

State of Arizona
Senate
Forty-ninth Legislature
First Regular Session
2009

SENATE BILL 1196

AN ACT

AMENDING SECTIONS 11-952.01, 15-101, 15-102 AND 15-106, ARIZONA REVISED STATUTES; REPEALING SECTION 15-108, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-183, 15-184, 15-185, 15-203 AND 15-238, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 15-241.01, 15-248 AND 15-248.01; AMENDING TITLE 15, CHAPTER 2, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-257; AMENDING SECTIONS 15-302, 15-321, 15-341 AND 15-382, ARIZONA REVISED STATUTES; REPEALING SECTION 15-509, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-521, 15-532, 15-534, 15-534.01, 15-701.01, 15-761 AND 15-771, ARIZONA REVISED STATUTES; REPEALING SENATE BILL 1187, SECTION 27, FORTY-NINTH LEGISLATURE, FIRST REGULAR SESSION, AS TRANSMITTED TO THE GOVERNOR; AMENDING SECTIONS 15-808, 15-816.01, 15-901, 15-902, 15-905, 15-915 AND 15-943, ARIZONA REVISED STATUTES; AMENDING SECTION 15-947, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 207, SECTION 4; REPEALING SECTION 15-947, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 287, SECTION 14; AMENDING SECTIONS 15-947.01, 15-961, 15-962, 15-964, 15-973, 15-973.01, 15-991 AND 15-1042, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 10, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1225; AMENDING SECTIONS 15-2002, 15-2022, 15-2031, 15-2041 AND 38-618.01, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-781; REPEALING SECTION 41-3010.25, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3019.01; AMENDING SECTIONS 42-6004 AND 43-1089, ARIZONA REVISED STATUTES; REPEALING SENATE BILL 1187, SECTION 74, FORTY-NINTH LEGISLATURE, FIRST REGULAR SESSION, AS TRANSMITTED TO THE GOVERNOR; RELATING TO EDUCATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 11-952.01, Arizona Revised Statutes, is amended to
3 read:

4 11-952.01. Public agency pooling of property, fidelity,
5 liability, workers' compensation, life, health,
6 accident and disability coverage; exemptions;
7 board of trustees; contract; termination; audit;
8 insolvency; definition

9 A. In addition to other authority granted pursuant to this title, two
10 or more public agencies may enter into contracts or agreements pursuant to
11 this article for the joint purchasing of insurance, including prepaid legal
12 insurance or reinsurance, or to pool retention of their risks for property,
13 fidelity and liability losses and to provide for the payment of such property
14 loss, fidelity loss, prepaid legal insurance or claim of liability made
15 against any member of the pool, including any elected or appointed official,
16 officer or employee covered by the pool, on a cooperative or contract basis
17 with one another or may jointly form a nonprofit corporation or enter into a
18 trust agreement to carry out ~~the provisions of~~ this section in their behalf
19 directly or by contract with a private party.

20 B. In addition to other authority granted pursuant to this title, two
21 or more public agencies may enter into contracts or agreements pursuant to
22 this article to establish a workers' compensation pool to provide for the
23 payment of workers' compensation claims pursuant to title 23, chapter 6 on a
24 cooperative or contract basis with one another or may jointly form a
25 nonprofit corporation or enter into a trust agreement to carry out ~~the~~
26 ~~provisions of~~ this section in their behalf directly or by contract with a
27 private party. A workers' compensation pool established pursuant to this
28 subsection may provide coverage for workers' compensation, employers'
29 liability and occupational disease claims. A workers' compensation pool is
30 subject to approval as a self-insurer by the industrial commission pursuant
31 to section 23-961, subsection A, paragraph 2 and is subject to title 23,
32 chapter 6 and rules adopted pursuant to that chapter in addition to the
33 requirements of this section. The industrial commission, by rule, resolution
34 or order, may adopt requirements for the administration of a workers'
35 compensation pool under this subsection, including separation or commingling
36 of funds, accounting, auditing, reporting, actuarial standards and
37 procedures.

38 C. In addition to other authority granted pursuant to this title, two
39 or more public agencies may enter into contracts or agreements for the joint
40 purchase of life insurance, disability insurance, accident insurance or
41 health benefits plan insurance or may pool retention of their risks of loss
42 for life, disability, health or accident claims made against any public
43 agency member of the pool or to jointly provide the health and medical
44 services authorized in section 36-2907. Public agencies may establish pools
45 for the purposes of this subsection by any of the following methods:

- 1 1. On a cooperative or contract basis.
- 2 2. By the formation of a nonprofit corporation.
- 3 3. By contracts or intergovernmental agreements with the Arizona
- 4 health care cost containment system administration.
- 5 4. By the execution of a trust agreement directly by the agencies or
- 6 by contracting with a third party.
- 7 D. In addition to other authority granted pursuant to this title, two
- 8 or more public agencies may enter into contracts or agreements pursuant to
- 9 this article for the joint purchasing of insurance for property, liability or
- 10 workers' compensation losses or to pool retention of their risks for property
- 11 and liability loss to cover the public agency, its elected officials and
- 12 employees and the contractor and subcontractor of every tier engaged in the
- 13 performance of a construction project for the public agency. Public agencies
- 14 may establish pools for the purpose of this subsection by any of the
- 15 following methods:
- 16 1. On a cooperative or contract basis.
- 17 2. By the formation of a nonprofit corporation.
- 18 3. By the execution of a trust agreement directly by the agencies or
- 19 by contracting with a third party.
- 20 E. Section 10-11301 does not apply to nonprofit corporations formed
- 21 pursuant to this section.
- 22 F. Title 41, chapter 23 does not apply to the procurement of insurance
- 23 or reinsurance, or to the procurement of the services provided for in
- 24 subsection K, paragraph 8 of this section, by any pool established pursuant
- 25 to this section.
- 26 G. Title 43 does not apply to any pool established pursuant to this
- 27 section. Any pool established pursuant to this section is exempt from
- 28 taxation under title 43.
- 29 H. Each pool shall be operated by a board of trustees consisting of at
- 30 least three persons who are elected officials or employees of public entities
- 31 within this state. The board of trustees shall notify the director of the
- 32 department of insurance of the existence of the pool and shall file with the
- 33 director and with the attorney general a copy of the intergovernmental
- 34 agreement or contract. The attorney general shall file a copy of the
- 35 agreement or contract with the secretary of state as required by section
- 36 11-952. The board of trustees of each group shall do all of the following:
- 37 1. Establish terms and conditions of coverage within the pool,
- 38 including exclusions of coverage.
- 39 2. Ensure that all claims are paid promptly.
- 40 3. Take all necessary precautions to safeguard the assets of the
- 41 group.
- 42 4. Maintain minutes of its meetings.
- 43 5. Designate an administrator to carry out the policies established by
- 44 the board of trustees and to provide day-to-day management of the group and

1 delineate in the written minutes of its meetings the areas of authority it
2 delegates to the administrator.

3 6. If the pool is a workers' compensation pool, file a copy of the
4 agreement with the director of the industrial commission.

5 I. If the pool includes private, nonprofit educational institutions,
6 each private, nonprofit educational institution shall post a bond, cash
7 deposit or other comparable financial security in an amount that is equal to
8 at least one and one-half times the amount of the private, nonprofit
9 educational institution's annual premium to ensure payment of the school's or
10 institution's legal liabilities and other obligations if the pool is
11 determined to be insolvent or is otherwise found to be unable to discharge
12 the pool's legal liabilities and other obligations pursuant to subsection N
13 of this section.

14 J. The board of trustees shall not:

15 1. Extend credit to individual members for payment of a premium,
16 except pursuant to payment plans established by the board.

17 2. Borrow any monies from the group or in the name of the group except
18 in the ordinary course of business.

19 K. In addition to the requirements of section 11-952, a contract or
20 agreement made pursuant to this section shall contain the following:

21 1. A provision for a system or program of loss control.

22 2. A provision for termination of membership, including either:

23 (a) Cancellation of individual members of the pool by the pool.

24 (b) Election by an individual member of the pool to terminate its
25 participation.

26 3. A provision requiring the pool to pay all claims for which each
27 member incurs liability during each member's period of membership.

28 4. A provision stating that each member is not relieved of its
29 liability incurred during the member's period of membership except through
30 the payment of losses by the pool or by the member.

31 5. A provision for the maintenance of claim reserves equal to known
32 incurred losses and an estimate of incurred but not reported claims.

33 6. A provision for a final accounting and settlement of the
34 obligations of or refunds to a terminating member to occur when all incurred
35 claims are concluded, settled or paid.

36 7. A provision that the pool may establish offices where necessary in
37 this state and employ necessary staff to carry out the purposes of the pool.

38 8. A provision that the pool may retain legal counsel, actuaries,
39 auditors, engineers, private consultants and advisors.

40 9. A provision that the pool may make and alter bylaws and rules
41 pertaining to the exercise of its purpose and powers.

42 10. A provision that the pool may purchase, lease or rent real and
43 personal property it deems necessary.

1 11. A provision that the pool may enter into financial services
2 agreements with banks and other financial institutions, that it may issue
3 checks in its own name and that it may invest its monies in equity
4 securities, mutual funds and investment funds registered with the United
5 States securities and exchange commission, debt obligations and any eligible
6 investment permitted by section 35-323.

7 L. A pool or a terminating member shall provide at least ninety days'
8 written notice of the termination or cancellation. A workers' compensation
9 pool shall notify the industrial commission of the termination or
10 cancellation of a member thirty days before the termination or cancellation
11 of the member.

12 M. The pool shall be audited annually at the expense of the pool by a
13 certified public accountant, with a copy of the report submitted to the
14 governing body or chief executive officer of each member of the pool and to
15 the director of the department of insurance. The board of trustees of the
16 pool shall obtain an appropriate actuarial evaluation of the claim reserves
17 of the pool, including an estimate of the incurred but not reported claims.
18 The department of insurance shall examine each public agency pool once every
19 five years. The director of the department of insurance may examine a public
20 agency pool sooner than five years from the preceding examination if the
21 director has reason to believe that the pool is insolvent. The costs of any
22 examination shall be paid by the pool subject to the examination.

23 N. If, as a result of the annual audit or an examination by the
24 director of the department of insurance, it appears that the assets of the
25 pool are insufficient to enable the pool to discharge its legal liabilities
26 and other obligations, the director of the department of insurance shall
27 notify the administrator and the board of trustees of the pool of the
28 deficiency and the director's list of recommendations to abate the
29 deficiency, including a recommendation not to add any new members until the
30 deficiency is abated. If the pool fails to comply with the recommendations
31 within sixty days after the date of the notice, the director shall notify the
32 chief executive officer or the governing bodies, if any, of the members of
33 the pool, the governor, the president of the senate and the speaker of the
34 house of representatives that the pool has failed to comply with the
35 recommendations of the director.

36 O. If a pool is determined to be insolvent or is otherwise found to be
37 unable to discharge its legal liabilities and other obligations, each
38 agreement or contract shall provide that the members of the pool shall be
39 assessed on a pro rata basis as calculated by the amount of each member's
40 annual contribution in order to satisfy the amount of deficiency. The
41 assessment shall not exceed the amount of each member's annual contribution
42 to the pool.

43 P. A pool established pursuant to this section may make available
44 programs providing for insurance coverages described in subsections A, B and
45 C of this section to those charter schools governed by section 15-183,

1 subsection M and, except for a workers' compensation pool, to private,
2 nonprofit educational institutions.

3 Q. In addition to the authority set forth in this title, a pool
4 established pursuant to this section may invest public monies on behalf of
5 pool members, but any such investments shall be limited to those permitted by
6 section 35-323, **EXCEPT AS PROVIDED IN SECTION 15-1225, SUBSECTION G.** A pool
7 established pursuant to this section may not invest monies that are required
8 by law to be deposited with a county treasurer.

9 R. A pool established pursuant to this section, by the adoption of a
10 resolution of continuing effect, may authorize and request the state
11 treasurer to invest funds for the pool pursuant to section 35-326.

12 S. For the purposes of this section, "health benefits plan" means a
13 hospital or medical service corporation policy or certificate, a health care
14 services corporation contract, a multiple employer welfare arrangement or any
15 other arrangement under which health and medical benefits and services are
16 provided to two or more persons.

17 Sec. 2. Section 15-101, Arizona Revised Statutes, is amended to read:
18 **15-101. Definitions**

19 In this title, unless the context otherwise requires:

20 1. "Accommodation school" means either:

21 (a) A school which is operated through the county board of supervisors
22 and the county school superintendent and which the county school
23 superintendent administers to serve a military reservation or territory which
24 is not included within the boundaries of a school district.

25 (b) A school that provides educational services to homeless children
26 or alternative education programs as provided in section 15-308,
27 subsection B.

28 (c) A school that is established to serve a military reservation, the
29 boundaries of which are coterminous with the boundaries of the military
30 reservation on which the school is located.

31 2. "Assessed valuation" means the valuation derived by applying the
32 applicable percentage as provided in title 42, chapter 15, article 1 to the
33 full cash value or limited property value, whichever is applicable, of the
34 property.

35 **3. "CHARTER HOLDER" MEANS A PERSON THAT ENTERS INTO A CHARTER WITH THE**
36 **STATE BOARD FOR CHARTER SCHOOLS. FOR THE PURPOSES OF THIS PARAGRAPH,**
37 **"PERSON" MEANS AN INDIVIDUAL, PARTNERSHIP, CORPORATION, ASSOCIATION OR PUBLIC**
38 **OR PRIVATE ORGANIZATION OF ANY KIND.**

39 ~~3-~~ 4. "Charter school" means a public school established by contract
40 with a district governing board, the state board of education or the state
41 board for charter schools pursuant to article 8 of this chapter to provide
42 learning that will improve pupil achievement.

43 ~~4-~~ 5. "Child with a disability" means a child with a disability as
44 defined in section 15-761.

- 1 ~~5-~~ 6. "Class A bonds" means general obligation bonds approved by a
2 vote of the qualified electors of a school district at an election held on or
3 before December 31, 1998.
- 4 ~~6-~~ 7. "Class B bonds" means general obligation bonds approved by a
5 vote of the qualified electors of a school district at an election held from
6 and after December 31, 1998.
- 7 ~~7-~~ 8. "Competency" means a demonstrated ability in a skill at a
8 specified performance level.
- 9 ~~8-~~ 9. "Course" means organized subject matter in which instruction is
10 offered within a given period of time and for which credit toward promotion,
11 graduation or certification is usually given. A course consists of knowledge
12 selected from a subject for instructional purposes in the schools.
- 13 ~~9-~~ 10. "Course of study" means a list of required and optional
14 subjects to be taught in the schools.
- 15 ~~10-~~ 11. "Dual enrollment course" means a college level course that is
16 conducted on the campus of a high school or on the campus of a joint
17 technological education district, that is applicable to an established
18 community college academic degree or certificate program and that is
19 transferable to a university under the jurisdiction of the Arizona board of
20 regents. A dual enrollment course that is applicable to a community college
21 occupational degree or certificate program may be transferable to a
22 university under the jurisdiction of the Arizona board of regents.
- 23 ~~11-~~ 12. "Fiscal year" means the year beginning July 1 and ending
24 June 30.
- 25 ~~12-~~ 13. "Governing board" means a body organized for the government
26 and management of the schools within a school district or a county school
27 superintendent in the conduct of an accommodation school.
- 28 ~~13-~~ 14. "Lease" means an agreement for conveyance and possession of
29 real or personal property.
- 30 ~~14-~~ 15. "Limited property value" means the value determined pursuant
31 to title 42, chapter 13, article 7. Limited property value shall be used as
32 the basis for assessing, fixing, determining and levying primary property
33 taxes.
- 34 ~~15-~~ 16. "Parent" means the natural or adoptive parent of a child or a
35 person who has custody of a child.
- 36 ~~16-~~ 17. "Person who has custody" means a parent or legal guardian of a
37 child, a person to whom custody of the child has been given by order of a
38 court or a person who stands in loco parentis to the child.
- 39 ~~17-~~ ~~"P.L. 81-874" means Public Law 81-874 or its successors.~~
- 40 18. "Primary property taxes" means all ad valorem taxes except for
41 secondary property taxes.
- 42 19. "Private school" means a nonpublic institution where instruction is
43 imparted.
- 44 20. "School" means any public institution established for the purposes
45 of offering instruction to pupils in programs for preschool children with

1 disabilities, kindergarten programs or any combination of grades one through
2 twelve.

3 21. "School district" means a political subdivision of this state with
4 geographic boundaries organized for the purpose of the administration,
5 support and maintenance of the public schools or an accommodation school.

6 22. "Secondary property taxes" means ad valorem taxes used to pay the
7 principal of and the interest and redemption charges on any bonded
8 indebtedness or other lawful long-term obligation issued or incurred for a
9 specific purpose by a school district or a community college district and
10 amounts levied pursuant to an election to exceed a budget, expenditure or tax
11 limitation.

12 23. "Subject" means a division or field of organized knowledge, such as
13 English or mathematics, or a selection from an organized body of knowledge
14 for a course or teaching unit, such as the English novel or elementary
15 algebra.

16 Sec. 3. Section 15-102, Arizona Revised Statutes, is amended to read:

17 15-102. Parental involvement in the school; definition

18 A. The governing board, in consultation with parents, teachers and
19 administrators, shall develop and adopt a policy to promote the involvement
20 of parents and guardians of children enrolled in the schools within the
21 school district, including:

22 1. A plan for parent participation in the schools which is designed to
23 improve parent and teacher cooperation in such areas as homework, attendance
24 and discipline.

25 2. Procedures by which parents may learn about the course of study for
26 their children and review learning materials.

27 3. Procedures by which parents who object to any learning material or
28 activity on the basis that it is harmful may withdraw their children from the
29 activity or from the class or program in which the material is used.
30 Objection to a learning material or activity on the basis that it is harmful
31 includes objection to a material or activity because it questions beliefs or
32 practices in sex, morality or religion.

33 B. The policy adopted by the governing board pursuant to this section
34 may also include the following components:

35 1. A plan by which parents will be made aware of the district's
36 parental involvement policy and ~~the provisions of~~ this section, including:

37 (a) Rights under the family educational rights and privacy act of 1974
38 (20 UNITED STATES CODE SECTION 1232g) relating to access to children's
39 official records.

40 (b) The parent's right to inspect the school district policies and
41 curriculum.

42 2. Efforts to encourage the development of parenting skills.

43 3. The communication to parents of techniques designed to assist the
44 child's learning experience in the home.

1 4. Efforts to encourage access to community and support services for
2 children and families.

3 5. The promotion of communication between the school and parents
4 concerning school programs and the academic progress of the parents'
5 children.

6 6. Identifying opportunities for parents to participate in and support
7 classroom instruction at the school.

8 7. Efforts to, with appropriate training, support parents as shared
9 decision makers and to encourage membership on school councils.

10 8. The recognition of the diversity of parents and the development of
11 guidelines that promote widespread parental participation and involvement in
12 the school at various levels.

13 9. The development of preparation programs and specialized courses for
14 certificated employees and administrators that promote parental involvement.

15 10. The development of strategies and programmatic structures at
16 schools to encourage and enable parents to participate actively in their
17 children's education.

18 C. A PARENT SHALL SUBMIT A WRITTEN REQUEST FOR INFORMATION PURSUANT TO
19 THIS SECTION DURING REGULAR BUSINESS HOURS TO EITHER THE SCHOOL PRINCIPAL AT
20 THE SCHOOL SITE OR THE SUPERINTENDENT OF THE SCHOOL DISTRICT AT THE OFFICE OF
21 THE SCHOOL DISTRICT. WITHIN TEN DAYS OF RECEIVING THE REQUEST FOR
22 INFORMATION, THE SCHOOL PRINCIPAL OR THE SUPERINTENDENT OF THE SCHOOL
23 DISTRICT SHALL EITHER DELIVER THE REQUESTED INFORMATION TO THE PARENT OR
24 SUBMIT TO THE PARENT A WRITTEN EXPLANATION OF THE REASONS FOR THE DENIAL OF
25 THE REQUESTED INFORMATION. IF THE REQUEST FOR INFORMATION IS DENIED OR THE
26 PARENT DOES NOT RECEIVE THE REQUESTED INFORMATION WITHIN FIFTEEN DAYS AFTER
27 SUBMITTING THE REQUEST FOR INFORMATION, THE PARENT MAY SUBMIT A WRITTEN
28 REQUEST FOR THE INFORMATION TO THE SCHOOL DISTRICT GOVERNING BOARD, WHICH
29 SHALL FORMALLY CONSIDER THE REQUEST AT THE NEXT SCHEDULED PUBLIC MEETING OF
30 THE GOVERNING BOARD THAT THE REQUEST CAN BE PROPERLY NOTICED ON THE AGENDA.

31 ~~C.~~ D. For the purposes of this section, "parent" means the parent or
32 person who has custody of the child.

33 Sec. 4. Section 15-106, Arizona Revised Statutes, is amended to read:

34 15-106. Identity verified fingerprints

35 Beginning on January 1, 2008, an applicant who applies for a new
36 teaching certificate in order to teach in a school district, A PARTICIPANT IN
37 FIELD EXPERIENCE OR STUDENT TEACHING IN THIS STATE, an applicant who applies
38 for a renewal of an existing teaching certificate in order to continue
39 teaching in a school district, an applicant who is required for the first
40 time to be fingerprinted in order to teach in a charter school and an
41 applicant who is required to renew fingerprints in order to continue teaching
42 in a charter school pursuant to section 15-183, ~~and~~ an applicant who is
43 required to be fingerprinted pursuant to section 15-512 AND ANY PERSON WHO IS
44 CONTRACTED BY THIS STATE, BY A SCHOOL DISTRICT OR BY A CHARTER SCHOOL TO
45 PROVIDE TUTORING SERVICES shall submit for an identity verified fingerprint

1 card that will be used by the department of public safety to process the
2 fingerprint clearance card pursuant to title 41, chapter 12, article 3.1 as
3 follows:

4 1. The applicant shall submit a request for an application packet from
5 the department of public safety.

6 2. The application packet shall be contained in an envelope specified
7 by the department of public safety and shall include the following:

8 (a) A blank applicant fingerprint card.

9 (b) An application for a fingerprint clearance card.

10 (c) Instructions for the return of the application packet.

11 3. A school district or charter school may contract for fingerprinting
12 services through an entity or entities and shall provide a copy of the
13 instructions to the entity or entities as provided by the department of
14 public safety regarding the submission of identity verified fingerprints. If
15 a school district or charter school elects to provide fingerprinting
16 services, the school district or charter school shall authorize an individual
17 employed by the school district or charter school to administer the services.

18 4. The department of public safety shall provide instructions to law
19 enforcement agencies and public schools regarding the submission of identity
20 verified fingerprints. The department of public safety shall reject the
21 application for a fingerprint clearance card if the application is not
22 correct or is not submitted according to the instructions provided by the
23 department of public safety.

24 5. The applicant, at the time that identity verified fingerprints are
25 taken, shall provide the law enforcement agency, school district, charter
26 school or other entity with a completed application form for a fingerprint
27 clearance card, the fingerprint card with the requisite demographic
28 information and the required fee in the form of a money order or cashier's
29 check made out to the ~~Arizona~~ department of public safety. The law
30 enforcement agency, school district, charter school or other entity shall
31 verify the identity of the applicant through recognized means of photographic
32 identification and a comparison of the demographic information on the
33 photographic identification against the demographic information on the
34 application form and the fingerprint card. The authorized person taking the
35 fingerprints shall enter on the application form a description of the
36 photographic identification presented by the applicant. The law enforcement
37 agency, school district, charter school or other entity shall place the
38 completed fingerprint card, completed application form or any other form
39 required by the department of public safety and the fee provided by the
40 applicant in the ~~post-paid~~ **POSTAGE PREPAID** envelope provided by the
41 department of public safety and mail it to the fingerprinting division ~~at~~ **IN**
42 the department of public safety. A law enforcement agency, school district,
43 charter school or other entity may charge the applicant a reasonable fee for
44 services provided pursuant to this section.

1 6. The department of public safety shall process the application
2 packet in the same manner prescribed for fingerprint clearance cards issued
3 pursuant to title 41, chapter 12, article 3.1.

4 7. The department of public safety shall provide for digital storage
5 and retrieval of identity verified fingerprints taken pursuant to this
6 section. The fingerprints taken pursuant to this section shall be digitally
7 designated in the fingerprint archive as identity verified fingerprint
8 records.

9 8. A person who has a set of identity verified fingerprints on file
10 with the department of public safety pursuant to this section shall not be
11 required to submit a new set of fingerprints to the department of public
12 safety to renew the person's fingerprint clearance card. On receipt of the
13 required application form and fee for a renewal fingerprint clearance card
14 from a person required to submit identity verified fingerprints, the
15 department of public safety shall attempt to use the electronic copy of the
16 applicant's identity verified fingerprints that are retained pursuant to this
17 section to conduct the ~~fingerprint~~ state and national criminal records
18 checks. The department of public safety may require the applicant to submit
19 a new set of identity verified fingerprints if the department of public
20 safety determines that the original fingerprints submitted have been lost,
21 ~~OR~~ OR damaged or are found to be otherwise of insufficient quality to conduct a
22 valid technical fingerprint search either by the department of public safety
23 or the federal bureau of investigation.

24 9. A PERSON WHO PARTICIPATES IN A TEACHER PREPARATION PROGRAM THAT IS
25 APPROVED BY THE STATE BOARD OF EDUCATION AND WHO DOES NOT PARTICIPATE IN
26 FIELD EXPERIENCE OR STUDENT TEACHING IN THIS STATE SHALL NOT BE REQUIRED TO
27 OBTAIN A FINGERPRINT CLEARANCE CARD PURSUANT TO THIS SECTION.

28 Sec. 5. Repeal

29 Section 15-108, Arizona Revised Statutes, is repealed.

30 Sec. 6. Section 15-183, Arizona Revised Statutes, is amended to read:

31 15-183. Charter schools; application; requirements; immunity;
32 exemptions; renewal of application; reprisal

33 A. An applicant seeking to establish a charter school shall submit a
34 written application to a proposed sponsor as prescribed in subsection C of
35 this section. The application shall include a detailed business plan for the
36 charter school and may include a mission statement for the charter school, a
37 description of the charter school's organizational structure and the
38 governing body, a financial plan for the first three years of operation of
39 the charter school, a description of the charter school's hiring policy, the
40 name of the charter school's applicant or applicants and requested sponsor, a
41 description of the charter school's facility and the location of the school,
42 a description of the grades being served and an outline of criteria designed
43 to measure the effectiveness of the school.

1 B. The sponsor of a charter school may contract with a public body,
2 private person or private organization for the purpose of establishing a
3 charter school pursuant to this article.

4 C. The sponsor of a charter school may be either a school district
5 governing board, the state board of education or the state board for charter
6 schools, subject to the following requirements:

7 1. For charter schools that submit an application for sponsorship to a
8 school district governing board:

9 (a) An applicant for a charter school may submit its application to a
10 school district governing board, which shall either accept or reject
11 sponsorship of the charter school within ninety days. An applicant may
12 submit a revised application for reconsideration by the governing board. If
13 the governing board rejects the application, the governing board shall notify
14 the applicant in writing of the reasons for the rejection. The applicant may
15 request, and the governing board may provide, technical assistance to improve
16 the application.

17 (b) In the first year that a school district is determined to be out
18 of compliance with the uniform system of financial records, within fifteen
19 days of the determination of noncompliance, the school district shall notify
20 by certified mail each charter school sponsored by the school district that
21 the school district is out of compliance with the uniform system of financial
22 records. The notification shall include a statement that if the school
23 district is determined to be out of compliance for a second consecutive year,
24 the charter school will be required to transfer sponsorship to another entity
25 pursuant to subdivision (c) of this paragraph.

26 (c) In the second consecutive year that a school district is
27 determined to be out of compliance with the uniform system of financial
28 records, within fifteen days of the determination of noncompliance, the
29 school district shall notify by certified mail each charter school sponsored
30 by the school district that the school district is out of compliance with the
31 uniform system of financial records. A charter school that receives a
32 notification of school district noncompliance pursuant to this subdivision
33 shall file a written sponsorship transfer application within forty-five days
34 with the state board of education, the state board for charter schools or the
35 school district governing board if the charter school is located within the
36 geographic boundaries of that school district. A charter school that
37 receives a notification of school district noncompliance may request an
38 extension of time to file a sponsorship transfer application, and the state
39 board of education, the state board for charter schools or a school district
40 governing board may grant an extension of not more than an additional thirty
41 days if good cause exists for the extension. The state board of education
42 and the state board for charter schools shall approve a sponsorship transfer
43 application pursuant to this paragraph.

1 (d) ~~Beginning July 1, 2000,~~ A school district governing board shall
2 not grant a charter to a charter school that is located outside the
3 geographic boundaries of that school district.

4 (e) A school district that has been determined to be out of compliance
5 with the uniform system of financial records during either of the previous
6 two fiscal years shall not sponsor a new or transferring charter school.

7 2. The applicant may submit the application to the state board of
8 education or the state board for charter schools. The state board of
9 education or the state board for charter schools may approve the application
10 if the application meets the requirements of this article and may approve the
11 charter if the proposed sponsor determines, within its sole discretion, that
12 the applicant is sufficiently qualified to operate a charter school. The
13 state board of education or the state board for charter schools may approve
14 any charter schools transferring charters. The state board of education and
15 the state board for charter schools shall approve any charter schools
16 transferring charters from a school district that is determined to be out of
17 compliance with the uniform system of financial records pursuant to this
18 section, but may require the charter school to sign a new charter that is
19 equivalent to the charter awarded by the former sponsor. If the state board
20 of education or the state board for charter schools rejects the preliminary
21 application, the state board of education or the state board for charter
22 schools shall notify the applicant in writing of the reasons for the
23 rejection and of suggestions for improving the application. An applicant may
24 submit a revised application for reconsideration by the state board of
25 education or the state board for charter schools. The applicant may request,
26 and the state board of education or the state board for charter schools may
27 provide, technical assistance to improve the application.

28 3. Each applicant seeking to establish a charter school shall submit a
29 full set of fingerprints to the approving agency for the purpose of obtaining
30 a state and federal criminal records check pursuant to section 41-1750 and
31 Public Law 92-544. If an applicant will have direct contact with students,
32 the applicant shall possess a valid fingerprint clearance card that is issued
33 pursuant to title 41, chapter 12, article 3.1. The department of public
34 safety may exchange this fingerprint data with the federal bureau of
35 investigation. The criminal records check shall be completed before the
36 issuance of a charter.

37 4. All persons engaged in instructional work directly as a classroom,
38 laboratory or other teacher or indirectly as a supervisory teacher, speech
39 therapist or principal shall have a valid fingerprint clearance card that is
40 issued pursuant to title 41, chapter 12, article 3.1, unless the person is a
41 volunteer or guest speaker who is accompanied in the classroom by a person
42 with a valid fingerprint clearance card. A charter school shall not employ a
43 teacher whose certificate has been revoked for a violation of section 15-507
44 or 15-550 or for any offense that placed a pupil in danger. All other
45 personnel shall be fingerprint checked pursuant to section 15-512. Before

1 employment, the charter school shall make documented, good faith efforts to
2 contact previous employers of a person to obtain information and
3 recommendations that may be relevant to a person's fitness for employment as
4 prescribed in section 15-512, subsection F. The charter school shall notify
5 the department of public safety if the charter school or sponsor receives
6 credible evidence that a person who possesses a valid fingerprint clearance
7 card is arrested for or is charged with an offense listed in section
8 41-1758.03, subsection B. Charter schools may hire personnel that have not
9 yet received a fingerprint clearance card if proof is provided of the
10 submission of an application to the department of public safety for a
11 fingerprint clearance card and if the charter school that is seeking to hire
12 the applicant does all of the following:

13 (a) Documents in the applicant's file the necessity for hiring and
14 placement of the applicant before receiving a fingerprint clearance card.

15 (b) Ensures that the department of public safety completes a statewide
16 criminal records check on the applicant. A statewide criminal records check
17 shall be completed by the department of public safety every one hundred
18 twenty days until the date that the fingerprint check is completed.

19 (c) Obtains references from the applicant's current employer and the
20 two most recent previous employers except for applicants who have been
21 employed for at least five years by the applicant's most recent employer.

22 (d) Provides general supervision of the applicant until the date that
23 the fingerprint card is obtained.

24 (e) Completes a search of criminal records in all local jurisdictions
25 outside of this state in which the applicant has lived in the previous five
26 years.

27 (f) Verifies the fingerprint status of the applicant with the
28 department of public safety.

29 5. A CHARTER SCHOOL THAT COMPLIES WITH THE FINGERPRINTING REQUIREMENTS
30 OF THIS SECTION SHALL BE DEEMED TO HAVE COMPLIED WITH SECTION 15-512 AND IS
31 ENTITLED TO THE SAME RIGHTS AND PROTECTIONS PROVIDED TO SCHOOL DISTRICTS BY
32 SECTION 15-512.

33 ~~5-~~ 6. If a charter school operator is not already subject to a public
34 meeting or hearing by the municipality in which the charter school is
35 located, the operator of a charter school shall conduct a public meeting at
36 least thirty days before the charter school operator opens a site or sites
37 for the charter school. The charter school operator shall post notices of
38 the public meeting in at least three different locations that are within
39 three hundred feet of the proposed charter school site.

40 ~~6-~~ 7. A person who is employed by a charter school or who is an
41 applicant for employment with a charter school, who is arrested for or
42 charged with a nonappealable offense listed in section 41-1758.03, subsection
43 B and who does not immediately report the arrest or charge to the person's
44 supervisor or potential employer is guilty of unprofessional conduct and the

1 person shall be immediately dismissed from employment with the charter school
2 or immediately excluded from potential employment with the charter school.

3 ~~7.~~ 8. A person who is employed by a charter school and who is
4 convicted of any nonappealable offense listed in section 41-1758.03,
5 subsection B or is convicted of any nonappealable offense that amounts to
6 unprofessional conduct under section 15-550 shall immediately do all of the
7 following:

8 (a) Surrender any certificates issued by the department of education.

9 (b) Notify the person's employer or potential employer of the
10 conviction.

11 (c) Notify the department of public safety of the conviction.

12 (d) Surrender the person's fingerprint clearance card.

13 D. A board that is authorized to sponsor charter schools pursuant to
14 this article has no legal authority over or responsibility for a charter
15 school sponsored by a different board. This subsection does not apply to the
16 state board of education's duty to exercise general supervision over the
17 public school system pursuant to section 15-203, subsection A, paragraph 1.

18 E. The charter of a charter school shall ensure the following:

19 1. Compliance with federal, state and local rules, regulations and
20 statutes relating to health, safety, civil rights and insurance. The
21 department of education shall publish a list of relevant rules, regulations
22 and statutes to notify charter schools of their responsibilities under this
23 paragraph.

24 2. That it is nonsectarian in its programs, admission policies and
25 employment practices and all other operations.

26 3. That it provides a comprehensive program of instruction for at
27 least a kindergarten program or any grade between grades one and twelve,
28 except that a school may offer this curriculum with an emphasis on a specific
29 learning philosophy or style or certain subject areas such as mathematics,
30 science, fine arts, performance arts or foreign language.

31 4. That it designs a method to measure pupil progress toward the pupil
32 outcomes adopted by the state board of education pursuant to section
33 15-741.01, including participation in the Arizona instrument to measure
34 standards test and the nationally standardized norm-referenced achievement
35 test as designated by the state board and the completion and distribution of
36 an annual report card as prescribed in chapter 7, article 3 of this title.

37 5. That, except as provided in this article and in its charter, it is
38 exempt from all statutes and rules relating to schools, governing boards and
39 school districts.

40 6. That, except as provided in this article, it is subject to the same
41 financial and electronic data submission requirements as a school district,
42 including the uniform system of financial records as prescribed in chapter 2,
43 article 4 of this title, procurement rules as prescribed in section 15-213
44 and audit requirements. The auditor general shall conduct a comprehensive
45 review and revision of the uniform system of financial records to ensure that

1 the provisions of the uniform system of financial records that relate to
2 charter schools are in accordance with commonly accepted accounting
3 principles used by private business. A school's charter may include
4 exceptions to the requirements of this paragraph that are necessary as
5 determined by the district governing board, the state board of education or
6 the state board for charter schools. The department of education or the
7 office of the auditor general may conduct financial, program or compliance
8 audits.

9 7. Compliance with all federal and state laws relating to the
10 education of children with disabilities in the same manner as a school
11 district.

12 8. That it provides for a governing body for the charter school that
13 is responsible for the policy decisions of the charter school.
14 NOTWITHSTANDING SECTION 1-216, IF THERE IS A VACANCY OR VACANCIES ON THE
15 GOVERNING BODY, A MAJORITY OF THE REMAINING MEMBERS OF THE GOVERNING BODY
16 CONSTITUTE A QUORUM FOR THE TRANSACTION OF BUSINESS, UNLESS THAT QUORUM IS
17 PROHIBITED BY THE CHARTER SCHOOL'S OPERATING AGREEMENT.

18 9. That it provides a minimum of one hundred seventy-five
19 instructional days before June 30 of each fiscal year unless it is operating
20 on an alternative calendar approved by its sponsor. The superintendent of
21 public instruction shall adjust the apportionment schedule accordingly to
22 accommodate a charter school utilizing an alternative calendar.

23 F. The charter of a charter school shall include a description of the
24 charter school's personnel policies, personnel qualifications and method of
25 school governance and the specific role and duties of the sponsor of the
26 charter school. A charter school shall keep on file the resumes of all
27 current and former employees who provide instruction to pupils at the charter
28 school. Resumes shall include an individual's educational and teaching
29 background and experience in a particular academic content subject area. A
30 charter school shall inform parents and guardians of the availability of the
31 resume information and shall make the resume information available for
32 inspection on request of parents and guardians of pupils enrolled at the
33 charter school. Nothing in this subsection shall be construed to require any
34 charter school to release personally identifiable information in relation to
35 any teacher or employee, including the teacher's or employee's address,
36 salary, social security number or telephone number.

37 G. The charter of a charter school may be amended at the request of
38 the governing body of the charter school and on the approval of the sponsor.

39 H. Charter schools may contract, sue and be sued.

40 I. An approved plan to establish a charter school is effective for
41 fifteen years from the first day of operation. At least eighteen months
42 before the expiration of the approved plan, the sponsor shall notify the
43 charter school that the charter school may apply for renewal. A charter
44 school that elects to apply for renewal shall file an application for renewal
45 at least fifteen months before the expiration of the approved plan. In

1 addition to any other requirements, the application for renewal shall include
2 a detailed business plan for the charter school. The sponsor may deny the
3 request for renewal if, in its judgment, the charter school has failed to
4 complete the obligations of the contract or has failed to comply with this
5 article. A sponsor shall give written notice of its intent not to renew the
6 charter school's request for renewal to the charter school at least twelve
7 months before the expiration of the approved plan to allow the charter school
8 an opportunity to apply to another sponsor to transfer the operation of the
9 charter school. If the operation of the charter school is transferred to
10 another sponsor, the fifteen year period of the current charter shall be
11 maintained. A sponsor shall review a charter at five year intervals and may
12 revoke a charter at any time if the charter school breaches one or more
13 provisions of its charter. At least ninety days before the effective date of
14 the proposed revocation the sponsor shall give written notice to the operator
15 of the charter school of its intent to revoke the charter. Notice of the
16 sponsor's intent to revoke the charter shall be delivered personally to the
17 operator of the charter school or sent by certified mail, return receipt
18 requested, to the address of the charter school. The notice shall
19 incorporate a statement of reasons for the proposed revocation of the
20 charter. The sponsor shall allow the charter school at least ninety days to
21 correct the problems associated with the reasons for the proposed revocation
22 of the charter. The final determination of whether to revoke the charter
23 shall be made at a public hearing called for such purpose.

24 J. After renewal of the charter at the end of the fifteen year period
25 described in subsection I of this section, the charter may be renewed for
26 successive periods of fifteen years if the charter school and its sponsor
27 deem that the school is in compliance with its own charter and this article.

28 K. A charter school that is sponsored by the state board of education
29 or the state board for charter schools may not be located on the property of
30 a school district unless the district governing board grants this authority.

31 L. A governing board or a school district employee who has control
32 over personnel actions shall not take unlawful reprisal against another
33 employee of the school district because the employee is directly or
34 indirectly involved in an application to establish a charter school. A
35 governing board or a school district employee shall not take unlawful
36 reprisal against an educational program of the school or the school district
37 because an application to establish a charter school proposes the conversion
38 of all or a portion of the educational program to a charter school. For the
39 purposes of this subsection, "unlawful reprisal" means an action that is
40 taken by a governing board or a school district employee as a direct result
41 of a lawful application to establish a charter school and that is adverse to
42 another employee or an education program and:

43 1. With respect to a school district employee, results in one or more
44 of the following:

45 (a) Disciplinary or corrective action.

