 received for the current year.

7 F. If a school district receives a refund of utility expenditures or a  
8 rebate on energy saving devices or services, the refund or rebate shall be  
9 applied against utility expenditures for the current year as a reduction of  
10 the expenditures, except that the reduction of expenditures shall not exceed  
11 the amount of actual utility expenditures.

12 G. The governing board may budget for expenses of complying with or  
13 continuing to implement activities which were required or permitted by a  
14 court order of desegregation or administrative agreement with the United  
15 States department of education office for civil rights directed toward  
16 remediating alleged or proven racial discrimination which are specifically  
17 exempt in whole or in part from the revenue control limit and the capital  
18 outlay revenue limit. This exemption applies only to expenses incurred for  
19 activities which are begun before the termination of the court order or  
20 administrative agreement.

21 H. If a governing board chooses to budget monies outside of the  
22 revenue control limit as provided in subsection G of this section, the  
23 governing board may do one of the following:

24 1. Use monies from the maintenance and operation fund equal to any  
25 excess desegregation or compliance expenses beyond the revenue control limit  
26 before June 30 of the current year.

27 2. Notify the county school superintendent to include the cost of the  
28 excess expenses in the county school superintendent's estimate of the  
29 additional amount needed for the school district from the primary property  
30 tax as provided in section 15-991.

31 3. Employ the provisions of both paragraphs 1 and 2 of this subsection  
32 provided that the total amount transferred and included in the amount needed  
33 from property taxes does not exceed the total amount budgeted as prescribed  
34 in subsection J, paragraph 1 of this section.

35 I. Through fiscal year ~~2003-2004~~ 2005-2006, the maximum amount which a  
36 governing board may budget outside of the capital outlay revenue limit as  
37 provided in subsection G of this section is twelve per cent of the  
38 maintenance and operation desegregation budget as provided in subsection J of  
39 this section or the amount that it budgeted pursuant to this subsection for  
40 fiscal year 2001-2002, whichever is less. If a governing board chooses to  
41 budget monies outside of the capital outlay revenue limit as provided in  
42 subsection G of this section, the governing board may notify the county  
43 school superintendent to include the cost of the excess expenses in the  
44 county school superintendent's estimate of the additional amount needed for

1 the school district from the primary property tax as provided in section  
2 15-991.

3 J. A governing board using subsections G, H and I of this section:

4 1. Shall prepare and employ a separate maintenance and operation  
5 desegregation budget and capital outlay desegregation budget on a form  
6 prescribed by the superintendent of public instruction in conjunction with  
7 the auditor general. The budget format shall be designed to allow a school  
8 district to plan and provide in detail for expenditures to be incurred solely  
9 as a result of compliance with or continuing to implement activities which  
10 were required or permitted by a court order of desegregation or  
11 administrative agreement with the United States department of education  
12 office for civil rights directed toward remediating alleged or proven racial  
13 discrimination.

14 2. Shall prepare as a part of the annual financial report a detailed  
15 report of expenditures incurred solely as a result of compliance with or  
16 continuing to implement activities which were required or permitted by a  
17 court order of desegregation or administrative agreement with the United  
18 States department of education office for civil rights directed toward  
19 remediating alleged or proven racial discrimination, in a format prescribed  
20 by the auditor general in conjunction with the department of education as  
21 provided by section 15-904.

22 3. On or before September 30, 2003 and at least once every two years  
23 thereafter, shall collect and report data regarding activities related to a  
24 court order of desegregation or an administrative agreement with the United  
25 States department of education office for civil rights to the department of  
26 education in a format prescribed by the department of education. The  
27 department shall compile and submit copies of the reports to the governor,  
28 the president of the senate, the speaker of the house of representatives, and  
29 the chairpersons of the education committees of the senate and the house of  
30 representatives. The reports shall include:

31 (a) A copy of the annual financial report related to desegregation  
32 activities as prescribed in this article.

33 (b) The cost per pupil of desegregation activities, listed separately  
34 for each school district and for each program.

35 (c) A summary of the results of all desegregation activities,  
36 including a demonstration of demographic and academic achievement  
37 trends. All demographic and achievement data shall be listed separately for  
38 each activity and this data shall be compared to the data for the rest of the  
39 school district.

40 (d) A chronological summary of all relevant court filings, pleadings  
41 and correspondence to which the school district is a party in any  
42 desegregation proceeding. If the school district has an agreement with the  
43 United States department of education office for civil rights, any changes to  
44 the agreement, any correspondence between the school district and the office

1 of civil rights and a chronological summary of these events shall be  
2 submitted with the other information required by this subdivision.

3 (e) The actions currently being taken by school districts under court  
4 orders of desegregation to achieve unitary status, including an estimate of  
5 any costs that may be incurred in order to achieve unitary status.

6 (f) Any other information that the department of education deems  
7 necessary in order to carry out the purposes of this paragraph.

8 K. The governing board may budget for the bond issues portion of the  
9 cost of tuition charged the district as provided in section 15-824 for the  
10 pupils attending school in another school district, except that if the  
11 district is a common school district not within a high school district, the  
12 district may only include that part of tuition which is excluded from the  
13 revenue control limit and district support level as provided in section  
14 15-951. The bond issues portion of the cost of tuition charged is  
15 specifically exempt from the revenue control limit of the school district of  
16 residence, and the primary property tax rate set to fund this amount shall  
17 not be included in the computation of additional state aid for education as  
18 provided in section 15-972, except as provided in section 15-972, subsection  
19 E. The department of education and the auditor general shall include in the  
20 maintenance and operation section of the budget format, as provided in  
21 section 15-903, a separate category for the bond issues portion of the cost  
22 of tuition.

23 L. The governing board may budget for interest expenses it incurred  
24 for registering warrants drawn against a fund of the school district or net  
25 interest expense on tax anticipation notes as prescribed in section  
26 35-465.05, subsection C for the fiscal year preceding the current year if the  
27 county treasurer pooled all school district monies for investment as provided  
28 in section 15-996 for the fiscal year preceding the current year and, in  
29 those school districts that receive state aid, the school districts applied  
30 for an apportionment of state aid before the date set for the apportionment  
31 as provided in section 15-973 for the fiscal year preceding the current year.  
32 The governing board may budget an amount for interest expenses for  
33 registering warrants or issuing tax anticipation notes equal to or less than  
34 the amount of the warrant interest expense or net interest expense on tax  
35 anticipation notes as prescribed in section 35-465.05, subsection C for the  
36 fiscal year preceding the current year as provided in this subsection which  
37 is specifically exempt from the revenue control limit. For the purposes of  
38 this subsection, "state aid" means state aid as determined in sections 15-971  
39 and 15-972.

40 Sec. 2. Laws 2002, chapter 68, section 3 is amended to read:

41 Sec. 3. Desegregation budget; limit; sunset review;  
42 recommendations

43 Notwithstanding section 15-910, Arizona Revised Statutes, through  
44 fiscal year ~~2003-2004~~ 2005-2006, a school district shall not budget more on  
45 desegregation activities in any single fiscal year than the school district

1 budgeted for these purposes in fiscal year 2001-2002. By December 1, 2003,  
2 the committees of reference for the education committees of the senate and  
3 the house of representatives shall conduct a sunset review of the funding  
4 mechanisms for desegregation activities. The committees of reference shall  
5 make recommendations for proposed legislation for consideration during the  
6 forty-sixth legislature, second regular session.