

EDUCATION ACCOUNTABILITY AND REFORM

SENATE AMENDMENTS TO S.B. 1121

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 15-905, Arizona Revised Statutes, is amended to  
3 read:

4 15-905. School district budgets; notice; adoption; aggregate  
5 budget limit; summary; adjustments; impact aid fund;  
6 definition

7 A. Not later than July 5 of each year or no later than the publication  
8 of notice of the public hearing and board meeting as required by this  
9 section, the governing board of each school district shall prepare and  
10 furnish to the superintendent of public instruction and the county school  
11 superintendent, unless waived by the county school superintendent, a proposed  
12 budget in electronic format for the budget year, which shall contain the  
13 information and be in the form as provided by the department of education.  
14 The proposed budget shall include the following:

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

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

1           B. The governing board of each school district shall prepare a notice  
2 fixing a time not later than July 15 and designating a public place within  
3 each school district at which a public hearing and board meeting shall be  
4 held. The governing board shall present the proposed budget for  
5 consideration of the residents and the taxpayers of the school district at  
6 such hearing and meeting.

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

30           D. At the time and place fixed in the notice, the governing board  
31 shall hold the public hearing and present the proposed budget to the persons  
32 attending the hearing. Upon request of any person, the governing board shall  
33 explain the budget, and any resident or taxpayer of the school district may  
34 protest the inclusion of any item. A governing board member who has a  
35 substantial interest, as defined in section 38-502, in a specific item in the  
36 school district budget shall refrain from voting on the specific item. A  
37 governing board member may participate without creating a conflict of

1 interest in adoption of a final budget even though the member may have  
2 substantial interest in specific items included in the budget.

3 E. Immediately following the public hearing the president shall call  
4 to order the governing board meeting for the purpose of adopting the budget.  
5 The governing board shall adopt the budget, which shall not exceed the  
6 general budget limit, the unrestricted capital budget limit or the soft  
7 capital allocation limit, making such deductions as it sees fit but making no  
8 additions to the proposed budget total for maintenance and operations or  
9 capital outlay, and shall enter the budget as adopted in its minutes. Not  
10 later than July 18, the budget as finally adopted shall be filed by the  
11 governing board with the county school superintendent who shall immediately  
12 transmit a copy to the board of supervisors. Not later than July 18, the  
13 budget as finally adopted shall be submitted electronically to the  
14 superintendent of public instruction. On or before October 30, the  
15 superintendent of public instruction shall review the budget and notify the  
16 governing board if the budget is in excess of the general budget limit, the  
17 unrestricted capital budget limit or the soft capital allocation limit. The  
18 governing board shall revise the budget as follows:

19 1. If the governing board receives notification that the budget  
20 exceeds the general budget limit, the unrestricted capital budget limit or  
21 the soft capital allocation limit by one per cent of the general budget limit  
22 or one hundred thousand dollars, whichever is less, it shall adopt on or  
23 before December 15, after it gives notice and holds a public meeting in a  
24 similar manner as provided in subsections C and D of this section, a revised  
25 budget for the current year, which shall not exceed the general budget limit,  
26 the unrestricted capital budget limit or the soft capital allocation limit.

27 2. If the governing board receives notification that the budget  
28 exceeds the general budget limit, the unrestricted capital budget limit or  
29 the soft capital allocation limit by less than the amount prescribed in  
30 paragraph 1 of this subsection, the governing board shall adjust the budget  
31 and expenditures so as not to exceed the general budget limit, the  
32 unrestricted capital budget limit or the soft capital allocation limit for  
33 the current year.

34 3. On or before December 18, the governing board shall file the  
35 revised budget it adopts with the county school superintendent who shall  
36 immediately transmit a copy to the board of supervisors. Not later than  
37 December 18, the budget as revised shall be submitted electronically to the

1 superintendent of public instruction. School districts that are subject to  
2 section 15-914.01 are not required to send a copy of revised budgets to the  
3 county school superintendent. Procedures for adjusting expenditures or  
4 revising the budget shall be as prescribed in the uniform system of financial  
5 records.

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

8 1. Amounts within the general budget limit, as provided in section  
9 15-947, subsection C, may only be budgeted in the following sections of the  
10 budget:

11 (a) The maintenance and operation section.

12 (b) The capital outlay section.

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

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

21 G. The governing board may authorize the expenditure of monies  
22 budgeted within the maintenance and operation section of the budget for any  
23 subsection within the section in excess of amounts specified in the adopted  
24 budget only by action taken at a public meeting of the governing board and if  
25 the expenditures for all subsections of the section do not exceed the amount  
26 budgeted as provided in this section

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

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

30 2. The unrestricted capital budget limit as determined in section  
31 15-947 for the budget year.

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

34 4. Federal assistance, excluding title VIII of the elementary and  
35 secondary education act of 1965 monies.