- 1 (b) Detail, transfer or reassignment.
- 2 (c) Suspension, demotion or dismissal.
- 3 (d) An unfavorable performance evaluation.
- 4 (e) A reduction in pay, benefits or awards.
- 5 (f) Elimination of the employee's position without a reduction in
- 6 force by reason of lack of monies or work.
- 7 (g) Other significant changes in duties or responsibilities that are
- 8 inconsistent with the employee's salary or employment classification.
- 9 2. With respect to an educational program, results in one or more of
- 10 the following:
 - 11 (a) Suspension or termination of the program.
 - 12 (b) Transfer or reassignment of the program to a less favorable
 - 13 department.
 - 14 (c) Relocation of the program to a less favorable site within the
 - 15 school or school district.
 - 16 (d) Significant reduction or termination of funding for the program.
- 17 M. Charter schools shall secure insurance for liability and property
- 18 loss. The governing body of a charter school that is sponsored by the state
- 19 board of education or the state board for charter schools may enter into an
- 20 intergovernmental agreement or otherwise contract to participate in an
- 21 insurance program offered by a risk retention pool established pursuant to
- 22 section 11-952.01 or 41-621.01 or the charter school may secure its own
- 23 insurance coverage. The pool may charge the requesting charter school
- 24 reasonable fees for any services it performs in connection with the insurance
- 25 program.
- 26 N. Charter schools do not have the authority to acquire property by
- 27 eminent domain.
- 28 O. A sponsor, including members, officers and employees of the
- 29 sponsor, is immune from personal liability for all acts done and actions
- 30 taken in good faith within the scope of its authority.
- 31 P. Charter school sponsors and this state are not liable for the debts
- 32 or financial obligations of a charter school or persons who operate charter
- 33 schools.
- 34 Q. The sponsor of a charter school shall establish procedures to
- 35 conduct administrative hearings on determination by the sponsor that grounds
- 36 exist to revoke a charter. Procedures for administrative hearings shall be
- 37 similar to procedures prescribed for adjudicative proceedings in title 41,
- 38 chapter 6, article 10. Except as provided in section 41-1092.08, subsection
- 39 H, final decisions of the state board of education and the state board for
- 40 charter schools from hearings conducted pursuant to this subsection are
- 41 subject to judicial review pursuant to title 12, chapter 7, article 6.
- 42 R. The sponsoring entity of a charter school shall have oversight and
- 43 administrative responsibility for the charter schools that it sponsors.
- 44 S. Charter schools may pledge, assign or encumber their assets to be
- 45 used as collateral for loans or extensions of credit.

1 T. All property accumulated by a charter school shall remain the
2 property of the charter school.

3 U. Charter schools may not locate a school on property that is less
4 than one-fourth mile from agricultural land regulated pursuant to section
5 3-365, except that the owner of the agricultural land may agree to comply
6 with the buffer zone requirements of section 3-365. If the owner agrees in
7 writing to comply with the buffer zone requirements and records the agreement
8 in the office of the county recorder as a restrictive covenant running with
9 the title to the land, the charter school may locate a school within the
10 affected buffer zone. The agreement may include any stipulations regarding
11 the charter school, including conditions for future expansion of the school
12 and changes in the operational status of the school that will result in a
13 breach of the agreement.

14 V. A transfer of a charter to another sponsor, a transfer of a charter
15 school site to another sponsor or a transfer of a charter school site to a
16 different charter shall be completed before the beginning of the fiscal year
17 that the transfer is scheduled to become effective. An entity that sponsors
18 charter schools may accept a transferring school after the beginning of the
19 fiscal year if the transfer is approved by the superintendent of public
20 instruction. The superintendent of public instruction shall have the
21 discretion to consider each transfer during the fiscal year on a case by case
22 basis. If a charter school is sponsored by a school district that is
23 determined to be out of compliance with this title, the uniform system of
24 financial records or any other state or federal law, the charter school may
25 transfer to another sponsoring entity at any time during the fiscal year.

26 W. The sponsoring entity may not charge any fees to a charter school
27 that it sponsors unless the sponsor has provided services to the charter
28 school and the fees represent the full value of those services provided by
29 the sponsor. On request, the value of the services provided by the sponsor
30 to the charter school shall be demonstrated to the department of education.

31 Sec. 7. Section 15-184, Arizona Revised Statutes, is amended to read:
32 15-184. Charter schools; admission requirements

33 A. A charter school shall enroll all eligible pupils who submit a
34 timely application, unless the number of applications exceeds the capacity of
35 a program, class, grade level or building. A charter school shall give
36 enrollment preference to pupils returning to the charter school in the second
37 or any subsequent year of its operation and to siblings of pupils already
38 enrolled in the charter school. A charter school that is sponsored by a
39 school district governing board shall give enrollment preference to eligible
40 pupils who reside within the boundaries of the school district where the
41 charter school is physically located. **A CHARTER SCHOOL MAY GIVE ENROLLMENT
42 PREFERENCE TO AND RESERVE CAPACITY FOR PUPILS WHO ARE CHILDREN OF EMPLOYEES
43 OF THE SCHOOL, EMPLOYEES OF THE CHARTER HOLDER, MEMBERS OF THE GOVERNING BODY
44 OF THE SCHOOL OR DIRECTORS, OFFICERS, PARTNERS OR BOARD MEMBERS OF THE
45 CHARTER HOLDER.** If REMAINING capacity is insufficient to enroll all pupils

1 who submit a timely application, the charter school shall select pupils
2 through an equitable selection process such as a lottery except that
3 preference shall be given to siblings of a pupil selected through an
4 equitable selection process such as a lottery.

5 B. Except as provided in subsection C OR D, a charter school shall not
6 limit admission based on ethnicity, national origin, gender, income level,
7 disabling condition, proficiency in the English language or athletic ability.

8 C. A charter school may limit admission to pupils within a given age
9 group or grade level.

10 D. A CHARTER SCHOOL MAY PROVIDE INSTRUCTION TO PUPILS OF A SINGLE
11 GENDER WITH THE APPROVAL OF THE SPONSOR OF THE CHARTER SCHOOL. AN EXISTING
12 CHARTER SCHOOL MAY AMEND ITS CHARTER TO PROVIDE INSTRUCTION TO PUPILS OF A
13 SINGLE GENDER, AND IF APPROVED BY THE SPONSOR OF THE CHARTER SCHOOL, MAY
14 PROVIDE INSTRUCTION TO PUPILS OF A SINGLE GENDER AT THE BEGINNING OF THE NEXT
15 SCHOOL YEAR.

16 ~~D.~~ E. A charter school shall admit pupils who reside in the
17 attendance area of a school or who reside in a school district that is under
18 a court order of desegregation or that is a party to an agreement with the
19 United States department of education office for civil rights directed toward
20 remediating alleged or proven racial discrimination unless notice is received
21 from the resident school that the admission would violate the court order or
22 agreement. If a charter school admits a pupil after notice is received that
23 the admission would constitute such a violation, the charter school is not
24 allowed to include in its student count the pupils wrongfully admitted.

25 ~~E.~~ F. A charter school may refuse to admit any pupil who has been
26 expelled from another educational institution or who is in the process of
27 being expelled from another educational institution.

28 Sec. 8. Section 15-185, Arizona Revised Statutes, is amended to read:

29 15-185. Charter schools; financing; civil penalty;
30 transportation; definitions

31 A. Financial provisions for a charter school that is sponsored by a
32 school district governing board are as follows:

33 1. The charter school shall be included in the district's budget and
34 financial assistance calculations pursuant to paragraph 3 of this subsection
35 and chapter 9 of this title, except for chapter 9, article 4 of this title.
36 The charter of the charter school shall include a description of the methods
37 of funding the charter school by the school district. The school district
38 shall send a copy of the charter and application, including a description of
39 how the school district plans to fund the school, to the state board of
40 education before the start of the first fiscal year of operation of the
41 charter school. The charter or application shall include an estimate of the
42 student count for the charter school for its first fiscal year of operation.
43 This estimate shall be computed pursuant to the requirements of paragraph 3
44 of this subsection.

1 2. A school district is not financially responsible for any charter
2 school that is sponsored by the state board of education or the state board
3 for charter schools.

4 3. A school district that sponsors a charter school may:

5 (a) Increase its student count as provided in subsection B, paragraph
6 2 of this section during the first year of the charter school's operation to
7 include those charter school pupils who were not previously enrolled in the
8 school district. A charter school sponsored by a school district governing
9 board is eligible for the assistance prescribed in subsection B, paragraph 4
10 of this section. The soft capital allocation as provided in section 15-962
11 for the school district sponsoring the charter school shall be increased by
12 the amount of the additional assistance. The school district shall include
13 the full amount of the additional assistance in the funding provided to the
14 charter school.

15 (b) Compute separate weighted student counts pursuant to section
16 15-943, paragraph 2, subdivision (a) for its noncharter school versus charter
17 school pupils in order to maintain eligibility for small school district
18 support level weights authorized in section 15-943, paragraph 1 for its
19 noncharter school pupils only. The portion of a district's student count
20 that is attributable to charter school pupils is not eligible for small
21 school district support level weights.

22 4. If a school district uses the provisions of paragraph 3 of this
23 subsection, the school district is not eligible to include those pupils in
24 its student count for the purposes of computing an increase in its revenue
25 control limit and district support level as provided in section 15-948.

26 5. A school district that sponsors a charter school is not eligible to
27 include the charter school pupils in its student count for the purpose of
28 computing an increase in its capital outlay revenue limit as provided in
29 section 15-961, subsection C, except that if the charter school was
30 previously a school in the district, the district may include in its student
31 count any charter school pupils who were enrolled in the school district in
32 the prior year.

33 6. A school district that sponsors a charter school is not eligible to
34 include the charter school pupils in its student count for the purpose of
35 computing the revenue control limit which is used to determine the maximum
36 budget increase as provided in chapter 4, article 4 of this title unless the
37 charter school is located within the boundaries of the school district.

38 7. If a school district converts one or more of its district public
39 schools to a charter school and receives assistance as prescribed in
40 subsection B, paragraph 4 of this section, and subsequently converts the
41 charter school back to a district public school, the school district shall
42 repay the state the total additional assistance received for the charter
43 school for all years that the charter school was in operation. The repayment
44 shall be in one lump sum and shall be reduced from the school district's

1 current year equalization assistance. The school district's general budget
2 limit shall be reduced by the same lump sum amount in the current year.

3 B. Financial provisions for a charter school that is sponsored by the
4 state board of education or the state board for charter schools are as
5 follows:

6 1. The charter school shall calculate a base support level as
7 prescribed in section 15-943, except that sections 15-941 and 15-942 do not
8 apply to these charter schools.

9 2. Notwithstanding paragraph 1 of this subsection, the student count
10 shall be determined initially using an estimated student count based on
11 actual registration of pupils before the beginning of the school year. After
12 the first one hundred days or two hundred days in session, as applicable, the
13 charter school shall revise the student count to be equal to the actual
14 average daily membership, as defined in section 15-901, or the adjusted
15 average daily membership, as prescribed in section 15-902, of the charter
16 school. **A CHARTER SCHOOL THAT PROVIDES TWO HUNDRED DAYS OF INSTRUCTION MAY
17 USE SECTION 15-902.02 FOR THE PURPOSES OF THIS SECTION.** Before the one
18 hundredth day or two hundredth day in session, as applicable, the state board
19 of education or the state board for charter schools may require a charter
20 school to report periodically regarding pupil enrollment and attendance, and
21 the department of education may revise its computation of equalization
22 assistance based on the report. A charter school shall revise its student
23 count, base support level and additional assistance before May 15. A charter
24 school that overestimated its student count shall revise its budget before
25 May 15. A charter school that underestimated its student count may revise
26 its budget before May 15.

27 3. A charter school may utilize section 15-855 for the purposes of
28 this section. The charter school and the department of education shall
29 prescribe procedures for determining average daily attendance and average
30 daily membership.

31 4. Equalization assistance for the charter school shall be determined
32 by adding the amount of the base support level and additional assistance.
33 The amount of the additional assistance is one thousand four hundred
34 seventy-four dollars sixteen cents per student count in kindergarten programs
35 and grades one through eight and one thousand seven hundred eighteen dollars
36 ten cents per student count in grades nine through twelve.

37 5. The state board of education shall apportion state aid from the
38 appropriations made for such purposes to the state treasurer for disbursement
39 to the charter schools in each county in an amount as determined by this
40 paragraph. The apportionments shall be made in twelve equal installments of
41 the total amount to be apportioned during the fiscal year on the fifteenth
42 day of each month of the fiscal year.

43 ~~6. Notwithstanding paragraph 5 of this subsection, if sufficient~~
44 ~~appropriated monies are available after the first forty days in session of~~
45 ~~the current year, a charter school may request additional state monies to~~

~~1 fund the increased state aid due to anticipated student growth through the
2 first one hundred days or two hundred days in session, as applicable, of the
3 current year as provided in section 15-948. In no event shall a charter
4 school have received more than three fourths of its total apportionment
5 before April 15 of the fiscal year. Early payments pursuant to this
6 subsection must be approved by the state treasurer, the director of the
7 department of administration and the superintendent of public instruction.~~

~~8 7.~~ 6. The charter school shall not charge tuition, levy taxes or
9 issue bonds.

~~10 8.~~ 7. Not later than noon on the day preceding each apportionment
11 date established by paragraph 5 of this subsection, the superintendent of
12 public instruction shall furnish to the state treasurer an abstract of the
13 apportionment and shall certify the apportionment to the department of
14 administration, which shall draw its warrant in favor of the charter schools
15 for the amount apportioned.

16 C. If a pupil is enrolled in both a charter school and a public school
17 that is not a charter school, the sum of the daily membership, which includes
18 enrollment as prescribed in section 15-901, subsection A, paragraph 2,
19 subdivisions (a) and (b) and daily attendance as prescribed in section
20 15-901, subsection A, paragraph 6, for that pupil in the school district and
21 the charter school shall not exceed 1.0, except that if the pupil is enrolled
22 in both a charter school and a joint technological education district and
23 resides within the boundaries of a school district participating in the joint
24 technological education district, the sum of the average daily membership for
25 that pupil in the charter school and the joint technological education
26 district shall not exceed 1.25. If a pupil is enrolled in both a charter
27 school and a public school that is not a charter school, the department of
28 education shall direct the average daily membership to the school with the
29 most recent enrollment date. Upon validation of actual enrollment in both a
30 charter school and a public school that is not a charter school and if the
31 sum of the daily membership or daily attendance for that pupil is greater
32 than 1.0, the sum shall be reduced to 1.0 and shall be apportioned between
33 the public school and the charter school based on the percentage of total
34 time that the pupil is enrolled or in attendance in the public school and the
35 charter school, except that if the pupil is enrolled in both a charter school
36 and a joint technological education district and resides within the
37 boundaries of a school district participating in the joint technological
38 education district, the sum of the average daily membership for that pupil in
39 the charter school and the joint technological education district shall be
40 reduced to 1.25 and shall be apportioned between the charter school and the
41 joint technological education district based on the percentage of total time
42 that the pupil is enrolled or in attendance in the charter school and the
43 joint technological education district. The uniform system of financial
44 records shall include guidelines for the apportionment of the pupil
45 enrollment and attendance as provided in this section.

1 D. Charter schools are allowed to accept grants and gifts to
2 supplement their state funding, but it is not the intent of the charter
3 school law to require taxpayers to pay twice to educate the same pupils. The
4 base support level for a charter school or for a school district sponsoring a
5 charter school shall be reduced by an amount equal to the total amount of
6 monies received by a charter school from a federal or state agency if the
7 federal or state monies are intended for the basic maintenance and operations
8 of the school. The superintendent of public instruction shall estimate the
9 amount of the reduction for the budget year and shall revise the reduction to
10 reflect the actual amount before May 15 of the current year. If the
11 reduction results in a negative amount, the negative amount shall be used in
12 computing all budget limits and equalization assistance, except that:

- 13 1. Equalization assistance shall not be less than zero.
- 14 2. For a charter school sponsored by the state board of education or
15 the state board for charter schools, the total of the base support level, ~~the~~
16 ~~capital outlay revenue limit, the soft capital allocation~~ and the additional
17 assistance shall not be less than zero.
- 18 3. For a charter school sponsored by a school district, the base
19 support level for the school district shall not be reduced by more than the
20 amount that the charter school increased the district's base support level,
21 capital outlay revenue limit and soft capital allocation.

22 E. If a charter school was a district public school in the prior year
23 and is now being operated for or by the same school district and sponsored by
24 the state board of education, the state board for charter schools or a school
25 district governing board, the reduction in subsection D of this section
26 applies. The reduction to the base support level of the charter school or
27 the sponsoring district of the charter school shall equal the sum of the base
28 support level and the additional assistance received in the current year for
29 those pupils who were enrolled in the traditional public school in the prior
30 year and are now enrolled in the charter school in the current year.

31 F. Equalization assistance for charter schools shall be provided as a
32 single amount based on average daily membership without categorical
33 distinctions between maintenance and operations or capital.

34 G. At the request of a charter school, the county school
35 superintendent of the county where the charter school is located may provide
36 the same educational services to the charter school as prescribed in section
37 15-308, subsection A. The county school superintendent may charge a fee to
38 recover costs for providing educational services to charter schools.

39 H. If the sponsor of the charter school determines at a public meeting
40 that the charter school is not in compliance with federal law, with the laws
41 of this state or with its charter, the sponsor of a charter school may submit
42 a request to the department of education to withhold up to ten per cent of
43 the monthly apportionment of state aid that would otherwise be due the
44 charter school. The department of education shall adjust the charter
45 school's apportionment accordingly. The sponsor shall provide written notice

1 to the charter school at least seventy-two hours before the meeting and shall
2 allow the charter school to respond to the allegations of noncompliance at
3 the meeting before the sponsor makes a final determination to notify the
4 department of education of noncompliance. The charter school shall submit a
5 corrective action plan to the sponsor on a date specified by the sponsor at
6 the meeting. The corrective action plan shall be designed to correct
7 deficiencies at the charter school and to ensure that the charter school
8 promptly returns to compliance. When the sponsor determines that the charter
9 school is in compliance, the department of education shall restore the full
10 amount of state aid payments to the charter school.

11 I. In addition to the withholding of state aid payments pursuant to
12 subsection H of this section, the sponsor of a charter school may impose a
13 civil penalty of one thousand dollars per occurrence if a charter school
14 fails to comply with the fingerprinting requirements prescribed in section
15 15-183, subsection C or section 15-512. The sponsor of a charter school
16 shall not impose a civil penalty if it is the first time that a charter
17 school is out of compliance with the fingerprinting requirements and if the
18 charter school provides proof within forty-eight hours of written
19 notification that an application for the appropriate fingerprint check has
20 been received by the department of public safety. The sponsor of the charter
21 school shall obtain proof that the charter school has been notified, and the
22 notification shall identify the date of the deadline and shall be signed by
23 both parties. The sponsor of a charter school shall automatically impose a
24 civil penalty of one thousand dollars per occurrence if the sponsor
25 determines that the charter school subsequently violates the fingerprinting
26 requirements. Civil penalties pursuant to this subsection shall be assessed
27 by requesting the department of education to reduce the amount of state aid
28 that the charter school would otherwise receive by an amount equal to the
29 civil penalty. The amount of state aid withheld shall revert to the state
30 general fund at the end of the fiscal year.

31 J. A charter school may receive and spend monies distributed by the
32 department of education pursuant to section 42-5029, subsection E and section
33 37-521, subsection B.

34 K. If a school district transports or contracts to transport pupils to
35 the Arizona state schools for the deaf and the blind during any fiscal year,
36 the school district may transport or contract with a charter school to
37 transport sensory impaired pupils during that same fiscal year to a charter
38 school if requested by the parent of the pupil and if the distance from the
39 pupil's place of actual residence within the school district to the charter
40 school is less than the distance from the pupil's place of actual residence
41 within the school district to the campus of the Arizona state schools for the
42 deaf and the blind.

43 L. For the purposes of this section:

44 1. "Monies intended for the basic maintenance and operations of the
45 school" means monies intended to provide support for the educational program

1 of the school, except that it does not include supplemental assistance for a
2 specific purpose or ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY
3 EDUCATION ACT OF 1965 monies. The auditor general shall determine which
4 federal or state monies meet the definition in this paragraph.

5 2. "Operated for or by the same school district" means the charter
6 school is either governed by the same district governing board or operated by
7 the district in the same manner as other traditional schools in the district
8 or is operated by an independent party that has a contract with the school
9 district. The auditor general and the department of education shall
10 determine which charter schools meet the definition in this subsection.

11 Sec. 9. Section 15-203, Arizona Revised Statutes, is amended to read:
12 15-203. Powers and duties

13 A. The state board of education shall:

14 1. Exercise general supervision over and regulate the conduct of the
15 public school system and adopt any rules and policies it deems necessary to
16 accomplish this purpose.

17 2. Keep a record of its proceedings.

18 3. Make rules for its own government.

19 4. Determine the policy and work undertaken by it.

20 5. Appoint its employees, on the recommendation of the superintendent
21 of public instruction.

22 6. Prescribe the duties of its employees if not prescribed by statute.

23 7. Delegate to the superintendent of public instruction the execution
24 of board policies and rules.

25 8. Recommend to the legislature changes or additions to the statutes
26 pertaining to schools.

27 9. Prepare, publish and distribute reports concerning the educational
28 welfare of this state.

29 10. Prepare a budget for expenditures necessary for proper maintenance
30 of the board and accomplishment of its purposes and present the budget to the
31 legislature.

32 11. Aid in the enforcement of laws relating to schools.

33 12. Prescribe a minimum course of study in the common schools, minimum
34 competency requirements for the promotion of pupils from the third grade and
35 minimum course of study and competency requirements for the promotion of
36 pupils from the eighth grade. The state board of education shall prepare a
37 fiscal impact statement of any proposed changes to the minimum course of
38 study or competency requirements and, on completion, shall send a copy to the
39 director of the joint legislative budget committee and the executive director
40 of the school facilities board. The state board of education shall not adopt
41 any changes in the minimum course of study or competency requirements in
42 effect on July 1, 1998 that will have a fiscal impact on school capital
43 costs.

44 13. Prescribe minimum course of study and competency requirements for
45 the graduation of pupils from high school. The state board of education

1 shall prepare a fiscal impact statement of any proposed changes to the
2 minimum course of study or competency requirements and, on completion, shall
3 send a copy to the director of the joint legislative budget committee and the
4 executive director of the school facilities board. The state board of
5 education shall not adopt any changes in the minimum course of study or
6 competency requirements in effect on July 1, 1998 that will have a fiscal
7 impact on school capital costs.

8 14. Supervise and control the certification of persons engaged in
9 instructional work directly as any classroom, laboratory or other teacher or
10 indirectly as a supervisory teacher, speech therapist, principal or
11 superintendent in a school district, including school district preschool
12 programs, or any other educational institution below the community college,
13 college or university level, and prescribe rules for certification, including
14 rules for certification of teachers who have teaching experience and who are
15 trained in other states, which are not unnecessarily restrictive and are
16 substantially similar to the rules prescribed for the certification of
17 teachers trained in this state. The rules shall require applicants for all
18 certificates for common school instruction to complete a minimum of
19 forty-five classroom hours or three college level credit hours, or the
20 equivalent, of training in research based systematic phonics instruction from
21 a public or private provider. The rules shall not require a teacher to
22 obtain a master's degree or to take any additional graduate courses as a
23 condition of certification or recertification. The rules shall allow a
24 general equivalency diploma to be substituted for a high school diploma in
25 the certification of emergency substitute teachers.

26 15. Adopt a list of approved tests for determining special education
27 assistance to gifted pupils as defined in and as provided in chapter 7,
28 article 4.1 of this title. The adopted tests shall provide separate scores
29 for quantitative reasoning, verbal reasoning and nonverbal reasoning and
30 shall be capable of providing reliable and valid scores at the highest ranges
31 of the score distribution.

32 16. Adopt rules governing the methods for the administration of all
33 proficiency examinations.

34 17. Adopt proficiency examinations for its use. The state board of
35 education shall determine the passing score for the proficiency examination.

36 18. Include within its budget the cost of contracting for the purchase,
37 distribution and scoring of the examinations as provided in paragraphs 16 and
38 17 of this subsection.

39 19. Supervise and control the qualifications of professional
40 nonteaching school personnel and prescribe standards relating to
41 qualifications.

42 20. Impose such disciplinary action, including the issuance of a letter
43 of censure, suspension, suspension with conditions or revocation of a
44 certificate, upon a finding of immoral or unprofessional conduct.

1 21. Establish an assessment, data gathering and reporting system for
2 pupil performance as prescribed in chapter 7, article 3 of this title.

3 22. Adopt a rule to promote braille literacy pursuant to section
4 15-214.

5 23. Adopt rules prescribing procedures for the investigation by the
6 department of education of every written complaint alleging that a
7 certificated person has engaged in immoral conduct.

8 24. For purposes of federal law, serve as the state board for
9 vocational and technological education and meet at least four times each year
10 solely to execute the powers and duties of the state board for vocational and
11 technological education.

12 25. Develop and maintain a handbook for use in the schools of this
13 state that provides guidance for the teaching of moral, civic and ethical
14 education. The handbook shall promote existing curriculum frameworks and
15 shall encourage school districts to recognize moral, civic and ethical values
16 within instructional and programmatic educational development programs for
17 the general purpose of instilling character and ethical principles in pupils
18 in kindergarten programs and grades one through twelve.

19 26. Require pupils to recite the following passage from the declaration
20 of independence for pupils in grades four through six at the commencement of
21 the first class of the day in the schools, except that a pupil shall not be
22 required to participate if the pupil or the pupil's parent or guardian
23 objects:

24 We hold these truths to be self-evident, that all men are
25 created equal, that they are endowed by their creator with
26 certain unalienable rights, that among these are life, liberty
27 and the pursuit of happiness. That to secure these rights,
28 governments are instituted among men, deriving their just powers
29 from the consent of the governed. . . .

30 27. Adopt rules that provide for teacher certification reciprocity.
31 The rules shall provide for a one year reciprocal teaching certificate with
32 minimum requirements including valid teacher certification from a state with
33 substantially similar criminal history or teacher fingerprinting requirements
34 and proof of the submission of an application for a fingerprint clearance
35 card pursuant to title 41, chapter 12, article 3.1.

36 28. Adopt rules that will be in effect until December 31, 2006 and that
37 provide for the presentation of an honorary high school diploma to a person
38 who has never obtained a high school diploma and who meets each of the
39 following requirements:

40 (a) Is at least sixty-five years of age.

41 (b) Currently resides in this state.

42 (c) Provides documented evidence from the Arizona department of
43 veterans' services that the person enlisted in the armed forces of the United
44 States before completing high school in a public or private school.

1 (d) Was honorably discharged from service with the armed forces of the
2 United States.

3 29. Cooperate with the Arizona-Mexico commission in the governor's
4 office and with researchers at universities in this state to collect data and
5 conduct projects in the United States and Mexico on issues that are within
6 the scope of the duties of the department of education and that relate to
7 quality of life, trade and economic development in this state in a manner
8 that will help the Arizona-Mexico commission to assess and enhance the
9 economic competitiveness of this state and of the Arizona-Mexico region.

10 30. Adopt rules to define and provide guidance to schools as to the
11 activities that would constitute immoral or unprofessional conduct of
12 certificated persons.

13 31. Adopt guidelines to encourage pupils in grades nine, ten, eleven
14 and twelve to volunteer for twenty hours of community service before
15 graduation from high school. A school district that complies with the
16 guidelines adopted pursuant to this paragraph is not liable for damages
17 resulting from a pupil's participation in community service unless the school
18 district is found to have demonstrated wanton or reckless disregard for the
19 safety of the pupil and other participants in community service. For the
20 purposes of this paragraph, "community service" may include service
21 learning. The guidelines shall include the following:

22 (a) A list of the general categories in which community service may be
23 performed.

24 (b) A description of the methods by which community service will be
25 monitored.

26 (c) A consideration of risk assessment for community service projects.

27 (d) Orientation and notification procedures of community service
28 opportunities for pupils entering grade nine, including the development of a
29 notification form. The notification form shall be signed by the pupil and
30 the pupil's parent or guardian, except that a pupil shall not be required to
31 participate in community service if the parent or guardian notifies the
32 principal of the pupil's school in writing that the parent or guardian does
33 not wish the pupil to participate in community service.

34 (e) Procedures for a pupil in grade nine to prepare a written proposal
35 that outlines the type of community service that the pupil would like to
36 perform and the goals that the pupil hopes to achieve as a result of
37 community service. The pupil's written proposal shall be reviewed by a
38 faculty advisor, a guidance counselor or any other school employee who is
39 designated as the community service program coordinator for that school. The
40 pupil may alter the written proposal at any time before performing community
41 service.

42 (f) Procedures for a faculty advisor, a guidance counselor or any
43 other school employee who is designated as the community service program
44 coordinator to evaluate and certify the completion of community service
45 performed by pupils.

1 32. To facilitate the transfer of military personnel and their
2 dependents to and from the public schools of this state, pursue, in
3 cooperation with the Arizona board of regents, reciprocity agreements with
4 other states concerning the transfer credits for military personnel and their
5 dependents. A reciprocity agreement entered into pursuant to this paragraph
6 shall:

7 (a) Address procedures for each of the following:

8 (i) The transfer of student records.

9 (ii) Awarding credit for completed course work.

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

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

15 33. Adopt guidelines that school district governing boards shall use in
16 identifying pupils who are eligible for gifted programs and in providing
17 gifted education programs and services. The state board of education shall
18 adopt any other guidelines and rules that it deems necessary in order to
19 carry out the purposes of chapter 7, article 4.1 of this title.

20 34. For each of the alternative textbook formats of human-voiced audio,
21 large-print and braille, designate alternative media producers to adapt
22 existing standard print textbooks or to provide specialized textbooks, or
23 both, for pupils with disabilities in this state. Each alternative media
24 producer shall be capable of producing alternative textbooks in all relevant
25 subjects in at least one of the alternative textbook formats. The board
26 shall post the designated list of alternative media producers on its website.

27 35. Adopt a list of approved professional development training
28 providers for use by school districts as provided in section 15-107,
29 subsection J. The professional development training providers shall meet the
30 training curriculum requirements determined by the state board of education
31 in at least the areas of school finance, governance, employment, staffing,
32 inventory and human resources, internal controls and procurement.

33 36. Adopt rules to prohibit a person who violates the notification
34 requirements prescribed in section 15-183, subsection C, paragraph ~~6-7~~ or
35 section 15-550, subsection C from certification pursuant to this title until
36 the person is no longer charged or is acquitted of any offenses listed in
37 section 41-1758.03, subsection B. The board shall also adopt rules to
38 prohibit a person who violates the notification requirements, certification
39 surrender requirements or fingerprint clearance card surrender requirements
40 prescribed in section 15-183, subsection C, paragraph ~~7-8~~ or section 15-550,
41 subsection D from certification pursuant to this title for at least ten years
42 after the date of the violation.

43 37. ADOPT RULES FOR THE ALTERNATIVE CERTIFICATION OF TEACHERS OF
44 NONTRADITIONAL FOREIGN LANGUAGES THAT ALLOW FOR THE PASSING OF A NATIONALLY

1 ACCREDITED TEST TO SUBSTITUTE FOR THE EDUCATION COURSEWORK REQUIRED FOR
2 CERTIFICATION.

3 B. The state board of education may:

4 1. Contract.

5 2. Sue and be sued.

6 3. Distribute and score the tests prescribed in chapter 7, article 3
7 of this title.

8 4. Provide for an advisory committee to conduct hearings and
9 screenings to determine whether grounds exist to impose disciplinary action
10 against a certificated person, whether grounds exist to reinstate a revoked
11 or surrendered certificate and whether grounds exist to approve or deny an
12 initial application for certification or a request for renewal of a
13 certificate. The board may delegate its responsibility to conduct hearings
14 and screenings to its advisory committee. Hearings shall be conducted
15 pursuant to title 41, chapter 6, article 6.

16 5. Proceed with the disposal of any complaint requesting disciplinary
17 action or with any disciplinary action against a person holding a certificate
18 as prescribed in subsection A, paragraph 14 of this section after the
19 suspension or expiration of the certificate or surrender of the certificate
20 by the holder.

21 6. Assess costs and reasonable attorney fees against a person who
22 files a frivolous complaint or who files a complaint in bad faith. Costs
23 assessed pursuant to this paragraph shall not exceed the expenses incurred by
24 the state board in the investigation of the complaint.

25 Sec. 10. Section 15-238, Arizona Revised Statutes, is amended to read:

26 15-238. Statewide student estimate

27 Before February 15 of each year the department of education shall
28 submit to the economic estimates commission the total estimated statewide
29 number of students determined for the current year using the unit of
30 measurement prescribed in section 15-902, ~~subsection~~ SUBSECTIONS A AND B.

31 Sec. 11. Title 15, chapter 2, article 2, Arizona Revised Statutes, is
32 amended by adding section 15-241.01, to read:

33 15-241.01. School accountability; alternative operation plans

34 A. IF A SCHOOL DISTRICT HAS SIX OR MORE SCHOOLS AND AT LEAST ONE-HALF
35 OF THE SCHOOLS IN THE DISTRICT ARE DESIGNATED AS UNDERPERFORMING OR FAILING
36 TO MEET THE ACADEMIC STANDARDS PURSUANT TO THIS SECTION AND AT LEAST ONE
37 SCHOOL IS DESIGNATED AS FAILING TO MEET ACADEMIC STANDARDS, THE DEPARTMENT OF
38 EDUCATION MAY SUBMIT TO THE STATE BOARD OF EDUCATION A RECOMMENDATION FOR A
39 PUBLIC HEARING TO DETERMINE IF THE SCHOOL DISTRICT SHOULD BE SUBJECT TO AN
40 ALTERNATIVE OPERATION PLAN AND THE REASONS FOR THAT RECOMMENDATION. WHEN
41 CONSIDERING WHETHER TO RECOMMEND A PUBLIC HEARING PURSUANT TO THIS
42 SUBSECTION, THE DEPARTMENT SHALL CONSIDER AT LEAST THE FOLLOWING:

43 1. THE LIKELIHOOD THAT CONTINUED SCHOOL-BASED INTERVENTIONS WILL BE
44 SUCCESSFUL.

1 2. THE EXTENT TO WHICH THE SCHOOL DISTRICT ADMINISTRATORS AND THE
2 SCHOOL DISTRICT GOVERNING BOARD IMPACTED THE UNDERPERFORMING AND FAILING TO
3 MEET ACADEMIC STANDARDS DESIGNATIONS OF THE DISTRICT'S SCHOOLS.

4 3. WHETHER THOSE SCHOOLS DESIGNATED AS UNDERPERFORMING OR FAILING TO
5 MEET ACADEMIC STANDARDS HAVE DEMONSTRATED REASONABLE ACADEMIC GROWTH AS
6 DETERMINED BY THE MEASURE OF ACADEMIC PROGRESS ESTABLISHED PURSUANT TO THIS
7 SECTION.

8 B. IF THE DEPARTMENT OF EDUCATION RECOMMENDS A PUBLIC HEARING PURSUANT
9 TO SUBSECTION A OF THIS SECTION, THE STATE BOARD OF EDUCATION SHALL MEET AND
10 MAY PROVIDE BY A MAJORITY VOTE OF THE ENTIRE BOARD FOR THE DEVELOPMENT AND
11 IMPLEMENTATION OF AN ALTERNATIVE OPERATION PLAN AS ALLOWED BY THIS SECTION.
12 WHEN DETERMINING WHETHER TO PLACE A SCHOOL DISTRICT UNDER AN ALTERNATIVE
13 OPERATION PLAN, THE STATE BOARD SHALL CONSIDER AT LEAST THE FOLLOWING:

14 1. THE LIKELIHOOD THAT CONTINUED SCHOOL-BASED INTERVENTIONS WILL BE
15 SUCCESSFUL.

16 2. THE EXTENT TO WHICH THE SCHOOL DISTRICT ADMINISTRATORS AND THE
17 SCHOOL DISTRICT GOVERNING BOARD IMPACTED THE UNDERPERFORMING AND FAILING TO
18 MEET ACADEMIC STANDARDS DESIGNATIONS OF THE DISTRICT'S SCHOOLS.

19 3. WHETHER THOSE SCHOOLS DESIGNATED AS UNDERPERFORMING OR FAILING TO
20 MEET ACADEMIC STANDARDS HAVE DEMONSTRATED REASONABLE ACADEMIC GROWTH AS
21 DETERMINED BY THE MEASURE OF ACADEMIC PROGRESS ESTABLISHED PURSUANT TO THIS
22 SECTION.

23 C. BEFORE A HEARING IS HELD PURSUANT TO SUBSECTION B OF THIS SECTION,
24 THE DEPARTMENT OF EDUCATION SHALL RECOMMEND TO THE STATE BOARD OF EDUCATION
25 AT LEAST THREE GOVERNMENTAL, NONPROFIT OR PRIVATE ORGANIZATIONS OR PERSONS TO
26 MANAGE THE SCHOOL DISTRICT'S AFFAIRS. IF THE STATE BOARD APPROVES THE
27 IMPLEMENTATION OF AN ALTERNATIVE OPERATION PLAN, IT SHALL MAKE AN APPOINTMENT
28 FROM THE LIST PROVIDED BY THE DEPARTMENT OF EDUCATION. ON MAKING THIS
29 APPOINTMENT THE STATE BOARD SHALL IMMEDIATELY DETERMINE WHICH POWERS
30 ENUMERATED IN SUBSECTION D OF THIS SECTION SHALL BE TEMPORARILY GRANTED TO
31 THE APPOINTED ORGANIZATION OR PERSON. THE AUTHORITY GRANTED PURSUANT TO THIS
32 SUBSECTION SHALL BE EFFECTIVE UNTIL THE STATE BOARD REVIEWS THE ALTERNATIVE
33 OPERATION PLAN AS DESCRIBED IN SUBSECTION E OF THIS SECTION.

34 D. AN ORGANIZATION OR PERSON APPOINTED PURSUANT TO SUBSECTION C OF
35 THIS SECTION SHALL BEGIN A FULL REVIEW AND INVESTIGATION OF THE SCHOOL
36 DISTRICT'S EDUCATIONAL AFFAIRS AND SHALL SUBMIT TO THE STATE BOARD OF
37 EDUCATION A DETAILED REPORT LISTING THE FINDINGS OF THAT INVESTIGATION. THIS
38 REPORT SHALL INCLUDE AN ALTERNATIVE OPERATION PLAN THAT DETAILS HOW THE
39 SCHOOL DISTRICT WILL RAISE THE LEVEL OF ACADEMIC ACHIEVEMENT SO THAT ALL OF
40 THE SCHOOLS IN THE SCHOOL DISTRICT ARE DESIGNATED AS PERFORMING SCHOOLS,
41 HIGHLY PERFORMING SCHOOLS OR EXCELLING SCHOOLS PURSUANT TO THIS SECTION. THE
42 PLAN SHALL INCLUDE A PROPOSED TIMELINE FOR IMPROVING ACADEMIC ACHIEVEMENT.
43 THE ALTERNATIVE OPERATION PLAN SHALL ALSO INCLUDE A TIMELINE AND DETAILS
44 CONCERNING HOW THE ORGANIZATION OR PERSON WILL TRANSITION THE ADMINISTRATION
45 OF THE SCHOOL DISTRICT BACK TO THE LOCALLY ELECTED GOVERNING BOARD. THE

1 ORGANIZATION OR PERSON SHALL SUBMIT THE REPORT WITHIN ONE HUNDRED TWENTY DAYS
2 FROM THE DATE THE ORGANIZATION OR PERSON WAS APPOINTED BY THE STATE BOARD.
3 IF APPROVED BY THE STATE BOARD, THE ALTERNATIVE OPERATION PLAN MAY AUTHORIZE
4 THE APPOINTED ORGANIZATION OR PERSON TO DO ANY OF THE FOLLOWING:

5 1. OVERRIDE ANY DECISIONS OF THE SCHOOL DISTRICT GOVERNING BOARD OR
6 THE SCHOOL DISTRICT SUPERINTENDENT, OR BOTH, CONCERNING THE MANAGEMENT AND
7 OPERATION OF THE SCHOOL DISTRICT, AND INITIATE AND MAKE DECISIONS CONCERNING
8 THE MANAGEMENT AND OPERATION OF THE SCHOOL DISTRICT, INCLUDING REOPENING THE
9 SCHOOL AS A CHARTER SCHOOL.

10 2. HIRE PERSONNEL, TERMINATE PERSONNEL AND CANCEL EXISTING EMPLOYMENT
11 CONTRACTS, INCLUDING THE DISTRICT SUPERINTENDENT, TO THE EXTENT PERMITTED BY
12 LAW. THE APPOINTED ORGANIZATION OR PERSON MAY REFUSE TO REEMPLOY ANY
13 CERTIFICATED TEACHER WHO HAS NOT BEEN EMPLOYED BY THE SCHOOL DISTRICT FOR
14 MORE THAN THE MAJOR PORTION OF THREE CONSECUTIVE SCHOOL YEARS AS PROVIDED IN
15 SECTION 15-536.

16 3. ATTEND ANY MEETINGS OF THE SCHOOL DISTRICT GOVERNING BOARD AND
17 ADMINISTRATIVE STAFF.

18 4. SUPERVISE THE ACTIVITIES OF THE SCHOOL DISTRICT'S STAFF, INCLUDING
19 REASSIGNING THE DUTIES AND RESPONSIBILITIES OF PERSONNEL IN A MANNER THAT, AS
20 DETERMINED BY THE APPOINTED ORGANIZATION OR PERSON, BEST SUITS THE NEEDS OF
21 THE SCHOOL DISTRICT.

22 5. TO THE EXTENT PERMITTED BY LAW, CANCEL OR RENEGOTIATE ANY CONTRACT,
23 OTHER THAN CONTRACTS OF CERTIFICATED TEACHERS WHO HAVE BEEN EMPLOYED BY THE
24 SCHOOL DISTRICT IN THE CAPACITY OF A CERTIFICATED TEACHER FOR MORE THAN ONE
25 YEAR, TO WHICH THE GOVERNING BOARD OR THE SCHOOL DISTRICT IS A PARTY IF THE
26 CANCELLATION OR RENEGOTIATION OF THE CONTRACT WILL PRODUCE NEEDED ECONOMIES
27 IN THE OPERATION OF THE DISTRICT'S SCHOOLS.

