

REFERENCE TITLE: charter schools; financial documentation

State of Arizona  
Senate  
Fiftieth Legislature  
First Regular Session  
2011

## **SB 1384**

Introduced by  
Senators Aboud: Gray, Landrum Taylor; Representative Farley

AN ACT

AMENDING SECTION 15-185, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2010, SEVENTH SPECIAL SESSION, CHAPTER 8, SECTION 1 AND LAWS 2010, SECOND REGULAR SESSION, CHAPTER 17, SECTION 2, CHAPTER 306, SECTION 1, CHAPTER 332, SECTION 4 AND CHAPTER 333, SECTION 2; REPEALING SECTION 15-185, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2010, CHAPTER 318, SECTION 1; RELATING TO CHARTER SCHOOLS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-185, Arizona Revised Statutes, as amended by  
3 Laws 2010, seventh special session, chapter 8, section 1 and Laws 2010,  
4 second regular session, chapter 17, section 2, chapter 306, section 1,  
5 chapter 332, section 4 and chapter 333, section 2, is amended to read:

6 15-185. Charter schools; financing; civil penalty;  
7 transportation; definitions

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

10 1. The charter school shall be included in the district's budget and  
11 financial assistance calculations pursuant to paragraph 3 of this subsection  
12 and chapter 9 of this title, except for chapter 9, article 4 of this title.  
13 The charter of the charter school shall include a description of the methods  
14 of funding the charter school by the school district. The school district  
15 shall send a copy of the charter and application, including a description of  
16 how the school district plans to fund the school, to the state board of  
17 education before the start of the first fiscal year of operation of the  
18 charter school. The charter or application shall include an estimate of the  
19 student count for the charter school for its first fiscal year of operation.  
20 This estimate shall be computed pursuant to the requirements of paragraph 3  
21 of this subsection.

22 2. A school district is not financially responsible for any charter  
23 school that is sponsored by the state board of education, the state board for  
24 charter schools, a university under the jurisdiction of the Arizona board of  
25 regents, a community college district or a group of community college  
26 districts.

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

28 (a) Increase its student count as provided in subsection B, paragraph  
29 2 of this section during the first year of the charter school's operation to  
30 include those charter school pupils who were not previously enrolled in the  
31 school district. A charter school sponsored by a school district governing  
32 board is eligible for the assistance prescribed in subsection B, paragraph 4  
33 of this section. The soft capital allocation as provided in section 15-962  
34 for the school district sponsoring the charter school shall be increased by  
35 the amount of the additional assistance. The school district shall include  
36 the full amount of the additional assistance in the funding provided to the  
37 charter school.

38 (b) Compute separate weighted student counts pursuant to section  
39 15-943, paragraph 2, subdivision (a) for its noncharter school versus charter  
40 school pupils in order to maintain eligibility for small school district  
41 support level weights authorized in section 15-943, paragraph 1 for its  
42 noncharter school pupils only. The portion of a district's student count  
43 that is attributable to charter school pupils is not eligible for small  
44 school district support level weights.

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

5           5. A school district that sponsors a charter school is not eligible to  
6 include the charter school pupils in its student count for the purpose of  
7 computing an increase in its capital outlay revenue limit as provided in  
8 section 15-961, subsection C, except that if the charter school was  
9 previously a school in the district, the district may include in its student  
10 count any charter school pupils who were enrolled in the school district in  
11 the prior year.

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

17           7. If a school district converts one or more of its district public  
18 schools to a charter school and receives assistance as prescribed in  
19 subsection B, paragraph 4 of this section, and subsequently converts the  
20 charter school back to a district public school, the school district shall  
21 repay the state the total additional assistance received for the charter  
22 school for all years that the charter school was in operation. The repayment  
23 shall be in one lump sum and shall be reduced from the school district's  
24 current year equalization assistance. The school district's general budget  
25 limit shall be reduced by the same lump sum amount in the current year.