36 I. School districts which overestimated tuition revenues as provided  
37 in section 15-947, subsection C, paragraph 2 shall adjust the general budget

1 limit and expenditures based upon tuition revenues for attendance of  
2 nonresident pupils during the current fiscal year. School districts which  
3 underestimated tuition revenues may adjust their budgets prior to May 15  
4 based upon tuition revenues for attendance of nonresident pupils during the  
5 current fiscal year. School districts which overestimated revenues as  
6 provided in section 15-947, subsection C, paragraph 2, subdivision (a), items  
7 (iii), (iv) and (v) and subdivision (d) shall adjust the general budget limit  
8 and expenditures based on actual revenues during the current fiscal  
9 year. School districts which underestimated such revenues may adjust their  
10 budgets before May 15 based on actual revenues during the current fiscal  
11 year. Procedures for completing adjustments shall be as prescribed in the  
12 uniform system of financial records. Not later than May 18, the budget as  
13 adjusted shall be submitted electronically to the superintendent of public  
14 instruction.

15 J. A common school district not within a high school district whose  
16 estimated tuition charge for high school pupils exceeds the actual tuition  
17 charge for high school pupils shall adjust the general budget limit and  
18 expenditures based on the actual tuition charge. Not later than May 18, the  
19 budget as adjusted shall be submitted electronically to the superintendent of  
20 public instruction. A common school district not within a high school  
21 district whose estimated tuition charge for high school pupils is less than  
22 the actual tuition charge for high school pupils may adjust its budget before  
23 May 15 based on the actual tuition charge. Procedures for completing  
24 adjustments shall be as prescribed in the uniform system of financial  
25 records. If the adjusted general budget limit requires an adjustment of  
26 state aid and if the adjustment to state aid is not made in the current year,  
27 the superintendent of public instruction shall adjust by August 15 of the  
28 succeeding fiscal year the apportionment of state aid to the school district  
29 to correct any overpayment or underpayment of state aid received during the  
30 current year.

31 K. The governing board may include title VIII of the elementary and  
32 secondary education act of 1965 assistance allocated for children with  
33 disabilities, children with specific learning disabilities, children residing  
34 on Indian lands and children residing within the boundaries of an  
35 accommodation school that is located on a military reservation and that is  
36 classified as a heavily impacted local educational agency pursuant to 20  
37 United States Code section 7703 which is in addition to basic assistance when

1 determining the general budget limit as prescribed in section 15-947,  
2 subsection C. The increase in the general budget limit for children residing  
3 within the boundaries of an accommodation school that is located on a  
4 military reservation and that is classified as a heavily impacted local  
5 education agency shall equal the dollar amount calculated pursuant to 20  
6 United States Code section 7703(b)(2). The governing board may adjust before  
7 May 15 the budget for the current year based on any adjustments which result  
8 in increases over the amount estimated by the superintendent of public  
9 instruction for title VIII of the elementary and secondary education act of  
10 1965 assistance for such pupils for the fiscal year preceding the current  
11 year. The governing board shall adjust before May 15 the budget for the  
12 current year based on any adjustments which result in decreases in the amount  
13 estimated by the superintendent of public instruction for title VIII of the  
14 elementary and secondary education act of 1965 assistance for such pupils for  
15 the fiscal year preceding the current year. Not later than May 18, the  
16 budget as adjusted shall be submitted electronically to the superintendent of  
17 public instruction. Procedures for complying with this subsection shall be as  
18 prescribed in the uniform system of financial records.

19 L. The department of education shall notify the state board of  
20 education if expenditures by any school district exceed the general budget  
21 limit prescribed in section 15-947, subsection C, the unrestricted capital  
22 budget limit, the soft capital allocation limit prescribed in section 15-947,  
23 subsection E, the school plant fund limits prescribed in section 15-1102,  
24 subsection B, the maintenance and operation section of the budget or the  
25 capital outlay section of the budget. If the expenditures of any school  
26 district exceed these limits or sections of the budget without authorization  
27 as provided in section 15-907, and if the state board of education determines  
28 that the equalization assistance for education received by the school  
29 district as provided in section 15-971 does not conform with statutory  
30 requirements, the state board of education shall reduce the state aid for  
31 equalization assistance for education for the school district computed as  
32 provided in section 15-971 during the fiscal year subsequent to the fiscal  
33 year in which the excess equalization assistance for education was received  
34 by an amount equal to the excess equalization assistance for education,  
35 except that in case of hardship to the school district, the superintendent of  
36 public instruction may approve reductions partly in the first subsequent year  
37 and partly in the second subsequent year. If the state board of education

1 determines that the equalization assistance for education received by the  
2 school district conforms with statutory requirements, the state board of  
3 education shall not reduce the district's equalization assistance for  
4 education pursuant to this subsection but the district shall reduce the  
5 budget limits as required in subsection M of this section. A school district  
6 that disagrees with the department of education's determination regarding an  
7 excess expenditure under this subsection may request a hearing before the  
8 state board of education.