28 E. THE STATE BOARD OF EDUCATION SHALL PERIODICALLY REVIEW THE STATUS
29 OF A SCHOOL DISTRICT THAT IS OPERATING UNDER AN ALTERNATIVE OPERATION PLAN
30 PURSUANT TO THIS SECTION TO DETERMINE WHETHER THE OPERATIONS OF THE SCHOOL
31 DISTRICT SHOULD BE RETURNED TO THE SCHOOL DISTRICT GOVERNING BOARD. BEFORE
32 THE STATE BOARD MAKES A DETERMINATION TO TERMINATE AN ALTERNATIVE OPERATION
33 PLAN, THE STATE BOARD OR ITS DESIGNEE SHALL MEET WITH THE SCHOOL DISTRICT
34 GOVERNING BOARD OR ITS DESIGNEE TO ESTABLISH AN APPROPRIATE TIME FRAME AND
35 ADDRESS ANY ADDITIONAL OPERATIONAL CONSIDERATIONS THAT ARE NECESSARY TO
36 ENSURE A SMOOTH TRANSITION OF AUTHORITY FROM THE APPOINTED ORGANIZATION OR
37 PERSON BACK TO THE SCHOOL DISTRICT GOVERNING BOARD. WHEN DETERMINING WHETHER
38 TO TERMINATE AN ALTERNATIVE OPERATION PLAN, THE STATE BOARD SHALL CONSIDER
39 WHETHER THE DISTRICT'S SCHOOLS HAVE MADE SIGNIFICANT ACADEMIC GAINS AS
40 DETERMINED BY INDIVIDUAL SCHOOL ACHIEVEMENT PROFILES ESTABLISHED PURSUANT TO
41 THIS SECTION.

42 F. IF AT ANY TIME THE STATE BOARD DETERMINES THAT THE PROGRESS OF AN
43 ORGANIZATION OR PERSON WHO IS APPOINTED PURSUANT TO THIS SUBSECTION OR
44 SUBSECTION C OF THIS SECTION IS INSUFFICIENT, THE STATE BOARD MAY REMOVE THAT
45 ORGANIZATION OR PERSON AND MAKE AN ALTERNATIVE APPOINTMENT. ALL AUTHORITY

1 GRANTED PURSUANT TO THE APPROVED ALTERNATIVE OPERATION PLAN SHALL BE
2 TRANSFERRED TO THE NEWLY APPOINTED ORGANIZATION OR PERSON. THE STATE BOARD
3 MAY REQUIRE THE NEWLY APPOINTED ORGANIZATION OR PERSON TO PREPARE A REVISED
4 ALTERNATIVE OPERATION PLAN AS DESCRIBED IN SUBSECTION D OF THIS SECTION.

5 G. ALL EXPENSES AND COSTS OF AN ORGANIZATION OR PERSON APPOINTED BY
6 THE STATE BOARD PURSUANT TO SUBSECTION C OR F OF THIS SECTION SHALL BE PAID
7 BY THE SCHOOL DISTRICT. THE STATE BOARD OF EDUCATION SHALL REVIEW THE
8 EXPENSES AND COSTS AT LEAST TWICE EACH CALENDAR YEAR TO ENSURE THAT THE FEES
9 ARE REASONABLE AND APPROPRIATE.

10 H. THE OPERATION OF A SCHOOL DISTRICT BY AN ORGANIZATION OR PERSON
11 APPOINTED PURSUANT TO THIS SECTION SHALL NOT INTERFERE WITH THE ELECTION OF
12 SCHOOL DISTRICT GOVERNING BOARD MEMBERS.

13 I. THE SCHOOL DISTRICT SHALL INDEMNIFY THE ORGANIZATION OR PERSON
14 APPOINTED PURSUANT TO SUBSECTION C OR F OF THIS SECTION IF THAT ORGANIZATION
15 OR PERSON IS MADE OR THREATENED TO BE MADE A PARTY TO ANY LITIGATION BY
16 REASON OF THE ORGANIZATION'S OR PERSON'S STATUS UNDER THIS SECTION IF THE
17 ORGANIZATION OR PERSON ACTED IN GOOD FAITH AND IN A MANNER THE ORGANIZATION
18 OR PERSON BELIEVED TO BE LAWFUL AND IN THE BEST INTEREST OF THE SCHOOL
19 DISTRICT.

20 J. ALL INFORMATION RECEIVED AND RECORDS OR REPORTS KEPT BY THE STATE
21 BOARD OF EDUCATION DURING AN INVESTIGATION RESULTING FROM A COMPLAINT AGAINST
22 AN ORGANIZATION OR PERSON APPOINTED PURSUANT TO SUBSECTION C OR F OF THIS
23 SECTION ARE CONFIDENTIAL AND ARE NOT PUBLIC RECORDS.

24 Sec. 12. Title 15, chapter 2, article 2, Arizona Revised Statutes, is
25 amended by adding sections 15-248 and 15-248.01, to read:

26 15-248. Arizona national rankings; annual report

27 A. THE DEPARTMENT OF EDUCATION SHALL COLLECT, EVALUATE AND ASSESS
28 EXISTING STUDIES AND FINDINGS CONDUCTED BY ANY PUBLIC OR PRIVATE ENTITY ON
29 THE NATIONAL RANKINGS AND OVERALL QUALITY OF SCHOOLS IN THIS STATE BASED ON
30 THE FOLLOWING:

31 1. ACADEMIC PRODUCTIVITY AS MEASURED BY ACADEMIC PROGRESS INDICATORS.
32 THE ACADEMIC PRODUCTIVITY MEASURES SHALL INCLUDE THE AREAS OF READING,
33 WRITING AND MATHEMATICS AND OTHER ACADEMIC CATEGORIES DETERMINED BY THE
34 DEPARTMENT.

35 2. RATINGS OF SCHOOL QUALITY BY PARENTS.

36 B. THE DEPARTMENT MAY FURTHER EVALUATE, BUT IS NOT LIMITED TO, THE
37 FOLLOWING SCHOOL FUNDING ISSUES:

38 1. THE AVERAGE SALARIES OF TEACHERS WHO PROVIDE INSTRUCTION IN SCHOOL
39 DISTRICTS IN THIS STATE COMPARED TO THE AVERAGE SALARIES OF TEACHERS WITH
40 SIMILAR LEVELS OF EXPERIENCE AND EDUCATION IN OTHER STATES.

41 2. OTHER FUNDING CATEGORIES DETERMINED BY THE DEPARTMENT.

42 C. FOR THE PURPOSES OF THIS SECTION, STUDIES AND FINDINGS THAT ARE
43 EVALUATED BY THE DEPARTMENT MAY BE CONDUCTED BY ANY PUBLIC OR PRIVATE ENTITY,
44 EXCEPT THAT THE DEPARTMENT SHALL RELY ONLY ON RESEARCH IT DETERMINES IS
45 SCIENTIFICALLY RELIABLE. THE DEPARTMENT MAY REQUEST THAT ADDITIONAL

1 SPECIALIZED RESEARCH BE CONDUCTED BY PUBLIC OR PRIVATE ENTITIES SELECTED BY
2 THE DEPARTMENT.

3 D. THE DEPARTMENT SHALL SEARCH SCIENTIFIC LITERATURE AND SELECT A
4 NATIONAL RANKING STUDY OF THE PERFORMANCE OF EACH STATE'S SCHOOLS THAT USED
5 THE MOST SCIENTIFICALLY SOUND METHODOLOGY IN THE RANKING PROCESS. THE
6 DEPARTMENT SHALL IDENTIFY ALL THE DATA ELEMENTS USED IN THE STUDY AND SHALL
7 DUPLICATE THOSE DATA ELEMENTS USING THE MOST RECENT AVAILABLE DATA. THE
8 DEPARTMENT SHALL ATTEMPT TO IDENTIFY THE CHARACTERISTICS OF THE TOP TEN
9 RANKED STATES AND THE BOTTOM TEN RANKED STATES IN ALL AREAS THAT IMPACT THE
10 QUALITY OF EDUCATION.

11 E. THE DEPARTMENT SHALL SUBMIT ELECTRONICALLY AN ANNUAL REPORT ON OR
12 BEFORE DECEMBER 1 REGARDING ITS FINDINGS TO THE GOVERNOR, THE SPEAKER OF THE
13 HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE SENATE. THE DEPARTMENT
14 SHALL PROVIDE COPIES OF THIS REPORT TO THE SECRETARY OF STATE AND THE
15 DIRECTOR OF THE ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS. THE
16 DEPARTMENT SHALL PRESENT ITS FINDINGS AT A PUBLIC MEETING FOR DISCUSSION AND
17 ANALYSIS.

18 15-248.01. Task force for measuring academic gains of K-3
19 pupils

20 A. THE TASK FORCE FOR MEASURING ACADEMIC GAINS OF K-3 PUPILS IS
21 ESTABLISHED IN THE DEPARTMENT OF EDUCATION CONSISTING OF AT LEAST SEVEN
22 REPRESENTATIVES FROM THE PARTICIPATING SCHOOLS SELECTED BY THE DEPARTMENT.

23 B. SUBJECT TO THE APPROVAL OF THE DEPARTMENT OF EDUCATION, THE TASK
24 FORCE SHALL DEVELOP MEASURES AND TASKS ASSOCIATED WITH MEASURING ACADEMIC
25 GAINS IN MATHEMATICS, READING AND LANGUAGE OF PUPILS IN KINDERGARTEN
26 PROGRAMS, GRADE ONE, GRADE TWO AND GRADE THREE WITH A GOAL OF REACHING
27 READING PROFICIENCY BY THE END OF GRADE THREE.

28 C. SCHOOL DISTRICTS AND CHARTER SCHOOLS MAY VOLUNTARILY PARTICIPATE IN
29 THE MEASUREMENT OF ACADEMIC GAINS DEVELOPED BY THE TASK FORCE PURSUANT TO
30 THIS SECTION.

31 D. THE DEPARTMENT OF EDUCATION SHALL DEVELOP MECHANISMS TO ALLOW A
32 SCHOOL DISTRICT OR CHARTER SCHOOL THAT VOLUNTARILY PARTICIPATES IN THE
33 MEASUREMENT OF ACADEMIC GAINS DEVELOPED BY THE TASK FORCE PURSUANT TO THIS
34 SECTION TO IMPROVE ITS SCHOOL CLASSIFICATION DESIGNATED PURSUANT TO SECTION
35 15-241 IF THE SCHOOL DISTRICT'S OR CHARTER SCHOOL'S ACADEMIC GAINS MEET THE
36 CRITERIA DEVELOPED BY THE DEPARTMENT OF EDUCATION AND APPROVED BY THE STATE
37 BOARD OF EDUCATION. THE STATE BOARD OF EDUCATION SHALL REVIEW AND APPROVE
38 THE MECHANISMS DEVELOPED BY THE DEPARTMENT OF EDUCATION.

39 E. THE DEPARTMENT OF EDUCATION SHALL ESTABLISH PROCEDURES TO MAINTAIN
40 THE INTEGRITY OF THE TESTING PROCESS THAT WILL BE USED TO MEASURE ACADEMIC
41 GAINS DEVELOPED BY THE TASK FORCE PURSUANT TO THIS SECTION, INCLUDING
42 PROCEDURES FOR TESTING AND SCORING VALIDITY AND RELIABILITY. THE STATE BOARD
43 OF EDUCATION SHALL REVIEW AND APPROVE THE TESTING PROCESS DEVELOPED BY THE
44 TASK FORCE.

1 Sec. 13. Title 15, chapter 2, article 3, Arizona Revised Statutes, is
2 amended by adding section 15-257, to read:

3 15-257. Employee evaluation system

4 NOTWITHSTANDING SECTION 38-618.01, THE SUPERINTENDENT OF PUBLIC
5 INSTRUCTION MAY ESTABLISH A SYSTEM TO EVALUATE THE PERFORMANCE OF EMPLOYEES
6 OF THE DEPARTMENT OF EDUCATION.

7 Sec. 14. Section 15-302, Arizona Revised Statutes, is amended to read:

8 15-302. Powers and duties

9 A. The county school superintendent shall:

10 1. Distribute all laws, reports, circulars, instructions and forms
11 ~~which~~ THAT he may receive for the use of school officers.

12 2. Record all official acts.

13 3. Appoint governing board members of school districts to fill all
14 vacancies, but the term of the appointment shall be until the next regular
15 election for governing board members, at which time a successor shall be
16 elected to serve the unexpired portion of the term. WITHIN THIRTY DAYS AFTER
17 NOTIFICATION OF A VACANCY, THE SCHOOL DISTRICT GOVERNING BOARD MAY SUBMIT UP
18 TO THREE NAMES TO THE COUNTY SCHOOL SUPERINTENDENT FOR CONSIDERATION OF AN
19 APPOINTMENT TO FILL THE VACANCY. THE COUNTY SCHOOL SUPERINTENDENT IS NOT
20 REQUIRED TO APPOINT A GOVERNING BOARD MEMBER FROM THE LIST OF NAMES SUBMITTED
21 BY THE GOVERNING BOARD. The county school superintendent ~~may~~, if he deems it
22 in the best interest of the community, MAY call a special election to fill
23 the vacancies. If an election is called, the newly elected member shall
24 serve for the remainder of the unexpired portion of the term.

25 4. Make reports, when directed by the superintendent of public
26 instruction, showing matters relating to schools in his county as may be
27 required on the forms furnished by the superintendent of public instruction.

28 5. Have such powers and perform such duties as otherwise prescribed by
29 law.

30 6. On or before October 1 of each year, make a report to the
31 superintendent of public instruction showing the amount of monies received
32 from state school funds, special school district taxes and other sources, the
33 total expenditures for school purposes and the balance on hand to the credit
34 of each school district at the close of the school year.

35 7. Contract with the board of supervisors for the board of supervisors
36 to conduct all regular school district elections.

37 8. Be responsible, in cooperation with the governing boards and the
38 board of supervisors, for all special school district elections.

39 9. Maintain teacher and administrator certification records of
40 effective dates and expiration dates of teachers' and administrators'
41 certificates in compliance with guidelines prescribed in the uniform system
42 of financial records for those school districts for which the county school
43 superintendent is the fiscal agent. The county school superintendent shall
44 not draw a warrant in payment of a teacher's, substitute teacher's or
45 administrator's salary unless the teacher, substitute teacher or

1 administrator is legally certified during the fiscal year in which the term
2 for payment is demanded.

3 10. Notify a school district three years before the expiration of a
4 revenue control limit override that the school district's budget must be
5 adjusted in the final two years of the override pursuant to section 15-481,
6 subsections P and Q, if the voters do not approve another override.

7 11. In collaboration with the department of education and other state
8 agencies, provide assistance to school districts and charter schools on the
9 use of student data, staff development, curriculum alignment and technology
10 to improve student performance.

11 12. Assist schools in meeting yearly adequate progress goals as defined
12 by criteria established by the state board of education and implemented by
13 the department of education.

14 B. At the request of school districts and charter schools, the county
15 school superintendent may provide discretionary programs in addition to the
16 programs prescribed in subsection A **OF THIS SECTION**.

17 C. The county school superintendent may provide the services
18 prescribed in subsections A and B **OF THIS SECTION** in the county or jointly
19 with two or more counties pursuant to title 11, chapter 7, article 3.

20 D. Each county school superintendent may establish an advisory
21 committee to the office of the county school superintendent.

22 Sec. 15. Section 15-321, Arizona Revised Statutes, is amended to read:

23 15-321. **Organization; election of officers of the board;**
24 **meetings; execution of warrants; exemption**

25 A. For the purpose of organization of the governing board, the board
26 shall meet at the most convenient public facility in the school district. If
27 a public facility is not available within the district, the governing board
28 may meet at any available public facility that is convenient to all governing
29 board members, regardless of the county or school district in which the
30 facility is located. The governing board shall meet between January 1 and
31 January 15 next following the election.

32 B. At the organization meeting the governing board shall elect from
33 among the membership of the board a president.

34 C. For the purposes of regular meetings of the governing board, the
35 board shall meet at the most convenient public facility in the school
36 district. If a public facility is not available within the district, the
37 governing board may meet at any available public facility that is convenient
38 to all governing board members, regardless of the county or school district
39 in which the facility is located.

40 D. The board shall prescribe rules for its own government. It shall
41 hold a regular meeting at least once each month during the regular school
42 year and may hold other meetings as often as called. If action has been
43 taken and documents approved at a meeting, they may be signed subsequently by
44 individual board members.

1 E. Business shall be conducted at regular or special meetings. Notice
2 of a special meeting, and of the hour for a regular meeting if no hour is
3 fixed by a rule of the board, shall be delivered personally or by telephone.

4 ~~F. A majority of the members of a governing board constitutes a quorum
5 for the transaction of business.~~

6 F. NOTWITHSTANDING SECTION 1-216, IF THERE IS A VACANCY OR VACANCIES
7 ON THE GOVERNING BOARD, A MAJORITY OF THE REMAINING MEMBERS OF THE GOVERNING
8 BOARD CONSTITUTE A QUORUM FOR THE TRANSACTION OF BUSINESS, EXCEPT THAT A
9 SINGLE MEMBER OF THE GOVERNING BOARD DOES NOT CONSTITUTE A QUORUM.

10 G. An order on a county school superintendent for a salary or other
11 expense shall be signed by ~~a majority of~~ the governing board. An order for
12 salary or other expense may be signed between board meetings if a resolution
13 to that effect has been passed prior to the signing at a regular or special
14 meeting of the governing board and the order is ratified by the board at the
15 next regular or special meeting of the governing board.

16 H. This section does not apply to county school superintendents in the
17 conduct of an accommodation school.

18 Sec. 16. Section 15-341, Arizona Revised Statutes, is amended to read:

19 15-341. General powers and duties; immunity; delegation

20 A. The governing board shall:

21 1. Prescribe and enforce policies and procedures for the governance of
22 the schools, not inconsistent with law or rules prescribed by the state board
23 of education.

24 2. Maintain the schools established by it for the attendance of each
25 pupil for a period of not less than one hundred seventy-five school days or
26 two hundred school days, as applicable, or its equivalent as approved by the
27 superintendent of public instruction for a school district operating on a
28 year-round operation basis, to offer an educational program on the basis of a
29 four day school week or to offer an alternative kindergarten program on the
30 basis of a three day school week, in each school year, and if the funds of
31 the district are sufficient, for a longer period, and as far as practicable
32 with equal rights and privileges.

33 3. Exclude from schools all books, publications, papers or audiovisual
34 materials of a sectarian, partisan or denominational character.

35 4. Manage and control the school property within its district.

36 5. Acquire school furniture, apparatus, equipment, library books and
37 supplies for the use of the schools.

38 6. Prescribe the curricula and criteria for the promotion and
39 graduation of pupils as provided in sections 15-701 and 15-701.01.

40 7. Furnish, repair and insure, at full insurable value, the school
41 property of the district.

42 8. Construct school buildings on approval by a vote of the district
43 electors.

44 9. Make in the name of the district conveyances of property belonging
45 to the district and sold by the board.

1 10. Purchase school sites when authorized by a vote of the district at
2 an election conducted as nearly as practicable in the same manner as the
3 election provided in section 15-481 and held on a date prescribed in section
4 15-491, subsection E, but such authorization shall not necessarily specify
5 the site to be purchased and such authorization shall not be necessary to
6 exchange unimproved property as provided in section 15-342, paragraph 23.

7 11. Construct, improve and furnish buildings used for school purposes
8 when such buildings or premises are leased from the national park service.

9 12. Purchase school sites or construct, improve and furnish school
10 buildings from the proceeds of the sale of school property only on approval
11 by a vote of the district electors.

12 13. Hold pupils to strict account for disorderly conduct on school
13 property.

14 14. Discipline students for disorderly conduct on the way to and from
15 school.

16 15. Except as provided in section 15-1224, deposit all monies received
17 by the district as gifts, grants and devises with the county treasurer who
18 shall credit the deposits as designated in the uniform system of financial
19 records. If not inconsistent with the terms of the gifts, grants and devises
20 given, any balance remaining after expenditures for the intended purpose of
21 the monies have been made shall be used for reduction of school district
22 taxes for the budget year, except that in the case of accommodation schools
23 the county treasurer shall carry the balance forward for use by the county
24 school superintendent for accommodation schools for the budget year.

25 16. Provide that, if a parent or legal guardian chooses not to accept a
26 decision of the teacher as provided in section 15-521, paragraph ~~3~~ 2, the
27 parent or legal guardian may request in writing that the governing board
28 review the teacher's decision. Nothing in this paragraph shall be construed
29 to release school districts from any liability relating to a child's
30 promotion or retention.

31 17. Provide for adequate supervision over pupils in instructional and
32 noninstructional activities by certificated or noncertificated personnel.

33 18. Use school monies received from the state and county school
34 apportionment exclusively for payment of salaries of teachers and other
35 employees and contingent expenses of the district.

36 19. Make an annual report to the county school superintendent on or
37 before October 1 ~~each year~~ in the manner and form and on the blanks
38 prescribed by the superintendent of public instruction or county school
39 superintendent. The board shall also make reports directly to the county
40 school superintendent or the superintendent of public instruction whenever
41 required.

42 20. Deposit all monies received by school districts other than student
43 activities monies or monies from auxiliary operations as provided in sections
44 15-1125 and 15-1126 with the county treasurer to the credit of the school
45 district except as provided in paragraph 21 of this subsection and sections

1 15-1223 and 15-1224, and the board shall expend the monies as provided by law
2 for other school funds.

3 21. Establish a bank account in which the board during a month may
4 deposit miscellaneous monies received directly by the district. The board
5 shall remit monies deposited in the bank account at least monthly to the
6 county treasurer for deposit as provided in paragraph 20 of this subsection
7 and in accordance with the uniform system of financial records.

8 22. Employ an attorney admitted to practice in this state whose
9 principal practice is in the area of commercial real estate, or a real estate
10 broker who is licensed by this state and who is employed by a reputable
11 commercial real estate company, to negotiate a lease of five or more years
12 for the school district if the governing board decides to enter into a lease
13 of five or more years as lessor of school buildings or grounds as provided in
14 section 15-342, paragraph 7 or 10. Any lease of five or more years
15 negotiated pursuant to this paragraph shall provide that the lessee is
16 responsible for payment of property taxes pursuant to the requirements of
17 section 42-11104.

18 23. Prescribe and enforce policies and procedures for disciplinary
19 action against a teacher who engages in conduct that is a violation of the
20 policies of the governing board but that is not cause for dismissal of the
21 teacher or for revocation of the certificate of the teacher. Disciplinary
22 action may include suspension without pay for a period of time not to exceed
23 ten school days. Disciplinary action shall not include suspension with pay
24 or suspension without pay for a period of time longer than ten school days.
25 The procedures shall include notice, hearing and appeal provisions for
26 violations that are cause for disciplinary action. The governing board may
27 designate a person or persons to act on behalf of the board on these matters.

28 24. Prescribe and enforce policies and procedures for disciplinary
29 action against an administrator who engages in conduct that is a violation of
30 the policies of the governing board regarding duties of administrators but
31 that is not cause for dismissal of the administrator or for revocation of the
32 certificate of the administrator. Disciplinary action may include suspension
33 without pay for a period of time not to exceed ten school days. Disciplinary
34 action shall not include suspension with pay or suspension without pay for a
35 period of time longer than ten school days. The procedures shall include
36 notice, hearing and appeal provisions for violations that are cause for
37 disciplinary action. The governing board may designate a person or persons
38 to act on behalf of the board on these matters. For violations that are
39 cause for dismissal, the provisions of notice, hearing and appeal in chapter
40 5, article 3 of this title shall apply. The filing of a timely request for a
41 hearing suspends the imposition of a suspension without pay or a dismissal
42 pending completion of the hearing.

43 25. Notwithstanding section 13-3108, prescribe and enforce policies and
44 procedures that prohibit a person from carrying or possessing a weapon on

1 school grounds unless the person is a peace officer or has obtained specific
2 authorization from the school administrator.

3 26. Prescribe and enforce policies and procedures relating to the
4 health and safety of all pupils participating in district sponsored practice
5 sessions, games or other interscholastic athletic activities, including the
6 provision of water.

7 27. Prescribe and enforce policies and procedures regarding the smoking
8 of tobacco within school buildings. The policies and procedures shall be
9 adopted in consultation with school district personnel and members of the
10 community and shall state whether smoking is prohibited in school buildings.
11 If smoking in school buildings is not prohibited, the policies and procedures
12 shall clearly state the conditions and circumstances under which smoking is
13 permitted, those areas in a school building that may be designated as smoking
14 areas and those areas in a school building that may not be designated as
15 smoking areas.

16 28. Establish an assessment, data gathering and reporting system as
17 prescribed in chapter 7, article 3 of this title.

18 29. Provide special education programs and related services pursuant to
19 section 15-764, subsection A to all children with disabilities as defined in
20 section 15-761.

21 30. Administer competency tests prescribed by the state board of
22 education for the graduation of pupils from high school.

23 31. Secure insurance coverage for all construction projects for
24 purposes of general liability, property damage and workers' compensation and
25 secure performance and payment bonds for all construction projects.

26 32. Keep on file the resumes of all current and former employees who
27 provide instruction to pupils at a school. Resumes shall include an
28 individual's educational and teaching background and experience in a
29 particular academic content subject area. A school district shall inform
30 parents and guardians of the availability of the resume information and shall
31 make the resume information available for inspection on request of parents
32 and guardians of pupils enrolled at a school. Nothing in this paragraph
33 shall be construed to require any school to release personally identifiable
34 information in relation to any teacher or employee, including the teacher's
35 or employee's address, salary, social security number or telephone number.

36 33. Report to local law enforcement agencies any suspected crime
37 against a person or property that is a serious offense as defined in section
38 13-706 or that involves a deadly weapon or dangerous instrument or serious
39 physical injury and any conduct that poses a threat of death or serious
40 physical injury to employees, students or anyone on the property of the
41 school. This paragraph does not limit or preclude the reporting by a school
42 district or an employee of a school district of suspected crimes other than
43 those required to be reported by this paragraph. For the purposes of this
44 paragraph, "dangerous instrument", "deadly weapon" and "serious physical
45 injury" have the same meanings prescribed in section 13-105.

1 34. In conjunction with local law enforcement agencies and local
2 medical facilities, develop an emergency response plan for each school in the
3 school district in accordance with minimum standards developed jointly by the
4 department of education and the division of emergency management within the
5 department of emergency and military affairs.

6 35. Annually assign at least one school district employee to
7 participate in a multihazard crisis training program developed or selected by
8 the governing board.

9 36. Provide written notice to the parents or guardians of all students
10 affected in the school district at least thirty days prior to a public
11 meeting to discuss closing a school within the school district. The notice
12 shall include the reasons for the proposed closure and the time and place of
13 the meeting. The governing board shall fix a time for a public meeting on
14 the proposed closure no less than thirty days before voting in a public
15 meeting to close the school. The school district governing board shall give
16 notice of the time and place of the meeting. At the time and place
17 designated in the notice, the school district governing board shall hear
18 reasons for or against closing the school. The school district governing
19 board is exempt from this paragraph if it is determined by the governing
20 board that the school shall be closed because it poses a danger to the health
21 or safety of the pupils or employees of the school.

22 37. Incorporate instruction on Native American history into appropriate
23 existing curricula.

24 38. Prescribe and enforce policies and procedures allowing pupils who
25 have been diagnosed with anaphylaxis by a health care provider licensed
26 pursuant to title 32, chapter 13, 14, 17 or 25 or by a registered nurse
27 practitioner licensed and certified pursuant to title 32, chapter 15 to carry
28 and self-administer emergency medications, including auto-injectable
29 epinephrine, while at school and at school sponsored activities. The pupil's
30 name on the prescription label on the medication container or on the
31 medication device and annual written documentation from the pupil's parent or
32 guardian to the school that authorizes possession and self-administration is
33 sufficient proof that the pupil is entitled to the possession and
34 self-administration of the medication. The policies shall require a pupil
35 who uses auto-injectable epinephrine while at school and at school sponsored
36 activities to notify the nurse or the designated school staff person of the
37 use of the medication as soon as practicable. A school district and its
38 employees are immune from civil liability with respect to all decisions made
39 and actions taken that are based on good faith implementation of the
40 requirements of this paragraph, except in cases of wanton or wilful neglect.

41 39. Allow the possession and self-administration of prescription
42 medication for breathing disorders in handheld inhaler devices by pupils who
43 have been prescribed that medication by a health care professional licensed
44 pursuant to title 32. The pupil's name on the prescription label on the
45 medication container or on the handheld inhaler device and annual written

1 documentation from the pupil's parent or guardian to the school that
2 authorizes possession and self-administration shall be sufficient proof that
3 the pupil is entitled to the possession and self-administration of the
4 medication. A school district and its employees are immune from civil
5 liability with respect to all decisions made and actions taken that are based
6 on a good faith implementation of the requirements of this paragraph.

7 40. Prescribe and enforce policies and procedures to prohibit pupils
8 from harassing, intimidating and bullying other pupils on school grounds, on
9 school property, on school buses, at school bus stops and at school sponsored
10 events and activities that include the following components:

11 (a) A procedure for pupils to confidentially report to school
12 officials incidents of harassment, intimidation or bullying.

13 (b) A procedure for parents and guardians of pupils to submit written
14 reports to school officials of suspected incidents of harassment,
15 intimidation or bullying.

16 (c) A requirement that school district employees report suspected
17 incidents of harassment, intimidation or bullying to the appropriate school
18 official.

19 (d) A formal process for the documentation of reported incidents of
20 harassment, intimidation or bullying, except that no documentation shall be
21 maintained unless the harassment, intimidation or bullying has been proven.

22 (e) A formal process for the investigation by the appropriate school
23 officials of suspected incidents of harassment, intimidation or bullying.

24 (f) Disciplinary procedures for pupils who have admitted or been found
25 to have committed incidents of harassment, intimidation or bullying.

26 (g) A procedure that sets forth consequences for submitting false
27 reports of incidents of harassment, intimidation or bullying.

28 41. Prescribe and enforce policies and procedures regarding changing or
29 adopting attendance boundaries that include the following components:

30 (a) A procedure for holding public meetings to discuss attendance
31 boundary changes or adoptions that allows public comments.

32 (b) A procedure to notify the parents or guardians of the students
33 affected.

34 (c) A procedure to notify the residents of the households affected by
35 the attendance boundary changes.

36 (d) A process for placing public meeting notices and proposed maps on
37 the school district's website for public review, if the school district
38 maintains a website.

39 (e) A formal process for presenting the attendance boundaries of the
40 affected area in public meetings that allows public comments.

41 (f) A formal process for notifying the residents and parents or
42 guardians of the affected area as to the decision of the governing board on
43 the school district's website, if the school district maintains a website.

44 (g) A formal process for updating attendance boundaries on the school
45 district's website within ninety days of an adopted boundary change. The

1 school district shall send a direct link to the school district's attendance
2 boundaries website to the department of real estate.

3 (h) If the land that a school was built on was donated within the past
4 five years, a formal process to notify the entity that donated the land
5 affected by the decision of the governing board.

6 42. If the state board of education determines that the school district
7 has committed an overexpenditure as defined in section 15-107, provide a copy
8 of the fiscal management report submitted pursuant to section 15-107,
9 subsection H on its website and make copies available to the public on
10 request. The school district shall comply with a request within five
11 business days after receipt.

12 B. Notwithstanding subsection A, paragraphs 8, 10 and 12 of this
13 section, the county school superintendent may construct, improve and furnish
14 school buildings or purchase or sell school sites in the conduct of an
15 accommodation school.

16 C. If any school district acquires real or personal property, whether
17 by purchase, exchange, condemnation, gift or otherwise, the governing board
18 shall pay to the county treasurer any taxes on the property that were unpaid
19 as of the date of acquisition, including penalties and interest. The lien
20 for unpaid delinquent taxes, penalties and interest on property acquired by a
21 school district:

22 1. Is not abated, extinguished, discharged or merged in the title to
23 the property.

24 2. Is enforceable in the same manner as other delinquent tax liens.

25 D. The governing board may not locate a school on property that is
26 less than one-fourth mile from agricultural land regulated pursuant to
27 section 3-365, except that the owner of the agricultural land may agree to
28 comply with the buffer zone requirements of section 3-365. If the owner
29 agrees in writing to comply with the buffer zone requirements and records the
30 agreement in the office of the county recorder as a restrictive covenant
31 running with the title to the land, the school district may locate a school
32 within the affected buffer zone. The agreement may include any stipulations
33 regarding the school, including conditions for future expansion of the school
34 and changes in the operational status of the school that will result in a
35 breach of the agreement.

36 E. A school district, its governing board members, its school council
37 members and its employees are immune from civil liability for the
38 consequences of adoption and implementation of policies and procedures
39 pursuant to subsection A of this section and section 15-342. This waiver
40 does not apply if the school district, its governing board members, its
41 school council members or its employees are guilty of gross negligence or
42 intentional misconduct.

43 F. A governing board may delegate in writing to a superintendent,
44 principal or head teacher the authority to prescribe procedures that are
45 consistent with the governing board's policies.

1 G. Notwithstanding any other provision of this title, a school
2 district governing board shall not take any action that would result in ~~an~~
3 ~~immediate reduction or~~ a reduction ~~within three years~~ of pupil square footage
4 ~~that would cause the school district to fall below the minimum adequate gross~~
5 ~~square footage requirements prescribed in section 15-2011, subsection C,~~
6 unless the governing board notifies the school facilities board established
7 by section 15-2001 of the proposed action and receives written approval from
8 the school facilities board to take the action. A reduction includes an
9 increase in administrative space that results in a reduction of pupil square
10 footage or sale of school sites or buildings, or both. A reduction includes
11 a reconfiguration of grades that results in a reduction of pupil square
12 footage of any grade level. This subsection does not apply to temporary
13 reconfiguration of grades to accommodate new school construction if the
14 temporary reconfiguration does not exceed one year. The sale of equipment
15 that results in ~~an immediate reduction or~~ a reduction ~~within three years~~ that
16 falls below the equipment requirements prescribed in section 15-2011,
17 subsection B is subject to commensurate withholding of school district
18 capital outlay revenue limit monies pursuant to the direction of the school
19 facilities board. Except as provided in section 15-342, paragraph 10,
20 proceeds from the sale of school sites, buildings or other equipment shall be
21 deposited in the school plant fund as provided in section 15-1102.

22 H. Subsections C through G of this section apply to a county board of
23 supervisors and a county school superintendent when operating and
24 administering an accommodation school.

25 I. Until the state board of education and the auditor general adopt
26 rules pursuant to section 15-213, subsection I, a school district may procure
27 construction services, including services for new school construction
28 pursuant to section 15-2041, by the construction-manager-at-risk,
29 design-build and job-order-contracting methods of project delivery as
30 provided in title 41, chapter 23, except that the rules adopted by the
31 director of the department of administration do not apply to procurements
32 pursuant to this subsection. Any procurement commenced pursuant to this
33 subsection may be completed pursuant to this subsection.

34 Sec. 17. Section 15-382, Arizona Revised Statutes, is amended to read:

35 15-382. Authorization to self-insure; pooling agreements; joint
36 agreements; trustees; liability coverage and pool
37 requirements; remedies; definition

38 A. The school district governing board may determine that
39 self-insurance is necessary or desirable in the best interest of the district
40 and may provide for a self-insurance program or programs for the district
41 including risk management consultation. Any risk management consultant or
42 insurance administrator employed by a school district governing board must be
43 licensed under title 20, chapter 2, article 3 or 9, and such license shall be
44 verified by the school district governing board prior to employment.

45 B. The school district governing board may:

1 1. Enter into intergovernmental agreements or contracts with pools
2 operated pursuant to section 11-952.01 for participation in programs offered
3 by public agency pools. In addition to the joint purchasing of insurance or
4 reinsurance or the pooling of the retention of risks for property, fidelity
5 and liability losses, these programs may include the joint purchasing of
6 health benefits plan, life or disability insurance, prepaid legal insurance
7 or the pooling of the retention of their risks of losses for health,
8 accident, life or disability claims or the provision of the health and
9 medical services enumerated in section 36-2907.

10 2. Separately contract with a trustee or board of trustees that
11 provides a common self-insurance program or programs with pooled funds and
12 risks to more than one district, a community college district formed pursuant
13 to ~~title 15,~~ chapter 12, ~~article 3~~ OF THIS TITLE or an association of school
14 districts within this state that is funded by member school districts
15 pursuant to section 15-342, paragraph 8 OR A POOL CREATED FOR AND OPERATED
16 SOLELY FOR CHARTER SCHOOLS PURSUANT TO SECTION 11-952.01. BEGINNING JANUARY
17 1, 2010, A TRUSTEE, BOARD OF TRUSTEES OR POOL THAT CONTRACTS WITH A SCHOOL
18 DISTRICT GOVERNING BOARD OR CHARTER SCHOOL PURSUANT TO THIS PARAGRAPH SHALL
19 COMPLY WITH TITLE 38, CHAPTER 3, ARTICLE 3.1, TITLE 39, CHAPTER 1 AND SECTION
20 11-952.01, SUBSECTIONS M AND N.

21 3. Enter into cooperative procurement agreements with other districts
22 pursuant to rules adopted pursuant to section 15-213 to participate in
23 programs for either self-insurance or the joint purchase of insurance.

24 4. Separately establish a self-insurance program solely for its
25 district.

26 C. If the school district governing board, either alone or in
27 combination with another school district or an association of school
28 districts in this state that is funded by member school districts pursuant to
29 section 15-342, paragraph 8, establishes a self-insurance program, the
30 governing board or an association of school districts shall place all funds
31 into a trust to be used for payment of uninsured losses, claims, defense
32 costs, costs of training designed to reduce losses and claims, the cost of
33 related employee benefits including wellness programs, life, disability and
34 other fully and partially insured group insurance plans, programs that allow
35 for participation in a cafeteria plan that meets the requirements of the
36 United States internal revenue code of 1986, costs of administration and
37 other related expenses. If a member of the governing board or employee of
38 the school district is acting as a trustee, the trust shall be administered
39 by at least five joint trustees, of whom no more than one may be a member of
40 the governing board and no more than one may be an employee of the school
41 district. Funds budgeted for self-insurance programs shall be subject to
42 district budgetary requirements, including but not limited to the
43 requirements that the funds be budgeted within the maintenance and operation
44 section and the budget limitation on increases as prescribed in section
45 15-905. The funds, upon being placed in the trust, shall not lapse at the

1 close of the fiscal year, except that any cash balance remaining after
2 termination of the program and settlement of all outstanding claims shall be
3 used for reduction of school district taxes for the budget year. The
4 trustees of the trust must be bonded, a stop-loss provision must be
5 incorporated in the trust agreement, and an annual audit must be performed by
6 a certified public accountant and a copy of the report kept on file in the
7 district office for a period of not less than five years.

8 D. If the self-insurance is for liability losses, excess liability
9 coverage or reinsurance must be obtained as follows:

10 1. For a single school district, the coverage may include an annual
11 aggregate limit of no more than three million dollars and the maximum
12 retention per occurrence shall be one-half of one per cent of the district's
13 maintenance and operation budget.

14 2. For a pool, the coverage may include an annual aggregate limit set
15 by the pool and the maximum retention per occurrence shall not exceed
16 one-half of one per cent of the combined maintenance and operation budgets of
17 the districts in the pool.

18 E. "Self-insurance program" as used in this section means programs
19 established and wholly or partially funded by the school district governing
20 board. Self-insurance programs shall not include a decision by the governing
21 board not to carry insurance upon a particular risk or risks.

22 Sec. 18. Repeal

23 Section 15-509, Arizona Revised Statutes, is repealed.

24 Sec. 19. Section 15-521, Arizona Revised Statutes, is amended to read:

25 15-521. Duties of teachers

26 Every teacher shall:

27 1. Hold pupils to strict account for disorderly conduct.

28 ~~2. Keep a school register, which the governing board shall carefully~~
29 ~~preserve as one of the records of the school.~~

30 2. TAKE AND MAINTAIN DAILY CLASSROOM ATTENDANCE.

31 3. Make the decision to promote or retain a pupil in grade in a common
32 school or to pass or fail a pupil in a course in high school. Such decisions
33 may be overturned only as provided in section 15-342, paragraph 11.

34 4. Comply with all rules and policies of the governing board that
35 relate to the duties prescribed in this section.

36 Sec. 20. Section 15-532, Arizona Revised Statutes, is amended to read:

37 15-532. Examination on state and United States constitutions;
38 exemption; intergovernmental agreement or contract
39 for administration and evaluation

40 A. A person applying for a certificate authorizing the person to
41 become superintendent, principal or teacher in a school ~~shall~~, in addition to
42 fingerprinting and other requirements, SHALL either complete the required
43 classes or pass a satisfactory examination ~~upon~~ ON the provisions and
44 principles of the Constitutions of the United States and Arizona.

1 B. A person who has not met the requirements of this section at the
2 time application is made but who has met all other requirements shall be
3 granted a certificate for not more than three years, except that a person who
4 has not met the requirements of this section but who has met all other
5 requirements and who applies for a certificate authorizing the person to
6 teach an academic course that focuses predominantly on history, government,
7 social studies, citizenship, law or civics shall be granted a certificate for
8 not more than one year. No additional certificate may be granted until all
9 requirements have been fulfilled as provided by the regulations of the state
10 board of education governing certification of teachers.

