

State of Arizona  
House of Representatives  
Fifty-first Legislature  
First Special Session  
2013

# HOUSE BILL 2003

## AN ACT

REPEALING SECTION 15-105, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-107, 15-185 AND 15-241, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-249.04; AMENDING SECTIONS 15-341, 15-393, 15-448, 15-481, 15-491, 15-792.03, 15-795.01, 15-808, 15-901, 15-901.05, 15-903, 15-904, 15-905, 15-906, 15-909 AND 15-910, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 9, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-917; AMENDING SECTIONS 15-945, 15-947, 15-947.01, 15-951 AND 15-961, ARIZONA REVISED STATUTES; REPEALING SECTION 15-962, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-962.01, 15-963, 15-964, 15-971, 15-974, 15-996, 15-1021, 15-1371, 15-1372, 15-2002, 15-2004, 15-2005 AND 15-2011, ARIZONA REVISED STATUTES; REPEALING SECTION 15-2031, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-2032 AND 15-2041, ARIZONA REVISED STATUTES; REPEALING LAWS 2011, SECOND SPECIAL SESSION, CHAPTER 1, SECTION 135; MAKING APPROPRIATIONS; RELATING TO KINDERGARTEN THROUGH GRADE TWELVE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Repeal; transfer of monies

3 A. Section 15-105, Arizona Revised Statutes, is repealed.

4 B. All monies remaining in the early graduation scholarship fund  
5 established by section 15-105, Arizona Revised Statutes, are transferred on  
6 the effective date of this act to the commission for postsecondary education  
7 IGA and ISA fund for the purpose of funding a one-year continuation of the  
8 special education grant program that provides forgivable student loans to  
9 juniors and seniors who attend private postsecondary educational institutions  
10 in this state.

11 Sec. 2. Section 15-107, Arizona Revised Statutes, is amended to read:

12 15-107. School district overexpenditures; fiscal crisis teams;  
13 quarterly progress reports; fiscal management report;  
14 annual report; actions resulting from  
15 overexpenditures; professional development;  
16 definition

17 A. A county school superintendent, within two business days, shall  
18 provide written notice to the department of education, if, in the county  
19 school superintendent's judgment, a school district has committed an  
20 overexpenditure under this section. Notwithstanding any other law, a warrant  
21 shall not be drawn by a county school superintendent for an expenditure that  
22 is in excess of the amount budgeted and that has not been previously  
23 expended, unless the county school superintendent is notified in writing by  
24 the department of education that budget capacity exists as determined by the  
25 department based on information provided by the school district.

26 B. The department of education, in conjunction with the county school  
27 superintendent, shall monitor the school district and provide technical  
28 assistance to the school district and to the county school superintendent to  
29 resolve the overexpenditure.

30 C. If the department of education determines that the school district  
31 has failed to take appropriate action to resolve the overexpenditure or that  
32 the original notice of overexpenditure pursuant to subsection A of this  
33 section constitutes an overexpenditure that will cause the school district's  
34 overall expenditures to exceed the school district's general budget limit,  
35 ~~OR unrestricted capital budget limit or soft capital allocation limit~~ by  
36 fifty thousand dollars or one-half of one per cent, whichever is less, the  
37 department shall request that the matter be placed on the agenda of a meeting  
38 of the state board of education for action pursuant to this section.

39 D. At the request of the department of education, the state board of  
40 education shall call a public meeting to consider overexpenditures by any  
41 school district. The state board of education shall require the  
42 superintendent of the school district and any other school district personnel  
43 who may have information relevant to the overexpenditure to appear before the  
44 state board of education. After testimony from all interested parties, the  
45 state board of education shall take one of the following actions:

- 1           1. Require the department of education, in conjunction with the county  
2 school superintendent, to monitor the expenditures of the school district.
- 3           2. Direct the department of education to contract with a level one  
4 fiscal crisis team. The level one fiscal crisis team shall provide on-site  
5 oversight and off-site monitoring for the school district for no longer than  
6 twelve months and shall advise the school district on all financial issues  
7 and professional development training related to financial issues.
- 8           3. Direct the department of education to contract with a level two  
9 fiscal crisis team. The level two fiscal crisis team shall provide on-site  
10 oversight and off-site monitoring for the school district for no longer than  
11 twenty-four months, shall have the authority prescribed for level one fiscal  
12 crisis teams and may override any financial act or decision of the school  
13 district, including expenditures.
- 14           4. Appoint a receiver who, subject to the discretion of the state  
15 board of education, may take any actions prescribed in section 15-103,  
16 subsection F.
- 17           E. The level one and level two fiscal crisis teams shall be composed  
18 of at least one person who has knowledge of school finance and may include  
19 current or former school district financial officers, current or former  
20 school district business managers, certified public accountants and current  
21 or former school district superintendents. The fiscal crisis teams shall not  
22 include employees of the state board of education or the department of  
23 education.
- 24           F. The expenses incurred by a fiscal crisis team or by a receiver  
25 appointed pursuant to this section shall be paid by the school district. The  
26 state board of education shall review the expenses and costs of each fiscal  
27 crisis team at least once each calendar quarter.
- 28           G. Beginning ninety days after submitting the fiscal management report  
29 prescribed in subsection H of this section, the fiscal crisis team or  
30 receiver appointed pursuant to this section shall submit a detailed written  
31 quarterly progress report to the state board of education that includes all  
32 of the following:
  - 33           1. The results of the review of the school district's finances,  
34 including expenditures.
  - 35           2. The recommendations and decisions made by the fiscal crisis team or  
36 the receiver appointed pursuant to this section.
  - 37           3. The status of the fiscal management plan described pursuant to  
38 subsection H of this section.
  - 39           4. Recommendations to the state board of education on the content of  
40 professional development training related to overexpenditures.
  - 41           5. Any recommendations of potential action to be taken concerning  
42 professional certificates issued to school district personnel by the state  
43 board of education or the department of education. The state board of  
44 education shall review the recommendations submitted pursuant to this  
45 paragraph and shall take appropriate action.

1 H. After appointment, the fiscal crisis team or the receiver appointed  
2 pursuant to this section shall review the financial affairs of the school  
3 district and may work with school finance personnel at the department of  
4 education to ensure that the finances of the school district are in  
5 compliance with the laws of this state. A school district that has been  
6 assigned a fiscal crisis team or a receiver pursuant to this section shall  
7 submit, in consultation with the receiver or the fiscal crisis team, a fiscal  
8 management report to the state board of education within one hundred twenty  
9 days after the date that the state board of education appointed the receiver  
10 or the fiscal crisis team. The fiscal management report shall include the  
11 following:

12 1. A description of the fiscal management plan that has been  
13 implemented to correct the overexpenditure, including the following:

14 (a) The manner in which the fiscal management plan will address the  
15 findings and recommendations of the fiscal crisis team.

16 (b) A timeline for complete resolution of the overexpenditure.

17 (c) A detailed explanation of the methods and procedures that will be  
18 implemented to prevent future overexpenditures.

19 (d) The identification of any issues that need to be resolved before  
20 the fiscal management plan may be fully implemented.

21 (e) The identification of any long-term issues resulting from the  
22 overexpenditure that will extend to future fiscal years.

23 2. A description of the manner in which the fiscal management plan was  
24 developed, including identification of the role of the fiscal crisis team or  
25 the receiver, the role of the school district governing board and the role of  
26 the administrators of the school district.

27 I. On or before December 31, the state board of education shall submit  
28 an annual report to the governor, the president of the senate and the speaker  
29 of the house of representatives. The state board shall provide a copy of  
30 this report to the secretary of state ~~and the director of the Arizona state~~  
31 ~~library, archives and public records~~. The annual report shall include the  
32 following:

33 1. A summarized compilation of the fiscal management reports submitted  
34 by school districts pursuant to subsection H of this section.

35 2. The actions taken by the state board of education, the department  
36 of education, school districts, fiscal crisis teams and receivers during the  
37 most recently completed fiscal year.

38 3. Recommendations regarding improvements to the laws of this state or  
39 to administrative actions required under the laws of this state.

40 J. A school district that is assigned a level two fiscal crisis team  
41 or a receiver pursuant to this section shall require professional development  
42 training for school district governing board members and appropriate  
43 administrative personnel of the school district, including the school  
44 district superintendent, who are involved in district finances and budgeting,  
45 as determined by the level two fiscal crisis team or by the receiver. The

1 professional development training shall be selected from a list approved by  
2 the state board of education, and the cost of the professional development  
3 training shall be paid by the school district. Governing board members and  
4 district administrative personnel shall complete at least twelve hours of  
5 professional development training within one hundred twenty days after the  
6 assignment of a level two fiscal crisis team or the appointment of a  
7 receiver. The fiscal crisis team or the receiver shall report to the state  
8 board of education whether the professional development training requirements  
9 prescribed in this subsection have been met.

10 K. A school district governing board member who fails to complete the  
11 professional development training within the time prescribed in subsection J  
12 of this section is guilty of nonfeasance in office, and the state board of  
13 education shall forward a complaint to the attorney general. The attorney  
14 general may bring an action in superior court against a school district  
15 governing board member for failure to comply with the professional  
16 development training requirements prescribed in subsection J of this section.  
17 If a court determines that a school district governing board member failed to  
18 comply with the professional development training requirements prescribed in  
19 subsection J of this section, the court shall issue an order removing the  
20 school district governing board member from office. Any vacancy in the  
21 office of the school district governing board as a result of a court order  
22 issued pursuant to this subsection shall be filled in the manner provided by  
23 law.

24 L. If any of the administrative personnel of the school district ~~fail~~  
25 **FAILS** to complete the professional development training within the time  
26 prescribed in subsection J of this section, the state board of education may  
27 take appropriate action concerning current certificates held by that person.

28 M. All information received and records or reports kept by the state  
29 board of education during an investigation resulting from a complaint against  
30 a receiver appointed pursuant to this section or section 15-103 are  
31 confidential and not a public record.

32 N. For the purposes of this section, "overexpenditure" means an  
33 expenditure in excess of any of the following:

34 1. The general budget limit of the school district or the amount  
35 budgeted by the school district, whichever is less.

36 2. The unrestricted capital budget limit of the school district or the  
37 amount budgeted for capital by the school district, whichever is less.

38 ~~3. The soft capital allocation limit of the school district or the~~  
39 ~~amount budgeted for soft capital by the school district, whichever is less.~~

40 Sec. 3. Section 15-185, Arizona Revised Statutes, is amended to read:

41 15-185. Charter schools; financing; civil penalty;  
42 transportation; definitions

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

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

13           2. A school district is not financially responsible for any charter  
14 school that is sponsored by the state board of education, the state board for  
15 charter schools, a university under the jurisdiction of the Arizona board of  
16 regents, a community college district or a group of community college  
17 districts.

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

19           (a) Increase its student count as provided in subsection B, paragraph  
20 2 of this section during the first year of the charter school's operation to  
21 include those charter school pupils who were not previously enrolled in the  
22 school district. A charter school sponsored by a school district governing  
23 board is eligible for the **CHARTER ADDITIONAL** assistance prescribed in  
24 subsection B, paragraph 4 of this section. The ~~soft-capital~~ **DISTRICT**  
25 **ADDITIONAL ASSISTANCE** allocation as provided in section ~~15-962~~ **15-961** for the  
26 school district sponsoring the charter school shall be increased by the  
27 amount of the **CHARTER** additional assistance. The school district shall  
28 include the full amount of the **CHARTER** additional assistance in the funding  
29 provided to the charter school.

30           (b) Compute separate weighted student counts pursuant to section  
31 15-943, paragraph 2, subdivision (a) for its noncharter school versus charter  
32 school pupils in order to maintain eligibility for small school district  
33 support level weights authorized in section 15-943, paragraph 1 for its  
34 noncharter school pupils only. The portion of a district's student count  
35 that is attributable to charter school pupils is not eligible for small  
36 school district support level weights.

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

41           5. A school district that sponsors a charter school is not eligible to  
42 include the charter school pupils in its student count for the purpose of  
43 computing an increase in its ~~capital-outlay-revenue-limit~~ **DISTRICT ADDITIONAL**  
44 **ASSISTANCE** as provided in section 15-961, subsection ~~C~~ **B**, except that if the  
45 charter school was previously a school in the district, the district may

1 include in its student count any charter school pupils who were enrolled in  
2 the school district in the prior year.

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

8 7. If a school district converts one or more of its district public  
9 schools to a charter school and receives assistance as prescribed in  
10 subsection B, paragraph 4 of this section, and subsequently converts the  
11 charter school back to a district public school, the school district shall  
12 repay the state the total CHARTER additional assistance received for the  
13 charter school for all years that the charter school was in operation. The  
14 repayment shall be in one lump sum and shall be reduced from the school  
15 district's current year equalization assistance. The school district's  
16 general budget limit shall be reduced by the same lump sum amount in the  
17 current year.

18 B. Financial provisions for a charter school that is sponsored by the  
19 state board of education, the state board for charter schools, a university,  
20 a community college district or a group of community college districts are as  
21 follows:

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

25 2. Notwithstanding paragraph 1 of this subsection, the student count  
26 shall be determined initially using an estimated student count based on  
27 actual registration of pupils before the beginning of the school year. After  
28 the first one hundred days or two hundred days in session, as applicable, the  
29 charter school shall revise the student count to be equal to the actual  
30 average daily membership, as defined in section 15-901, of the charter  
31 school. Before the one hundredth day or two hundredth day in session, as  
32 applicable, the state board of education, the state board for charter  
33 schools, the sponsoring university, the sponsoring community college district  
34 or the sponsoring group of community college districts may require a charter  
35 school to report periodically regarding pupil enrollment and attendance, and  
36 the department of education may revise its computation of equalization  
37 assistance based on the report. A charter school shall revise its student  
38 count, base support level and CHARTER additional assistance before May 15. A  
39 charter school that overestimated its student count shall revise its budget  
40 before May 15. A charter school that underestimated its student count may  
41 revise its budget before May 15.

42 3. A charter school may utilize section 15-855 for the purposes of  
43 this section. The charter school and the department of education shall  
44 prescribe procedures for determining average daily membership.

1           4. Equalization assistance for the charter school shall be determined  
2 by adding the amount of the base support level and CHARTER additional  
3 assistance. The amount of the CHARTER additional assistance is one thousand  
4 six hundred ~~fifty-four~~ EIGHTY-FOUR dollars ~~forty-one~~ NINETEEN cents per  
5 student count in kindergarten programs and grades one through eight and one  
6 thousand nine hundred ~~twenty-eight~~ SIXTY-TWO dollars ~~nineteen~~ NINETY cents  
7 per student count in grades nine through twelve.

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

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

17           7. Not later than noon on the day preceding each apportionment date  
18 established by paragraph 5 of this subsection, the superintendent of public  
19 instruction shall furnish to the state treasurer an abstract of the  
20 apportionment and shall certify the apportionment to the department of  
21 administration, which shall draw its warrant in favor of the charter schools  
22 for the amount apportioned.

23           C. If a pupil is enrolled in both a charter school and a public school  
24 that is not a charter school, the sum of the daily membership, which includes  
25 enrollment as prescribed in section 15-901, subsection A, paragraph 1,  
26 subdivisions (a) and (b) and daily attendance as prescribed in section  
27 15-901, subsection A, paragraph 5, for that pupil in the school district and  
28 the charter school shall not exceed 1.0, except that if the pupil is enrolled  
29 in both a charter school and a joint technical education district and resides  
30 within the boundaries of a school district participating in the joint  
31 technical education district, the sum of the average daily membership for  
32 that pupil in the charter school and the joint technical education district  
33 shall not exceed 1.25. If a pupil is enrolled in both a charter school and a  
34 public school that is not a charter school, the department of education shall  
35 direct the average daily membership to the school with the most recent  
36 enrollment date. Upon validation of actual enrollment in both a charter  
37 school and a public school that is not a charter school and if the sum of the  
38 daily membership or daily attendance for that pupil is greater than 1.0, the  
39 sum shall be reduced to 1.0 and shall be apportioned between the public  
40 school and the charter school based on the percentage of total time that the  
41 pupil is enrolled or in attendance in the public school and the charter  
42 school, except that if the pupil is enrolled in both a charter school and a  
43 joint technical education district and resides within the boundaries of a  
44 school district participating in the joint technical education district, the  
45 sum of the average daily membership for that pupil in the charter school and

1 the joint technical education district shall be reduced to 1.25 and shall be  
2 apportioned between the charter school and the joint technical education  
3 district based on the percentage of total time that the pupil is enrolled or  
4 in attendance in the charter school and the joint technical education  
5 district. The uniform system of financial records shall include guidelines  
6 for the apportionment of the pupil enrollment and attendance as provided in  
7 this section.

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

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

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

25 3. For a charter school sponsored by a school district, the base  
26 support level for the school district shall not be reduced by more than the  
27 amount that the charter school increased the district's base support  
28 level, ~~capital outlay revenue limit~~ and ~~soft capital~~ DISTRICT ADDITIONAL  
29 ASSISTANCE allocation.

30 E. If a charter school was a district public school in the prior year  
31 and is now being operated for or by the same school district and sponsored by  
32 the state board of education, the state board for charter schools, a  
33 university, a community college district, a group of community college  
34 districts or a school district governing board, the reduction in subsection D  
35 of this section applies. The reduction to the base support level of the  
36 charter school or the sponsoring district of the charter school shall equal  
37 the sum of the base support level and the CHARTER additional assistance  
38 received in the current year for those pupils who were enrolled in the  
39 traditional public school in the prior year and are now enrolled in the  
40 charter school in the current year.

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

44 G. At the request of a charter school, the county school  
45 superintendent of the county where the charter school is located may provide

1 the same educational services to the charter school as prescribed in section  
2 15-308, subsection A. The county school superintendent may charge a fee to  
3 recover costs for providing educational services to charter schools.

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

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

41 J. A charter school may receive and spend monies distributed by the  
42 department of education pursuant to section 42-5029, subsection E and section  
43 37-521, subsection B.

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

10 L. Notwithstanding any other law, a university under the jurisdiction  
11 of the Arizona board of regents, a community college district or a group of  
12 community college districts shall not include any student in the student  
13 count of the university, community college district or group of community  
14 college districts for state funding purposes if that student is enrolled in  
15 and attending a charter school sponsored by the university, community college  
16 district or group of community college districts.

17 M. The governing body of a charter school shall transmit a copy of its  
18 proposed budget or the summary of the proposed budget and a notice of the  
19 public hearing to the department of education for posting on the department  
20 of education's website no later than ten days before the hearing and meeting.  
21 If the charter school maintains a website, the charter school governing body  
22 shall post on its website a copy of its proposed budget or the summary of the  
23 proposed budget and a notice of the public hearing.

24 N. The governing body of a charter school shall collaborate with the  
25 private organization that is approved by the state board of education  
26 pursuant to section 15-792.02 to provide approved board examination systems  
27 for the charter school.

28 O. If permitted by federal law, a charter school may opt out of  
29 federal grant opportunities if the charter holder or the appropriate  
30 governing body of the charter school determines that the federal requirements  
31 impose unduly burdensome reporting requirements.

32 P. For the purposes of this section:

33 1. "Monies intended for the basic maintenance and operations of the  
34 school" means monies intended to provide support for the educational program  
35 of the school, except that it does not include supplemental assistance for a  
36 specific purpose or title VIII of the elementary and secondary education act  
37 of 1965 monies. The auditor general shall determine which federal or state  
38 monies meet the definition in this paragraph.

39 2. "Operated for or by the same school district" means the charter  
40 school is either governed by the same district governing board or operated by  
41 the district in the same manner as other traditional schools in the district  
42 or is operated by an independent party that has a contract with the school  
43 district. The auditor general and the department of education shall  
44 determine which charter schools meet the definition in this subsection.

1           Sec. 4. Section 15-241, Arizona Revised Statutes, is amended to read:  
2           15-241. School and school district accountability; failing  
3                 schools tutoring fund; classification label for  
4                 school districts and charter school operators

5           A. The department of education shall compile an annual achievement  
6 profile for each public school and school district.

7           B. Each school and school district shall submit to the department any  
8 data that is required and requested and that is necessary to compile the  
9 achievement profile. A school or school district that fails to submit the  
10 information that is necessary is not eligible to receive monies from the  
11 classroom site fund established by section 15-977.

12           C. The department shall establish a baseline achievement profile for  
13 each school and school district. The baseline achievement profile shall be  
14 used to determine a standard measurement of acceptable academic progress for  
15 each school and school district and a school and school district  
16 classification pursuant to subsection H of this section. Any disclosure of  
17 educational records compiled by the department of education pursuant to this  
18 section shall comply with the family educational rights and privacy act of  
19 1974 (20 United States Code section 1232g).

20           D. The achievement profile for schools and school districts that offer  
21 instruction in kindergarten programs and grades one through eight, or any  
22 combination of those programs or grades, shall include the following school  
23 academic performance indicators:

24           1. The Arizona measure of academic progress. The department shall  
25 compute the extent of academic progress made by the pupils in each school and  
26 school district during the course of each year.

27           2. The Arizona instrument to measure standards test. The department  
28 shall compute the percentage of pupils who meet or exceed the standard on the  
29 Arizona instrument to measure standards test, as prescribed by the state  
30 board of education. The superintendent of public instruction and the  
31 department may calculate academic gain on the Arizona instrument to measure  
32 standards test according to each of the school classifications prescribed in  
33 subsection G of this section on a statewide basis, for each school district  
34 in this state and for each school by determining the average scale scores for  
35 students in the current academic year as compared to the average scale scores  
36 for the previous academic year for the same students.

37           3. The results of English language learners tests administered  
38 pursuant to section 15-756, subsection B, section 15-756.05 and section  
39 15-756.06.

40           E. The achievement profile for schools and school districts that offer  
41 instruction in grades nine through twelve, or any combination of those  
42 grades, shall include the following school academic performance indicators:

43           1. The Arizona measure of academic progress. The department shall  
44 compute the extent of academic progress made by the pupils at each school.

1           2. The Arizona instrument to measure standards test. The department  
2 shall compute the percentage of pupils pursuant to subsection G of this  
3 section who meet or exceed the standard on the Arizona instrument to measure  
4 standards test, as prescribed by the state board of education. The  
5 superintendent of public instruction and the department may calculate  
6 academic gain on the Arizona instrument to measure standards test according  
7 to each of the school classifications prescribed in subsection G of this  
8 section on a statewide basis, for each school district in this state and for  
9 each school by determining the average scale scores for students in the  
10 current academic year as compared to the average scale scores for the  
11 previous academic year for the same students.

12           3. The annual dropout rate.

13           4. The annual graduation rate.

14           5. The results of English language learners tests administered  
15 pursuant to section 15-756, subsection B, section 15-756.05 and section  
16 15-756.06.

17           F. Schools and school districts that offer instruction in all or a  
18 combination of the grades specified in subsections D and E of this section  
19 shall include a single achievement profile for that school and school  
20 district that includes the school academic performance indicators specified  
21 in subsections D and E of this section.

22           G. Subject to final adoption by the state board of education, the  
23 department shall determine the criteria for each school and school district  
24 classification using a research based methodology. The methodology shall  
25 include the performance of pupils at all achievement levels, account for  
26 pupil mobility, account for the distribution of pupil achievement at each  
27 school and school district and include longitudinal indicators of academic  
28 performance. Fifty per cent of the school and school district classification  
29 determination shall consist of academic performance measurements. Fifty per  
30 cent of the academic performance measurement shall consist of a measurement  
31 of academic gain for all pupils enrolled at the school or school district and  
32 fifty per cent of the academic performance measurements shall consist of a  
33 measurement of the twenty-five per cent of pupils with the lowest academic  
34 performance measurement enrolled at the school or school district. For the  
35 purposes of this subsection, "research based methodology" means the  
36 systematic and objective application of statistical and quantitative research  
37 principles to determine a standard measurement of acceptable academic  
38 progress for each school and school district.

39           H. Except as provided in subsection EE of this section, the  
40 achievement profile shall be used to determine a school and school district  
41 classification that uses a letter grade system as follows:

42           1. A school or school district assigned a letter grade of A shall  
43 demonstrate an excellent level of performance.

44           2. A school or school district assigned a letter grade of B shall  
45 demonstrate an above average level of performance.

1           3. A school or school district assigned a letter grade of C shall  
2 demonstrate an average level of performance.

3           4. A school or school district assigned a letter grade of D shall  
4 demonstrate a below average level of performance.

5           5. A school or school district assigned a letter grade of F shall  
6 demonstrate a failing level of performance. The state board of education may  
7 also assign a school a letter grade of F if the state board of education  
8 determines that the school is among the "persistently lowest-achieving  
9 schools" in the state under the federal school accountability requirements  
10 pursuant to section 1003(g) of the elementary and secondary education act (20  
11 United States Code section 6303).

12           I. The classification for each school and the criteria used to  
13 determine classification pursuant to subsection G of this section shall be  
14 included on the school report card prescribed in section 15-746.

15           J. Subject to final adoption by the state board of education, the  
16 department of education shall develop a parallel achievement profile for  
17 accommodation schools, alternative schools as defined by the state board of  
18 education and extremely small schools as defined by the state board of  
19 education for the purposes of this section.

20           K. If a school is assigned a letter grade of D, within ninety days  
21 after receiving notice of the designation, the governing board shall develop  
22 an improvement plan for the school, submit a copy of the plan to the  
23 superintendent of public instruction and the county educational service  
24 agency and supervise the implementation of the plan. The plan shall include  
25 necessary components as identified by the state board of education. Within  
26 thirty days after submitting the improvement plan to the superintendent of  
27 public instruction and the county educational service agency, the governing  
28 board shall hold a special public meeting in each school that has been  
29 assigned a letter grade of D and shall present the respective improvement  
30 plans that have been developed for each school. The school district  
31 governing board, within thirty days of receiving notice of the designation,  
32 shall provide written notification of the classification to each residence  
33 within the attendance area of the school. The notice shall explain the  
34 improvement plan process and provide information regarding the public meeting  
35 required by this subsection.

36           L. A school that has not submitted an improvement plan pursuant to  
37 subsection K of this section is not eligible to receive monies from the  
38 classroom site fund established by section 15-977 for every day that a plan  
39 has not been received by the superintendent of public instruction within the  
40 time specified in subsection K of this section plus an additional ninety  
41 days. The state board of education shall require the superintendent of the  
42 school district to testify before the board and explain the reasons that an  
43 improvement plan for that school has not been submitted.

1 M. If a charter school is assigned a letter grade of D, within thirty  
2 days the school shall notify the parents of the students attending the school  
3 of the classification. The notice shall explain the improvement plan process  
4 and provide information regarding the public meeting required by this  
5 subsection. Within ninety days of receiving the classification, the charter  
6 holder shall present an improvement plan to the charter sponsor at a public  
7 meeting and submit a copy of the plan to the superintendent of public  
8 instruction. The improvement plan shall include necessary components as  
9 identified by the state board of education. For every day that an  
10 improvement plan is not received by the superintendent of public instruction  
11 and the county educational service agency, the school is not eligible to  
12 receive monies from the classroom site fund established by section 15-977 for  
13 every day that a plan has not been received by the superintendent of public  
14 instruction within the time specified in subsection K of this section plus an  
15 additional ninety days. The charter holder shall appear before the  
16 sponsoring board and explain why the improvement plan has not been submitted.

17 N. The department of education shall establish an appeals process, to  
18 be approved by the state board of education, for a school to appeal data used  
19 to determine the achievement profile of the school. The criteria established  
20 shall be based on mitigating factors and may include a visit to the school  
21 site by the department of education.

22 O. If a school is assigned a letter grade of D for a third consecutive  
23 year, the department of education shall visit the school site to confirm the  
24 classification data and to review the implementation of the school's  
25 improvement plan. The school shall be assigned a letter grade of F unless an  
26 alternate letter grade is assigned after an appeal pursuant to subsection N  
27 of this section. A school that is assigned a letter grade of D for less than  
28 three consecutive years may also be assigned a letter grade of F if the state  
29 board of education determines that there is no reasonable likelihood that the  
30 school will achieve an average level of performance within the next two  
31 years.

32 P. The school district governing board, within thirty days of  
33 receiving notice of the school being assigned a letter grade of F, shall  
34 provide written notification of the classification to each residence in the  
35 attendance area of the school. The notice shall explain the improvement plan  
36 process and provide information regarding the public meeting required by  
37 subsection S of this section.

38 Q. The superintendent of public instruction in collaboration with the  
39 county educational service agency, based on need, shall assign a solutions  
40 team to a school assigned a letter grade of D, a school assigned a letter  
41 grade of F or any other school pursuant to a mutual agreement between the  
42 department of education and the school ~~comprised~~ COMPOSED of master teachers,  
43 fiscal analysts and curriculum assessment experts who are certified by the  
44 state board of education as Arizona academic standards technicians. The  
45 department of education or the county educational service agency may hire or

1 contract with administrators, principals and teachers who have demonstrated  
2 experience with the characteristics and situations in a school assigned a  
3 letter grade of D or F and may use these personnel as part of the solutions  
4 team. The department of education shall work with staff at the school to  
5 assist in curricula alignment and shall instruct teachers on how to increase  
6 pupil academic progress, considering the school's achievement profile. The  
7 solutions team shall consider the existing improvement plan to assess the  
8 need for changes to curriculum, professional development and resource  
9 allocation and shall present a statement of its findings to the school  
10 administrator and district superintendent. Within forty-five days after the  
11 presentation of the solutions team's statement of findings, the school  
12 district governing board, in cooperation with each school within the school  
13 district that is assigned a letter grade of D and its assigned solutions team  
14 representative, shall develop and submit to the department of education and  
15 the county educational service agency an action plan that details the manner  
16 in which the school district will assist the school as the school  
17 incorporates the findings of the solutions team into the improvement plan.  
18 The department of education shall review the action plan and shall either  
19 accept the action plan or return the action plan to the school district for  
20 modification. If the school district does not submit an approved action plan  
21 within forty-five days, the state board of education may direct the  
22 superintendent of public instruction to withhold up to ten per cent of state  
23 monies that the school district would otherwise be entitled to receive each  
24 month until the plan is submitted to the department of education and the  
25 county educational service agency, at which time those monies shall be  
26 returned to the school district.

27 R. The parent or the guardian of the pupil may apply to the department  
28 of education, in a manner determined by the department of education, for a  
29 certificate of supplemental instruction from the failing schools tutoring  
30 fund established by this section. Pupils attending a school assigned a  
31 letter grade of D or F or a pupil who has failed to pass one or more portions  
32 of the Arizona instrument to measure standards test in grades eight through  
33 twelve in order to graduate from high school may select an alternative  
34 tutoring program in academic standards from a provider that is certified by  
35 the state board of education. To qualify, the provider must state in writing  
36 a level of academic improvement for the pupil that includes a timeline for  
37 improvement that is agreed to by the parent or guardian of the pupil. The  
38 state board of education shall annually review academic performance levels  
39 for providers certified pursuant to this subsection and may remove a provider  
40 at a public hearing from an approved list of providers if that provider fails  
41 to meet its stated level of academic improvement. The state board of  
42 education shall determine the application guidelines and the maximum value  
43 for each certificate of supplemental instruction. The state board of  
44 education shall annually complete a market survey in order to determine the  
45 maximum value for each certificate of supplemental instruction. This

1 subsection shall not be construed to require the state to provide additional  
2 monies beyond the monies provided pursuant to section 42-5029, subsection E,  
3 paragraph 7.

4 S. Within sixty days of receiving notification of a school being  
5 assigned a letter grade of F, the school district governing board shall  
6 evaluate needed changes to the existing improvement plan for the school,  
7 consider recommendations from the solutions team, submit a copy of the plan  
8 to the superintendent of public instruction and the county educational  
9 service agency and supervise the implementation of the plan. Within thirty  
10 days after submitting the improvement plan to the superintendent of public  
11 instruction, the governing board shall hold a public meeting in each school  
12 that has been assigned a letter grade of F and shall present the respective  
13 improvement plans that have been developed for each school.

14 T. A school that has not submitted an improvement plan pursuant to  
15 subsection S of this section is not eligible to receive monies from the  
16 classroom site fund established by section 15-977 for every day that a plan  
17 has not been received by the superintendent of public instruction within the  
18 time specified in subsection S of this section plus an additional ninety  
19 days. The state board of education shall require the superintendent of the  
20 school district to testify before the board and explain the reasons that an  
21 improvement plan for that school has not been submitted.

22 U. If a charter school is assigned a letter grade of F, the department  
23 of education shall immediately notify the charter school's sponsor. The  
24 charter school's sponsor shall either take action to restore the charter  
25 school to acceptable performance or revoke the charter school's charter.  
26 Within thirty days the school shall notify the parents of the students  
27 attending the school of the classification and of any pending public meetings  
28 to review the issue.

29 V. A school that has been assigned a letter grade of F shall be  
30 evaluated by the department of education to determine if the school failed to  
31 properly implement its school improvement plan, align the curriculum with  
32 academic standards, provide teacher training, prioritize the budget or  
33 implement other proven strategies to improve academic performance. After  
34 visiting the school site pursuant to subsection O of this section, the  
35 department of education shall submit to the state board of education a  
36 recommendation to proceed pursuant to subsections Q, R and S of this section  
37 or that the school be subject to a public hearing to determine if the school  
38 failed to properly implement its improvement plan and the reasons for the  
39 department's recommendation.

40 W. If the department does recommend a public hearing, the state board  
41 of education shall meet and may provide by a majority vote at the public  
42 hearing for the continued operation of the school as allowed by this  
43 subsection. The state board of education shall determine whether  
44 governmental, nonprofit and private organizations may submit applications to

1 the state board to fully or partially manage the school. The state board's  
2 determination shall include:

3 1. If and to what extent the local governing board may participate in  
4 the operation of the school including personnel matters.

5 2. If and to what extent the state board of education shall  
6 participate in the operation of the school.

7 3. Resource allocation pursuant to subsection Y of this section.

8 4. Provisions for the development and submittal of a school  
9 improvement plan to be presented in a public meeting at the school.

10 5. A suggested time frame for the alternative operation of the school.

11 X. The state board shall periodically review the status of a school  
12 that is operated by an organization other than the school district governing  
13 board to determine whether the operation of the school should be returned to  
14 the school district governing board. Before the state board makes a  
15 determination, the state board or its designee shall meet with the school  
16 district governing board or its designee to determine the time frame,  
17 operational considerations and the appropriate continuation of existing  
18 improvements that are necessary to assure a smooth transition of authority  
19 from the other organization back to the school district governing board.

20 Y. If an alternative operation plan is provided pursuant to subsection  
21 W of this section, the state board of education shall pay for the operation  
22 of the school and shall adjust the school district's ~~soft capital allocation~~  
23 ~~pursuant to section 15-962, capital outlay revenue limit~~ DISTRICT ADDITIONAL  
24 ASSISTANCE pursuant to section 15-961, base support level pursuant to section  
25 15-943, monies distributed from the classroom site fund established by  
26 section 15-977 and transportation support level pursuant to section 15-945 to  
27 accurately reflect any reduction in district services that are no longer  
28 provided to that school by the district. The state board of education may  
29 modify the school district's revenue control limit, the district support  
30 level and the general budget limit calculated pursuant to section 15-947 by  
31 an amount that corresponds to this reduction in services. The state board of  
32 education shall retain the portion of state aid that would otherwise be due  
33 the school district for the school and shall distribute that portion of state  
34 aid directly to the organization that contracts with the state board of  
35 education to operate the school.

36 Z. If the state board of education determines that a charter school  
37 failed to properly implement its improvement plan, the sponsor of the charter  
38 school shall revoke the charter school's charter.

39 AA. If there are more than two schools in a district and more than  
40 one-half, or in any case more than five, of the schools in the district are  
41 assigned a letter grade of F for more than two consecutive years, in the next  
42 election of members of the governing board the election ballot shall contain  
43 the following statement immediately above the listing of governing board  
44 candidates:

1           Within the last five years, (number of schools) schools in the  
2           \_\_\_\_\_ school district have been assigned a letter grade of F  
3           or designated as "schools failing to meet academic standards" by  
4           the superintendent of public instruction.

5           BB. At least twice each year the department of education shall publish  
6           in a newspaper of general circulation in each county of this state a list of  
7           schools that are assigned a letter grade of F.

8           CC. The failing schools tutoring fund is established consisting of  
9           monies collected pursuant to section 42-5029, subsection E as designated for  
10          this purpose. The department of education shall administer the fund. The  
11          department of education may use monies from the fund to purchase materials  
12          designed to assist students to meet the Arizona academic standards and to  
13          achieve a passing score on the Arizona instrument to measure standards test  
14          in order to graduate from high school.

15          DD. The department of education may develop a classification label for  
16          school districts and charter school operators. If the department of  
17          education develops a classification label for school districts and charter  
18          school operators, the classification label may be developed from the  
19          following components:

- 20           1. Measures of academic progress.
- 21           2. Pupil assessment data.
- 22           3. The attendance rates and graduation rates of pupils who are  
23          educated in that charter school operator's charter schools or in that school  
24          district's schools.
- 25           4. The percentage of the parents of pupils enrolled in that charter  
26          school operator's charter schools or in that school district's schools that  
27          categorizes the quality of their child's education as excellent on a parental  
28          rating of school quality.

29          EE. The state board of education shall determine appropriate  
30          modifications to the criteria used to calculate achievement profiles for  
31          schools that participate in the board examination system prescribed in  
32          chapter 7, article 6 of this title.

33          FF. The state board of education shall adopt guidelines to include  
34          supplementary training in reading instruction for teachers who provide  
35          instruction to pupils in a kindergarten program or grade one, two or three in  
36          an improvement plan pursuant to subsection K of this section.

37          GG. In addition to any other corrective procedures prescribed in this  
38          section and section 15-241.01, a school that has been assigned a letter grade  
39          of D or F for two consecutive years shall implement a science, technology,  
40          engineering and mathematics intervention strategy under the supervision of  
41          the state board of education.

42          HH. In addition to any other corrective procedures prescribed in this  
43          section a school district that has been assigned a letter grade of D or F for  
44          two consecutive years shall implement a parent involvement strategy. The  
45          parent involvement strategy shall be included in the school improvement ~~plans~~

1 PLAN for each applicable school within the district, as prescribed in  
2 subsection K of this section.

3 Sec. 5. Title 15, chapter 2, article 2, Arizona Revised Statutes, is  
4 amended by adding section 15-249.04, to read:

5 15-249.04. Report; school district overrides

6 ON OR BEFORE NOVEMBER 30 OF EACH YEAR, THE DEPARTMENT OF EDUCATION  
7 SHALL ELECTRONICALLY SUBMIT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE  
8 GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING A REPORT THAT LISTS THE  
9 AMOUNT BUDGETED BY INDIVIDUAL SCHOOL DISTRICTS FOR THE CURRENT FISCAL YEAR  
10 FOR EACH TYPE OF OVERRIDE CONDUCTED PURSUANT TO SECTION 15-481 OR 15-482.