26           B. Financial provisions for a charter school that is sponsored by the  
27 state board of education, the state board for charter schools, a university,  
28 a community college district or a group of community college districts are as  
29 follows:

30           1. The charter school shall calculate a base support level as  
31 prescribed in section 15-943, except that section 15-941 does not apply to  
32 these charter schools.

33           2. Notwithstanding paragraph 1 of this subsection, the student count  
34 shall be determined initially using an estimated student count based on  
35 actual registration of pupils before the beginning of the school year. After  
36 the first one hundred days or two hundred days in session, as applicable, the  
37 charter school shall revise the student count to be equal to the actual  
38 average daily membership, as defined in section 15-901, ~~or the adjusted~~  
39 ~~average daily membership, as prescribed in section 15-902,~~ of the charter  
40 school. ~~A charter school that provides two hundred days of instruction may~~  
41 ~~use section 15-902.02 for the purposes of this section.~~ Before the one  
42 hundredth day or two hundredth day in session, as applicable, the state board  
43 of education, the state board for charter schools, the sponsoring university,  
44 the sponsoring community college district or the sponsoring group of  
45 community college districts may require a charter school to report

1 periodically regarding pupil enrollment and attendance, and the department of  
2 education may revise its computation of equalization assistance based on the  
3 report. A charter school shall revise its student count, base support level  
4 and additional assistance before May 15. A charter school that overestimated  
5 its student count shall revise its budget before May 15. A charter school  
6 that underestimated its student count may revise its budget before May 15.

7 3. A charter school may utilize section 15-855 for the purposes of  
8 this section. The charter school and the department of education shall  
9 prescribe procedures for determining ~~average daily attendance and~~ average  
10 daily membership.

11 4. Equalization assistance for the charter school shall be determined  
12 by adding the amount of the base support level and additional assistance.  
13 The amount of the additional assistance is one thousand six hundred seven  
14 dollars fifty cents per student count in kindergarten programs and grades one  
15 through eight and one thousand eight hundred seventy-three dollars fifty-two  
16 cents per student count in grades nine through twelve.

17 5. The state board of education shall apportion state aid from the  
18 appropriations made for such purposes to the state treasurer for disbursement  
19 to the charter schools in each county in an amount as determined by this  
20 paragraph. The apportionments shall be made as prescribed in section 15-973,  
21 subsection B.

22 6. The charter school shall not charge tuition for pupils who reside  
23 in this state, levy taxes or issue bonds. A charter school may admit pupils  
24 who are not residents of this state and shall charge tuition for those pupils  
25 in the same manner prescribed in section 15-823.

26 7. Not later than noon on the day preceding each apportionment date  
27 established by paragraph 5 of this subsection, the superintendent of public  
28 instruction shall furnish to the state treasurer 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 charter schools  
31 for the amount apportioned.

32 C. If a pupil is enrolled in both a charter school and a public school  
33 that is not a charter school, the sum of the daily membership, which includes  
34 enrollment as prescribed in section 15-901, subsection A, paragraph ~~2~~ 1,  
35 subdivisions (a) and (b) and daily attendance as prescribed in section  
36 15-901, subsection A, paragraph ~~6~~ 5, for that pupil in the school district  
37 and the charter school shall not exceed 1.0, except that if the pupil is  
38 enrolled in both a charter school and a joint technical education district  
39 and resides within the boundaries of a school district participating in the  
40 joint technical education district, the sum of the average daily membership  
41 for that pupil in the charter school and the joint technical education  
42 district shall not exceed 1.25. If a pupil is enrolled in both a charter  
43 school and a public school that is not a charter school, the department of  
44 education shall direct the average daily membership to the school with the  
45 most recent enrollment date. Upon validation of actual enrollment in both a

1 charter school and a public school that is not a charter school and if the  
2 sum of the daily membership or daily attendance for that pupil is greater  
3 than 1.0, the sum shall be reduced to 1.0 and shall be apportioned between  
4 the public school and the charter school based on the percentage of total  
5 time that the pupil is enrolled or in attendance in the public school and the  
6 charter school, except that if the pupil is enrolled in both a charter school  
7 and a joint technical education district and resides within the boundaries of  
8 a school district participating in the joint technical education district,  
9 the sum of the average daily membership for that pupil in the charter school  
10 and the joint technical education district shall be reduced to 1.25 and shall  
11 be apportioned between the charter school and the joint technical education  
12 district based on the percentage of total time that the pupil is enrolled or  
13 in attendance in the charter school and the joint technical education  
14 district. The uniform system of financial records shall include guidelines  
15 for the apportionment of the pupil enrollment and attendance as provided in  
16 this section.