11 C. A noncertified person, qualified under the federal and state plans
12 for vocational education, shall be exempt from ~~the provisions of~~ this section
13 for the purpose of acting as an instructor for special adult and evening
14 classes.

15 D. The state board of education may enter into intergovernmental
16 agreements or contracts pursuant to title 11, chapter 7, article 3 for the
17 administration and evaluation of the examination on the provisions and
18 principles of the Constitutions of the United States and Arizona.
19 Notwithstanding section 15-531, the intergovernmental agreement or contract
20 shall specify the fee for the administration and evaluation of the
21 examination and may provide for the retention of all or part of the monies by
22 the contractor administering and evaluating the examination.

23 E. A university under the jurisdiction of the Arizona board of regents
24 shall ~~administer~~ OFFER the ~~examination~~ CLASSES required by this section to
25 students who are pursuing a bachelor of arts degree in education or a
26 bachelor of science degree in education at that university.

27 Sec. 21. Section 15-534, Arizona Revised Statutes, is amended to read:

28 15-534. Fingerprinting; review and disciplinary action;
29 violation; classification

30 A. A person who applies for a certificate as prescribed in section
31 15-203 shall have a valid fingerprint clearance card that is issued pursuant
32 to title 41, chapter 12, article 3.1. Applicants who possess a certificate
33 pursuant to section 15-203 and who apply for additional certificates or who
34 apply for renewal of any certificate shall meet one of the following
35 requirements:

36 1. Have a valid fingerprint clearance card issued pursuant to title
37 41, chapter 12, article 3.1.

38 2. Provide proof of the submission of an application for a fingerprint
39 clearance card. Applicants who have been denied a fingerprint clearance card
40 shall also provide proof that the applicant qualifies for a good cause
41 exception hearing pursuant to section 41-619.55.

42 B. A person who is certified pursuant to section 15-203 shall maintain
43 a valid fingerprint clearance card during the valid period of the person's
44 certificate or certificates.

1 C. The state board of education may review and determine whether to
2 renew or not issue a certificate to an applicant for certification on a
3 finding that the applicant engaged in conduct that is immoral or
4 unprofessional or engaged in conduct that would warrant disciplinary action
5 if the person had been certified at the time that the alleged conduct
6 occurred. The board shall prescribe guidelines for this process.

7 D. The state board of education may take disciplinary action against
8 or not renew the certificate of a person on a finding that the certificated
9 person engaged in conduct that is immoral or unprofessional or engaged in
10 conduct that would warrant disciplinary action if the person had been
11 certified at the time that the alleged conduct occurred. The board shall
12 prescribe guidelines for this process.

13 E. The department of education may issue conditional certification
14 before an applicant has obtained a valid fingerprint clearance card. A
15 conditional certificate may be used only for employment in the school
16 district that submits an application to the department of education for
17 conditional certification pursuant to this subsection. The state board of
18 education may revoke conditional certification if the information on the
19 application for a conditional certificate is false or incomplete, the
20 applicant is denied a fingerprint clearance card or the conditional
21 certificate is used for employment in a school district other than the school
22 district that is indicated on the application for conditional certification.
23 In addition to any other conditions or requirements deemed necessary by the
24 superintendent of public instruction to protect the health and safety of
25 pupils, conditional certification shall be issued before the applicant
26 obtains a fingerprint clearance card if all of the following conditions are
27 met:

28 1. The school district that is seeking to hire the applicant verifies
29 in writing on a form developed by the department of education the necessity
30 for hiring and placement of the applicant before a fingerprint check is
31 completed.

32 2. The school district that is seeking to hire the applicant performs
33 all of the following:

34 (a) Ensures that the department of public safety completes a statewide
35 criminal records check on the applicant. A statewide criminal records check
36 shall be completed by the department of public safety every one hundred
37 twenty days until the date that the fingerprint check is completed.

38 (b) Completes a search of criminal records in all local jurisdictions
39 outside of this state in which the applicant has lived in the previous five
40 years.

41 (c) Obtains references from the applicant's current employer and two
42 most recent previous employers except for applicants who have been employed
43 for at least five years by the applicant's most recent employer.

44 (d) Provides general supervision of the applicant until the applicant
45 receives permanent certification from the department of education.

1 F. Before employment, schools or school districts shall verify the
2 certification and fingerprint status of applicants who apply for school or
3 school district positions that require certification.

4 G. Any person who participates in a teacher preparation program that
5 is approved by the state board OF EDUCATION or any person who is contracted
6 by this state, by a school district or by a charter school to provide
7 tutoring services shall obtain a fingerprint clearance card pursuant to this
8 section before the person participates in field experience in which services
9 will be provided directly to pupils. A PERSON WHO PARTICIPATES IN A TEACHER
10 PREPARATION PROGRAM AND WHO DOES NOT PARTICIPATE IN FIELD EXPERIENCE OR
11 STUDENT TEACHING IN THIS STATE SHALL NOT BE REQUIRED TO OBTAIN A FINGERPRINT
12 CLEARANCE CARD PURSUANT TO THIS SECTION.

13 H. The state board of education shall notify the department of public
14 safety if the state board of education receives credible evidence that a
15 person who possesses a valid fingerprint clearance card either:

16 1. Is arrested for or charged with an offense listed in section
17 41-1758.03, subsection B.

18 2. Falsified information on the form required by subsection A of this
19 section.

20 I. A person who makes a false statement, representation or
21 certification in any application for certification is guilty of a class 3
22 misdemeanor.

23 Sec. 22. Section 15-534.01, Arizona Revised Statutes, is amended to
24 read:

25 15-534.01. Withdrawal of applications for administrative
26 deficiencies; denial of applications for
27 substantive deficiencies; certification timeframes

28 A. If an application for certification is administratively incomplete,
29 as prescribed in title 41, chapter 6, article 7.1, the department of
30 education or the state board of education shall issue a written notice
31 requesting the applicant to supply missing documents or other information.
32 The department of education shall consider an application for certification
33 withdrawn if, within sixty days after the date of the notice, the applicant
34 does not supply the documentation or information requested or does not
35 provide reasonable documented justification for the delay. On receipt of
36 documented justification, the department of education shall provide an
37 additional thirty days for the requested documentation or information to be
38 provided before considering an application withdrawn.

39 B. If an application for certification is substantively incomplete, as
40 prescribed in title 41, chapter 6, article 7.1, the department of education
41 or the state board of education may issue a written notice requesting the
42 applicant to supply additional documents or other information. The state
43 board of education OR THE DEPARTMENT OF EDUCATION shall deny an application
44 for certification if, within sixty days after the date of the notice, the
45 applicant does not supply the documentation or information requested.

1 C. If the final day of a deadline imposed by this section falls on a
2 Saturday, Sunday or other legal holiday, the next business day is the final
3 day of the deadline.

4 D. A notice of denial of an application for certification issued by
5 the state board of education OR THE DEPARTMENT OF EDUCATION pursuant to
6 subsection B of this section shall comply with section 41-1076.

7 E. A person who has had an application for certification denied by the
8 state board of education OR THE DEPARTMENT OF EDUCATION pursuant to
9 subsection B of this section may file a written request for a hearing with
10 the state board of education within fifteen days after receiving the notice
11 of denial. The appeal shall be conducted in accordance with title 41,
12 chapter 6, article 6.

13 Sec. 23. Section 15-701.01, Arizona Revised Statutes, is amended to
14 read:

15 15-701.01. High school; graduation; requirements; community
16 college or university courses; transfer from
17 private schools; academic credit

18 A. The state board of education shall:

19 1. Prescribe a minimum course of study, as defined in section 15-101
20 and incorporating the academic standards adopted by the state board of
21 education, for the graduation of pupils from high school.

22 2. Prescribe competency requirements for the graduation of pupils from
23 high school incorporating the academic standards in at least the areas of
24 reading, writing, mathematics, science and social studies.

25 3. Develop and adopt competency tests pursuant to section 15-741 for
26 the graduation of pupils from high school in at least the areas of reading,
27 writing and mathematics and shall establish passing scores for each such
28 test. FOR THE PURPOSES OF SATISFYING THE GRADUATION REQUIREMENTS OF THIS
29 PARAGRAPH, A MINIMUM SCORE AS DETERMINED BY THE STATE BOARD OF EDUCATION ON
30 ONE OR MORE NATIONALLY RECOGNIZED COLLEGE ENTRANCE EXAMINATIONS SELECTED BY
31 THE STATE BOARD OF EDUCATION, IF EXAMINATION INFORMATION MAY BE ACCESSED AT
32 NO COST TO THIS STATE, MAY BE SUBSTITUTED FOR PASSING SCORES ON THE ARIZONA
33 INSTRUMENT TO MEASURE STANDARDS TEST IF A PUPIL WHO IS IN GRADE TWELVE HAS
34 PREVIOUSLY TAKEN THE ARIZONA INSTRUMENT TO MEASURE STANDARDS TEST AT EACH
35 ADMINISTRATION OF THE TEST. A pupil shall not be required to pass the
36 competency test required in this paragraph to graduate from high school if
37 the pupil transfers into the district from out-of-state and has successfully
38 passed a statewide assessment test on state adopted standards that are
39 substantially equivalent to the state board adopted academic standards.

40 B. If the state board of education adopts a competency test as a
41 graduation requirement for a child with a disability as defined in section
42 15-761 or a child who receives special education pursuant to section 15-763,
43 pupils with individualized education programs shall not be required to
44 achieve passing scores on competency tests in order to graduate from high
45 school unless the pupil is learning at a level appropriate for the pupil's

1 grade level in a specific academic area and unless passing scores on a
2 competency test are specifically required in a specific academic area by the
3 pupil's individualized education program as mutually agreed on by the pupil's
4 parents and the pupil's individualized education program team or the pupil,
5 if the pupil is at least eighteen years of age. These competency tests shall
6 be administered to pupils in a manner prescribed in the pupil's
7 individualized education program, and school districts and charter schools
8 shall make specific and appropriate accommodations for pupils with
9 individualized education programs. Pupils with section 504 plans as defined
10 in section 15-731 shall not be required to achieve passing scores on
11 competency tests in order to graduate from high school unless the pupil is
12 learning at a level appropriate for the pupil's grade level in a specific
13 academic area and unless passing scores on a competency test are specifically
14 required in a specific academic area by the pupil's section 504 plan that is
15 developed in consultation with the pupil's parents. These competency tests
16 shall be administered to pupils in a manner prescribed in the pupil's section
17 504 plan, and school districts and charter schools shall make specific and
18 appropriate accommodations for pupils with a section 504 plan. A pupil with
19 an individualized education program or a section 504 plan who graduates from
20 high school but who is not required to achieve a passing score on a
21 competency test in order to graduate from high school shall receive the
22 standard diploma issued by the school district or charter school.

23 C. The governing board of a school district shall:

24 1. Prescribe curricula that include the academic standards in the
25 required subject areas pursuant to subsection A, paragraph 1 of this section.

26 2. Prescribe criteria for the graduation of pupils from the high
27 schools in the school district. These criteria shall include accomplishment
28 of the academic standards in at least reading, writing, mathematics, science
29 and social studies, as determined by district assessment. Other criteria may
30 include additional measures of academic achievement and attendance.

31 D. The governing board may prescribe the course of study and
32 competency requirements for the graduation of pupils from high school ~~which~~
33 ~~THAT~~ are in addition to or higher than the course of study and competency
34 requirements which the state board prescribes.

35 E. The governing board may prescribe competency requirements for the
36 passage of pupils in courses ~~which~~ ~~THAT~~ are required for graduation from high
37 school.

38 F. A teacher shall determine whether to pass or fail a pupil in a
39 course in high school as provided in section 15-521, paragraph 3 on the basis
40 of the competency requirements, if any have been prescribed. The governing
41 board, if it reviews the decision of a teacher to pass or fail a pupil in a
42 course in high school as provided in section 15-342, paragraph 11, shall base
43 its decision on the competency requirements, if any have been prescribed.

44 G. Graduation requirements established by the governing board may be
45 met by a pupil who passes courses in the required or elective subjects at a

1 community college or university, if the course is at a higher level than the
2 course taught in the high school attended by the pupil or, if the course is
3 not taught in the high school, the level of the course is equal to or higher
4 than the level of a high school course. The governing board shall determine
5 if the subject matter of the community college or university course is
6 appropriate to the specific requirement the pupil intends it to fulfill and
7 if the level of the community college or university course is less than,
8 equal to or higher than a high school course, and the governing board shall
9 award one-half of a carnegie unit for each three semester hours of credit the
10 pupil earns in an appropriate community college or university course. If a
11 pupil is not satisfied with the decision of the governing board regarding the
12 amount of credit granted or the subjects for which credit is granted, the
13 pupil may request that the state board of education review the decision of
14 the governing board, and the state board shall make the final determination
15 of the amount of credit to be given the pupil and for which subjects. The
16 governing board shall not limit the number of credits that is required for
17 high school graduation and that may be met by taking community college or
18 university courses. For the purposes of this subsection:

19 1. "Community college" means an educational institution that is
20 operated by a community college district as defined in section 15-1401 or a
21 postsecondary educational institution under the jurisdiction of an Indian
22 tribe recognized by the United States department of the interior.

23 2. "University" means a university under the jurisdiction of the
24 Arizona board of regents.

25 H. A pupil who transfers from a private school shall be provided with
26 a list that indicates those credits that have been accepted and denied by the
27 school district. A pupil may request to take an examination in each
28 particular course in which credit has been denied. The school district shall
29 accept the credit for each particular course in which the pupil takes an
30 examination and receives a passing score on a test designed and evaluated by
31 a teacher in the school district who teaches the subject matter on which the
32 examination is based. In addition to the above requirements, the governing
33 board of a school district may prescribe requirements for the acceptance of
34 the credits of pupils who transfer from a private school.

35 I. If a pupil who was previously enrolled in a charter school or
36 school district enrolls in a school district in this state, the school
37 district shall accept credits earned by the pupil in courses or instructional
38 programs at the charter school or school district. The governing board of a
39 school district may adopt a policy concerning the application of transfer
40 credits for the purpose of DETERMINING whether a credit earned by a pupil who
41 was previously enrolled in a school district or charter school will be
42 assigned as an elective or core credit.

43 J. A pupil who transfers from a charter school or school district
44 shall be provided with a list that indicates which credits have been accepted
45 as an elective credit and which credits have been accepted as a core credit

1 by the school district. Within ten school days after receiving the list, a
2 pupil may request to take an examination in each particular course in which
3 core credit has been denied. The school district shall accept the credit as
4 a core credit for each particular course in which the pupil takes an
5 examination and receives a passing score on a test designed and evaluated by
6 a teacher in the school district who teaches the subject matter on which the
7 examination is based.

8 K. The state board of education shall adopt rules to allow high school
9 pupils who can demonstrate competency in a particular academic course or
10 subject to obtain academic credit for the course or subject without enrolling
11 in the course or subject.

12 Sec. 24. Section 15-761, Arizona Revised Statutes, is amended to read:
13 15-761. Definitions

14 In this article, unless the context otherwise requires:

15 1. "Autism" means a developmental disability that significantly
16 affects verbal and nonverbal communication and social interaction and that
17 adversely affects educational performance. Characteristics include
18 irregularities and impairments in communication, engagement in repetitive
19 activities and stereotyped movements, resistance to environmental change or
20 change in daily routines and unusual responses to sensory experiences.
21 Autism does not include children with characteristics of emotional disability
22 as defined in this section.

23 2. "Child with a disability":

24 (a) Means a child who is at least three years but less than twenty-two
25 years of age, who has been evaluated pursuant to section 15-766 and found to
26 have at least one of the following disabilities and who, because of the
27 disability, needs special education and related services:

28 (i) Autism.

29 (ii) DEVELOPMENTAL DELAY.

30 ~~(iii)~~ (iii) Emotional disability.

31 ~~(iii)~~ (iv) Hearing impairment.

32 ~~(iv)~~ (v) Other health impairments.

33 ~~(v)~~ (vi) Specific learning disability.

34 ~~(vi)~~ (vii) Mild, moderate or severe mental retardation.

35 ~~(vii)~~ (viii) Multiple disabilities.

36 ~~(viii)~~ (ix) Multiple disabilities with severe sensory impairment.

37 ~~(ix)~~ (x) Orthopedic impairment.

38 ~~(x) —Preschool moderate delay—~~

39 (xi) Preschool severe delay.

40 ~~(xii) —Preschool speech/language delay—~~

41 ~~(xiii)~~ (xii) Speech/language impairment.

42 ~~(xiv)~~ (xiii) Traumatic brain injury.

43 ~~(xv)~~ (xiv) Visual impairment.

44 (b) Does not include a child if the determinant factor for the
45 classification is one or more of the following:

1 (i) A lack of appropriate instruction in reading, including essential
2 components of reading instruction.

3 (ii) A lack of appropriate instruction in mathematics.

4 (iii) Difficulty in writing, speaking or understanding the English
5 language due to an environmental background in which a language other than
6 English is primarily or exclusively used.

7 3. "DEVELOPMENTAL DELAY" MEANS PERFORMANCE BY A CHILD WHO IS AT LEAST
8 THREE YEARS OF AGE BUT UNDER TEN YEARS OF AGE ON A NORM-REFERENCED TEST THAT
9 MEASURES AT LEAST ONE AND ONE-HALF, BUT NOT MORE THAN THREE, STANDARD
10 DEVIATIONS BELOW THE MEAN FOR CHILDREN OF THE SAME CHRONOLOGICAL AGE IN TWO
11 OR MORE OF THE FOLLOWING AREAS:

12 (a) COGNITIVE DEVELOPMENT.

13 (b) PHYSICAL DEVELOPMENT.

14 (c) COMMUNICATION DEVELOPMENT.

15 (d) SOCIAL OR EMOTIONAL DEVELOPMENT.

16 (e) ADAPTIVE DEVELOPMENT.

17 THE RESULTS OF THE NORM-REFERENCED MEASURE MUST BE CORROBORATED BY
18 INFORMATION FROM A COMPREHENSIVE DEVELOPMENT ASSESSMENT AND FROM PARENTAL
19 INPUT, IF AVAILABLE, AS MEASURED BY A JUDGMENT BASED ASSESSMENT OR SURVEY.
20 IF THERE IS A DISCREPANCY BETWEEN THE MEASURES, THE EVALUATION TEAM SHALL
21 DETERMINE ELIGIBILITY BASED ON A PREPONDERANCE OF THE INFORMATION PRESENTED.

22 ~~3-~~ 4. "Due process hearing" means a fair and impartial administrative
23 hearing conducted by the state educational agency by an impartial
24 administrative law judge in accordance with federal and state law.

25 ~~4-~~ 5. "Educational disadvantage" means a condition which has limited
26 a child's opportunity for educational experience resulting in a child
27 achieving less than a normal level of learning development.

28 ~~5-~~ 6. "Eligibility for special education" means the pupil must have
29 one of the disabilities contained in paragraph 2 of this section and must
30 also require special education services in order to benefit from an
31 educational program.

32 ~~6-~~ 7. "Emotional disability":

33 (a) Means a condition whereby a child exhibits one or more of the
34 following characteristics over a long period of time and to a marked degree
35 that adversely affects the child's performance in the educational
36 environment:

37 (i) An inability to learn which cannot be explained by intellectual,
38 sensory or health factors.

39 (ii) An inability to build or maintain satisfactory interpersonal
40 relationships with peers and teachers.

41 (iii) Inappropriate types of behavior or feelings under normal
42 circumstances.

43 (iv) A general pervasive mood of unhappiness or depression.

44 (v) A tendency to develop physical symptoms or fears associated with
45 personal or school problems.

1 (b) Includes children who are schizophrenic but does not include
2 children who are socially maladjusted unless they are also determined to have
3 an emotional disability as determined by evaluation as provided in section
4 15-766.

5 ~~7-~~ 8. "Hearing impairment" means a loss of hearing acuity, as
6 determined by evaluation pursuant to section 15-766, which interferes with
7 the child's performance in the educational environment and requires the
8 provision of special education and related services.

9 ~~8-~~ 9. "Home school district" means the school district in which the
10 person resides who has legal custody of the child, as provided in section
11 15-824, subsection B. If the child is a ward of the state and a specific
12 person does not have legal custody of the child, the home school district is
13 the district that the child last attended or, if the child has not previously
14 attended a public school in this state, the school district within which the
15 child currently resides.

16 ~~9-~~ 10. "Impartial administrative law judge" means an administrative
17 law judge of the office of administrative hearings who is knowledgeable in
18 the laws governing special education and administrative hearings.

19 ~~10-~~ 11. "Individualized education program" means a written statement,
20 as defined in 20 United States Code sections 1401 and 1412, for providing
21 special education and related services to a child with a disability.

22 ~~11-~~ 12. "Individualized education program team" means a team whose
23 task is to develop an appropriate educational program for the child and has
24 the same meaning prescribed in 20 United States Code section 1414.

25 ~~12-~~ 13. "Mental retardation" means a significant impairment of general
26 intellectual functioning that exists concurrently with deficits in adaptive
27 behavior and that adversely affects the child's performance in the
28 educational environment.

29 ~~13-~~ 14. "Mild mental retardation" means performance on standard
30 measures of intellectual and adaptive behavior between two and three standard
31 deviations below the mean for children of the same age.

32 ~~14-~~ 15. "Moderate mental retardation" means performance on standard
33 measures of intellectual and adaptive behavior between three and four
34 standard deviations below the mean for children of the same age.

35 ~~15-~~ 16. "Multidisciplinary evaluation team" means a team of persons
36 including individuals described as the individualized education program team
37 and other qualified professionals who shall determine whether a child is
38 eligible for special education.

39 ~~16-~~ 17. "Multiple disabilities" means learning and developmental
40 problems resulting from multiple disabilities as determined by evaluation
41 pursuant to section 15-766 that cannot be provided for adequately in a
42 program designed to meet the needs of children with less complex
43 disabilities. Multiple disabilities include any of the following conditions
44 that require the provision of special education and related services:

45 (a) Two or more of the following conditions:

- 1 (i) Hearing impairment.
- 2 (ii) Orthopedic impairment.
- 3 (iii) Moderate mental retardation.
- 4 (iv) Visual impairment.
- 5 (b) A child with a disability listed in subdivision (a) of this
- 6 paragraph existing concurrently with a condition of mild mental retardation,
- 7 emotional disability or specific learning disability.
- 8 ~~17.~~ 18. "Multiple disabilities with severe sensory impairment" means
- 9 multiple disabilities that include at least one of the following:
- 10 (a) Severe visual impairment or severe hearing impairment in
- 11 combination with another severe disability.
- 12 (b) Severe visual impairment and severe hearing impairment.
- 13 ~~18.~~ 19. "Orthopedic impairment" means one or more severe orthopedic
- 14 impairments and includes those that are caused by congenital anomaly, disease
- 15 and other causes, such as amputation or cerebral palsy, and that adversely
- 16 affect a child's performance in the educational environment.
- 17 ~~19.~~ 20. "Other health impairments" means limited strength, vitality or
- 18 alertness, including a heightened alertness to environmental stimuli, due to
- 19 chronic or acute health problems which adversely affect a pupil's educational
- 20 performance.
- 21 ~~20.~~ 21. "Out-of-home care" means the placement of a child with a
- 22 disability outside of the home environment and includes twenty-four hour
- 23 residential care, group care or foster care on either a full-time or
- 24 part-time basis.
- 25 ~~21.~~ 22. "Parent" means:
- 26 (a) Either a natural or adoptive parent of a child.
- 27 (b) A guardian, but not this state if the child is a ward of this
- 28 state.
- 29 (c) A person acting in the place of a natural or adoptive parent with
- 30 whom the child lives or a person who is legally responsible for the child's
- 31 welfare.
- 32 (d) A surrogate parent.
- 33 (e) A foster parent to the extent permitted by state law.
- 34 ~~22.~~ 23. "Preschool child" means a child who is at least three years of
- 35 age but who has not reached the required age for kindergarten, subject to
- 36 section 15-771, subsection G.
- 37 ~~23. "Preschool moderate delay" means performance by a preschool child~~
- 38 ~~on a norm-referenced test that measures at least one and one-half, but not~~
- 39 ~~more than three, standard deviations below the mean for children of the same~~
- 40 ~~chronological age in two or more of the following areas:~~
- 41 ~~(a) Cognitive development.~~
- 42 ~~(b) Physical development.~~
- 43 ~~(c) Communication development.~~
- 44 ~~(d) Social or emotional development.~~
- 45 ~~(e) Adaptive development.~~

~~The results of the norm-referenced measure must be corroborated by information from a comprehensive developmental assessment and from parental input, if available, as measured by a judgment-based assessment or survey. If there is a discrepancy between the measures, the evaluation team shall determine eligibility based on a preponderance of the information presented.~~

24. "Preschool severe delay" means performance by a preschool child on a norm-referenced test that measures more than three standard deviations below the mean for children of the same chronological age in one or more of the following areas:

- (a) Cognitive development.
- (b) Physical development.
- (c) Communication development.
- (d) Social or emotional development.
- (e) Adaptive development.

The results of the norm-referenced measure must be corroborated by information from a comprehensive developmental assessment and from parental input, if available, as measured by a judgment-based assessment or survey. If there is a discrepancy between the measures, the evaluation team shall determine eligibility based on a preponderance of the information presented.

~~25. "Preschool speech/language delay" means performance by a preschool child on a norm-referenced language test that measures at least one and one-half standard deviations below the mean for children of the same chronological age or whose speech, out of context, is unintelligible to a listener who is unfamiliar with the child. Eligibility under this paragraph is appropriate only if a comprehensive developmental assessment or norm-referenced assessment and parental input indicate that the child is not eligible for services under another preschool category. The evaluation team shall determine eligibility based on a preponderance of the information presented.~~

~~26.~~ 25. "Prior written notice" means written prior notice that a public educational agency is required to send to parents whenever the public educational agency proposes or refuses to initiate or change the identification, evaluation or educational placement of a child with a disability or the provision of a free appropriate public education.

~~27.~~ 26. "Public educational agency" means a school district, a charter school, an accommodation school, a state supported institution or any other political subdivision of this state that is responsible for providing education to children with disabilities.

~~28.~~ 27. "Related services" means those supportive services, as defined in 20 United States Code section 1401, that are required to assist a child with a disability who is eligible to receive special education services in order for the child to benefit from special education.

1 ~~29.~~ 28. "Residential special education placement" means the placement
2 of a child with a disability in a public or private residential program, as
3 provided in section 15-765, subsection G, in order to provide necessary
4 special education and related services as specified in the child's
5 individualized education program.

6 ~~30.~~ 29. "Severe mental retardation" means performance on standard
7 measures of intellectual and adaptive behavior measures at least four
8 standard deviations below the mean for children of the same age.

9 ~~31.~~ 30. "Special education" means specially designed instruction that
10 meets the unique needs of a child with a disability and that is provided
11 without cost to the parents of the child.

12 ~~32.~~ 31. "Special education referral" means a written request for an
13 evaluation to determine whether a pupil is eligible for special education
14 services that, for referrals not initiated by a parent, includes
15 documentation of appropriate efforts to educate the pupil in the regular
16 education program.

17 ~~33.~~ 32. "Specially designed instruction" means adapting the content,
18 methodology or delivery of instruction to address the unique needs of a child
19 with a disability and to ensure that child's access to the general curriculum
20 as identified in the academic standards adopted by the state board of
21 education.

22 ~~34.~~ 33. "Specific learning disability" has the same meaning ~~prescribed~~
23 AS DEFINED in 20 United States Code section 1401.

24 ~~35.~~ 34. "Speech/language impairment":

25 (a) FOR A PRESCHOOL CHILD, MEANS PERFORMANCE ON A NORM-REFERENCED
26 LANGUAGE TEST THAT MEASURES AT LEAST ONE AND ONE-HALF STANDARD DEVIATIONS
27 BELOW THE MEAN FOR CHILDREN OF THE SAME CHRONOLOGICAL AGE OR WHOSE SPEECH,
28 OUT OF CONTEXT, IS UNINTELLIGIBLE TO A LISTENER WHO IS UNFAMILIAR WITH THE
29 CHILD. ELIGIBILITY FOR A PRESCHOOL CHILD UNDER THIS SUBDIVISION IS
30 APPROPRIATE ONLY WHEN A COMPREHENSIVE DEVELOPMENTAL ASSESSMENT AND PARENTAL
31 INPUT INDICATE THAT THE PRESCHOOL CHILD IS NOT ELIGIBLE FOR SERVICES UNDER
32 ANOTHER PRESCHOOL CATEGORY OR UNDER THE DEVELOPMENTAL DELAY CATEGORY.

33 (b) FOR A CHILD WHO HAS REACHED THE REQUIRED AGE FOR KINDERGARTEN,
34 means A speech or language impairment as ~~prescribed~~ DEFINED in 34 Code of
35 Federal Regulations section 300.8.

36 ~~36.~~ 35. "State educational agency" means the Arizona department of
37 education.

38 ~~37.~~ 36. "State placing agency" has the same meaning prescribed in
39 section 15-1181.

40 ~~38.~~ 37. "Surrogate parent" means a person who has been appointed by
41 the court or by the department of education pursuant to section 15-763.01 in
42 order to represent a child in decisions regarding special education.

43 ~~39.~~ 38. "Traumatic brain injury":

44 (a) Means an acquired injury to the brain that is caused by an
45 external physical force and that results in total or partial functional

1 disability or psychosocial impairment, or both, that adversely affects
2 educational performance.

3 (b) Applies to open or closed head injuries resulting in mild,
4 moderate or severe impairments in one or more areas, including cognition,
5 language, memory, attention, reasoning, abstract thinking, judgment, problem
6 solving, sensory, perceptual and motor abilities, psychosocial behavior,
7 physical functions, information processing and speech.

8 (c) Does not include brain injuries that are congenital or
9 degenerative or brain injuries induced by birth trauma.

10 ~~40.~~ 39. "Visual impairment" has the same meaning prescribed in 34 Code
11 of Federal Regulations section 300.8.

12 ~~41.~~ 40. "Ward of the state" has the same meaning prescribed in 20
13 United States Code section 1401.

14 Sec. 25. Section 15-771, Arizona Revised Statutes, is amended to read:

15 15-771. ~~Preschool programs for children with disabilities;~~
16 definition

17 A. Each school district shall make available an educational program
18 for preschool children with disabilities who reside in the school district
19 and who are not already receiving services that have been provided through
20 the department of education. The state board of education shall prescribe
21 rules for use by school districts in the provision of educational programs
22 for preschool children with disabilities. School districts are required to
23 make available educational programs for and, for the purposes of calculating
24 average daily attendance and average daily membership, may count only those
25 preschool children who meet the definition of one of the following
26 conditions:

- 27 1. Hearing impairment.
- 28 2. Visual impairment.
- 29 3. ~~Preschool moderate~~ DEVELOPMENTAL delay.
- 30 4. Preschool severe delay.
- 31 5. ~~Preschool~~ Speech/language ~~delay~~ IMPAIRMENT.

~~32 The school district may make available an educational program for speech or
33 language impaired preschool children whose performance on a standardized
34 language test measures one and one half standard deviations, or less, below
35 the mean for children of their chronological age. The superintendent of
36 public instruction shall prescribe guidelines for the eligibility of speech
37 or language impaired children, except that eligibility under this subsection
38 is appropriate only when a comprehensive developmental assessment or
39 norm-referenced assessment and parental input indicate that the child is not
40 eligible for services under another preschool category.~~

41 B. The state board of education shall annually distribute to school
42 districts at least ten per cent of the monies it receives under 20 United
43 States Code section 1411(c)(2) for preschool programs for children with
44 disabilities. The state board shall prescribe rules for the distribution of
45 the monies to school districts.

1 C. The governing board of a school district may submit a proposal to
2 the state board of education as prescribed by the state board to receive
3 monies for preschool programs for children with disabilities as provided in
4 this section. A school district which receives monies as provided in this
5 section shall include the monies in the special projects section of the
6 budget as provided in section 15-903, subsection F.

7 D. All school districts shall cooperate, if appropriate, with
8 community organizations that provide services to preschool children with
9 disabilities in the provision of the district's preschool program for
10 children with disabilities.

11 E. A school district may not admit a child to a preschool program for
12 children with disabilities unless the child is evaluated and recommended for
13 placement as provided in sections 15-766 and 15-767.

14 F. For the purpose of allocating monies pursuant to 20 United States
15 Code section 1419(g)(1)(B)(i), "jurisdiction" includes high school pupils
16 whose parents reside within the boundaries of a common school district. The
17 common school district shall ensure such high school pupils are not counted
18 by any other school district.

19 G. For THE purposes of this section, "preschool child" means a child
20 who is at least three years of age but who has not reached the age required
21 for kindergarten. A preschool child is three years of age as of the date of
22 the child's third birthday. The governing board of a school district may
23 admit otherwise eligible children who are within ninety days of their third
24 birthday, if it is determined to be in the best interest of the individual
25 child. Children who are admitted to programs for preschool children prior to
26 their third birthday are entitled to the same provision of services as if
27 they were three years of age.

28 Sec. 26. Repeal

29 Senate bill 1187, section 27, forty-ninth legislature, first regular
30 session, as transmitted to the governor, is repealed.

31 Sec. 27. Section 15-808, Arizona Revised Statutes, is amended to read:
32 15-808. Arizona online instruction; reports; definitions

33 A. ~~A technology assisted project based instruction program~~ ARIZONA
34 ONLINE INSTRUCTION shall be instituted ~~on a pilot basis~~ to meet the needs of
35 pupils in the information age. ~~Until June 30, 2003,~~ The state board of
36 education shall select ~~up to four existing~~ traditional public schools, ~~at~~
37 ~~least one of which shall serve pupils in kindergarten programs and grades one~~
38 ~~through twelve, and beginning July 1, 2003, the state board of education~~
39 ~~shall select seven existing traditional public schools~~ and the state board
40 for charter schools shall ~~select seven~~ SPONSOR charter schools to ~~participate~~
41 ~~in the program~~ BE ONLINE COURSE PROVIDERS OR ONLINE SCHOOLS. THE STATE BOARD
42 OF EDUCATION AND THE STATE BOARD FOR CHARTER SCHOOLS SHALL JOINTLY DEVELOP
43 STANDARDS FOR THE APPROVAL OF ONLINE COURSE PROVIDERS AND ONLINE SCHOOLS
44 based on the following criteria:

- 45 1. The depth and breadth of curriculum choices.

1 2. The variety of educational methodologies employed by the school and
2 the means of addressing the unique needs and learning styles of targeted
3 pupil populations, including computer assisted learning systems, virtual
4 classrooms, virtual laboratories, electronic field trips, electronic mail,
5 virtual tutoring, online help desk, group chat sessions and noncomputer based
6 activities performed under the direction of a certificated teacher.

7 3. The availability of an intranet or private network to safeguard
8 pupils against predatory and pornographic elements of the internet.

9 4. The availability of filtered research access to the internet.

10 5. The availability of private individual electronic mail between
11 pupils, teachers, administrators and parents in order to protect the
12 confidentiality of pupil records and information.

13 ~~6. The availability of broadcast quality television production and
14 editing facilities on campus.~~

15 ~~7. The availability of faculty members who are experienced in
16 broadcast television production.~~

17 ~~8.~~ 6. The availability of faculty members who are experienced with
18 computer networks, the internet and computer animation.

19 ~~9.~~ 7. The extent to which the school intends to develop partnerships
20 with universities, community colleges and private businesses.

21 ~~10.~~ 8. The services offered to developmentally disabled populations.

22 ~~11.~~ 9. The grade levels that will be served ~~by the program.~~

23 B. ~~Notwithstanding subsection A of this section, any school that was
24 previously approved to participate is required to reapply every five years
25 for participation in the program.~~ EACH NEW SCHOOL THAT PROVIDES ONLINE
26 INSTRUCTION SHALL PROVIDE ONLINE INSTRUCTION ON A PROBATIONARY STATUS. AFTER
27 A NEW SCHOOL THAT PROVIDES ONLINE INSTRUCTION HAS CLEARLY DEMONSTRATED THE
28 ACADEMIC INTEGRITY OF ITS INSTRUCTION THROUGH THE ACTUAL IMPROVEMENT OF THE
29 ACADEMIC PERFORMANCE OF ITS STUDENTS, THE SCHOOL MAY APPLY TO BE REMOVED FROM
30 PROBATIONARY STATUS. THE STATE BOARD OF EDUCATION OR THE STATE BOARD FOR
31 CHARTER SCHOOLS SHALL REMOVE FROM ARIZONA ONLINE INSTRUCTION ANY PROBATIONARY
32 SCHOOL THAT FAILS TO CLEARLY DEMONSTRATE IMPROVEMENT IN ACADEMIC PERFORMANCE
33 WITHIN THREE YEARS MEASURED AGAINST GOALS IN THE APPROVED APPLICATION AND THE
34 STATE'S ACCOUNTABILITY SYSTEM. The state board of education and the state
35 board for charter schools shall review the effectiveness of each
36 participating school and other information that is contained in the annual
37 report prescribed in subsection C of this section. ~~to determine whether to
38 renew a school's participation in the technology assisted project-based
39 instruction program. At least eighty per cent of the pupils who are accepted
40 each academic school year in each school participating in the program must
41 have been previously enrolled in and attended a public school in the previous
42 school year. Kindergarten pupils shall not participate in the technology
43 assisted project-based instruction program, except that a kindergarten pupil
44 may participate in the program if the pupil has a sibling who is currently
45 enrolled in and attending the program.~~ ALL PUPILS WHO PARTICIPATE IN ARIZONA

1 ONLINE INSTRUCTION SHALL RESIDE IN THIS STATE. Pupils who participate in ~~the~~
2 ~~program~~ ARIZONA ONLINE INSTRUCTION are subject to the testing requirements
3 prescribed in chapter 7, article 3 of this title. Upon enrollment, the
4 school shall notify the parents or guardians of the pupil of the state
5 testing requirements. If a pupil fails to comply with the testing
6 requirements and the school administers the tests pursuant to this subsection
7 to less than ninety-five per cent of the pupils in ~~the program~~ ARIZONA ONLINE
8 INSTRUCTION, the pupil shall not be allowed to participate in ~~the program~~
9 ARIZONA ONLINE INSTRUCTION.

10 ~~C. Each school selected by the state board of education to participate~~
11 ~~in the technology assisted project-based instruction program shall submit an~~
12 ~~annual report to the state board of education and the joint legislative~~
13 ~~budget committee. The state board of education and the state board for~~
14 ~~charter schools shall collaborate to develop a uniform reporting format to be~~
15 ~~used by all schools that participate in the program. Beginning July 1, 2003,~~
16 ~~each school selected by the state board for charter schools to participate in~~
17 ~~the technology assisted project-based instruction program shall submit an~~
18 ~~annual report to the state board for charter schools and the joint~~
19 ~~legislative budget committee. The reports shall be submitted by August 1 and~~
20 ~~shall include the following information:~~

21 ~~1. A description of the educational services that are offered under~~
22 ~~the program and that specifically relate to the depth and breadth of the~~
23 ~~curriculum choices offered by the school.~~

24 ~~2. A description of the effects of media and technology on the~~
25 ~~delivery of specific educational services to specific pupil populations.~~

26 ~~3. Academic advancement as measured in grade level equivalents each~~
27 ~~academic year based on a standardized norm referenced achievement test.~~

28 ~~4. Data identified by the state board of education or the state board~~
29 ~~for charter schools, as appropriate, that compares the academic performance~~
30 ~~of pupils who participate in the technology assisted project based~~
31 ~~instruction program with other pupils in this state and with pupils in that~~
32 ~~school who do not participate in the technology assisted project based~~
33 ~~instruction program.~~

34 ~~5. The results of a survey of pupil satisfaction with the program,~~
35 ~~including:~~

36 ~~(a) Pupils' attitudes about delivery modalities employed by the~~
37 ~~school.~~

38 ~~(b) Changes in pupils' attitudes toward learning in general.~~

39 ~~(c) Changes in pupils' attitudes about their own ability to learn and~~
40 ~~about their own academic progress.~~

41 ~~(d) Pupils' attitudes about the school they attend.~~

42 ~~6. The results of a survey of parental satisfaction with the program,~~
43 ~~including:~~

44 ~~(a) Parents' and their children's attitudes about the delivery~~
45 ~~modalities employed by the school.~~

- 1 ~~(b) Changes in their children's attitudes about learning in general.~~
- 2 ~~(c) Changes in their children's attitudes about their ability to learn~~
- 3 ~~and about their academic progress.~~
- 4 ~~(d) Parents' and their children's attitudes about the school that the~~
- 5 ~~child attends.~~
- 6 ~~7. A description of the availability and equitable distribution of~~
- 7 ~~educational services provided under the program, including specific~~
- 8 ~~descriptions of the effectiveness of technology tools and modalities used to~~
- 9 ~~address the needs of any underserved populations targeted by the school.~~
- 10 ~~8. A description of the operational and administrative efficiency of~~
- 11 ~~the program.~~
- 12 ~~9. A description of the cost-effectiveness of the program.~~
- 13 ~~10. A listing of the salaries, by titles and job descriptions, of the~~
- 14 ~~administrators who are employed at or contracted for employment at each~~
- 15 ~~school selected by the state board of education or the state board for~~
- 16 ~~charter schools to participate in the technology assisted project-based~~
- 17 ~~instruction program.~~

18 C. BEGINNING JULY 1, 2010, THE STATE BOARD OF EDUCATION AND THE STATE
19 BOARD FOR CHARTER SCHOOLS SHALL DEVELOP ANNUAL REPORTING MECHANISMS FOR
20 SCHOOLS THAT PARTICIPATE IN ARIZONA ONLINE INSTRUCTION.