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

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

1 item which is normally prepaid in order to procure the service or to receive  
2 a discounted price for the service, as prescribed by the uniform system of  
3 financial records.

4 0. The governing board of a school district which is classified as a  
5 heavily impacted school district having twenty per cent or more pupils  
6 pursuant to 20 United States Code section 238(d)1(A) may determine its  
7 eligibility to increase the amount that may be included in determining the  
8 general budget limit as provided in subsection K of this section and may  
9 increase the amount as follows:

10 1. For fiscal year 1988-1989:

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

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

21 (c) Multiply one thousand nine hundred fourteen dollars by the number  
22 of children residing on Indian lands who have disabilities or also have  
23 specific learning disabilities reported to the division of impact aid, United  
24 States department of education in the district's application for fiscal year  
25 1987-1988.

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

27 (e) If the amount of title VIII of the elementary and secondary  
28 education act of 1965 assistance as provided in subsection K of this section  
29 is less than the sum determined in subdivision (d) of this paragraph, the  
30 district is eligible to use the provisions of this subsection.

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

35 3. If the district is eligible to use the provisions of this  
36 subsection, subtract the amount of title VIII of the elementary and secondary  
37 education act of 1965 assistance determined in subsection K of this section

1 from the sum determined in paragraph 1, subdivision (d) of this subsection.  
2 The difference is the increase in the amount that may be included in  
3 determining the general budget limit as provided in subsection K of this  
4 section, if including this amount does not increase the district's primary  
5 tax rate for the budget year. If the amount of title VIII of the elementary  
6 and secondary education act of 1965 assistance determined in subsection K of  
7 this section is adjusted for the current year, the increase determined in  
8 this paragraph shall be recomputed using the adjusted amount and the  
9 recomputed increase shall be reported to the department of education by May  
10 15 on a form prescribed by the department of education.

11 4. If a district uses the provisions of this subsection, the district  
12 is not required to adjust its budget for the current year based on  
13 adjustments in the estimated amount of title VIII of the elementary and  
14 secondary education act of 1965 assistance as provided in subsection K of  
15 this section.

16 P. A school district, except for an accommodation school, which  
17 applies for title VIII of the elementary and secondary education act of 1965  
18 assistance during the current year may budget an amount for title VIII of the  
19 elementary and secondary education act of 1965 administrative costs for the  
20 budget year. The amount budgeted for title VIII of the elementary and  
21 secondary education act of 1965 administrative costs is exempt from the  
22 revenue control limit and may not exceed an amount determined for the  
23 budgeted year as follows:

24 1. Determine the minimum cost. The minimum cost for fiscal year  
25 1990-1991 is two thousand three hundred forty-three dollars. For fiscal year  
26 1991-1992 and thereafter, the minimum cost is the minimum cost for the prior  
27 year increased by the growth rate as prescribed by law, subject to  
28 appropriation.

29 2. Determine the hourly rate. The hourly rate for fiscal year  
30 1990-1991 is nine dollars thirty-eight cents. For fiscal year 1991-1992 and  
31 thereafter, the hourly rate is the hourly rate for the prior year increased  
32 by the growth rate as prescribed by law, subject to appropriation.

33 3. Determine the title VIII of the elementary and secondary education  
34 act of 1965 revenues available by subtracting the amount of title VIII of the  
35 elementary and secondary education act of 1965 assistance used to increase  
36 the general budget limit as provided in subsections K and O of this section  
37 for the current fiscal year from the total amount of title VIII of the

1 elementary and secondary education act of 1965 revenues received in the  
2 current fiscal year.

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

4 (a) Determine the sum of the following:

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

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

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

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

13 (b) For the purposes of this paragraph:

14 (i) "High impact pupil" means a pupil who resides on Indian lands or a  
15 pupil who resides on federal property or in low rent housing and whose parent  
16 is employed on federal property or low rent housing property or is on active  
17 duty in uniformed service, as provided in title VIII of the elementary and  
18 secondary education act of 1965, section 8003(a) (20 United States Code  
19 section 7703) and as reported in the application for title VIII of the  
20 elementary and secondary education act of 1965 assistance in the current  
21 year.

22 (ii) "Low impact pupil" means a pupil who resides on nonfederal  
23 property and has a parent who is employed on federal property or low rent  
24 housing property or is on active duty in a uniformed service or a pupil who  
25 resides on federal property or in low rent housing and who does not have a  
26 parent who is employed on federal property or low rent housing property or is  
27 on active duty in uniformed service, as provided in title VIII of the  
28 elementary and secondary education act of 1965, section 8003(a) (20 United  
29 States Code section 7703) and as reported in the application for title VIII  
30 of the elementary and secondary education act of 1965 assistance in the  
31 current year.

