

State of Arizona
Senate
Fiftieth Legislature
Second Regular Session
2012

CHAPTER 146
SENATE BILL 1199

AN ACT

AMENDING SECTION 15-183 AND 15-914, ARIZONA REVISED STATUTES; 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 15-183, Arizona Revised Statutes, is amended to
3 read:

4 15-183. Charter schools; application; requirements; immunity;
5 exemptions; renewal of application; reprisal; fee;
6 fund

7 A. An applicant seeking to establish a charter school shall submit a
8 written application to a proposed sponsor as prescribed in subsection C of
9 this section. The application shall include a detailed business plan for the
10 charter school and may include a mission statement for the charter school, a
11 description of the charter school's organizational structure and the
12 governing body, a financial plan for the first three years of operation of
13 the charter school, a description of the charter school's hiring policy, the
14 name of the charter school's applicant or applicants and requested sponsor, a
15 description of the charter school's facility and the location of the school,
16 a description of the grades being served and an outline of criteria designed
17 to measure the effectiveness of the school.

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

21 C. The sponsor of a charter school may be either a school district
22 governing board, the state board of education, the state board for charter
23 schools, a university under the jurisdiction of the Arizona board of regents,
24 a community college district with enrollment of more than fifteen thousand
25 full-time equivalent students or a group of community college districts with
26 a combined enrollment of more than fifteen thousand full-time equivalent
27 students, subject to the following requirements:

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

30 (a) An applicant for a charter school may submit its application to a
31 school district governing board, which shall either accept or reject
32 sponsorship of the charter school within ninety days. An applicant may
33 submit a revised application for reconsideration by the governing board. If
34 the governing board rejects the application, the governing board shall notify
35 the applicant in writing of the reasons for the rejection. The applicant may
36 request, and the governing board may provide, technical assistance to improve
37 the application.

38 (b) In the first year that a school district is determined to be out
39 of compliance with the uniform system of financial records, within fifteen
40 days of the determination of noncompliance, the school district shall notify
41 by certified mail each charter school sponsored by the school district that
42 the school district is out of compliance with the uniform system of financial
43 records. The notification shall include a statement that if the school
44 district is determined to be out of compliance for a second consecutive year,
45 the charter school will be required to transfer sponsorship to another entity
46 pursuant to subdivision (c) of this paragraph.

1 (c) In the second consecutive year that a school district is
2 determined to be out of compliance with the uniform system of financial
3 records, within fifteen days of the determination of noncompliance, the
4 school district shall notify by certified mail each charter school sponsored
5 by the school district that the school district is out of compliance with the
6 uniform system of financial records. A charter school that receives a
7 notification of school district noncompliance pursuant to this subdivision
8 shall file a written sponsorship transfer application within forty-five days
9 with the state board of education, the state board for charter schools or the
10 school district governing board if the charter school is located within the
11 geographic boundaries of that school district. A charter school that
12 receives a notification of school district noncompliance may request an
13 extension of time to file a sponsorship transfer application, and the state
14 board of education, the state board for charter schools or a school district
15 governing board may grant an extension of not more than an additional thirty
16 days if good cause exists for the extension. The state board of education
17 and the state board for charter schools shall approve a sponsorship transfer
18 application pursuant to this paragraph.

19 (d) A school district governing board shall not grant a charter to a
20 charter school that is located outside the geographic boundaries of that
21 school district.

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

25 2. The applicant may submit the application to the state board of
26 education or the state board for charter schools. The state board of
27 education or the state board for charter schools may approve the application
28 if the application meets the requirements of this article and may approve the
29 charter if the proposed sponsor determines, within its sole discretion, that
30 the applicant is sufficiently qualified to operate a charter school and that
31 the applicant is applying to operate as a separate charter holder by
32 considering factors such as whether:

33 (a) The schools have separate governing bodies, governing body
34 membership, staff, facilities, and student population.

35 (b) Daily operations are carried out by different administrators.

36 (c) The applicant intends to have an affiliation agreement for the
37 purpose of providing enrollment preferences.

38 (d) The applicant's charter management organization has multiple
39 charter holders serving varied grade configurations on one physical site or
40 nearby sites serving one community.

41 (e) It is reconstituting an existing school site population at the
42 same or new site.