21 D. The ~~state board~~ DEPARTMENT of education and ~~joint legislative~~
22 ~~budget committee~~ shall ~~collaboratively~~ compile and ~~evaluate~~ the information
23 submitted in the annual reports by schools participating in the ~~pilot program~~
24 ARIZONA ONLINE INSTRUCTION, ~~pursuant to subsection C of this section.~~ The
25 ~~state board~~ DEPARTMENT of education and ~~the joint legislative budget~~
26 ~~committee~~ shall SUBMIT THE COMPILED report ~~their findings~~ to the governor,
27 the speaker of the house of representatives and the president of the senate
28 by November 15 of each year.

29 E. Each school selected for ~~the technology assisted project-based~~
30 ~~instruction program~~ ARIZONA ONLINE INSTRUCTION shall ensure that a daily log
31 is maintained for each pupil who participates in ~~the program~~ ARIZONA ONLINE
32 INSTRUCTION. The daily log shall describe the amount of time spent by each
33 pupil participating in ~~the program~~ ARIZONA ONLINE INSTRUCTION pursuant to
34 this section on academic tasks. The daily log shall be used by the school
35 district or charter school to qualify the pupils who participate in ~~the~~
36 ~~program~~ ARIZONA ONLINE INSTRUCTION in the school's average daily attendance
37 calculations pursuant to section 15-901.

38 F. If a pupil is enrolled in a school district or charter school and
39 also participates in ~~the technology assisted project-based instruction~~
40 ~~program~~ ARIZONA ONLINE INSTRUCTION, the sum of the average daily membership,
41 which includes enrollment as prescribed in section 15-901, subsection A,
42 paragraph 2, subdivisions (a) and (b) and daily attendance as prescribed in
43 section 15-901, subsection A, paragraph 6, for that pupil in the school
44 district or charter school and in ~~the technology assisted project-based~~
45 ~~instruction program~~ ARIZONA ONLINE INSTRUCTION shall not exceed 1.0. If the

1 pupil is enrolled in a school district or a charter school and also
2 participates in ~~the technology-assisted project-based instruction program~~
3 ARIZONA ONLINE INSTRUCTION and the sum of the daily membership or daily
4 attendance for that pupil is greater than 1.0, the sum shall be reduced to
5 1.0 and shall be apportioned between the school district or charter school
6 and ~~the technology-assisted project-based instruction program~~ ARIZONA ONLINE
7 INSTRUCTION based on the percentage of total time that the pupil is enrolled
8 or in attendance in the school district or charter school and ~~the technology~~
9 ~~assisted project-based instruction program~~ ARIZONA ONLINE INSTRUCTION. The
10 uniform system of financial records shall include guidelines for the
11 apportionment of the pupil enrollment and attendance as provided in this
12 subsection. PUPILS IN ARIZONA ONLINE INSTRUCTION DO NOT INCUR ABSENCES FOR
13 PURPOSES OF SECTION 15-901 AND MAY GENERATE AN AVERAGE DAILY ATTENDANCE OF
14 1.0 FOR ATTENDANCE HOURS DURING ANY HOUR OF THE DAY, DURING ANY DAY OF THE
15 WEEK AND AT ANY TIME BETWEEN JULY 1 AND JUNE 30 OF EACH FISCAL YEAR. FOR
16 KINDERGARTEN PROGRAMS AND GRADES ONE THROUGH EIGHT, AVERAGE DAILY MEMBERSHIP
17 SHALL BE CALCULATED BY DIVIDING THE INSTRUCTIONAL HOURS AS REPORTED IN THE
18 DAILY LOG REQUIRED IN SUBSECTION E OF THIS SECTION BY THE APPLICABLE HOURLY
19 REQUIREMENTS PRESCRIBED IN SECTION 15-901. FOR GRADES NINE THROUGH TWELVE,
20 AVERAGE DAILY MEMBERSHIP SHALL BE CALCULATED BY DIVIDING THE INSTRUCTIONAL
21 HOURS AS REPORTED IN THE DAILY LOG REQUIRED IN SUBSECTION E OF THIS SECTION
22 BY NINE HUNDRED. THE AVERAGE DAILY MEMBERSHIP OF A PUPIL WHO PARTICIPATES IN
23 ONLINE INSTRUCTION SHALL NOT EXCEED 1.0. AVERAGE DAILY MEMBERSHIP SHALL NOT
24 BE CALCULATED ON THE ONE HUNDREDTH DAY OF INSTRUCTION FOR THE PURPOSES OF
25 THIS SECTION. FUNDING SHALL BE DETERMINED AS FOLLOWS:

26 1. PUPILS WHO ARE ENROLLED FULL-TIME IN ARIZONA ONLINE INSTRUCTION
27 SHALL BE FUNDED FOR ONLINE INSTRUCTION AT NINETY-FIVE PER CENT OF THE BASE
28 SUPPORT LEVEL THAT WOULD BE CALCULATED FOR THAT PUPIL IF THAT PUPIL WERE
29 ENROLLED AS A FULL-TIME STUDENT IN A SCHOOL DISTRICT OR CHARTER SCHOOL THAT
30 DOES NOT PARTICIPATE IN ARIZONA ONLINE INSTRUCTION. ADDITIONAL ASSISTANCE,
31 CAPITAL OUTLAY REVENUE LIMIT AND SOFT CAPITAL ALLOCATION LIMIT SHALL BE
32 CALCULATED IN THE SAME MANNER THEY WOULD BE CALCULATED IF THE STUDENT WERE
33 ENROLLED IN A DISTRICT OR CHARTER SCHOOL THAT DOES NOT PARTICIPATE IN ARIZONA
34 ONLINE INSTRUCTION. A PUPIL ENROLLED IN ARIZONA ONLINE INSTRUCTION SHALL BE
35 CONSIDERED FULL TIME IF THE PUPIL'S AVERAGE INSTRUCTIONAL HOURS, AS REPORTED
36 IN THE DAILY LOG REQUIRED IN SUBSECTION E OF THIS SECTION, EXCEED ONE HUNDRED
37 NINETEEN MINUTES FOR KINDERGARTEN PROGRAMS, TWO HUNDRED THIRTY-EIGHT MINUTES
38 FOR GRADES ONE THROUGH THREE, TWO HUNDRED NINETY-SEVEN MINUTES FOR GRADES
39 FOUR THROUGH SIX, THREE HUNDRED FIFTY-SIX MINUTES FOR GRADES SEVEN AND EIGHT
40 AND THREE HUNDRED MINUTES FOR GRADES NINE THROUGH TWELVE.

41 2. PUPILS WHO ARE ENROLLED PART-TIME IN ARIZONA ONLINE INSTRUCTION
42 SHALL BE FUNDED FOR ONLINE INSTRUCTION AT EIGHTY-FIVE PER CENT OF THE BASE
43 SUPPORT LEVEL THAT WOULD BE CALCULATED FOR THAT PUPIL IF THAT PUPIL WERE
44 ENROLLED AS A PART-TIME STUDENT IN A SCHOOL DISTRICT OR CHARTER SCHOOL THAT
45 DOES NOT PARTICIPATE IN ARIZONA ONLINE INSTRUCTION. ADDITIONAL ASSISTANCE,

1 CAPITAL OUTLAY REVENUE LIMIT AND SOFT CAPITAL ALLOCATION LIMIT SHALL BE
2 CALCULATED IN THE SAME MANNER THEY WOULD BE CALCULATED IF THE STUDENT WERE
3 ENROLLED IN A DISTRICT OR CHARTER SCHOOL THAT DOES NOT PARTICIPATE IN ARIZONA
4 ONLINE INSTRUCTION. A PUPIL ENROLLED IN ARIZONA ONLINE INSTRUCTION SHALL BE
5 CONSIDERED PART TIME IF THE PUPIL'S AVERAGE INSTRUCTIONAL HOURS, AS REPORTED
6 IN THE DAILY LOG REQUIRED IN SUBSECTION E OF THIS SECTION, ARE LESS THAN THE
7 HOURS REQUIRED FOR A FULL-TIME PUPIL PURSUANT TO PARAGRAPH 1 OF THIS
8 SUBSECTION.

9 ~~G. If at any time the superintendent of public instruction determines~~
10 ~~that a school district that was previously admitted to the technology~~
11 ~~assisted project-based instruction program is not meeting the criteria~~
12 ~~prescribed in subsection A of this section, the superintendent of public~~
13 ~~instruction may recommend that the state board of education replace that~~
14 ~~school district with a school district of the superintendent of public~~
15 ~~instruction's choice that meets the criteria prescribed in subsection A of~~
16 ~~this section. The state board of education shall consider and take formal~~
17 ~~action on the superintendent of public instruction's recommendation.~~

18 ~~H. The enrollment of pupils in the technology assisted project-based~~
19 ~~instruction program in each school that was previously approved to~~
20 ~~participate in the program shall not grow more than one hundred per cent in~~
21 ~~any fiscal year.~~

22 ~~I.~~ G. If the academic achievement of a pupil declines while the pupil
23 is participating in ~~the technology assisted project-based instruction program~~
24 ARIZONA ONLINE INSTRUCTION, the pupil's parents, the pupil's teachers and the
25 principal or head teacher of the school shall confer to evaluate whether the
26 pupil should be allowed to continue to participate in ~~the program~~ ARIZONA
27 ONLINE INSTRUCTION.

28 H. TO ENSURE THE ACADEMIC INTEGRITY OF PUPILS WHO PARTICIPATE IN
29 ONLINE INSTRUCTION, ARIZONA ONLINE INSTRUCTION SHALL INCLUDE MULTIPLE DIVERSE
30 ASSESSMENT MEASURES AND THE PROCTORED ADMINISTRATION OF REQUIRED STATE
31 STANDARDIZED TESTS.

32 I. FOR THE PURPOSES OF THIS SECTION:

33 1. "ONLINE COURSE PROVIDER" MEANS A SCHOOL OTHER THAN AN ONLINE SCHOOL
34 THAT IS SELECTED BY THE STATE BOARD OF EDUCATION OR THE STATE BOARD FOR
35 CHARTER SCHOOLS TO PARTICIPATE IN ARIZONA ONLINE INSTRUCTION PURSUANT TO THIS
36 SECTION AND THAT PROVIDES AT LEAST ONE ONLINE ACADEMIC COURSE THAT IS
37 APPROVED BY THE STATE BOARD OF EDUCATION.

38 2. "ONLINE SCHOOL" MEANS A SCHOOL THAT PROVIDES AT LEAST FOUR ONLINE
39 ACADEMIC COURSES OR ONE OR MORE ONLINE COURSES FOR THE EQUIVALENT OF AT LEAST
40 FIVE HOURS EACH DAY FOR ONE HUNDRED EIGHTY SCHOOL DAYS AND THAT IS A CHARTER
41 SCHOOL THAT IS SPONSORED BY THE STATE BOARD FOR CHARTER SCHOOLS OR A
42 TRADITIONAL PUBLIC SCHOOL THAT IS SELECTED BY THE STATE BOARD OF EDUCATION TO
43 PARTICIPATE IN ARIZONA ONLINE INSTRUCTION.

1 Sec. 28. Section 15-816.01, Arizona Revised Statutes, is amended to
2 read:

3 15-816.01. Enrollment policies

4 A. School district governing boards shall establish policies and shall
5 implement an open enrollment policy without charging tuition. Tuition may be
6 charged to nonresident pupils only if the tuition is authorized under section
7 15-764, subsection C, section 15-797, subsection C, section 15-823,
8 subsection A, section 15-824, subsection A or section 15-825 or if two school
9 districts have entered into a voluntary agreement for the payment of tuition
10 for certain pupils. These policies shall include admission criteria,
11 application procedures and transportation provisions. **A SCHOOL DISTRICT MAY
12 GIVE ENROLLMENT PREFERENCE TO AND RESERVE CAPACITY FOR PUPILS WHO ARE
13 CHILDREN OF PERSONS WHO ARE EMPLOYED BY OR AT A SCHOOL IN THE SCHOOL
14 DISTRICT.** A copy of the district policies for open enrollment shall be filed
15 with the department of education.

16 B. The governing board of the district educating the pupil may provide
17 transportation limited to no more than twenty miles each way to and from the
18 school of attendance or to and from a pickup point on a regular
19 transportation route or for the total miles traveled each day to an adjacent
20 district for eligible nonresident pupils who meet the economic eligibility
21 requirements established under the national school lunch and child nutrition
22 acts (42 United States Code sections 1751 through 1785) for free or reduced
23 price lunches.

24 C. The governing board of the district educating the pupil shall
25 provide transportation limited to no more than twenty miles each way to and
26 from the school of attendance or to and from a pickup point on a regular
27 transportation route or for the total miles traveled each day to an adjacent
28 district for nonresident pupils with disabilities whose individualized
29 education program specifies that transportation is necessary for fulfillment
30 of the program.

31 Sec. 29. Section 15-901, Arizona Revised Statutes, is amended to read:

32 15-901. Definitions

33 A. In this title, unless the context otherwise requires:

34 1. "Average daily attendance" or "ADA" means actual average daily
35 attendance through the first one hundred days or two hundred days in session,
36 as applicable.

37 2. "Average daily membership" means the total enrollment of fractional
38 students and full-time students, minus withdrawals, of each school day
39 through the first one hundred days or two hundred days in session, as
40 applicable, for the current year. Withdrawals include students formally
41 withdrawn from schools and students absent for ten consecutive school days,
42 except for excused absences as identified by the department of education.
43 For computation purposes, the effective date of withdrawal shall be
44 retroactive to the last day of actual attendance of the student.

45 (a) "Fractional student" means:

1 (i) For common schools, until fiscal year 2001-2002, a preschool child
2 who is enrolled in a program for preschool children with disabilities of at
3 least three hundred sixty minutes each week or a kindergarten student at
4 least five years of age prior to January 1 of the school year and enrolled in
5 a school kindergarten program that meets at least three hundred forty-six
6 instructional hours during the minimum number of days required in a school
7 year as provided in section 15-341. In fiscal year 2001-2002, the
8 kindergarten program shall meet at least three hundred forty-eight hours. In
9 fiscal year 2002-2003, the kindergarten program shall meet at least three
10 hundred fifty hours. In fiscal year 2003-2004, the kindergarten program
11 shall meet at least three hundred fifty-two hours. In fiscal year 2004-2005,
12 the kindergarten program shall meet at least three hundred fifty-four
13 hours. In fiscal year 2005-2006 and each fiscal year thereafter, the
14 kindergarten program shall meet at least three hundred fifty-six
15 hours. Lunch periods and recess periods may not be included as part of the
16 instructional hours unless the child's individualized education program
17 requires instruction during those periods and the specific reasons for such
18 instruction are fully documented. In computing the average daily membership,
19 preschool children with disabilities and kindergarten students shall be
20 counted as one-half of a full-time student. For common schools, a part-time
21 student is a student enrolled for less than the total time for a full-time
22 student as defined in this section. A part-time common school student shall
23 be counted as one-fourth, one-half or three-fourths of a full-time student if
24 the student is enrolled in an instructional program that is at least
25 one-fourth, one-half or three-fourths of the time a full-time student is
26 enrolled as defined in subdivision (b) of this paragraph.

27 (ii) For high schools, a part-time student who is enrolled in less
28 than four subjects that count toward graduation as defined by the state board
29 of education in a recognized high school and who is taught in less than
30 twenty instructional hours per week prorated for any week with fewer than
31 five school days. A part-time high school student shall be counted as
32 one-fourth, one-half or three-fourths of a full-time student if the student
33 is enrolled in an instructional program that is at least one-fourth, one-half
34 or three-fourths of a full-time instructional program as defined in
35 subdivision (c) of this paragraph.

36 (b) "Full-time student" means:

37 (i) For common schools, a student who is at least six years of age
38 prior to January 1 of a school year, who has not graduated from the highest
39 grade taught in the school district and who is regularly enrolled in a course
40 of study required by the state board of education. Until fiscal year
41 2001-2002, first, second and third grade students, ungraded students at least
42 six, but under nine, years of age by September 1 or ungraded group B children
43 with disabilities who are at least five, but under six, years of age by
44 September 1 must be enrolled in an instructional program that meets for a
45 total of at least six hundred ninety-two hours during the minimum number of

1 days required in a school year as provided in section 15-341. In fiscal year
2 2001-2002, the program shall meet at least six hundred ninety-six hours. In
3 fiscal year 2002-2003, the program shall meet at least seven hundred
4 hours. In fiscal year 2003-2004, the program shall meet at least seven
5 hundred four hours. In fiscal year 2004-2005, the program shall meet at
6 least seven hundred eight hours. In fiscal year 2005-2006 and in each fiscal
7 year thereafter, the program shall meet at least seven hundred twelve
8 hours. Until fiscal year 2001-2002, fourth, fifth and sixth grade students
9 or ungraded students at least nine, but under twelve, years of age by
10 September 1 must be enrolled in an instructional program that meets for a
11 total of at least eight hundred sixty-five hours during the minimum number of
12 school days required in a school year as provided in section 15-341. In
13 fiscal year 2001-2002, the program shall meet at least eight hundred seventy
14 hours. In fiscal year 2002-2003, the program shall meet at least eight
15 hundred seventy-five hours. In fiscal year 2003-2004, the program shall meet
16 at least eight hundred eighty hours. In fiscal year 2004-2005, the program
17 shall meet at least eight hundred eighty-five hours. In fiscal year
18 2005-2006 and each fiscal year thereafter, the program shall meet at least
19 eight hundred ninety hours. Until fiscal year 2001-2002, seventh and eighth
20 grade students or ungraded students at least twelve, but under fourteen,
21 years of age by September 1 must be enrolled in an instructional program that
22 meets for a total of at least one thousand thirty-eight hours during the
23 minimum number of days required in a school year as provided in section
24 15-341. In fiscal year 2001-2002, the program shall meet at least one
25 thousand forty-four hours. In fiscal year 2002-2003, the program shall meet
26 at least one thousand fifty hours. In fiscal year 2003-2004, the program
27 shall meet at least one thousand fifty-six hours. In fiscal year 2004-2005,
28 the program shall meet at least one thousand sixty-two hours. In fiscal year
29 2005-2006 and each fiscal year thereafter, the program shall meet at least
30 one thousand sixty-eight hours. Lunch periods and recess periods may not be
31 included as part of the instructional hours unless the student is a child
32 with a disability and the child's individualized education program requires
33 instruction during those periods and the specific reasons for such
34 instruction are fully documented.

35 (ii) For high schools, except as provided in section 15-105, a student
36 not graduated from the highest grade taught in the school district, or an
37 ungraded student at least fourteen years of age by September 1, and enrolled
38 in at least a full-time instructional program of subjects that count toward
39 graduation as defined by the state board of education in a recognized high
40 school. A full-time student shall not be counted more than once for
41 computation of average daily membership.

42 (iii) For homebound or hospitalized, a student receiving at least four
43 hours of instruction per week.

44 (c) "Full-time instructional program" means:

1 (i) Through fiscal year 2000-2001, at least four subjects, each of
2 which, if taught each school day for the minimum number of days required in a
3 school year, would meet a minimum of one hundred twenty hours a year, or the
4 equivalent, or one or more subjects taught in amounts of time totaling at
5 least twenty hours per week prorated for any week with fewer than five school
6 days.

7 (ii) For fiscal year 2001-2002, an instructional program that meets at
8 least a total of seven hundred four hours during the minimum number of days
9 required and includes at least four subjects each of which, if taught each
10 school day for the minimum number of days required in a school year, would
11 meet a minimum of one hundred twenty-two hours a year, or the equivalent, or
12 one or more subjects taught in amounts of time totaling at least twenty hours
13 per week prorated for any week with fewer than five school days.

14 (iii) For fiscal year 2002-2003, an instructional program that meets
15 at least a total of seven hundred eight hours during the minimum number of
16 days required and includes at least four subjects each of which, if taught
17 each school day for the minimum number of days required in a school year,
18 would meet a minimum of one hundred twenty-two hours a year, or the
19 equivalent, or one or more subjects taught in amounts of time totaling at
20 least twenty hours per week prorated for any week with fewer than five school
21 days.

22 (iv) For fiscal year 2003-2004, an instructional program that meets at
23 least a total of seven hundred twelve hours during the minimum number of days
24 required and includes at least four subjects each of which, if taught each
25 school day for the minimum number of days required in a school year, would
26 meet a minimum of one hundred twenty-three hours a year, or the equivalent,
27 or one or more subjects taught in amounts of time totaling at least twenty
28 hours per week prorated for any week with fewer than five school days.

29 (v) For fiscal year 2004-2005, an instructional program that meets at
30 least a total of seven hundred sixteen hours during the minimum number of
31 days required and includes at least four subjects each of which, if taught
32 each school day for the minimum number of days required in a school year,
33 would meet a minimum of one hundred twenty-three hours a year, or the
34 equivalent, or one or more subjects taught in amounts of time totaling at
35 least twenty hours per week prorated for any week with fewer than five school
36 days.

37 (vi) For fiscal year 2005-2006 and each fiscal year thereafter, an
38 instructional program that meets at least a total of seven hundred twenty
39 hours during the minimum number of days required and includes at least four
40 subjects each of which, if taught each school day for the minimum number of
41 days required in a school year, would meet a minimum of one hundred
42 twenty-three hours a year, or the equivalent, or one or more subjects taught
43 in amounts of time totaling at least twenty hours per week prorated for any
44 week with fewer than five school days.

1 3. "Budget year" means the fiscal year for which the school district
2 is budgeting and which immediately follows the current year.

3 4. "Common school district" means a political subdivision of this
4 state offering instruction to students in programs for preschool children
5 with disabilities and kindergarten programs and grades one through eight.

6 5. "Current year" means the fiscal year in which a school district is
7 operating.

8 6. "Daily attendance" means:

9 (a) For common schools, days in which a pupil:

10 (i) Of a kindergarten program or ungraded, but not group B children
11 with disabilities, and at least five, but under six, years of age by
12 September 1 attends at least three-quarters of the instructional time
13 scheduled for the day. If the total instruction time scheduled for the year
14 is at least three hundred forty-six hours but is less than six hundred
15 ninety-two hours such attendance shall be counted as one-half day of
16 attendance. If the instructional time scheduled for the year is at least six
17 hundred ninety-two hours, "daily attendance" means days in which a pupil
18 attends at least one-half of the instructional time scheduled for the day.
19 Such attendance shall be counted as one-half day of attendance.

20 (ii) Of the first, second or third grades, ungraded and at least six,
21 but under nine, years of age by September 1 or ungraded group B children with
22 disabilities and at least five, but under six, years of age by September 1
23 attends more than three-quarters of the instructional time scheduled for the
24 day.

25 (iii) Of the fourth, fifth or sixth grades or ungraded and at least
26 nine, but under twelve, years of age by September 1 attends more than
27 three-quarters of the instructional time scheduled for the day, except as
28 provided in section 15-797.

29 (iv) Of the seventh or eighth grades or ungraded and at least twelve,
30 but under fourteen, years of age by September 1 attends more than
31 three-quarters of the instructional time scheduled for the day, except as
32 provided in section 15-797.

33 (b) For common schools, the attendance of a pupil at three-quarters or
34 less of the instructional time scheduled for the day shall be counted as
35 follows, except as provided in section 15-797 and except that attendance for
36 a fractional student shall not exceed the pupil's fractional membership:

37 (i) If attendance for all pupils in the school is based on quarter
38 days, the attendance of a pupil shall be counted as one-fourth of a day's
39 attendance for each one-fourth of full-time instructional time attended.

40 (ii) If attendance for all pupils in the school is based on half days,
41 the attendance of at least three-quarters of the instructional time scheduled
42 for the day shall be counted as a full day's attendance and attendance at a
43 minimum of one-half but less than three-quarters of the instructional time
44 scheduled for the day equals one-half day of attendance.

1 (c) For common schools, the attendance of a preschool child with
2 disabilities shall be counted as one-fourth day's attendance for each
3 thirty-six minutes of attendance not including lunch periods and recess
4 periods, except as provided in paragraph 2, subdivision (a), item (i) of this
5 subsection for children with disabilities up to a maximum of three hundred
6 sixty minutes each week.

7 (d) For high schools or ungraded schools in which the pupil is at
8 least fourteen years of age by September 1, the attendance of a pupil shall
9 not be counted as a full day unless the pupil is actually and physically in
10 attendance and enrolled in and carrying four subjects, each of which, if
11 taught each school day for the minimum number of days required in a school
12 year, would meet a minimum of one hundred twenty hours a year, or the
13 equivalent, that count toward graduation in a recognized high school except
14 as provided in section 15-797 and subdivision (e) of this paragraph.
15 Attendance of a pupil carrying less than the load prescribed shall be
16 prorated.

17 (e) For high schools or ungraded schools in which the pupil is at
18 least fourteen years of age by September 1, the attendance of a pupil may be
19 counted as one-fourth of a day's attendance for each sixty minutes of
20 instructional time in a subject that counts toward graduation, except that
21 attendance for a pupil shall not exceed the pupil's full or fractional
22 membership.

23 (f) For homebound or hospitalized, a full day of attendance may be
24 counted for each day during a week in which the student receives at least
25 four hours of instruction.

26 (g) For school districts which maintain school for an approved
27 year-round school year operation, attendance shall be based on a computation,
28 as prescribed by the superintendent of public instruction, of the one hundred
29 eighty days' equivalency or two hundred days' equivalency, as applicable, of
30 instructional time as approved by the superintendent of public instruction
31 during which each pupil is enrolled.

32 7. "Daily route mileage" means the sum of:

33 (a) The total number of miles driven daily by all buses of a school
34 district while transporting eligible students from their residence to the
35 school of attendance and from the school of attendance to their residence on
36 scheduled routes approved by the superintendent of public instruction.

37 (b) The total number of miles driven daily on routes approved by the
38 superintendent of public instruction for which a private party, a political
39 subdivision or a common or a contract carrier is reimbursed for bringing an
40 eligible student from the place of his residence to a school transportation
41 pickup point or to the school of attendance and from the school
42 transportation scheduled return point or from the school of attendance to his
43 residence. Daily route mileage includes the total number of miles necessary
44 to drive to transport eligible students from and to their residence as
45 provided in this paragraph.

1 8. "District support level" means the base support level plus the
2 transportation support level.

3 9. "Eligible students" means:

4 (a) Students who are transported by or for a school district and who
5 qualify as full-time students or fractional students, except students for
6 whom transportation is paid by another school district or a county school
7 superintendent, and:

8 (i) For common school students, whose place of actual residence within
9 the school district is more than one mile from the school facility of
10 attendance or students who are admitted pursuant to section 15-816.01 and who
11 meet the economic eligibility requirements established under the national
12 school lunch and child nutrition acts (42 United States Code sections 1751
13 through 1785) for free or reduced price lunches and whose actual place of
14 residence outside the school district boundaries is more than one mile from
15 the school facility of attendance.

16 (ii) For high school students, whose place of actual residence within
17 the school district is more than one and one-half miles from the school
18 facility of attendance or students who are admitted pursuant to section
19 15-816.01 and who meet the economic eligibility requirements established
20 under the national school lunch and child nutrition acts (42 United States
21 Code sections 1751 through 1785) for free or reduced price lunches and whose
22 actual place of residence outside the school district boundaries is more than
23 one and one-half miles from the school facility of attendance.

24 (b) Kindergarten students, for purposes of computing the number of
25 eligible students under subdivision (a), item (i) of this paragraph, shall be
26 counted as full-time students, notwithstanding any other provision of law.

27 (c) Children with disabilities, as defined by section 15-761, who are
28 transported by or for the school district or who are admitted pursuant to
29 chapter 8, article 1.1 of this title and who qualify as full-time students or
30 fractional students regardless of location or residence within the school
31 district or children with disabilities whose transportation is required by
32 the pupil's individualized education program.

33 (d) Students whose residence is outside the school district and who
34 are transported within the school district on the same basis as students who
35 reside in the school district.

36 10. "Enrolled" or "enrollment" means when a pupil is currently
37 registered in the school district.

38 11. "GDP price deflator" means the average of the four implicit price
39 deflators for the gross domestic product reported by the United States
40 department of commerce for the four quarters of the calendar year.

41 12. "High school district" means a political subdivision of this state
42 offering instruction to students for grades nine through twelve or that
43 portion of the budget of a common school district which is allocated to
44 teaching high school subjects with permission of the state board of
45 education.

1 13. "Revenue control limit" means the base revenue control limit plus
2 the transportation revenue control limit.

3 14. "Student count" means average daily membership as prescribed in
4 this subsection for the fiscal year prior to the current year, except that
5 for the purpose of budget preparation student count means average daily
6 membership as prescribed in this subsection for the current year.

7 15. "Submit electronically" means submitted in a format and in a manner
8 prescribed by the department of education.

9 16. "Total bus mileage" means the total number of miles driven by all
10 buses of a school district during the school year.

11 17. "Total students transported" means all eligible students
12 transported from their place of residence to a school transportation pickup
13 point or to the school of attendance and from the school of attendance or
14 from the school transportation scheduled return point to their place of
15 residence.

16 18. "Unified school district" means a political subdivision of the
17 state offering instruction to students in programs for preschool children
18 with disabilities and kindergarten programs and grades one through twelve.

19 B. In this title, unless the context otherwise requires:

20 1. "Base" means the revenue level per student count specified by the
21 legislature.

22 2. "Base level" means:

23 (a) For fiscal year 2007-2008, three thousand two hundred twenty-six
24 dollars eighty-eight cents.

25 (b) For fiscal year 2008-2009, three thousand two hundred ninety-one
26 dollars forty-two cents.

27 3. "Base revenue control limit" means the base revenue control limit
28 computed as provided in section 15-944.

29 4. "Base support level" means the base support level as provided in
30 section 15-943.

31 5. "Certified teacher" means a person who is certified as a teacher
32 pursuant to the rules adopted by the state board of education, who renders
33 direct and personal services to school children in the form of instruction
34 related to the school district's educational course of study and who is paid
35 from the maintenance and operation section of the budget.

36 6. "DD" MEANS PROGRAMS FOR CHILDREN WITH DEVELOPMENTAL DELAYS WHO ARE
37 AT LEAST THREE YEARS OF AGE BUT UNDER TEN YEARS OF AGE. A PRESCHOOL CHILD
38 WHO IS CATEGORIZED UNDER THIS PARAGRAPH IS NOT ELIGIBLE TO RECEIVE FUNDING
39 PURSUANT TO SECTION 15-943, PARAGRAPH 2, SUBDIVISION (b).

40 ~~6-~~ 7. "ED, MIMR, SLD, SLI and OHI" means programs for children with
41 emotional disabilities, mild mental retardation, a specific learning
42 disability, a speech/language impairment and other health impairments. A
43 PRESCHOOL CHILD WHO IS CATEGORIZED AS SLI UNDER THIS PARAGRAPH IS NOT
44 ELIGIBLE TO RECEIVE FUNDING PURSUANT TO SECTION 15-943, PARAGRAPH 2,
45 SUBDIVISION (b).

1 ~~7.~~ 8. "ED-P" means programs for children with emotional disabilities
2 who are enrolled in private special education programs as prescribed in
3 section 15-765, subsection D, paragraph 1 or in an intensive school district
4 program as provided in section 15-765, subsection D, paragraph 2.

5 ~~8.~~ 9. "ELL" means English learners who do not speak English or whose
6 native language is not English, who are not currently able to perform
7 ordinary classroom work in English and who are enrolled in an English
8 language education program pursuant to sections 15-751, 15-752 and 15-753.

9 ~~9.~~ 10. "Full-time equivalent certified teacher" or "FTE certified
10 teacher" means for a certified teacher the following:

11 (a) If employed full time as defined in section 15-501, 1.00.

12 (b) If employed less than full time, multiply 1.00 by the percentage
13 of a full school day, or its equivalent, or a full class load, or its
14 equivalent, for which the teacher is employed as determined by the governing
15 board.

16 ~~10.~~ 11. "Group A" means educational programs for career exploration, a
17 specific learning disability, an emotional disability, mild mental
18 retardation, remedial education, a speech/language impairment, **DEVELOPMENTAL**
19 **DELAY**, homebound, bilingual, ~~preschool moderate delay, preschool~~
20 ~~speech/language delay~~, other health impairments and gifted pupils.

21 ~~11.~~ 12. "Group B" means educational improvements for pupils in
22 kindergarten programs and grades one through three, educational programs for
23 autism, a hearing impairment, moderate mental retardation, multiple
24 disabilities, multiple disabilities with severe sensory impairment,
25 orthopedic impairments, preschool severe delay, severe mental retardation and
26 emotional disabilities for school age pupils enrolled in private special
27 education programs or in school district programs for children with severe
28 disabilities or visual impairment and English learners enrolled in a program
29 to promote English language proficiency pursuant to section 15-752.

30 ~~12.~~ 13. "HI" means programs for pupils with hearing impairment.

31 ~~13.~~ 14. "Homebound" or "hospitalized" means a pupil who is capable of
32 profiting from academic instruction but is unable to attend school due to
33 illness, disease, accident or other health conditions, who has been examined
34 by a competent medical doctor and who is certified by that doctor as being
35 unable to attend regular classes for a period of not less than three school
36 months or a pupil who is capable of profiting from academic instruction but
37 is unable to attend school regularly due to chronic or acute health problems,
38 who has been examined by a competent medical doctor and who is certified by
39 that doctor as being unable to attend regular classes for intermittent
40 periods of time totaling three school months during a school year. The
41 medical certification shall state the general medical condition, such as
42 illness, disease or chronic health condition, that is the reason that the
43 pupil is unable to attend school. Homebound or hospitalized includes a
44 student who is unable to attend school for a period of less than three months
45 due to a pregnancy if a competent medical doctor, after an examination,

1 certifies that the student is unable to attend regular classes due to risk to
2 the pregnancy or to the student's health.

3 ~~14.~~ 15. "K" means kindergarten programs.

4 ~~15.~~ 16. "K-3" means kindergarten programs and grades one through
5 three.

6 ~~16.~~ 17. "MD-R, A-R and SMR-R" means resource programs for pupils with
7 multiple disabilities, autism and severe mental retardation.

8 ~~17.~~ 18. "MD-SC, A-SC and SMR-SC" means self-contained programs for
9 pupils with multiple disabilities, autism and severe mental retardation.

10 ~~18.~~ 19. "MDSSI" means a program for pupils with multiple disabilities
11 with severe sensory impairment.

12 ~~19.~~ 20. "MOMR" means programs for pupils with moderate mental
13 retardation.

14 ~~20.~~ 21. "OI-R" means a resource program for pupils with orthopedic
15 impairments.

16 ~~21.~~ 22. "OI-SC" means a self-contained program for pupils with
17 orthopedic impairments.

18 ~~22.~~ 23. "PSD" means preschool programs for children with disabilities
19 as provided in section 15-771.

20 ~~23.~~ 24. "P-SD" means programs for children who meet the definition of
21 preschool severe delay as provided in section 15-771.

22 ~~24.~~ 25. "Qualifying tax rate" means the qualifying tax rate specified
23 in section 15-971 applied to the assessed valuation used for primary property
24 taxes.

25 ~~25.~~ 26. "Small isolated school district" means a school district which
26 meets all of the following:

27 (a) Has a student count of fewer than six hundred in kindergarten
28 programs and grades one through eight or grades nine through twelve.

29 (b) Contains no school which is fewer than thirty miles by the most
30 reasonable route from another school, or, if road conditions and terrain make
31 the driving slow or hazardous, fifteen miles from another school which
32 teaches one or more of the same grades and is operated by another school
33 district in this state.

34 (c) Is designated as a small isolated school district by the
35 superintendent of public instruction.

36 ~~26.~~ 27. "Small school district" means a school district which meets
37 all of the following:

38 (a) Has a student count of fewer than six hundred in kindergarten
39 programs and grades one through eight or grades nine through twelve.

40 (b) Contains at least one school which is fewer than thirty miles by
41 the most reasonable route from another school which teaches one or more of
42 the same grades and is operated by another school district in this state.

43 (c) Is designated as a small school district by the superintendent of
44 public instruction.

1 ~~27.~~ 28. "Transportation revenue control limit" means the
2 transportation revenue control limit computed as prescribed in section
3 15-946.

4 ~~28.~~ 29. "Transportation support level" means the support level for
5 pupil transportation operating expenses as provided in section 15-945.

6 ~~29.~~ 30. "VI" means programs for pupils with visual impairments.

7 ~~30.~~ 31. "Voc. Ed." means career and technical education and vocational
8 education programs, as defined in section 15-781.

9 Sec. 30. Section 15-902, Arizona Revised Statutes, is amended to read:

10 15-902. Determination of student count

11 A. For a common or a unified school district in which the average
12 daily membership through the first one hundred days or two hundred days in
13 session, as applicable, of the current year has exceeded the average daily
14 attendance through the first one hundred days or two hundred days in session,
15 as applicable, of the current year by more than six per cent, the student
16 count shall be determined by an adjusted average daily membership computed by
17 multiplying the actual average daily attendance by one hundred six per cent.

18 B. For a high school district in which the average daily membership
19 through the first one hundred days in session of the current year exceeds the
20 average daily attendance through the first one hundred days in session of the
21 current year by more than eight and one-half per cent, the student count
22 shall be determined by an adjusted average daily membership computed by
23 multiplying the actual average daily attendance by one hundred eight and
24 one-half per cent. If the high school district which utilized adjusted
25 average daily membership pursuant to this subsection does not qualify for
26 equalization assistance as provided by section 15-971, the computation of
27 additional state aid for education as provided in section 15-972 for that
28 district shall not include in the primary property tax rate the amount of
29 primary property taxes necessary to fund an amount computed as follows:

30 1. Determine the revenue control limit, capital outlay revenue limit
31 and soft capital allocation using the adjusted average daily membership.

32 2. Add the amounts determined in paragraph 1 of this subsection.

33 3. Determine the revenue control limit, capital outlay revenue limit
34 and soft capital allocation using a student count computed by multiplying the
35 actual average daily attendance by one hundred six per cent.

36 4. Add the amounts determined in paragraph 3 of this subsection.

37 5. Subtract the sum determined under paragraph 4 of this subsection
38 from the sum determined under paragraph 2 of this subsection.

39 C. A school district required to utilize adjusted average daily
40 membership as provided in this section may apply to the department of
41 education for a further adjustment if student absences result from any of the
42 following reasons:

43 1. Widespread illness for any period of three consecutive days or
44 more.

1 2. Adverse weather conditions for any period of three consecutive days
2 or more.

3 3. Concerted refusal by students to attend classes for any period of
4 three consecutive days or more.

5 4. Threats of violence against school property, school personnel or
6 students for any period of one day or more.

7 5. SCHOOL CLOSURE DUE TO SITUATIONS AFFECTING THE SAFETY OF PERSONS OR
8 PROPERTY RESULTING FROM FIRE, FLOODING OR FLOODWATER, AN EARTHQUAKE, A
9 HAZARDOUS MATERIAL EVENT OR OTHER CAUSES IF APPROVED BY THE DEPARTMENT OF
10 EDUCATION.

11 D. All student absence figures shall be submitted by the school
12 district on a school by school basis to the department of education pursuant
13 to subsection C of this section and shall be certified by the governing board
14 of the school district. The department of education shall review the
15 materials and documents submitted and may, if it determines that the absences
16 resulted from the reasons prescribed by this section, further adjust the
17 average daily membership figures of the school district.

18 E. A school district required to use adjusted average daily membership
19 as provided in this section may apply to the department of education for a
20 further adjustment due to absences of pupils with chronic health problems as
21 defined in section 15-346 if the school district is providing services to the
22 pupils during their absence from school.

23 F. A pupil is enrolled if the pupil is currently registered in the
24 school district. In addition, the uniform system of financial records shall
25 contain procedures to ensure that enrollment is determined by all school
26 districts on a uniform basis.

27 G. Any determination of average daily attendance and average daily
28 membership shall be based on the records of the superintendent of public
29 instruction.

30 H. For school districts which maintain an approved year-round school
31 year operation program, an educational program offered on the basis of a four
32 day school week or an alternative kindergarten program offered on the basis
33 of a three day school week, student count shall be based on a computation as
34 prescribed by the superintendent of public instruction on the one hundred
35 seventy-five days' equivalency or two hundred days' equivalency, as
36 applicable, of instructional time as approved by the superintendent of public
37 instruction during which each pupil is enrolled.

38 I. School districts shall be required to record electronically
39 membership and attendance on a school by school basis for each day school is
40 in session. Records shall be certified and forwarded to the department of
41 education electronically within twelve days after the first forty days in
42 session and within twelve days after the first one hundred days in session.

43 J. Absences shall be made part of the attendance record and shall be
44 forwarded electronically by the school district on a school by school basis
45 with other records to the department of education.

1 K. If a new school district is formed by the subdivision of an
2 existing school district as provided in section 15-458, the new school
3 district shall determine its student count, the approved daily route mileage
4 and the number of eligible students transported on the basis of where pupils
5 reside within the boundaries of the new school district when computing
6 assistance as provided in this chapter. The school district shall determine
7 its student count, the approved daily route mileage and the number of
8 eligible students transported on the basis of where pupils reside within the
9 diminished boundaries of the school district when computing a school district
10 budget limit and assistance as provided in this chapter. The combined
11 student count in the new districts may not exceed the student count of the
12 school district which would have existed if the subdivision had not occurred.