11 Sec. 6. Section 15-341, Arizona Revised Statutes, is amended to read:

12 15-341. General powers and duties; immunity; delegation

13 A. The governing board shall:

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

17 2. Exclude from schools all books, publications, papers or audiovisual  
18 materials of a sectarian, partisan or denominational character. This  
19 paragraph shall not be construed to prohibit the elective course permitted by  
20 section 15-717.01.

21 3. Manage and control the school property within its district.

22 4. Acquire school furniture, apparatus, equipment, library books and  
23 supplies for the use of the schools.

24 5. Prescribe the curricula and criteria for the promotion and  
25 graduation of pupils as provided in sections 15-701 and 15-701.01.

26 6. Furnish, repair and insure, at full insurable value, the school  
27 property of the district.

28 7. Construct school buildings on approval by a vote of the district  
29 electors.

30 8. Make in the name of the district conveyances of property belonging  
31 to the district and sold by the board.

32 9. Purchase school sites when authorized by a vote of the district at  
33 an election conducted as nearly as practicable in the same manner as the  
34 election provided in section 15-481 and held on a date prescribed in section  
35 15-491, subsection E, but such authorization shall not necessarily specify  
36 the site to be purchased and such authorization shall not be necessary to  
37 exchange unimproved property as provided in section 15-342, paragraph 23.

38 10. Construct, improve and furnish buildings used for school purposes  
39 when such buildings or premises are leased from the national park service.

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

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

1           13. Discipline students for disorderly conduct on the way to and from  
2 school.

3           14. Except as provided in section 15-1224, deposit all monies received  
4 by the district as gifts, grants and devises with the county treasurer who  
5 shall credit the deposits as designated in the uniform system of financial  
6 records. If not inconsistent with the terms of the gifts, grants and devises  
7 given, any balance remaining after expenditures for the intended purpose of  
8 the monies have been made shall be used for reduction of school district  
9 taxes for the budget year, except that in the case of accommodation schools  
10 the county treasurer shall carry the balance forward for use by the county  
11 school superintendent for accommodation schools for the budget year.

12           15. Provide that, if a parent or legal guardian chooses not to accept a  
13 decision of the teacher as provided in section 15-521, paragraph ~~3~~ 4, the  
14 parent or legal guardian may request in writing that the governing board  
15 review the teacher's decision. This paragraph shall not be construed to  
16 release school districts from any liability relating to a child's promotion  
17 or retention.

18           16. Provide for adequate supervision over pupils in instructional and  
19 noninstructional activities by certificated or noncertificated personnel.

20           17. Use school monies received from the state and county school  
21 apportionment exclusively for payment of salaries of teachers and other  
22 employees and contingent expenses of the district.

23           18. Make an annual report to the county school superintendent on or  
24 before October 1 in the manner and form and on the blanks prescribed by the  
25 superintendent of public instruction or county school superintendent. The  
26 board shall also make reports directly to the county school superintendent or  
27 the superintendent of public instruction whenever required.

28           19. Deposit all monies received by school districts other than student  
29 activities monies or monies from auxiliary operations as provided in sections  
30 15-1125 and 15-1126 with the county treasurer to the credit of the school  
31 district except as provided in paragraph 20 of this subsection and sections  
32 15-1223 and 15-1224, and the board shall expend the monies as provided by law  
33 for other school funds.

34           20. Establish bank accounts in which the board during a month may  
35 deposit miscellaneous monies received directly by the district. The board  
36 shall remit monies deposited in the bank accounts at least monthly to the  
37 county treasurer for deposit as provided in paragraph 19 of this subsection  
38 and in accordance with the uniform system of financial records.

39           21. Prescribe and enforce policies and procedures for disciplinary  
40 action against a teacher who engages in conduct that is a violation of the  
41 policies of the governing board but that is not cause for dismissal of the  
42 teacher or for revocation of the certificate of the teacher. Disciplinary  
43 action may include suspension without pay for a period of time not to exceed  
44 ten school days. Disciplinary action shall not include suspension with pay  
45 or suspension without pay for a period of time longer than ten school days.

1 The procedures shall include notice, hearing and appeal provisions for  
2 violations that are cause for disciplinary action. The governing board may  
3 designate a person or persons to act on behalf of the board on these matters.

4 22. Prescribe and enforce policies and procedures for disciplinary  
5 action against an administrator who engages in conduct that is a violation of  
6 the policies of the governing board regarding duties of administrators but  
7 that is not cause for dismissal of the administrator or for revocation of the  
8 certificate of the administrator. Disciplinary action may include suspension  
9 without pay for a period of time not to exceed ten school days. Disciplinary  
10 action shall not include suspension with pay or suspension without pay for a  
11 period of time longer than ten school days. The procedures shall include  
12 notice, hearing and appeal provisions for violations that are cause for  
13 disciplinary action. The governing board may designate a person or persons  
14 to act on behalf of the board on these matters. For violations that are  
15 cause for dismissal, the provisions of notice, hearing and appeal in chapter  
16 5, article 3 of this title shall apply. The filing of a timely request for a  
17 hearing suspends the imposition of a suspension without pay or a dismissal  
18 pending completion of the hearing.

19 23. Notwithstanding sections 13-3108 and 13-3120, prescribe and enforce  
20 policies and procedures that prohibit a person from carrying or possessing a  
21 weapon on school grounds unless the person is a peace officer or has obtained  
22 specific authorization from the school administrator.

23 24. Prescribe and enforce policies and procedures relating to the  
24 health and safety of all pupils participating in district sponsored practice  
25 sessions or games or other interscholastic athletic activities, including:

26 (a) The provision of water.

27 (b) Guidelines, information and forms, developed in consultation with  
28 a statewide private entity that supervises interscholastic activities, to  
29 inform and educate coaches, pupils and parents of the dangers of concussions  
30 and head injuries and the risks of continued participation in athletic  
31 activity after a concussion. The policies and procedures shall require that,  
32 before a pupil participates in an athletic activity, the pupil and the  
33 pupil's parent must sign an information form at least once each school year  
34 that states that the parent is aware of the nature and risk of concussion.  
35 The policies and procedures shall require that a pupil who is suspected of  
36 sustaining a concussion in a practice session, game or other interscholastic  
37 athletic activity be immediately removed from the athletic activity. A coach  
38 from the pupil's team or an official or a licensed health care provider may  
39 remove a pupil from play. A team parent may also remove the parent's own  
40 child from play. A pupil may return to play on the same day if a health care  
41 provider rules out a suspected concussion at the time the pupil is removed  
42 from play. On a subsequent day, the pupil may return to play if the pupil  
43 has been evaluated by and received written clearance to resume participation  
44 in athletic activity from a health care provider who has been trained in the  
45 evaluation and management of concussions and head injuries. A health care

1 provider who is a volunteer and who provides clearance to participate in  
2 athletic activity on the day of the suspected injury or on a subsequent day  
3 is immune from civil liability with respect to all decisions made and actions  
4 taken that are based on good faith implementation of the requirements of this  
5 subdivision, except in cases of gross negligence or wanton or wilful neglect.  
6 A school district, school district employee, team coach, official or team  
7 volunteer or a parent or guardian of a team member is not subject to civil  
8 liability for any act, omission or policy undertaken in good faith to comply  
9 with the requirements of this subdivision or for a decision made or an action  
10 taken by a health care provider. A group or organization that uses property  
11 or facilities owned or operated by a school district for athletic activities  
12 shall comply with the requirements of this subdivision. A school district  
13 and its employees and volunteers are not subject to civil liability for any  
14 other person or organization's failure or alleged failure to comply with the  
15 requirements of this subdivision. This subdivision does not apply to teams  
16 that are based in another state and that participate in an athletic activity  
17 in this state. For the purposes of this subdivision, athletic activity does  
18 not include dance, rhythmic gymnastics, competitions or exhibitions of  
19 academic skills or knowledge or other similar forms of physical noncontact  
20 activities, civic activities or academic activities, whether engaged in for  
21 the purposes of competition or recreation. For the purposes of this  
22 subdivision, "health care provider" means a physician who is licensed  
23 pursuant to title 32, chapter 13 or 17, an athletic trainer who is licensed  
24 pursuant to title 32, chapter 41, a nurse practitioner who is licensed  
25 pursuant to title 32, chapter 15, and a physician assistant who is licensed  
26 pursuant to title 32, chapter 25.

27 25. Prescribe and enforce policies and procedures regarding the smoking  
28 of tobacco within school buildings. The policies and procedures shall be  
29 adopted in consultation with school district personnel and members of the  
30 community and shall state whether smoking is prohibited in school buildings.  
31 If smoking in school buildings is not prohibited, the policies and procedures  
32 shall clearly state the conditions and circumstances under which smoking is  
33 permitted, those areas in a school building that may be designated as smoking  
34 areas and those areas in a school building that may not be designated as  
35 smoking areas.

36 26. Establish an assessment, data gathering and reporting system as  
37 prescribed in chapter 7, article 3 of this title.

38 27. Provide special education programs and related services pursuant to  
39 section 15-764, subsection A to all children with disabilities as defined in  
40 section 15-761.

41 28. Administer competency tests prescribed by the state board of  
42 education for the graduation of pupils from high school.

43 29. Ensure that insurance coverage is secured for all construction  
44 projects for purposes of general liability, property damage and workers'

1 compensation and secure performance and payment bonds for all construction  
2 projects.

3 30. Keep on file the resumes of all current and former employees who  
4 provide instruction to pupils at a school. Resumes shall include an  
5 individual's educational and teaching background and experience in a  
6 particular academic content subject area. A school district shall inform  
7 parents and guardians of the availability of the resume information and shall  
8 make the resume information available for inspection on request of parents  
9 and guardians of pupils enrolled at a school. This paragraph shall not be  
10 construed to require any school to release personally identifiable  
11 information in relation to any teacher or employee, including the teacher's  
12 or employee's address, salary, social security number or telephone number.

13 31. Report to local law enforcement agencies any suspected crime  
14 against a person or property that is a serious offense as defined in section  
15 13-706 or that involves a deadly weapon or dangerous instrument or serious  
16 physical injury and any conduct that poses a threat of death or serious  
17 physical injury to employees, students or anyone on the property of the  
18 school. This paragraph does not limit or preclude the reporting by a school  
19 district or an employee of a school district of suspected crimes other than  
20 those required to be reported by this paragraph. For the purposes of this  
21 paragraph, "dangerous instrument", "deadly weapon" and "serious physical  
22 injury" have the same meanings prescribed in section 13-105.

23 32. In conjunction with local law enforcement agencies and local  
24 medical facilities, develop an emergency response plan for each school in the  
25 school district in accordance with minimum standards developed jointly by the  
26 department of education and the division of emergency management within the  
27 department of emergency and military affairs.

28 33. Provide written notice to the parents or guardians of all students  
29 affected in the school district at least ten days prior to a public meeting  
30 to discuss closing a school within the school district. The notice shall  
31 include the reasons for the proposed closure and the time and place of the  
32 meeting. The governing board shall fix a time for a public meeting on the  
33 proposed closure no less than ten days before voting in a public meeting to  
34 close the school. The school district governing board shall give notice of  
35 the time and place of the meeting. At the time and place designated in the  
36 notice, the school district governing board shall hear reasons for or against  
37 closing the school. The school district governing board is exempt from this  
38 paragraph if it is determined by the governing board that the school shall be  
39 closed because it poses a danger to the health or safety of the pupils or  
40 employees of the school. A governing board may consult with the school  
41 facilities board for technical assistance and for information on the impact  
42 of closing a school. The information provided from the school facilities  
43 board shall not require the governing board to take or not take any action.

1           34. Incorporate instruction on Native American history into appropriate  
2 existing curricula.

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

20           36. Allow the possession and self-administration of prescription  
21 medication for breathing disorders in handheld inhaler devices by pupils who  
22 have been prescribed that medication by a health care professional licensed  
23 pursuant to title 32. The pupil's name on the prescription label on the  
24 medication container or on the handheld inhaler device and annual written  
25 documentation from the pupil's parent or guardian to the school that  
26 authorizes possession and self-administration shall be sufficient proof that  
27 the pupil is entitled to the possession and self-administration of the  
28 medication. A school district and its employees are immune from civil  
29 liability with respect to all decisions made and actions taken that are based  
30 on a good faith implementation of the requirements of this paragraph.

31           37. Prescribe and enforce policies and procedures to prohibit pupils  
32 from harassing, intimidating and bullying other pupils on school grounds, on  
33 school property, on school buses, at school bus stops, at school sponsored  
34 events and activities and through the use of electronic technology or  
35 electronic communication on school computers, networks, forums and mailing  
36 lists that include the following components:

37           (a) A procedure for pupils, parents and school district employees to  
38 confidentially report to school officials incidents of harassment,  
39 intimidation or bullying. The school shall make available written forms  
40 designed to provide a full and detailed description of the incident and any  
41 other relevant information about the incident.

42           (b) A requirement that school district employees report in writing  
43 suspected incidents of harassment, intimidation or bullying to the  
44 appropriate school official and a description of appropriate disciplinary

1 procedures for employees who fail to report suspected incidents that are  
2 known to the employee.

3 (c) A requirement that, at the beginning of each school year, school  
4 officials provide all pupils with a written copy of the rights, protections  
5 and support services available to a pupil who is an alleged victim of an  
6 incident reported pursuant to this paragraph.

7 (d) If an incident is reported pursuant to this paragraph, a  
8 requirement that school officials provide a pupil who is an alleged victim of  
9 the incident with a written copy of the rights, protections and support  
10 services available to that pupil.

11 (e) A formal process for the documentation of reported incidents of  
12 harassment, intimidation or bullying and for the confidentiality, maintenance  
13 and disposition of this documentation. School districts shall maintain  
14 documentation of all incidents reported pursuant to this paragraph for at  
15 least six years. The school shall not use that documentation to impose  
16 disciplinary action unless the appropriate school official has investigated  
17 and determined that the reported incidents of harassment, intimidation or  
18 bullying occurred. If a school provides documentation of reported incidents  
19 to persons other than school officials or law enforcement, all individually  
20 identifiable information shall be redacted.

21 (f) A formal process for the investigation by the appropriate school  
22 officials of suspected incidents of harassment, intimidation or bullying,  
23 including procedures for notifying the alleged victim on completion and  
24 disposition of the investigation.

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

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

29 (i) Procedures designed to protect the health and safety of pupils who  
30 are physically harmed as the result of incidents of harassment, intimidation  
31 and bullying, including, if appropriate, procedures to contact emergency  
32 medical services or law enforcement agencies, or both.

33 (j) Definitions of harassment, intimidation and bullying.

34 38. Prescribe and enforce policies and procedures regarding changing or  
35 adopting attendance boundaries that include the following components:

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

38 (b) A procedure to notify the parents or guardians of the students  
39 affected.

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

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

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

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

6 (g) A formal process for updating attendance boundaries on the school  
7 district's website within ninety days of an adopted boundary change. The  
8 school district shall send a direct link to the school district's attendance  
9 boundaries website to the department of real estate.

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

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

19 40. Ensure that the contract for the superintendent is structured in a  
20 manner in which up to twenty per cent of the total annual salary included for  
21 the superintendent in the contract is classified as performance pay. This  
22 paragraph shall not be construed to require school districts to increase  
23 total compensation for superintendents. Unless the school district governing  
24 board votes to implement an alternative procedure at a public meeting called  
25 for this purpose, the performance pay portion of the superintendent's total  
26 annual compensation shall be determined as follows:

27 (a) Twenty-five per cent of the performance pay shall be determined  
28 based on the percentage of academic gain determined by the department of  
29 education of pupils who are enrolled in the school district compared to the  
30 academic gain achieved by the highest ranking of the fifty largest school  
31 districts in this state. For the purposes of this subdivision, the  
32 department of education shall determine academic gain by the academic growth  
33 achieved by each pupil who has been enrolled at the same school in a school  
34 district for at least five consecutive months measured against that pupil's  
35 academic results in the 2008-2009 school year. For the purposes of this  
36 subdivision, of the fifty largest school districts in this state, the school  
37 district with pupils who demonstrate the highest statewide percentage of  
38 overall academic gain measured against academic results for the 2008-2009  
39 school year shall be assigned a score of 100 and the school district with  
40 pupils who demonstrate the lowest statewide percentage of overall academic  
41 gain measured against academic results for the 2008-2009 school year shall be  
42 assigned a score of 0.

43 (b) Twenty-five per cent of the performance pay shall be determined by  
44 the percentage of parents of pupils who are enrolled at the school district  
45 who assign a letter grade of "A" to the school on a survey of parental

1 satisfaction with the school district. The parental satisfaction survey  
2 shall be administered and scored by an independent entity that is selected by  
3 the governing board and that demonstrates sufficient expertise and experience  
4 to accurately measure the results of the survey. The parental satisfaction  
5 survey shall use standard random sampling procedures and provide anonymity  
6 and confidentiality to each parent who participates in the survey. The  
7 letter grade scale used on the parental satisfaction survey shall direct  
8 parents to assign one of the following letter grades:

9 (i) A letter grade of "A" if the school district is excellent.

10 (ii) A letter grade of "B" if the school district is above average.

11 (iii) A letter grade of "C" if the school district is average.

12 (iv) A letter grade of "D" if the school district is below average.

13 (v) A letter grade of "F" if the school district is a failure.

14 (c) Twenty-five per cent of the performance pay shall be determined by  
15 the percentage of teachers who are employed at the school district and who  
16 assign a letter grade of "A" to the school on a survey of teacher  
17 satisfaction with the school. The teacher satisfaction survey shall be  
18 administered and scored by an independent entity that is selected by the  
19 governing board and that demonstrates sufficient expertise and experience to  
20 accurately measure the results of the survey. The teacher satisfaction  
21 survey shall use standard random sampling procedures and provide anonymity  
22 and confidentiality to each teacher who participates in the survey. The  
23 letter grade scale used on the teacher satisfaction survey shall direct  
24 teachers to assign one of the following letter grades:

25 (i) A letter grade of "A" if the school district is excellent.

26 (ii) A letter grade of "B" if the school district is above average.

27 (iii) A letter grade of "C" if the school district is average.

28 (iv) A letter grade of "D" if the school district is below average.

29 (v) A letter grade of "F" if the school district is a failure.

30 (d) Twenty-five per cent of the performance pay shall be determined by  
31 other criteria selected by the governing board.

32 41. Maintain and store permanent public records of the school district  
33 as required by law. Notwithstanding section 39-101, the standards adopted by  
34 the Arizona state library, archives and public records for the maintenance  
35 and storage of school district public records shall allow school districts to  
36 elect to satisfy the requirements of this paragraph by maintaining and  
37 storing these records either on paper or in an electronic format, or a  
38 combination of a paper and electronic format.

39 42. Adopt in a public meeting and implement by school year 2013-2014  
40 policies for principal evaluations. Before the adoption of principal  
41 evaluation policies, the school district governing board shall provide  
42 opportunities for public discussion on the proposed policies. The policies  
43 shall describe:

1 (a) The principal evaluation instrument, including the four  
2 performance classifications adopted by the governing board pursuant to  
3 section 15-203, subsection A, paragraph 38.

4 (b) Alignment of professional development opportunities to the  
5 principal evaluations.

6 (c) Incentives for principals in one of the two highest performance  
7 classifications pursuant to section 15-203, subsection A, paragraph 38, which  
8 may include:

9 (i) Multiyear contracts pursuant to section 15-503.

10 (ii) Incentives to work at schools that are assigned a letter grade of  
11 D or F pursuant to section 15-241.

12 (d) Transfer and contract processes for principals designated in the  
13 lowest performance classification pursuant to section 15-203, subsection A,  
14 paragraph 38.

15 B. Notwithstanding subsection A, paragraphs 7, 9 and 11 of this  
16 section, the county school superintendent may construct, improve and furnish  
17 school buildings or purchase or sell school sites in the conduct of an  
18 accommodation school.

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

25 1. Is not abated, extinguished, discharged or merged in the title to  
26 the property.

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

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

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

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

4 G. Notwithstanding any other provision of this title, a school  
5 district governing board shall not take any action that would result in a  
6 reduction of pupil square footage unless the governing board notifies the  
7 school facilities board established by section 15-2001 of the proposed action  
8 and receives written approval from the school facilities board to take the  
9 action. A reduction includes an increase in administrative space that  
10 results in a reduction of pupil square footage or sale of school sites or  
11 buildings, or both. A reduction includes a reconfiguration of grades that  
12 results in a reduction of pupil square footage of any grade level. This  
13 subsection does not apply to temporary reconfiguration of grades to  
14 accommodate new school construction if the temporary reconfiguration does not  
15 exceed one year. The sale of equipment that results in a reduction 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~~ DISTRICT ADDITIONAL ASSISTANCE monies pursuant  
19 to the direction of the school facilities board. Except as provided in  
20 section 15-342, paragraph 10, proceeds from the sale of school sites,  
21 buildings or other equipment shall be deposited in the school plant fund as  
22 provided in section 15-1102.

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

26 Sec. 7. Section 15-393, Arizona Revised Statutes, is amended to read:  
27 15-393. Joint technical education district governing board:  
28 report; definition

29 A. The management and control of the joint district are vested in the  
30 joint technical education district governing board, including the content and  
31 quality of the courses offered by the district, the quality of teachers who  
32 provide instruction on behalf of the district, the salaries of teachers who  
33 provide instruction on behalf of the district and the reimbursement of other  
34 entities for the facilities used by the district. Unless the governing  
35 boards of the school districts participating in the formation of the joint  
36 district vote to implement an alternative election system as provided in  
37 subsection B of this section, the joint board shall consist of five members  
38 elected from five single member districts formed within the joint district.  
39 The single member district election system shall be submitted as part of the  
40 plan for the joint district pursuant to section 15-392 and shall be  
41 established in the plan as follows:

42 1. The governing boards of the school districts participating in the  
43 formation of the joint district shall define the boundaries of the single  
44 member districts so that the single member districts are as nearly equal in  
45 population as is practicable, except that if the joint district lies in part

1 in each of two or more counties, at least one single member district may be  
2 entirely within each of the counties comprising the joint district if this  
3 district design is consistent with the obligation to equalize the population  
4 among single member districts.

5 2. The boundaries of each single member district shall follow election  
6 precinct boundary lines, as far as practicable, in order to avoid further  
7 segmentation of the precincts.

8 3. A person who is a registered voter of this state and who is a  
9 resident of the single member district is eligible for election to the office  
10 of joint board member from the single member district. The terms of office  
11 of the members of the joint board shall be as prescribed in section 15-427,  
12 subsection B. An employee of a joint technical education district or the  
13 spouse of an employee shall not hold membership on a governing board of a  
14 joint technical education district by which the employee is employed. A  
15 member of one school district governing board or joint technical education  
16 district governing board is ineligible to be a candidate for nomination or  
17 election to or serve simultaneously as a member of any other governing board,  
18 except that a member of a governing board may be a candidate for nomination  
19 or election for any other governing board if the member is serving in the  
20 last year of a term of office. A member of a governing board shall resign  
21 the member's seat on the governing board before becoming a candidate for  
22 nomination or election to the governing board of any other school district or  
23 joint technical education district, unless the member of the governing board  
24 is serving in the last year of a term of office.

25 4. Nominating petitions shall be signed by the number of qualified  
26 electors of the single member district as provided in section 16-322.

27 B. The governing boards of the school districts participating in the  
28 formation of the joint district may vote to implement any other alternative  
29 election system for the election of joint district board members. If an  
30 alternative election system is selected, it shall be submitted as part of the  
31 plan for the joint district pursuant to section 15-392, and the  
32 implementation of the system shall be as approved by the United States  
33 justice department.

34 C. The joint technical education district shall be subject to the  
35 following provisions of this title:

- 36 1. Chapter 1, articles 1 through 6.
- 37 2. Sections 15-208, 15-210, 15-213 and 15-234.
- 38 3. Articles 2, 3 and 5 of this chapter.
- 39 4. Section 15-361.
- 40 5. Chapter 4, articles 1, 2 and 5.
- 41 6. Chapter 5, articles 1, 2 and 3.
- 42 7. Sections 15-701.01, 15-722, 15-723, 15-724, 15-727, 15-728, 15-729  
43 and 15-730.
- 44 8. Chapter 7, article 5.
- 45 9. Chapter 8, articles 1, 3 and 4.

- 1           10. Sections 15-828 and 15-829.
- 2           11. Chapter 9, article 1, article 6, except for section 15-995, and  
3 article 7.
- 4           12. Sections 15-941, 15-943.01, 15-948, 15-952, 15-953 and 15-973.
- 5           13. Sections 15-1101 and 15-1104.
- 6           14. Chapter 10, articles 2, 3, 4 and 8.
- 7           D. Notwithstanding subsection C of this section, the following apply  
8 to a joint technical education district:
- 9           1. A joint district may issue bonds for the purposes specified in  
10 section 15-1021 and in chapter 4, article 5 of this title to an amount in the  
11 aggregate, including the existing indebtedness, not exceeding one per cent of  
12 the taxable property used for secondary tax purposes, as determined pursuant  
13 to title 42, chapter 15, article 1, within the joint technical education  
14 district as ascertained by the last property tax assessment previous to  
15 issuing the bonds.
- 16           2. The number of governing board members for a joint district shall be  
17 as prescribed in subsection A of this section.
- 18           3. If a career and technical education course or program provided  
19 pursuant to this article is provided in a facility owned or operated by a  
20 school district in which a pupil is enrolled, including satellite courses,  
21 the sum of the average daily membership, as provided in section 15-901,  
22 subsection A, paragraph 1, for that pupil in both the school district and  
23 joint technical education district shall not exceed 1.25. The sum of the  
24 average daily membership, as provided in section 15-901, subsection A,  
25 paragraph 1, shall not exceed 1.25 for the courses taken in the school  
26 district and the facility, including satellite courses. The school district  
27 and the joint district shall determine the apportionment of the average daily  
28 membership for that pupil between the school district and the joint district.
- 29           4. The student count for the first year of operation of a joint  
30 technical education district as provided in this article shall be determined  
31 as follows:
- 32           (a) Determine the estimated student count for joint district classes  
33 that will operate in the first year of operation. This estimate shall be  
34 based on actual registration of pupils as of March 30 scheduled to attend  
35 classes that will be operated by the joint district. The student count for  
36 the district of residence of the pupils registered at the joint district  
37 shall be adjusted. The adjustment shall cause the district of residence to  
38 reduce the student count for the pupil to reflect the courses to be taken at  
39 the joint district. The district of residence shall review and approve the  
40 adjustment of its own student count as provided in this subdivision before  
41 the pupils from the school district can be added to the student count of the  
42 joint district.
- 43           (b) The student count for the new joint district shall be the student  
44 count as determined in subdivision (a) of this paragraph.

1 (c) For the first year of operation, the joint district shall revise  
2 the student count to the actual average daily membership as prescribed in  
3 section 15-901, subsection A, paragraph 1 for students attending classes in  
4 the joint district. A joint district shall revise its student count, the  
5 base support level as provided in section 15-943.02, the revenue control  
6 limit as provided in section 15-944.01, ~~the capital outlay revenue limit and~~  
7 ~~the soft capital allocation~~ AND THE DISTRICT ADDITIONAL ASSISTANCE as  
8 provided in section 15-962.01 prior to May 15. A joint district that  
9 overestimated its student count shall revise its budget prior to May 15. A  
10 joint district that underestimated its student count may revise its budget  
11 prior to May 15.

12 (d) After March 15 of the first year of operation, the district of  
13 residence shall adjust its student count by reducing it to reflect the  
14 courses actually taken at the joint district. The district of residence  
15 shall revise its student count, the base support level as provided in section  
16 15-943, the revenue control limit as provided in section 15-944, ~~the capital~~  
17 ~~outlay revenue limit as provided in section 15-961 and the soft capital~~  
18 ~~allocation~~ AND THE DISTRICT ADDITIONAL ASSISTANCE as provided in section  
19 ~~15-962~~ 15-962.01 prior to May 15. A district that underestimated the student  
20 count for students attending the joint district shall revise its budget prior  
21 to May 15. A district that overestimated the student count for students  
22 attending the joint district may revise its budget prior to May 15.

23 (e) A joint district for the first year of operation shall not be  
24 eligible for adjustment pursuant to section 15-948.

25 (f) The procedures for implementing this paragraph shall be as  
26 prescribed in the uniform system of financial records.

27 (g) Pupils in an approved joint technical education district  
28 centralized program may generate an average daily membership of 1.0 during  
29 any day of the week and at any time between July 1 and June 30 of each fiscal  
30 year.

31 For the purposes of this paragraph, "district of residence" means the  
32 district that included the pupil in its average daily membership for the year  
33 before the first year of operation of the joint district and that would have  
34 included the pupil in its student count for the purposes of computing its  
35 base support level for the fiscal year of the first year of operation of the  
36 joint district if the pupil had not enrolled in the joint district.

37 5. A student includes any person enrolled in the joint district  
38 without regard to the person's age or high school graduation status, except  
39 that:

40 (a) A student in a kindergarten program or in grades one through nine  
41 who enrolls in courses offered by the joint technical education district  
42 shall not be included in the joint district's student count or average daily  
43 membership.

44 (b) A student in a kindergarten program or in grades one through nine  
45 who is enrolled in career and technical education courses shall not be funded

1 in whole or in part with monies provided by a joint technical education  
2 district, except that a pupil in grade eight or nine may be funded with  
3 monies generated by the five cent qualifying tax rate authorized in  
4 subsection F of this section.

5 (c) A student who is over twenty-two years of age shall not be  
6 included in the student count of the joint district for the purposes of  
7 chapter 9, articles 3, 4 and 5 of this title.

8 6. A joint district may operate for more than one hundred seventy-five  
9 days per year, with expanded hours of service.

10 7. A joint district may use the excess utility costs provisions of  
11 section 15-910 in the same manner as a school district for fiscal years  
12 1999-2000 and 2000-2001, except that the base year shall be the first full  
13 fiscal year of operations.

14 8. A joint district may use the carryforward provisions of section  
15 15-943.01 retroactively to July 1, 1993.

16 9. A school district that is part of a joint district shall use any  
17 monies received pursuant to this article to supplement and not supplant base  
18 year career and technical education courses, and directly related equipment  
19 and facilities, except that a school district that is part of a joint  
20 technical education district and that has used monies received pursuant to  
21 this article to supplant career and technical education courses that were  
22 offered before the first year that the school district participated in the  
23 joint district or the first year that the school district used monies  
24 received pursuant to this article or that used the monies for purposes other  
25 than for career and technical education courses shall use one hundred per  
26 cent of the monies received pursuant to this article to supplement and not  
27 supplant base year career and technical education courses.

28 10. A joint technical education district shall use any monies received  
29 pursuant to this article to enhance and not supplant career and technical  
30 education courses and directly related equipment and facilities.

31 11. A joint technical education district or a school district that is  
32 part of a joint district shall only include pupils in grades ten through  
33 twelve in the calculation of student count or average daily membership if the  
34 pupils are enrolled in courses that are approved jointly by the governing  
35 board of the joint technical education district and each participating school  
36 district for satellite courses taught within the participating school  
37 district, or approved solely by the joint technical education district for  
38 centrally located courses. Student count and average daily membership from  
39 courses that are not part of an approved program for career and technical  
40 education shall not be included in student count and average daily membership  
41 of a joint technical education district.

42 E. The joint board shall appoint a superintendent as the executive  
43 officer of the joint district.

44 F. Taxes may be levied for the support of the joint district as  
45 prescribed in chapter 9, article 6 of this title, except that a joint

1 technical education district shall not levy a property tax pursuant to law  
2 that exceeds five cents per one hundred dollars assessed valuation except for  
3 bond monies pursuant to subsection D, paragraph 1 of this section. Except  
4 for the taxes levied pursuant to section 15-994, such taxes shall be obtained  
5 from a levy of taxes on the taxable property used for secondary tax purposes.

6 G. The schools in the joint district are available to all persons who  
7 reside in the joint district and to pupils whose district of residence is  
8 paying tuition on behalf of the pupils to a district of attendance that is a  
9 member of the joint technical education district, subject to the rules for  
10 admission prescribed by the joint board.

11 H. The joint board may collect tuition for adult students and the  
12 attendance of pupils who are residents of school districts that are not  
13 participating in the joint district pursuant to arrangements made between the  
14 governing board of the district and the joint board.

15 I. The joint board may accept gifts, grants, federal monies, tuition  
16 and other allocations of monies to erect, repair and equip buildings and for  
17 the cost of operation of the schools of the joint district.

18 J. One member of the joint board shall be selected chairman. The  
19 chairman shall be selected annually on a rotation basis from among the  
20 participating school districts. The chairman of the joint board shall be a  
21 voting member.

22 K. A joint board and a community college district may enter into  
23 agreements for the provision of administrative, operational and educational  
24 services and facilities.

25 L. Any agreement between the governing board of a joint technical  
26 education district and another joint technical education district, a school  
27 district, a charter school or a community college district shall be in the  
28 form of an intergovernmental agreement or other written contract. The  
29 auditor general shall modify the uniform system of financial records and  
30 budget forms in accordance with this subsection. The intergovernmental  
31 agreement or other written contract shall completely and accurately specify  
32 each of the following:

33 1. The financial provisions of the intergovernmental agreement or  
34 other written contract and the format for the billing of all services.

35 2. The accountability provisions of the intergovernmental agreement or  
36 other written contract.

37 3. The responsibilities of each joint technical education district,  
38 each school district, each charter school and each community college district  
39 that is a party to the intergovernmental agreement or other written contract.

40 4. The type of instruction that will be provided under the  
41 intergovernmental agreement or other written contract, including  
42 individualized education programs pursuant to section 15-763.

43 5. The quality of the instruction that will be provided under the  
44 intergovernmental agreement or other written contract.

1           6. The transportation services that will be provided under the  
2 intergovernmental agreement or other written contract and the manner in which  
3 transportation costs will be paid.

4           7. The amount that the joint technical education district will  
5 contribute to a course and the amount of support required by the school  
6 district or the community college.

7           8. That the services provided by the joint technical education  
8 district, the school district, the charter school or the community college  
9 district be proportionally calculated in the cost of delivering the service.

10          9. That the payment for services shall not exceed the cost of the  
11 services provided.

12          M. On or before December 31 of each year, each joint technical  
13 education district shall submit a detailed report to the career and technical  
14 education division of the department of education. The career and technical  
15 education division of the department of education shall collect, summarize  
16 and analyze the data submitted by the joint districts, shall submit an annual  
17 report that summarizes the data submitted by the joint districts to the  
18 governor, the speaker of the house of representatives, the president of the  
19 senate and the state board of education and shall submit a copy of this  
20 report to the secretary of state. The data submitted by each joint technical  
21 education district shall include the following:

22           1. The average daily membership of the joint district.

23           2. The program listings and program descriptions of programs offered  
24 by the joint district, including the course sequences for each program.

25           3. The costs associated with each program offered by the joint  
26 district.

27           4. The completion rate for each program offered by the joint district.  
28 For the purposes of this paragraph, "completion rate" means the completion  
29 rate for students who are designated as concentrators in that program by the  
30 department of education under the career and technology approved plan.

31           5. The graduation rate from the school district of residence of  
32 students who have completed a program in the joint district.

33           6. A detailed description of the career opportunities available to  
34 students after completion of the program offered by the joint district.

35           7. A detailed description of the career placement of students who have  
36 completed the program offered by the joint district.

37           8. Any other data deemed necessary by the department of education to  
38 carry out its duties under this subsection.

39          N. If the career and technical education division of the department of  
40 education determines that a course does not meet the criteria for approval as  
41 a joint technical education course, the governing board of the joint  
42 technical education district may appeal this decision to the state board of  
43 education acting as the state board of vocational education.

44          O. Notwithstanding any other law, the average daily membership of a  
45 pupil in grade ten, eleven or twelve who is enrolled in a course that meets

1 for at least one hundred fifty minutes per class period at a centralized  
2 campus owned and operated by a joint technical education district shall be  
3 0.75. The sum of the average daily membership, as provided in section  
4 15-901, subsection A, paragraph 1, of a pupil who is enrolled in both the  
5 member school district and joint technical education district courses  
6 provided at a community college pursuant to subsection K of this section or  
7 at a facility owned and operated by a joint technical education district that  
8 is not located on a site of a member district shall not exceed 1.75. The  
9 member school district and the joint district shall determine the  
10 apportionment of the average daily membership and student enrollment for that  
11 pupil between the member school district and the joint district, except the  
12 amount apportioned shall not exceed 1.0 for either entity.

13 P. Notwithstanding any other law, the average daily membership for a  
14 pupil who is enrolled in a joint technical education course defined in  
15 section 15-391 and who does not meet the criteria specified in subsection O  
16 of this section shall be 0.25 for each course, except the sum of the average  
17 daily membership shall not exceed the limits prescribed by subsection D or O  
18 **OF THIS SECTION**, as applicable.

19 Q. Notwithstanding any other law, beginning in fiscal year 2011-2012,  
20 the student count for a joint technical education district shall be  
21 equivalent to the joint technical education district's average daily  
22 membership.

23 R. For the purposes of this section, "base year" means the complete  
24 school year in which voters of a school district elected to join a joint  
25 technical education district.

26 Sec. 8. Section 15-448, Arizona Revised Statutes, is amended to read:  
27 **15-448. Formation of unified school district; board membership;**  
28 **budget**

29 A. One or more common school districts and a high school district with  
30 coterminous or overlapping boundaries may establish a unified school district  
31 pursuant to this section. Unification of a common school district and a high  
32 school district is not authorized by this section if any of the high school  
33 facilities owned by the new unified school district would not be located  
34 within its boundaries.

35 B. Formation of a unified school district shall be by resolutions  
36 approved by the governing boards of the unifying school districts and  
37 certification of approval by such governing boards to the county school  
38 superintendent of the county or counties in which such individual school  
39 districts are located. A common school district and high school district  
40 that unify pursuant to this section shall not exclude from the same  
41 unification a common school district that has overlapping boundaries with the  
42 high school district and that wishes to unify. The formation of a unified  
43 school district shall become effective on July 1 of the next fiscal year  
44 following the certification of the county school superintendent. An election  
45 shall not be required to form a unified school district pursuant to this

1 section. At least ninety days before the governing boards vote on the  
2 resolutions prescribed in this subsection, the governing boards shall mail a  
3 pamphlet to each household with one or more qualified electors that shall  
4 list the full cash value, the assessed valuation and the estimated amount of  
5 the primary property taxes and the estimated amount of the secondary property  
6 taxes under the proposed unification for each of the following:

7 1. An owner occupied residence whose assessed valuation is the average  
8 assessed valuation of property classified as class three, as prescribed by  
9 section 42-12003 for the current year in the school district.

10 2. An owner occupied residence whose assessed valuation is one-half of  
11 the assessed valuation of the residence in paragraph 1 of this subsection.