32 5. Multiply the total number of administrative hours determined in  
33 paragraph 4 of this subsection by the hourly rate determined in paragraph 2  
34 of this subsection.

35 6. Determine the greater of the minimum cost determined in paragraph 1  
36 of this subsection or the product determined in paragraph 5 of this  
37 subsection.

1           7. Add to the amount determined in paragraph 6 of this subsection the  
2 amount, if any, to be expended by the school district in the budget year  
3 through an intergovernmental agreement with other school districts or the  
4 department of education to provide title VIII of the elementary and secondary  
5 education act of 1965 technical assistance to participating districts.

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

9           9. The amount determined in paragraph 8 of this subsection is the  
10 maximum amount which may be budgeted for title VIII of the elementary and  
11 secondary education act of 1965 administrative costs for the budget year as  
12 provided in this subsection.

13           10. If the governing board underestimated the amount that may be  
14 budgeted for title VIII of the elementary and secondary education act of  
15 1965, section 8007 administrative costs for the current year, the board may  
16 adjust the general budget limit and the budget before May 15. If the  
17 governing board overestimated the amount that may be budgeted for title VIII  
18 of the elementary and secondary education act of 1965 administrative costs  
19 for the current year, the board shall adjust the general budget limit and the  
20 budget before May 15.

21           Q. If a school district governing board has adopted a budget for a  
22 fiscal year based on forms and instructions provided by the auditor general  
23 and the department of education for that fiscal year and if, as a result of  
24 the enactment or nonenactment of proposed legislation after May 1 of the  
25 previous fiscal year, the budget is based on incorrect limits, does not  
26 include items authorized by law or does not otherwise conform with law, the  
27 governing board may revise its budget at a public hearing on or before  
28 September 15 to conform with the law. Not later than September 18, the  
29 budget as adjusted shall be submitted electronically to the superintendent of  
30 public instruction. If the governing board does not revise the budget on or  
31 before September 15 and if the budget includes any items not authorized by  
32 law or if the budget exceeds any limits, the governing board shall adjust or  
33 revise the budget as provided in subsection E of this section.

34           R. NOTWITHSTANDING ANY OTHER LAW, IF A SCHOOL DISTRICT RECEIVES  
35 ASSISTANCE PURSUANT TO TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION  
36 ACT OF 1965, THE SCHOOL DISTRICT SHALL ESTABLISH A LOCAL LEVEL FUND  
37 DESIGNATED AS THE IMPACT AID FUND AND DEPOSIT THE IMPACT AID MONIES RECEIVED

1 IN THE FUND. THE SCHOOL DISTRICT SHALL SEPARATELY ACCOUNT FOR MONIES IN THE  
2 FUND AND SHALL NOT COMBINE MONIES IN THE FUND WITH ANY OTHER SOURCE OF LOCAL,  
3 STATE OR FEDERAL ASSISTANCE. MONIES IN THE FUND SHALL BE EXPENDED PURSUANT  
4 TO FEDERAL LAW ONLY FOR THE PURPOSES ALLOWED BY THIS TITLE. THE SCHOOL  
5 DISTRICT SHALL ACCOUNT FOR MONIES IN THE FUND ACCORDING TO THE UNIFORM SYSTEM  
6 OF FINANCIAL RECORDS AS PRESCRIBED BY THE AUDITOR GENERAL. THE  
7 SUPERINTENDENT OF PUBLIC INSTRUCTION SHALL SEPARATELY ACCOUNT FOR MONIES IN  
8 EACH SCHOOL DISTRICT'S IMPACT AID FUND, IF AN IMPACT AID FUND IS ESTABLISHED,  
9 IN THE ANNUAL REPORT REQUIRED BY SECTION 15-255. MONIES IN THE FUND ARE  
10 CONSIDERED FEDERAL MONIES AND ARE NOT SUBJECT TO LEGISLATIVE APPROPRIATION.

11 ~~R.~~ S. For the purposes of this section, "title VIII of the elementary  
12 and secondary education act of 1965 assistance" means, for the current year,  
13 an amount equal to the final determination of title VIII of the elementary  
14 and secondary education act of 1965 assistance for the fiscal year preceding  
15 the current year as confirmed by the division of impact aid, United States  
16 department of education or, if a final determination has not been made, the  
17 amount estimated by the superintendent of public instruction as confirmed by  
18 the division of impact aid, United States department of education and, for  
19 the budget year, an amount equal to the determination of title VIII of the  
20 elementary and secondary education act of 1965 assistance for the fiscal year  
21 preceding the budget year as estimated by the superintendent of public  
22 instruction."

23 Amend title to conform

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