17 D. Charter schools are allowed to accept grants and gifts to  
18 supplement their state funding, but it is not the intent of the charter  
19 school law to require taxpayers to pay twice to educate the same pupils. The  
20 base support level for a charter school or for a school district sponsoring a  
21 charter school shall be reduced by an amount equal to the total amount of  
22 monies received by a charter school from a federal or state agency if the  
23 federal or state monies are intended for the basic maintenance and operations  
24 of the school. The superintendent of public instruction shall estimate the  
25 amount of the reduction for the budget year and shall revise the reduction to  
26 reflect the actual amount before May 15 of the current year. If the  
27 reduction results in a negative amount, the negative amount shall be used in  
28 computing all budget limits and equalization assistance, except that:

29 1. Equalization assistance shall not be less than zero.

30 2. For a charter school sponsored by the state board of education, the  
31 state board for charter schools, a university, a community college district  
32 or a group of community college districts, the total of the base support  
33 level and the additional assistance shall not be less than zero.

34 3. For a charter school sponsored by a school district, the base  
35 support level for the school district shall not be reduced by more than the  
36 amount that the charter school increased the district's base support level,  
37 capital outlay revenue limit and soft capital allocation.

38 E. If a charter school was a district public school in the prior year  
39 and is now being operated for or by the same school district and sponsored by  
40 the state board of education, the state board for charter schools, a  
41 university, a community college district, a group of community college  
42 districts or a school district governing board, the reduction in subsection D  
43 of this section applies. The reduction to the base support level of the  
44 charter school or the sponsoring district of the charter school shall equal  
45 the sum of the base support level and the additional assistance received in

1 the current year for those pupils who were enrolled in the traditional public  
2 school in the prior year and are now enrolled in the charter school in the  
3 current year.

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

7 G. At the request of a charter school, the county school  
8 superintendent of the county where the charter school is located may provide  
9 the same educational services to the charter school as prescribed in section  
10 15-308, subsection A. The county school superintendent may charge a fee to  
11 recover costs for providing educational services to charter schools.

12 H. If the sponsor of the charter school determines at a public meeting  
13 that the charter school is not in compliance with federal law, with the laws  
14 of this state or with its charter, the sponsor of a charter school may submit  
15 a request to the department of education to withhold up to ten per cent of  
16 the monthly apportionment of state aid that would otherwise be due the  
17 charter school. The department of education shall adjust the charter  
18 school's apportionment accordingly. The sponsor shall provide written notice  
19 to the charter school at least seventy-two hours before the meeting and shall  
20 allow the charter school to respond to the allegations of noncompliance at  
21 the meeting before the sponsor makes a final determination to notify the  
22 department of education of noncompliance. The charter school shall submit a  
23 corrective action plan to the sponsor on a date specified by the sponsor at  
24 the meeting. The corrective action plan shall be designed to correct  
25 deficiencies at the charter school and to ensure that the charter school  
26 promptly returns to compliance. When the sponsor determines that the charter  
27 school is in compliance, the department of education shall restore the full  
28 amount of state aid payments to the charter school.