12 3. An owner occupied residence whose assessed valuation is twice the  
13 assessed valuation of the residence in paragraph 1 of this subsection.

14 4. A business whose assessed valuation is the average of the assessed  
15 valuation of property classified as class one, as prescribed by section  
16 42-12001, paragraphs 12 and 13 for the current year in the school district.

17 C. The boundaries of the unified school district shall be the  
18 boundaries of the former common school district or districts that unify. The  
19 boundaries of the common school district or districts that are not unifying  
20 remain unchanged. The county school superintendent, immediately upon receipt  
21 of the approved resolutions prescribed by subsection B of this section, shall  
22 file with the board of supervisors, the county assessor and the  
23 superintendent of public instruction a transcript of the boundaries of the  
24 unified school district. The boundaries shown in the transcript shall become  
25 the legal boundaries of the school districts on July 1 of the next fiscal  
26 year.

27 D. On formation of the unified school district, the governing board  
28 consists of the members of the former school district governing boards and  
29 the members shall hold office until January 1 following the first general  
30 election after formation of the district.

31 E. Beginning on January 1 following the first general election after  
32 formation of the unified school district, the governing board shall have five  
33 members. At the first general election after the formation of the district,  
34 members shall be elected in the following manner:

35 1. The three candidates receiving the highest, the second highest and  
36 the third highest number of votes shall be elected to four year terms.

37 2. The two candidates receiving the fourth and fifth highest number of  
38 votes shall be elected to two year terms. Thereafter all offices shall have  
39 four year terms.

40 F. The new unified school district may appoint a resident of the  
41 remaining common school district to serve as a nonvoting member of the  
42 governing board to represent the interests of the high school pupils who  
43 reside in the remaining common school district and who attend school in the  
44 unified school district.

1           G. For the first year of operation, the unified school district  
2 governing board shall prepare a consolidated budget based on the student  
3 counts from the school districts comprising the unified school district,  
4 except that for purposes of determining budget amounts and equalization  
5 assistance, the student count for the former high school district shall not  
6 include the prior year average daily membership attributable to high school  
7 pupils from a common school district that was part of the former high school  
8 district but is not part of the unified school district. The unified school  
9 district shall charge the remaining common school district tuition for these  
10 pupils as provided in subsection J of this section. The unified school  
11 district may budget for unification assistance pursuant to section 15-912.01.

12           H. The governing board of the unified school district shall prepare  
13 policies, curricula and budgets for the district. These policies shall  
14 require that:

15           1. The base compensation of each certificated teacher for the first  
16 year of operation of the new unified school district shall not be lower than  
17 the certificated teacher's base compensation for the prior year in the  
18 previously existing school districts.

19           2. The certificated teacher's years of employment in the previously  
20 existing school districts shall be included in determining the teacher's  
21 certificated years of employment in the new unified school district.

22           I. Upon formation of a unified school district any existing override  
23 authorization of the former high school district and the former common school  
24 district or districts shall continue until expiration based on the revenue  
25 control limit of the school district or districts that had override  
26 authorization prior to unification. The unified school district may request  
27 new override authorization for the budget year as provided in section 15-481  
28 based on the combined revenue control limit of the new district after  
29 unification. If the unified school district's request for override  
30 authorization is approved, it will replace any existing override for the  
31 budget year.

32           J. The unified school district shall admit high school pupils who  
33 reside in a common school district that was located within the boundaries of  
34 the former high school district. Tuition shall be paid to the unified school  
35 district by the common school district in which such pupils reside. Such  
36 tuition amount shall be calculated in accordance with section 15-824, subject  
37 to the following modifications:

38           1. If the former high school district had outstanding bonded  
39 indebtedness at the time of unification, the combined tuition for the group  
40 of high school pupils who reside in each common school district shall include  
41 a debt service amount for the former high school district's outstanding  
42 bonded indebtedness that is determined as follows:

43           (a) Divide the total secondary assessed valuation of the common school  
44 district in which the group of pupils resides by the total secondary assessed  
45 valuation of the former high school district. For the purposes of this

1 subdivision, "secondary assessed valuation" means secondary assessed  
2 valuation for the tax year prior to the year when the unification occurs and  
3 includes the values used to determine voluntary contributions collected  
4 pursuant to title 9, chapter 4, article 3 and title 48, chapter 1, article 8.

5 (b) Multiply the quotient obtained in subdivision (a) by the unified  
6 school district's annual debt service expenditure.

7 2. The debt service portion of such tuition payments calculated  
8 pursuant to paragraph 1 of this subsection shall be used exclusively for debt  
9 service of the outstanding bonded indebtedness of the former high school  
10 district. When such indebtedness is fully extinguished, the debt service  
11 portion of a pupil's tuition shall be determined in accordance with paragraph  
12 3 of this subsection.

13 3. If the former high school district had no outstanding bonded  
14 indebtedness at the time of unification, the tuition calculation shall  
15 include the actual school district expenditures for the portion of any debt  
16 service of the unified school district that pertains to any construction or  
17 renovation of high school facilities divided by the school district's student  
18 count for the high school portion of the school district.

19 4. The unified school district shall not include in the tuition  
20 calculation any debt service that pertains to any construction or renovation  
21 of school facilities for preschool through grade eight.

22 5. Notwithstanding section 15-951, subsection ~~G~~ F, the revenue  
23 control limit of the common school district shall include the full amount of  
24 the debt service portion of the tuition calculated pursuant to this  
25 subsection.

26 K. All assets and liabilities of the unifying school districts shall  
27 be transferred and assumed by the new unified school district. Any existing  
28 bonded indebtedness of a common school district or a high school district  
29 unifying pursuant to this section shall be assumed by the new unified school  
30 district and shall be regarded as an indebtedness of the new unified school  
31 district for the purpose of determining the debt incurring authority of the  
32 district. Taxes for the payment of such bonded indebtedness shall be levied  
33 on all taxable property in the new unified school district, but nothing in  
34 this subsection shall be construed to relieve from liability to taxation for  
35 the payment of all taxable property of the former high school district if  
36 necessary to prevent a default in the payment of any bonded indebtedness of  
37 the former high school district. The residents of a common school district  
38 that does not unify shall not vote in bond or override elections of the  
39 unified school district and shall not be assessed taxes as a result of a bond  
40 or override election of the unified school district.

41 L. If the remaining common school district had authorization for an  
42 override as provided in section 15-481 or 15-482, the override authorization  
43 continues for the remaining common school district or districts in the same  
44 manner as before the formation of the unified school district.

1 M. The bonding authorization and bonding limitations continue for the  
2 remaining common school district or districts in the same manner as before  
3 the formation of the unified school district.

4 N. Nothing in this section shall be construed to relieve a school  
5 district formed pursuant to section 15-457 or 15-458 of its liability for any  
6 outstanding bonded indebtedness.

7 O. For school districts that become unified after July 1, 2004 and  
8 where all of the common schools were eligible for the small school district  
9 weight pursuant to section 15-943, paragraph 1, subdivision (a) when  
10 computing their base support level and base revenue control limit before  
11 unification, the unified school district may continue to use the small school  
12 district weight as follows:

13 1. Annually determine the common school student count and the weighted  
14 student count pursuant to section 15-943, paragraph 1, subdivision (a) for  
15 each common school district before unification.

16 2. Calculate the sum of the common school districts' student counts  
17 and weighted student counts determined in paragraph 1 of this subsection.

18 3. Divide the sum of the weighted student counts by the sum of the  
19 student counts determined in paragraph 2 of this subsection.

20 4. The amount determined in paragraph 3 of this subsection shall be  
21 the weight for the common schools in the unified school district.

22 P. A unified school district may calculate its revenue control limit  
23 and district support level by using subsection O of this section as follows:

24 1. Determine the number of individual school districts that existed  
25 before unification into a single school district.

26 2. Multiply the amount determined in paragraph 1 of this subsection by  
27 six hundred.

28 3. Multiply the amount determined in paragraph 2 of this subsection by  
29 0.80.

30 4. If the amount determined in paragraph 3 of this subsection exceeds  
31 the student count of the unified school district, the unified school district  
32 is eligible to use subsection O of this section.

33 Q. Subsections O and P of this section shall remain in effect until  
34 the aggregate student count of the common school districts before unification  
35 exceeds the aggregate number of students of the common school districts  
36 before unification authorized to utilize section 15-943, paragraph 1,  
37 subdivision (a).

38 Sec. 9. Section 15-481, Arizona Revised Statutes, is amended to read:

39 15-481. Override election; budget increases; notice; ballot;  
40 effect

41 A. If a proposed budget of a school district exceeds the aggregate  
42 budget limit for the budget year, at least ninety days before the proposed  
43 election the governing board shall order an override election to be held on  
44 the first Tuesday following the first Monday in November as prescribed by  
45 section 16-204, subsection B, paragraph 1, subdivision (d) for the purpose of

1 presenting the proposed budget to the qualified electors of the school  
2 district who by a majority of those voting either shall affirm or reject the  
3 budget. At the same time as the order of the election, the governing board  
4 shall publicly declare the deadline for submitting arguments, as set by the  
5 county school superintendent pursuant to subsection B, paragraph 9 of this  
6 section, to be submitted in the informational report and shall immediately  
7 post the deadline in a prominent location on the district's website. In  
8 addition, the governing board shall prepare an alternate budget which does  
9 not include an increase in the budget of more than the amount permitted as  
10 provided in section 15-905. If the qualified electors approve the proposed  
11 budget, the governing board of the school district shall follow the  
12 procedures prescribed in section 15-905 for adopting a budget that includes  
13 the authorized increase. If the qualified electors disapprove the proposed  
14 budget, the governing board shall follow the procedures prescribed in section  
15 15-905 for adopting a budget that does not include the proposed increase or  
16 the portion of the proposed increase that exceeds the amount authorized by a  
17 previously approved budget increase as prescribed in subsection P of this  
18 section.

19 B. The county school superintendent shall prepare an informational  
20 report on the proposed increase in the budget and a sample ballot and, at  
21 least forty days prior to the election, shall transmit the report and the  
22 sample ballot to the governing board of the school district. The governing  
23 board, upon receipt of the report and the ballot, shall mail or distribute  
24 the report and the ballot to the households in which qualified electors  
25 reside within the school district at least thirty-five days prior to the  
26 election. Any distribution of material concerning the proposed increase in  
27 the budget shall not be conducted by children enrolled in the school  
28 district. The report shall contain the following information:

- 29 1. The date of the election.
- 30 2. The voter's polling place and the times it is open.
- 31 3. The proposed total increase in the budget which exceeds the amount  
32 permitted pursuant to section 15-905.
- 33 4. The total amount of the current year's budget, the total amount of  
34 the proposed budget and the total amount of the alternate budget.
- 35 5. If the override is for a period of more than one year, a statement  
36 indicating the number of years the proposed increase in the budget would be  
37 in effect and the percentage of the school district's revenue control limit  
38 that the district is requesting for the future years.
- 39 6. The proposed total amount of revenues which will fund the increase  
40 in the budget and the amount which will be obtained from a levy of taxes upon  
41 the taxable property within the school district for the first year for which  
42 the budget increase was adopted.
- 43 7. The proposed amount of revenues which will fund the increase in the  
44 budget and which will be obtained from other than a levy of taxes upon the

1 taxable property within the school district for the first year for which the  
2 budget increase was adopted.

3 8. The dollar amount and the purpose for which the proposed increase  
4 in the budget is to be expended for the first year for which the budget  
5 increase was adopted.

6 9. At least two arguments, if submitted, but no more than ten  
7 arguments for and two arguments, if submitted, but no more than ten arguments  
8 against the proposed increase in the budget. The arguments shall be in a  
9 form prescribed by the county school superintendent, and each argument shall  
10 not exceed two hundred words. Arguments for the proposed increase in the  
11 budget shall be provided in writing and signed by the governing board. If  
12 submitted, additional arguments in favor of the proposed increase in the  
13 budget shall be provided in writing and signed by those in favor. Arguments  
14 against the proposed increase in the budget shall be provided in writing and  
15 signed by those in opposition. The names of persons and entities submitting  
16 written arguments shall be included in the report. The county school  
17 superintendent shall review all factual statements contained in the written  
18 arguments and correct any inaccurate statements of fact. The superintendent  
19 shall not review and correct any portion of the written arguments which are  
20 identified as statements of the author's opinion. The county school  
21 superintendent shall make the written arguments available to the public as  
22 provided in title 39, chapter 1, article 2. A deadline for submitting  
23 arguments to be included in the informational report shall be set by the  
24 county school superintendent.

25 10. A statement that the alternate budget shall be adopted by the  
26 governing board if the proposed budget is not adopted by the qualified  
27 electors of the school district.

28 11. The current full cash value and the assessed valuation provided by  
29 the department of revenue, the first year tax rate for the proposed override  
30 and the estimated amount of the secondary property taxes if the proposed  
31 budget is adopted for each of the following:

32 (a) An owner-occupied residence whose assessed valuation is the  
33 average assessed valuation of property classified as class three, as  
34 prescribed by section 42-12003 for the current year in the school district.

35 (b) An owner-occupied residence whose assessed valuation is one-half  
36 of the assessed valuation of the residence in subdivision (a) of this  
37 paragraph.

38 (c) An owner-occupied residence whose assessed valuation is twice the  
39 assessed valuation of the residence in subdivision (a) of this paragraph.

40 (d) A business whose assessed valuation is the average of the assessed  
41 valuation of property classified as class one, as prescribed by section  
42 42-12001, paragraphs 12 and 13 for the current year in the school district.

43 12. If the election is conducted pursuant to subsection L or M of this  
44 section, the following information:

1 (a) An executive summary of the school district's most recent capital  
2 improvement plan submitted to the school facilities board.

3 (b) A complete list of each proposed capital improvement that will be  
4 funded with the budget increase and a description of the proposed cost of  
5 each improvement, including a separate aggregation of capital improvements  
6 for administrative purposes as defined by the school facilities board.

7 (c) The tax rate associated with each of the proposed capital  
8 improvements and the estimated cost of each capital improvement for the owner  
9 of a single family home that is valued at eighty thousand dollars.

10 C. For the purpose of this section, the school district may use its  
11 staff, equipment, materials, buildings or other resources only to distribute  
12 the informational report at the school district office or at public hearings  
13 and to produce such information as required in subsection B of this section,  
14 provided that nothing in this subsection shall preclude school districts from  
15 holding or participating in any public hearings at which testimony is given  
16 by at least one person for the proposed increase and one person against the  
17 proposed increase. Any written information provided by the district  
18 pertaining to the override election shall include financial information  
19 showing the estimated first year tax rate for the proposed budget override  
20 amount.

21 D. If any amount of the proposed increase will be funded by a levy of  
22 taxes in the district, the election prescribed in subsection A of this  
23 section shall be held on the first Tuesday following the first Monday in  
24 November as prescribed by section 16-204, subsection B, paragraph 1,  
25 subdivision (d). If the proposed increase will be fully funded by revenues  
26 from other than a levy of taxes, the elections prescribed in subsection A of  
27 this section shall be held on any date prescribed by section 16-204. The  
28 elections shall be conducted as nearly as practicable in the manner  
29 prescribed in article 1 of this chapter, sections 15-422 through 15-424 and  
30 section 15-426, relating to special elections, except that:

31 1. The notices required pursuant to section 15-403 shall be posted not  
32 less than twenty-five days before the election.

33 2. Ballots shall be counted pursuant to title 16, chapter 4,  
34 article 10.

35 E. If the election is to exceed the revenue control limit and if the  
36 proposed increase will be fully funded by a levy of taxes upon the taxable  
37 property within the school district, the ballot shall contain the words  
38 "budget increase, yes" and "budget increase, no", and the voter shall signify  
39 his desired choice. The ballot shall also contain the amount of the proposed  
40 increase of the proposed budget over the alternate budget, a statement that  
41 the amount of the proposed increase will be based on a percentage of the  
42 school district's revenue control limit in future years, if applicable, as  
43 provided in subsection P of this section and the following statement:

1           Any budget increase authorized by this election shall be  
2 entirely funded by a levy of taxes upon the taxable property  
3 within this school district for the year for which adopted and  
4 for \_\_\_\_ subsequent years, shall not be realized from monies  
5 furnished by the state and shall not be subject to the  
6 limitation on taxes specified in article IX, section 18,  
7 Constitution of Arizona. Based on the current assessed  
8 valuation used for secondary property tax purposes, to fund the  
9 proposed increase in the school district's budget would require  
10 an estimated tax rate of \_\_\_\_\_ dollar per one hundred  
11 dollars of assessed valuation used for secondary property tax  
12 purposes and is in addition to the school district's tax rate  
13 which will be levied to fund the school district's revenue  
14 control limit allowed by law.

15           F. If the election is to exceed the revenue control limit and if the  
16 proposed increase will be fully funded by revenues from other than a levy of  
17 taxes upon the taxable property within the school district, the ballot shall  
18 contain the words "budget increase, yes" and "budget increase, no", and the  
19 voter shall signify the voter's desired choice. The ballot shall also  
20 contain:

21           1. The amount of the proposed increase of the proposed budget over the  
22 alternate budget.

23           2. A statement that the amount of the proposed increase will be based  
24 on a percentage of the school district's revenue control limit in future  
25 years, if applicable, as provided in subsection P of this section.

26           3. The following statement:

27           Any budget increase authorized by this election shall be  
28 entirely funded by this school district with revenues from other  
29 than a levy of taxes on the taxable property within the school  
30 district for the year for which adopted and for \_\_\_\_\_  
31 subsequent years and shall not be realized from monies furnished  
32 by the state.

33           G. Except as provided in subsection H of this section, the maximum  
34 budget increase which may be requested and authorized as provided in  
35 subsection E or F of this section or the combination of subsections E and F  
36 of this section is fifteen per cent of the revenue control limit as provided  
37 in section 15-947, subsection A for the budget year. If a school district  
38 requests an override pursuant to section 15-482 or to continue with a budget  
39 override pursuant to section 15-482 for pupils in kindergarten programs and  
40 grades one through three that was authorized before December 31, 2008, the  
41 maximum budget increase that may be requested and authorized as provided in  
42 subsection E or F of this section or the combination of subsections E and F  
43 of this section is ten per cent of the revenue control limit as provided in  
44 section 15-947, subsection A for the budget year.

1 H. Special budget override provisions for school districts with a  
 2 student count of less than one hundred fifty-four in kindergarten programs  
 3 and grades one through eight or with a student count of less than one hundred  
 4 seventy-six in grades nine through twelve are as follows:

5 1. The maximum budget increase that may be requested and authorized as  
 6 provided in subsections E and F of this section is the greater of the amount  
 7 prescribed in subsection G of this section or a limit computed as follows:

8 (a) For common or unified districts with a student count of less than  
 9 one hundred fifty-four in kindergarten programs and grades one through eight,  
 10 the limit computed as prescribed in item (i) or (ii) of this subdivision,  
 11 whichever is appropriate:

12 (i)

13	Small School	Support Level Weight	Phase Down
14	Student	for Small Isolated	Reduction
15	<u>Count</u>	<u>School Districts</u>	<u>Factor</u>
16	- <u>125</u>	x 1.358 + (0.0005 x	x \$ _____ = \$ _____
17		(500 - Student Count))	
18			Small Isolated
19	Phase Down	Phase Down	School District
20	<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>
21	\$150,000	- \$ _____	= \$ _____

22 (ii)

23	Small School	Support Level Weight	Phase Down
24	Student	for Small	Reduction
25	<u>Count</u>	<u>School Districts</u>	<u>Factor</u>
26	- <u>125</u>	x 1.278 + (0.0003 x	x \$ _____ = \$ _____
27		(500 - Student Count))	
28			Small
29	Phase Down	Phase Down	School District
30	<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>
31	\$150,000	- \$ _____	= \$ _____

32 (b) For unified or union high school districts with a student count of  
 33 less than one hundred seventy-six in grades nine through twelve, the limit  
 34 computed as prescribed in item (i) or (ii) of this subdivision, whichever is  
 35 appropriate:

36 (i)

37	Small School	Support Level Weight	Phase Down
38	Student	for Small Isolated	Reduction
39	<u>Count</u>	<u>School Districts</u>	<u>Factor</u>
40	- <u>100</u>	x 1.468 + (0.0005 x	x \$ _____ = \$ _____
41		(500 - Student Count))	
42			Small Isolated
43	Phase Down	Phase Down	District
44	<u>Base</u>	<u>Reduction Factor</u>	<u>Secondary Limit</u>
45	\$350,000	- \$ _____	= \$ _____

1 (ii)

2 Small School Support Level Weight Phase Down

3 Student Student for Small Reduction

4 Count Count Limit School Districts Base Level Factor

5 \_\_\_\_\_ - 100 x 1.398 + (0.0004 x \_\_\_\_\_ x \_\_\_\_\_ = \_\_\_\_\_

6 (500 - Student Count))

7 Small

8 Phase Down Phase Down School District

9 Base Reduction Factor Secondary Limit

10 \$350,000 - \_\_\_\_\_ = \_\_\_\_\_

11 (c) If both subdivisions (a) and (b) of this paragraph apply to a

12 unified school district, its limit for the purposes of this paragraph is the

13 combination of its elementary limit and its secondary limit.

14 (d) If only subdivision (a) or (b) of this paragraph applies to a

15 unified school district, the district's limit for the purposes of this

16 paragraph is the sum of the limit computed as provided in subdivision (a) or

17 (b) of this paragraph plus ten per cent of the revenue control limit

18 attributable to those grade levels that do not meet the eligibility

19 requirements of this subsection. If a school district budgets monies outside

20 the revenue control limit pursuant to section 15-949, subsection E, the

21 district's limit for the purposes of this paragraph is only the ten per cent

22 of the revenue control limit attributable to those grade levels that are not

23 included under section 15-949, subsection E. For the purposes of this

24 subdivision, the revenue control limit is separated into elementary and

25 secondary components based on the weighted student count as provided in

26 section 15-971, subsection B, paragraph 2, subdivision (a).

27 2. If a school district utilizes this subsection to request an

28 override of more than one year, the ballot shall include an estimate of the

29 amount of the proposed increase in the future years in place of the statement

30 that the amount of the proposed increase will be based on a percentage of the

31 school district's revenue control limit in future years, as prescribed in

32 subsections E and F of this section.

33 3. Notwithstanding subsection P of this section, the maximum period of

34 an override authorized pursuant to this subsection is five years.

35 4. Subsection P, paragraphs 1 and 2 of this section do not apply to

36 overrides authorized pursuant to this subsection.

37 I. If the election is to exceed the revenue control limit as provided

38 in section 15-482 and if the proposed increase will be fully funded by a levy

39 of taxes on the taxable property within the school district, the ballot shall

40 contain the words "budget increase, yes" and "budget increase, no", and the

41 voter shall signify the voter's desired choice. The ballot shall also

42 contain the amount of the proposed increase of the budget over the alternate

43 budget, a statement that the amount of the proposed increase will be based on

44 a percentage of the school district's revenue control limit in future years,

1 if applicable, as provided in subsection Q of this section, and the following  
2 statement:

3 Any budget increase authorized by this election shall be  
4 entirely funded by a levy of taxes on the taxable property  
5 within this school district for the year for which adopted and  
6 for \_\_\_\_\_ subsequent years, shall not be realized from monies  
7 furnished by the state and shall not be subject to the  
8 limitation on taxes specified in article IX, section 18,  
9 Constitution of Arizona. Based on the current assessed  
10 valuation used for secondary property tax purposes, to fund the  
11 proposed increase in the school district's budget which will be  
12 funded by a levy of taxes upon the taxable property within this  
13 school district would require an estimated tax rate of  
14 \_\_\_\_\_ dollar per one hundred dollars of assessed valuation  
15 used for secondary property tax purposes and is in addition to  
16 the school district's tax rate that will be levied to fund the  
17 school district's revenue control limit allowed by law.

18 J. If the election is to exceed the revenue control limit as provided  
19 in section 15-482 and if the proposed increase will be fully funded by  
20 revenues other than a levy of taxes on the taxable property within the school  
21 district, the ballot shall contain the words "budget increase, yes" and  
22 "budget increase, no", and the voter shall signify the voter's desired  
23 choice. The ballot shall also contain the amount of the proposed increase of  
24 the proposed budget over the alternate budget, a statement that the amount of  
25 the proposed increase will be based on a percentage of the school district's  
26 revenue control limit in future years, if applicable, as provided in  
27 subsection Q of this section and the following statement:

28 Any budget increase authorized by this election shall be  
29 entirely funded by this school district with revenues from other  
30 than a levy of taxes on the taxable property within the school  
31 district for the year for which adopted and for \_\_\_\_\_ subsequent  
32 years and shall not be realized from monies furnished by the  
33 state.

34 K. The maximum budget increase that may be requested and authorized as  
35 provided in subsection I or J of this section, or a combination of both of  
36 these subsections, is five per cent of the revenue control limit as provided  
37 in section 15-947, subsection A for the budget year. For a common school  
38 district not within a high school district or a common school district within  
39 a high school district that offers instruction in high school subjects as  
40 provided in section 15-447, five per cent of the revenue control limit means  
41 five per cent of the revenue control limit attributable to the weighted  
42 student count in preschool programs for children with disabilities,  
43 kindergarten programs and grades one through eight as provided in section  
44 15-971, subsection B. For a unified school district, five per cent of the  
45 revenue control limit means five per cent of the revenue control limit

1 attributable to the weighted student count in preschool programs for children  
2 with disabilities, kindergarten programs and grades one through twelve. For  
3 a union high school district, five per cent of the revenue control limit  
4 means five per cent of the revenue control limit attributable to the weighted  
5 student count in grades nine through twelve.

6 L. If the election is to exceed ~~the capital outlay revenue limit~~  
7 DISTRICT ADDITIONAL ASSISTANCE and if the proposed increase will be fully  
8 funded by a levy of taxes upon the taxable property within the school  
9 district, the ballot shall contain the words "budget increase, yes" and  
10 "budget increase, no", and the voter shall signify the voter's desired  
11 choice. An election held pursuant to this subsection shall be held on the  
12 first Tuesday after the first Monday of November. The ballot shall also  
13 contain the amount of the proposed increase of the proposed budget over the  
14 alternate budget and the following statement:

15 Any budget increase authorized by this election shall be  
16 entirely funded by a levy of taxes upon the taxable property  
17 within this school district for the year in which adopted and  
18 for \_\_\_\_\_ subsequent years, shall not be realized from monies  
19 furnished by the state and shall not be subject to the  
20 limitation on taxes specified in article IX, section 18,  
21 Constitution of Arizona. Based on the current assessed  
22 valuation used for secondary property tax purposes, to fund the  
23 proposed increase in the school district's budget would require  
24 an estimated tax rate of \_\_\_\_\_ dollar per one hundred  
25 dollars of assessed valuation used for secondary property tax  
26 purposes and is in addition to the school district's tax rate  
27 which will be levied to fund the school district's ~~capital~~  
28 ~~outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE allowed by  
29 law.

30 M. If the election is to exceed ~~the capital outlay revenue limit~~  
31 DISTRICT ADDITIONAL ASSISTANCE and if the proposed increase will be fully  
32 funded by revenues from other than a levy of taxes upon the taxable property  
33 within the school district, the ballot shall contain the words "budget  
34 increase, yes" and "budget increase, no", and the voter shall signify the  
35 voter's desired choice. An election held pursuant to this subsection shall  
36 be held on the first Tuesday after the first Monday of November. The ballot  
37 shall also contain the amount of the proposed increase of the proposed budget  
38 over the alternate budget and the following statement:

39 Any budget increase authorized by this election shall be  
40 entirely funded by this school district with revenues from other  
41 than a levy of taxes on the taxable property within the school  
42 district for the year in which adopted and for \_\_\_\_\_ subsequent  
43 years and shall not be realized from monies furnished by the  
44 state.

1 N. If the election is to exceed a combination of the revenue control  
2 limit as provided in subsection E or F of this section, the revenue control  
3 limit as provided in subsection I or J of this section or ~~the capital outlay~~  
4 ~~revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE as provided in subsection L or M  
5 of this section, the ballot shall be prepared so that the voters may vote on  
6 each proposed increase separately and shall contain statements required in  
7 the same manner as if each proposed increase were submitted separately.

8 O. If the election provides for a levy of taxes on the taxable  
9 property within the school district, at least thirty days prior to the  
10 election, the department of revenue shall provide the school district  
11 governing board and the county school superintendent with the current  
12 secondary assessed valuation of the school district. The governing board and  
13 the county school superintendent shall use the current secondary assessed  
14 valuation of the school district to translate the amount of the proposed  
15 dollar increase in the budget of the school district over that allowed by law  
16 into a tax rate figure.

17 P. If the voters in a school district vote to adopt a budget in excess  
18 of the revenue control limit as provided in subsection E or F of this  
19 section, any additional increase shall be included in the aggregate budget  
20 limit for each of the years authorized. Any additional increase shall be  
21 excluded from the determination of equalization assistance. The school  
22 district governing board, however, may levy on the assessed valuation used  
23 for secondary property tax purposes of the property in the school district  
24 the additional increase if adopted under subsection E of this section for the  
25 period of one year, two years or five through seven years as authorized. If  
26 an additional increase is approved as provided in subsection F of this  
27 section, the school district governing board may only use revenues derived  
28 from the school district's prior year's maintenance and operation fund ending  
29 cash balance to fund the additional increase. If a budget increase was  
30 previously authorized and will be in effect for the budget year or budget  
31 year and subsequent years, as provided in subsection E or F of this section,  
32 the governing board may request a new budget increase as provided in the same  
33 subsection under which the prior budget increase was adopted, which shall not  
34 exceed the maximum amount permitted under subsection G of this section. If  
35 the voters in the school district authorize the new budget increase amount,  
36 the existing budget increase no longer is in effect. If the voters in the  
37 school district do not authorize the budget increase amount, the existing  
38 budget increase remains in effect for the time period for which it was  
39 authorized. The maximum additional increase authorized as provided in  
40 subsection E or F of this section and the additional increase which is  
41 included in the aggregate budget limit is based on a percentage of a school  
42 district's revenue control limit in future years, if the budget increase is  
43 authorized for more than one year. If the additional increase:

44 1. Is for two years, the proposed increase in the second year is equal  
45 to the initial proposed percentage increase.

1           2. Is for five years or more, the proposed increase is equal to the  
2 initial proposed percentage increase in the following years of the proposed  
3 increase, except that in the next to last year it is two-thirds of the  
4 initial proposed percentage increase and it is one-third of the initial  
5 proposed percentage increase in the last year of the proposed increase.

6           Q. If the voters in a school district vote to adopt a budget in excess  
7 of the revenue control limit as provided in subsection I or J of this  
8 section, any additional increase shall be included in the aggregate budget  
9 limit for each of the years authorized. Any additional increase shall be  
10 excluded from the determination of equalization assistance. The school  
11 district governing board, however, may levy on the assessed valuation used  
12 for secondary property tax purposes of the property in the school district  
13 the additional increase if adopted under subsection I of this section for the  
14 period of one year, two years or five through seven years as authorized. If  
15 an additional increase is approved as provided in subsection J of this  
16 section, the increase may only be budgeted and expended if sufficient monies  
17 are available in the maintenance and operation fund of the school district.  
18 If a budget increase was previously authorized and will be in effect for the  
19 budget year or budget year and subsequent years, as provided in subsection I  
20 or J of this section, the governing board may request a new budget increase  
21 as provided in the same subsection under which the prior budget increase was  
22 adopted that does not exceed the maximum amount permitted under subsection K  
23 of this section. If the voters in the school district authorize the new  
24 budget increase amount, the existing budget increase no longer is in effect.  
25 If the voters in the school district do not authorize the budget increase  
26 amount, the existing budget increase remains in effect for the time period  
27 for which it was authorized. The maximum additional increase authorized as  
28 provided in subsection I or J of this section and the additional increase  
29 that is included in the aggregate budget limit is based on a percentage of a  
30 school district's revenue control limit in future years, if the budget  
31 increase is authorized for more than one year. If the additional increase:

32           1. Is for two years, the proposed increase in the second year is equal  
33 to the initial proposed percentage increase.

34           2. Is for five years or more, the proposed increase is equal to the  
35 initial proposed percentage increase in the following years of the proposed  
36 increase, except that in the next to last year it is two-thirds of the  
37 initial proposed percentage increase and it is one-third of the initial  
38 proposed percentage increase in the last year of the proposed increase.

39           R. If the voters in a school district vote to adopt a budget in excess  
40 of ~~the capital outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE as  
41 provided in subsection L of this section, any additional increase shall be  
42 included in the aggregate budget limit for each of the years authorized. The  
43 additional increase shall be excluded from the determination of equalization  
44 assistance. The school district governing board, however, may levy on the  
45 assessed valuation used for secondary property tax purposes of the property

1 in the school district the additional increase for the period authorized but  
2 not to exceed ten years. For overrides approved by a vote of the qualified  
3 electors of the school district at an election held from and after October  
4 31, 1998, the period of the additional increase prescribed in this subsection  
5 shall not exceed seven years for any capital override election.

6 S. If the voters in a school district vote to adopt a budget in excess  
7 of ~~the capital outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE as  
8 provided in subsection M of this section, any additional increase shall be  
9 included in the aggregate budget limit for each of the years authorized. The  
10 additional increase shall be excluded from the determination of equalization  
11 assistance. The school district governing board may only use revenues  
12 derived from the school district's prior year's maintenance and operation  
13 fund ending cash balance and capital outlay fund ending cash balance to fund  
14 the additional increase for the period authorized but not to exceed ten  
15 years. For overrides approved by a vote of the qualified electors of the  
16 school district at an election held from and after October 31, 1998, the  
17 period of the additional increase prescribed in this subsection shall not  
18 exceed seven years for any capital override election.

19 T. In addition to subsections P and S of this section, from the  
20 maintenance and operation fund and capital outlay fund ending cash balances,  
21 the school district governing board shall first use any available revenues to  
22 reduce its primary tax rate to zero and shall use any remaining revenues to  
23 fund the additional increase authorized as provided in subsections F and M of  
24 this section.

25 U. If the voters in a school district disapprove the proposed budget,  
26 the alternate budget which, except for any budget increase authorized by a  
27 prior election, does not include an increase in the budget in excess of the  
28 amount provided in section 15-905 shall be adopted by the governing board as  
29 provided in section 15-905.

30 V. The governing board may request that any override election be  
31 cancelled if any change in chapter 9 of this title changes the amount of the  
32 aggregate budget limit as provided in section 15-905. The request to cancel  
33 the override election shall be made to the county school superintendent at  
34 least eighty days prior to the date of the scheduled override election.

35 W. For any election conducted pursuant to subsection L or M of this  
36 section:

37 1. The ballot shall include the following statement in addition to any  
38 other statement required by this section:

39 The capital improvements that are proposed to be funded  
40 through this override election are to exceed the state standards  
41 and are in addition to monies provided by the state.

42 \_\_\_\_\_ school district is proposing to increase its  
43 budget by \$\_\_\_\_\_ to fund capital improvements over and  
44 above those funded by the state. Under the students first  
45 capital funding system, \_\_\_\_\_ school district is entitled to

1 state monies for ~~building renewal~~, new construction and  
2 renovation of school buildings in accordance with state law.

3 2. The ballot shall contain the words "budget increase, yes" and  
4 "budget increase, no", and the voter shall signify the voter's desired  
5 choice.

6 3. At least eighty-five days before the election, the school district  
7 shall submit proposed ballot language to the director of the Arizona  
8 legislative council. The director of the Arizona legislative council shall  
9 review the proposed ballot language to determine whether the proposed ballot  
10 language complies with this section. If the director of the Arizona  
11 legislative council determines that the proposed ballot language does not  
12 comply with this section, the director, within ten calendar days of the  
13 receipt of the proposed ballot language, shall notify the school district of  
14 the director's objections and the school district shall resubmit revised  
15 ballot language to the director for approval.

16 X. If the voters approve the budget increase pursuant to subsection L  
17 or M of this section, the school district shall not use the override proceeds  
18 for any purposes other than the proposed capital improvements listed in the  
19 publicity pamphlet, except that up to ten per cent of the override proceeds  
20 may be used for general capital expenses, including cost overruns of proposed  
21 capital improvements.

22 Y. Each school district that currently increases its budget pursuant  
23 to this section is required to hold a public meeting each year between  
24 September 1 and October 31 at which an update of the programs or capital  
25 improvements financed through the override is discussed and at which the  
26 public is permitted an opportunity to comment and:

27 1. If the increase is pursuant to subsection L or M of this section,  
28 at a minimum, the update shall include the progress of capital improvements  
29 financed through the override, a comparison of the current status and the  
30 original projections on the construction of capital improvements, the costs  
31 of capital improvements and the costs of capital improvements in progress or  
32 completed since the prior meeting and the future capital plans of the school  
33 district. The school district shall include in the public meeting a  
34 discussion of the school district's use of state capital aid and  
35 voter-approved bonding in funding capital improvements, if any.

36 2. If the increase is pursuant to subsection E, F, I or J of this  
37 section, the update shall include at a minimum the amount expended in the  
38 previous fiscal year and the amount included in the current budget for each  
39 of the purposes listed in the informational report prescribed by subsection B  
40 of this section.

41 Z. If a budget in excess of ~~the capital outlay revenue limit~~ DISTRICT  
42 ADDITIONAL ASSISTANCE was previously adopted by the voters in a school  
43 district and will be in effect for the budget year or budget year and  
44 subsequent years, as provided in subsection L or M of this section, the  
45 governing board may request an additional budget in excess of ~~the capital~~

1 ~~outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE. If the voters in a  
2 school district authorize the additional budget in excess of ~~the capital~~  
3 ~~outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE, the existing ~~capital~~  
4 ~~outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE budget increase remains  
5 in effect.

6 AA. Notwithstanding any other law, the maximum budget increase that  
7 may be authorized pursuant to subsection L or M of this section is ten per  
8 cent of the school district's revenue control limit.

9 BB. If the election is to continue to exceed the revenue control limit  
10 and if the proposed override will be fully funded by a continuation of a levy  
11 of taxes on the taxable property in the school district, the ballot shall  
12 contain the words "budget override continuation, yes" and "budget override  
13 continuation, no", and the voter shall signify the voter's desired choice.  
14 The ballot shall also contain the amount of the proposed continuation of the  
15 budget increase of the proposed budget over the alternate budget, a statement  
16 that the amount of the proposed increase will be based on a percentage of the  
17 school district's revenue control limit in future years, if applicable, as  
18 provided in subsection P of this section and the following statement:

19 Any budget increase continuation authorized by this  
20 election shall be entirely funded by a levy of taxes on the  
21 taxable property in this school district for the year for which  
22 adopted and for \_\_\_\_ subsequent years, shall not be realized  
23 from monies furnished by the state and shall not be subject to  
24 the limitation on taxes specified in article IX, section 18,  
25 Constitution of Arizona. Based on the current assessed  
26 valuation used for secondary property tax purposes, to fund the  
27 proposed continuation of the increase in the school district's  
28 budget would require an estimated continuation of a tax rate of  
29 \_\_\_\_\_ dollar per one hundred dollars of assessed  
30 valuation used for secondary property tax purposes and is in  
31 addition to the school district's tax rate that will be levied  
32 to fund the school district's revenue control limit allowed by  
33 law.