13 Sec. 31. Section 15-905, Arizona Revised Statutes, is amended to read:

14 15-905. School district budgets; notice; adoption; aggregate
15 budget limit; summary; adjustments; definition

16 A. Not later than July 5 of each year or no later than the publication
17 of notice of the public hearing and board meeting as required by this
18 section, the governing board of each school district shall prepare and
19 furnish to the superintendent of public instruction and the county school
20 superintendent, unless waived by the county school superintendent, a proposed
21 budget in electronic format for the budget year, which shall contain the
22 information and be in the form as provided by the department of education.
23 The proposed budget shall include the following:

24 1. The total amount of revenues from all sources that was necessary to
25 meet the school district's budget for the current year.

26 2. The total amount of revenues by source that will be necessary to
27 meet the proposed budget of the school district, excluding property
28 taxes. The governing board shall prepare the proposed budget and a summary
29 of the proposed budget. Both documents shall be kept on file at the school
30 district office and shall be made available to the public upon request. The
31 auditor general in conjunction with the department of education shall
32 prescribe the form of the summary of the proposed budget for use by governing
33 boards. School district governing boards may include in the proposed budget
34 any items or amounts which are authorized by legislation filed with the
35 secretary of state and which will become effective during the budget
36 year. If subsequent events prevent the legislation from becoming effective,
37 school district governing boards must reduce their budgets by the amounts
38 budgeted pursuant to the legislation which did not become effective.

39 B. The governing board of each school district shall prepare a notice
40 fixing a time not later than July 15 and designating a public place within
41 each school district at which a public hearing and board meeting shall be
42 held. The governing board shall present the proposed budget for
43 consideration of the residents and the taxpayers of the school district at
44 such hearing and meeting.

1 C. The governing board of each school district shall publish or mail,
2 prior to the hearing and meeting, a copy of the proposed budget or the
3 summary of the proposed budget and, in addition, a notice of the public
4 hearing and board meeting no later than ten days prior to the meeting. The
5 proposed budget and the summary of the proposed budget shall contain the
6 percentage of increase or decrease in each budget category of the proposed
7 budget as compared to each category of the budget for the current
8 year. Notification shall be either by publication in a newspaper of general
9 circulation within the school district in which the size of the newspaper
10 print shall be at least eight-point type, by electronic transmission of the
11 information to the department of education for posting on the department's
12 web site or by mailing the information to each household in the school
13 district. The cost of publication, web site posting or mailing shall be a
14 charge against the school district. The publisher's affidavit of publication
15 shall be filed by the governing board with the superintendent of public
16 instruction within thirty days after publication. If the budget or proposed
17 budget and notice are posted on a web site maintained by the department of
18 education or mailed, the board shall file an affidavit with the
19 superintendent of public instruction within thirty days after the mailing or
20 the date that the information is posted on the web site. If a truth in
21 taxation notice and hearing is required under section 15-905.01, the
22 governing board may combine the notice and hearing under this section with
23 the truth in taxation notice and hearing.

24 D. At the time and place fixed in the notice, the governing board
25 shall hold the public hearing and present the proposed budget to the persons
26 attending the hearing. Upon request of any person, the governing board shall
27 explain the budget, and any resident or taxpayer of the school district may
28 protest the inclusion of any item. A governing board member who has a
29 substantial interest, as defined in section 38-502, in a specific item in the
30 school district budget shall refrain from voting on the specific item. A
31 governing board member may without creating a conflict of interest
32 participate in adoption of a final budget even though the member may have
33 substantial interest in specific items included in the budget.

34 E. Immediately following the public hearing the president shall call
35 to order the governing board meeting for the purpose of adopting the budget.
36 The governing board shall adopt the budget which shall not exceed the general
37 budget limit, the unrestricted capital budget limit or the soft capital
38 allocation limit, making such deductions as it sees fit but making no
39 additions to the proposed budget total for maintenance and operations or
40 capital outlay, and shall enter the budget as adopted in its minutes. Not
41 later than July 18, the budget as finally adopted shall be filed by the
42 governing board with the county school superintendent who shall immediately
43 transmit a copy to the board of supervisors. Not later than July 18, the
44 budget as finally adopted shall be submitted electronically to the
45 superintendent of public instruction. On or before October 30, the

1 superintendent of public instruction shall review the budget and notify the
2 governing board if the budget is in excess of the general budget limit, the
3 unrestricted capital budget limit or the soft capital allocation limit. If
4 the governing board receives notification that the budget is in excess of the
5 general budget limit, the unrestricted capital budget limit or the soft
6 capital allocation limit by fewer than one thousand dollars, the governing
7 board shall adjust the budget and expenditures so as not to exceed the
8 general budget limit, the unrestricted capital budget limit or the soft
9 capital allocation limit for the current year. If the governing board
10 receives notification that the budget is in excess of the general budget
11 limit, the unrestricted capital budget limit or the soft capital allocation
12 limit by one thousand dollars or more, it shall on or before December 15,
13 after it gives notice and holds a public meeting in a similar manner as
14 provided in subsections C and D of this section, adopt a revised budget for
15 the current year which shall not exceed the general budget limit, the
16 unrestricted capital budget limit or the soft capital allocation limit. On
17 or before December 18, the governing board shall file the revised budget
18 which it adopts with the county school superintendent who shall immediately
19 transmit a copy to the board of supervisors. Not later than December 18, the
20 budget as revised shall be submitted electronically to the superintendent of
21 public instruction. School districts that are subject to section 15-914.01
22 are not required to send a copy of revised budgets to the county school
23 superintendent. Procedures for adjusting expenditures or revising the budget
24 shall be as prescribed in the uniform system of financial records.

25 F. The governing board of each school district may budget for
26 expenditures within the school district budget as follows:

27 1. Amounts within the general budget limit, as provided in section
28 15-947, subsection C, may only be budgeted in the following sections of the
29 budget:

30 (a) The maintenance and operation section.

31 (b) The capital outlay section.

32 2. Amounts within the unrestricted capital budget limit, as provided
33 in section 15-947, subsection D, may only be budgeted in the unrestricted
34 capital outlay subsection of the budget. Monies received pursuant to the
35 unrestricted capital budget limit shall be placed in the unrestricted capital
36 outlay fund. The monies in the fund are not subject to reversion.

37 3. The soft capital allocation limit, as provided in section 15-947,
38 subsection E, may only be budgeted in the soft capital allocation subsection
39 of the budget.

40 G. The governing board may authorize the expenditure of monies
41 budgeted within the maintenance and operation section of the budget for any
42 subsection within the section in excess of amounts specified in the adopted
43 budget only by action taken at a public meeting of the governing board and if
44 the expenditures for all subsections of the section do not exceed the amount
45 budgeted as provided in this section. Until June 30, 1999, the governing

1 board may authorize the expenditure of monies to exceed the budgeted
2 expenditures of the capital outlay section of the budget only by action taken
3 at a public meeting of the governing board and if monies are available in the
4 reserve.

5 H. The aggregate budget limit is the sum of the following:

6 1. The general budget limit as determined in section 15-947 for the
7 budget year.

8 2. The unrestricted capital budget limit as determined in section
9 15-947 for the budget year.

10 3. The soft capital allocation limit for the budget year as determined
11 in section 15-947.

12 4. Federal assistance, excluding ~~P.L. 81-874~~ TITLE VIII OF THE
13 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 monies.

14 I. School districts which overestimated tuition revenues as provided
15 in section 15-947, subsection C, paragraph 2 shall adjust the general budget
16 limit and expenditures based upon tuition revenues for attendance of
17 nonresident pupils during the current fiscal year. School districts which
18 underestimated tuition revenues may adjust their budgets prior to May 15
19 based upon tuition revenues for attendance of nonresident pupils during the
20 current fiscal year. School districts which overestimated revenues as
21 provided in section 15-947, subsection C, paragraph 2, subdivision (a), items
22 (iii), (iv) and (v) and subdivision (d) shall adjust the general budget limit
23 and expenditures based on actual revenues during the current fiscal
24 year. School districts which underestimated such revenues may adjust their
25 budgets before May 15 based on actual revenues during the current fiscal
26 year. Procedures for completing adjustments shall be as prescribed in the
27 uniform system of financial records. Not later than May 18, the budget as
28 adjusted shall be submitted electronically to the superintendent of public
29 instruction.

30 J. A common school district not within a high school district whose
31 estimated tuition charge for high school pupils exceeds the actual tuition
32 charge for high school pupils shall adjust the general budget limit and
33 expenditures based on the actual tuition charge. Not later than May 18, the
34 budget as adjusted shall be submitted electronically to the superintendent of
35 public instruction. A common school district not within a high school
36 district whose estimated tuition charge for high school pupils is less than
37 the actual tuition charge for high school pupils may adjust its budget before
38 May 15 based on the actual tuition charge. Procedures for completing
39 adjustments shall be as prescribed in the uniform system of financial
40 records. If the adjusted general budget limit requires an adjustment of
41 state aid and if the adjustment to state aid is not made in the current year,
42 the superintendent of public instruction shall adjust by August 15 of the
43 succeeding fiscal year the apportionment of state aid to the school district
44 to correct any overpayment or underpayment of state aid received during the
45 current year.

1 K. The governing board may include ~~P.L. 81-874~~ TITLE VIII OF THE
2 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance allocated for
3 children with disabilities, children with specific learning disabilities,
4 children residing on Indian lands and children residing within the boundaries
5 of an accommodation school that is located on a military reservation and that
6 is classified as a heavily impacted local educational agency pursuant to 20
7 United States Code section 7703 which is in addition to basic assistance when
8 determining the general budget limit as prescribed in section 15-947,
9 subsection C. The increase in the general budget limit for children residing
10 within the boundaries of an accommodation school that is located on a
11 military reservation and that is classified as a heavily impacted local
12 education agency shall equal the dollar amount calculated pursuant to 20
13 United States Code section 7703(b)(2). The governing board may adjust before
14 May 15 the budget for the current year based on any adjustments which result
15 in increases over the amount estimated by the superintendent of public
16 instruction for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY
17 EDUCATION ACT OF 1965 assistance for such pupils for the fiscal year
18 preceding the current year. The governing board shall adjust before May 15
19 the budget for the current year based on any adjustments which result in
20 decreases in the amount estimated by the superintendent of public instruction
21 for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF
22 1965 assistance for such pupils for the fiscal year preceding the current
23 year. Not later than May 18, the budget as adjusted shall be submitted
24 electronically to the superintendent of public instruction. Procedures for
25 complying with this subsection shall be as prescribed in the uniform system
26 of financial records.

27 L. The DEPARTMENT OF EDUCATION SHALL NOTIFY THE state board of
28 education ~~shall hold a hearing~~ if expenditures by any school district exceed
29 the general budget limit prescribed in section 15-947, subsection C, the
30 unrestricted capital budget limit, the soft capital allocation limit
31 prescribed in section 15-947, subsection E, the school plant fund limits
32 prescribed in section 15-1102, subsection B, the maintenance and operation
33 section of the budget or the capital outlay section of the budget. If the
34 expenditures of any school district exceed these limits or sections of the
35 budget without authorization as provided in section 15-907, AND IF THE STATE
36 BOARD OF EDUCATION DETERMINES THAT THE EQUALIZATION ASSISTANCE FOR EDUCATION
37 RECEIVED BY THE SCHOOL DISTRICT AS PROVIDED IN SECTION 15-971 DOES NOT
38 CONFORM WITH STATUTORY REQUIREMENTS, the state board of education shall
39 reduce the state aid for equalization assistance for education for the school
40 district computed as provided in section 15-971 during the fiscal year
41 subsequent to the fiscal year in which the excess ~~expenditures were made~~
42 EQUALIZATION ASSISTANCE FOR EDUCATION WAS RECEIVED by an amount equal to the
43 excess ~~expenditures~~ EQUALIZATION ASSISTANCE FOR EDUCATION, except that in
44 case of hardship to the school district, the superintendent of public
45 instruction may approve reductions partly in the first subsequent year and

1 partly in the second subsequent year. IF THE STATE BOARD OF EDUCATION
2 DETERMINES THAT THE EQUALIZATION ASSISTANCE FOR EDUCATION RECEIVED BY THE
3 SCHOOL DISTRICT CONFORMS WITH STATUTORY REQUIREMENTS, THE STATE BOARD OF
4 EDUCATION SHALL NOT REDUCE THE DISTRICT'S EQUALIZATION ASSISTANCE FOR
5 EDUCATION PURSUANT TO THIS SUBSECTION BUT THE DISTRICT SHALL REDUCE THE
6 BUDGET LIMITS AS REQUIRED IN SUBSECTION M OF THIS SECTION. A SCHOOL DISTRICT
7 THAT DISAGREES WITH THE DEPARTMENT OF EDUCATION'S DETERMINATION REGARDING AN
8 EXCESS EXPENDITURE UNDER THIS SUBSECTION MAY REQUEST A HEARING BEFORE THE
9 STATE BOARD OF EDUCATION.

10 M. The governing board of a school district shall reduce the general
11 budget limit, the unrestricted capital budget limit or the soft capital
12 allocation limit, for the year subsequent to the year in which the
13 expenditures were in excess of the applicable limit or section of the budget
14 by the amount determined in subsection L of this section, except that in case
15 of hardship to the school district, the superintendent of public instruction
16 may approve reductions partly in the first subsequent year and partly in the
17 second subsequent year. The reduction in the limit is applicable to each
18 school district which has exceeded the general budget limit, the unrestricted
19 capital budget limit, the soft capital allocation limit or a section of the
20 budget even if the reduction exceeds the state aid for equalization
21 assistance for education for the school district.

22 N. Except as provided in section 15-916, no expenditure shall be made
23 by any school district for a purpose not included in the budget or in excess
24 of the aggregate budget limit prescribed in this section, except that if no
25 budget has been adopted, from July 1 to July 15 the governing board may make
26 expenditures if the total of the expenditures does not exceed ten per cent of
27 the prior year's aggregate budget limit. Any expenditures made from July 1
28 to July 15 and prior to the adoption of the budget shall be included in the
29 total expenditures for the current year. No expenditure shall be made and no
30 debt, obligation or liability shall be incurred or created in any year for
31 any purpose itemized in the budget in excess of the amount specified for the
32 item irrespective of whether the school district at any time has received or
33 has on hand funds in excess of those required to meet the expenditures,
34 debts, obligations and liabilities provided for under the budget except
35 expenditures from cash controlled funds as defined by the uniform system of
36 financial records and except as provided in section 15-907 and subsection G
37 of this section. This subsection does not prohibit any school district from
38 prepaying insurance premiums or magazine subscriptions, or from prepaying any
39 item which is normally prepaid in order to procure the service or to receive
40 a discounted price for the service, as prescribed by the uniform system of
41 financial records.

42 O. The governing board of a school district which is classified as a
43 heavily impacted school district having twenty per cent or more pupils
44 pursuant to 20 United States Code section 238(d)1(A) may determine its
45 eligibility to increase the amount that may be included in determining the

1 general budget limit as provided in subsection K of this section and may
2 increase the amount as follows:

3 1. For fiscal year 1988-1989:

4 (a) Multiply one thousand ninety-four dollars by the number of
5 children with disabilities or children with specific learning disabilities,
6 excluding children who also reside on Indian lands, reported to the division
7 of impact aid, United States department of education in the district's
8 application for fiscal year 1987-1988.

9 (b) Multiply five hundred forty-seven dollars by the number of
10 children residing on Indian lands, excluding children who have disabilities
11 or also have specific learning disabilities, reported to the division of
12 impact aid, United States department of education in the district's
13 application for fiscal year 1987-1988.

14 (c) Multiply one thousand nine hundred fourteen dollars by the number
15 of children residing on Indian lands who have disabilities or also have
16 specific learning disabilities reported to the division of impact aid, United
17 States department of education in the district's application for fiscal year
18 1987-1988.

19 (d) Add the amounts determined in subdivisions (a) through (c).

20 (e) If the amount of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND
21 SECONDARY EDUCATION ACT OF 1965 assistance as provided in subsection K of
22 this section is less than the sum determined in subdivision (d) of this
23 paragraph, the district is eligible to use the provisions of this subsection.

24 2. For budget years after 1988-1989, use the provisions of paragraph 1
25 of this subsection, but increase each dollar amount by the growth rate for
26 that year as prescribed by law, subject to appropriation and use the number
27 of children reported in the appropriate category for the current fiscal year.

28 3. If the district is eligible to use the provisions of this
29 subsection, subtract the amount of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY
30 AND SECONDARY EDUCATION ACT OF 1965 assistance determined in subsection K of
31 this section from the sum determined in paragraph 1, subdivision (d) of this
32 subsection. The difference is the increase in the amount that may be
33 included in determining the general budget limit as provided in subsection K
34 of this section, if including this amount does not increase the district's
35 primary tax rate for the budget year. If the amount of ~~P.L. 81-874~~ TITLE
36 VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance
37 determined in subsection K of this section is adjusted for the current year,
38 the increase determined in this paragraph shall be recomputed using the
39 adjusted amount and the recomputed increase shall be reported to the
40 department of education by May 15 on a form prescribed by the department of
41 education.

42 4. If a district uses the provisions of this subsection, the district
43 is not required to adjust its budget for the current year based on
44 adjustments in the estimated amount of ~~P.L. 81-874~~ TITLE VIII OF THE

1 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance as provided in
2 subsection K of this section.

3 P. A school district, except for an accommodation school, which
4 applies for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION
5 ACT OF 1965 assistance during the current year may budget an amount for ~~P.L.~~
6 ~~81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965
7 administrative costs for the budget year. The amount budgeted for ~~P.L.~~
8 ~~81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965
9 administrative costs is exempt from the revenue control limit and may not
10 exceed an amount determined for the budgeted year as follows:

11 1. Determine the minimum cost. The minimum cost for fiscal year
12 1990-1991 is two thousand three hundred forty-three dollars. For fiscal year
13 1991-1992 and thereafter, the minimum cost is the minimum cost for the prior
14 year increased by the growth rate as prescribed by law, subject to
15 appropriation.

16 2. Determine the hourly rate. The hourly rate for fiscal year
17 1990-1991 is nine dollars thirty-eight cents. For fiscal year 1991-1992 and
18 thereafter, the hourly rate is the hourly rate for the prior year increased
19 by the growth rate as prescribed by law, subject to appropriation.

20 3. Determine the ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND
21 SECONDARY EDUCATION ACT OF 1965 revenues available by subtracting the amount
22 of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF
23 1965 assistance used to increase the general budget limit as provided in
24 subsections K and O of this section for the current fiscal year from the
25 total amount of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY
26 EDUCATION ACT OF 1965 revenues received in the current fiscal year.

27 4. Determine the total number of administrative hours as follows:

28 (a) Determine the sum of the following:

29 (i) 1.00 hours for each high impact pupil who is not disabled or does
30 not have specific learning disabilities.

31 (ii) 1.25 hours for each high impact pupil who is disabled or has
32 specific learning disabilities.

33 (iii) 0.25 hours for each low impact pupil who is not disabled or does
34 not have specific learning disabilities.

35 (iv) 0.31 hours for each low impact pupil who is disabled or has
36 specific learning disabilities.

37 (b) For the purposes of this paragraph:

38 (i) "High impact pupil" means a pupil who resides on Indian lands or a
39 pupil who resides on federal property or in low rent housing and whose parent
40 is employed on federal property or low rent housing property or is on active
41 duty in uniformed service, as provided in ~~P.L. 81-874, section 3(a)~~ TITLE
42 VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965, SECTION 8003(a)
43 (20 UNITED STATES CODE SECTION 7703) and as reported in the application for
44 ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965
45 assistance in the current year.

1 (ii) "Low impact pupil" means a pupil who resides on nonfederal
2 property and has a parent who is employed on federal property or low rent
3 housing property or is on active duty in a uniformed service or a pupil who
4 resides on federal property or in low rent housing and who does not have a
5 parent who is employed on federal property or low rent housing property or is
6 on active duty in uniformed service, as provided in ~~P.L. 81-874, section 3(b)~~
7 TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965, SECTION
8 8003(a) (20 UNITED STATES CODE SECTION 7703) and as reported in the
9 application for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY
10 EDUCATION ACT OF 1965 assistance in the current year.

11 5. Multiply the total number of administrative hours determined in
12 paragraph 4 of this subsection by the hourly rate determined in paragraph 2
13 of this subsection.

14 6. Determine the greater of the minimum cost determined in paragraph 1
15 of this subsection or the product determined in paragraph 5 of this
16 subsection.

17 7. Add to the amount determined in paragraph 6 of this subsection the
18 amount, if any, to be expended by the school district in the budget year
19 through an intergovernmental agreement with other school districts or the
20 department of education to provide ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY
21 AND SECONDARY EDUCATION ACT OF 1965 technical assistance to participating
22 districts.

23 8. Determine the lesser of the amount determined in paragraph 7 of
24 this subsection or the revenues available as determined in paragraph 3 of
25 this subsection.

26 9. The amount determined in paragraph 8 of this subsection is the
27 maximum amount which may be budgeted for ~~P.L. 81-874~~ TITLE VIII OF THE
28 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 administrative costs for the
29 budget year as provided in this subsection.

30 10. If the governing board underestimated the amount that may be
31 budgeted for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION
32 ACT OF 1965, SECTION 8007 administrative costs for the current year, the
33 board may adjust the general budget limit and the budget before May 15. If
34 the governing board overestimated the amount that may be budgeted for
35 ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965
36 administrative costs for the current year, the board shall adjust the general
37 budget limit and the budget before May 15.

38 Q. If a school district governing board has adopted a budget for a
39 fiscal year based on forms and instructions provided by the auditor general
40 and the department of education for that fiscal year and if, as a result of
41 the enactment or nonenactment of proposed legislation after May 1 of the
42 previous fiscal year, the budget is based on incorrect limits, does not
43 include items authorized by law or does not otherwise conform with law, the
44 governing board may revise its budget at a public hearing on or before
45 September 15 to conform with the law. Not later than September 18, the

1 budget as adjusted shall be submitted electronically to the superintendent of
2 public instruction. If the governing board does not revise the budget on or
3 before September 15 and if the budget includes any items not authorized by
4 law or if the budget exceeds any limits, the governing board shall adjust or
5 revise the budget as provided in subsection E of this section.

6 R. For the purposes of this section, "~~P.L. 81-874~~ TITLE VIII OF THE
7 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance" means, for the
8 current year, an amount equal to the final determination of ~~P.L. 81-874~~ TITLE
9 VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance for the
10 fiscal year preceding the current year as confirmed by the division of impact
11 aid, United States department of education or, if a final determination has
12 not been made, the amount estimated by the superintendent of public
13 instruction as confirmed by the division of impact aid, United States
14 department of education and, for the budget year, an amount equal to the
15 determination of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY
16 EDUCATION ACT OF 1965 assistance for the fiscal year preceding the budget
17 year as estimated by the superintendent of public instruction.

18 Sec. 32. Section 15-915, Arizona Revised Statutes, is amended to read:
19 15-915. Correction of state aid or budget limit errors;
20 definition

21 A. If the superintendent of public instruction determines that the
22 calculation of state aid for a school district or charter school or the
23 calculation of the school district's or charter school's budget limits within
24 the previous three years did not conform with statutory requirements, the
25 superintendent shall require correction of the errors as follows:

26 1. Corrections may be made in the current year or in the budget year,
27 except that in case of hardship to the school district, the superintendent
28 may approve corrections partly in one year and partly in the year after that
29 year.

30 2. Errors in the calculation of state aid shall be corrected by
31 increasing or decreasing the state aid to the school district or charter
32 school in the year or years in which the correction is made.

33 3. Errors in the calculation of the school district's or charter
34 school's budget limits shall be corrected at a public hearing by requiring
35 the governing board to reduce or by allowing it to increase its budget by the
36 amount of the correction to be made that year. Overbudgeting errors
37 corrected as provided in this paragraph are exempt from the provisions of
38 section 15-905, subsections L and M. Not later than three days after the
39 hearing and correction, the budget as revised shall be submitted
40 electronically to the superintendent of public instruction. **NOTHING IN THIS
41 PARAGRAPH SHALL BE CONSTRUED TO REQUIRE A DECREASE IN STATE AID NOT OTHERWISE
42 REQUIRED BY PARAGRAPH 2 OF THIS SUBSECTION.**

43 B. Subject to the review by the joint legislative budget committee,
44 the superintendent of public instruction shall adjust state aid for a school
45 district in the current year if the governing board of a school district

1 requests the recalculation of state aid for a prior year due to a change in
 2 assessed valuation that occurred as the result of a judgment in accordance
 3 with section 42-16213.

4 C. Notwithstanding subsection A of this section, a school district or
 5 charter school may not make upward revisions to its average daily membership
 6 counts for a particular school year after June 30 of the subsequent school
 7 year.

8 D. For the purposes of this section, "state aid":

9 1. For school districts means state aid as determined in section
 10 15-971 and additional state aid as determined in section 15-972.

11 2. For charter schools means state aid as determined in section
 12 15-185.

13 Sec. 33. Section 15-943, Arizona Revised Statutes, is amended to read:

14 15-943. Base support level

15 The base support level for each school district shall be computed as
 16 follows:

17 1. The following support level weights shall be used in paragraph 2,
 18 subdivision (a) **OF THIS SECTION** for the following school districts:

19 (a) For school districts whose student count in kindergarten programs
 20 and grades one through eight is classified in column 1 of this subdivision,
 21 the support level weight for kindergarten programs and grades one through
 22 eight is the corresponding support level weight prescribed in column 2 or 3
 23 of this subdivision, whichever is appropriate:

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
	Support Level Weight For Small Isolated School Districts	Support Level Weight For Small School Districts
Student Count		
1-99	1.559	1.399
100-499	1.358 + [0.0005 x (500 - student count)]	1.278 + [0.0003 x (500 - student count)]
500-599	1.158 + [0.002 x (600 - student count)]	1.158 + [0.0012 x (600 - student count)]

33 (b) For school districts whose student count in grades nine through
 34 twelve is classified in column 1 of this subdivision, the support level
 35 weight for grades nine through twelve is the corresponding support level
 36 weight prescribed in column 2 or 3 of this subdivision, whichever is
 37 appropriate:

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
	Support Level Weight For Small Isolated School Districts	Support Level Weight For Small School Districts
Student Count		
1-99	1.669	1.559
100-499	1.468 + [0.0005 x (500 - student count)]	1.398 + [0.0004 x (500 - student count)]

1 500-599 1.268 + [0.002 x (600 1.268 + [0.0013 x (600
 2 - student count)] - student count)]

3 2. Subject to paragraph 1 OF THIS SECTION, determine the weighted
 4 student count as follows:

5 (a)

6					Support				Weighted	
7					Level		Student		Student	
8	<u>Grade</u>	<u>Base</u>		<u>Group A</u>	<u>Weight</u>		<u>Count</u>		<u>Count</u>	
9	PSD	1.000	+	0.450	=	1.450	x	_____	=	_____
10	K-8	1.000	+	0.158	=	1.158	x	_____	=	_____
11	9-12	1.163	+	0.105	=	1.268	x	_____	=	_____
12								Subtotal	A	_____

13 (b)

14					Support				Weighted
15	<u>Funding</u>				Level		Student		Student
16	<u>Category</u>				<u>Weight</u>		<u>Count</u>		<u>Count</u>
17	HI				4.771	x	_____	=	_____
18	K, for fiscal year								
19	2006-2007				0.835	x	_____	=	_____
20	K, for fiscal year								
21	2007-2008 and each								
22	fiscal year thereafter				1.352	x	_____	=	_____
23	K-3				0.060	x	_____	=	_____
24	ELL				0.115	x	_____	=	_____
25	MD-R, A-R and								
26	SMR-R				6.024	x	_____	=	_____
27	MD-SC, A-SC and								
28	SMR-SC				5.833	x	_____	=	_____
29	MD-SSI				7.947	x	_____	=	_____
30	OI-R				3.158	x	_____	=	_____
31	OI-SC				6.773	x	_____	=	_____
32	P-SD				3.595	x	_____	=	_____
33	ED, MIMR, SLD,								
34	SLI and OHI				0.003	x	_____	=	_____
35	P-SD				3.595	x	_____	=	_____
36	DD, ED, MIMR, SLD,								
37	SLI AND OHI				0.003	x	_____	=	_____
38	ED-P				4.822	x	_____	=	_____
39	MOMR				4.421	x	_____	=	_____
40	VI				4.806	x	_____	=	_____
41							Subtotal	B	_____

42 (c) Total of subtotals A and B: _____

43 3. Multiply the total determined in paragraph 2 OF THIS SECTION by the
 44 base level.

1 4. Multiply the teacher experience index of the district or 1.00,
2 whichever is greater, by the product obtained in paragraph 3 OF THIS SECTION.

3 5. Add the amount determined in section 15-910.04.

4 Sec. 34. Section 15-947, Arizona Revised Statutes, as amended by Laws
5 2008, chapter 207, section 4, is amended to read:

6 15-947. Revenue control limit; district support level; general
7 budget limit; unrestricted total capital budget
8 limit; soft capital allocation limit

9 A. The revenue control limit for a school district is equal to the sum
10 of the base revenue control limit determined in section 15-944, THE AMOUNT
11 DETERMINED IN SECTION 15-910.04 and the transportation revenue control limit
12 determined in section 15-946.

13 B. The district support level for a school district is equal to the
14 sum of the base support level determined in section 15-943 and the
15 transportation support level determined in section 15-945.

16 C. The general budget limit for each school district, for each fiscal
17 year, is the sum of the following:

18 1. The maintenance and operations portion of the revenue control limit
19 for the budget year.

20 2. The maintenance and operation portion of the following amounts:

21 (a) Amounts that are fully funded by revenues other than a levy of
22 taxes upon the taxable property within the school district, as listed below:

23 (i) Amounts budgeted as the budget balance carryforward as provided in
24 section 15-943.01.

25 (ii) Tuition revenues for attendance of nonresident pupils.

26 (iii) State assistance as provided in section 15-976.

27 (iv) Special education revenues as provided in section 15-825,
28 subsection D and section 15-1204.

29 (v) ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION
30 ACT OF 1965 assistance determined for children with disabilities, children
31 with specific learning disabilities, children residing on Indian lands and
32 children residing within the boundaries of an accommodation school that is
33 located on a military reservation and that is classified as a heavily
34 impacted local educational agency pursuant to 20 United States Code section
35 7703 as provided in section 15-905, subsections K and O.

36 (vi) ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION
37 ACT OF 1965 administrative costs as provided in section 15-905, subsection P.

38 (vii) State assistance for excess tuition as provided in section
39 15-825.01.

40 (viii) Amounts received from the state board of education pursuant to
41 section 15-973.01.

42 (ix) TRANSPORTATION REVENUES FOR ATTENDANCE OF NONRESIDENT PUPILS.

43 (b) Amounts approved pursuant to an override election as provided in
44 section 15-481 for the applicable fiscal year.

- 1 (c) Expenditures for excess utility costs as provided in section
2 15-910.
- 3 (d) Amounts authorized by the county school superintendent pursuant to
4 section 15-974, subsection B.
- 5 (e) Expenditures for complying with a court order of desegregation as
6 provided in section 15-910.
- 7 (f) Expenditures for the bond issues portion of the cost of tuition as
8 provided in section 15-910.
- 9 (g) Interest on registered warrants or tax anticipation notes as
10 provided in section 15-910.
- 11 (h) Amounts budgeted for a jointly owned and operated career and
12 technical education and vocational education center as provided in section
13 15-910.01.
- 14 3. The maintenance and operations portion of the capital outlay
15 revenue limit for the budget year.
- 16 4. Any other budget item that is budgeted in the maintenance and
17 operation section of the budget and that is specifically exempt from the
18 revenue control limit or the capital outlay revenue limit.
- 19 D. The unrestricted capital budget limit, for each school district for
20 each fiscal year, is the sum of the following:
- 21 1. The federal impact adjustment as determined in section 15-964 for
22 the budget year.
- 23 2. Any other budget item that is budgeted in the capital outlay
24 section of the budget and that is specifically exempt from the capital outlay
25 revenue limit.
- 26 3. The UNRESTRICTED capital portion of the amounts contained in
27 subsection C, ~~paragraph 2~~ of this section.
- 28 4. The unexpended budget balance in the unrestricted capital outlay
29 fund from the previous fiscal year.
- 30 5. The net interest earned in the unrestricted capital outlay fund the
31 previous fiscal year.
- 32 6. THE BUDGETED AMOUNT AS APPROVED AND DETERMINED PURSUANT TO SECTION
33 15-962, SUBSECTION F.
- 34 E. The soft capital allocation limit for each school district for each
35 fiscal year is the sum of the following:
- 36 1. The soft capital allocation for the budget year.
- 37 2. The unexpended budget balance in the soft capital allocation fund
38 from the previous fiscal year.
- 39 3. The net interest earned in the soft capital allocation fund the
40 previous fiscal year.
- 41 Sec. 35. Repeal
- 42 Section 15-947, Arizona Revised Statutes, as amended by Laws 2008,
43 chapter 287, section 14, is repealed.

1 ~~sixty-eight dollars~~ TWO HUNDRED ELEVEN DOLLARS TWENTY-NINE CENTS by the
2 weight which corresponds to the student count for grades nine through twelve
3 for the school district as provided in section 15-943, paragraph 1,
4 subdivision (b), column 3. For a school district with a student count of six
5 hundred or more in grades nine through twelve, ~~multiply one hundred~~
6 ~~sixty-eight dollars by 1.268~~ THE LIMIT IS TWO HUNDRED SIXTY-SEVEN DOLLARS
7 NINETY-FOUR CENTS.

8 3. For programs for preschool children with disabilities, ~~multiply~~
9 ~~one hundred fifty-five dollars by 1.158~~ TWO HUNDRED TWENTY-FIVE DOLLARS
10 SEVENTY-SIX CENTS.

11 B. For fiscal year ~~1985-1986~~ 2009-2010 and each year thereafter, the
12 capital outlay revenue limit prescribed in subsection A of this section shall
13 be adjusted by the growth rate prescribed by law, subject to appropriation.

14 C. For fiscal year 1985-1986 and each year thereafter, the capital
15 outlay revenue limit for a school district shall be computed as follows:

16 1. Select the applicable capital outlay revenue limit or limits per
17 student count for the school district.

18 2. Multiply the amount or amounts selected in paragraph 1 of this
19 subsection by the appropriate student count of the school district. The
20 student count of the school district shall not include any pupils in a
21 charter school sponsored by the district pursuant to section 15-185,
22 subsection A, paragraph 3.

23 3. If a school district's student count used for the budget year is
24 greater than one hundred five per cent of the student count used for the
25 current year's budget, increase the adjusted capital outlay revenue limit
26 determined in paragraph 2 of this subsection by the actual percentage
27 increase in the school district's student count.

28 D. For fiscal year ~~1985-1986~~ 2009-2010 and each year thereafter, an
29 amount for the purchase of required textbooks and related printed subject
30 matter materials shall be used to increase the capital outlay revenue limit
31 for a school district as determined in subsection C, paragraph 2 or 3 of this
32 section, whichever is applicable. For fiscal year ~~1985-1986~~ 2009-2010, ~~the~~
33 ~~funding level is fifty-seven dollars fifty cents~~ MULTIPLY THE STUDENT COUNT
34 IN GRADES NINE THROUGH TWELVE BY SIXTY-NINE DOLLARS SIXTY-EIGHT CENTS. ~~For~~
35 ~~fiscal year 1986-1987 and each year thereafter, the funding level is the~~
36 ~~funding level of the previous year adjusted by the growth rate prescribed by~~
37 ~~law, subject to appropriation. The amount to be added to the amount in~~
38 ~~subsection C, paragraph 2 or 3 of this section, whichever is applicable, to~~
39 ~~determine the capital outlay revenue limit for a school district is computed~~
40 ~~as follows:~~

41 ~~1. For fiscal year 1985-1986, multiply the student count in grade nine~~
42 ~~by the funding level for the applicable year as prescribed in this~~
43 ~~subsection.~~

1 ~~2. For fiscal year 1986-1987, multiply the student count in grades~~
2 ~~nine and ten by the funding level for the applicable year as prescribed in~~
3 ~~this subsection.~~

4 ~~3. For fiscal year 1987-1988, multiply the student count in grades~~
5 ~~nine through eleven by the funding level for the applicable year as~~
6 ~~prescribed in this subsection.~~

7 ~~4. For fiscal year 1988-1989 and each year thereafter, multiply the~~
8 ~~student count in grades nine through twelve by the funding level for the~~
9 ~~applicable year as prescribed in this subsection.~~

10 Sec. 38. Section 15-962, Arizona Revised Statutes, is amended to read:

11 15-962. Soft capital allocation

12 A. A soft capital allocation per student count is established for
13 fiscal year 1999-2000, as follows:

14 1. For kindergarten programs and grades one through eight, multiply
15 one hundred ninety-four dollars thirty cents by the weight which corresponds
16 to the student count for kindergarten programs and grades one through eight
17 for the school district as provided in section 15-943, paragraph 1,
18 subdivision (a), column 3.

19 2. For grades nine through twelve, multiply one hundred ninety-four
20 dollars thirty cents by the weight which corresponds to the student count as
21 provided in section 15-943, paragraph 1, subdivision (a), column 3.

22 3. For a school district with a student count of six hundred or more
23 in kindergarten programs and grades one through eight or grades nine through
24 twelve, multiply one hundred ninety-four dollars thirty cents by 1.158.

25 4. For programs for preschool children with disabilities, multiply one
26 hundred ninety-four dollars thirty cents by 1.158.

27 B. Beginning with fiscal year 1999-2000, the soft capital allocation
28 prescribed in subsection A of this section shall be adjusted by the growth
29 rate prescribed by law, subject to appropriation.

30 C. Beginning in fiscal year 1999-2000, the soft capital allocation for
31 a school district is computed as follows:

32 1. Select the applicable soft capital allocation per student count for
33 the school district as provided in subsection A of this section.

34 2. Multiply the amount selected in paragraph 1 of this subsection by
35 the appropriate student count of the school district. The student count of
36 the school district shall not include any pupils in a charter school
37 sponsored by the school district pursuant to section 15-185, subsection A,
38 paragraph 3.

39 D. A school district shall receive its soft capital allocation in the
40 amount determined in this section from monies appropriated for this purpose
41 to the department of education. Soft capital allocation monies shall only be
42 used for short-term capital items that are required to meet academic adequacy
43 standards such as technology, textbooks, library resources, instructional
44 aids, pupil transportation vehicles, furniture and equipment. School
45 districts shall not use any portion of soft capital allocation monies for

1 maintenance and operation expenses. School districts may use soft capital
2 allocation monies to meet administrative soft capital purposes after
3 complying with the adequacy standards prescribed in section 15-2011.

4 E. School districts shall establish a district soft capital allocation
5 fund and shall use the monies only for the purposes prescribed in subsection
6 D of this section. The ending unexpended budget balance in the school
7 district's soft capital allocation fund may be used in following fiscal years
8 for short-term capital items. School districts shall provide to the
9 superintendent of public instruction an itemized accounting on forms provided
10 by the department of education that details the expenditures of soft capital
11 allocation monies at each school in the district. The superintendent of
12 public instruction shall forward a copy of the report to the school
13 facilities board established by section 15-2001.

14 F. A school district governing board may petition the state board of
15 education for authority to budget and accumulate for school construction,
16 building renovation or soft capital purposes a portion of the prior year's
17 ending cash balance, not to exceed the amount of ~~P.L. 81-874~~ TITLE VIII OF
18 THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 monies which the school
19 district was entitled to receive in the prior year, as computed by the
20 superintendent of public instruction, if:

21 1. The governing board filed with the United States department of
22 education division of impact aid an approved application for federal
23 assistance for construction under P.L. 81-815 for the current or budget year
24 and has been advised by the division of impact aid that no federal monies are
25 available to fund its application.

26 2. The school district has a computed assessed valuation per pupil
27 which is below the median amount computed by the superintendent of public
28 instruction for all school districts.

29 3. The governing board has used any available revenues to reduce its
30 primary tax rate to zero for any year in which it petitions to budget and
31 accumulate monies received under ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND
32 SECONDARY EDUCATION ACT OF 1965 for school construction purposes.

33 The state board of education may grant approval to a school district
34 governing board to annually budget in the unrestricted capital outlay section
35 of the budget a portion of the cash balance, not to exceed the amount of ~~P.L.~~
36 ~~81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965
37 monies which the school district was entitled to receive in the prior year as
38 computed by the superintendent of public instruction.

39 G. The state board of education shall not include in the aggregate
40 expenditures of local revenues as determined in section 15-911 the amount of
41 revenues collected pursuant to the soft capital allocation limit. The amount
42 of revenues collected for the soft capital allocation limit is the capital
43 levy as authorized by law.

1 Sec. 39. Section 15-964, Arizona Revised Statutes, is amended to read:
2 15-964. Federal impact adjustment

3 A. The governing board of a school district may compute a federal
4 impact adjustment to the unrestricted capital budget limit. The maximum
5 amount of the federal impact adjustment is the sum of the following:

6 1. Twenty-five per cent of the monies received from forest reserve
7 funds by the school district in the prior fiscal year as provided in section
8 41-736.

9 2. For a school district that is not an accommodation school, the
10 lesser of:

11 (a) Twenty-five per cent of the ~~P.L. 81-874~~ TITLE VIII OF THE
12 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 revenues received in the prior
13 fiscal year.

14 (b) The total amount of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND
15 SECONDARY EDUCATION ACT OF 1965 revenues received in the prior fiscal year
16 minus the sum of the following:

17 (i) The amount of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND
18 SECONDARY EDUCATION ACT OF 1965 assistance used to increase the general
19 budget limit as provided in section 15-905, subsections K and O for the prior
20 fiscal year.

21 (ii) The amount budgeted for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY
22 AND SECONDARY EDUCATION ACT OF 1965 administrative costs as provided in
23 section 15-905, subsection P for the current year.