29 I. In addition to the withholding of state aid payments pursuant to  
30 subsection H of this section, the sponsor of a charter school may impose a  
31 civil penalty of one thousand dollars per occurrence if a charter school  
32 fails to comply with the fingerprinting requirements prescribed in section  
33 15-183, subsection C or section 15-512. The sponsor of a charter school  
34 shall not impose a civil penalty if it is the first time that a charter  
35 school is out of compliance with the fingerprinting requirements and if the  
36 charter school provides proof within forty-eight hours of written  
37 notification that an application for the appropriate fingerprint check has  
38 been received by the department of public safety. The sponsor of the charter  
39 school shall obtain proof that the charter school has been notified, and the  
40 notification shall identify the date of the deadline and shall be signed by  
41 both parties. The sponsor of a charter school shall automatically impose a  
42 civil penalty of one thousand dollars per occurrence if the sponsor  
43 determines that the charter school subsequently violates the fingerprinting  
44 requirements. Civil penalties pursuant to this subsection shall be assessed  
45 by requesting the department of education to reduce the amount of state aid

1 that the charter school would otherwise receive by an amount equal to the  
2 civil penalty. The amount of state aid withheld shall revert to the state  
3 general fund at the end of the fiscal year.

4 J. A charter school may receive and spend monies distributed by the  
5 department of education pursuant to section 42-5029, subsection E and section  
6 37-521, subsection B.

7 K. If a school district transports or contracts to transport pupils to  
8 the Arizona state schools for the deaf and the blind during any fiscal year,  
9 the school district may transport or contract with a charter school to  
10 transport sensory impaired pupils during that same fiscal year to a charter  
11 school if requested by the parent of the pupil and if the distance from the  
12 pupil's place of actual residence within the school district to the charter  
13 school is less than the distance from the pupil's place of actual residence  
14 within the school district to the campus of the Arizona state schools for the  
15 deaf and the blind.

16 L. Notwithstanding any other law, a university under the jurisdiction  
17 of the Arizona board of regents, a community college district or a group of  
18 community college districts shall not include any student in the student  
19 count of the university, community college district or group of community  
20 college districts for state funding purposes if that student is enrolled in  
21 and attending a charter school sponsored by the university, community college  
22 district or group of community college districts.

23 M. The governing body of a charter school shall transmit a copy of its  
24 proposed budget or the summary of the proposed budget and a notice of the  
25 public hearing to the department of education for posting on the department  
26 of education's website no later than ten days before the hearing and meeting.  
27 If the charter school maintains a website, the charter school governing body  
28 shall post on its website a copy of its proposed budget or the summary of the  
29 proposed budget and a notice of the public hearing.

30 N. The governing body of a charter school may contract with the  
31 private organization that is approved by the state board of education  
32 pursuant to section 15-792.02 to provide approved board examination systems  
33 for the charter school.

34 O. NOT LATER THAN JULY 5 OF EACH YEAR, THE GOVERNING BODY OF A CHARTER  
35 SCHOOL SHALL MAKE AVAILABLE TO THE PUBLIC ON REQUEST COPIES OF FINANCIAL  
36 DOCUMENTS THAT DEMONSTRATE THE SOURCES AND AMOUNTS OF MONIES RECEIVED BY THE  
37 SCHOOL DISTRICT AND A COMPLETE AND DETAILED LIST OF EXPENDITURES, INCLUDING  
38 THE SALARIES AND OTHER COMPENSATION PROVIDED TO OWNERS, TEACHERS,  
39 ADMINISTRATORS AND OTHER PERSONS EMPLOYED AT THE CHARTER SCHOOL. IF THE  
40 CHARTER SCHOOL MAINTAINS A WEBSITE, THE CHARTER SCHOOL SHALL PROMINENTLY  
41 DISPLAY THESE FINANCIAL DOCUMENTS ON THE CHARTER SCHOOL'S WEBSITE.

42 ~~O.~~ P. For the purposes of this section:

43 1. "Monies intended for the basic maintenance and operations of the  
44 school" means monies intended to provide support for the educational program  
45 of the school, except that it does not include supplemental assistance for a

1 specific purpose or title VIII of the elementary and secondary education act  
2 of 1965 monies. The auditor general shall determine which federal or state  
3 monies meet the definition in this paragraph.

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

10 Sec. 2. Repeal

11 Section 15-185, Arizona Revised Statutes, as amended by Laws 2010,  
12 chapter 318, section 1, is repealed.