34 CC. If the election is to continue to exceed the revenue control limit  
35 as provided in section 15-482 and if the proposed override will be fully  
36 funded by a continuation of a levy of taxes on the taxable property in the  
37 school district, the ballot shall contain the words "budget override  
38 continuation, yes" and "budget override continuation, no", and the voter  
39 shall signify the voter's desired choice. The ballot shall also contain the  
40 amount of the proposed continuation of the budget increase of the proposed  
41 budget over the alternate budget, a statement that the amount of the proposed  
42 increase will be based on a percentage of the school district's revenue  
43 control limit in future years, if applicable, as provided in subsection P of  
44 this section and the following statement:

1           Any budget increase continuation authorized by this  
2 election shall be entirely funded by a levy of taxes on the  
3 taxable property in this school district for the year for which  
4 adopted and for \_\_\_\_ subsequent years, shall not be realized  
5 from monies furnished by the state and shall not be subject to  
6 the limitation on taxes specified in article IX, section 18,  
7 Constitution of Arizona. Based on the current assessed  
8 valuation used for secondary property tax purposes, to fund the  
9 proposed continuation of the increase in the school district's  
10 budget would require an estimated continuation of a tax rate of  
11 \_\_\_\_\_ dollar per one hundred dollars of assessed  
12 valuation used for secondary property tax purposes and is in  
13 addition to the school district's tax rate that will be levied  
14 to fund the school district's revenue control limit allowed by  
15 law.

16           Sec. 10. Section 15-491, Arizona Revised Statutes, is amended to read:  
17 15-491. Elections on school property; exceptions

18           A. The governing board of a school district may, and on petition of  
19 fifteen per cent of the school electors as shown by the poll list at the last  
20 preceding annual school election shall, call an election for the following  
21 purposes:

- 22           1. To locate or change the location of school buildings.
- 23           2. To purchase or sell school sites or buildings or sell school sites  
24 pursuant to section 15-342 or to build school buildings, but the  
25 authorization by vote of the school district shall not necessarily specify  
26 the site to be purchased.
- 27           3. To decide whether the bonds of the school district shall be issued  
28 and sold for the purpose of raising money for purchasing or leasing school  
29 lots, for building or renovating school buildings, for supplying school  
30 buildings with furniture, equipment and technology, for improving school  
31 grounds, for purchasing pupil transportation vehicles or for liquidating any  
32 indebtedness already incurred for such purposes. Bonds issued for furniture,  
33 equipment and technology, other than fixtures, shall mature no later than the  
34 July 1 that follows the fifth year after the bonds were issued. A school  
35 district shall not issue class B bonds until the school district has  
36 obligated in contract the entire proceeds of any class A bonds issued by the  
37 school district. The total amount of class A and class B bonds issued by a  
38 school district shall not exceed the debt limitations prescribed in article  
39 IX, sections 8 and 8.1, Constitution of Arizona.
- 40           4. To lease for five or more years, as lessor or as lessee, school  
41 buildings or grounds. Approval by a majority of the school district electors  
42 voting authorizes the governing board to negotiate for and enter into a  
43 lease. The ballot shall list the school buildings or grounds for which a  
44 lease is sought. If the governing board does not enter into a lease of five  
45 or more years of the school buildings or grounds listed on the ballot within

1 five years of the date of the election and the board continues to seek such a  
2 lease, the governing board shall call a special election to reauthorize the  
3 board to negotiate for and to enter into a lease of five or more years.

4 5. To change the list of capital projects or the purposes authorized  
5 by prior voter approval to issue bonds.

6 6. To extend from six to ten years the time period to issue class B  
7 bonds authorized in 2009 or earlier. Elections pursuant to this paragraph  
8 may not be held later than the sixth November after the election approving  
9 the issuance of the bonds.

10 B. No petition shall be required for the holding of the first election  
11 to be held in a joint common school district for any of the purposes  
12 specified in subsection A of this section. The notice of election required  
13 by section 15-492 shall be published in each of the counties that comprise  
14 the joint common school district. The certification of election results  
15 required by section 15-493 shall be made to the board of supervisors of the  
16 jurisdictional county.

17 C. When the election is called to determine whether or not bonds of  
18 the school district shall be issued and sold for the purposes enumerated in  
19 the call for the election, the question shall be submitted to the vote of the  
20 qualified electors of the school district as defined in section 15-401 and  
21 subject to section 15-402.

22 D. The governing board shall order the election to be held in the  
23 manner prescribed in title 35, chapter 3, article 3. If a petition for an  
24 election has been filed with the governing board as provided in subsection A  
25 of this section, the board shall act on the petition within sixty days by  
26 ordering the election to be held as provided in this subsection. If a school  
27 district bond election is scheduled for the same date a school district will  
28 hold an override election, the governing body shall deliver a copy of the  
29 notice of election and ballot to the county school superintendent who shall  
30 include the notice of election and ballot with the information report and  
31 ballot prepared for the override election. Mailing of the information  
32 required for both the override and bond elections shall constitute compliance  
33 with the notice provisions of this section.

34 E. The elections to be held pursuant to this section shall only be  
35 held on dates prescribed by section 16-204, except that elections held  
36 pursuant to this section to decide whether class B bonds shall be issued, or  
37 any other obligation incurred that will require the assessment of secondary  
38 property taxes, shall only be held on the first Tuesday after the first  
39 Monday of November.

40 F. Subsection A, paragraph 2 of this section does not apply to the  
41 sale of school property if the market value of the school property is less  
42 than fifty thousand dollars.

43 G. Bond counsel fees, financial advisory fees, printing costs and  
44 paying agent and registrar fees for bonds issued pursuant to an election  
45 under this section shall be paid from either the amount authorized by the

1 qualified electors of the school district or current operating funds. Bond  
2 election expenses shall be paid from current operating funds only.

3 H. For any election conducted to decide whether class B bonds will be  
4 issued pursuant to this section:

5 1. Except as provided in paragraph 2 of this subsection, the ballot  
6 shall include the following statement:

7 The capital improvements that are proposed to be funded  
8 through this bond issuance are to exceed the state standards and  
9 are in addition to monies provided by the state.

10 \_\_\_\_\_ school district is proposing to issue class B  
11 general obligation bonds totaling \$\_\_\_\_\_ to fund capital  
12 improvements over and above those funded by the state. Under  
13 the students first capital funding system, \_\_\_\_\_ school  
14 district is entitled to state monies for ~~building renewal~~, new  
15 construction and renovation of school buildings in accordance  
16 with state law.

17 2. For a school district that is a joint technical education district,  
18 the ballot shall include the following statement:

19 \_\_\_\_\_, a joint technical education district, is  
20 proposing to issue class B general obligation bonds totaling  
21 \$\_\_\_\_\_ to fund capital improvements at a campus owned or  
22 operated and maintained by the joint technical education  
23 district.

24 3. The ballot shall contain the words "bond approval, yes" and "bond  
25 approval, no", and the voter shall signify the voter's desired choice.

26 4. The ballot shall also contain the phrase "the issuance of these  
27 bonds will result in an annual levy of property taxes sufficient to pay the  
28 debt on the bonds".

29 5. At least eighty-five days before the election, the school district  
30 shall submit proposed ballot language to the director of the Arizona  
31 legislative council. The director of the Arizona legislative council shall  
32 review the proposed ballot language to determine whether the proposed ballot  
33 language complies with this section. If the director of the Arizona  
34 legislative council determines that the proposed ballot language does not  
35 comply with this section, the director, within ten calendar days of the  
36 receipt of the proposed ballot language, shall notify the school district of  
37 the director's objections and the school district shall resubmit revised  
38 ballot language to the director for approval.

39 6. No later than thirty-five days before a class B bond election  
40 conducted pursuant to this section, the school district shall mail a  
41 publicity pamphlet to each household that contains a qualified elector in the  
42 school district. The publicity pamphlet shall contain, at a minimum, the  
43 following information:

44 (a) An executive summary of the school district's most recent capital  
45 plan submitted to the school facilities board.

1 (b) A complete list of each proposed capital improvement that will be  
2 funded with the proceeds of the bonds and a description of the proposed cost  
3 of each improvement, including a separate aggregation of capital improvements  
4 for administrative purposes as defined by the school facilities board.

5 (c) The tax rate associated with each of the proposed capital  
6 improvements and the estimated cost of each capital improvement for the owner  
7 of a single family home that is valued at one hundred thousand dollars.

8 I. For any election conducted to decide whether impact aid revenue  
9 bonds shall be issued pursuant to this section:

10 1. The ballot shall include the following statement:

11 The capital improvements that are proposed to be funded  
12 through this bond issuance are to exceed the state standards and  
13 are in addition to monies provided by the state.

14 \_\_\_\_\_ school district is proposing to issue impact  
15 aid revenue bonds totaling \$\_\_\_\_\_ to fund capital  
16 improvements over and above those funded by the state. Under  
17 the students first capital funding system, \_\_\_\_\_ school  
18 district is entitled to state monies for ~~building renewal~~, new  
19 construction and renovation of school buildings in accordance  
20 with state law.

21 2. The ballot shall contain the words "bond approval, yes" and "bond  
22 approval, no", and the voter shall signify the voter's desired choice.

23 3. At least eighty-five days before the election, the school district  
24 shall submit proposed ballot language to the director of the legislative  
25 council. The director of the legislative council shall review the proposed  
26 ballot language to determine whether the proposed ballot language complies  
27 with this section. If the director of the legislative council determines  
28 that the proposed ballot language does not comply with this section, the  
29 director, within ten calendar days of the receipt of the proposed ballot  
30 language, shall notify the school district of the director's objections and  
31 the school district shall resubmit revised ballot language to the director  
32 for approval.

33 4. No later than thirty-five days before an impact aid revenue bond  
34 election conducted pursuant to this section, the school district shall mail a  
35 publicity pamphlet to each household that contains a qualified elector in the  
36 school district. The publicity pamphlet shall contain, at a minimum, the  
37 following information:

38 (a) The date of the election.

39 (b) The voter's polling place and the times it is open.

40 (c) An executive summary of the school district's most recent capital  
41 plan submitted to the school facilities board.

42 (d) A complete list of each proposed capital improvement that will be  
43 funded with the proceeds of the bonds and a description of the proposed cost  
44 of each improvement, including a separate aggregation of capital improvements  
45 for administrative purposes as defined by the school facilities board.

1 (e) A statement that impact aid revenue bonds will be fully funded by  
2 aid that the school district receives from the federal government and do not  
3 require a levy of taxes in the district.

4 (f) A statement that if the bonds are approved, the first priority for  
5 the impact aid will be to pay the debt service for the bonds and that other  
6 uses of the monies are prohibited until the debt service obligation is met.

7 (g) A statement that if the impact aid revenue bonds are approved, the  
8 school district shall not issue or sell class B bonds while the district has  
9 existing indebtedness from impact aid revenue bonds, except for bonds issued  
10 to refund any bonds issued by the board.

11 J. If the voters approve the issuance of school district class B bonds  
12 or impact aid revenue bonds, the school district shall not use the bond  
13 proceeds for any purposes other than the proposed capital improvements listed  
14 in the publicity pamphlet, except that up to ten per cent of the bond  
15 proceeds may be used for general capital expenses, including cost overruns of  
16 proposed capital improvements. The proposed capital improvements may be  
17 changed by a subsequent election as provided by this section.

18 K. Each school district that issues bonds under this section is  
19 required to hold a public meeting each year between September 1 and October  
20 31, until the bond proceeds are spent, at which an update of the progress of  
21 capital improvements financed through bonding is discussed and at which the  
22 public is permitted an opportunity to comment. At a minimum, the update  
23 shall include a comparison of the current status and the original projections  
24 on the construction of capital improvements, the costs of capital  
25 improvements and the costs of capital improvements in progress or completed  
26 since the prior meeting and the future capital bonding plans of the school  
27 district. The school district shall include in the public meeting a  
28 discussion of the school district's use of state capital aid and  
29 voter-approved capital overrides in funding capital improvements, if any.

30 L. If an election is held to change the purpose or list of capital  
31 projects authorized by prior voter approval to issue bonds pursuant to  
32 subsection A, paragraph 5 of this section, the following requirements apply:

33 1. The election may be held only on the first Tuesday after the first  
34 Monday in November.

35 2. No later than thirty-five days before the election, the school  
36 district shall mail a publicity pamphlet to each household in the school  
37 district that contains a qualified elector. The publicity pamphlet shall  
38 contain, at a minimum, the following information:

39 (a) The date of the election.

40 (b) The voter's polling place and the times it is open.

41 (c) A statement as to why the election was called.

42 (d) A complete list of each proposed capital improvement that is in  
43 addition to the initial capital improvements presented in the publicity  
44 pamphlet when the bonds were approved and the proposed cost of each

1 improvement, including a separate aggregation of capital improvements for  
2 administrative purposes as defined by the school facilities board.

3 (e) A complete list of each capital improvement that was presented in  
4 the publicity pamphlet when the bonds were initially approved and that is  
5 proposed to be eliminated or to have its cost reduced, and the proposed cost  
6 of each improvement, including a separate aggregation of capital improvements  
7 for administrative purposes as defined by the school facilities board.

8 (f) Arguments for and against the proposed change, if submitted, as  
9 provided by section 15-481, subsection B, paragraph 9.

10 3. The ballot shall contain the words "change capital improvements,  
11 yes" and "change capital improvements, no", and the voter shall signify the  
12 voter's desired choice.

13 4. If the election is to add a purpose that was not on the initial  
14 ballot, the ballot shall list the purpose that is proposed to be added.

15 M. If an election is held to extend the time to issue bonds pursuant  
16 to subsection A, paragraph 6 of this section, the following requirements  
17 apply:

18 1. The election may be held only on the first Tuesday after the first  
19 Monday in November.

20 2. No later than thirty-five days before the election, the school  
21 district shall mail a publicity pamphlet to each household in the school  
22 district that contains a qualified elector. The publicity pamphlet shall  
23 contain, at a minimum, the following information:

24 (a) The date of the election.

25 (b) The voter's polling place and the times it is open.

26 (c) A statement as to why the election was called.

27 (d) Arguments for and against the proposed change, if submitted, as  
28 provided in section 15-481, subsection B, paragraph 9.

29 3. The ballot shall contain the words "extend time to issue bonds,  
30 yes" and "extend time to issue bonds, no", and the voter shall signify the  
31 voter's desired choice.

32 Sec. 11. Section 15-792.03, Arizona Revised Statutes, is amended to  
33 read:

34 15-792.03. Grand Canyon diploma

35 A. The private organization selected pursuant to section 15-792.02  
36 shall develop the Grand Canyon diploma to be approved and adopted by the  
37 state board of education. School districts and charter schools in this state  
38 may choose to offer a Grand Canyon diploma beginning in the 2012-2013 school  
39 year. A high school student who is enrolled in a school district or charter  
40 school that offers a Grand Canyon diploma may choose to pursue a Grand Canyon  
41 diploma.

42 B. Students are eligible for the Grand Canyon diploma and may be  
43 awarded the Grand Canyon diploma at the end of grade ten or during or at the  
44 end of grade eleven or twelve if the students meet the criteria. Students  
45 who elect to pursue a Grand Canyon diploma shall participate in a board

1 examination system that consists of internationally benchmarked instructional  
2 programs of study chosen by an interstate compact on board examination  
3 systems.

4 C. Students who are eligible for a Grand Canyon diploma shall have  
5 multiple pathways available to them and may:

6 1. Enroll the following fall semester in a community college under the  
7 jurisdiction of a community college district in this state. Community  
8 colleges under the jurisdiction of a community college district in this state  
9 shall admit students who obtain a Grand Canyon diploma and who otherwise meet  
10 the qualifications for admission. The school district or charter school from  
11 which the student earned the Grand Canyon diploma shall include that student  
12 in the school district's or charter school's student count and shall continue  
13 to receive per pupil funding for a student who earns a Grand Canyon diploma  
14 until that student would otherwise have graduated at the end of grade twelve,  
15 as long as that student is enrolled as a full-time student in a community  
16 college under the jurisdiction of a community college district in this  
17 state. The school district or charter school shall subtract twenty per cent  
18 of its average daily membership amount and reimburse the community college if  
19 the student has earned a Grand Canyon diploma and is attending a community  
20 college as a full-time student. If the student attends community college on  
21 a community college campus, the school district or charter school shall  
22 reimburse the community college district for the amount of operating and  
23 capital outlay full-time student equivalency monies. For the purposes of  
24 this paragraph, the amount of operating full-time student equivalency monies  
25 shall be equivalent to the average appropriation per full-time student  
26 equivalent for all community college districts as calculated pursuant to  
27 section 15-1466, subsection C, paragraph 2. Fifty per cent of the remaining  
28 balance of the per pupil funding shall be used for teacher and pupil  
29 incentives, including scholarship programs, to offset the costs of board  
30 examinations and to provide customized programs of assistance for students  
31 who do not pass the board examinations. The other fifty per cent shall be  
32 used for maintenance and operations, including capital. Under this  
33 paragraph, a student who earns a Grand Canyon diploma is responsible for  
34 tuition. A student who earns a Grand Canyon diploma may enroll in community  
35 college courses offered on a community college campus or a high school  
36 campus, or both. Notwithstanding any other law, community college districts  
37 shall not classify a student who remains in high school pursuant to this  
38 paragraph as a full-time equivalent student. Students who take courses on  
39 high school campuses pursuant to this paragraph shall be eligible to  
40 participate in extracurricular activities, including interscholastic sports,  
41 through the end of grade twelve. The expenditure by community college  
42 districts of payments from the school district or charter school to the  
43 community colleges under this section shall not be included under the  
44 district expenditure limitation prescribed pursuant to article IX, section  
45 21, Constitution of Arizona. If the instruction provided under this

1 paragraph is offered on a community college campus, the funding and  
2 implementation mechanics between the school district or charter school and  
3 the community college shall be determined by agreement between the school  
4 district or charter school and the community college.

5 2. Remain in high school and enroll in additional advanced preparation  
6 board examination programs that are designed to prepare those students for  
7 admission to selective postsecondary institutions that offer baccalaureate  
8 degree programs. These board examination programs shall be selected from a  
9 list approved by an interstate compact for board examination systems. The  
10 school district or charter school from which the student became eligible for  
11 the Grand Canyon diploma shall include that student in the school district's  
12 or charter school's student count and shall continue to receive per pupil  
13 funding for a student who is eligible for a Grand Canyon diploma until that  
14 student would otherwise have graduated at the end of grade twelve, as long as  
15 that student is enrolled in approved advanced preparation board examination  
16 programs at that school district or charter school. Students who elect to  
17 remain in high school pursuant to this paragraph shall not be prevented from  
18 enrolling at a high school after the pupil becomes eligible for a Grand  
19 Canyon diploma and shall be eligible to participate in extracurricular  
20 activities, including interscholastic sports, through the end of grade  
21 twelve.

22 3. Enroll in a full-time career and technical education program  
23 offered on a high school campus or a joint technical education district  
24 campus, or any combination of these campuses. Students who elect to remain  
25 in high school pursuant to this paragraph shall not be prevented from  
26 enrolling at a high school after the pupil becomes eligible for a Grand  
27 Canyon diploma and shall be eligible to participate in extracurricular  
28 activities, including interscholastic sports, through the end of grade  
29 twelve. The school district or charter school from which the student became  
30 eligible for the Grand Canyon diploma shall include that student in the  
31 school district's or charter school's student count and shall continue to  
32 receive per pupil funding for a student who is eligible for a Grand Canyon  
33 diploma until that student would otherwise have graduated at the end of grade  
34 twelve, as long as that student is enrolled in an approved full-time career  
35 and technical education program. Notwithstanding any other law, if the  
36 instruction provided under this paragraph is provided by a joint technical  
37 education district in a full-time career and technical education program that  
38 is designed to lead to a certificate that is awarded by an industry or  
39 recognized as meeting industry standards, the sum of the average daily  
40 membership for that pupil shall not exceed 1.25, and the average daily  
41 membership shall be apportioned at 1.0 for the joint technical education  
42 district and 0.25 for the school district.

43 4. Remain in high school without completing the next level of board  
44 examination systems and participate in programs of study available to the  
45 students through the school district or charter school. The school district

1 or charter school will continue to include the students in the school  
2 district's or charter school's count and shall continue to receive per pupil  
3 funding for the students until those students would have otherwise graduated  
4 at the end of grade twelve, as long as those students are enrolled in  
5 approved programs of study at that school district or charter school.  
6 Students who elect to remain in high school pursuant to this paragraph shall  
7 be eligible to participate in extracurricular activities, including  
8 interscholastic sports.

9 5. If accepted for admission to a university under the jurisdiction of  
10 the Arizona board of regents, enroll in the university after completion of  
11 additional high school coursework designed to prepare students for admission  
12 to selective postsecondary institutions that offer baccalaureate degrees.  
13 The school district or charter school from which the student earned the grand  
14 canyon diploma shall include that student in the school district's or charter  
15 school's student count and shall continue to receive per pupil funding for a  
16 student who earns a grand canyon diploma until that student would otherwise  
17 have graduated at the end of grade twelve for as long as that student is  
18 enrolled as a full-time student in the university. One-third of the school  
19 district's or charter school's average daily membership amount shall be  
20 retained by the school district or the operator of the charter school.  
21 One-third of the school district's or charter school's average daily  
22 membership amount shall be retained for use at the school site. One-third of  
23 the school district's or charter school's average daily membership amount  
24 shall be distributed as follows:

25 (a) One-half shall be deposited in a scholarship account established  
26 and managed by the school district from which the student graduated  
27 specifically for a student who qualifies for the grand canyon diploma and who  
28 attends a university under the jurisdiction of the Arizona board of regents  
29 as a full-time student.

30 (b) One-half shall be retained by the university where the student is  
31 enrolled.

32 D. Students who pursue but do not meet the eligibility requirements  
33 for a Grand Canyon diploma at the end of grade ten or eleven shall receive a  
34 customized program of assistance during the next school year that addresses  
35 areas in which the student demonstrated deficiencies in the approved board  
36 examinations. These students may retake the board examinations at the next  
37 available examination administration. Students may choose to return to a  
38 traditional academic program without completing the board examination system  
39 curriculum.

40 E. The private organization selected pursuant to section 15-792.02  
41 shall develop detailed requirements for students to become eligible for the  
42 Grand Canyon diploma, as approved and adopted by the state board of  
43 education, that include at least the following:

44 1. Demonstrated skills and knowledge in English and mathematical  
45 literacy to be successful in college level courses offered by the community

1 colleges in this state that count toward a degree or certificate without  
2 taking remedial or developmental coursework as determined by an interstate  
3 compact on board examination systems.

4 2. Satisfactory grades on approved board examinations in subjects  
5 determined to be necessary to prepare a student to enter community college  
6 without remedial or developmental coursework and that do not include  
7 coursework required exclusively for entry into an institution that awards  
8 baccalaureate degrees.

9 ~~F. A student who obtains a Grand Canyon diploma pursuant to this  
10 section is not eligible to participate in the early graduation scholarship  
11 program established by section 15-105 if the student elects to pursue one of  
12 the pathways prescribed in subsection C, paragraph 1, 2 or 3 of this section.  
13 The department of education shall not transmit any monies to the commission  
14 for postsecondary education pursuant to section 15-105, subsection F on  
15 behalf of any student who obtains a Grand Canyon diploma pursuant to this  
16 section if the student elects to pursue one of the pathways prescribed in  
17 subsection C, paragraph 1, 2 or 3 of this section.~~

18 Sec. 12. Section 15-795.01, Arizona Revised Statutes, is amended to  
19 read:

20 15-795.01. Competency-based college-ready educational pathways

21 ~~A.~~ In accordance with the rules adopted by the state board of  
22 education pursuant to section 15-203, subsection A, paragraph 39, students  
23 who are eligible for a high school diploma through the fulfillment of a  
24 defined competency-based college-ready educational pathway shall have  
25 multiple pathways available to them and may:

26 1. Enroll the following fall semester in a community college under the  
27 jurisdiction of a community college district in this state. Community  
28 colleges under the jurisdiction of a community college district in this state  
29 shall admit students who obtain a high school diploma through the fulfillment  
30 of a defined competency-based educational pathway and who otherwise meet the  
31 qualifications for admission. The school district or charter school from  
32 which the student earned the high school diploma shall include that student  
33 in the school district's or charter school's student count and shall continue  
34 to receive per pupil funding for a student who earns a high school diploma  
35 until that student would otherwise have graduated at the end of grade twelve,  
36 as long as that student is enrolled as a full-time student in a community  
37 college under the jurisdiction of a community college district in this state.  
38 The school district or charter school shall subtract twenty per cent of its  
39 average daily membership amount and reimburse the community college if the  
40 student has earned a high school diploma and is attending a community college  
41 as a full-time student. If the student attends community college on a  
42 community college campus, the school district or charter school shall  
43 reimburse the community college district for the amount of operating and  
44 capital outlay full-time student equivalency monies. For the purposes of  
45 this paragraph, the amount of operating full-time student equivalency monies

1 shall be equivalent to the average appropriation per full-time student  
2 equivalent for all community college districts as calculated pursuant to  
3 section 15-1466, subsection C, paragraph 2. Fifty per cent of the remaining  
4 balance of the per pupil funding shall be used for teacher and pupil  
5 incentives, including scholarship programs, to offset the costs of  
6 competency-based pathways and to provide customized programs of assistance  
7 for students who do not demonstrate mastery. The other fifty per cent shall  
8 be used for maintenance and operations, including capital. Under this  
9 paragraph, a student who earns a high school diploma is responsible for  
10 tuition. A student who earns a high school diploma may enroll in community  
11 college courses offered on a community college campus or a high school  
12 campus, or both. Notwithstanding any other law, community college districts  
13 shall not classify a student who remains in high school pursuant to this  
14 paragraph as a full-time equivalent student. Students who take courses on  
15 high school campuses pursuant to this paragraph shall be eligible to  
16 participate in extracurricular activities, including interscholastic sports,  
17 through the end of grade twelve. The expenditure by community college  
18 districts of payments from the school district or charter school to the  
19 community colleges under this section shall not be included under the  
20 district expenditure limitation prescribed pursuant to article IX, section  
21 21, Constitution of Arizona. If the instruction provided under this  
22 paragraph is offered on a community college campus, the funding and  
23 implementation mechanics between the school district or charter school and  
24 the community college shall be determined by agreement between the school  
25 district or charter school and the community college.

26       2. Remain in high school and participate in programs of study  
27 available to students through the school district or charter school. The  
28 school district or charter school shall continue to include that student in  
29 the school district's or charter school's student count and shall continue to  
30 receive per pupil funding for a student who is eligible for a high school  
31 diploma until that student would otherwise have graduated at the end of grade  
32 twelve, as long as that student is enrolled in approved advanced preparation  
33 programs of study at that school district or charter school. Students who  
34 elect to remain in high school pursuant to this paragraph shall not be  
35 prevented from enrolling at a high school after the student becomes eligible  
36 for a high school diploma and shall be eligible to participate in  
37 extracurricular activities, including interscholastic sports, through the end  
38 of grade twelve.

39       3. Enroll in a full-time career and technical education program  
40 offered on a high school campus or a joint technical education district  
41 campus, or any combination of these campuses. A student who elects to remain  
42 in high school pursuant to this paragraph shall not be prevented from  
43 enrolling at a high school after the pupil becomes eligible for a high school  
44 diploma and shall be eligible to participate in extracurricular activities,  
45 including interscholastic sports, through the end of grade twelve. The

1 school district or charter school from which the student became eligible for  
2 the high school diploma shall include that student in the school district's  
3 or charter school's student count and shall continue to receive per pupil  
4 funding for a student who is eligible for a high school diploma until that  
5 student would otherwise have graduated at the end of grade twelve, as long as  
6 that student is enrolled in an approved full-time career and technical  
7 education program. Notwithstanding any other law, if the instruction  
8 provided under this paragraph is provided by a joint technical education  
9 district in a full-time career and technical education program that is  
10 designed to lead to a certificate that is awarded by an industry or  
11 recognized as meeting industry standards, the sum of the average daily  
12 membership for that pupil shall not exceed 1.25, and the average daily  
13 membership shall be apportioned at 1.0 for the joint technical education  
14 district and 0.25 for the school district.

15 4. If accepted for admission to a university under the jurisdiction of  
16 the Arizona board of regents, enroll in the university after completion of  
17 additional high school coursework designed to prepare students for admission  
18 to selective postsecondary institutions that offer baccalaureate degrees.  
19 The school district or charter school from which the student earned the high  
20 school diploma shall include that student in the school district's or charter  
21 school's student count and shall continue to receive per pupil funding for a  
22 student who earns a high school diploma until that student would otherwise  
23 have graduated at the end of grade twelve for as long as that student is  
24 enrolled as a full-time student in the university. One-third of the school  
25 district's or charter school's average daily membership amount shall be  
26 retained by the school district or the operator of the charter school.  
27 One-third of the school district's or charter school's average daily  
28 membership amount shall be retained for use at the school site. One-third of  
29 the school district's or charter school's average daily membership amount  
30 shall be distributed as follows:

31 (a) Fifty per cent of this amount shall be deposited in a scholarship  
32 account established and managed by the school district or charter school from  
33 which the student graduated specifically for a student who qualifies for a  
34 diploma and who attends a university under the jurisdiction of the Arizona  
35 board of regents as a full-time student.

36 (b) Fifty per cent of this amount shall be retained by the university  
37 where the student is enrolled.

38 ~~B. A student who obtains a high school diploma through the fulfillment~~  
39 ~~of a defined competency-based educational pathway pursuant to this section is~~  
40 ~~not eligible to participate in the early graduation scholarship program~~  
41 ~~established by section 15-105 if the student elects to pursue one of the~~  
42 ~~pathways prescribed in subsection a of this section. The department of~~  
43 ~~education shall not transmit any monies to the commission for postsecondary~~  
44 ~~education pursuant to section 15-105, subsection F on behalf of any student~~  
45 ~~who obtains a high school diploma pursuant to this section if the student~~

1 ~~elects to pursue one of the pathways prescribed in subsection A of this~~  
2 ~~section.~~

3 Sec. 13. Section 15-808, Arizona Revised Statutes, is amended to read:  
4 15-808. Arizona online instruction; reports; definitions

5 A. Arizona online instruction shall be instituted to meet the needs of  
6 pupils in the information age. The state board of education shall select  
7 traditional public schools and the state board for charter schools shall  
8 sponsor charter schools to be online course providers or online schools. The  
9 state board of education and the state board for charter schools shall  
10 jointly develop standards for the approval of online course providers and  
11 online schools based on the following criteria:

12 1. The depth and breadth of curriculum choices.

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

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

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

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

25 6. The availability of faculty members who are experienced with  
26 computer networks, the internet and computer animation.

27 7. The extent to which the school intends to develop partnerships with  
28 universities, community colleges and private businesses.

29 8. The services offered to developmentally disabled populations.

30 9. The grade levels that will be served.

31 B. Each new school that provides online instruction shall provide  
32 online instruction on a probationary status. After a new school that  
33 provides online instruction has clearly demonstrated the academic integrity  
34 of its instruction through the actual improvement of the academic performance  
35 of its students, the school may apply to be removed from probationary status.  
36 The state board of education or the state board for charter schools shall  
37 remove from Arizona online instruction any probationary school that fails to  
38 clearly demonstrate improvement in academic performance within three years  
39 measured against goals in the approved application and the state's  
40 accountability system. The state board of education and the state board for  
41 charter schools shall review the effectiveness of each participating school  
42 and other information that is contained in the annual report prescribed in  
43 subsection D of this section. All pupils who participate in Arizona online  
44 instruction shall reside in this state. Pupils who participate in Arizona  
45 online instruction are subject to the testing requirements prescribed in

1 chapter 7, article 3 of this title. ~~Upon~~ ON enrollment, the school shall  
2 notify the parents or guardians of the pupil of the state testing  
3 requirements. If a pupil fails to comply with the testing requirements and  
4 the school administers the tests pursuant to this subsection to less than  
5 ninety-five per cent of the pupils in Arizona online instruction, the pupil  
6 shall not be allowed to participate in Arizona online instruction.

7 C. ~~Beginning July 1, 2010,~~ The state board of education and the state  
8 board for charter schools shall develop annual reporting mechanisms for  
9 schools that participate in Arizona online instruction.

10 D. The department of education shall compile the information submitted  
11 in the annual reports by schools participating in Arizona online instruction.  
12 The department of education shall submit the compiled report to the governor,  
13 the speaker of the house of representatives and the president of the senate  
14 by November 15 of each year.

15 E. Each school selected for Arizona online instruction shall ensure  
16 that a daily log is maintained for each pupil who participates in Arizona  
17 online instruction. The daily log shall describe the amount of time spent by  
18 each pupil participating in Arizona online instruction pursuant to this  
19 section on academic tasks. The daily log shall be used by the school  
20 district or charter school to qualify the pupils who participate in Arizona  
21 online instruction in the school's average daily attendance calculations  
22 pursuant to subsection F of this section.

23 F. If a pupil is enrolled in a school district or charter school and  
24 also participates in Arizona online instruction, the sum of the average daily  
25 membership, which includes enrollment as prescribed in section 15-901,  
26 subsection A, paragraph 1, subdivisions (a) and (b) and daily attendance as  
27 prescribed in section 15-901, subsection A, paragraph 5, for that pupil in  
28 the school district or charter school and in Arizona online instruction shall  
29 not exceed 1.0. If the pupil is enrolled in a school district or a charter  
30 school and also participates in Arizona online instruction and the sum of the  
31 daily membership or daily attendance for that pupil is greater than 1.0, the  
32 sum shall be reduced to 1.0 and shall be apportioned between the school  
33 district, unless the school district is a joint technical education district  
34 subject to the apportionment requirements of section 15-393, or charter  
35 school and Arizona online instruction based on the percentage of total time  
36 that the pupil is enrolled or in attendance in the school district or charter  
37 school and Arizona online instruction. The uniform system of financial  
38 records shall include guidelines for the apportionment of the pupil  
39 enrollment and attendance as provided in this subsection. Pupils in Arizona  
40 online instruction do not incur absences for purposes of this subsection and  
41 may generate an average daily attendance of 1.0 for attendance hours during  
42 any hour of the day, during any day of the week and at any time between July  
43 1 and June 30 of each fiscal year. For kindergarten programs and grades one  
44 through eight, average daily membership shall be calculated by dividing the  
45 instructional hours as reported in the daily log required in subsection E of

1 this section by the applicable hourly requirements prescribed in section  
2 15-901. For grades nine through twelve, average daily membership shall be  
3 calculated by dividing the instructional hours as reported in the daily log  
4 required in subsection E of this section by nine hundred. The average daily  
5 membership of a pupil who participates in online instruction shall not exceed  
6 1.0. Average daily membership shall not be calculated on the one hundredth  
7 day of instruction for the purposes of this section. Funding shall be  
8 determined as follows:

9 1. A pupil who is enrolled full-time in Arizona online instruction  
10 shall be funded for online instruction at ninety-five per cent of the base  
11 support level that would be calculated for that pupil if that pupil were  
12 enrolled as a full-time student in a school district or charter school that  
13 does not participate in Arizona online instruction. ~~CHARTER~~ additional  
14 assistance, ~~capital outlay revenue limit~~ and ~~soft capital allocation limit~~  
15 ~~DISTRICT ADDITIONAL ASSISTANCE~~ shall be calculated in the same manner they  
16 would be calculated if the student were enrolled in a district or charter  
17 school that does not participate in Arizona online instruction.

18 2. A pupil who is enrolled part-time in Arizona online instruction  
19 shall be funded for online instruction at eighty-five per cent of the base  
20 support level that would be calculated for that pupil if that pupil were  
21 enrolled as a part-time student in a school district or charter school that  
22 does not participate in Arizona online instruction. ~~CHARTER~~ additional  
23 assistance, ~~capital outlay revenue limit~~ and ~~soft capital allocation limit~~  
24 ~~DISTRICT ADDITIONAL ASSISTANCE~~ shall be calculated in the same manner they  
25 would be calculated if the student were enrolled in a district or charter  
26 school that does not participate in Arizona online instruction.

27 G. If the academic achievement of a pupil declines while the pupil is  
28 participating in Arizona online instruction, the pupil's parents, the pupil's  
29 teachers and the principal or head teacher of the school shall confer to  
30 evaluate whether the pupil should be allowed to continue to participate in  
31 Arizona online instruction.

32 H. To ensure the academic integrity of pupils who participate in  
33 online instruction, Arizona online instruction shall include multiple diverse  
34 assessment measures and the proctored administration of required state  
35 standardized tests.

36 I. For the purposes of this section:

37 1. "Full-time student" means:

38 (a) A student who is at least five years of age before September 1 of  
39 a school year and who is enrolled in a school kindergarten program that meets  
40 at least three hundred forty-six hours during the school year.

41 (b) A student who is at least six years of age before September 1 of a  
42 school year, who has not graduated from the highest grade taught in the  
43 school and who is regularly enrolled in a course of study required by the  
44 state board of education. For first, second and third grade students, the  
45 instructional program shall meet at least seven hundred twelve hours. For

1 fourth, fifth and sixth grade students, the instructional program shall meet  
2 at least eight hundred ninety hours during the school year.

3 (c) Seventh and eighth grade students or ungraded students who are at  
4 least twelve, but under fourteen, years of age on or before September 1 and  
5 who are enrolled in an instructional program of courses that meets at least  
6 one thousand sixty-eight hours during the school year.

7 (d) For high schools, ~~except as provided in section 15-105,~~ a student  
8 not graduated from the highest grade taught in the school district, or an  
9 ungraded student at least fourteen years of age on or before September 1, and  
10 who is enrolled in at least four courses throughout the year that meet at  
11 least nine hundred hours during the school year. A full-time student shall  
12 not be counted more than once for computation of average daily membership.

13 2. "Online course provider" means a school other than an online school  
14 that is selected by the state board of education or the state board for  
15 charter schools to participate in Arizona online instruction pursuant to this  
16 section and that provides at least one online academic course that is  
17 approved by the state board of education.

18 3. "Online school" means a school that provides at least four online  
19 academic courses or one or more online courses for the equivalent of at least  
20 five hours each day for one hundred eighty school days and that is a charter  
21 school that is sponsored by the state board for charter schools or a  
22 traditional public school that is selected by the state board of education to  
23 participate in Arizona online instruction.

24 4. "Part-time student" means:

25 (a) Any student who is enrolled in a program that does not meet the  
26 definition in paragraph 1 of this subsection shall be funded at eighty-five  
27 per cent of the base support level that would be calculated for that pupil if  
28 that pupil were enrolled as a part-time student in a school district or  
29 charter school that does not participate in Arizona online instruction.