43 (f) It is reconstituting an existing grade configuration from a prior
44 charter holder with at least one grade remaining on the original site with
45 the other grade or grades moving to a new site.

1 The state board of education or the state board for charter schools may
2 approve any charter schools transferring charters. The state board of
3 education and the state board for charter schools shall approve any charter
4 schools transferring charters from a school district that is determined to be
5 out of compliance with the uniform system of financial records pursuant to
6 this section, but may require the charter school to sign a new charter that
7 is equivalent to the charter awarded by the former sponsor. If the state
8 board of education or the state board for charter schools rejects the
9 preliminary application, the state board of education or the state board for
10 charter schools shall notify the applicant in writing of the reasons for the
11 rejection and of suggestions for improving the application. An applicant may
12 submit a revised application for reconsideration by the state board of
13 education or the state board for charter schools. The applicant may request,
14 and the state board of education or the state board for charter schools may
15 provide, technical assistance to improve the application.

16 3. The applicant may submit the application to a university under the
17 jurisdiction of the Arizona board of regents, a community college district or
18 a group of community college districts. A university, a community college
19 district or a group of community college districts may approve the
20 application if it meets the requirements of this article and if the proposed
21 sponsor determines, in its sole discretion, that the applicant is
22 sufficiently qualified to operate a charter school.

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

32 5. All persons engaged in instructional work directly as a classroom,
33 laboratory or other teacher or indirectly as a supervisory teacher, speech
34 therapist or principal shall have a valid fingerprint clearance card that is
35 issued pursuant to title 41, chapter 12, article 3.1, unless the person is a
36 volunteer or guest speaker who is accompanied in the classroom by a person
37 with a valid fingerprint clearance card. A charter school shall not employ a
38 teacher whose certificate has been revoked for a violation of section 15-507
39 or 15-550 or for any offense that placed a pupil in danger. All other
40 personnel shall be fingerprint checked pursuant to section 15-512. Before
41 employment, the charter school shall make documented, good faith efforts to
42 contact previous employers of a person to obtain information and
43 recommendations that may be relevant to a person's fitness for employment as
44 prescribed in section 15-512, subsection F. The charter school shall notify
45 the department of public safety if the charter school or sponsor receives
46 credible evidence that a person who possesses a valid fingerprint clearance

1 card is arrested for or is charged with an offense listed in section
2 41-1758.03, subsection B. Charter schools may hire personnel that have not
3 yet received a fingerprint clearance card if proof is provided of the
4 submission of an application to the department of public safety for a
5 fingerprint clearance card and if the charter school that is seeking to hire
6 the applicant does all of the following:

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

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

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

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

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

21 (f) Verifies the fingerprint status of the applicant with the
22 department of public safety.

23 6. A charter school that complies with the fingerprinting requirements
24 of this section shall be deemed to have complied with section 15-512 and is
25 entitled to the same rights and protections provided to school districts by
26 section 15-512.

27 7. If a charter school operator is not already subject to a public
28 meeting or hearing by the municipality in which the charter school is
29 located, the operator of a charter school shall conduct a public meeting at
30 least thirty days before the charter school operator opens a site or sites
31 for the charter school. The charter school operator shall post notices of
32 the public meeting in at least three different locations that are within
33 three hundred feet of the proposed charter school site.

34 8. A person who is employed by a charter school or who is an applicant
35 for employment with a charter school, who is arrested for or charged with a
36 nonappealable offense listed in section 41-1758.03, subsection B and who does
37 not immediately report the arrest or charge to the person's supervisor or
38 potential employer is guilty of unprofessional conduct and the person shall
39 be immediately dismissed from employment with the charter school or
40 immediately excluded from potential employment with the charter school.

41 9. A person who is employed by a charter school and who is convicted
42 of any nonappealable offense listed in section 41-1758.03, subsection B or is
43 convicted of any nonappealable offense that amounts to unprofessional conduct
44 under section 15-550 shall immediately do all of the following:

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

1 (b) Notify the person's employer or potential employer of the
2 conviction.

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

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

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

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

11 1. Compliance with federal, state and local rules, regulations and
12 statutes relating to health, safety, civil rights and insurance. The
13 department of education shall publish a list of relevant rules, regulations
14 and statutes to notify charter schools of their responsibilities under this
15 paragraph.