24 (iii) The amount budgeted for principal and interest on impact aid
25 revenue bonds pursuant to section 15-2104 for the current year.

26 B. The federal impact adjustment shall only be budgeted and expended
27 for new construction, major renovation of buildings or soft capital.

28 C. The governing board may not compute a federal impact adjustment for
29 any year in which it budgets as provided in section 15-962, subsection F.

30 D. If the governing board underestimated the amount of the federal
31 impact adjustment for the current year, the board may adjust the unrestricted
32 capital budget limit and the budget before May 15. If the board
33 overestimated the amount of the federal impact adjustment for the current
34 year, the board shall adjust the unrestricted capital budget limit and the
35 budget before May 15. Not later than May 18, the budget as revised shall be
36 submitted electronically to the superintendent of public instruction.

37 Sec. 40. Section 15-973, Arizona Revised Statutes, is amended to read:
38 15-973. Apportionment of funds; expenditure limitation

39 A. The state board of education shall apportion state aid from
40 appropriations made for such purpose to the several counties on the basis of
41 state aid entitlement for the school districts in each county. No allowance
42 shall be made for nonresident alien children nor for wards of the United
43 States for whom tuition is paid, but attendance of a student in a school of a
44 county adjoining the county of his residence outside the state under a
45 certificate of educational convenience as provided by section 15-825 shall be

1 deemed to be enrollment in the school of the county or school district of his
2 residence.

3 B. Apportionments shall be made as follows:

4 1. On July 15, one-twelfth of the total amount to be apportioned
5 during the fiscal year.

6 2. On September 15, one-twelfth of the total amount to be apportioned
7 during the fiscal year.

8 3. On October 15, one-twelfth of the total amount to be apportioned
9 during the fiscal year.

10 4. On December 15, one-twelfth of the total amount to be apportioned
11 during the fiscal year.

12 5. On January 15, one-twelfth of the total amount to be apportioned
13 during the fiscal year.

14 6. On February 15, one-twelfth of the total amount to be apportioned
15 during the fiscal year.

16 7. On March 15, one-twelfth of the total amount to be apportioned
17 during the fiscal year.

18 8. On April 15, one-sixth of the total amount to be apportioned during
19 the fiscal year.

20 9. On May 15, one-sixth of the total amount to be apportioned during
21 the fiscal year.

22 10. On June 15, one-twelfth of the total amount to be apportioned
23 during the fiscal year, except that if the total amount of monies available
24 to make the payment is less than the amount of the payment, a portion of the
25 June 15 payment may be delayed no later than June 30 to allow for the receipt
26 of income from the permanent state common school fund.

27 The superintendent of public instruction shall furnish to the county
28 treasurer and the county school superintendent an abstract of the
29 apportionment and shall certify the apportionment to the department of
30 administration, which shall draw its warrant in favor of the county treasurer
31 of each county for the amount apportioned. Upon receipt of the warrant the
32 county treasurer shall notify the county school superintendent of the amount,
33 together with any other monies standing to the credit of such school district
34 in the county school fund.

35 C. Notwithstanding subsection B of this section, if sufficient
36 appropriated funds are available and on a showing by a school district that
37 additional state monies are necessary for current expenses, an apportionment
38 or part of an apportionment of state aid may be paid to the school district
39 prior to the date set for such apportionment by subsection B of this
40 section. After the first forty days in session of the current year, a school
41 district may request additional state monies to fund the increased state aid
42 due to anticipated student growth through the first one hundred days or two
43 hundred days in session, as applicable, of the current year as provided in
44 section 15-948. In no event shall a school district have received more than
45 three-fourths of its total apportionment before April 15 of the fiscal

1 year. Early payments pursuant to this subsection must be approved by the
2 state treasurer, the director of the department of administration and the
3 superintendent of public instruction.

4 ~~D. Until June 30, 1999, at such time and as provided by federal law or~~
5 ~~regulation, state aid shall be reduced as follows:~~

6 ~~1. The superintendent of public instruction shall compute the amount~~
7 ~~of monies which each school district is eligible to receive under P.L.~~
8 ~~81-874, less P.L. 81-874 monies for children with disabilities, children with~~
9 ~~specific learning disabilities and children residing on Indian lands which~~
10 ~~are in addition to the basic assistance as provided in 20 United States Code~~
11 ~~section 238(d)2(C) and (D), and for which monies have been appropriated.~~

12 ~~2. The superintendent of public instruction shall deduct from state~~
13 ~~aid for each school district which is eligible to receive monies under P.L.~~
14 ~~81-874 and for which monies are appropriated as provided in paragraph 1 of~~
15 ~~this subsection the lesser of:~~

16 ~~(a) The maximum allowed by law or regulation.~~

17 ~~(b) The amount computed as follows:~~

18 ~~(i) For fiscal year 1982-1983, twenty-five per cent of the amount~~
19 ~~computed in paragraph 1 of this subsection.~~

20 ~~(ii) For fiscal year 1983-1984, fifty per cent of the amount computed~~
21 ~~in paragraph 1 of this subsection.~~

22 ~~(iii) For fiscal year 1984-1985, seventy-five per cent of the amount~~
23 ~~computed in paragraph 1 of this subsection.~~

24 ~~(iv) Beginning with fiscal year 1985-1986, ninety-five per cent of the~~
25 ~~amount computed in paragraph 1 of this subsection.~~

26 ~~3. The reduction in state aid shall be made from equalization~~
27 ~~assistance as prescribed in section 15-971 or from additional state aid as~~
28 ~~prescribed in section 15-972 during the fiscal year following the fiscal year~~
29 ~~in which the monies are received. The superintendent of public instruction~~
30 ~~shall make additional adjustments in state aid for allowable deductions which~~
31 ~~were not made in any previous fiscal year which is not more than five years~~
32 ~~earlier than the year in which the adjustments are made. The superintendent~~
33 ~~of public instruction shall give the school district prior notice of the~~
34 ~~intention to make the additional adjustments and may distribute the~~
35 ~~adjustments over more than one year after considering the effects of the~~
36 ~~adjustments on the school district.~~

37 ~~E. D.~~ The superintendent of public instruction shall not make
38 application to the federal government to utilize ~~P.L. 81-874~~ TITLE VIII OF
39 THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 monies in determining the
40 apportionment prescribed in this section.

41 ~~F. E.~~ If a school district which is eligible to receive monies
42 pursuant to this article is unable to meet a scheduled payment on any
43 lawfully incurred long-term obligation for debt service as provided in
44 section 15-1022, the county treasurer shall use any amount distributed
45 pursuant to this section to make the payment. The county treasurer shall

1 keep a record of all the instances in which a payment is made pursuant to
2 this subsection. Any monies subsequently collected by the district to make
3 the scheduled payment shall be used to replace the amount diverted pursuant
4 to this subsection. When determining the total amount to be funded by a levy
5 of secondary taxes upon property within the school district for the following
6 fiscal year, the county board of supervisors shall add to the amounts
7 budgeted to be expended during the following fiscal year an amount equal to
8 the total of all payments pursuant to this subsection during the current
9 fiscal year which were not repaid during the current year.

10 ~~G.~~ F. The total amount of state monies that may be spent in any
11 fiscal year by the state board of education for apportionment of state aid
12 for education shall not exceed the amount appropriated or authorized by
13 section 35-173 for that purpose. This section shall not be construed to
14 impose a duty on an officer, agent or employee of this state to discharge a
15 responsibility or to create any right in a person or group if the discharge
16 or right would require an expenditure of state monies in excess of the
17 expenditure authorized by legislative appropriation for that specific
18 purpose.

19 Sec. 41. Section 15-973.01, Arizona Revised Statutes, is amended to
20 read:

21 15-973.01. Assistance for education fund

22 A. The assistance for education fund is established consisting of
23 monies received pursuant to section 43-617.

24 B. The state board of education shall administer the fund. On notice
25 from the state board, the state treasurer shall invest and divest monies in
26 the fund as provided by section 35-313 and monies earned from investments
27 shall be credited to the fund. Monies in the fund:

- 28 1. Are continuously appropriated to the state board of education.
- 29 2. Are exempt from the provisions of section 35-190, relating to
30 lapsing of appropriations.

31 C. The state board of education shall **ACCUMULATE MONIES UNTIL THOSE**
32 **MONIES ARE SUFFICIENT TO PROVIDE A MINIMUM OF FIVE DOLLARS PER UNWEIGHTED**
33 **STUDENT COUNT AND SHALL** distribute monies in the fund to school districts **AND**
34 **CHARTER SCHOOLS** at the same time, in the same manner and in the same
35 proportions as state aid from appropriations made pursuant to ~~section~~
36 **SECTIONS 15-185 AND 15-973.**

37 D. Monies in the fund shall not be used to reduce the general fund
38 requirement for state aid.

39 Sec. 42. Section 15-991, Arizona Revised Statutes, is amended to read:

40 15-991. Annual estimate by county school superintendent of
41 monies for ensuing year

42 A. The county school superintendent, not later than August 1 each
43 year, shall file in writing with the governing board of each school district
44 in the county and the board of supervisors the superintendent's estimate of
45 the amount of school monies required by each school district for the ensuing

1 year, based on the budgets adopted by the governing boards of the school
2 districts. The estimate shall contain:

3 1. A statement of the student count of each school district.
4 2. The total amount to be received for the year by each school
5 district from the county school fund and the special county school reserve
6 fund.

7 3. The ending cash balance from the previous year for each school
8 district.

9 4. The anticipated interest earnings for each school district.

10 5. Revenues equal to the amount included in the adopted budget for the
11 maintenance and operation section of the budget permitted by section 15-947,
12 subsection C, paragraph 2, subdivision (a), items (ii), (iii), (iv), (v) and
13 (vi) and subdivision (d). The county school superintendent shall estimate
14 the additional amounts needed for each school district from the primary
15 property tax and the secondary property tax and shall certify such amounts to
16 the board of supervisors in writing at the time of filing the estimate. When
17 estimating the additional amount needed from the primary property tax for a
18 school district that is not eligible for any equalization assistance as
19 provided in section 15-971, the county school superintendent shall include
20 the school district governing board's estimate of the increase in the revenue
21 control limit as prescribed by section 15-948 for the applicable year, except
22 that the percentage increase in average daily membership used to compute the
23 estimated increase in the revenue control limit may not exceed the average of
24 the percentage increase in average daily membership in the three years before
25 the year for which the estimate is made.

26 B. The county school superintendent shall recompute equalization
27 assistance for education for each school district as provided in section
28 15-971, subsection A using the property values provided by the county
29 assessor as provided in section 42-17052. The county school superintendent
30 shall certify in writing the amount of equalization assistance for education
31 and the amount needed for each school district from the primary property tax
32 to the board of supervisors on or before the third day prior to the day the
33 board of supervisors is required to levy school district taxes as provided in
34 section 15-992.

35 C. The county school superintendent shall compute the additional
36 amount to be levied as provided in section 15-992, subsection B, using the
37 property values provided in section 42-17052. The county school
38 superintendent shall certify in writing the additional amount to be levied to
39 the county board of supervisors on or before the third day prior to the day
40 the board of supervisors is required to levy school district taxes as
41 provided in section 15-992.

42 D. On or before September 1, the governing board of a school district
43 shall file with the county school superintendent an estimate of the amount of
44 ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965
45 monies which it is eligible to receive during the current year. On or before

1 June 1, the governing board shall file with the county school superintendent
2 and the superintendent of public instruction a statement of the actual amount
3 of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF
4 1965 monies it received during the current year. This subsection does not
5 apply to accommodation schools.

6 E. The department may collect any other similar or related information
7 from school districts that the department may determine is necessary to carry
8 out the purposes of this section.

9 Sec. 43. Section 15-1042, Arizona Revised Statutes, is amended to
10 read:

11 15-1042. Time line; student level data; definition

12 A. The department of education shall notify school districts and
13 charter schools of electronic data submission procedures and shall distribute
14 a list of the specific student level data elements that school districts and
15 charter schools are required to submit. The department of education shall
16 not make any changes to the student level data elements to be collected
17 except for the following:

18 1. Student attendance data for a joint technological education
19 district, including entry date and exit date, for classes that count towards
20 the student's graduation requirements as provided for in section 15-701.01.

21 2. Student attendance data for a community college, unless the college
22 is owned, operated or chartered by an Indian tribe, including entry date and
23 exit date, for classes that count towards the student's graduation
24 requirements as provided for in section 15-701.01.

25 B. ~~By July 1, 2001,~~ Each school district and charter school shall
26 submit electronic data on a school by school basis, including student level
27 data, to the department of education in order for the school district or
28 charter school to receive monies for the cost of educating students pursuant
29 to this title.

30 C. The department of education shall grant a school district or
31 charter school an extension to the deadline for the submission of student
32 level data or may provide for an alternative method for the submission of
33 student level data if the school district or charter school proves that good
34 cause exists for the extension, and the school district or charter school
35 shall continue to receive monies for the cost of educating students pursuant
36 to this title. ~~A school district or charter school requesting an extension~~
37 ~~shall notify the department of education no later than June 1, 2001.~~ The
38 request by a school district or charter school for an extension of the
39 deadline for the submission of student level data shall include a
40 justification for the extension and the status of current efforts towards
41 complying with the submission of student level data.

42 D. A pupil or the parent or guardian of a pupil shall not be required
43 to submit data that does not relate to the provision of educational services
44 or assistance to the pupil.

1 E. Each student level data element shall include a statutory reference
2 to the law that necessitates its collection.

3 F. UNLESS OTHERWISE PRESCRIBED, SCHOOL DISTRICTS AND CHARTER SCHOOLS
4 SHALL BEGIN TO REPORT NEW DATA ELEMENTS ON JULY 1 OF THE YEAR THAT FOLLOWS
5 THE EFFECTIVE DATE OF THE LAW THAT REQUIRES THE COLLECTION OF THE DATA.

6 ~~F.~~ G. Student level data items submitted to the department of
7 education by school districts pursuant to this section shall not be used to
8 adjust funding levels or calculate the average daily membership for the
9 purpose of funding school districts at any time other than the fortieth, one
10 hundredth and two hundredth day of the school year.

11 ~~G.~~ H. A school district or charter school is not required to submit
12 student level data to the department of education more often than once every
13 twenty school days.

14 ~~H.~~ I. Notwithstanding subsection ~~K~~ L of this section, the student
15 level data shall include reasons for the withdrawal if reasons are provided
16 by the withdrawing pupil or the pupil's parent or guardian. For the purposes
17 of this subsection, the department of education shall include in the specific
18 student level data elements that school districts and charter schools are
19 required to submit data relating to students who withdraw from school because
20 the student is pregnant or because the student is the biological parent of a
21 child.

22 ~~I.~~ J. The department of education shall adopt guidelines to remove
23 outdated student level data collected by school districts and charter schools
24 from the student accountability information system ~~beginning in the 2004-2005~~
25 ~~school year.~~

26 ~~J.~~ K. All student level data collected pursuant to this section is
27 confidential and is not a public record. The data collected may be used for
28 aggregate research and reporting.

29 ~~K.~~ L. For the purposes of this section, "student level data" means
30 all data elements that are compiled and submitted for each student in this
31 state and that are necessary for the completion of the statutory requirements
32 of the department of education and the state board of education relating to
33 the calculation of funding for public education, the determination of student
34 academic progress as measured by student testing programs in this state,
35 state and federal reporting requirements and other duties prescribed to the
36 department of education or the state board of education by law. Student
37 level data does not include data elements related to student behavior,
38 discipline, criminal history, medical history, religious affiliation,
39 personal physical descriptors or family information not authorized by the
40 parent or guardian of the pupil.

1 INVESTMENTS IN WHICH ANY OF THE TRUST ACCOUNT MONIES ARE INVESTED. THE
2 INVESTMENT MANAGER SHALL INVEST THE MONIES IN THE TRUST ACCOUNT IN THE SAME
3 MANNER AS THE MONIES IN THE PERMANENT STATE LAND FUND PURSUANT TO SECTION
4 35-314.01, EXCEPT THAT NOT MORE THAN THIRTY PER CENT OF THE MONIES IN THE
5 TRUST ACCOUNT MAY BE INVESTED IN EQUITY SECURITIES AT ANY TIME. THE
6 PERCENTAGE OF INVESTMENT SHALL BE CALCULATED AT COST.

7 H. IF APPLICABLE, EACH SCHOOL DISTRICT SHALL SUBMIT ON OR BEFORE
8 SEPTEMBER 1, 2009 TO THE JOINT LEGISLATIVE BUDGET COMMITTEE THE MOST RECENT
9 ACTUARIAL STUDY OF THE SCHOOL DISTRICT'S EXISTING OTHER POSTEMPLOYMENT
10 BENEFITS OFFERED BY THE SCHOOL DISTRICT AND ANY PROSPECTIVE OTHER
11 POSTEMPLOYMENT BENEFITS CONTEMPLATED TO BE OFFERED BY THE SCHOOL DISTRICT,
12 INCLUDING AN ANALYSIS OF DEFINED CONTRIBUTION PLANS AND DEFINED BENEFITS
13 PLANS IF APPROPRIATE AND IF THE DEFINED CONTRIBUTION OR DEFINED BENEFIT PLANS
14 ARE USED TO ADMINISTER ANY OTHER POSTEMPLOYMENT BENEFIT. EACH TIME A SCHOOL
15 DISTRICT CONDUCTS A NEW ACTUARIAL STUDY OF THE SCHOOL DISTRICT'S EXISTING OR
16 PROSPECTIVE OTHER POSTEMPLOYMENT BENEFITS, THE SCHOOL DISTRICT SHALL SUBMIT
17 THE NEW STUDY TO THE JOINT LEGISLATIVE BUDGET COMMITTEE WITHIN THIRTY DAYS OF
18 THE COMPLETION OF THE STUDY.

19 I. FOR THE PURPOSES OF THIS SECTION, POSTEMPLOYMENT BENEFITS DO NOT
20 INCLUDE BENEFITS PROVIDED BY THE ARIZONA STATE RETIREMENT SYSTEM.

21 Sec. 45. Section 15-2002, Arizona Revised Statutes, is amended to
22 read:

23 15-2002. Powers and duties; executive director; staffing;
24 report

25 A. The school facilities board shall:

26 1. Make assessments of school facilities and equipment deficiencies
27 and approve the distribution of grants as appropriate.

28 2. Develop a database for administering the building renewal formula
29 prescribed in section 15-2031 and administer the distribution of monies to
30 school districts for building renewal.

31 3. Inspect school buildings at least once every five years to ensure
32 compliance with the building adequacy standards prescribed in section 15-2011
33 and routine preventative maintenance guidelines as prescribed in this section
34 with respect to construction of new buildings and maintenance of existing
35 buildings. The school facilities board shall randomly select twenty school
36 districts every thirty months and inspect them pursuant to this paragraph.

37 4. Review and approve student population projections submitted by
38 school districts to determine to what extent school districts are entitled to
39 monies to construct new facilities pursuant to section 15-2041. The board
40 shall make a final determination within six months of the receipt of an
41 application by a school district for monies from the new school facilities
42 fund.

43 5. Certify that plans for new school facilities meet the building
44 adequacy standards prescribed in section 15-2011.

1 6. Develop prototypical elementary and high school designs. The board
2 shall review the design differences between the schools with the highest
3 academic productivity scores and the schools with the lowest academic
4 productivity scores. The board shall also review the results of a valid and
5 reliable survey of parent quality rating in the highest performing schools
6 and the lowest performing schools in this state. The survey of parent
7 quality rating shall be administered by the department of education. The
8 board shall consider the design elements of the schools with the highest
9 academic productivity scores and parent quality ratings in the development of
10 elementary and high school designs. The board shall develop separate school
11 designs for elementary, middle and high schools with varying pupil
12 capacities.

13 7. Develop application forms, reporting forms and procedures to carry
14 out the requirements of this article.

15 8. Review and approve or reject requests submitted by school districts
16 to take actions pursuant to section 15-341, subsection ~~F~~ G.

17 9. Submit **ELECTRONICALLY** an annual report by December 15 to the
18 speaker of the house of representatives, the president of the senate, the
19 superintendent of public instruction, the director of the Arizona state
20 library, archives and public records and the governor that includes the
21 following information:

22 (a) A detailed description of the amount of monies distributed by the
23 school facilities board in the previous fiscal year.

24 (b) A list of each capital project that received monies from the
25 school facilities board during the previous fiscal year, a brief description
26 of each project that was funded and a summary of the board's reasons for the
27 distribution of monies for the project.

28 (c) A summary of the findings and conclusions of the building
29 maintenance inspections conducted pursuant to this article during the
30 previous fiscal year.

31 (d) A summary of the findings of common design elements and
32 characteristics of the highest performing schools and the lowest performing
33 schools based on academic productivity, including the results of the parent
34 quality rating survey. For the purposes of this subdivision, "academic
35 productivity" means academic year advancement per calendar year as measured
36 with student-level data using the statewide nationally standardized
37 norm-referenced achievement test.

38 10. By December 1 of each year, report **ELECTRONICALLY** to the joint
39 committee on capital review the amounts necessary to fulfill the requirements
40 of sections 15-2022, 15-2031 and 15-2041 for the following fiscal year and
41 the estimated amounts necessary to fulfill the requirements of sections
42 15-2022, 15-2031 and 15-2041 for the fiscal year following the next fiscal
43 year. The board shall provide copies of the report to the president of the
44 senate, the speaker of the house of representatives and the governor.

1 11. Adopt minimum school facility adequacy guidelines to provide the
2 minimum quality and quantity of school buildings and the facilities and
3 equipment necessary and appropriate to enable pupils to achieve the
4 educational goals of the Arizona state schools for the deaf and the
5 blind. The school facilities board shall establish minimum school facility
6 adequacy guidelines applicable to the Arizona state schools for the deaf and
7 the blind.

8 12. In each even-numbered year, report **ELECTRONICALLY** to the joint
9 committee on capital review the amounts necessary to fulfill the requirements
10 of sections 15-2031 and 15-2041 for the Arizona state schools for the deaf
11 and the blind for the following two fiscal years. The Arizona state schools
12 for the deaf and the blind shall incorporate the findings of the report in
13 any request for building renewal monies and new school facilities monies.
14 Any monies provided to the Arizona state schools for the deaf and the blind
15 for building renewal and for new school facilities are subject to legislative
16 appropriation.

17 13. By June 15 of each year, submit **ELECTRONICALLY** detailed information
18 regarding demographic assumptions, a proposed construction schedule and new
19 school construction cost estimates for individual projects approved in the
20 current fiscal year and expected project approvals for the upcoming fiscal
21 year to the joint committee on capital review for its review. A copy of the
22 report shall also be submitted **ELECTRONICALLY** to the governor's office of
23 strategic planning and budgeting. The joint legislative budget committee
24 staff, the governor's office of strategic planning and budgeting staff and
25 the school facilities board staff shall agree on the format of the report.

26 14. Every two years, provide school districts with information on
27 improving and maintaining the indoor environmental quality in school
28 buildings.

29 B. The school facilities board may contract for ~~private~~ **THE FOLLOWING**
30 services in compliance with the procurement practices prescribed in title 41,
31 chapter 23:

- 32 1. **PRIVATE SERVICES.**
- 33 2. **CONSTRUCTION PROJECT MANAGEMENT SERVICES.**
- 34 3. **ASSESSMENTS FOR SCHOOL BUILDINGS TO DETERMINE IF THEY HAVE OUTLIVED**
35 **THEIR USEFUL LIFE PURSUANT TO SECTION 15-2041, SUBSECTION G.**
- 36 4. **SERVICES RELATED TO LAND ACQUISITION AND DEVELOPMENT OF A SCHOOL**
37 **SITE.**

38 C. The governor shall appoint an executive director of the school
39 facilities board pursuant to section 38-211. The executive director is
40 eligible to receive compensation as determined pursuant to section 38-611 and
41 may hire and fire necessary staff as approved by the legislature in the
42 budget. The executive director shall have demonstrated competency in school
43 finance, facilities design or facilities management, either in private
44 business or government service. The executive director serves at the

1 pleasure of the governor. The staff of the school facilities board is exempt
2 from title 41, chapter 4, articles 5 and 6. The executive director:

3 1. Shall analyze applications for monies submitted to the board by
4 school districts.

5 2. Shall assist the board in developing forms and procedures for the
6 distribution and review of applications and the distribution of monies to
7 school districts.

8 3. May review or audit, or both, the expenditure of monies by a school
9 district for deficiencies corrections, building renewal and new school
10 facilities.

11 4. Shall assist the board in the preparation of the board's annual
12 report.

13 5. Shall research and provide reports on issues of general interest to
14 the board.

15 6. May aid school districts in the development of reasonable and
16 cost-effective school designs in order to avoid statewide duplicated efforts
17 and unwarranted expenditures in the area of school design.

18 7. May assist school districts in facilitating the development of
19 multijurisdictional facilities.

20 8. Shall assist the board in any other appropriate matter or method as
21 directed by the members of the board.

22 9. Shall establish procedures to ensure compliance with the notice and
23 hearing requirements prescribed in section 15-905. The notice and hearing
24 procedures adopted by the board shall include the requirement, with respect
25 to the board's consideration of any application filed after July 1, 2001 or
26 after December 31 of the year in which the property becomes territory in the
27 vicinity of a military airport or ancillary military facility as defined in
28 section 28-8461 for monies to fund the construction of new school facilities
29 proposed to be located in territory in the vicinity of a military airport or
30 ancillary military facility, that the military airport receive notification
31 of the application by first class mail at least thirty days before any
32 hearing concerning the application.

33 10. May expedite any request for monies in which the local match was
34 not obtained for a project that received preliminary approval by the state
35 board for school capital facilities.

36 11. Shall expedite any request for monies in which the school district
37 governing board submits an application that shows an immediate need for a new
38 school facility.

39 12. Shall make a determination as to administrative completion within
40 one month after the receipt of an application by a school district for monies
41 from the new school facilities fund.

42 13. Shall provide technical support to school districts as requested by
43 school districts in connection with the construction of new school facilities
44 and the maintenance of existing school facilities **AND MAY CONTRACT DIRECTLY
45 WITH CONSTRUCTION PROJECT MANAGERS PURSUANT TO SUBSECTION B OF THIS SECTION.**

1 THIS PARAGRAPH DOES NOT RESTRICT A SCHOOL DISTRICT FROM CONTRACTING WITH A
2 CONSTRUCTION PROJECT MANAGER USING DISTRICT OR STATE RESOURCES.

3 D. When appropriate, the school facilities board shall review and use
4 the statewide school facilities inventory and needs assessment conducted by
5 the joint committee on capital review and issued in July, 1995.

6 E. The school facilities board shall contract with one or more private
7 building inspectors to complete an initial assessment of school facilities
8 and equipment and shall inspect each school building in this state at least
9 once every five years to ensure compliance with section 15-2011. A copy of
10 the inspection report, together with any recommendations for building
11 maintenance, shall be provided to the school facilities board and the
12 governing board of the school district.

13 F. The school facilities board may consider appropriate combinations
14 of facilities or uses in making assessments of and curing deficiencies
15 pursuant to subsection A, paragraph 1 of this section and in certifying plans
16 for new school facilities pursuant to subsection A, paragraph 5 of this
17 section.

18 G. The board shall not award any monies to fund new facilities that
19 are financed by class A bonds that are issued by the school district.

20 H. The board shall not distribute monies to a school district for
21 replacement or repair of facilities if the costs associated with the
22 replacement or repair are covered by insurance or a performance or payment
23 bond.

24 I. The board may contract for construction services and materials that
25 are necessary to correct existing deficiencies in school district facilities.
26 The board may procure the construction services necessary pursuant to this
27 subsection by any method, including construction-manager-at-risk,
28 design-build, design-bid-build or job-order-contracting as provided by title
29 41, chapter 23. The construction planning and services performed pursuant to
30 this subsection are exempt from section 41-791.01.

31 J. The school facilities board may enter into agreements with school
32 districts to allow school facilities board staff and contractors access to
33 school property for the purposes of performing the construction services
34 necessary pursuant to subsection I of this section.

35 K. Each school district shall develop routine preventative maintenance
36 guidelines for its facilities. The guidelines shall be submitted to the
37 school facilities board for review and approval. If upon inspection by the
38 school facilities board it is determined that a school district facility was
39 inadequately maintained pursuant to the school district's routine
40 preventative maintenance guidelines, the school district shall use building
41 renewal monies pursuant to section 15-2031, subsection L to return the
42 building to compliance with the school district's routine preventative
43 maintenance guidelines. Once the district is in compliance, it no longer is
44 required to use building renewal monies for preventative maintenance.

1 L. The school facilities board may temporarily transfer monies between
2 the capital reserve fund established by section 15-2003, the emergency
3 deficiencies correction fund established by section 15-2022, the building
4 renewal fund established by section 15-2031 and the new school facilities
5 fund established by section 15-2041 if all of the following conditions are
6 met:

7 1. The transfer is necessary to avoid a temporary shortfall in the
8 fund into which the monies are transferred.

9 2. The transferred monies are restored to the fund where the monies
10 originated as soon as practicable after the temporary shortfall in the other
11 fund has been addressed.

12 3. The school facilities board reports to the joint committee on
13 capital review the amount of and the reason for any monies transferred.

14 M. AFTER NOTIFYING EACH SCHOOL DISTRICT, AND IF A WRITTEN OBJECTION
15 FROM THE SCHOOL DISTRICT IS NOT RECEIVED BY THE SCHOOL FACILITIES BOARD
16 WITHIN THIRTY DAYS OF THE NOTIFICATION, THE SCHOOL FACILITIES BOARD MAY
17 ACCESS PUBLIC UTILITY COMPANY RECORDS OF POWER, WATER, NATURAL GAS, TELEPHONE
18 AND BROADBAND USAGE TO ASSEMBLE CONSISTENT AND ACCURATE DATA ON UTILITY
19 CONSUMPTION AT SCHOOL FACILITIES TO DETERMINE THE EFFECTIVENESS OF FACILITY
20 DESIGN, OPERATION AND MAINTENANCE MEASURES INTENDED TO REDUCE ENERGY AND
21 WATER CONSUMPTION AND COSTS. ANY PUBLIC UTILITY THAT PROVIDES SERVICE TO A
22 SCHOOL DISTRICT IN THIS STATE SHALL PROVIDE THE DATA REQUESTED BY THE SCHOOL
23 FACILITIES BOARD PURSUANT TO THIS SUBSECTION.

24 Sec. 46. Section 15-2022, Arizona Revised Statutes, is amended to
25 read:

26 15-2022. Emergency deficiencies correction fund; definition

27 A. An emergency deficiencies correction fund is established consisting
28 of monies transferred from ~~the deficiencies correction fund established by~~
29 ~~section 15-2021 or~~ the new school facilities fund established by section
30 15-2041. The school facilities board shall administer the fund and
31 distribute monies in accordance with the rules of the school facilities board
32 to school districts for emergency purposes. The school facilities board
33 shall not transfer monies from ~~the deficiencies correction fund and~~ the new
34 school facilities fund if the transfer will affect, interfere with, disrupt
35 or reduce any capital projects that the school facilities board has approved
36 pursuant to ~~sections 15-2021 and~~ SECTION 15-2041. The school facilities
37 board shall transfer to the emergency deficiencies correction fund the amount
38 necessary each fiscal year to fulfill the requirements of this section.
39 Monies in the fund are continuously appropriated and are exempt from the
40 provisions of section 35-190 relating to lapsing of appropriations.

41 B. If the school facilities board determines that there are
42 insufficient monies in the emergency deficiencies correction fund to correct
43 an emergency, the school district may correct the emergency pursuant to
44 section 15-907.

1 C. If a school district has an emergency, the school district shall
2 apply to the school facilities board for funding for the emergency. The
3 school district's application shall disclose any insurance or building
4 renewal monies available to the school district to pay for the emergency.

5 D. The school facilities board staff shall ~~notify~~ ACKNOWLEDGE RECEIPT
6 OF the school ~~district of the staff's recommendation~~ DISTRICT'S APPLICATION
7 FOR EMERGENCY DEFICIENCIES FUNDING IN WRITING within five business days of
8 receiving the application. The school facilities board STAFF shall ~~decide on~~
9 ~~the staff's recommendation for funding at the next scheduled school~~
10 ~~facilities board meeting~~ INCLUDE IN THE WRITTEN ACKNOWLEDGEMENT OF RECEIPT TO
11 THE SCHOOL DISTRICT ANY INVESTIGATIVE, STUDY OR INFORMATIONAL REQUIREMENTS
12 FROM THE SCHOOL DISTRICT, ALONG WITH AN ESTIMATED TIMELINE TO COMPLETE THE
13 REQUIREMENTS, NECESSARY FOR THE SCHOOL FACILITIES BOARD STAFF TO MAKE A
14 RECOMMENDATION FOR FUNDING TO THE SCHOOL FACILITIES BOARD.

15 E. For the purposes of this section, "emergency" means a serious need
16 for materials, services or construction or expenses in excess of the
17 district's adopted budget for the current fiscal year ~~and~~ that seriously
18 ~~threaten~~ THREATENS the functioning of the school district, the preservation
19 or protection of property or public health, welfare or safety.

20 Sec. 47. Section 15-2031, Arizona Revised Statutes, is amended to
21 read:

22 15-2031. Building renewal fund; definitions

23 A. A building renewal fund is established consisting of monies
24 appropriated by the legislature. The school facilities board shall
25 administer the fund and distribute monies to school districts for the purpose
26 of maintaining the adequacy of existing school facilities. Monies in the
27 fund are continuously appropriated and are exempt from the provisions of
28 section 35-190 relating to lapsing of appropriations.

29 B. The school facilities board shall inventory and inspect all school
30 buildings in this state in order to develop a database to administer the
31 building renewal formula. The database shall include the student capacity of
32 the building as determined by the school facilities board. The board shall
33 distribute monies from the building renewal fund to school districts in an
34 amount computed pursuant to subsection I of this section. A school district
35 that receives monies from the building renewal fund shall use the monies
36 first for any projects that fall below the minimum school facility adequacy
37 guidelines, as adopted by the school facilities board pursuant to section
38 15-2011, and that are part of any buildings in the database and second for
39 any other projects that are part of any buildings owned by the school
40 district for any of the following:

- 41 1. Major renovations and repairs of a building.
- 42 2. Upgrading systems and areas that will maintain or extend the useful
43 life of the building.
- 44 3. Infrastructure costs.
- 45 4. Relocation and placement of portable and modular buildings.

1 C. Monies received from the building renewal fund shall be used for
2 primary projects, unless only secondary projects exist.

3 D. Notwithstanding subsections B and C of this section, school
4 districts shall use building renewal monies on secondary projects to comply
5 with building, health, fire or safety codes. Before spending building
6 renewal monies on secondary projects to comply with building, health, fire or
7 safety codes, the school facilities board shall approve the projects.

8 E. Monies received from the building renewal fund shall not be used
9 for any of the following purposes:

- 10 1. New construction.
- 11 2. Remodeling interior space for aesthetic or preferential reasons.
- 12 3. Exterior beautification.
- 13 4. Demolition.

14 5. The purchase of soft capital items pursuant to section 15-962,
15 subsection D.

16 6. Routine maintenance except as provided in section 15-2002,
17 subsection K and subsection L of this section.

18 F. The school facilities board shall maintain the building renewal
19 database and use the database for the computation of the building renewal
20 formula distributions. The board shall ensure that the database is updated
21 on at least an annual basis to reflect changes in the ages and value of
22 school buildings. The facilities listed in the database shall include only
23 those buildings that are owned by school districts that are required to meet
24 academic standards. Each school district shall report to the school
25 facilities board no later than ~~September 1~~ **OCTOBER 15** of each year the number
26 and type of school buildings owned by the district, the square footage of
27 each building, the age of each building, the nature of any renovations
28 completed and the cost of any renovations completed. The school facilities
29 board may review or audit, or both, to confirm the information submitted by a
30 school district. If a joint technological education district leases a
31 building from a school district, that building shall not be included in the
32 school district's square footage calculation for the purposes of determining
33 the school district's building renewal distribution pursuant to this section.
34 The board shall adjust the age of each school facility in the database
35 whenever a building is significantly upgraded or remodeled. The age of a
36 building that has been significantly upgraded or remodeled shall be
37 recomputed as follows:

38 1. Divide the cost of the renovation by the building capacity value of
39 the building determined in subsection I, paragraph 3 of this section.

40 2. Multiply the quotient determined in paragraph 1 of this subsection
41 by the currently listed age of the building in the database.

42 3. Subtract the product determined in paragraph 2 of this subsection
43 from the currently listed age of the building in the database, rounded to the
44 nearest whole number. If the result is negative, use zero.

1 G. The school facilities board shall submit **ELECTRONICALLY** an annual
2 report to the president of the senate, the speaker of the house of
3 representatives, the Arizona state library, archives and public records and
4 the governor by October 1 that includes the computation of the amount of
5 monies to be distributed from the building renewal fund for the current
6 fiscal year. The joint committee on capital review shall review the school
7 facilities board's calculation of the building renewal fund distributions.
8 After the joint committee on capital review reviews the distributions
9 computed by the school facilities board, the school facilities board shall
10 distribute the monies from the building renewal fund to school districts in
11 two equal installments in November and May of each year.

12 H. School districts that receive monies from the building renewal fund
13 shall establish a district building renewal fund and shall use the monies in
14 the district building renewal fund only for the purposes prescribed in
15 subsection B of this section. Ending cash balances in a school district's
16 building renewal fund may be used in following fiscal years for building
17 renewal pursuant to subsection B of this section. By October 15 of each
18 year, each school district shall report to the school facilities board the
19 projects funded at each school in the previous fiscal year with monies from
20 the district building renewal fund, including the amount of expenditures
21 dedicated to primary projects and to secondary projects. On receipt of these
22 reports, the school facilities board shall forward this information to the
23 joint legislative budget committee staff and the governor's office of
24 strategic planning and budgeting staff. Each school district shall also
25 report to the school facilities board an accounting of the monies remaining
26 in the district building renewal fund at the end of the previous fiscal year
27 and a comprehensive three year plan that details the proposed use of building
28 renewal monies. If a school district fails to submit the report by October
29 **15 OR THE INFORMATION REQUIRED BY SUBSECTION F OF THIS SECTION**, the school
30 facilities board shall withhold building renewal monies from the school
31 district until the school facilities board determines that the school
32 district has complied with the reporting requirement. When the school
33 facilities board determines that the school district has complied with the
34 reporting requirement, the school facilities board shall restore the full
35 amount of withheld building renewal monies to the school district.

36 I. Notwithstanding any other provision of this chapter, if a school
37 district converts space that is listed in the database maintained pursuant to
38 this section to space that will be used for administrative purposes, the
39 school district is responsible for any costs associated with the conversion,
40 maintenance and replacement of that space. The building renewal amount for
41 each school building shall be computed as follows:

42 1. Divide the age of the building as computed pursuant to subsection F
43 of this section by one thousand two hundred seventy-five or, in the case of
44 modular or portable buildings, by two hundred ten.

1 2. Multiply the quotient determined in paragraph 1 of this subsection
2 by 0.67.

3 3. Determine the building capacity value as follows:

4 (a) Multiply the student capacity of the building by the per student
5 square foot capacity established by section 15-2041.

6 (b) Multiply the product determined in subdivision (a) by the cost per
7 square foot established by section 15-2041.

8 4. Multiply the product determined in paragraph 2 of this subsection
9 by the product determined in paragraph 3, subdivision (b) of this subsection.

10 J. If the school facilities board determines that a school district
11 has spent monies from the building renewal fund for purposes other than those
12 prescribed in subsection B of this section, the school facilities board shall
13 notify the superintendent of public instruction. Notwithstanding any other
14 law, the superintendent of public instruction shall withhold a corresponding
15 amount from the monies that would otherwise be due the school district under
16 the capital outlay revenue limit until these monies are repaid.

17 K. ~~Beginning on July 1, 2002,~~ A school district is not entitled to
18 receive monies from the building renewal fund for any buildings that are to
19 be replaced with new buildings that are funded with deficiencies corrections
20 monies. The replacement buildings are not eligible to receive building
21 renewal funding until the fiscal year following the completion of the
22 building.

23 L. Notwithstanding subsections B and E of this section, a school
24 district may use eight per cent of the building renewal amount computed
25 pursuant to subsection I of this section for routine preventative
26 maintenance. The board, after consultation with maintenance specialists in
27 school districts, shall provide examples of recommended services that are
28 routine preventative maintenance.

29 M. A school district that uses building renewal monies for routine
30 preventative maintenance shall use the building renewal monies to supplement
31 and not supplant expenditures from other funds for the maintenance of school
32 buildings. The auditor general shall prescribe a method for determining
33 compliance with the requirements of this subsection. A school district, in
34 connection with any audit conducted by a certified public accountant, shall
35 also contract for an independent audit to determine whether the school
36 district used building renewal monies to reduce the school district's
37 existing level of routine preventative maintenance funding. The auditor
38 general may conduct discretionary reviews of a school district that is not
39 required to contract for an independent audit.

40 N. For the purposes of this section:

41 1. "Primary projects" means projects that are necessary for buildings
42 owned by school districts that are required to meet the academic standards
43 listed in the database maintained pursuant to subsection F of this section
44 and that fall below the minimum school facility adequacy guidelines, as
45 adopted by the school facilities board pursuant to section 15-2011.

1 2. "Routine preventative maintenance" means services that are
2 performed on a regular schedule at intervals ranging from four times a year
3 to once every three years and that are intended to extend the useful life of
4 a building system and reduce the need for major repairs.