30 (b) A part-time student of seventy-five per cent average daily  
31 membership shall be enrolled in at least three subjects throughout the year  
32 that offer for first, second and third grade students at least five hundred  
33 thirty-four instructional hours in a school year and for fourth, fifth and  
34 sixth grade students at least six hundred sixty-eight instructional hours in  
35 a school year. A part-time student of fifty per cent average daily  
36 membership shall be enrolled in at least two subjects throughout the year  
37 that offer for first, second and third grade students at least three hundred  
38 fifty-six instructional hours in a school year and for fourth, fifth and  
39 sixth grade students at least four hundred forty-five instructional hours in  
40 a school year. A part-time student of twenty-five per cent average daily  
41 membership shall be enrolled in at least one subject throughout the year that  
42 offers for first, second and third grade students at least one hundred  
43 seventy-eight instructional hours in a school year and for fourth, fifth and  
44 sixth grade students at least two hundred twenty-three instructional hours in  
45 a school year.

1 (c) For seventh and eighth grade students, a part-time student of  
2 seventy-five per cent average daily membership shall be enrolled in at least  
3 three subjects throughout the year that offer at least eight hundred one  
4 instructional hours in a school year. A part-time student of fifty per cent  
5 average daily membership shall be enrolled in at least two subjects  
6 throughout the year that offer at least five hundred thirty-four  
7 instructional hours in a school year. A part-time student of twenty-five per  
8 cent average daily membership shall be enrolled in at least one subject  
9 throughout the year that offers at least two hundred sixty-seven  
10 instructional hours in a school year.

11 (d) For high school students, a part-time student of seventy-five per  
12 cent average daily membership shall be enrolled in at least three subjects  
13 throughout the year that offer at least six hundred seventy-five  
14 instructional hours in a school year. A part-time student of fifty per cent  
15 average daily membership shall be enrolled in at least two subjects  
16 throughout the year that offer at least four hundred fifty instructional  
17 hours in a school year. A part-time student of twenty-five per cent average  
18 daily membership shall be enrolled in at least one subject throughout the  
19 year that offers at least two hundred twenty-five instructional hours in a  
20 school year.

21 Sec. 14. Section 15-901, Arizona Revised Statutes, is amended to read:  
22 15-901. Definitions

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

24 1. "Average daily membership" means the total enrollment of fractional  
25 students and full-time students, minus withdrawals, of each school day  
26 through the first one hundred days or two hundred days in session, as  
27 applicable, for the current year. Withdrawals include students formally  
28 withdrawn from schools and students absent for ten consecutive school days,  
29 except for excused absences identified by the department of education. For  
30 the purposes of this section, school districts and charter schools shall  
31 report student absence data to the department of education at least once  
32 every sixty days in session. For computation purposes, the effective date of  
33 withdrawal shall be retroactive to the last day of actual attendance of the  
34 student or excused absence.

35 (a) "Fractional student" means:

36 (i) For common schools, a preschool child who is enrolled in a program  
37 for preschool children with disabilities of at least three hundred sixty  
38 minutes each week or a kindergarten student at least five years of age before  
39 January 1 of the school year and enrolled in a school kindergarten program  
40 that meets at least three hundred fifty-six hours for a one hundred eighty  
41 day school year, or the instructional hours prescribed in this section.  
42 Lunch periods and recess periods may not be included as part of the  
43 instructional hours unless the child's individualized education program  
44 requires instruction during those periods and the specific reasons for such  
45 instruction are fully documented. In computing the average daily membership,

1 preschool children with disabilities and kindergarten students shall be  
2 counted as one-half of a full-time student. For common schools, a part-time  
3 student is a student enrolled for less than the total time for a full-time  
4 student as defined in this section. A part-time common school student shall  
5 be counted as one-fourth, one-half or three-fourths of a full-time student if  
6 the student is enrolled in an instructional program that is at least  
7 one-fourth, one-half or three-fourths of the time a full-time student is  
8 enrolled as defined in subdivision (b) of this paragraph.

9 (ii) For high schools, a part-time student who is enrolled in less  
10 than four subjects that count toward graduation as defined by the state board  
11 of education, each of which, if taught each school day for the minimum number  
12 of days required in a school year, would meet a minimum of one hundred  
13 twenty-three hours a year, or the equivalent, in a recognized high school.  
14 The average daily membership of a part-time high school student shall be 0.75  
15 if the student is enrolled in an instructional program of three subjects that  
16 meet at least five hundred forty hours for a one hundred eighty day school  
17 year, or the instructional hours prescribed in this section. The average  
18 daily membership of a part-time high school student shall be 0.5 if the  
19 student is enrolled in an instructional program of two subjects that meet at  
20 least three hundred sixty hours for a one hundred eighty day school year, or  
21 the instructional hours prescribed in this section. The average daily  
22 membership of a part-time high school student shall be 0.25 if the student is  
23 enrolled in an instructional program of one subject that meets at least one  
24 hundred eighty hours for a one hundred eighty day school year, or the  
25 instructional hours prescribed in this section.

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

27 (i) For common schools, a student who is at least six years of age  
28 before January 1 of a school year, who has not graduated from the highest  
29 grade taught in the school district and who is regularly enrolled in a course  
30 of study required by the state board of education. First, second and third  
31 grade students, ungraded students at least six, but under nine, years of age  
32 by September 1 or ungraded group B children with disabilities who are at  
33 least five, but under six, years of age by September 1 must be enrolled in an  
34 instructional program that meets for a total of at least seven hundred twelve  
35 hours for a one hundred eighty day school year, or the instructional hours  
36 prescribed in this section. Fourth, fifth and sixth grade students or  
37 ungraded students at least nine, but under twelve, years of age by September  
38 1 must be enrolled in an instructional program that meets for a total of at  
39 least eight hundred ninety hours for a one hundred eighty day school year, or  
40 the instructional hours prescribed in this section. Seventh and eighth grade  
41 students or ungraded students at least twelve, but under fourteen, years of  
42 age by September 1 must be enrolled in an instructional program that meets  
43 for at least one thousand hours. Lunch periods and recess periods may not be  
44 included as part of the instructional hours unless the student is a child  
45 with a disability and the child's individualized education program requires

1 instruction during those periods and the specific reasons for such  
2 instruction are fully documented.

3 (ii) For high schools, ~~except as provided in section 15-105,~~ a student  
4 not graduated from the highest grade taught in the school district, or an  
5 ungraded student at least fourteen years of age by September 1, and enrolled  
6 in at least an instructional program of four or more subjects that count  
7 toward graduation as defined by the state board of education, each of which,  
8 if taught each school day for the minimum number of days required in a school  
9 year, would meet a minimum of one hundred twenty-three hours a year, or the  
10 equivalent, that meets for a total of at least seven hundred twenty hours for  
11 a one hundred eighty day school year, or the instructional hours prescribed  
12 in this section in a recognized high school. A full-time student shall not  
13 be counted more than once for computation of average daily membership. The  
14 average daily membership of a full-time high school student shall be 1.0 if  
15 the student is enrolled in at least four subjects that meet at least seven  
16 hundred twenty hours for a one hundred eighty day school year, or the  
17 equivalent instructional hours prescribed in this section.

18 (iii) Except as otherwise provided by law, for a full-time high school  
19 student who is concurrently enrolled in two school districts or two charter  
20 schools, the average daily membership shall not exceed 1.0.

21 (iv) Except as otherwise provided by law, for any student who is  
22 concurrently enrolled in a school district and a charter school, the average  
23 daily membership shall be apportioned between the school district and the  
24 charter school and shall not exceed 1.0. The apportionment shall be based on  
25 the percentage of total time that the student is enrolled in or in attendance  
26 at the school district and the charter school.

27 (v) Except as otherwise provided by law, for any student who is  
28 concurrently enrolled, pursuant to section 15-808, in a school district and  
29 Arizona online instruction or a charter school and Arizona online  
30 instruction, the average daily membership shall be apportioned between the  
31 school district and Arizona online instruction or the charter school and  
32 Arizona online instruction and shall not exceed 1.0. The apportionment shall  
33 be based on the percentage of total time that the student is enrolled in or  
34 in attendance at the school district and Arizona online instruction or the  
35 charter school and Arizona online instruction.

36 (vi) For homebound or hospitalized, a student receiving at least four  
37 hours of instruction per week.

38 2. "Budget year" means the fiscal year for which the school district  
39 is budgeting and that immediately follows the current year.

40 3. "Common school district" means a political subdivision of this  
41 state offering instruction to students in programs for preschool children  
42 with disabilities and kindergarten programs and either:

43 (a) Grades one through eight.

44 (b) Grades one through nine pursuant to section 15-447.01.

1           4. "Current year" means the fiscal year in which a school district is  
2 operating.

3           5. "Daily attendance" means:

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

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

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

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

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

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

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

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

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

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

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

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

20 (g) For school districts that maintain school for an approved  
21 year-round school year operation, attendance shall be based on a computation,  
22 as prescribed by the superintendent of public instruction, of the one hundred  
23 eighty days' equivalency or two hundred days' equivalency, as applicable, of  
24 instructional time as approved by the superintendent of public instruction  
25 during which each pupil is enrolled.

26 6. "Daily route mileage" means the sum of:

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

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

40 7. "District support level" means the base support level plus the  
41 transportation support level.

42 8. "Eligible students" means:

43 (a) Students who are transported by or for a school district and who  
44 qualify as full-time students or fractional students, except students for

1 whom transportation is paid by another school district or a county school  
2 superintendent, and:

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

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

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

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

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

31 9. "Enrolled" or "enrollment" means when a pupil is currently  
32 registered in the school district.

33 10. "GDP price deflator" means the average of the four implicit price  
34 deflators for the gross domestic product reported by the United States  
35 department of commerce for the four quarters of the calendar year.

36 11. "High school district" means a political subdivision of this state  
37 offering instruction to students for grades nine through twelve or that  
38 portion of the budget of a common school district that is allocated to  
39 teaching high school subjects with permission of the state board of  
40 education.

41 12. "Revenue control limit" means the base revenue control limit plus  
42 the transportation revenue control limit.

43 13. "Student count" means average daily membership as prescribed in  
44 this subsection for the fiscal year before the current year, except that for

1 the purpose of budget preparation student count means average daily  
2 membership as prescribed in this subsection for the current year.

3 14. "Submit electronically" means submitted in a format and in a manner  
4 prescribed by the department of education.

5 15. "Total bus mileage" means the total number of miles driven by all  
6 buses of a school district during the school year.

7 16. "Total students transported" means all eligible students  
8 transported from their place of residence to a school transportation pickup  
9 point or to the school of attendance and from the school of attendance or  
10 from the school transportation scheduled return point to their place of  
11 residence.

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

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

16 1. "Base" means the revenue level per student count specified by the  
17 legislature.

18 2. "Base level" means the following amounts plus the percentage  
19 increases to the base level as provided in sections 15-902.02, 15-918.04,  
20 15-919.04 and 15-952, except that if a school district or charter school is  
21 eligible for an increase in the base level as provided in two or more of  
22 these sections, the base level amount shall be calculated by compounding  
23 rather than adding the sum of one plus the percentage of the increase from  
24 those different sections:

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

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

29 (c) For fiscal years 2009-2010, 2010-2011, 2011-2012 and 2012-2013,  
30 three thousand two hundred sixty-seven dollars seventy-two cents.

31 (d) FOR FISCAL YEAR 2013-2014, THREE THOUSAND THREE HUNDRED TWENTY-SIX  
32 DOLLARS FIFTY-FOUR CENTS.

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

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

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

42 6. "DD" means programs for children with developmental delays who are  
43 at least three years of age but under ten years of age. A preschool child  
44 who is categorized under this paragraph is not eligible to receive funding  
45 pursuant to section 15-943, paragraph 2, subdivision (b).

1           7. "ED, MIID, SLD, SLI and OHI" means programs for children with  
2 emotional disabilities, mild intellectual disabilities, a specific learning  
3 disability, a speech/language impairment and other health impairments. A  
4 preschool child who is categorized as SLI under this paragraph is not  
5 eligible to receive funding pursuant to section 15-943, paragraph 2,  
6 subdivision (b).

7           8. "ED-P" means programs for children with emotional disabilities who  
8 are enrolled in private special education programs as prescribed in section  
9 15-765, subsection D, paragraph 1 or in an intensive school district program  
10 as provided in section 15-765, subsection D, paragraph 2.

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

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

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

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

22           11. "Group A" means educational programs for career exploration, a  
23 specific learning disability, an emotional disability, a mild intellectual  
24 disability, remedial education, a speech/language impairment, developmental  
25 delay, homebound, bilingual, other health impairments and gifted pupils.

26           12. "Group B" means educational improvements for pupils in kindergarten  
27 programs and grades one through three, educational programs for autism, a  
28 hearing impairment, a moderate intellectual disability, multiple  
29 disabilities, multiple disabilities with severe sensory impairment,  
30 orthopedic impairments, preschool severe delay, a severe intellectual  
31 disability and emotional disabilities for school age pupils enrolled in  
32 private special education programs or in school district programs for  
33 children with severe disabilities or visual impairment and English learners  
34 enrolled in a program to promote English language proficiency pursuant to  
35 section 15-752.

36           13. "HI" means programs for pupils with hearing impairment.

37           14. "Homebound" or "hospitalized" means a pupil who is capable of  
38 profiting from academic instruction but is unable to attend school due to  
39 illness, disease, accident or other health conditions, who has been examined  
40 by a competent medical doctor and who is certified by that doctor as being  
41 unable to attend regular classes for a period of not less than three school  
42 months or a pupil who is capable of profiting from academic instruction but  
43 is unable to attend school regularly due to chronic or acute health problems,  
44 who has been examined by a competent medical doctor and who is certified by  
45 that doctor as being unable to attend regular classes for intermittent

1 periods of time totaling three school months during a school year. The  
2 medical certification shall state the general medical condition, such as  
3 illness, disease or chronic health condition, that is the reason that the  
4 pupil is unable to attend school. Homebound or hospitalized includes a  
5 student who is unable to attend school for a period of less than three months  
6 due to a pregnancy if a competent medical doctor, after an examination,  
7 certifies that the student is unable to attend regular classes due to risk to  
8 the pregnancy or to the student's health.

9 15. "K-3" means kindergarten programs and grades one through three.

10 16. "K-3 Reading" means reading programs for pupils in kindergarten  
11 programs and grades one, two and three.

12 17. "MD-R, A-R and SID-R" means resource programs for pupils with  
13 multiple disabilities, autism and severe intellectual disability.

14 18. "MD-SC, A-SC and SID-SC" means self-contained programs for pupils  
15 with multiple disabilities, autism and severe intellectual disability.

16 19. "MD-SSI" means a program for pupils with multiple disabilities with  
17 severe sensory impairment.

18 20. "MOID" means programs for pupils with moderate intellectual  
19 disability.

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

22 22. "OI-SC" means a self-contained program for pupils with orthopedic  
23 impairments.

24 23. "PSD" means preschool programs for children with disabilities as  
25 provided in section 15-771.

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

28 25. "Qualifying tax rate" means the qualifying tax rate specified in  
29 section 15-971 applied to the assessed valuation used for primary property  
30 taxes.

31 26. "Small isolated school district" means a school district that meets  
32 all of the following:

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

35 (b) Contains no school that is fewer than thirty miles by the most  
36 reasonable route from another school, or, if road conditions and terrain make  
37 the driving slow or hazardous, fifteen miles from another school that teaches  
38 one or more of the same grades and is operated by another school district in  
39 this state.

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

42 27. "Small school district" means a school district that meets all of  
43 the following:

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

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

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

6 28. "Transportation revenue control limit" means the transportation  
7 revenue control limit computed as prescribed in section 15-946.

8 29. "Transportation support level" means the support level for pupil  
9 transportation operating expenses as provided in section 15-945.

10 30. "VI" means programs for pupils with visual impairments.

11 31. "Voc. Ed." means career and technical education and vocational  
12 education programs, as defined in section 15-781.

13 Sec. 15. Section 15-901.05, Arizona Revised Statutes, is amended to  
14 read:

15 15-901.05. Application of school finance changes

16 To the extent permitted by the Constitution of Arizona, unless  
17 otherwise specified by law, the department shall apply any change to state  
18 law that occurs after ~~the effective date of this section~~ JULY 29, 2010 and  
19 that modifies or impacts the school finance formulas prescribed in this  
20 title, including the base support level, the base revenue control limit, the  
21 transportation support level, the transportation revenue control limit, the  
22 ~~capital outlay revenue limit, the soft capital allocation~~ DISTRICT ADDITIONAL  
23 ASSISTANCE, the general budget limit, ~~OR the unrestricted budget limit or~~  
24 ~~the soft capital allocation limit~~, on the effective date of that change to  
25 state law so that it applies to the entire fiscal year in which the change  
26 became effective.

27 Sec. 16. Section 15-903, Arizona Revised Statutes, is amended to read:

28 15-903. Budget format; prohibited expenditures

29 A. The superintendent of public instruction in conjunction with the  
30 auditor general shall prepare and prescribe a budget format to be utilized by  
31 all school districts.

32 B. The budget format shall be designed to allow all school districts  
33 to plan and provide in detail for the use of available funds. The budget  
34 format shall contain distinct sections for, but need not be limited to,  
35 maintenance and operation, debt service, special projects, capital outlay,  
36 adjacent ways and classroom site fund. The maintenance and operation section  
37 shall include, but need not be limited to, separate subsections for regular  
38 education programs, special education programs and operational expenditures  
39 for pupil transportation. Each subsection shall clearly distinguish  
40 classroom instruction expenditures. The special education program subsection  
41 shall include, but is not limited to, programs for each disability  
42 classification as defined in section 15-761 and programs for gifted,  
43 vocational and ~~technological~~ TECHNICAL education, remedial education and  
44 bilingual students. The total expenditures for each of these programs shall  
45 be included on the budget form. The pupil transportation subsection shall

1 include all operational expenditures relating to the transportation of  
2 pupils, including all operational expenditures within a contract if the  
3 school district contracts for pupil transportation.

4 C. The capital outlay section of the budget shall include ~~separate~~  
5 ~~subsections~~ A SUBSECTION for unrestricted capital outlay ~~and soft capital~~  
6 ~~allocation~~. ~~The soft capital allocation subsection shall include budgeted~~  
7 ~~expenditures as prescribed in section 15-962~~. The unrestricted capital  
8 outlay subsection shall include budgeted expenditures for acquisitions by  
9 purchase, lease-purchase or lease of capital items as defined in the uniform  
10 system of financial records. ~~These sections and subsections~~ AND shall  
11 include:

12 1. Land, buildings and improvements to land and buildings, including  
13 labor and related employee benefits costs and material costs if work is  
14 performed by school district employees.

15 2. Furniture, furnishings, athletic equipment and other equipment,  
16 including computer software.

17 3. Pupil and nonpupil transportation vehicles and equipment, including  
18 all capital expenditures within a contract if the school district contracts  
19 for pupil transportation.

20 4. Textbooks and related printed subject matter materials adopted by  
21 the governing board.

22 5. Instructional aids.

23 6. Library books.

24 7. Payment of principal and interest on bonds.

25 8. School district administration emergency needs that are directly  
26 related to pupils.

27 D. The budget format shall contain distinct subsections for the  
28 following:

29 1. Special programs to improve academic achievement of pupils in  
30 kindergarten programs and grades one through three as provided in section  
31 15-482.

32 2. School plant funds.

33 3. Capital outlay budget increases as provided in section 15-481.

34 4. Property taxation, including the following:

35 (a) The primary tax rates for the school district for the current year  
36 and the budget year.

37 (b) The secondary tax rates for maintenance and operation, K-3 and  
38 capital overrides for the school district for the current year and the budget  
39 year.

40 (c) The secondary tax rates for class A bonds for the school district  
41 for the current year and the budget year.

42 (d) The secondary tax rates for class B bonds for the school district  
43 for the current year and the budget year.

44 5. A description of any corrections or adjustments made to the budget  
45 pursuant to section 15-915.

1 E. The budget format shall also contain:

2 1. A statement identifying proposed pupil-teacher ratios and  
3 pupil-staff ratios relating to the provision of special education services  
4 for the budget year.

5 2. A statement identifying the number of full-time equivalent  
6 certified employees.

7 F. The special projects section shall include budgeted expenditures  
8 for state special projects, including special adult projects, career  
9 education, deficiencies correction fund projects, ~~building renewal fund~~  
10 ~~projects~~ and new school facilities fund projects, such federal special  
11 projects as ESEA title programs, vocational education and title IV Indian  
12 education, and other special projects.

13 G. A school district shall not make expenditures for campaign  
14 literature associated with school district or charter school officials. If  
15 the superintendent of public instruction determines that a school district  
16 has violated this subsection, the superintendent of public instruction may  
17 withhold any portion of the school district's apportionment of state aid.

18 H. The budget format shall include an electronic format that shall be  
19 submitted for each proposed, adopted and revised budget.

20 Sec. 17. Section 15-904, Arizona Revised Statutes, is amended to read:

21 15-904. School district annual financial report; publication;  
22 summary

23 A. The governing board of each school district shall publish an annual  
24 financial report for the prior fiscal year by November 15. The auditor  
25 general in conjunction with the department of education shall prescribe the  
26 format of the financial report to be used by school districts. The financial  
27 report shall contain budgeted and actual expenditures for the preceding  
28 fiscal year and shall be prepared and distributed by October 15 by the school  
29 district with a copy to the county school superintendent. A copy of the  
30 annual financial report shall be submitted electronically by the school  
31 district to the superintendent of public instruction by October 15. The  
32 annual financial report shall be approved by the county school superintendent  
33 in an electronic procedure as prescribed by the department of education. On  
34 or before October 15, the governing board shall submit the annual financial  
35 report for the previous fiscal year to the department of education, which  
36 shall prominently display this information about that school district on the  
37 website maintained by the department. If the school district maintains a  
38 website, the school district shall post a link to the website of the  
39 department of education where this information about the school district is  
40 posted. School districts that are subject to section 15-914.01 are not  
41 required to send a copy to the county school superintendent.

42 B. In addition to the information required in subsection A of this  
43 section, the annual financial report shall contain detailed information on  
44 the school district budgeted and actual expenditures from the bond building  
45 fund, the ~~soft capital allocation~~ UNRESTRICTED CAPITAL fund, the deficiencies

1 correction fund, ~~the building renewal fund~~ and the new school facilities  
2 fund, including but not limited to information on classified salaries,  
3 employee benefits, interest and fiscal charges, capital lease agreements,  
4 land and improvements, buildings and improvements, furniture and equipment,  
5 technology and vehicles and transportation equipment for pupils. The  
6 information shall specify whether the expenditures are for school district  
7 renovation or for new construction, the cost per square foot and land  
8 acquisition costs, as appropriate.

9 C. Except as provided in subsection D of this section, the governing  
10 board shall publish, by November 15, the annual financial report for the  
11 school district either in a newspaper of general circulation within the  
12 school district, by electronic transmission of the information to the  
13 department of education for posting on the department's website or in the  
14 official newspaper of the county as ~~defined~~ PRESCRIBED in section 11-255, or  
15 the governing board may mail the annual financial report for the school  
16 district to each household in the school district. If the governing board  
17 chooses to transmit the report electronically to the department of education,  
18 the school district shall provide a link on the school district's website to  
19 the report on the department's website. If the governing board chooses to  
20 publish the report in a newspaper, the size of the newspaper print shall be  
21 at least eight-point type. The cost of publication or mailing shall be a  
22 charge against the school district. The publisher's affidavit of publication  
23 shall be filed by the governing board of the school district with the  
24 superintendent of public instruction within thirty days after publication.

25 D. The governing board may publish or mail a summary of the annual  
26 financial report in the same manner as provided in subsection C of this  
27 section. The auditor general in conjunction with the department of education  
28 shall prescribe the form of the summary of the annual financial report for  
29 use by the governing boards.

30 E. The superintendent of public instruction shall compile the  
31 financial reports of the school districts, including expenditure data for  
32 federal and state projects, and shall report to the governor and the  
33 legislature on or before January 15 of each year as provided in section  
34 15-255.

35 Sec. 18. Section 15-905, Arizona Revised Statutes, is amended to read:  
36 15-905. School district budgets; notice; adoption; aggregate  
37 budget limit; summary; adjustments; impact aid fund;  
38 definition

39 A. Not later than July 5 of each year or no later than the publication  
40 of notice of the public hearing and board meeting as required by this  
41 section, the governing board of each school district shall prepare and  
42 furnish to the superintendent of public instruction and the county school  
43 superintendent, unless waived by the county school superintendent, a proposed  
44 budget in electronic format for the budget year, which shall contain the

1 information and be in the form as provided by the department of education.  
2 The proposed budget shall include the following:

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

5 2. The total amount of revenues by source that will be necessary to  
6 meet the proposed budget of the school district, excluding property taxes.  
7 The governing board shall prepare the proposed budget and a summary of the  
8 proposed budget. Both documents shall be kept on file at the school district  
9 office and shall be made available to the public upon request. Not later  
10 than July 5 of each year or not later than the publication of notice of the  
11 public hearing and board meeting required by this subsection, the governing  
12 board shall submit the proposed budget to the department of education, which  
13 shall prominently display this information about that school district on the  
14 website maintained by the department. If the school district maintains a  
15 website, the school district shall post a link to the website of the  
16 department of education where this information about the school district is  
17 posted. The auditor general in conjunction with the department of education  
18 shall prescribe the form of the summary of the proposed budget for use by  
19 governing boards. School district governing boards may include in the  
20 proposed budget any items or amounts which are authorized by legislation  
21 filed with the secretary of state and which will become effective during the  
22 budget year. If subsequent events prevent the legislation from becoming  
23 effective, school district governing boards must reduce their budgets by the  
24 amounts budgeted pursuant to the legislation which did not become effective.

25 B. The governing board of each school district shall prepare a notice  
26 fixing a time not later than July 15 and designating a public place within  
27 each school district at which a public hearing and board meeting shall be  
28 held. The governing board shall present the proposed budget for  
29 consideration of the residents and the taxpayers of the school district at  
30 such hearing and meeting.

31 C. The governing board of each school district shall publish or mail,  
32 prior to the hearing and meeting, a copy of the proposed budget or the  
33 summary of the proposed budget and, in addition, a notice of the public  
34 hearing and board meeting no later than ten days prior to the meeting. The  
35 proposed budget and the summary of the proposed budget shall contain the  
36 percentage of increase or decrease in each budget category of the proposed  
37 budget as compared to each category of the budget for the current year.  
38 Notification shall be either by publication in a newspaper of general  
39 circulation within the school district in which the size of the newspaper  
40 print shall be at least eight-point type, by electronic transmission of the  
41 information to the department of education for posting on the department's  
42 website or by mailing the information to each household in the school  
43 district. The cost of publication, website posting or mailing shall be a  
44 charge against the school district. The publisher's affidavit of publication  
45 shall be filed by the governing board with the superintendent of public

1 instruction within thirty days after publication. If the budget or proposed  
2 budget and notice are posted on a website maintained by the department of  
3 education or mailed, the board shall file an affidavit with the  
4 superintendent of public instruction within thirty days after the mailing or  
5 the date that the information is posted on the website. If a truth in  
6 taxation notice and hearing is required under section 15-905.01, the  
7 governing board may combine the notice and hearing under this section with  
8 the truth in taxation notice and hearing.

9 D. At the time and place fixed in the notice, the governing board  
10 shall hold the public hearing and present the proposed budget to the persons  
11 attending the hearing. ~~Upon~~ ON request of any person, the governing board  
12 shall explain the budget, and any resident or taxpayer of the school district  
13 may protest the inclusion of any item. A governing board member who has a  
14 substantial interest, as defined in section 38-502, in a specific item in the  
15 school district budget shall refrain from voting on the specific item. A  
16 governing board member may participate without creating a conflict of  
17 interest in adoption of a final budget even though the member may have  
18 substantial interest in specific items included in the budget.

19 E. Immediately following the public hearing the president shall call  
20 to order the governing board meeting for the purpose of adopting the budget.  
21 The governing board shall adopt the budget, which shall not exceed the  
22 general budget limit, ~~OR~~ the unrestricted capital budget limit ~~or the soft~~  
23 ~~capital allocation limit~~, making such deductions as it sees fit but making no  
24 additions to the proposed budget total for maintenance and operations or  
25 capital outlay, and shall enter the budget as adopted in its minutes. Not  
26 later than July 18, the budget as finally adopted shall be filed by the  
27 governing board with the county school superintendent who shall immediately  
28 transmit a copy to the board of supervisors. Not later than July 18, the  
29 budget as finally adopted shall be submitted electronically to the  
30 superintendent of public instruction. Not later than July 18, the governing  
31 board shall submit the budget as finally adopted to the department of  
32 education, which shall prominently display this information about that school  
33 district on the website maintained by the department. If the school district  
34 maintains a website, the school district shall post a link to the website of  
35 the department of education where this information about the school district  
36 is posted. On or before October 30, the superintendent of public instruction  
37 shall review the budget and notify the governing board if the budget is in  
38 excess of the general budget limit, ~~OR~~ the unrestricted capital budget limit  
39 ~~or the soft capital allocation limit~~. The governing board shall revise the  
40 budget as follows:

41 1. If the governing board receives notification that the budget  
42 exceeds the general budget limit, ~~OR~~ the unrestricted capital budget limit  
43 ~~or the soft capital allocation limit~~ by one per cent of the general budget  
44 limit or one hundred thousand dollars, whichever is less, it shall adopt on  
45 or before December 15, after it gives notice and holds a public meeting in a

1 similar manner as provided in subsections C and D of this section, a revised  
2 budget for the current year, which shall not exceed the general budget  
3 limit, ~~OR the unrestricted capital budget limit or the soft capital~~  
4 ~~allocation limit.~~

5 2. If the governing board receives notification that the budget  
6 exceeds the general budget limit, ~~OR the unrestricted capital budget limit~~  
7 ~~or the soft capital allocation limit~~ by less than the amount prescribed in  
8 paragraph 1 of this subsection, the governing board shall adjust the budget  
9 and expenditures so as not to exceed the general budget limit, ~~OR the~~  
10 unrestricted capital budget limit ~~or the soft capital allocation limit~~ for  
11 the current year.

12 3. On or before December 18, the governing board shall file the  
13 revised budget it adopts with the county school superintendent who shall  
14 immediately transmit a copy to the board of supervisors. Not later than  
15 December 18, the budget as revised shall be submitted electronically to the  
16 superintendent of public instruction. School districts that are subject to  
17 section 15-914.01 are not required to send a copy of revised budgets to the  
18 county school superintendent. Procedures for adjusting expenditures or  
19 revising the budget shall be as prescribed in the uniform system of financial  
20 records.

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

23 1. Amounts within the general budget limit, as provided in section  
24 15-947, subsection C, may only be budgeted in the following sections of the  
25 budget:

- 26 (a) The maintenance and operation section.
- 27 (b) The capital outlay section.

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

33 ~~3. The soft capital allocation limit, as provided in section 15-947,~~  
34 ~~subsection E, may only be budgeted in the soft capital allocation subsection~~  
35 ~~of the budget.~~

36 G. The governing board may authorize the expenditure of monies  
37 budgeted within the maintenance and operation section of the budget for any  
38 subsection within the section in excess of amounts specified in the adopted  
39 budget only by action taken at a public meeting of the governing board and if  
40 the expenditures for all subsections of the section do not exceed the amount  
41 budgeted as provided in this section.

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

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

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

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

5           ~~4.~~ 3. Federal assistance, excluding title VIII of the elementary and  
6 secondary education act of 1965 monies.

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

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

39           K. The governing board may include title VIII of the elementary and  
40 secondary education act of 1965 assistance allocated for children with  
41 disabilities, children with specific learning disabilities, children residing  
42 on Indian lands and children residing within the boundaries of an  
43 accommodation school that is located on a military reservation and that is  
44 classified as a heavily impacted local educational agency pursuant to 20  
45 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  
18 as 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  
38 determines that the equalization assistance for education received by the  
39 school district conforms with statutory requirements, the state board of  
40 education shall not reduce the district's equalization assistance for  
41 education pursuant to this subsection but the district shall reduce the  
42 budget limits as required in subsection M of this section. A school district  
43 that disagrees with the department of education's determination regarding an  
44 excess expenditure under this subsection may request a hearing before the  
45 state board of education.

1 M. The governing board of a school district shall reduce the general  
2 budget limit, ~~OR the unrestricted capital budget limit or the soft capital~~  
3 ~~allocation limit~~ for the year subsequent to the year in which the  
4 expenditures were in excess of the applicable limit or section of the budget  
5 by the amount determined in subsection L of this section, except that in case  
6 of hardship to the school district, the superintendent of public instruction  
7 may approve reductions partly in the first subsequent year and partly in the  
8 second subsequent year. The reduction in the limit is applicable to each  
9 school district which has exceeded the general budget limit, the unrestricted  
10 capital budget limit, ~~the soft capital allocation limit~~ or a section of the  
11 budget even if the reduction exceeds the state aid for equalization  
12 assistance for education for the school district.

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

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

39 1. For fiscal year 1988-1989:

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

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

6 (c) Multiply one thousand nine hundred fourteen dollars by the number  
7 of children residing on Indian lands who have disabilities or also have  
8 specific learning disabilities reported to the division of impact aid, United  
9 States department of education in the district's application for fiscal year  
10 1987-1988.

11 (d) Add the amounts determined in subdivisions (a) through (c) **OF THIS**  
12 **PARAGRAPH.**

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

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

21 3. If the district is eligible to use the provisions of this  
22 subsection, subtract the amount of title VIII of the elementary and secondary  
23 education act of 1965 assistance determined in subsection K of this section  
24 from the sum determined in paragraph 1, subdivision (d) of this subsection.  
25 The difference is the increase in the amount that may be included in  
26 determining the general budget limit as provided in subsection K of this  
27 section, if including this amount does not increase the district's primary  
28 tax rate for the budget year. If the amount of title VIII of the elementary  
29 and secondary education act of 1965 assistance determined in subsection K of  
30 this section is adjusted for the current year, the increase determined in  
31 this paragraph shall be recomputed using the adjusted amount and the  
32 recomputed increase shall be reported to the department of education by May  
33 15 on a form prescribed by the department of education.

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

39 P. A school district, except for an accommodation school, which  
40 applies for title VIII of the elementary and secondary education act of 1965  
41 assistance during the current year may budget an amount for title VIII of the  
42 elementary and secondary education act of 1965 administrative costs for the  
43 budget year. The amount budgeted for title VIII of the elementary and  
44 secondary education act of 1965 administrative costs is exempt from the

1 revenue control limit and may not exceed an amount determined for the  
2 budgeted year as follows:

3 1. Determine the minimum cost. The minimum cost for fiscal year  
4 1990-1991 is two thousand three hundred forty-three dollars. For fiscal year  
5 1991-1992 and thereafter, the minimum cost is the minimum cost for the prior  
6 year increased by the growth rate as prescribed by law, subject to  
7 appropriation.

8 2. Determine the hourly rate. The hourly rate for fiscal year  
9 1990-1991 is nine dollars thirty-eight cents. For fiscal year 1991-1992 and  
10 thereafter, the hourly rate is the hourly rate for the prior year increased  
11 by the growth rate as prescribed by law, subject to appropriation.

12 3. Determine the title VIII of the elementary and secondary education  
13 act of 1965 revenues available by subtracting the amount of title VIII of the  
14 elementary and secondary education act of 1965 assistance used to increase  
15 the general budget limit as provided in subsections K and O of this section  
16 for the current fiscal year from the total amount of title VIII of the  
17 elementary and secondary education act of 1965 revenues received in the  
18 current fiscal year.

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

20 (a) Determine the sum of the following:

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

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

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

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

29 (b) For the purposes of this paragraph:

30 (i) "High impact pupil" means a pupil who resides on Indian lands or a  
31 pupil who resides on federal property or in low rent housing and whose parent  
32 is employed on federal property or low rent housing property or is on active  
33 duty in uniformed service, as provided in title VIII of the elementary and  
34 secondary education act of 1965, section 8003(a) (20 United States Code  
35 section 7703) and as reported in the application for title VIII of the  
36 elementary and secondary education act of 1965 assistance in the current  
37 year.

38 (ii) "Low impact pupil" means a pupil who resides on nonfederal  
39 property and has a parent who is employed on federal property or low rent  
40 housing property or is on active duty in a uniformed service or a pupil who  
41 resides on federal property or in low rent housing and who does not have a  
42 parent who is employed on federal property or low rent housing property or is  
43 on active duty in uniformed service, as provided in title VIII of the  
44 elementary and secondary education act of 1965, section 8003(a) (20 United  
45 States Code section 7703) and as reported in the application for title VIII

1 of the elementary and secondary education act of 1965 assistance in the  
2 current year.

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

6 6. Determine the greater of the minimum cost determined in paragraph 1  
7 of this subsection or the product determined in paragraph 5 of this  
8 subsection.

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

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

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

21 10. If the governing board underestimated the amount that may be  
22 budgeted for title VIII of the elementary and secondary education act of  
23 1965, section 8007 administrative costs for the current year, the board may  
24 adjust the general budget limit and the budget before May 15. If the  
25 governing board overestimated the amount that may be budgeted for title VIII  
26 of the elementary and secondary education act of 1965 administrative costs  
27 for the current year, the board shall adjust the general budget limit and the  
28 budget before May 15.

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

42 R. Notwithstanding any other law, if a school district receives  
43 assistance pursuant to title VIII of the elementary and secondary education  
44 act of 1965, the school district shall establish a local level fund  
45 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 S. For the purposes of this section, "title VIII of the elementary and  
12 secondary education act of 1965 assistance" means, for the current year, an  
13 amount equal to the final determination of title VIII of the elementary and  
14 secondary education act of 1965 assistance for the fiscal year preceding the  
15 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 Sec. 19. Section 15-906, Arizona Revised Statutes, is amended to read:  
24 15-906. Procedure for payment of levy fund liabilities payable  
25 on June 30; lapsing of levy funds with balance for  
26 reduction of taxes

27 A. Annually on or before June 30, each school district shall prepare  
28 for all levy funds a list of liabilities for goods received or services  
29 rendered on or before June 30 which will not be paid by June 30 of the  
30 current fiscal year.

31 B. Each school district having levy fund liabilities payable on June  
32 30 shall file an advice of encumbrance with the county school superintendent  
33 on or before July 18, in the manner and upon a form to be prescribed in the  
34 uniform system of financial records. The county school superintendent shall  
35 encumber amounts that are included in year to date expenditures not to exceed  
36 the budget and that are available to pay the liabilities pursuant to section  
37 15-304. Any cash balances remaining in the maintenance and operation, the  
38 unrestricted capital outlay, ~~the soft capital allocation~~ and the adjacent  
39 ways funds after encumbrances on June 30 of the current year ~~except reverted~~  
40 ~~monies as provided in section 15-991.02~~ that will be budgeted in the  
41 unrestricted capital outlay fund in the following fiscal year pursuant to  
42 section 15-947, subsection D, ~~paragraphs 4 and 5 and that will be budgeted in~~  
43 ~~the soft capital allocation fund in the following fiscal year pursuant to~~  
44 ~~section 15-947, subsection E, paragraphs 2 and 3~~ shall be used for reduction  
45 of school district taxes for the budget year.

