

State of Arizona
Senate
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 48
SENATE BILL 1117

AN ACT

AMENDING SECTIONS 15-904, 15-995 AND 15-2002, ARIZONA REVISED STATUTES;
RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-904, Arizona Revised Statutes, is amended to
3 read:

4 15-904. School district annual financial report; publication;
5 summary

6 A. The governing board of each school district shall publish an annual
7 financial report for the prior fiscal year by November 15. The auditor
8 general in conjunction with the department of education shall prescribe the
9 format of the financial report to be used by school districts. The financial
10 report shall contain budgeted and actual expenditures for the preceding
11 fiscal year and shall be prepared and distributed by October 15 by the school
12 district with a copy to the county school superintendent. A copy of the
13 annual financial report shall be submitted electronically by the school
14 district to the superintendent of public instruction by October 15. The
15 annual financial report shall be approved by the county school superintendent
16 in an electronic procedure as prescribed by the department of education. On
17 or before October 15, the governing board shall submit the annual financial
18 report for the previous fiscal year to the department of education, which
19 shall prominently display this information about that school district on the
20 website maintained by the department. If the school district maintains a
21 website, the school district shall post a link to the website of the
22 department of education where this information about the school district is
23 posted. School districts that are subject to section 15-914.01 are not
24 required to send a copy to the county school superintendent.

25 B. In addition to the information required in subsection A of this
26 section, the annual financial report shall contain detailed information on
27 the school district budgeted and actual expenditures from the bond building
28 fund, the unrestricted capital fund, **THE ADJACENT WAYS FUND**, the deficiencies
29 correction fund and the new school facilities fund, including but not limited
30 to information on classified salaries, employee benefits, interest and fiscal
31 charges, capital lease agreements, land and improvements, buildings and
32 improvements, furniture and equipment, technology and vehicles and
33 transportation equipment for pupils. The information shall specify whether
34 the expenditures are for school district renovation or for new construction,
35 the cost per square foot and land acquisition costs, as appropriate.

36 C. Except as provided in subsection D of this section, the governing
37 board shall publish, by November 15, the annual financial report for the
38 school district either in a newspaper of general circulation within the
39 school district, by electronic transmission of the information to the
40 department of education for posting on the department's website or in the
41 official newspaper of the county as prescribed in section 11-255, or the
42 governing board may mail the annual financial report for the school district
43 to each household in the school district. If the governing board chooses to
44 transmit the report electronically to the department of education, the school
45 district shall provide a link on the school district's website to the report
46 on the department's website. If the governing board chooses to publish the

1 report in a newspaper, the size of the newspaper print shall be at least
2 eight-point type. The cost of publication or mailing shall be a charge
3 against the school district. The publisher's affidavit of publication shall
4 be filed by the governing board of the school district with the
5 superintendent of public instruction within thirty days after publication.

6 D. The governing board may publish or mail a summary of the annual
7 financial report in the same manner as provided in subsection C of this
8 section. The auditor general in conjunction with the department of education
9 shall prescribe the form of the summary of the annual financial report for
10 use by the governing boards.

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

16 Sec. 2. Section 15-995, Arizona Revised Statutes, is amended to read:
17 15-995. Special district assessment for adjacent ways by school
18 district

19 A. The governing board of a school district may contract for
20 constructing, maintaining or otherwise improving any public way adjacent to
21 any parcel of land owned by the school district or leased for school purposes
22 by the school district, or an intersection of any public way adjoining a
23 quarter block in which the parcel of land is situated, and for the
24 construction of sidewalks, sewers, utility lines, roadways and other related
25 improvements in or along such streets and intersections, and to pay for such
26 improvements by the levy of a special assessment ~~upon~~ ON the taxable property
27 in the school district. A school district shall not use any portion of the
28 monies generated from the special assessment for any construction,
29 maintenance or other improvements to the school district's property except
30 improvements necessary to ~~assure~~ ENSURE the safe ingress to and egress from
31 public school property directly adjacent to the public way for buses and fire
32 equipment. The assessment shall be made a part of the itemized statement
33 THAT IS regularly filed with the county school superintendent and ~~showing~~
34 THAT SHOWS the amount of monies needed for the expenses of schools within the
35 school district for the ensuing year. EACH ADJACENT WAYS PROJECT PROPOSAL TO
36 BE FUNDED THROUGH THIS SPECIAL ASSESSMENT MUST BE FILED WITH THE SCHOOL
37 FACILITIES BOARD AND INCLUDE THE PROJECT COST ESTIMATE. IF THE ENTIRE
38 PROJECT COST FOR THE ADJACENT WAYS PROJECT IS GREATER THAN FIFTY THOUSAND
39 DOLLARS, THE EXPENDITURE SHALL NOT BE MADE UNLESS THE SCHOOL FACILITIES BOARD
40 VALIDATES BOTH OF THE FOLLOWING:

41 1. THE PROJECT THAT IS PROPOSED TO BE FUNDED BY THE ASSESSMENT IS IN
42 COMPLIANCE WITH STATE LAWS RELATING TO ADJACENT WAYS PROJECTS.