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

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

23 4. That it designs a method to measure pupil progress toward the pupil
24 outcomes adopted by the state board of education pursuant to section
25 15-741.01, including participation in the Arizona instrument to measure
26 standards test and the nationally standardized norm-referenced achievement
27 test as designated by the state board and the completion and distribution of
28 an annual report card as prescribed in chapter 7, article 3 of this title.

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

32 6. That, except as provided in this article, it is subject to the same
33 financial and electronic data submission requirements as a school district,
34 including the uniform system of financial records as prescribed in chapter 2,
35 article 4 of this title, procurement rules as prescribed in section 15-213
36 and audit requirements. The auditor general shall conduct a comprehensive
37 review and revision of the uniform system of financial records to ensure that
38 the provisions of the uniform system of financial records that relate to
39 charter schools are in accordance with commonly accepted accounting
40 principles used by private business. A school's charter may include
41 exceptions to the requirements of this paragraph that are necessary as
42 determined by the district governing board, the state board of education or
43 the state board for charter schools. The department of education or the
44 office of the auditor general may conduct financial, program or compliance
45 audits.

1 7. Compliance with all federal and state laws relating to the
2 education of children with disabilities in the same manner as a school
3 district.

4 8. That it provides for a governing body for the charter school that
5 is responsible for the policy decisions of the charter school.
6 Notwithstanding section 1-216, if there is a vacancy or vacancies on the
7 governing body, a majority of the remaining members of the governing body
8 constitute a quorum for the transaction of business, unless that quorum is
9 prohibited by the charter school's operating agreement.

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

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

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

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

32 I. An approved plan to establish a charter school is effective for
33 fifteen years from the first day of the fiscal year the charter school is in
34 operation, subject to the following:

35 1. At least eighteen months before the expiration of the approved
36 plan, the sponsor shall notify the charter school that the charter school may
37 apply for renewal. A charter school that elects to apply for renewal shall
38 file an application for renewal at least fifteen months before the expiration
39 of the approved plan. In addition to any other requirements, the application
40 for renewal shall include a detailed business plan for the charter school, a
41 review of fiscal audits and academic performance data for the charter school
42 that are annually collected by the sponsor and a review of the current
43 contract between the sponsor and the charter school. The sponsor may deny
44 the request for renewal if, in its judgment, the charter school has failed to
45 complete the obligations of the contract or has failed to comply with this
46 article. A sponsor shall give written notice of its intent not to renew the

1 charter school's request for renewal to the charter school at least twelve
2 months before the expiration of the approved plan to allow the charter school
3 an opportunity to apply to another sponsor to transfer the operation of the
4 charter school. If the operation of the charter school is transferred to
5 another sponsor, the fifteen year period of the current charter shall be
6 maintained.

7 2. A charter operator may apply for early renewal. At least nine
8 months before the charter school's intended renewal consideration, the
9 operator of the charter school shall submit a letter of intent to the sponsor
10 to apply for early renewal. The sponsor shall review fiscal audits and
11 academic performance data for the charter school that are annually collected
12 by the sponsor, review the current contract between the sponsor and the
13 charter school and provide the qualifying charter school with a renewal
14 application. On submission of a complete application, the sponsor shall give
15 written notice of its consideration of the renewal application.

16 3. A sponsor shall review a charter at five year intervals and may
17 revoke a charter at any time if the charter school breaches one or more
18 provisions of its charter. At least ninety days before the effective date of
19 the proposed revocation the sponsor shall give written notice to the operator
20 of the charter school of its intent to revoke the charter. Notice of the
21 sponsor's intent to revoke the charter shall be delivered personally to the
22 operator of the charter school or sent by certified mail, return receipt
23 requested, to the address of the charter school. The notice shall
24 incorporate a statement of reasons for the proposed revocation of the
25 charter. The sponsor shall allow the charter school at least ninety days to
26 correct the problems associated with the reasons for the proposed revocation
27 of the charter. The final determination of whether to revoke the charter
28 shall be made at a public hearing called for such purpose.

29 J. The charter may be renewed for successive periods of twenty years
30 if the sponsor deems that the school is in compliance with its own charter
31 and this article.

32 K. A charter school that is sponsored by the state board of education,
33 the state board for charter schools, a university, a community college
34 district or a group of community college districts may not be located on the
35 property of a school district unless the district governing board grants this
36 authority.