1 C. The county school superintendent may draw warrants against the  
2 obligated in contract amounts pursuant to subsection B of this section for a  
3 period of sixty days immediately following the close of the fiscal year.

4 D. After expiration of the period of sixty days immediately following  
5 the close of each fiscal year, the remaining obligated in contract balance  
6 shall lapse and no further payments from the maintenance and operation,  
7 unrestricted capital outlay, ~~soft capital allocation~~ and adjacent ways funds  
8 shall be made on any claim for expenditures of the prior fiscal year.

9 E. School districts that are subject to section 15-914.01 shall adhere  
10 to the duties described in section 15-304 for the purposes of this section.

11 Sec. 20. Section 15-909, Arizona Revised Statutes, is amended to read:  
12 15-909. Financial provisions for accommodation schools;  
13 definition

14 A. An accommodation school shall compute a revenue control limit, A  
15 ~~DISTRICT SUPPORT LEVEL a capital outlay revenue limit~~ and a ~~soft capital~~  
16 ~~DISTRICT ADDITIONAL ASSISTANCE~~ allocation limit for each fiscal year of  
17 operation.

18 B. For the purpose of computing a revenue control limit, A ~~DISTRICT~~  
19 ~~SUPPORT LEVEL a capital outlay revenue limit~~ and a ~~soft capital~~ ~~DISTRICT~~  
20 ~~ADDITIONAL ASSISTANCE~~ allocation limit, "accommodation school" ~~means:~~ HAS THE  
21 SAME MEANING PRESCRIBED IN SECTION 15-101.

22 ~~1. A common school district within a high school district if the~~  
23 ~~school does not offer instruction in grade nine, ten, eleven or twelve or has~~  
24 ~~not received permission to offer instruction in high school subjects as~~  
25 ~~provided in section 15-447.~~

26 ~~2. A unified school district if the school offers instruction in grade~~  
27 ~~nine, ten, eleven or twelve and has received permission to offer instruction~~  
28 ~~in high school subjects as provided in section 15-447.~~

29 C. State aid shall be apportioned as provided in section 15-973 to  
30 each county accommodation school.

31 Sec. 21. Section 15-910, Arizona Revised Statutes, is amended to read:  
32 15-910. School district budgets; excess utility costs;  
33 desegregation costs; tuition costs for bond issues;  
34 costs for registering warrants; report

35 A. The governing board may budget for the district's excess utility  
36 costs which are specifically exempt from the district's revenue control  
37 limit. If approved by the qualified electors voting at a statewide general  
38 election, the exemption from the revenue control limit under this subsection  
39 expires at the end of the 2008-2009 budget year. The uniform system of  
40 financial records shall specify expenditure items allowable as excess utility  
41 costs, which are limited to direct operational costs of heating, cooling,  
42 water and electricity, telephone communications and sanitation fees. The  
43 department of education and the auditor general shall include in the  
44 maintenance and operation section of the budget format, as provided in  
45 section 15-903, a separate line for utility expenditures and a special excess

1 utility cost category. The special excess utility cost category shall  
2 contain budgeted expenditures for excess utility costs, determined as  
3 follows:

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

6 2. Multiply the amount in paragraph 1 of this subsection by the total  
7 percentage increase or decrease in the revenue control limit and the capital  
8 outlay revenue limit for the budget year over the revenue control limit and  
9 the capital outlay revenue limit for fiscal year 1984-1985 excluding monies  
10 available from a career ladder program or a teacher compensation program  
11 provided for in section 15-952.

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

14 4. Additional expenditures for utilities are budgeted in the excess  
15 utility cost category.

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

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

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

28 E. If the revised excess utility cost category results in an  
29 expenditure of monies in excess of school district revenues for the current  
30 year, the county school superintendent shall include within the revenue  
31 estimate for the budget year monies necessary to meet the liabilities  
32 incurred by the school district in the current year in excess of revenues  
33 received for the current year.

34 F. If a school district receives a refund of utility expenditures or a  
35 rebate on energy saving devices or services, the refund or rebate shall be  
36 applied against utility expenditures for the current year as a reduction of  
37 the expenditures, except that the reduction of expenditures shall not exceed  
38 the amount of actual utility expenditures.

39 G. The governing board may budget for expenses of complying with or  
40 continuing to implement activities which were required or permitted by a  
41 court order of desegregation or administrative agreement with the United  
42 States department of education office for civil rights directed toward  
43 remediating alleged or proven racial discrimination which are specifically  
44 exempt in whole or in part from the revenue control limit and ~~the capital~~  
45 ~~outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE. This exemption applies

1 only to expenses incurred for activities which are begun before the  
2 termination of the court order or administrative agreement. If a district is  
3 levying a primary property tax on February 23, 2006 and using those monies to  
4 administer an English language learner program to remedy alleged or proven  
5 discrimination under title VI of the civil rights act of 1964 (42 United  
6 States Code section 2000d), the district may spend those monies to remedy a  
7 violation of the equal education act of 1974 (20 United States Code section  
8 1703(f)). Nothing in this subsection allows a school district to levy a  
9 primary property tax for violations of the equal education act of 1974 (20  
10 United States Code section 1703(f)) in the absence of an alleged or proven  
11 discrimination under title VI of the civil rights act of 1964 (42 United  
12 States Code section 2000d).

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

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

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

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

27 I. ~~Through fiscal year 2003-2004, the maximum amount which a governing~~  
28 ~~board may budget outside of the capital outlay revenue limit as provided in~~  
29 ~~subsection G of this section is twelve per cent of the maintenance and~~  
30 ~~operation desegregation budget as provided in subsection J of this section or~~  
31 ~~the amount that it budgeted pursuant to this subsection for fiscal year~~  
32 ~~2001-2002, whichever is less.~~ If a governing board chooses to budget monies  
33 outside of ~~the capital outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE as  
34 provided in subsection G of this section, the governing board may notify the  
35 county school superintendent to include the cost of the excess expenses in  
36 the county school superintendent's estimate of the additional amount needed  
37 for the school district from the primary property tax as provided in section  
38 15-991.

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

40 1. Shall prepare and employ a separate maintenance and operation  
41 desegregation budget and capital outlay desegregation budget on a form  
42 prescribed by the superintendent of public instruction in conjunction with  
43 the auditor general. The budget format shall be designed to allow a school  
44 district to plan and provide in detail for expenditures to be incurred solely  
45 as a result of compliance with or continuing to implement activities which

1 were required or permitted by a court order of desegregation or  
2 administrative agreement with the United States department of education  
3 office for civil rights directed toward remediating alleged or proven racial  
4 discrimination.

5 2. Shall prepare as a part of the annual financial report a detailed  
6 report of expenditures incurred solely as a result of compliance with or  
7 continuing to implement activities which were required or permitted by a  
8 court order of desegregation or administrative agreement with the United  
9 States department of education office for civil rights directed toward  
10 remediating alleged or proven racial discrimination, in a format prescribed  
11 by the auditor general in conjunction with the Arizona department of  
12 education as provided by section 15-904.

13 3. On or before July 15, 2006 and each year thereafter, shall collect  
14 and report data regarding activities related to a court order of  
15 desegregation or an administrative agreement with the United States  
16 department of education office for civil rights directed toward remediating  
17 alleged or proven racial discrimination in a format prescribed by the Arizona  
18 department of education. The department shall compile and submit copies of  
19 the reports to the governor, the president of the senate, the speaker of the  
20 house of representatives and the chairpersons of the education committees of  
21 the senate and the house of representatives. A school district that becomes  
22 subject to a new court order of desegregation or a party to an administrative  
23 agreement with the United States department of education office for civil  
24 rights directed toward remediating alleged or proven racial discrimination  
25 shall submit these reports on or before July 15 or within ninety days of the  
26 date of the court order or administrative agreement, whichever occurs first.  
27 The Arizona department of education, in consultation with the auditor  
28 general, shall develop reporting requirements to ensure that school districts  
29 submit at least the following information and documentation to the Arizona  
30 department of education beginning in fiscal year 2006-2007:

31 (a) A district-wide budget summary and a budget summary on a school by  
32 school basis for each school in the school district that lists the sources  
33 and uses of monies that are designated for desegregation purposes.

34 (b) A detailed list of desegregation activities on a district-wide  
35 basis and on a school by school basis for each school in the school district.

36 (c) The date that the school district was determined to be out of  
37 compliance with title VI of the civil rights act of 1964 (42 United States  
38 Code section 2000d) and the basis for that determination.

39 (d) The initial date that the school district began to levy property  
40 taxes to provide funding for desegregation expenses and any dates that these  
41 property tax levies were increased.

42 (e) If applicable, a current and accurate description of all magnet  
43 type programs that are in operation pursuant to the court order during the  
44 current school year on a district-wide basis and on a school by school basis.  
45 This information shall contain the eligibility and attendance criteria of

1 each magnet type program, the capacity of each magnet type program, the  
2 ethnic composition goals of each magnet type program, the actual attending  
3 ethnic composition of each magnet type program and the specific activities  
4 offered in each magnet type program.

5 (f) The number of pupils who participate in desegregation activities  
6 on a district-wide basis and on a school by school basis for each school in  
7 the school district.

8 (g) A detailed summary of the academic achievement of pupils on a  
9 district-wide basis and on a school by school basis for each school in the  
10 school district.

11 (h) The number of employees, including teachers and administrative  
12 personnel, on a district-wide basis and on a school by school basis for each  
13 school in the school district that is necessary to conduct desegregation  
14 activities.

15 (i) The number of employees, including teachers and administrative  
16 personnel, on a district-wide basis and on a school by school basis for each  
17 school in the school district and the number of employees at school district  
18 administrative offices that are funded in whole or in part with desegregation  
19 monies received pursuant to this section.

20 (j) The amount of monies that is not derived through a primary or  
21 secondary property tax levy and that is budgeted and spent on desegregation  
22 activities on a district-wide basis and on a school by school basis for each  
23 school in the school district.

24 (k) Verification that the desegregation funding will supplement and  
25 not supplant funding for other academic and extracurricular activities.

26 (l) Verification that the desegregation funding is educationally  
27 justifiable.

28 (m) Any documentation that supports the proposition that the requested  
29 desegregation funding is intended to result in equal education opportunities  
30 for all pupils in the school district.

31 (n) Verification that the desegregation funding will be used to  
32 promote systemic and organizational changes within the school district.

33 (o) Verification that the desegregation funding will be used in  
34 accordance with the academic standards adopted by the state board of  
35 education pursuant to sections 15-701 and 15-701.01.

36 (p) Verification that the desegregation funding will be used to  
37 accomplish specific actions to remediate proven discrimination pursuant to  
38 title VI of the civil rights act of 1964 (42 United States Code section  
39 2000d) as specified in the court order or administrative agreement.

40 (q) An evaluation by the school district of the effectiveness of the  
41 school district's desegregation measures.

42 (r) An estimate of when the school district will be in compliance with  
43 the court order or administrative agreement and a detailed account of the  
44 steps that the school district will take to achieve compliance.

1 (s) Any other information that the department of education deems  
2 necessary to carry out the purposes of this paragraph.

3 K. If a school district governing board budgets for expenses of  
4 complying with a court order of desegregation or an administrative agreement  
5 with the United States department of education office for civil rights  
6 directed toward remediating alleged or proven racial discrimination, the  
7 governing board shall ensure that the desegregation expenses will:

8 1. Be educationally justifiable.

9 2. Result in equal education opportunities for all pupils in the  
10 school district.

11 3. Be used to promote systemic and organizational changes within the  
12 school district.

13 4. Be used in accordance with the academic standards adopted by the  
14 state board of education pursuant to sections 15-701 and 15-701.01.

15 5. Be used to accomplish specific actions to remediate proven  
16 discrimination pursuant to title VI of the civil rights act of 1964 (42  
17 United States Code section 2000d) as specified in the court order or  
18 administrative agreement.

19 6. Be used in accordance with a plan submitted to the department of  
20 education that includes an estimate of the amount of monies that will be  
21 required to bring the school district into compliance with the court order or  
22 administrative agreement and an estimate of when the school district will be  
23 in compliance with the court order or administrative agreement.

24 7. Beginning in fiscal year 2009-2010 and continuing each fiscal year  
25 thereafter, not exceed the amount budgeted by the school district for  
26 desegregation expenses in fiscal year 2008-2009.

27 L. The governing board may budget for the bond issues portion of the  
28 cost of tuition charged the district as provided in section 15-824 for the  
29 pupils attending school in another school district, except that if the  
30 district is a common school district not within a high school district, the  
31 district may only include that part of tuition which is excluded from the  
32 revenue control limit and district support level as provided in section  
33 15-951. The bond issues portion of the cost of tuition charged is  
34 specifically exempt from the revenue control limit of the school district of  
35 residence, and the primary property tax rate set to fund this amount shall  
36 not be included in the computation of additional state aid for education as  
37 provided in section 15-972, except as provided in section 15-972,  
38 subsection E. The department of education and the auditor general shall  
39 include in the maintenance and operation section of the budget format, as  
40 provided in section 15-903, a separate category for the bond issues portion  
41 of the cost of tuition.

42 M. The governing board may budget for interest expenses it incurred  
43 for registering warrants drawn against a fund of the school district or net  
44 interest expense on tax anticipation notes as prescribed in section  
45 35-465.05, subsection C for the fiscal year preceding the current year if the

1 county treasurer pooled all school district monies for investment as provided  
2 in section 15-996 for the fiscal year preceding the current year and, in  
3 those school districts that receive state aid, the school districts applied  
4 for an apportionment of state aid before the date set for the apportionment  
5 as provided in section 15-973 for the fiscal year preceding the current year.  
6 The governing board may budget an amount for interest expenses for  
7 registering warrants or issuing tax anticipation notes equal to or less than  
8 the amount of the warrant interest expense or net interest expense on tax  
9 anticipation notes as prescribed in section 35-465.05, subsection C for the  
10 fiscal year preceding the current year as provided in this subsection which  
11 is specifically exempt from the revenue control limit. For the purposes of  
12 this subsection, "state aid" means state aid as determined in sections 15-971  
13 and 15-972.

14 Sec. 22. Title 15, chapter 9, article 1, Arizona Revised Statutes, is  
15 amended by adding section 15-917, to read:

16 15-917. Performance incentive fund; eligibility; use of monies

17 A. THE PERFORMANCE INCENTIVE FUND IS ESTABLISHED CONSISTING OF  
18 LEGISLATIVE APPROPRIATIONS FOR SCHOOL DISTRICT AND CHARTER HOLDER PERFORMANCE  
19 FUNDING. THE DEPARTMENT OF EDUCATION SHALL ADMINISTER THE FUND. MONIES IN  
20 THE FUND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING  
21 OF APPROPRIATIONS. BEGINNING IN FISCAL YEAR 2014-2015, THE DEPARTMENT OF  
22 EDUCATION SHALL DISTRIBUTE MONIES IN THE FUND TO SCHOOL DISTRICTS AND CHARTER  
23 HOLDERS BASED ON ACHIEVEMENT AND IMPROVEMENT ON THE ASSIGNED ACHIEVEMENT  
24 PROFILE PURSUANT TO SECTION 15-241.

25 B. THE PERFORMANCE FUNDING AMOUNT SHALL BE BUDGETED IN THE SEPARATE  
26 SUBSECTIONS OF THE MAINTENANCE AND OPERATIONS AND CAPITAL OUTLAY SECTIONS OF  
27 THE BUDGET USING FORMS PRESCRIBED BY THE AUDITOR GENERAL IN CONJUNCTION WITH  
28 THE DEPARTMENT OF EDUCATION. THE UNEXPENDED BUDGET BALANCE IN THE  
29 PERFORMANCE FUNDING SUBSECTIONS OF THE BUDGET MAY BE CARRIED FORWARD TO THE  
30 FOLLOWING FISCAL YEARS AND SHALL NOT BE INCLUDED IN THE ALLOWABLE BUDGET  
31 BALANCE CARRYFORWARD CALCULATED PURSUANT TO SECTION 15-943.01.

32 C. A SCHOOL DISTRICT OR CHARTER HOLDER IS ELIGIBLE FOR MONIES FROM THE  
33 PERFORMANCE INCENTIVE FUND ONLY IF THE SCHOOL DISTRICT OR CHARTER HOLDER WAS  
34 ASSIGNED AN ACHIEVEMENT PROFILE PURSUANT TO SECTION 15-241, SUBSECTION H, AS  
35 DEVELOPED IN ACCORDANCE WITH THE REQUIREMENTS ESTABLISHED IN SECTION 15-241,  
36 SUBSECTION G. SCHOOL DISTRICTS OR CHARTER HOLDERS THAT ARE ASSIGNED A  
37 PARALLEL ACHIEVEMENT PROFILE PURSUANT TO SECTION 15-241, SUBSECTION J ARE NOT  
38 ELIGIBLE FOR MONIES FROM THE PERFORMANCE INCENTIVE FUND.

39 Sec. 23. Section 15-945, Arizona Revised Statutes, is amended to read:

40 15-945. Transportation support level

41 A. The support level for to and from school for each school district  
42 for the current year shall be computed as follows:

43 1. Determine the approved daily route mileage of the school district  
44 for the fiscal year prior to the current year.

1           2. Multiply the figure obtained in paragraph 1 of this subsection by  
 2 one hundred eighty, or for a school district that elects to provide two  
 3 hundred days of instruction pursuant to section 15-902.04, multiply the  
 4 figure obtained in paragraph 1 of this subsection by two hundred.

5           3. Determine the number of eligible students transported in the fiscal  
 6 year prior to the current year.

7           4. Divide the amount determined in paragraph 1 of this subsection by  
 8 the amount determined in paragraph 3 of this subsection to determine the  
 9 approved daily route mileage per eligible student transported.

10          5. Determine the classification in column 1 of this paragraph for the  
 11 quotient determined in paragraph 4 of this subsection. Multiply the product  
 12 obtained in paragraph 2 of this subsection by the corresponding state support  
 13 level for each route mile as provided in column 2 of this paragraph.

<u>Column 1</u>	<u>Column 2</u>
15 Approved Daily Route	State Support Level per
16 Mileage per Eligible	Route Mile for
17 <u>Student Transported</u>	Fiscal Year <del>2012-2013</del> 2013-2014
18 0.5 or less	<del>2.42</del> 2.46
19 More than 0.5 through 1.0	<del>1.97</del> 2.01
20 More than 1.0	<del>2.42</del> 2.46

21          6. Add the amount spent during the prior fiscal year for bus tokens  
 22 and bus passes for students who qualify as eligible students as defined in  
 23 section 15-901.

24          B. The support level for academic education, career and technical  
 25 education, vocational education and athletic trips for each school district  
 26 for the current year is computed as follows:

27          1. Determine the classification in column 1 of paragraph 2 of this  
 28 subsection for the quotient determined in subsection A, paragraph 4 of this  
 29 section.

30          2. Multiply the product obtained in subsection A, paragraph 5 of this  
 31 section by the corresponding state support level for academic education,  
 32 career and technical education, vocational education and athletic trips as  
 33 provided in column 2, 3 or 4 of this paragraph, whichever is appropriate for  
 34 the type of district.

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
36 Approved Daily Route	District Type	District Type	District Type
37 Mileage per Eligible			
38 <u>Student Transported</u>	<u>02 or 03</u>	<u>04</u>	<u>05</u>
39 0.5 or less	0.15	0.10	0.25
40 More than 0.5 through 1.0	0.15	0.10	0.25
41 More than 1.0	0.18	0.12	0.30

42 For the purposes of this paragraph, "district type 02" means a unified school  
 43 district or an accommodation school that offers instruction in grades nine  
 44 through twelve, "district type 03" means a common school district not within  
 45 a high school district, "district type 04" means a common school district

1 within a high school district or an accommodation school that does not offer  
2 instruction in grades nine through twelve and "district type 05" means a high  
3 school district.

4 C. The support level for extended school year services for pupils with  
5 disabilities is computed as follows:

6 1. Determine the sum of the following:

7 (a) The total number of miles driven by all buses of a school district  
8 while transporting eligible pupils with disabilities on scheduled routes from  
9 their residence to the school of attendance and from the school of attendance  
10 to their residence on routes for extended school year services in accordance  
11 with section 15-881.

12 (b) The total number of miles driven on routes approved by the  
13 superintendent of public instruction for which a private party, a political  
14 subdivision or a common or a contract carrier is reimbursed for bringing an  
15 eligible pupil with a disability from the place of the pupil's residence to a  
16 school transportation pickup point or to the school facility of attendance  
17 and from the school transportation scheduled return point or from the school  
18 facility to the pupil's residence for extended school year services in  
19 accordance with section 15-881.

20 2. Multiply the sum determined in paragraph 1 of this subsection by  
21 the state support level for the district determined as provided in subsection  
22 A, paragraph 5 of this section.

23 D. The transportation support level for each school district for the  
24 current year is the sum of the support level for to and from school as  
25 determined in subsection A of this section, the support level for academic  
26 education, career and technical education, vocational education and athletic  
27 trips as determined in subsection B of this section and the support level for  
28 extended school year services for pupils with disabilities as determined in  
29 subsection C of this section.

30 E. The state support level for each approved route mile, as provided  
31 in subsection A, paragraph 5 of this section, shall be adjusted by the growth  
32 rate prescribed by law, subject to appropriation.

33 Sec. 24. Section 15-947, Arizona Revised Statutes, is amended to read:

34 15-947. Revenue control limit; district support level; general  
35 budget limit; unrestricted total capital budget  
36 limit; district additional assistance limit

37 A. The revenue control limit for a school district is equal to the sum  
38 of the base revenue control limit determined in section 15-944 and the  
39 transportation revenue control limit determined in section 15-946.

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

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

- 1           1. The maintenance and operations portion of the revenue control limit  
2 for the budget year.
- 3           2. The maintenance and operation portion of the following amounts:  
4           (a) Amounts that are fully funded by revenues other than a levy of  
5 taxes upon the taxable property within the school district, as listed below:  
6           (i) Amounts budgeted as the budget balance carryforward as provided in  
7 section 15-943.01.  
8           (ii) Tuition revenues for attendance of nonresident pupils.  
9           (iii) State assistance as provided in section 15-976.  
10           (iv) Special education revenues as provided in section 15-825,  
11 subsection D and section 15-1204.  
12           (v) Title VIII of the elementary and secondary education act of 1965  
13 assistance determined for children with disabilities, children with specific  
14 learning disabilities, children residing on Indian lands and children  
15 residing within the boundaries of an accommodation school that is located on  
16 a military reservation and that is classified as a heavily impacted local  
17 educational agency pursuant to 20 United States Code section 7703 as provided  
18 in section 15-905, subsections K and O.  
19           (vi) Title VIII of the elementary and secondary education act of 1965  
20 administrative costs as provided in section 15-905, subsection P.  
21           (vii) State assistance for excess tuition as provided in section  
22 15-825.01.  
23           (viii) Amounts received from the state board of education pursuant to  
24 section 15-973.01.  
25           (ix) Transportation revenues for attendance of nonresident pupils.  
26           (b) Amounts approved pursuant to an override election as provided in  
27 section 15-481 for the applicable fiscal year.  
28           (c) Expenditures for excess utility costs as provided in section  
29 15-910.  
30           (d) Amounts authorized by the county school superintendent pursuant to  
31 section 15-974, subsection B.  
32           (e) Expenditures for complying with a court order of desegregation as  
33 provided in section 15-910.  
34           (f) Expenditures for the bond issues portion of the cost of tuition as  
35 provided in section 15-910.  
36           (g) Interest on registered warrants or tax anticipation notes as  
37 provided in section 15-910.  
38           (h) Amounts budgeted for a jointly owned and operated career and  
39 technical education and vocational education center as provided in section  
40 15-910.01.
- 41           3. The maintenance and operations portion of ~~the capital outlay~~  
42 ~~revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE for the budget year.
- 43           4. Any other budget item that is budgeted in the maintenance and  
44 operation section of the budget and that is specifically exempt from the

1 revenue control limit or ~~the capital outlay revenue limit~~ DISTRICT ADDITIONAL  
2 ASSISTANCE.

3 D. The unrestricted capital budget limit, for each school district for  
4 each fiscal year, is the sum of the following:

5 1. The federal impact adjustment as determined in section 15-964 for  
6 the budget year.

7 2. Any other budget item that is budgeted in the capital outlay  
8 section of the budget and that is specifically exempt from ~~the capital outlay~~  
9 ~~revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE.

10 3. The unrestricted capital portion of the amounts contained in  
11 subsection C of this section.

12 4. The unexpended budget balance in the unrestricted capital outlay  
13 fund from the previous fiscal year.

14 5. The net interest earned in the unrestricted capital outlay fund the  
15 previous fiscal year.

16 ~~6. The budgeted amount as approved and determined pursuant to section~~  
17 ~~15-962, subsection F.~~

18 ~~E. The soft capital allocation limit for each school district for each~~  
19 ~~fiscal year is the sum of the following:~~

20 ~~1. The soft capital allocation for the budget year.~~

21 ~~2. The unexpended budget balance in the soft capital allocation fund~~  
22 ~~from the previous fiscal year.~~

23 ~~3. The net interest earned in the soft capital allocation fund the~~  
24 ~~previous fiscal year.~~

25 Sec. 25. Section 15-947.01, Arizona Revised Statutes, is amended to  
26 read:

27 15-947.01. Revenue control limit; general budget limit; total  
28 capital budget limit for joint technical education  
29 districts

30 A. The revenue control limit for a joint technical education district  
31 is equal to the base support level determined in section 15-943.02.

32 B. The general budget limit for each joint technical education  
33 district, for each fiscal year, is the sum of the following:

34 1. The revenue control limit for the budget year.

35 2. ~~The capital outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE for  
36 the budget year.

37 3. Tuition revenues for attendance of nonresident pupils.

38 4. Title VIII of the elementary and secondary education act of 1965  
39 assistance determined for children with disabilities, children with specific  
40 learning disabilities and children residing on Indian lands as provided in  
41 section 15-905, subsections K and O.

42 5. Expenditures for excess utility costs as provided in section  
43 15-910.

1 C. The unrestricted capital budget limit for each joint technical  
2 education district for the budget year is as provided in section 15-947,  
3 subsection D.

4 ~~D. The soft capital allocation limit for each joint technical~~  
5 ~~education district for the budget year is as provided in section 15-947,~~  
6 ~~subsection E.~~

7 Sec. 26. Section 15-951, Arizona Revised Statutes, is amended to read:

8 15-951. District additional assistance, district support level  
9 and student count for a common school district not  
10 within a high school district

11 A. Notwithstanding section 15-947, the revenue control limit for a  
12 common school district not within a high school district is the sum of the  
13 following:

14 1. The base revenue control limit computed as prescribed in section  
15 15-944 but excluding pupils admitted to another school district as provided  
16 in section 15-824, subsection A, paragraph 2.

17 2. The tuition payable for high school pupils who attend school in  
18 another school district as provided in section 15-824, subsection A,  
19 paragraph 2, including any transportation charge, except as provided in  
20 subsection ~~H~~- F of this section.

21 3. The transportation revenue control limit for all pupils who reside  
22 in the district except those high school pupils transported by another  
23 district.

24 B. Notwithstanding subsection A of this section, for the purposes of  
25 sections 15-481, 15-482 and 15-1102, the revenue control limit for a common  
26 school district not within a high school district is the sum of the  
27 following:

28 1. The base revenue control limit for pupils computed as prescribed in  
29 section 15-944 but excluding pupils admitted to another school district as  
30 provided in section 15-824, subsection A, paragraph 2.

31 2. The transportation revenue control limit for all pupils who reside  
32 in the district except those high school pupils transported by another  
33 district.

34 C. Notwithstanding section 15-961, ~~the capital outlay revenue limit~~  
35 **DISTRICT ADDITIONAL ASSISTANCE** for a common school district not within a high  
36 school district is ~~the capital outlay revenue limit computed~~ **DISTRICT**  
37 **ADDITIONAL ASSISTANCE** as prescribed in section 15-961 but excluding pupils  
38 who are admitted to another school district as provided in section 15-824,  
39 subsection A, paragraph 2, **EXCEPT THAT IF THE SCHOOL DISTRICT TRANSPORTS HIGH**  
40 **SCHOOL PUPILS, THE DISTRICT ADDITIONAL ASSISTANCE AMOUNT PRESCRIBED IN**  
41 **SECTION 15-961 SHALL BE INCREASED BY AN AMOUNT EQUAL TO FIFTY PER CENT OF THE**  
42 **DISTRICT ADDITIONAL ASSISTANCE PER PUPIL AMOUNT PRESCRIBED FOR THE SCHOOL**  
43 **DISTRICT PURSUANT TO SECTION 15-961 MULTIPLIED BY THE NUMBER OF HIGH SCHOOL**  
44 **PUPILS TRANSPORTED.**

1 ~~D. Notwithstanding section 15-962, the soft capital allocation for a~~  
2 ~~common school district not within a high school district is the soft capital~~  
3 ~~allocation computed as prescribed in section 15-962 but excluding pupils who~~  
4 ~~are both admitted to another school district as provided in section 15-824,~~  
5 ~~subsection A, paragraph 2 and not transported by the common school district.~~

6 ~~E.~~ D. Notwithstanding section 15-947, the district support level for  
7 a common school district not within a high school district is the sum of the  
8 following:

9 1. The base support level computed as prescribed in section 15-943 but  
10 excluding pupils who are admitted to another school district as provided in  
11 section 15-824, subsection A, paragraph 2.

12 2. The tuition payable for high school pupils who are admitted to  
13 another school district as provided in section 15-824, subsection A,  
14 paragraph 2, including any transportation charge, except as provided in  
15 subsection ~~H~~ F of this section.

16 3. The transportation support level for all pupils who reside in the  
17 school district except those high school pupils transported by another school  
18 district.

19 ~~F.~~ E. For the purpose of determining eligibility to increase the  
20 revenue control limit and district support level or recompute the revenue  
21 control limit as provided in section 15-948, the student count for a common  
22 school district not within a high school district is the student count for  
23 pupils in kindergarten programs and grades one through twelve, including  
24 pupils enrolled in another school district as provided in section 15-824,  
25 subsection A, paragraph 2.

26 ~~G.~~ F. The tuition amount in subsections A and ~~E~~ D of this section  
27 shall not include amounts per student count for bond issues as prescribed by  
28 section 15-824, subsection G, paragraph 1, subdivision (c) in excess of the  
29 following:

30 1. One hundred fifty dollars if the pupil's school district of  
31 residence pays tuition for seven hundred fifty or fewer pupils to other  
32 school districts.

33 2. Two hundred dollars if the pupil's school district of residence  
34 pays tuition for one thousand or fewer, but more than seven hundred fifty  
35 pupils to other school districts.

36 3. The actual cost per student count if the pupil's school district of  
37 residence pays tuition for more than one thousand pupils to other school  
38 districts.

39 Sec. 27. Section 15-961, Arizona Revised Statutes, is amended to read:  
40 15-961. District additional assistance; growth rate

41 A. ~~A capital outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE per  
42 student count is established ~~for fiscal year 2009-2010~~ as follows:

43 1. For school districts with a student count of less than one hundred  
44 for kindergarten programs and grades one through eight, ~~two hundred~~  
45 ~~seventy-two dollars seventy-five cents~~ FIVE HUNDRED FORTY-FOUR DOLLARS

1 FIFTY-EIGHT CENTS. For school districts with a student count of one hundred  
2 or more and less than six hundred for kindergarten programs and grades one  
3 through eight, multiply ~~one hundred ninety four dollars ninety five cents~~  
4 THREE HUNDRED EIGHTY-NINE DOLLARS TWENTY-FIVE CENTS by the weight ~~which~~ THAT  
5 corresponds to the student count for kindergarten programs and grades one  
6 through eight for the school district as provided in section 15-943,  
7 paragraph 1, subdivision (a), column 3. For a school district with a student  
8 count of six hundred or more in kindergarten programs and grades one through  
9 eight, the limit is ~~two hundred twenty five dollars seventy six cents~~ FOUR  
10 HUNDRED FIFTY DOLLARS SEVENTY-SIX CENTS.

11 2. For school districts with a student count of less than one hundred  
12 for grades nine through twelve, ~~three hundred twenty nine dollars forty one~~  
13 ~~cents~~ SIX HUNDRED ONE DOLLARS TWENTY-FOUR CENTS. For school districts with a  
14 student count of one hundred or more and less than six hundred for grades  
15 nine through twelve, multiply ~~two hundred eleven dollars twenty nine cents~~  
16 FOUR HUNDRED FIVE DOLLARS FIFTY-NINE CENTS by the weight ~~which~~ THAT  
17 corresponds to the student count for grades nine through twelve for the  
18 school district as provided in section 15-943, paragraph 1, subdivision (b),  
19 column 3. For a school district with a student count of six hundred or more  
20 in grades nine through twelve, the limit is ~~two hundred sixty seven dollars~~  
21 ~~ninety four cents~~ FOUR HUNDRED NINETY-TWO DOLLARS NINETY-FOUR CENTS.

22 3. For programs for preschool children with disabilities, ~~two hundred~~  
23 ~~twenty five dollars seventy six cents~~ FOUR HUNDRED FIFTY DOLLARS SEVENTY-SIX  
24 CENTS.

25 ~~B. For fiscal year 2009-2010 and each year thereafter, the capital~~  
26 ~~outlay revenue limit prescribed in subsection A of this section shall be~~  
27 ~~adjusted by the growth rate prescribed by law, subject to appropriation.~~

28 ~~C. B. For fiscal year 1985-1986 and each year thereafter, the capital~~  
29 ~~outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE for a school district  
30 shall be computed as follows:

31 1. Select the applicable ~~capital outlay revenue limit or limits~~  
32 DISTRICT ADDITIONAL ASSISTANCE per student count for the school district.

33 2. Multiply the amount or amounts selected in paragraph 1 of this  
34 subsection by the appropriate student count of the school district. The  
35 student count of the school district shall not include any pupils in a  
36 charter school sponsored by the district pursuant to section 15-185,  
37 subsection A, paragraph 3.

38 3. If a school district's student count used for the budget year is  
39 greater than one hundred five per cent of the student count used for the  
40 current year's budget, increase the adjusted ~~capital outlay revenue limit~~  
41 DISTRICT ADDITIONAL ASSISTANCE determined in paragraph 2 of this subsection  
42 by FIFTY PER CENT OF the actual percentage increase in the school district's  
43 student count.

44 ~~D. C. For fiscal year 2009-2010 and each year thereafter,~~ An amount  
45 for the purchase of required textbooks and related printed subject matter

1 materials shall be used to increase the ~~capital outlay revenue limit~~ DISTRICT  
2 ADDITIONAL ASSISTANCE for a school district as determined in subsection ~~C~~ B,  
3 paragraph 2 or 3 of this section, whichever is applicable. ~~For fiscal year~~  
4 ~~2009-2010, multiply~~ THIS AMOUNT SHALL EQUAL the student count in grades nine  
5 through twelve MULTIPLIED by sixty-nine dollars sixty-eight cents.

6 Sec. 28. Repeal

7 Section 15-962, Arizona Revised Statutes, is repealed.

8 Sec. 29. Section 15-962.01, Arizona Revised Statutes, is amended to  
9 read:

10 15-962.01. Additional district assistance allocation for joint  
11 technical education districts

12 A. The ~~capital outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE for  
13 a joint technical education district shall be the amount for students in  
14 grades nine through twelve for districts with a student count of six hundred  
15 or more as prescribed in section 15-961.

16 ~~B. The soft capital allocation for a joint technical education~~  
17 ~~district shall be the amount for students in grades nine through twelve for~~  
18 ~~districts with a student count of six hundred or more as prescribed in~~  
19 ~~section 15-962.~~

20 ~~C. Joint technical education districts shall establish a district soft~~  
21 ~~capital allocation fund and shall use the monies only for the purposes~~  
22 ~~prescribed in section 15-962, subsection D. The ending unexpended budget~~  
23 ~~balance in the district's soft capital allocation fund may be used in~~  
24 ~~following fiscal years for short-term capital items. Districts shall provide~~  
25 ~~to the superintendent of public instruction an itemized accounting on forms~~  
26 ~~provided by the department of education that details the expenditures of soft~~  
27 ~~capital allocation monies at each school in the joint technical education~~  
28 ~~district. The superintendent of public instruction shall forward a copy of~~  
29 ~~the report to the school facilities board established by section 15-2001.~~

30 Sec. 30. Section 15-963, Arizona Revised Statutes, is amended to read:

31 15-963. Capital transportation adjustment for small school  
32 districts

33 A. A school district may apply to the state board of education for a  
34 capital transportation adjustment for the purchase of a transportation  
35 vehicle if the district meets all of the following requirements:

36 1. Has a student count of fewer than six hundred in kindergarten  
37 programs and grades one through twelve.

38 2. Transports as eligible students at least one-third of the total  
39 student count of the school district.

40 3. Has an approved daily route mileage per eligible student  
41 transported of more than 1.0, computed as prescribed in section 15-945,  
42 subsection A, paragraph 4.

43 B. If a school district receives a capital transportation adjustment  
44 as provided in this section, ~~the soft capital allocation limit~~ DISTRICT  
45 ADDITIONAL ASSISTANCE for that district shall be equal to ~~the capital levy~~

1 ~~revenue limit or the soft capital allocation limit~~ DISTRICT ADDITIONAL  
2 ASSISTANCE determined as prescribed in section ~~15-962~~ 15-961 plus any  
3 additional amount approved by the state board of education.

4 C. The state board of education may grant a capital transportation  
5 adjustment to a school district which meets the qualifications prescribed in  
6 subsection A of this section, except that the total amount of all additional  
7 amounts approved as capital transportation adjustments for all school  
8 districts for a fiscal year shall not exceed twenty per cent of the total  
9 amount which a county may budget for that fiscal year in all small district  
10 service program funds as provided in section 15-365, subsection F.

11 Sec. 31. Section 15-964, Arizona Revised Statutes, is amended to read:  
12 15-964. Federal impact adjustment

13 A. The governing board of a school district may compute a federal  
14 impact adjustment to the unrestricted capital budget limit. The maximum  
15 amount of the federal impact adjustment is the sum of the following:

16 1. Twenty-five per cent of the monies received from forest reserve  
17 funds by the school district in the prior fiscal year as provided in section  
18 41-736.

19 2. For a school district that is not an accommodation school, the  
20 lesser of:

21 (a) Twenty-five per cent of the title VIII of the elementary and  
22 secondary education act of 1965 revenues received in the prior fiscal year.