5 3. "Secondary projects" means all projects that are not primary
6 projects.

7 4. "Student capacity" has the same meaning prescribed in section
8 15-2011.

9 Sec. 48. Section 15-2041, Arizona Revised Statutes, is amended to
10 read:

11 15-2041. New school facilities fund; capital plan; report

12 A. A new school facilities fund is established consisting of monies
13 appropriated by the legislature and monies credited to the fund pursuant to
14 section 37-221. The school facilities board shall administer the fund and
15 distribute monies, as a continuing appropriation, to school districts for the
16 purpose of constructing new school facilities **AND FOR CONTRACTED EXPENSES**
17 **PURSUANT TO SECTION 15-2002, SUBSECTION B, PARAGRAPHS 2, 3 AND 4.** On June 30
18 of each fiscal year, any unobligated contract monies in the new school
19 facilities fund shall be transferred to the capital reserve fund established
20 by section 15-2003.

21 B. The school facilities board shall prescribe a uniform format for
22 use by the school district governing board in developing and annually
23 updating a capital plan that consists of each of the following:

24 1. Enrollment projections for the next five years for elementary
25 schools and eight years for middle and high schools, including a description
26 of the methods used to make the projections.

27 2. A description of new schools or additions to existing schools
28 needed to meet the building adequacy standards prescribed in section 15-2011.
29 The description shall include:

30 (a) The grade levels and the total number of pupils that the school or
31 addition is intended to serve.

32 (b) The year in which it is necessary for the school or addition to
33 begin operations.

34 (c) A timeline that shows the planning and construction process for
35 the school or addition.

36 3. Long-term projections of the need for land for new schools.

37 4. Any other necessary information required by the school facilities
38 board to evaluate a school district's capital plan.

39 5. If a school district pays tuition for all or a portion of the
40 school district's high school pupils to another school district, the capital
41 plan shall indicate the number of pupils for which the district pays tuition
42 to another district. If a school district accepts pupils from another school
43 district pursuant to section 15-824, subsection A, the school district shall
44 indicate the projections for this population separately. This paragraph does
45 not apply to a small isolated school district as defined in section 15-901.

1 C. If the capital plan indicates a need for a new school or an
2 addition to an existing school within the next four years or a need for land
3 within the next ten years, the school district shall submit its plan to the
4 school facilities board by September 1 and shall request monies from the new
5 school facilities fund for the new construction or land. Monies provided for
6 land shall be in addition to any monies provided pursuant to subsection D of
7 this section.

8 D. The school facilities board shall distribute monies from the new
9 school facilities fund as follows:

10 1. The school facilities board shall review and evaluate the
11 enrollment projections and either approve the projections as submitted or
12 revise the projections. In determining new construction requirements, the
13 school facilities board shall determine the net new growth of pupils that
14 will require additional square footage that exceeds the building adequacy
15 standards prescribed in section 15-2011. If the projected growth and the
16 existing number of pupils exceed three hundred fifty pupils who are served in
17 a school district other than the pupil's resident school district, the school
18 facilities board, the receiving school district and the resident school
19 district shall develop a capital facilities plan on how to best serve those
20 pupils. A small isolated school district as defined in section 15-901 is not
21 required to develop a capital facilities plan pursuant to this paragraph.

22 2. If the approved projections indicate that additional space will not
23 be needed within the next two years for elementary schools or three years for
24 middle or high schools in order to meet the building adequacy standards
25 prescribed in section 15-2011, the request shall be held for consideration by
26 the school facilities board for possible future funding and the school
27 district shall annually submit an updated plan until the additional space is
28 needed.

29 3. If the approved projections indicate that additional space will be
30 needed within the next two years for elementary schools or three years for
31 middle or high schools in order to meet the building adequacy standards
32 prescribed in section 15-2011, the school facilities board shall provide an
33 amount as follows:

34 (a) Determine the number of pupils requiring additional square footage
35 to meet building adequacy standards. This amount for elementary schools
36 shall not be less than the number of new pupils for whom space will be needed
37 in the next year and shall not exceed the number of new pupils for whom space
38 will be needed in the next five years. This amount for middle and high
39 schools shall not be less than the number of new pupils for whom space will
40 be needed in the next four years and shall not exceed the number of new
41 pupils for whom space will be needed in the next eight years.

42 (b) Multiply the number of pupils determined in subdivision (a) of
43 this paragraph by the square footage per pupil. The square footage per pupil
44 is ninety square feet per pupil for preschool children with disabilities,
45 kindergarten programs and grades one through six, one hundred square feet for

1 grades seven and eight, one hundred thirty-four square feet for a school
2 district that provides instruction in grades nine through twelve for fewer
3 than one thousand eight hundred pupils and one hundred twenty-five square
4 feet for a school district that provides instruction in grades nine through
5 twelve for at least one thousand eight hundred pupils. The total number of
6 pupils in grades nine through twelve in the district shall determine the
7 square footage factor to use for net new pupils. The school facilities board
8 may modify the square footage requirements prescribed in this subdivision for
9 particular schools based on any of the following factors:

10 (i) The number of pupils served or projected to be served by the
11 school district.

12 (ii) Geographic factors.

13 (iii) Grade configurations other than those prescribed in this
14 subdivision.

15 (iv) Compliance with minimum school facility adequacy requirements
16 established pursuant to section 15-2011.

17 (c) Multiply the product obtained in subdivision (b) of this paragraph
18 by the cost per square foot. The cost per square foot is ninety dollars for
19 preschool children with disabilities, kindergarten programs and grades one
20 through six, ninety-five dollars for grades seven and eight and one hundred
21 ten dollars for grades nine through twelve. The cost per square foot shall
22 be adjusted annually for construction market considerations based on an index
23 identified or developed by the joint legislative budget committee as
24 necessary but not less than once each year. The school facilities board
25 shall multiply the cost per square foot by 1.05 for any school district
26 located in a rural area. The school facilities board may modify the base
27 cost per square foot prescribed in this subdivision for particular schools
28 based on geographic conditions or site conditions. For the purposes of this
29 subdivision, "rural area" means an area outside a thirty-five mile radius of
30 a boundary of a municipality with a population of more than fifty thousand
31 persons.

32 (d) Once the school district governing board obtains approval from the
33 school facilities board for new facility construction funds, additional
34 portable or modular square footage created for the express purpose of
35 providing temporary space for pupils until the completion of the new facility
36 shall not be included by the school facilities board for the purpose of new
37 construction funding calculations. On completion of the new facility
38 construction project, if the portable or modular facilities continue in use,
39 the portable or modular facilities shall be included as prescribed by this
40 chapter, unless the school facilities board approves their continued use for
41 the purpose of providing temporary space for pupils until the completion of
42 the next new facility that has been approved for funding from the new school
43 facilities fund.

44 4. For projects approved after December 31, 2001, and notwithstanding
45 paragraph 3 of this subsection, a unified school district that does not have

1 a high school is not eligible to receive high school space as prescribed by
2 section 15-2011 and this section unless the unified district qualifies for
3 geographic factors prescribed by paragraph 3, subdivision (b), item (ii) of
4 this subsection.

5 5. If a joint technological education district leases a building from
6 a school district, that building shall be included in the school district's
7 square footage calculation for the purposes of new construction pursuant to
8 this section.

9 E. Monies for architectural and engineering fees, project management
10 services and preconstruction services shall be distributed on the completion
11 of the analysis by the school facilities board of the school district's
12 request. After receiving monies pursuant to this subsection, the school
13 district shall submit a design development plan for the school or addition to
14 the school facilities board before any monies for construction are
15 distributed. If the school district's request meets the building adequacy
16 standards, the school facilities board may review and comment on the
17 district's plan with respect to the efficiency and effectiveness of the plan
18 in meeting state square footage and facility standards before distributing
19 the remainder of the monies. If the school facilities board modifies the
20 cost per square foot as prescribed in subsection D, paragraph 3, subdivision
21 (c) **OF THIS SECTION**, the school facilities board may deduct the cost of
22 project management services and preconstruction services from the required
23 cost per square foot. The school facilities board may decline to fund the
24 project if the square footage is no longer required due to revised enrollment
25 projections.

26 F. The school facilities board shall distribute the monies needed for
27 land for new schools so that land may be purchased at a price that is less
28 than or equal to fair market value and in advance of the construction of the
29 new school. If necessary, the school facilities board may distribute monies
30 for land to be leased for new schools if the duration of the lease exceeds
31 the life expectancy of the school facility by at least fifty per cent. The
32 proceeds derived through the sale of any land purchased or partially
33 purchased with monies provided by the school facilities board shall be
34 returned to the state fund from which it was appropriated and to any other
35 participating entity on a proportional basis. Except as provided in section
36 15-342, paragraph 33, if a school district acquires real property by donation
37 at an appropriate school site approved by the school facilities board, the
38 school facilities board shall distribute an amount equal to twenty per cent
39 of the fair market value of the donated real property that can be used for
40 academic purposes. The school district shall place the monies in the
41 unrestricted capital outlay fund and increase the unrestricted capital budget
42 limit by the amount of monies placed in the fund. Monies distributed under
43 this subsection shall be distributed from the new school facilities fund. A
44 school district that receives monies from the new school facilities fund for
45 a donation of land pursuant to section 15-342, paragraph 33 shall not receive

1 monies from the school facilities board for the donation of real property
2 pursuant to this subsection. A school district shall not pay a consultant a
3 percentage of the value of any of the following:

4 1. Donations of real property, services or cash from any of the
5 following:

6 (a) Entities that have offered to provide construction services to the
7 school district.

8 (b) Entities that have been contracted to provide construction
9 services to the school district.

10 (c) Entities that build residential units in that school district.

11 (d) Entities that develop land for residential use in that school
12 district.

13 2. Monies received from the school facilities board on behalf of the
14 school district.

15 3. Monies paid by the school facilities board on behalf of the school
16 district.

17 G. In addition to distributions to school districts based on pupil
18 growth projections, a school district may submit an application to the school
19 facilities board for monies from the new school facilities fund if one or
20 more school buildings have outlived their useful life. If the school
21 facilities board determines that the school district needs to build a new
22 school building for these reasons, the school facilities board shall remove
23 the square footage computations that represent the building from the
24 computation of the school district's total square footage for purposes of
25 this section. If the square footage recomputation reflects that the school
26 district no longer meets building adequacy standards, the school district
27 qualifies for a distribution of monies from the new school construction
28 formula in an amount determined pursuant to subsection D of this section.
29 Buildings removed from a school district's total square footage pursuant to
30 this subsection shall not be included in the computation of monies from the
31 building renewal fund established by section 15-2031. The school facilities
32 board may modify the base cost per square foot prescribed in this subsection
33 under extraordinary circumstances for geographic factors or site conditions.

34 H. School districts that receive monies from the new school facilities
35 fund shall establish a district new school facilities fund and shall use the
36 monies in the district new school facilities fund only for the purposes
37 prescribed in this section. By October 15 of each year, each school district
38 shall report to the school facilities board the projects funded at each
39 school in the previous fiscal year with monies from the district new school
40 facilities fund and shall provide an accounting of the monies remaining in
41 the new school facilities fund at the end of the previous fiscal year.

42 I. If a school district has surplus monies received from the new
43 school facilities fund, the school district may use the surplus monies only
44 for capital purposes for the project for up to one year after completion of
45 the project. If the school district possesses surplus monies from the new

1 school construction project that have not been expended within one year of
2 the completion of the project, the school district shall return the surplus
3 monies to the school facilities board for deposit in the new school
4 facilities fund.

5 J. The board's consideration of any application filed ~~after July 1,~~
6 ~~2001 or~~ after December 31 of the year in which the property becomes territory
7 in the vicinity of a military airport or ancillary military facility as
8 defined in section 28-8461 for monies to fund the construction of new school
9 facilities proposed to be located in territory in the vicinity of a military
10 airport or ancillary military facility shall include, if after notice is
11 transmitted to the military airport pursuant to section 15-2002 and before
12 the public hearing the military airport provides comments and AN analysis
13 concerning compatibility of the proposed school facilities with the high
14 noise or accident potential generated by military airport or ancillary
15 military facility operations that may have an adverse effect on public health
16 and safety, consideration and analysis of the comments and analysis provided
17 by the military airport before making a final determination.

18 K. If a school district uses its own project manager for new school
19 construction, the members of the school district governing board and the
20 project manager shall sign an affidavit stating that the members and the
21 project manager understand and will follow the minimum adequacy requirements
22 prescribed in section 15-2011.

23 L. The school facilities board shall establish a separate account in
24 the new school facilities fund designated as the litigation account to pay
25 attorney fees, expert witness fees and other costs associated with litigation
26 in which the school facilities board pursues the recovery of damages for
27 deficiencies correction that resulted from alleged construction defects or
28 design defects that the school facilities board believes caused or
29 contributed to a failure of the school building to conform to the building
30 adequacy requirements prescribed in section 15-2011. Attorney fees paid
31 pursuant to this subsection shall not exceed the market rate for similar
32 types of litigation. The joint committee on capital review shall conduct an
33 annual review of the litigation account, including the costs associated with
34 current and potential litigation.

35 M. Until the state board of education and the auditor general adopt
36 rules pursuant to section 15-213, subsection I, the school facilities board
37 may allow school districts to contract for construction services and
38 materials through the qualified select bidders list method of project
39 delivery for new school facilities pursuant to this section.

40 N. The school facilities board shall submit ELECTRONICALLY a report on
41 project management services and preconstruction services to the governor, the
42 president of the senate and the speaker of the house of representatives by
43 December 31 of each year. The report shall compare projects that use project
44 management and preconstruction services with those that do not. The report
45 shall address cost, schedule and other measurable components of a

1 construction project. School districts, construction manager at risk firms
2 and project management firms that participate in a school facilities board
3 funded project shall provide the information required by the school
4 facilities board in relation to this report.

5 0. If a school district constructs new square footage according to
6 section 15-342, paragraph 33, the school facilities board shall review the
7 design plans and location of any new school facility submitted by school
8 districts and another party to determine whether the design plans comply with
9 the adequacy standards prescribed in section 15-2011 and the square footage
10 per pupil requirements pursuant to subsection D, paragraph 3, subdivision (b)
11 of this section. When the school district qualifies for a distribution of
12 monies from the new school facilities fund according to this section, the
13 school facilities board shall distribute monies to the school district from
14 the new school facilities fund for the square footage constructed under
15 section 15-342, paragraph 33 at the same cost per square foot established by
16 this section that was in effect at the time of the beginning of the
17 construction of the school facility. Before the school facilities board
18 distributes any monies pursuant to this subsection, the school district shall
19 demonstrate to the school facilities board that the facilities to be funded
20 pursuant to this section meet the minimum adequacy standards prescribed in
21 section 15-2011. The agreement entered into pursuant to section 15-342,
22 paragraph 33 shall set forth the procedures for the allocation of these funds
23 to the parties that participated in the agreement.

24 Sec. 49. Section 38-618.01, Arizona Revised Statutes, is amended to
25 read:

26 38-618.01. Performance pay for state employees: applicability:
27 definition

28 A. All state agencies, departments, boards and commissions shall
29 follow the procedures prescribed by this section.

30 B. The legislature may authorize in the general appropriations act a
31 percentage increase for performance pay for each employee in a governmental
32 unit if the governmental unit meets or exceeds prescribed performance
33 measures.

34 C. Each governmental unit shall establish or revise a list of
35 reasonable performance measures that are designed to result in cost
36 reduction, increased productivity and improved quality of the delivery of
37 state services or products. The performance measures shall include a
38 measurement of the quality of service to citizens and other state agencies
39 and employees as measured by the degree of excellence in providing the
40 service and measurements of the quality of operations and unit cost of
41 operations to the extent practicable and applicable. The head of each
42 governmental unit shall either apply these performance measures to the entire
43 governmental unit or apply relevant performance measures to subsets within
44 the governmental unit either on a department, division, group, unit or
45 individual basis.

1 D. Every month or every quarter, at the discretion of the governmental
2 unit, the governmental unit shall review the unit's performance and determine
3 if the performance measures were met. If the performance measures are met or
4 exceeded, the applicable employees are entitled to receive the performance
5 pay no later than the end of each month or the end of each quarter, if
6 applicable. If the performance measures are not met, the applicable employee
7 is not entitled to receive performance pay and monies that were appropriated
8 for performance pay revert to the appropriate state fund. Each governmental
9 unit shall annually inform the governor's office of strategic planning and
10 budgeting and the joint legislative budget committee of the results of each
11 review of the unit's performance.

12 E. If the head of the governmental unit applies the performance
13 measures to the entire governmental unit, all employees of the governmental
14 unit are entitled to receive the performance pay if the governmental unit
15 meets or exceeds the governmental unit's performance measures. If the head
16 of the governmental unit applies performance measures to subsets within the
17 governmental unit, all employees within the subset are entitled to receive
18 the performance pay if the subset meets or exceeds that subset's performance
19 measures.

20 F. The head of the governmental unit shall forward a copy of the
21 performance measures established by the unit to the performance based
22 incentives program oversight committee established by section 38-619 and
23 shall notify the committee as to the results of achieving the performance
24 measures.

25 G. Each governmental unit shall annually conduct a survey of the
26 unit's employees ensuring that a significant sample of employees
27 participates. The survey shall allow the employees to rate the workplace as
28 outstanding, excellent, good, satisfactory or poor. The survey shall provide
29 a comment section where employees can communicate what the governmental unit
30 does well, areas where the governmental unit can improve and suggestions to
31 improve the governmental unit. The governmental unit shall compile the data
32 obtained pursuant to this subsection and forward a copy of the compiled data
33 to the performance based incentives program oversight committee and on
34 request make a copy of the compiled data available to the public.

35 H. This section does not apply to:

36 1. Employees who are appointed or employed by the legislature or
37 either house of the legislature.

38 2. Employees of the governor's office.

39 3. Employees of the judiciary unless the chief justice of the supreme
40 court elects to participate in this section.

41 4. Employees of the Arizona board of regents and employees of a
42 university under the jurisdiction of the Arizona board of regents.

43 5. EMPLOYEES OF THE DEPARTMENT OF EDUCATION. THIS PARAGRAPH DOES NOT
44 PROHIBIT THE SUPERINTENDENT OF PUBLIC INSTRUCTION FROM ADOPTING A PERFORMANCE
45 PAY PLAN THAT CONFORMS TO THIS SECTION.

1 I. For the purposes of this section, "governmental unit" means all
2 agencies, departments, boards and commissions of this state.

3 Sec. 50. Title 38, chapter 5, article 2, Arizona Revised Statutes, is
4 amended by adding section 38-781, to read:

5 38-781. Supplemental employee deferral plan: public employees:
6 administration: immunity: definitions

7 A. A SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN IS ESTABLISHED TO PROVIDE
8 PUBLIC EMPLOYEES, OTHER THAN STATE EMPLOYEES, AN OPPORTUNITY TO SAVE
9 ADDITIONAL TAX-DEFERRED MONIES FOR RETIREMENT.

10 B. ASRS MAY ESTABLISH, ADMINISTER, MANAGE AND OPERATE A SUPPLEMENTAL
11 EMPLOYEE DEFERRAL PLAN FOR EMPLOYERS OTHER THAN THIS STATE.

12 C. ASRS MAY:

13 1. EMPLOY SERVICES IT DEEMS NECESSARY, INCLUDING LEGAL SERVICES, FOR
14 THE OPERATION AND ADMINISTRATION OF THE PLAN.

15 2. ADMINISTER THE PLAN THROUGH CONTRACTS WITH MULTIPLE VENDORS.

16 3. PERFORM ALL ACTS, WHETHER OR NOT EXPRESSLY AUTHORIZED, THAT IT
17 DEEMS NECESSARY AND PROPER FOR THE OPERATION AND PROTECTION OF THE PLAN.

18 4. FOR THE PURPOSES OF THIS SECTION, ENTER INTO INTERGOVERNMENTAL
19 AGREEMENTS PURSUANT TO TITLE 11, CHAPTER 7, ARTICLE 3.

20 D. A SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN IS IN ADDITION TO AND DOES
21 NOT REPLACE AN EMPLOYEE'S EXISTING STATE DEFINED BENEFIT RETIREMENT PLAN.

22 E. IF AN EMPLOYER THAT IS NOT THIS STATE ELECTS TO PARTICIPATE IN THE
23 SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN, ANY EMPLOYEE OF THE EMPLOYER WHO MEETS
24 THE ELIGIBILITY REQUIREMENTS THAT ARE PRESCRIBED BY ASRS FOR PARTICIPATION IN
25 THE SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN MAY PARTICIPATE IN THE SUPPLEMENTAL
26 EMPLOYEE DEFERRAL PLAN.

27 F. PARTICIPATION IN THE SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN AUTHORIZES
28 THE PARTICIPANT'S EMPLOYER TO MAKE SALARY REDUCTIONS FROM THE PARTICIPANT'S
29 COMPENSATION AND CONTRIBUTE SUCH SALARY REDUCTIONS TO THE PLAN. AN EMPLOYER
30 MAY MAKE EMPLOYER CONTRIBUTIONS TO THE SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN IF
31 THE PLAN PERMITS. THE EMPLOYER SHALL SUBMIT ANY REPORTS REQUIRED BY THE
32 PLAN. IF THE PARTICIPANT IS AN ACTIVE MEMBER, ANY COMPENSATION DEFERRED BY
33 AN EMPLOYEE UNDER THE PLAN SHALL BE INCLUDED AS REGULAR COMPENSATION OR
34 COMPENSATION FOR THE PURPOSE OF COMPUTING THE RETIREMENT AND PENSION BENEFITS
35 PROVIDED IN THIS ARTICLE EARNED BY ANY EMPLOYEE PARTICIPATING IN THE PLAN.

36 G. EMPLOYEE CONTRIBUTIONS AND EARNINGS ON EMPLOYEE CONTRIBUTIONS ARE
37 IMMEDIATELY VESTED. EMPLOYER CONTRIBUTIONS, IF ANY, AND THE EARNINGS ON
38 EMPLOYER CONTRIBUTIONS SHALL VEST ACCORDING TO THE SCHEDULE ESTABLISHED IN
39 THE PLAN.

40 H. NOTWITHSTANDING ANY OTHER LAW, THIS STATE AND ITS OFFICERS AND
41 EMPLOYEES, THE BOARD AND ASRS ARE IMMUNE FROM CIVIL LIABILITY AND ARE NOT
42 SUBJECT TO SUIT DIRECTLY OR BY WAY OF CONTRIBUTION FOR ANY ACT OR OMISSION
43 RESULTING IN ANY DAMAGE OR INJURY ARISING OUT OF THE SUPPLEMENTAL EMPLOYEE
44 DEFERRAL PLAN.

1 I. FOR THE PURPOSES OF THIS SECTION:
2 1. "STATE" MEANS THIS STATE, INCLUDING ANY DEPARTMENT, OFFICE, BOARD,
3 COMMISSION, AGENCY OR UNIVERSITY, BUT DOES NOT MEAN ANY SCHOOL DISTRICT OR
4 COMMUNITY COLLEGE DISTRICT.
5 2. "SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN" MEANS A TAX DEFERRED ANNUITY
6 DESCRIBED IN SECTION 403(b) OF THE INTERNAL REVENUE CODE, INCLUDING A
7 CUSTODIAL ACCOUNT DESCRIBED IN 403(b)(7) OF THE INTERNAL REVENUE CODE, AND AN
8 ELIGIBLE DEFERRED COMPENSATION PLAN DESCRIBED IN SECTION 457(b) OF THE
9 INTERNAL REVENUE CODE. A SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN SHALL COMPLY
10 WITH ALL APPLICABLE PROVISIONS OF THE SECTION OF THE INTERNAL REVENUE CODE
11 UNDER WHICH SUCH PLAN IS ADOPTED AND MAINTAINED.
12 Sec. 51. Repeal
13 Section 41-3010.25, Arizona Revised Statutes, is repealed.
14 Sec. 52. Title 41, chapter 27, article 2, Arizona Revised Statutes, is
15 amended by adding section 41-3019.01, to read:
16 41-3019.01. Commission for postsecondary education; termination
17 July 1, 2019
18 A. THE COMMISSION FOR POSTSECONDARY EDUCATION TERMINATES ON JULY 1,
19 2019.
20 B. TITLE 15, CHAPTER 14, ARTICLE 5 IS REPEALED ON JANUARY 1, 2020.
21 Sec. 53. Section 42-6004, Arizona Revised Statutes, is amended to
22 read:
23 42-6004. Exemption from municipal tax
24 A. A city, town or special taxing district shall not levy a
25 transaction privilege, sales, use or other similar tax on:
26 1. Exhibition events in this state sponsored, conducted or operated by
27 a nonprofit organization that is exempt from taxation under section
28 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
29 organization is associated with a major league baseball team or a national
30 touring professional golfing association and no part of the organization's
31 net earnings inures to the benefit of any private shareholder or individual.
32 2. Interstate telecommunications services, which include that portion
33 of telecommunications services, such as subscriber line service, allocable by
34 federal law to interstate telecommunications service.
35 3. Sales of warranty or service contracts.
36 4. Sales of motor vehicles to nonresidents of this state for use
37 outside this state if the vendor ships or delivers the motor vehicle to a
38 destination outside this state.
39 5. Interest on finance contracts.
40 6. Dealer documentation fees on the sales of motor vehicles.
41 7. Through December 31, 2009, the gross proceeds of sales or gross
42 income received from a contract from constructing any lake facility
43 development in a commercial enhancement reuse district established pursuant
44 to section 9-499.08.

1 8. Sales of food or other items purchased with United States
2 department of agriculture food stamp coupons issued under the food stamp act
3 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section
4 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,
5 section 4302; 42 United States Code section 1786) but may impose such a tax
6 on other sales of food. If a city, town or special taxing district exempts
7 sales of food from its tax or imposes a different transaction privilege rate
8 on the gross proceeds of sales or gross income from sales of food and nonfood
9 items, it shall use the definition of food prescribed by rule adopted by the
10 department pursuant to section 42-5106.

11 9. Sales of internet access services to the person's subscribers and
12 customers. For the purposes of this paragraph:

13 (a) "Internet" means the computer and telecommunications facilities
14 that comprise the interconnected worldwide network of networks that employ
15 the transmission control protocol or internet protocol, or any predecessor or
16 successor protocol, to communicate information of all kinds by wire or radio.

17 (b) "Internet access" means a service that enables users to access
18 content, information, electronic mail or other services over the internet.
19 Internet access does not include telecommunication services provided by a
20 common carrier.

21 10. The gross proceeds of sales or gross income retained by the Arizona
22 exposition and state fair board from ride ticket sales at the annual Arizona
23 state fair.

24 11. Through August 31, 2014, sales of Arizona centennial medallions by
25 the historical advisory commission.

26 B. A city, town or other taxing jurisdiction shall not levy a
27 transaction privilege, sales, use, franchise or other similar tax or fee,
28 however denominated, on natural gas or liquefied petroleum gas used to propel
29 a motor vehicle.

30 C. A city, town or other taxing jurisdiction shall not levy a
31 transaction privilege, sales, gross receipts, use, franchise or other similar
32 tax or fee, however denominated, on gross proceeds of sales or gross income
33 derived from any of the following:

34 1. A motor carrier's use on the public highways in this state if the
35 motor carrier is subject to a fee prescribed in title 28, chapter 16,
36 article 4.

37 2. Leasing, renting or licensing a motor vehicle subject to and upon
38 which the fee has been paid under title 28, chapter 16, article 4.

39 3. The sale of a motor vehicle and any repair and replacement parts
40 and tangible personal property becoming a part of such motor vehicle to a
41 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
42 article 4 and who is engaged in the business of leasing, renting or licensing
43 such property.

1 4. Incarcerating or detaining in a privately operated prison, jail or
2 detention facility prisoners who are under the jurisdiction of the United
3 States, this state or any other state or a political subdivision of this
4 state or of any other state.

5 5. Transporting for hire persons, freight or property by light motor
6 vehicles subject to a fee under title 28, chapter 15, article 4.

7 6. Through December 31, 2009, and except as provided in section
8 42-6104, a contract from constructing any lake facility development in a
9 commercial enhancement reuse district established pursuant to section
10 9-499.08.

11 7. Any amount attributable to development fees that are incurred in
12 relation to the construction, development or improvement of real property and
13 paid by the taxpayer as defined in the model city tax code or by a contractor
14 providing services to the taxpayer. For the purposes of this paragraph:

15 (a) The attributable amount shall not exceed the value of the
16 development fees actually imposed.

17 (b) The attributable amount is equal to the total amount of
18 development fees paid by the taxpayer or by a contractor providing services
19 to the taxpayer and the total development fees credited in exchange for the
20 construction of, contribution to or dedication of real property for providing
21 public infrastructure, public safety or other public services necessary to
22 the development. The real property must be the subject of the development
23 fees.

24 (c) "Development fees" means fees imposed to offset capital costs of
25 providing public infrastructure, public safety or other public services to a
26 development and authorized pursuant to section 9-463.05, section 11-1102 or
27 title 48 regardless of the jurisdiction to which the fees are paid.

28 D. A city, town or other taxing jurisdiction shall not levy a
29 transaction privilege, sales, use, franchise or other similar tax or fee,
30 however denominated, in excess of one-tenth of one per cent of the value of
31 the entire product mined, smelted, extracted, refined, produced or prepared
32 for sale, profit or commercial use, on persons engaged in the business of
33 mineral processing, except to the extent that the tax is computed on the
34 gross proceeds or gross income from sales at retail.

35 E. In computing the tax base, any city, town or other taxing
36 jurisdiction shall not include in the gross proceeds of sales or gross
37 income:

38 1. A manufacturer's cash rebate on the sales price of a motor vehicle
39 if the buyer assigns the buyer's right in the rebate to the retailer.

40 2. The waste tire disposal fee imposed pursuant to section 44-1302.

41 F. A CITY OR TOWN SHALL NOT LEVY A USE TAX ON THE STORAGE, USE OR
42 CONSUMPTION OF TANGIBLE PERSONAL PROPERTY IN THE CITY OR TOWN BY A SCHOOL
43 DISTRICT OR CHARTER SCHOOL.

1 Sec. 54. Section 43-1089, Arizona Revised Statutes, is amended to
2 read:

3 43-1089. Credit for contributions to school tuition
4 organization; definitions

5 A. A credit is allowed against the taxes imposed by this title for the
6 amount of voluntary cash contributions made by the taxpayer during the
7 taxable year to a school tuition organization, but not exceeding:

8 1. Five hundred dollars in any taxable year for a single individual or
9 a head of household.

10 2. Eight hundred twenty-five dollars in taxable year 2005 for a
11 married couple filing a joint return.

12 3. One thousand dollars in taxable year 2006 and any subsequent year
13 for a married couple filing a joint return.

14 B. A husband and wife who file separate returns for a taxable year in
15 which they could have filed a joint return may each claim only one-half of
16 the tax credit that would have been allowed for a joint return.

17 C. If the allowable tax credit exceeds the taxes otherwise due under
18 this title on the claimant's income, or if there are no taxes due under this
19 title, the taxpayer may carry the amount of the claim not used to offset the
20 taxes under this title forward for not more than five consecutive taxable
21 years' income tax liability.

22 D. The credit allowed by this section is in lieu of any deduction
23 pursuant to section 170 of the internal revenue code and taken for state tax
24 purposes.

25 E. The tax credit is not allowed if the taxpayer designates the
26 taxpayer's contribution to the school tuition organization for the direct
27 benefit of any dependent of the taxpayer.

28 F. A school tuition organization that receives a voluntary cash
29 contribution pursuant to subsection A shall report **ELECTRONICALLY** to the
30 department, in a form prescribed by the department, by February 28 of each
31 year the following information:

32 1. The name, address and contact name of the school tuition
33 organization.

34 2. The total number of contributions received during the previous
35 calendar year.

36 3. The total dollar amount of contributions received during the
37 previous calendar year.

38 4. The total number of children awarded educational scholarships or
39 tuition grants during the previous calendar year.

40 5. The total dollar amount of educational scholarships and tuition
41 grants awarded during the previous calendar year.

42 6. For each school to which educational scholarships or tuition grants
43 were awarded:

44 (a) The name and address of the school.

1 (b) The number of educational scholarships and tuition grants awarded
2 during the previous calendar year.

3 (c) The total dollar amount of educational scholarships and tuition
4 grants awarded during the previous calendar year.

5 G. For the purposes of this section:

6 1. "Handicapped student" means a student who has any of the following
7 conditions:

8 (a) Hearing impairment.

9 (b) Visual impairment.

10 (c) ~~Preschool moderate~~ DEVELOPMENTAL delay.

11 (d) Preschool severe delay.

12 (e) ~~Preschool~~ Speech ~~or~~ /language ~~delay~~ IMPAIRMENT.

13 2. "Qualified school" means a nongovernmental primary school or
14 secondary school or a preschool for handicapped students that is located in
15 this state, that does not discriminate on the basis of race, color, handicap,
16 familial status or national origin and that satisfies the requirements
17 prescribed by law for private schools in this state on January 1, 1997.

18 3. "School tuition organization" means a charitable organization in
19 this state that is exempt from federal taxation under section 501(c)(3) of
20 the internal revenue code and that allocates at least ninety per cent of its
21 annual revenue for educational scholarships or tuition grants to children to
22 allow them to attend any qualified school of their parents' choice. In
23 addition, to qualify as a school tuition organization the charitable
24 organization shall provide educational scholarships or tuition grants to
25 students without limiting availability to only students of one school.

26 Sec. 55. Repeal

27 Senate bill 1187, section 74, forty-ninth legislature, first regular
28 session, as transmitted to the governor, is repealed.

29 Sec. 56. Arizona online instruction; reports

30 Notwithstanding section 15-808, Arizona Revised Statutes, as amended by
31 this act, until July 31, 2010, each school selected by the state board of
32 education and each selected school sponsored by the state board for charter
33 schools to participate in Arizona online instruction shall submit an annual
34 report to the department of education. The department of education shall
35 collaborate to develop a uniform reporting format to be used by all schools
36 that participate in Arizona online instruction. The reports shall be
37 submitted on or before August 1 each year and shall include the following
38 information:

39 1. A description of the educational services that are offered under
40 and that specifically relate to the depth and breadth of the curriculum
41 choices offered by the school.

42 2. A description of the effects of media and technology on the
43 delivery of specific educational services to specific pupil populations.

44 3. Academic advancement as measured in grade level equivalents each
45 academic year based on a standardized norm-referenced achievement test.

1 4. Data identified by the department of education that compares the
2 academic performance of pupils who participate in Arizona online instruction
3 with other pupils in this state and with pupils in that school who do not
4 participate in Arizona online instruction.

5 5. The results of a survey of pupil satisfaction with Arizona online
6 instruction, including:

7 (a) Pupils' attitudes about delivery modalities employed by the
8 school.

9 (b) Changes in pupils' attitudes toward learning in general.

10 (c) Changes in pupils' attitudes about their own ability to learn and
11 about their own academic progress.

12 (d) Pupils' attitudes about the school they attend.

13 6. The results of a survey of parental satisfaction with Arizona
14 online instruction, including:

15 (a) Parents' and their children's attitudes about the delivery
16 modalities employed by the school.

17 (b) Changes in their children's attitudes about learning in general.

18 (c) Changes in their children's attitudes about their ability to learn
19 and about their academic progress.

20 (d) Parents' and their children's attitudes about the school that the
21 child attends.

22 7. A description of the availability and equitable distribution of
23 educational services provided under Arizona online instruction, including
24 specific descriptions of the effectiveness of technology tools and modalities
25 used to address the needs of any underserved populations targeted by the
26 school.

27 8. A description of the operational and administrative efficiency of
28 Arizona online instruction.

29 9. A description of the cost-effectiveness of Arizona online
30 instruction.

31 10. A listing of the salaries, by titles and job descriptions, of the
32 administrators who are employed at or contracted for employment at each
33 school selected by the state board of education or the state board for
34 charter schools to participate in Arizona online instruction.

35 11. A description of assessment measures implemented to ensure the
36 academic integrity of pupils pursuant to section 15-808, Arizona Revised
37 Statutes, subsection H, as amended by this act.

38 Sec. 57. School district budget overexpenditures; correction;
39 interest

40 A. Notwithstanding sections 15-905 and 15-915, Arizona Revised
41 Statutes, as amended by this act, a school district that overexpended its
42 budget at any time during a five-year period beginning in fiscal year
43 2002-2003 and ending in fiscal year 2006-2007 shall correct the
44 overexpenditures in equal installments over a five-year period beginning in

1 fiscal year 2009-2010 and ending in fiscal year 2013-2014. This subsection
2 applies to a district if all of the following conditions exist:

3 1. The school district is a union high school district that is located
4 in a county with a population of less than one million persons but more than
5 two hundred fifty thousand persons.

6 2. The school district's average daily membership for the 2006-2007
7 school year was more than four hundred pupils but less than five hundred
8 fifty pupils.

9 3. The total amount of the correction that would otherwise be required
10 under section 15-915, Arizona Revised Statutes, as amended by this act, for
11 fiscal years 2002-2003 through 2006-2007 is more than three hundred thousand
12 dollars but less than eight hundred thousand dollars.

13 B. In addition to monies required to be repaid pursuant to
14 subsection A of this section, accrued interest shall be paid at a rate
15 determined by the superintendent of public instruction.

16 Sec. 58. Unified school district budget overexpenditures;
17 correction; interest

18 A. Notwithstanding sections 15-905 and 15-915, Arizona Revised
19 Statutes, as amended by this act, a school district that overexpended its
20 budget during fiscal year 2005-2006 and fiscal year 2006-2007 shall correct
21 the overexpenditures in equal installments beginning in fiscal year 2009-2010
22 and ending in fiscal year 2013-2014 if all of the following conditions exist:

23 1. The school district is a unified district that is located in a
24 county with a population of more than fifty thousand persons but less than
25 one hundred thousand persons.

26 2. The school district's average daily membership for the 2007-2008
27 school year was more than seven hundred pupils but less than one thousand two
28 hundred pupils.

29 3. The total amount of the correction that would otherwise be required
30 under section 15-915, Arizona Revised Statutes, as amended by this act, for
31 fiscal years 2005-2006 and 2006-2007 is more than two million five hundred
32 dollars but less than three million two hundred dollars.

33 B. In addition to monies required to be repaid pursuant to
34 subsection A of this section, accrued interest shall be paid at a rate
35 determined by the superintendent of public instruction.

36 Sec. 59. Previous audits; average daily membership; repayment;
37 retroactivity

38 A. Notwithstanding any other law, a school district that meets the
39 criteria specified in subsection B, paragraph 1 or 2 of this section and that
40 is required to repay monies to this state as the result of an audit conducted
41 before the effective date of this act by the department of education or the
42 office of the auditor general pursuant to Laws 2006, chapter 353, section 23,
43 Laws 2007, chapter 264, section 17 or Laws 2008, chapter 287, section 50
44 shall repay the full amount of the monies due to this state as a result of
45 the audit within five years after the date of the audit finding.

1 B. The following school districts are eligible to use the repayment
2 provisions of subsection A of this section:

3 1. A unified school district with a student count of at least two
4 thousand but less than three thousand in fiscal year 2007-2008 that is
5 required to repay a total of at least six hundred eighty-five thousand
6 dollars but less than six hundred ninety thousand dollars pursuant to
7 subsection A of this section.

8 2. A unified school district with a student count of at least two
9 thousand but less than three thousand in fiscal year 2007-2008 that is
10 required to repay a total of at least three hundred sixty thousand dollars
11 but less than three hundred eighty thousand dollars pursuant to subsection A
12 of this section.

13 C. If the amount a school district is required to repay under
14 subsection B, paragraph 1 or 2 of this section is reduced as the result of a
15 settlement agreement between the school district and the department of
16 education, the school district shall repay the amount required by the
17 settlement agreement within five years after the date of the audit finding.

18 D. This section is effective retroactively to September 21, 2006.

19 Sec. 60. State trust land proceeds for public education
20 purposes; fiscal year 2009-2010

21 Notwithstanding any other law, for fiscal year 2009-2010:

22 1. The school facilities board shall distribute monies credited
23 pursuant to section 37-221, Arizona Revised Statutes, to the school district
24 that funded the lease agreement if the school district was approved for new
25 school facilities pursuant to section 15-2041, Arizona Revised Statutes, but
26 was not awarded monies for new school facilities because of the new school
27 construction moratorium.

28 2. The state land department shall notify the school facilities board
29 and the affected school districts of the amounts transferred pursuant to
30 section 37-221, subsection D, Arizona Revised Statutes, and the source of the
31 monies transferred and shall identify the specific school districts by the
32 amounts transferred and the source of the monies transferred.

33 Sec. 61. Purpose

34 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
35 the legislature continues the commission for postsecondary education to:

36 1. Conduct, supervise and coordinate the review of public and private
37 postsecondary education institutions in this state to determine their
38 eligibility for student financial aid monies.

39 2. Administer specifically identified federal and state financial aid
40 programs.

41 3. Provide a forum to public and private postsecondary education
42 institutions for discussion of issues of mutual interest.

43 4. Coordinate and promote studies of interest to postsecondary
44 institutions.

1 5. Provide information to the public on postsecondary education
2 opportunities in this state.

3 Sec. 62. Intent

4 The legislature intends by enacting section 15-257, Arizona Revised
5 Statutes, as added by this act, to allow the superintendent of public
6 instruction to develop a performance pay system for employees of the
7 department of education to boost productivity and instill a sense of shared
8 responsibility among employees.

9 Sec. 63. Retroactivity

10 Section 15-1042, Arizona Revised Statutes, as amended by this act,
11 applies retroactively to from and after June 30, 2009.