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

1 of a lawful application to establish a charter school and that is adverse to
2 another employee or an education program and:

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

5 (a) Disciplinary or corrective action.

6 (b) Detail, transfer or reassignment.

7 (c) Suspension, demotion or dismissal.

8 (d) An unfavorable performance evaluation.

9 (e) A reduction in pay, benefits or awards.

10 (f) Elimination of the employee's position without a reduction in
11 force by reason of lack of monies or work.

12 (g) Other significant changes in duties or responsibilities that are
13 inconsistent with the employee's salary or employment classification.

14 2. With respect to an educational program, results in one or more of
15 the following:

16 (a) Suspension or termination of the program.

17 (b) Transfer or reassignment of the program to a less favorable
18 department.

19 (c) Relocation of the program to a less favorable site within the
20 school or school district.

21 (d) Significant reduction or termination of funding for the program.

22 M. Charter schools shall secure insurance for liability and property
23 loss. The governing body of a charter school that is sponsored by the state
24 board of education or the state board for charter schools may enter into an
25 intergovernmental agreement or otherwise contract to participate in an
26 insurance program offered by a risk retention pool established pursuant to
27 section 11-952.01 or 41-621.01 or the charter school may secure its own
28 insurance coverage. The pool may charge the requesting charter school
29 reasonable fees for any services it performs in connection with the insurance
30 program.

31 N. Charter schools do not have the authority to acquire property by
32 eminent domain.

33 O. A sponsor, including members, officers and employees of the
34 sponsor, is immune from personal liability for all acts done and actions
35 taken in good faith within the scope of its authority.

36 P. Charter school sponsors and this state are not liable for the debts
37 or financial obligations of a charter school or persons who operate charter
38 schools.

39 Q. The sponsor of a charter school shall establish procedures to
40 conduct administrative hearings on determination by the sponsor that grounds
41 exist to revoke a charter. Procedures for administrative hearings shall be
42 similar to procedures prescribed for adjudicative proceedings in title 41,
43 chapter 6, article 10. Except as provided in section 41-1092.08, subsection
44 H, final decisions of the state board of education and the state board for
45 charter schools from hearings conducted pursuant to this subsection are
46 subject to judicial review pursuant to title 12, chapter 7, article 6.

1 R. The sponsoring entity of a charter school shall have oversight and
2 administrative responsibility for the charter schools that it sponsors.

3 S. Charter schools may pledge, assign or encumber their assets to be
4 used as collateral for loans or extensions of credit.

5 T. All property accumulated by a charter school shall remain the
6 property of the charter school.

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

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

30 W. Notwithstanding subsection X of this section, the state board for
31 charter schools shall charge a processing fee to any charter school that
32 amends its contract to participate in Arizona online instruction pursuant to
33 section 15-808. The charter Arizona online instruction processing fund is
34 established consisting of fees collected and administered by the state board
35 for charter schools. The state board for charter schools shall use monies in
36 the fund only for the processing of contract amendments for charter schools
37 participating in Arizona online instruction. Monies in the fund are
38 continuously appropriated.

39 X. The sponsoring entity may not charge any fees to a charter school
40 that it sponsors unless the sponsor has provided services to the charter
41 school and the fees represent the full value of those services provided by
42 the sponsor. On request, the value of the services provided by the sponsor
43 to the charter school shall be demonstrated to the department of education.

44 Y. Charter schools may enter into an intergovernmental agreement with
45 a presiding judge of the juvenile court to implement a law related education
46 program as defined in section 15-154. The presiding judge of the juvenile

1 court may assign juvenile probation officers to participate in a law related
2 education program in any charter school in the county. The cost of juvenile
3 probation officers who participate in the program implemented pursuant to
4 this subsection shall be funded by the charter school.

5 Z. The sponsor of a charter school shall modify previously approved
6 curriculum requirements for a charter school that wishes to participate in
7 the board examination system prescribed in chapter 7, article 6 of this
8 title.

9 AA. If a charter school decides not to participate in the board
10 examination system prescribed in chapter 7, article 6 of this title, pupils
11 enrolled at that charter school may earn a Grand Canyon diploma by obtaining
12 a passing score on the same board examinations.