23 (b) The total amount of title VIII of the elementary and secondary  
24 education act of 1965 revenues received in the prior fiscal year minus the  
25 sum of the following:

26 (i) The amount of title VIII of the elementary and secondary education  
27 act of 1965 assistance used to increase the general budget limit as provided  
28 in section 15-905, subsections K and O for the prior fiscal year.

29 (ii) The amount budgeted for title VIII of the elementary and  
30 secondary education act of 1965 administrative costs as provided in section  
31 15-905, subsection P for the current year.

32 (iii) The amount budgeted for principal and interest on impact aid  
33 revenue bonds pursuant to section 15-2104 for the current year.

34 B. The federal impact adjustment shall only be budgeted and expended  
35 for new construction, major renovation of buildings or ~~soft capital~~  
36 EXPENDITURES THAT MAY BE BUDGETED IN THE UNRESTRICTED CAPITAL FUND.

37 ~~C. The governing board may not compute a federal impact adjustment for~~  
38 ~~any year in which it budgets as provided in section 15-962, subsection F.~~

39 ~~D.~~ C. If the governing board underestimated the amount of the federal  
40 impact adjustment for the current year, the board may adjust the unrestricted  
41 capital budget limit and the budget before May 15. If the board  
42 overestimated the amount of the federal impact adjustment for the current  
43 year, the board shall adjust the unrestricted capital budget limit and the  
44 budget before May 15. Not later than May 18, the budget as revised shall be  
45 submitted electronically to the superintendent of public instruction.



1 purposes of this subsection, "assessed valuation" includes the values used to  
2 determine voluntary contributions collected pursuant to title 9, chapter 4,  
3 article 3 and title 48, chapter 1, article 8 and the assessed value of all  
4 property subject to the government property lease excise tax pursuant to  
5 title 42, chapter 6, article 5.

6 3. The amount that would be produced by levying a qualifying tax rate  
7 in a joint technical education district, which shall be five cents per one  
8 hundred dollars assessed valuation unless the legislature sets a lower rate  
9 by law.

10 C. County aid for equalization assistance for education shall be  
11 computed as follows:

12 1. Determine the total equalization assistance for all school  
13 districts in the county as provided in subsections A and B of this section.

14 2. Determine the total amount of state equalization assistance  
15 collected for all school districts in the county as provided in section  
16 15-994.

17 3. Divide the amount determined in paragraph 2 of this subsection by  
18 the amount determined in paragraph 1 of this subsection.

19 4. Multiply the amount determined in subsections A and B of this  
20 section by the quotient determined in paragraph 3 of this subsection for each  
21 school district.

22 5. The amount determined in paragraph 4 of this subsection shall be  
23 the county aid for equalization assistance for education for a school  
24 district.

25 D. State aid for equalization assistance for education for a school  
26 district shall be computed as follows:

27 1. Determine the equalization assistance for education for a school  
28 district as provided in subsections A and B of this section.

29 2. For each county, determine the levy that would be produced by the  
30 state equalization assistance property tax rate prescribed in section 15-994,  
31 subsection A.

32 3. Prorate the amount determined in paragraph 2 of this subsection to  
33 each school district in the county as prescribed by subsection C of this  
34 section.

35 4. Subtract the amount determined in paragraph 3 of this subsection  
36 from the amount determined in paragraph 1 of this subsection.

37 E. Equalization assistance for education shall be paid from  
38 appropriations for that purpose to the school districts as provided in  
39 section 15-973.

40 F. A school district shall report expenditures on approved career and  
41 technical education and vocational education programs in the annual financial  
42 report according to uniform guidelines prescribed by the uniform system of  
43 financial records and in order to facilitate compliance with sections 15-255  
44 and 15-904.

1 G. The additional weight for state aid purposes given to special  
2 education as provided in section 15-943 shall be given to school districts  
3 only if special education programs comply with chapter 7, article 4 of this  
4 title and the conditions and standards prescribed by the superintendent of  
5 public instruction pursuant to rules of the state board of education for  
6 pupil identification and placement pursuant to sections 15-766 and 15-767.

7 H. In addition to general fund appropriations, all amounts received  
8 pursuant to section 37-521, subsection B, paragraph 3 and section 42-5029,  
9 subsection E, paragraph 5 and from any other source for the purposes of this  
10 section are appropriated for state aid to schools as provided in this  
11 section.

12 I. The total amount of state monies that may be spent in any fiscal  
13 year for state equalization assistance shall not exceed the amount  
14 appropriated or authorized by section 35-173 for that purpose. This section  
15 shall not be construed to impose a duty on an officer, agent or employee of  
16 this state to discharge a responsibility or to create any right in a person  
17 or group if the discharge or right would require an expenditure of state  
18 monies in excess of the expenditure authorized by legislative appropriation  
19 for that specific purpose.

20 Sec. 33. Section 15-974, Arizona Revised Statutes, is amended to read:  
21 15-974. Equalization assistance for education for accommodation  
22 schools

23 A. Equalization assistance for education for accommodation schools  
24 shall be paid from appropriations for that purpose to the school districts as  
25 provided in section 15-973.

26 B. When an accommodation school has a positive total cash balance at  
27 the end of a fiscal year in its maintenance and operation fund, the county  
28 school superintendent of the county in which the accommodation school is  
29 located may authorize an addition to the accommodation school's revenue  
30 control limit as provided in section 15-947, subsection A for the following  
31 fiscal year. The county school superintendent may not authorize an addition  
32 that exceeds the lesser of the ending cash balance less the amount budgeted  
33 for the budget balance carryforward as provided in section 15-943.01 or ten  
34 per cent of the revenue control limit of the accommodation school and five  
35 per cent of the revenue control limit pursuant to section 15-482, without the  
36 necessity of an election pursuant to section 15-481. If an accommodation  
37 school has a cash balance in excess of the amount needed to fund the budget  
38 balance carryforward, the addition authorized pursuant to this subsection and  
39 the items listed in section 15-947, subsection C, paragraph 2, subdivisions  
40 (c) and (f) for the following fiscal year, the remaining cash balance may be  
41 used for capital expenditures ~~pursuant to section 15-962, subsection F.~~

42 C. Subsection B of this section shall not apply to an accommodation  
43 school with a student count of one hundred twenty-five or less in  
44 kindergarten programs and grades one through eight or to an accommodation  
45 school which offers instruction in grades nine, ten, eleven or twelve and

1 which has a student count of one hundred or less in grades nine through  
2 twelve.

3 Sec. 34. Section 15-996, Arizona Revised Statutes, is amended to read:

4 15-996. Duties of county treasurer relating to school  
5 district's monies

6 The county treasurer shall:

7 1. Receive and hold all school district monies and keep a separate  
8 account for each school district and for the special county school reserve  
9 fund. The county treasurer may maintain separate accounts for each fund of a  
10 school district or the county treasurer may maintain only two accounts for  
11 each school district's monies in addition to the funds provided for in  
12 sections 15-1024, 15-1025, ~~15-2021, 15-2031~~ and 15-2041. If only two  
13 accounts are maintained, the first account shall consist of maintenance and  
14 operation, unrestricted capital outlay, ~~soft capital allocation~~ and adjacent  
15 ways monies and the classroom site fund prescribed in section 15-977 and the  
16 second account shall consist of federal and state grant monies and all other  
17 monies.

18 2. Pool school district monies for investment except as provided in  
19 sections 15-1024 and 15-1025. Interest earned on the monies pooled for  
20 investment shall be apportioned at least quarterly to the appropriate school  
21 district based on an average monthly balance as prescribed in the uniform  
22 system of accounting for county treasurers as provided in section 41-1279.21.

23 3. Notwithstanding section 11-605, register warrants only as follows:

24 (a) If separate accounts are maintained for each fund, warrants may  
25 only be registered on the maintenance and operation, unrestricted capital  
26 outlay, ~~soft capital allocation~~ and adjacent ways accounts and the classroom  
27 site fund prescribed in section 15-977 and only if the total cash balance of  
28 all three accounts is insufficient to pay the warrants, except that, during  
29 the period of time when a school district is under receivership pursuant to  
30 section 15-103, a warrant may be registered on the debt service account for  
31 which the cash balance in the debt service account is insufficient to cover  
32 the debt service payment if there are not sufficient monies in the debt  
33 service account to cover the debt.

34 (b) If the county treasurer maintains only two accounts as provided in  
35 paragraph 1 of this section:

36 (i) The county treasurer may register warrants only on the first  
37 account and only if the balance of that account is insufficient to pay the  
38 warrants.

39 (ii) The county treasurer may honor warrants for any federal or state  
40 grant fund with a negative balance as long as the total balance in the second  
41 account is positive. If the second account total balance is negative, the  
42 warrant for a federal or state grant fund shall be charged to the maintenance  
43 and operation fund. Any interest charged to the federal or state grant fund  
44 as a result of a negative balance that is in excess of interest earned on the  
45 fund shall be transferred to the maintenance and operation fund at the end of

1 the fiscal year or the end of the grant year. If a federal or state grant  
2 fund has a negative balance at the end of the fiscal year or grant year,  
3 sufficient expenditures shall be transferred to the maintenance and operation  
4 fund to eliminate the negative balance.

5 4. Notify the county school superintendent by the fifteenth day of  
6 each calendar month of the month end balances of each school district  
7 account.

8 5. Pay warrants issued by the county school superintendent and duly  
9 endorsed by the person entitled to receive the monies.

10 6. On each property tax bill and each property tax statement prepared,  
11 separately state and identify by name each school district's primary property  
12 tax rate, the secondary property tax rate that is associated with overrides,  
13 the secondary property tax rate that is associated with class A bonds and the  
14 secondary property tax rate that is associated with class B bonds. For the  
15 purposes of this paragraph, "class A bonds" and "class B bonds" have the same  
16 meanings prescribed in section 15-101.

17 Sec. 35. Section 15-1021, Arizona Revised Statutes, is amended to  
18 read:

19 15-1021. Limitation on bonded indebtedness; limitation on  
20 authorization and issuance of bonds

21 A. Until December 31, 1999, a school district may issue class A bonds  
22 for the purposes specified in this section and chapter 4, article 5 of this  
23 title to an amount in the aggregate, including the existing indebtedness, not  
24 exceeding fifteen per cent of the taxable property used for secondary  
25 property tax purposes, as determined pursuant to title 42, chapter 15,  
26 article 1, within a school district as ascertained by the last property tax  
27 assessment previous to issuing the bonds.

28 B. From and after December 31, 1998, a school district may issue class  
29 B bonds for the purposes specified in this section and chapter 4, article 5  
30 of this title to an amount in the aggregate, including the existing class B  
31 indebtedness, not exceeding ~~five~~ TEN per cent of the taxable property used  
32 for secondary property tax purposes, as determined pursuant to title 42,  
33 chapter 15, article 1, within a school district as ascertained by the last  
34 assessment of state and county taxes previous to issuing the bonds, or one  
35 thousand five hundred dollars per student count pursuant to section 15-901,  
36 subsection A, paragraph 13, whichever amount is greater. A school district  
37 shall not issue class B bonds until the proceeds of any class A bonds issued  
38 by the school district have been obligated in contract. The total amount of  
39 class A and class B bonds issued by a school district shall not exceed the  
40 debt limitations prescribed in article IX, section 8, Constitution of  
41 Arizona.

42 C. Until December 31, 1999, a unified school district, as defined  
43 under article IX, section 8.1, Constitution of Arizona, may issue class A  
44 bonds for the purposes specified in this section and chapter 4, article 5 of  
45 this title to an amount in the aggregate, including the existing

1 indebtedness, not exceeding thirty per cent of the taxable property used for  
2 secondary property tax purposes, as determined pursuant to title 42, chapter  
3 15, article 1, within a unified school district as ascertained by the last  
4 property tax assessment previous to issuing the bonds.

5 D. From and after December 31, 1998, a unified school district, as  
6 defined under article IX, section 8.1, Constitution of Arizona, may issue  
7 class B bonds for the purposes specified in this section and chapter 4,  
8 article 5 of this title to an amount in the aggregate, including the existing  
9 class B indebtedness, not exceeding ~~ten~~ TWENTY per cent of the taxable  
10 property used for secondary tax purposes, as determined pursuant to title 42,  
11 chapter 15, article 1, within a school district as ascertained by the last  
12 assessment of state and county taxes previous to issuing the bonds, or one  
13 thousand five hundred dollars per student count pursuant to section 15-901,  
14 subsection A, paragraph 13, whichever amount is greater. A unified school  
15 district shall not issue class B bonds until the proceeds of any class A  
16 bonds issued by the unified school district have been obligated in contract.  
17 The total amount of class A and class B bonds issued by a unified school  
18 district shall not exceed the debt limitations prescribed in article IX,  
19 section 8.1, Constitution of Arizona.

20 E. No bonds authorized to be issued by an election held after July 1,  
21 1980 and before November 24, 2009 may be issued more than six years after the  
22 date of the election, except that the time period may be extended to ten  
23 years pursuant to an election conducted pursuant to section 15-491,  
24 subsection A, paragraph 6 and except that class A bonds shall not be issued  
25 after December 31, 1999. No bonds authorized to be issued by an election  
26 held after November 24, 2009 may be issued more than ten years after the date  
27 of the election.

28 F. Except as provided in section 15-491, subsection A, paragraph 3,  
29 bond proceeds shall not be expended for items whose useful life is less than  
30 the average life of the bonds issued, except that bond proceeds shall not be  
31 expended for items whose useful life is less than five years.

32 G. A joint technical education district shall not spend class B bond  
33 proceeds to construct or renovate a facility located on the campus of a  
34 school in a school district that participates in the joint district unless  
35 the facility is only used to provide career and technical education and is  
36 available to all pupils who live within the joint technical education  
37 district. If the facility is not owned by the joint technical education  
38 district, an intergovernmental agreement or a written contract shall be  
39 executed for ten years or the duration of the bonded indebtedness, whichever  
40 is greater. The intergovernmental agreement or written contract shall  
41 include provisions:

42 1. That preserve the usage of the facility renovated or constructed,  
43 or both, only for career and technology programs operated by the joint  
44 technical education district.

1           2. That include the process to be used by the participating district  
2 to compensate the joint technical education district in the event that the  
3 facility is no longer used only for career and technical education programs  
4 offered by the joint technical education district during the life of the  
5 bond.

6           H. A school district shall not authorize, issue or sell bonds pursuant  
7 to this section if the school district has any existing indebtedness from  
8 impact aid revenue bonds pursuant to chapter 16, article 8 of this title,  
9 except for bonds issued to refund any bonds issued by the governing board.

10          Sec. 36. Section 15-1371, Arizona Revised Statutes, is amended to  
11 read:

12           15-1371. Equalization assistance for state educational system  
13                                   for committed youth; state education fund for  
14                                   committed youth

15           A. The superintendent of the state educational system for committed  
16 youth shall calculate a base support level as prescribed in section 15-943  
17 and ~~a capital outlay revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE as  
18 prescribed in section 15-961 for the educational system established pursuant  
19 to section 41-2831, except that:

20           1. Notwithstanding section 15-901:

21           (a) The student count shall be determined using the following  
22 definitions:

23           (i) "Daily attendance" means days in which a pupil attends an  
24 educational program for a minimum of two hundred forty minutes not including  
25 meal and recess periods. Attendance for one hundred twenty or more minutes  
26 but fewer than two hundred forty minutes shall be counted as one-half day's  
27 attendance.

28           (ii) "Fractional student" means a pupil enrolled in an educational  
29 program of one hundred twenty or more minutes but fewer than two hundred  
30 forty minutes a day not including meal and recess periods. A fractional  
31 student shall be counted as one-half of a full-time student.

32           (iii) "Full-time student" means a pupil enrolled in an educational  
33 program for a minimum of two hundred forty minutes a day not including meal  
34 and recess periods.

35           (b) "Seriously emotionally disabled pupils enrolled in a school  
36 district program as provided in section 15-765" includes seriously  
37 emotionally disabled pupils enrolled in the department of juvenile  
38 corrections school system.

39           2. All pupils shall be counted as if they were enrolled in grades nine  
40 through twelve.

41           3. The teacher experience index is 1.00.

42           4. The base support level shall be calculated using the base level  
43 multiplied by 1.0, except that the state educational system for committed  
44 youth is also eligible beginning with fiscal year 1992-1993 for additional  
45 teacher compensation monies as specified in section 15-952.

1           5. Section 15-943, paragraph 1 does not apply.

2           B. The superintendent may use sections 15-855 and 15-948 in making the  
3 calculations prescribed in subsection A of this section, except that for the  
4 1992-1993 fiscal year rapid decline shall not be used. The superintendent of  
5 the system and the department of education shall prescribe procedures for  
6 determining average daily membership.

7           C. Equalization assistance for the state educational system for  
8 committed youth for the budget year is determined by adding the amount of the  
9 base support level and ~~the capital outlay revenue limit~~ DISTRICT ADDITIONAL  
10 ASSISTANCE for the budget year calculated as prescribed in subsection A of  
11 this section.

12           D. The state educational system for committed youth shall not receive  
13 twenty-five per cent of the equalization assistance unless it is accredited  
14 by the north central association of colleges and secondary schools.

15           E. The state education fund for committed youth is established. Fund  
16 monies shall be used for the purposes of the state educational system for  
17 committed youth, and notwithstanding section 35-173, monies appropriated to  
18 the fund shall not be transferred to or used for any program not within the  
19 state educational system for committed youth. State equalization assistance  
20 for the state educational system for committed youth as determined in  
21 subsection A of this section, other state and federal monies received from  
22 the department of education for the state educational system for committed  
23 youth and monies appropriated for the state educational system for committed  
24 youth, except monies appropriated pursuant to subsection F of this section,  
25 shall be deposited in the fund. The state treasurer shall maintain separate  
26 accounts for fund monies if the separate accounts are required by statute or  
27 federal law.

28           F. The department of juvenile corrections may seek appropriations for  
29 capital needs for land, buildings and improvements, including repairs and  
30 maintenance, required to maintain the state educational system for committed  
31 youth.

32           G. The state board of education shall apportion state aid and deposit  
33 it, pursuant to sections 35-146 and 35-147, in the state education fund for  
34 committed youth in an amount as determined by subsection A of this section.  
35 The apportionments shall be as follows:

36           1. On July 1, one-third of the total amount to be apportioned during  
37 the fiscal year.

38           2. On October 15, one-twelfth of the total amount to be apportioned  
39 during the fiscal year.

40           3. On December 15, one-twelfth of the total amount to be apportioned  
41 during the fiscal year.

42           4. On January 15, one-twelfth of the total amount to be apportioned  
43 during the fiscal year.

1           5. On February 15, one-twelfth of the total amount to be apportioned  
2 during the fiscal year.

3           6. On March 15, one-twelfth of the total amount to be apportioned  
4 during the fiscal year.

5           7. On April 15, one-twelfth of the total amount to be apportioned  
6 during the fiscal year.

7           8. On May 15, one-twelfth of the total amount to be apportioned during  
8 the fiscal year.

9           9. On June 15, one-twelfth of the total amount to be apportioned  
10 during the fiscal year.

11           H. In conjunction with the department of administration, the  
12 superintendent of the state educational system for committed youth shall  
13 establish procedures to account for the receipt and expenditure of state  
14 education fund for committed youth monies by modifying the current accounting  
15 system used for state agencies as necessary.

16           Sec. 37. Section 15-1372, Arizona Revised Statutes, is amended to  
17 read:

18           15-1372. Equalization assistance for state educational system  
19 for persons in the state department of corrections;  
20 fund

21           A. The state department of corrections shall provide educational  
22 services for pupils who are under the age of eighteen years and pupils with  
23 disabilities who are age twenty-one or younger who are committed to the state  
24 department of corrections. The department of education shall provide  
25 technical assistance to the state department of corrections on request and  
26 shall assist the state department of corrections in establishing program and  
27 personnel standards.

28           B. The state education fund for correctional education is established.  
29 Subject to legislative appropriation, fund monies shall be used for the  
30 purposes of providing education to pupils as specified in subsection A of  
31 this section. Notwithstanding section 35-173, monies appropriated to the  
32 fund shall not be transferred to or used for any program not directly related  
33 to the educational services required by this section. State equalization  
34 assistance, other state and federal monies received from the department of  
35 education for which the pupils in correctional education programs qualify and  
36 monies appropriated for correctional education except monies appropriated  
37 pursuant to subsection C of this section shall be deposited in the fund. The  
38 state treasurer shall maintain separate accounts for fund monies if the  
39 separate accounts are required by statute or federal law.

40           C. The state department of corrections may seek appropriations for  
41 capital needs for land, buildings and improvements, including repairs and  
42 maintenance, required to maintain the educational services required by this  
43 section.

1 D. The state board of education shall apportion state aid and deposit  
2 it, pursuant to sections 35-146 and 35-147, in the state education fund for  
3 correctional education in an amount as determined by subsection E of this  
4 section. The apportionments are as follows:

5 1. On July 1, one-third of the total amount to be apportioned during  
6 the fiscal year.

7 2. On October 15, one-twelfth of the total amount to be apportioned  
8 during the fiscal year.

9 3. On December 15, one-twelfth of the total amount to be apportioned  
10 during the fiscal year.

11 4. On January 15, one-twelfth of the total amount to be apportioned  
12 during the fiscal year.

13 5. On February 15, one-twelfth of the total amount to be apportioned  
14 during the fiscal year.

15 6. On March 15, one-twelfth of the total amount to be apportioned  
16 during the fiscal year.

17 7. On April 15, one-twelfth of the total amount to be apportioned  
18 during the fiscal year.

19 8. On May 15, one-twelfth of the total amount to be apportioned during  
20 the fiscal year.

21 9. On June 15, one-twelfth of the total amount to be apportioned  
22 during the fiscal year.

23 E. The director of the state department of corrections shall calculate  
24 a base support level as prescribed in section 15-943 and ~~a capital outlay~~  
25 ~~revenue limit~~ DISTRICT ADDITIONAL ASSISTANCE as prescribed in section 15-961  
26 for the educational services required by this section, except that:

27 1. Notwithstanding section 15-901, the student count shall be  
28 determined using the following definitions:

29 (a) "Daily attendance" means days in which a pupil attends an  
30 educational program for a minimum of one hundred eighty minutes not including  
31 meal and recess periods. Attendance for ninety or more minutes but fewer  
32 than one hundred eighty minutes shall be counted as one-half day's  
33 attendance.

34 (b) "Fractional student" means a pupil enrolled in an educational  
35 program of ninety or more minutes but fewer than one hundred eighty minutes  
36 per day not including meal and recess periods. A fractional student shall be  
37 counted as one-half of a full-time student.

38 (c) "Full-time student" means a pupil enrolled in an educational  
39 program for a minimum of one hundred eighty minutes per day not including  
40 meal and recess periods.

41 (d) "Pupil with a disability" has the same meaning as child with a  
42 disability prescribed in section 15-761.

43 2. All pupils shall be counted as if they were enrolled in grades nine  
44 through twelve.

45 3. The teacher experience index is 1.00.



1 DATABASE AND ENSURE THAT THE DATABASE IS UPDATED ON AT LEAST AN ANNUAL BASIS.  
2 EACH SCHOOL DISTRICT SHALL REPORT TO THE SCHOOL FACILITIES BOARD NO LATER  
3 THAN SEPTEMBER 1 OF EACH YEAR INFORMATION AS REQUIRED BY THE SCHOOL  
4 FACILITIES BOARD FOR THE ADMINISTRATION OF THE BUILDING RENEWAL GRANT FUND  
5 AND COMPUTATION OF NEW SCHOOL FACILITIES FORMULA DISTRIBUTIONS. THE SCHOOL  
6 FACILITIES BOARD MAY REVIEW OR AUDIT THE INFORMATION, OR BOTH, TO CONFIRM THE  
7 INFORMATION SUBMITTED BY A SCHOOL DISTRICT.

8 3. Inspect school buildings at least once every five years to ensure  
9 compliance with the building adequacy standards prescribed in section 15-2011  
10 and routine preventative maintenance guidelines as prescribed in this section  
11 with respect to construction of new buildings and maintenance of existing  
12 buildings. The school facilities board shall randomly select twenty school  
13 districts every thirty months and inspect them pursuant to this paragraph.

14 4. Review and approve student population projections submitted by  
15 school districts to determine to what extent school districts are entitled to  
16 monies to construct new facilities pursuant to section 15-2041. The board  
17 shall make a final determination within six months of the receipt of an  
18 application by a school district for monies from the new school facilities  
19 fund.

20 5. Certify that plans for new school facilities meet the building  
21 adequacy standards prescribed in section 15-2011.

22 6. Develop prototypical elementary and high school designs. The board  
23 shall review the design differences between the schools with the highest  
24 academic productivity scores and the schools with the lowest academic  
25 productivity scores. The board shall also review the results of a valid and  
26 reliable survey of parent quality rating in the highest performing schools  
27 and the lowest performing schools in this state. The survey of parent  
28 quality rating shall be administered by the department of education. The  
29 board shall consider the design elements of the schools with the highest  
30 academic productivity scores and parent quality ratings in the development of  
31 elementary and high school designs. The board shall develop separate school  
32 designs for elementary, middle and high schools with varying pupil  
33 capacities.

34 7. Develop application forms, reporting forms and procedures to carry  
35 out the requirements of this article.

36 8. Review and approve or reject requests submitted by school districts  
37 to take actions pursuant to section 15-341, subsection G.

38 9. Submit electronically an annual report ~~by~~ ON OR BEFORE December 15  
39 to the speaker of the house of representatives, the president of the senate,  
40 the superintendent of public instruction, the ~~director of the Arizona state~~  
41 ~~library, archives and public records~~ SECRETARY OF STATE and the governor that  
42 includes the following information:

43 (a) A detailed description of the amount of monies distributed by the  
44 school facilities board in the previous fiscal year.

1 (b) A list of each capital project that received monies from the  
2 school facilities board during the previous fiscal year, a brief description  
3 of each project that was funded and a summary of the board's reasons for the  
4 distribution of monies for the project.

5 (c) A summary of the findings and conclusions of the building  
6 maintenance inspections conducted pursuant to this article during the  
7 previous fiscal year.

8 (d) A summary of the findings of common design elements and  
9 characteristics of the highest performing schools and the lowest performing  
10 schools based on academic productivity, including the results of the parent  
11 quality rating survey. For the purposes of this subdivision, "academic  
12 productivity" means academic year advancement per calendar year as measured  
13 with student-level data using the statewide nationally standardized  
14 norm-referenced achievement test.

15 10. ~~By~~ **ON OR BEFORE** December 1 of each year, report electronically to  
16 the joint committee on capital review the amounts necessary to fulfill the  
17 requirements of sections 15-2022, ~~15-2031~~ and 15-2041 for the following  
18 fiscal year and the estimated amounts necessary to fulfill the requirements  
19 of sections 15-2022, ~~15-2031~~ and 15-2041 for the fiscal year following the  
20 next fiscal year. The board shall provide copies of the report to the  
21 president of the senate, the speaker of the house of representatives and the  
22 governor.

23 11. Adopt minimum school facility adequacy guidelines to provide the  
24 minimum quality and quantity of school buildings and the facilities and  
25 equipment necessary and appropriate to enable pupils to achieve the  
26 educational goals of the Arizona state schools for the deaf and the blind.  
27 The school facilities board shall establish minimum school facility adequacy  
28 guidelines applicable to the Arizona state schools for the deaf and the  
29 blind.

30 12. In each even-numbered year, report electronically to the joint  
31 committee on capital review the amounts necessary to fulfill the requirements  
32 of ~~sections 15-2031 and~~ **SECTION** 15-2041 for the Arizona state schools for the  
33 deaf and the blind for the following two fiscal years. The Arizona state  
34 schools for the deaf and the blind shall incorporate the findings of the  
35 report in any request for ~~building renewal monies and~~ new school facilities  
36 monies. Any monies provided to the Arizona state schools for the deaf and  
37 the blind for ~~building renewal and for~~ new school facilities are subject to  
38 legislative appropriation.

39 13. ~~By~~ **ON OR BEFORE** June 15 of each year, submit electronically  
40 detailed information regarding demographic assumptions, a proposed  
41 construction schedule and new school construction cost estimates for  
42 individual projects approved in the current fiscal year and expected project  
43 approvals for the upcoming fiscal year to the joint committee on capital  
44 review for its review. A copy of the report shall also be submitted  
45 electronically to the governor's office of strategic planning and budgeting.

1 The joint legislative budget committee staff, the governor's office of  
2 strategic planning and budgeting staff and the school facilities board staff  
3 shall agree on the format of the report.

4 14. Every two years, provide school districts with information on  
5 improving and maintaining the indoor environmental quality in school  
6 buildings.

7 B. The school facilities board may contract for the following services  
8 in compliance with the procurement practices prescribed in title 41,  
9 chapter 23:

10 1. Private services.

11 2. Construction project management services.

12 3. Assessments for school buildings to determine if the buildings have  
13 outlived their useful life pursuant to section 15-2041, subsection G.

14 4. Services related to land acquisition and development of a school  
15 site.

16 C. The governor shall appoint an executive director of the school  
17 facilities board pursuant to section 38-211. The executive director is  
18 eligible to receive compensation as determined pursuant to section 38-611 and  
19 may hire and fire necessary staff subject to title 41, chapter 4, article 4  
20 and as approved by the legislature in the budget. The executive director  
21 shall have demonstrated competency in school finance, facilities design or  
22 facilities management, either in private business or government service. The  
23 executive director serves at the pleasure of the governor. The staff of the  
24 school facilities board is exempt from title 41, chapter 4, articles 5 and 6.  
25 The executive director:

26 1. Shall analyze applications for monies submitted to the board by  
27 school districts.

28 2. Shall assist the board in developing forms and procedures for the  
29 distribution and review of applications and the distribution of monies to  
30 school districts.

31 3. May review or audit, or both, the expenditure of monies by a school  
32 district for deficiencies corrections, ~~building renewal~~ and new school  
33 facilities.

34 4. Shall assist the board in the preparation of the board's annual  
35 report.

36 5. Shall research and provide reports on issues of general interest to  
37 the board.

38 6. May aid school districts in the development of reasonable and  
39 cost-effective school designs in order to avoid statewide duplicated efforts  
40 and unwarranted expenditures in the area of school design.

41 7. May assist school districts in facilitating the development of  
42 multijurisdictional facilities.

43 8. Shall assist the board in any other appropriate matter or method as  
44 directed by the members of the board.

1           9. Shall establish procedures to ensure compliance with the notice and  
2 hearing requirements prescribed in section 15-905. The notice and hearing  
3 procedures adopted by the board shall include the requirement, with respect  
4 to the board's consideration of any application filed after July 1, 2001 or  
5 after December 31 of the year in which the property becomes territory in the  
6 vicinity of a military airport or ancillary military facility as defined in  
7 section 28-8461 for monies to fund the construction of new school facilities  
8 proposed to be located in territory in the vicinity of a military airport or  
9 ancillary military facility, that the military airport receive notification  
10 of the application by first class mail at least thirty days before any  
11 hearing concerning the application.

12           10. May expedite any request for monies in which the local match was  
13 not obtained for a project that received preliminary approval by the state  
14 board for school capital facilities.

15           11. Shall expedite any request for monies in which the school district  
16 governing board submits an application that shows an immediate need for a new  
17 school facility.

18           12. Shall make a determination as to administrative completion within  
19 one month after the receipt of an application by a school district for monies  
20 from the new school facilities fund.

21           13. Shall provide technical support to school districts as requested by  
22 school districts in connection with the construction of new school facilities  
23 and the maintenance of existing school facilities and may contract directly  
24 with construction project managers pursuant to subsection B of this section.  
25 This paragraph does not restrict a school district from contracting with a  
26 construction project manager using district or state resources.

27           D. When appropriate, the school facilities board shall review and use  
28 the statewide school facilities inventory and needs assessment conducted by  
29 the joint committee on capital review and issued in July, 1995.

30           E. The school facilities board shall contract with one or more private  
31 building inspectors to complete an initial assessment of school facilities  
32 and equipment and shall inspect each school building in this state at least  
33 once every five years to ensure compliance with section 15-2011. A copy of  
34 the inspection report, together with any recommendations for building  
35 maintenance, shall be provided to the school facilities board and the  
36 governing board of the school district.

37           F. The school facilities board may consider appropriate combinations  
38 of facilities or uses in making assessments of and curing deficiencies  
39 pursuant to subsection A, paragraph 1 of this section and in certifying plans  
40 for new school facilities pursuant to subsection A, paragraph 5 of this  
41 section.

42           G. The board shall not award any monies to fund new facilities that  
43 are financed by class A bonds that are issued by the school district.

1 H. The board shall not distribute monies to a school district for  
2 replacement or repair of facilities if the costs associated with the  
3 replacement or repair are covered by insurance or a performance or payment  
4 bond.

5 I. The board may contract for construction services and materials that  
6 are necessary to correct existing deficiencies in school district facilities.  
7 The board may procure the construction services necessary pursuant to this  
8 subsection by any method, including construction-manager-at-risk,  
9 design-build, design-bid-build or job-order-contracting as provided by title  
10 41, chapter 23. The construction planning and services performed pursuant to  
11 this subsection are exempt from section 41-791.01.

12 J. The school facilities board may enter into agreements with school  
13 districts to allow school facilities board staff and contractors access to  
14 school property for the purposes of performing the construction services  
15 necessary pursuant to subsection I of this section.

16 K. Each school district shall develop routine preventative maintenance  
17 guidelines for its facilities. The guidelines shall include plumbing  
18 systems, electrical systems, heating, ventilation and air conditioning  
19 systems, special equipment and other systems and for roofing systems shall  
20 recommend visual inspections performed by district staff for signs of  
21 structural stress and weakness. The guidelines shall be submitted to the  
22 school facilities board for review and approval. If on inspection by the  
23 school facilities board it is determined that a school district facility was  
24 inadequately maintained pursuant to the school district's routine  
25 preventative maintenance guidelines, the school district shall ~~use building~~  
26 ~~renewal monies pursuant to section 15-2031, subsection L to~~ return the  
27 building to compliance with the school district's routine preventative  
28 maintenance guidelines. ~~Once the district is in compliance, it no longer is~~  
29 ~~required to use building renewal monies for preventative maintenance.~~

30 L. The school facilities board may temporarily transfer monies between  
31 the capital reserve fund established by section 15-2003, the emergency  
32 deficiencies correction fund established by section 15-2022, ~~the building~~  
33 ~~renewal fund established by section 15-2031~~ and the new school facilities  
34 fund established by section 15-2041 if all of the following conditions are  
35 met:

36 1. The transfer is necessary to avoid a temporary shortfall in the  
37 fund into which the monies are transferred.

38 2. The transferred monies are restored to the fund where the monies  
39 originated as soon as practicable after the temporary shortfall in the other  
40 fund has been addressed.

41 3. The school facilities board reports to the joint committee on  
42 capital review the amount of and the reason for any monies transferred.

43 M. After notifying each school district, and if a written objection  
44 from the school district is not received by the school facilities board  
45 within thirty days of the notification, the school facilities board may

1 access public utility company records of power, water, natural gas, telephone  
2 and broadband usage to assemble consistent and accurate data on utility  
3 consumption at school facilities to determine the effectiveness of facility  
4 design, operation and maintenance measures intended to reduce energy and  
5 water consumption and costs. Any public utility that provides service to a  
6 school district in this state shall provide the data requested by the school  
7 facilities board pursuant to this subsection.

8 N. The school facilities board shall not require a common school  
9 district that provides instruction to pupils in grade nine to obtain approval  
10 from the school facilities board to reconfigure its school facilities. A  
11 common school district that provides instruction to pupils in grade nine is  
12 not entitled to additional monies from the school facilities board for  
13 facilities to educate pupils in grade nine.

14 Sec. 39. Section 15-2004, Arizona Revised Statutes, is amended to  
15 read:

16 15-2004. School facilities board lease-to-own; fund; expiration

17 A. In order to fulfill the requirements of section 15-2041, the school  
18 facilities board may acquire school facilities for the use of one or more  
19 school districts by entering into one or more lease-to-own transactions in  
20 accordance with this section. For purposes of this section, providing school  
21 facilities includes land acquisition, related infrastructure, fixtures,  
22 furnishings, equipment and costs of the lease-to-own transaction. The school  
23 facilities board may provide monies to provide school facilities in part  
24 pursuant to section 15-2041 and in part through a lease-to-own transaction.

25 B. A lease-to-own transaction may provide for:

26 1. The ground lease of the land for the facilities to a private entity  
27 for the term of the lease-to-own transaction or for a term of up to one and  
28 one-half times the term of the lease-to-own transaction, subject to earlier  
29 termination on completion of performance of the lease-to-own agreement. The  
30 ground lessor may either be the school district or the school facilities  
31 board, whichever holds title to the land.

32 2. The lease of the completed school facilities by a private entity to  
33 the school facilities board for an extended term of years pursuant to a  
34 lease-to-own agreement.

35 3. The sublease of the completed school facilities by the school  
36 facilities board to the school district during the term of the lease-to-own  
37 agreement. The sublease shall provide for the use, maintenance and operation  
38 of the school facilities by the school district and for the transfer of  
39 ownership of the school facilities to the school district on completion of  
40 performance of the lease-to-own agreement.

41 4. The option for the school facilities board's purchase of the school  
42 facilities and transfer of ownership of the school facilities to the school  
43 district before the expiration of the lease-to-own agreement.

1           5. The services of trustees, financial advisors, paying agents,  
2 transfer agents, underwriters, lawyers and other professional service  
3 providers, credit enhancements or liquidity facilities and all other services  
4 considered necessary by the school facilities board in connection with the  
5 lease-to-own transaction, and related agreements and arrangements including  
6 arrangements for the creation and sale of certificates of participation  
7 evidencing proportionate interests in the lease payments to be made by the  
8 school facilities board pursuant to the lease-to-own agreement.

9           C. The sublease of the school facilities to the school district is  
10 subject to this section and to the provisions of the lease-to-own agreement.  
11 Neither a ground lease by the school district as lessor nor a sublease of the  
12 school facilities to the school district is required to be authorized by a  
13 vote of the school district electors. A ground lease is not subject to any  
14 limitations or requirements applicable to leases or lease-purchase agreements  
15 pursuant to section 15-342 or any other section of this title.

16           D. Any school facility that is constructed through a lease-to-own  
17 agreement shall meet the minimum building adequacy standards set forth in  
18 section 15-2011.

19           E. School districts may use local monies to exceed the minimum  
20 adequacy standards and to build athletic fields and any other capital project  
21 for leased-to-own facilities.

22           F. The school facilities board shall include any square footage of new  
23 school facilities constructed through lease-to-own agreements in the  
24 computations prescribed in section 15-2011.