13 ~~BB. A charter school shall contract with a different auditor at least~~
14 ~~once every six years to conduct the annual audits required by this section.~~

15 Sec. 2. Section 15-914, Arizona Revised Statutes, is amended to read:

16 15-914. Financial and compliance audits

17 A. The governing board of a school district that is required to comply
18 with the single audit act amendments of 1996 (P.L. 104-156; 110 Stat. 1396;
19 31 United States Code sections 7501 through 7507) shall contract for at least
20 annual financial and compliance audits of financial transactions and accounts
21 subject to the single audit act amendments of 1996 and kept by or for the
22 school district. The governing board of a school district that is not
23 required to comply with the single audit act and that has adopted an
24 expenditure budget of two million dollars or more for the maintenance and
25 operation fund pursuant to section 15-905 shall contract for an annual
26 financial statement audit. The governing board of a school district that is
27 not required to comply with the single audit act and that has adopted an
28 expenditure budget of less than two million dollars but more than seven
29 hundred thousand dollars for the maintenance and operation fund pursuant to
30 section 15-905 shall contract for a biennial financial statement audit. An
31 independent certified public accountant shall conduct the audit in accordance
32 with generally accepted governmental auditing standards. To the extent
33 permitted by federal law, a school district that is required to participate
34 in an annual audit pursuant to this subsection may convert to a biennial
35 audit schedule if the previous annual audit did not contain any significant
36 negative findings. If a biennial audit of a school district conducted
37 pursuant to this subsection contains any significant negative findings, the
38 school district shall convert back to an annual audit schedule. If a school
39 district is required to convert back to an annual audit schedule pursuant to
40 this subsection because of significant negative findings, the school district
41 may subsequently convert to a biennial audit schedule if the previous two
42 annual audits did not contain any significant negative findings. For the
43 purposes of this subsection, "significant negative finding" means a finding
44 that results in the issuance of a letter of noncompliance from the auditor
45 general.

1 B. The governing board of a charter school that is required to comply
2 with the single audit act amendments of 1996 shall contract for an annual
3 financial and compliance audit of financial transactions and accounts subject
4 to the single audit act amendments of 1996 and kept by or for the charter
5 school. ~~A charter school shall contract with a different auditor at least~~
6 ~~once every six years.~~

7 C. A charter school that is not subject to the single audit act
8 amendments of 1996 shall contract for at least an annual financial statement
9 audit conducted in accordance with generally accepted governmental auditing
10 standards. An independent certified public accountant shall conduct the
11 audit. ~~A charter school shall contract with a different auditor at least~~
12 ~~once every six years.~~

13 D. For all audits referred to in subsections A, B and C of this
14 section, the independent certified public accountant shall submit a uniform
15 system of financial records compliance questionnaire to the auditor general
16 with the applicable audit reports.

17 E. Contracts for all financial and compliance audits and financial
18 statement audits and the completed audits shall be approved by the auditor
19 general as provided in section 41-1279.21. Contracts for all financial and
20 compliance audits and financial statement audits shall comply with the rules
21 for competitive sealed proposals as prescribed by the state board of
22 education in section 15-213.

23 F. If the school district or charter school will incur costs of
24 financial and compliance audits for the budget year, the governing board of a
25 school district or the governing body of the charter school may increase its
26 base support level for the budget year by an amount equal to the amount
27 expended for the district's or charter school's financial and compliance
28 audits in the year before the current year, increased by the growth rate as
29 prescribed by law, subject to appropriation. In determining the amount
30 expended for the district's or charter school's financial and compliance
31 audits, the school district or charter school shall include only the portion
32 of the audit that must be paid from monies other than federal monies. The
33 department of education and the auditor general shall prescribe a method for
34 determining the increase in the base support level and shall include in the
35 maintenance and operation section of the budget format, as provided in
36 section 15-903, a separate line for financial and compliance audits
37 expenditures.

38 G. Every audit contract shall include a systematic review of average
39 daily membership, as defined in section 15-901, using methodology that is
40 consistent with guidelines established by the auditor general. The auditor
41 general shall consider cost when establishing guidelines pursuant to this
42 subsection and, to the extent possible, shall attempt to minimize the cost of
43 the review. The purpose of the review is to determine whether the average
44 daily membership reported by the charter school or school district is in
45 compliance with the laws of this state and the uniform systems of financial
46 records for charter schools and school districts.

APPROVED BY THE GOVERNOR MARCH 29, 2012.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 29, 2012.