25           ~~G. Pursuant to section 15-2031, a school district is eligible to~~  
26 ~~receive building renewal monies for any facility constructed through a~~  
27 ~~lease to own agreement. If a facility's building maintenance renewal is~~  
28 ~~included in the lease to own agreement, the facility shall not be included in~~  
29 ~~the district's building renewal calculation.~~

30           H. G. A lease-to-own fund is established consisting of monies  
31 appropriated by the legislature. The school facilities board shall  
32 administer the fund and distribute monies in the fund to make payments  
33 pursuant to lease-to-own agreements entered into by the school facilities  
34 board pursuant to this section, to make payments to or for the benefit of  
35 school districts pursuant to local lease-to-own agreements entered into by  
36 school districts pursuant to section 15-2005 and to pay costs considered  
37 necessary by the school facilities board in connection with lease-to-own  
38 transactions and local lease-to-own transactions. Payments by the school  
39 facilities board pursuant to a lease-to-own agreement or local lease-to-own  
40 agreement shall be made only from the lease-to-own fund. On notice from the  
41 school facilities board, the state treasurer shall invest and divest monies  
42 in the fund as provided by section 35-313, and monies earned from investment  
43 shall be credited to the lease-to-own fund.

1           ~~I~~ H. A lease-to-own agreement entered into by the school facilities  
2 board pursuant to this section shall provide that:

3           1. At the completion of the lease-to-own agreement, ownership of the  
4 school facilities and land associated with the lease-to-own agreement shall  
5 be transferred to the school district as specified in the agreement.

6           2. The obligation of the school facilities board to make any payment  
7 under the lease-to-own agreement is a current expense, payable exclusively  
8 from appropriated monies, and is not a general obligation indebtedness of  
9 this state or the school facilities board. The obligation of a school  
10 district to make expenditures under a sublease pursuant to subsection B,  
11 paragraph 3 of this section is a current expense, payable exclusively from  
12 budgeted monies, and is not a general obligation indebtedness of the school  
13 district.

14           3. If the legislature fails to appropriate monies or the school  
15 facilities board fails to allocate such monies for any periodic payment or  
16 renewal term of the lease-to-own agreement, the lease-to-own agreement  
17 terminates at the end of the current term and this state and the school  
18 facilities board are relieved of any subsequent obligation under the  
19 agreement and the school district is relieved of any subsequent obligation  
20 under the sublease.

21           4. The lease-to-own agreement shall be reviewed and approved by the  
22 attorney general before the agreement may take effect.

23           5. Before the agreement takes effect and after review by the attorney  
24 general, the project or projects related to the agreement shall be submitted  
25 for review by the joint committee on capital review.

26           ~~J~~ I. The school facilities board may covenant to use its best  
27 efforts to budget, obtain, allocate and maintain sufficient appropriated  
28 monies to make payments under a lease-to-own agreement, but the lease-to-own  
29 agreement shall acknowledge that appropriating state monies is a legislative  
30 act and is beyond the control of the school facilities board or of any other  
31 party to the lease-to-own agreement.

32           ~~K~~ J. The land and the school facilities on the land are exempt from  
33 taxation during the term of the lease-to-own agreement and during  
34 construction and subsequent occupancy by the school district pursuant to the  
35 sublease.

36           ~~L~~ K. The powers prescribed in this section are in addition to the  
37 powers conferred by any other law. Without reference to any other provision  
38 of this title or to any other law, this section is authority for the  
39 completion of the purposes prescribed in this section for the school  
40 facilities board to provide school facilities for use by school districts  
41 through lease-to-own transactions pursuant to this section without regard to  
42 the procedure required by any other law. Except as otherwise provided in  
43 this section, the provisions of this title that relate to the matters  
44 contained in this section are superseded because this section is the  
45 exclusive law on these matters.

1 ~~M.~~ L. The school facilities board shall not enter into lease-to-own  
2 transactions, including any refinancings or refundings, pursuant to this  
3 section from and after May 15, 2006.

4 Sec. 40. Section 15-2005, Arizona Revised Statutes, is amended to  
5 read:

6 15-2005. Local lease-to-own by school districts: expiration

7 A. In order to fulfill the requirements of section 15-2041, with the  
8 approval of the school facilities board, a school district may acquire school  
9 facilities by entering into a local lease-to-own transaction in accordance  
10 with this section. For purposes of this section, providing school facilities  
11 includes land acquisition, related infrastructure, fixtures, furnishings,  
12 equipment and costs of the local lease-to-own transaction. The school  
13 facilities board may provide monies to provide school facilities in part  
14 pursuant to section 15-2041 and in part through payments to or for the  
15 benefit of a school district for a local lease-to-own transaction.

16 B. A local lease-to-own transaction may provide for:

17 1. The ground lease of the land for the facilities to a private entity  
18 for the term of the local lease-to-own transaction or for a term of up to one  
19 and one-half times the term of the local lease-to-own transaction, subject to  
20 earlier termination on completion of performance of the local lease-to-own  
21 agreement. The ground lessor may either be the school district or the school  
22 facilities board, whichever holds title to the land.

23 2. The lease of the completed school facilities by a private entity to  
24 the school district for an extended term of years pursuant to a local  
25 lease-to-own agreement. The local lease-to-own agreement shall provide for  
26 the use, maintenance and operation of the school facilities by the school  
27 district and for the transfer of ownership of the school facilities to the  
28 school district on completion of performance of the local lease-to-own  
29 agreement.

30 3. The option for the school district's purchase of the school  
31 facilities and transfer of ownership of the school facilities to the school  
32 district before the expiration of the local lease-to-own agreement.

33 4. The services of trustees, financial advisors, paying agents,  
34 transfer agents, underwriters, lawyers and other professional service  
35 providers, credit enhancements or liquidity facilities and all other services  
36 considered necessary by the school district or the school facilities board in  
37 connection with the local lease-to-own transaction, and related agreements  
38 and arrangements including arrangements for the creation and sale of  
39 certificates of participation evidencing proportionate interests in the lease  
40 payments to be made by the school district pursuant to the local lease-to-own  
41 agreement.

42 C. Neither a ground lease by the school district as lessor nor a local  
43 lease-to-own agreement is required to be authorized by a vote of the school  
44 district electors. A ground lease is not subject to any limitations or

1 requirements applicable to leases or lease-purchase agreements pursuant to  
2 section 15-342 or any other section of this title.

3 D. The school facilities board may make payments to or for the benefit  
4 of the school district from the lease-to-own fund established by section  
5 15-2004 for the payment of amounts payable under the local lease-to-own  
6 agreement.

7 E. Any school facility that is constructed through a lease-to-own  
8 agreement shall meet the minimum building adequacy standards set forth in  
9 section 15-2011.

10 F. School districts may use local monies to exceed the minimum  
11 adequacy standards and to build athletic fields and any other capital project  
12 for leased-to-own facilities.

13 G. The school facilities board shall include any square footage of new  
14 school facilities constructed through lease-to-own agreements in the  
15 computations prescribed in section 15-2011.

16 ~~H. Pursuant to section 15-2031, a school district is eligible to  
17 receive building renewal monies for any facility constructed through a  
18 lease-to-own agreement. If a facility's building maintenance renewal is  
19 included in the lease-to-own agreement, the facility shall not be included in  
20 the district's building renewal calculation.~~

21 ~~I.~~ H. A local lease-to-own agreement entered into by a school  
22 district pursuant to this section shall provide that:

23 1. At the completion of the lease-to-own agreement, ownership of the  
24 school facilities and land associated with the lease-to-own agreement shall  
25 be transferred to the school district as specified in the agreement.

26 2. The obligation of the school district to make any payment or  
27 expenditure under the local lease-to-own agreement is a current expense,  
28 payable exclusively from properly budgeted monies, and is not a general  
29 obligation indebtedness of this state, the school facilities board or the  
30 school district, and that any payment by the school facilities board to or  
31 for the benefit of the school district from the lease-to-own fund established  
32 by section 15-2004 for payments of amounts payable under the local  
33 lease-to-own agreement is a current expense, payable exclusively from  
34 appropriated monies, and is not a general obligation indebtedness of this  
35 state or the school facilities board.

36 3. If the school district fails to properly budget for payments under  
37 the local lease-to-own agreement or if the legislature fails to appropriate  
38 monies or the school facilities board fails to allocate monies for periodic  
39 payment to or for the benefit of the school district for payments under the  
40 local lease-to-own agreement, the local lease-to-own agreement terminates at  
41 the end of the current term and the school district, the school facilities  
42 board and this state are relieved of any subsequent obligation under the  
43 local lease-to-own agreement.

44 4. The local lease-to-own agreement shall be reviewed and approved by  
45 the attorney general before the agreement may take effect.



1 available for each pupil in conjunction with the need for specialized spaces  
2 and equipment.

3 2. The buildings are in compliance with federal, state and local  
4 building and fire codes and laws that are applicable to the particular  
5 building. An existing school building is not required to comply with current  
6 requirements for new buildings unless this compliance is specifically  
7 mandated by law or by the building or fire code of the jurisdiction where the  
8 building is located.

9 3. The building systems, including roofs, plumbing, telephone systems,  
10 electrical systems, heating systems and cooling systems, are in working order  
11 and are capable of being properly maintained.

12 4. The buildings are structurally sound.

13 C. The standards that shall be used by the school facilities board to  
14 determine whether a school building meets the minimum adequate gross square  
15 footage requirements are as follows:

16 1. For a school district that provides instruction to pupils in  
17 programs for preschool children with disabilities, kindergarten programs and  
18 grades one through six, eighty square feet per pupil in programs for  
19 preschool children with disabilities, kindergarten programs and grades one  
20 through six.

21 2. For a school district that provides instruction to up to eight  
22 hundred pupils in grades seven and eight, eighty-four square feet per pupil  
23 in grades seven and eight.

24 3. For a school district that provides instruction to more than eight  
25 hundred pupils in grades seven and eight, eighty square feet per pupil in  
26 grades seven and eight or sixty-seven thousand two hundred square feet,  
27 whichever is more.

28 4. For a school district that provides instruction to up to four  
29 hundred pupils in grades nine through twelve, one hundred twenty-five square  
30 feet per pupil in grades nine through twelve.

31 5. For a school district that provides instruction to more than four  
32 hundred and up to one thousand pupils in grades nine through twelve, one  
33 hundred twenty square feet per pupil in grades nine through twelve or fifty  
34 thousand square feet, whichever is more.

35 6. For a school district that provides instruction to more than one  
36 thousand and up to one thousand eight hundred pupils in grades nine through  
37 twelve, one hundred twelve square feet per pupil in grades nine through  
38 twelve or one hundred twenty thousand square feet, whichever is more.

39 7. For a school district that provides instruction to more than one  
40 thousand eight hundred pupils in grades nine through twelve, ninety-four  
41 square feet per pupil in grades nine through twelve or two hundred one  
42 thousand six hundred square feet, whichever is more.

43 D. The school facilities board may modify the square footage  
44 requirements prescribed in subsection C of this section or modify the amount  
45 of monies awarded to cure the square footage deficiency pursuant to this

1 section for particular school districts based on extraordinary circumstances  
2 for any of the following considerations:

- 3 1. The number of pupils served by the school district.
- 4 2. Geographic factors.
- 5 3. Grade configurations other than those prescribed in subsection C of  
6 this section.

7 E. In measuring the square footage per pupil requirements of  
8 subsection C of this section, the school facilities board shall:

- 9 1. Use the most recent one hundredth day average daily membership.
- 10 2. For each school, use the lesser of either:
  - 11 (a) Total gross square footage.
  - 12 (b) Student capacity multiplied by the appropriate square footage per  
13 pupil prescribed by subsection C of this section.

14 3. Consider the total space available in all schools in use in the  
15 school district, except that the school facilities board shall allow an  
16 exclusion of the square footage for certain schools and the pupils within the  
17 schools' boundaries if the school district demonstrates to the board's  
18 satisfaction unusual or excessive busing of pupils or unusual attendance  
19 boundary changes between schools.

20 4. Compute the gross square footage of all buildings by measuring from  
21 exterior wall to exterior wall. Square footage used solely for district  
22 administration, storage of vehicles and other nonacademic purposes shall be  
23 excluded from the gross square footage.

24 5. Include all portable and modular buildings.

25 6. Include in the net square footage new construction funded wholly or  
26 partially by the school facilities board based on the square footage funded  
27 by the school facilities board. If the new construction is to exceed the  
28 square footage funded by the school facilities board, the excess square  
29 footage shall not be included in the net square footage if any of the  
30 following applies:

31 (a) The excess square footage was constructed before July 1, 2002 or  
32 funded by a class B bond, impact aid revenue bond or capital outlay override  
33 approved by the voters after August 1, 1998 and before June 30, 2002 or  
34 funded from unrestricted capital outlay expended before June 30, 2002.

35 (b) The excess square footage of new school facilities does not exceed  
36 twenty-five per cent of the minimum square footage requirements pursuant to  
37 subsection C of this section.

38 (c) The excess square footage of expansions to school facilities does  
39 not exceed twenty-five per cent of the minimum square footage requirements  
40 pursuant to subsection C of this section.

41 ~~7. Require that excess square footage that is constructed after July~~  
42 ~~1, 2002 and that is not excluded pursuant to paragraph 6 of this subsection~~  
43 ~~meets the minimum school facility adequacy guidelines in order to be eligible~~  
44 ~~for building renewal monies as computed in section 15-2031.~~

1           ~~8-~~ 7. Exclude square footage built under a developer agreement  
2 according to section 15-342, paragraph 33 until the school facilities board  
3 provides funding for the square footage under section 15-2041, subsection 0.

4           ~~9-~~ 8. Include square footage that a school district has leased to  
5 another entity, including square footage leased to a charter school that is  
6 sponsored by a school district pursuant to section 15-183.

7           F. The school facilities board shall adopt rules establishing minimum  
8 school facility adequacy guidelines. The guidelines shall provide the  
9 minimum quality and quantity of school buildings and facilities and equipment  
10 necessary and appropriate to enable pupils to achieve the academic standards  
11 pursuant to section 15-203, subsection A, paragraphs 12 and 13 and sections  
12 15-701 and 15-701.01. At a minimum, the school facilities board shall  
13 address all of the following in developing these guidelines:

- 14           1. School sites.
- 15           2. Classrooms.
- 16           3. Libraries and media centers, or both.
- 17           4. Cafeterias.
- 18           5. Auditoriums, multipurpose rooms or other multiuse space.
- 19           6. Technology.
- 20           7. Transportation.
- 21           8. Facilities for science, arts and physical education.
- 22           9. Other facilities and equipment that are necessary and appropriate  
23 to achieve the academic standards prescribed pursuant to section 15-203,  
24 subsection A, paragraphs 12 and 13 and sections 15-701 and 15-701.01.
- 25           10. Appropriate combinations of facilities or uses listed in this  
26 section.

27           G. The board shall consider the facilities and equipment of the  
28 schools with the highest academic productivity scores, as prescribed in  
29 section 15-2002, subsection A, paragraph 9, subdivision (d), and the highest  
30 parent quality ratings in the establishment of the guidelines.

31           H. The school facilities board may consider appropriate combinations  
32 of facilities or uses in making assessments of and curing existing  
33 deficiencies pursuant to section 15-2002, subsection A, paragraph 1 and in  
34 certifying plans for new school facilities pursuant to section 15-2002,  
35 subsection A, paragraph 5.

36           I. For the purposes of this section, "student capacity" means the  
37 capacity adjusted to include any additions to or deletions of space,  
38 including modular or portable buildings at the school. The school facilities  
39 board shall determine the student capacity for each school in conjunction  
40 with each school district, recognizing each school's allocation of space as  
41 of July 1, 1998, to achieve the academic standards prescribed pursuant to  
42 section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and  
43 15-701.01.

1           Sec. 42. Repeal  
2           Section 15-2031, Arizona Revised Statutes, is repealed.  
3           Sec. 43. Section 15-2032, Arizona Revised Statutes, is amended to  
4 read:  
5           15-2032. School facilities board building renewal grant fund:  
6                   definitions  
7           A. ~~Notwithstanding section 15-2031,~~ The building renewal grant fund is  
8 established consisting of monies appropriated to the fund by the legislature.  
9 The school facilities board shall administer the fund and distribute monies  
10 to school districts for the purpose of maintaining the adequacy of existing  
11 school facilities. Monies in the fund are exempt from the provisions of  
12 section 35-190 relating to lapsing of appropriations.  
13           B. The school facilities board shall distribute monies from the fund  
14 based on grant requests from school districts to fund primary building  
15 renewal projects. Project requests shall be prioritized by the school  
16 facilities board, with priority given to school districts that have provided  
17 routine preventative maintenance on the facility, and to school districts  
18 that can provide a match of monies provided by the fund. The school  
19 facilities board shall approve only projects that will be completed within  
20 twelve months, unless similar projects on average take longer to complete.  
21           C. School districts that receive monies from the fund shall use these  
22 monies on projects for buildings or any part of a building in the school  
23 facilities board's database for any of the following:  
24           1. Major renovations and repairs to a building.  
25           2. Upgrading systems and areas that will maintain or extend the useful  
26 life of the building.  
27           3. Infrastructure costs.  
28           D. Monies received from the fund shall not be used for any of the  
29 following purposes:  
30           1. New construction.  
31           2. Remodeling interior space for aesthetic or preferential reasons.  
32           3. Exterior beautification.  
33           4. Demolition.  
34           ~~5. The purchase of soft capital items pursuant to section 15-962.~~  
35           ~~6.~~ 5. Routine preventative maintenance.  
36           ~~7.~~ 6. Any project in a building, or part of a building, that is being  
37 leased to another entity, including a charter school that is sponsored by a  
38 school district pursuant to section 15-183.  
39           E. ACCOMMODATION SCHOOLS ARE NOT ELIGIBLE FOR MONIES FROM THE BUILDING  
40 RENEWAL GRANT FUND.  
41           ~~E.~~ F. For the purposes of this section:  
42           1. "Primary building renewal projects" means projects that are  
43 necessary for buildings owned by school districts that are required to meet  
44 the minimum adequacy standards for student capacity and that fall below the  
45 minimum school facility adequacy guidelines, as adopted by the school

1 facilities board pursuant to section 15-2011, for school districts that have  
2 provided routine preventative maintenance to the school facility.

3 2. "Routine preventative maintenance" means services that are  
4 performed on a regular schedule at intervals ranging from four times a year  
5 to once every three years and that are intended to extend the useful life of  
6 a building system and reduce the need for major repairs.

7 3. "Student capacity" has the same meaning prescribed in section  
8 15-2011.

9 Sec. 44. 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. The school  
6 facilities board may require a school district to sell land that was  
7 previously purchased entirely with monies provided by the school facilities  
8 board if the school facilities board determines that the property is no  
9 longer needed within the ten year period specified in this subsection for a  
10 new school or no longer needed within that ten year period for an addition to  
11 an existing school. Monies provided for land shall be in addition to any  
12 monies provided pursuant to subsection D of this section.

13 D. The school facilities board shall distribute monies from the new  
14 school facilities fund as follows:

15 1. The school facilities board shall review and evaluate the  
16 enrollment projections. ~~and ON OR BEFORE MARCH 1, FOLLOWING THE SUBMISSION~~  
17 ~~OF THE ENROLLMENT PROJECTIONS, THE SCHOOL FACILITIES BOARD SHALL~~ either  
18 approve the projections as submitted or revise the projections. In  
19 determining new construction requirements, the school facilities board shall  
20 determine the net new growth of pupils that will require additional square  
21 footage that exceeds the building adequacy standards prescribed in section  
22 15-2011. If the projected growth and the existing number of pupils exceed  
23 three hundred fifty pupils who are served in a school district other than the  
24 pupil's resident school district, the school facilities board, the receiving  
25 school district and the resident school district shall develop a capital  
26 facilities plan on how to best serve those pupils. A small isolated school  
27 district as defined in section 15-901 is not required to develop a capital  
28 facilities plan pursuant to this paragraph.

29 2. If the approved projections indicate that additional space ~~will not~~  
30 ~~be needed within the next two years for elementary schools or three years for~~  
31 ~~middle or high schools~~ ~~WOULD NOT HAVE BEEN NEEDED DURING THE CURRENT SCHOOL~~  
32 ~~YEAR~~ in order to meet the building adequacy standards prescribed in section  
33 15-2011, the request shall be held for consideration by the school facilities  
34 board for possible future funding and the school district shall annually  
35 submit an updated plan until the additional space is needed.

36 3. If the approved projections indicate that additional space ~~will be~~  
37 ~~needed within the next two years for elementary schools or three years for~~  
38 ~~middle or high schools~~ ~~WOULD HAVE BEEN NEEDED DURING THE CURRENT SCHOOL YEAR~~  
39 in order to meet the building adequacy standards prescribed in section  
40 15-2011, the school facilities board shall provide an amount as follows:

41 (a) Determine the number of pupils requiring additional square footage  
42 to meet building adequacy standards. This amount for elementary schools  
43 shall not be less than the number of new pupils for whom space will be needed  
44 in the next year and shall not exceed the number of new pupils for whom space  
45 will be needed in the next five years. This amount for middle and high

1 schools shall not be less than the number of new pupils for whom space will  
2 be needed in the next four years and shall not exceed the number of new  
3 pupils for whom space will be needed in the next eight years.

4 (b) Multiply the number of pupils determined in subdivision (a) of  
5 this paragraph by the square footage per pupil. The square footage per pupil  
6 is ninety square feet per pupil for preschool children with disabilities,  
7 kindergarten programs and grades one through six, one hundred square feet for  
8 grades seven and eight, one hundred thirty-four square feet for a school  
9 district that provides instruction in grades nine through twelve for fewer  
10 than one thousand eight hundred pupils and one hundred twenty-five square  
11 feet for a school district that provides instruction in grades nine through  
12 twelve for at least one thousand eight hundred pupils. The total number of  
13 pupils in grades nine through twelve in the district shall determine the  
14 square footage factor to use for net new pupils. The school facilities board  
15 may modify the square footage requirements prescribed in this subdivision for  
16 particular schools based on any of the following factors:

17 (i) The number of pupils served or projected to be served by the  
18 school district.

19 (ii) Geographic factors.

20 (iii) Grade configurations other than those prescribed in this  
21 subdivision.

22 (iv) Compliance with minimum school facility adequacy requirements  
23 established pursuant to section 15-2011.

24 (c) Multiply the product obtained in subdivision (b) of this paragraph  
25 by the cost per square foot. The cost per square foot is ninety dollars for  
26 preschool children with disabilities, kindergarten programs and grades one  
27 through six, ninety-five dollars for grades seven and eight and one hundred  
28 ten dollars for grades nine through twelve. The cost per square foot shall  
29 be adjusted annually for construction market considerations based on an index  
30 identified or developed by the joint legislative budget committee as  
31 necessary but not less than once each year. The school facilities board  
32 shall multiply the cost per square foot by 1.05 for any school district  
33 located in a rural area. The school facilities board may only modify the  
34 base cost per square foot prescribed in this subdivision for particular  
35 schools based on geographic conditions or site conditions. For the purposes  
36 of this subdivision, "rural area" means an area outside a thirty-five mile  
37 radius of a boundary of a municipality with a population of more than fifty  
38 thousand persons.

39 (d) Once the school district governing board obtains approval from the  
40 school facilities board for new facility construction funds, additional  
41 portable or modular square footage created for the express purpose of  
42 providing temporary space for pupils until the completion of the new facility  
43 shall not be included by the school facilities board for the purpose of new  
44 construction funding calculations. On completion of the new facility  
45 construction project, if the portable or modular facilities continue in use,

1 the portable or modular facilities shall be included as prescribed by this  
2 chapter, unless the school facilities board approves their continued use for  
3 the purpose of providing temporary space for pupils until the completion of  
4 the next new facility that has been approved for funding from the new school  
5 facilities fund.

6 4. For projects approved after December 31, 2001, and notwithstanding  
7 paragraph 3 of this subsection, a unified school district that does not have  
8 a high school is not eligible to receive high school space as prescribed by  
9 section 15-2011 and this section unless the unified district qualifies for  
10 geographic factors prescribed by paragraph 3, subdivision (b), item (ii) of  
11 this subsection.

12 5. If a joint technical education district leases a building from a  
13 school district, that building shall be included in the school district's  
14 square footage calculation for the purposes of new construction pursuant to  
15 this section.

16 6. If a school district leases a building to another entity, including  
17 a charter school that is sponsored by a school district pursuant to section  
18 15-183, that building shall be included in the school district's square  
19 footage calculation for purposes of new construction pursuant to this  
20 section.

21 7. A SCHOOL DISTRICT SHALL QUALIFY FOR NEW CONSTRUCTION FUNDING IN A  
22 FISCAL YEAR ONLY IF THE SCHOOL FACILITIES BOARD HAS APPROVED OR REVISED ITS  
23 ENROLLMENT PROJECTION UNDER PARAGRAPH 3 OF THIS SUBSECTION ON OR BEFORE MARCH  
24 1 OF THE PRIOR FISCAL YEAR.

25 E. Monies for architectural and engineering fees, project management  
26 services and preconstruction services shall be distributed on the completion  
27 of the analysis by the school facilities board of the school district's  
28 request. After receiving monies pursuant to this subsection, the school  
29 district shall submit a design development plan for the school or addition to  
30 the school facilities board before any monies for construction are  
31 distributed. If the school district's request meets the building adequacy  
32 standards, the school facilities board may review and comment on the  
33 district's plan with respect to the efficiency and effectiveness of the plan  
34 in meeting state square footage and facility standards before distributing  
35 the remainder of the monies. If the school facilities board modifies the  
36 cost per square foot as prescribed in subsection D, paragraph 3, subdivision  
37 (c) of this section, the school facilities board may deduct the cost of  
38 project management services and preconstruction services from the required  
39 cost per square foot. The school facilities board may decline to fund the  
40 project if the square footage is no longer required due to revised enrollment  
41 projections.

42 F. The school facilities board shall distribute the monies needed for  
43 land for new schools so that land may be purchased at a price that is less  
44 than or equal to fair market value and in advance of the construction of the  
45 new school. If necessary, the school facilities board may distribute monies

1 for land to be leased for new schools if the duration of the lease exceeds  
2 the life expectancy of the school facility by at least fifty per cent. A  
3 school district shall not use land purchased or partially purchased with  
4 monies provided by the school facilities board for a purpose other than a  
5 site for a school facility without obtaining prior written approval from the  
6 school facilities board. A school district shall not lease, sell or take any  
7 action that would diminish the value of land purchased or partially purchased  
8 with monies provided by the school facilities board without obtaining prior  
9 written approval from the school facilities board. The proceeds derived  
10 through the sale of any land purchased or partially purchased, or the sale of  
11 buildings funded or partially funded, with monies provided by the school  
12 facilities board shall be returned to the state fund from which it was  
13 appropriated and to any other participating entity on a proportional basis.  
14 Except as provided in section 15-342, paragraph 33, if a school district  
15 acquires real property by donation at an appropriate school site approved by  
16 the school facilities board, the school facilities board shall distribute an  
17 amount equal to twenty per cent of the fair market value of the donated real  
18 property that can be used for academic purposes. The school district shall  
19 place the monies in the unrestricted capital outlay fund and increase the  
20 unrestricted capital budget limit by the amount of monies placed in the fund.  
21 Monies distributed under this subsection shall be distributed from the new  
22 school facilities fund. A school district that receives monies from the new  
23 school facilities fund for a donation of land pursuant to section 15-342,  
24 paragraph 33 shall not receive monies from the school facilities board for  
25 the donation of real property pursuant to this subsection. A school district  
26 shall not pay a consultant a percentage of the value of any of the following:  
27 1. Donations of real property, services or cash from any of the  
28 following:  
29 (a) Entities that have offered to provide construction services to the  
30 school district.  
31 (b) Entities that have been contracted to provide construction  
32 services to the school district.  
33 (c) Entities that build residential units in that school district.  
34 (d) Entities that develop land for residential use in that school  
35 district.  
36 2. Monies received from the school facilities board on behalf of the  
37 school district.  
38 3. Monies paid by the school facilities board on behalf of the school  
39 district.  
40 G. In addition to distributions to school districts based on pupil  
41 growth projections, a school district may submit an application to the school  
42 facilities board for monies from the new school facilities fund if one or  
43 more school buildings have outlived their useful life. If the school  
44 facilities board determines that the school district needs to build a new  
45 school building for these reasons, the school facilities board shall remove

1 the square footage computations that represent the building from the  
2 computation of the school district's total square footage for purposes of  
3 this section. If the square footage recomputation reflects that the school  
4 district no longer meets building adequacy standards, the school district  
5 qualifies for a distribution of monies from the new school construction  
6 formula in an amount determined pursuant to subsection D of this section.  
7 ~~Buildings removed from a school district's total square footage pursuant to~~  
8 ~~this subsection shall not be included in the computation of monies from the~~  
9 ~~building renewal fund established by section 15-2031.~~ The school facilities  
10 board may only modify the base cost per square foot prescribed in this  
11 subsection under extraordinary circumstances for geographic factors or site  
12 conditions.

13 H. School districts that receive monies from the new school facilities  
14 fund shall establish a district new school facilities fund and shall use the  
15 monies in the district new school facilities fund only for the purposes  
16 prescribed in this section. By October 15 of each year, each school district  
17 shall report to the school facilities board the projects funded at each  
18 school in the previous fiscal year with monies from the district new school  
19 facilities fund and shall provide an accounting of the monies remaining in  
20 the new school facilities fund at the end of the previous fiscal year.

21 I. If a school district has surplus monies received from the new  
22 school facilities fund, the school district may use the surplus monies only  
23 for capital purposes for the project for up to one year after completion of  
24 the project. If the school district possesses surplus monies from the new  
25 school construction project that have not been expended within one year of  
26 the completion of the project, the school district shall return the surplus  
27 monies to the school facilities board for deposit in the new school  
28 facilities fund.

29 J. The board's consideration of any application filed after December  
30 31 of the year in which the property becomes territory in the vicinity of a  
31 military airport or ancillary military facility as defined in section 28-8461  
32 for monies to fund the construction of new school facilities proposed to be  
33 located in territory in the vicinity of a military airport or ancillary  
34 military facility shall include, if after notice is transmitted to the  
35 military airport pursuant to section 15-2002 and before the public hearing  
36 the military airport provides comments and an analysis concerning  
37 compatibility of the proposed school facilities with the high noise or  
38 accident potential generated by military airport or ancillary military  
39 facility operations that may have an adverse effect on public health and  
40 safety, consideration and analysis of the comments and analysis provided by  
41 the military airport before making a final determination.

42 K. If a school district uses its own project manager for new school  
43 construction, the members of the school district governing board and the  
44 project manager shall sign an affidavit stating that the members and the

1 project manager understand and will follow the minimum adequacy requirements  
2 prescribed in section 15-2011.

3 L. The school facilities board shall establish a separate account in  
4 the new school facilities fund designated as the litigation account to pay  
5 attorney fees, expert witness fees and other costs associated with litigation  
6 in which the school facilities board pursues the recovery of damages for  
7 deficiencies correction that resulted from alleged construction defects or  
8 design defects that the school facilities board believes caused or  
9 contributed to a failure of the school building to conform to the building  
10 adequacy requirements prescribed in section 15-2011. Attorney fees paid  
11 pursuant to this subsection shall not exceed the market rate for similar  
12 types of litigation. On or before December 1 of each year, the school  
13 facilities board shall report to the joint committee on capital review the  
14 costs associated with current and potential litigation that may be paid from  
15 the litigation account.

16 M. Until the state board of education and the auditor general adopt  
17 rules pursuant to section 15-213, subsection I, the school facilities board  
18 may allow school districts to contract for construction services and  
19 materials through the qualified select bidders list method of project  
20 delivery for new school facilities pursuant to this section.

21 N. The school facilities board shall submit electronically a report on  
22 project management services and preconstruction services to the governor, the  
23 president of the senate and the speaker of the house of representatives by  
24 December 31 of each year. The report shall compare projects that use project  
25 management and preconstruction services with those that do not. The report  
26 shall address cost, schedule and other measurable components of a  
27 construction project. School districts, construction manager at risk firms  
28 and project management firms that participate in a school facilities board  
29 funded project shall provide the information required by the school  
30 facilities board in relation to this report.

31 O. If a school district constructs new square footage according to  
32 section 15-342, paragraph 33, the school facilities board shall review the  
33 design plans and location of any new school facility submitted by school  
34 districts and another party to determine whether the design plans comply with  
35 the adequacy standards prescribed in section 15-2011 and the square footage  
36 per pupil requirements pursuant to subsection D, paragraph 3, subdivision (b)  
37 of this section. When the school district qualifies for a distribution of  
38 monies from the new school facilities fund according to this section, the  
39 school facilities board shall distribute monies to the school district from  
40 the new school facilities fund for the square footage constructed under  
41 section 15-342, paragraph 33 at the same cost per square foot established by  
42 this section that was in effect at the time of the beginning of the  
43 construction of the school facility. Before the school facilities board  
44 distributes any monies pursuant to this subsection, the school district shall  
45 demonstrate to the school facilities board that the facilities to be funded

1 pursuant to this section meet the minimum adequacy standards prescribed in  
2 section 15-2011. The agreement entered into pursuant to section 15-342,  
3 paragraph 33 shall set forth the procedures for the allocation of these funds  
4 to the parties that participated in the agreement.

5 P. ACCOMMODATION SCHOOLS ARE NOT ELIGIBLE FOR MONIES FROM THE NEW  
6 SCHOOL FACILITIES FUND.

7 Sec. 45. Repeal

8 Laws 2011, second special session, chapter 1, section 135, is repealed.

9 Sec. 46. Joint technical education district equalization  
10 funding; fiscal year 2013-2014

11 Notwithstanding section 15-393, Arizona Revised Statutes, or any other  
12 law, the department of education shall fund state aid for joint technical  
13 education districts with a student count of more than two thousand students  
14 for fiscal year 2013-2014 at ninety-one per cent of the amount that otherwise  
15 would be provided by law and shall reduce its budget limits accordingly.

16 Sec. 47. Deposits in the education learning and accountability  
17 fund

18 On or before December 31, 2013, each community college district shall  
19 transmit six dollars per full-time student equivalent according to the most  
20 recent audit and each university under the jurisdiction of the Arizona board  
21 of regents shall transmit six dollars per actual university full-time  
22 equivalent student to the department of education for deposit in the  
23 education learning and accountability fund established by section 15-249.02,  
24 Arizona Revised Statutes.

25 Sec. 48. School facilities board; refinancing or refunding  
26 agreement

27 A. Notwithstanding section 15-2004, subsection L, Arizona Revised  
28 Statutes, section 15-2005, subsection L, Arizona Revised Statutes, and  
29 section 15-2006, Arizona Revised Statutes, the school facilities board may  
30 enter into a refinancing or refunding agreement in fiscal year 2013-2014 that  
31 will reduce the school facilities board's fiscal year 2013-2014 and fiscal  
32 year 2014-2015 lease-purchase payments by a combined total of at least  
33 \$4,000,000 but that will not increase or decrease the total amount of the  
34 school facilities board's lease-purchase payments in any other fiscal year by  
35 more than \$100,000.

36 B. Before the school facilities board enters into a refinancing or  
37 refunding agreement pursuant to subsection A of this section, the agreement's  
38 proposed terms shall be submitted for review by the joint committee on  
39 capital review.

40 C. The school facilities board shall revert any unexpended monies  
41 appropriated to the new school facilities debt service special line item in  
42 fiscal year 2013-2014 to the state general fund on or before June 30, 2014.



1 funding that each charter school and school district in the state would have  
2 received for fiscal year 2013-2014 without the prescribed reduction.

3 B. For fiscal year 2013-2014, the department of education shall reduce  
4 charter additional assistance for a school district that is not eligible to  
5 receive basic state aid funding for fiscal year 2013-2014 by the amount that  
6 its charter additional assistance would be reduced pursuant to subsection A  
7 of this section if the school district was eligible to receive basic state  
8 aid funding for fiscal year 2013-2014 and shall reduce the school district's  
9 budget limits accordingly.

10 Sec. 55. Pilot program on school emergency readiness; report;  
11 delayed repeal

12 A. The \$3,646,400 state general fund appropriation to the department  
13 of education for the school safety program for fiscal year 2013-2014 in the  
14 general appropriations act includes \$100,000 for a pilot program on school  
15 emergency readiness.

16 B. School districts shall submit applications to the department of  
17 education to participate in the pilot program on or before September 30,  
18 2013.

19 C. On or before November 30, 2013, the department of education shall  
20 select three school districts to participate in the pilot program. The  
21 selected school districts shall collectively consist of no more than  
22 thirty-one individual school sites and shall consist of:

23 1. One school district that is located in a county with a population  
24 of more than eight hundred thousand persons.

25 2. One school district that is located in a county with a population  
26 of more than one hundred thousand persons but less than eight hundred  
27 thousand persons.

28 3. One school district that is located in a county with a population  
29 of less than one hundred thousand persons.

30 D. School districts that are selected to participate in the pilot  
31 program shall be provided and use a readiness and emergency management  
32 program that incorporates the following:

33 1. Education specific emergency management software. All plans and  
34 critical emergency readiness information including contacts, floor plans and  
35 critical equipment photos and locations shall be accessible online and  
36 off-line via mobile device applications. The software used in the pilot  
37 program shall comply with the national emergency information management  
38 system adopted by the federal emergency management agency.

39 2. Training of teachers and administrators in the readiness and  
40 emergency management program.

41 3. The development, implementation and maintenance of a comprehensive  
42 crisis plan for those school districts and their teachers and administrators.

43 E. On or before November 1, 2014, the department of education shall  
44 submit to the governor, the president of the senate and the speaker of the  
45 house of representatives a report that summarizes the results of the pilot

1 program. The department of education shall provide a copy of the annual  
2 report to the secretary of state.

3 F. This section is repealed from and after December 31, 2014.

4 Sec. 56. Transfer; Arizona structured English immersion fund

5 On or before July 31, 2013, the department of education shall transfer  
6 \$10,000,000 to the state general fund from the Arizona structured English  
7 immersion fund established by section 15-756.04, Arizona Revised Statutes.

8 Sec. 57. Soft capital carryforward balances; transfer

9 Notwithstanding any other law, a school district shall transfer any  
10 budget capacity and cash remaining in its soft capital allocation fund at the  
11 end of fiscal year 2012-2013 to its maintenance and operations fund or its  
12 unrestricted capital outlay fund.

13 Sec. 58. Provisions for bonds authorized by prior elections;  
14 legislative finding

15 A. The bonded indebtedness limits prescribed in section 15-1021,  
16 Arizona Revised Statutes, as amended by this act, apply to bonds issued  
17 pursuant to elections held both before and after the effective date of this  
18 act.

19 B. The legislature finds and declares that the social, economic and  
20 financial welfare of the state is affected by the economic and financial  
21 conditions that have existed since 2008 and continue today. The conditions  
22 have caused a decrease in tax revenue and in assessed valuations, which has  
23 resulted in a temporary emergency involving the ability to fund needed  
24 construction and repair of school facilities that is alleviated by this act.