43 2. THE PROPOSAL SELECTED BY THE SCHOOL DISTRICT DOES NOT CONTAIN
44 ADDITIONAL WORK THAT IS NOT LISTED IN THE ADJACENT WAYS PROPOSAL SUBMITTED BY
45 THE SCHOOL DISTRICT.

- 1 (a) Determine the building capacity value as follows:
- 2 (i) Multiply the student capacity of the building by the per pupil
- 3 square foot capacity established by section 15-2041.
- 4 (ii) Multiply the product determined in item (i) of this subdivision
- 5 by the cost per square foot established by section 15-2041.
- 6 (b) Divide the cost of the renovation by the building capacity value
- 7 determined in subdivision (a) of this paragraph.
- 8 (c) Multiply the quotient determined in subdivision (b) of this
- 9 paragraph by the currently listed age of the building in the database.
- 10 (d) Subtract the product determined in subdivision (c) of this
- 11 paragraph from the currently listed age of the building in the database,
- 12 rounded to the nearest whole number. If the result is a negative number, use
- 13 zero.
- 14 3. Inspect school buildings at least once every five years to ensure
- 15 compliance with the building adequacy standards prescribed in section 15-2011
- 16 and routine preventative maintenance guidelines as prescribed in this section
- 17 with respect to construction of new buildings and maintenance of existing
- 18 buildings. The school facilities board shall randomly select twenty school
- 19 districts every thirty months and inspect them pursuant to this paragraph.
- 20 4. Review and approve student population projections submitted by
- 21 school districts to determine to what extent school districts are entitled to
- 22 monies to construct new facilities pursuant to section 15-2041. The board
- 23 shall make a final determination within six months of the receipt of an
- 24 application by a school district for monies from the new school facilities
- 25 fund.
- 26 5. Certify that plans for new school facilities meet the building
- 27 adequacy standards prescribed in section 15-2011.
- 28 6. Develop prototypical elementary and high school designs. The board
- 29 shall review the design differences between the schools with the highest
- 30 academic productivity scores and the schools with the lowest academic
- 31 productivity scores. The board shall also review the results of a valid and
- 32 reliable survey of parent quality rating in the highest performing schools
- 33 and the lowest performing schools in this state. The survey of parent
- 34 quality rating shall be administered by the department of education. The
- 35 board shall consider the design elements of the schools with the highest
- 36 academic productivity scores and parent quality ratings in the development of
- 37 elementary and high school designs. The board shall develop separate school
- 38 designs for elementary, middle and high schools with varying pupil
- 39 capacities.
- 40 7. Develop application forms, reporting forms and procedures to carry
- 41 out the requirements of this article.
- 42 8. Review and approve or reject requests submitted by school districts
- 43 to take actions pursuant to section 15-341, subsection G.
- 44 9. Submit electronically an annual report on or before December 15 to
- 45 the speaker of the house of representatives, the president of the senate, the

1 superintendent of public instruction, the secretary of state and the governor
2 that includes the following information:

3 (a) A detailed description of the amount of monies distributed by the
4 school facilities board in the previous fiscal year.

5 (b) A list of each capital project that received monies from the
6 school facilities board during the previous fiscal year, a brief description
7 of each project that was funded and a summary of the board's reasons for the
8 distribution of monies for the project.

9 (c) A summary of the findings and conclusions of the building
10 maintenance inspections conducted pursuant to this article during the
11 previous fiscal year.

12 (d) A summary of the findings of common design elements and
13 characteristics of the highest performing schools and the lowest performing
14 schools based on academic productivity, including the results of the parent
15 quality rating survey. For the purposes of this subdivision, "academic
16 productivity" means academic year advancement per calendar year as measured
17 with student-level data using the statewide nationally standardized
18 norm-referenced achievement test.

19 10. On or before December 1 of each year, report electronically to the
20 joint committee on capital review the amounts necessary to fulfill the
21 requirements of sections 15-2022 and 15-2041 for the following three fiscal
22 years. In developing the amounts necessary for this report, the school
23 facilities board shall use the most recent average daily membership data
24 available. On request from the board, the department of education shall make
25 available the most recent average daily membership data for use in
26 calculating the amounts necessary to fulfill the requirements of section
27 15-2041 for the following three fiscal years. The board shall provide copies
28 of the report to the president of the senate, the speaker of the house of
29 representatives and the governor.

30 11. Adopt minimum school facility adequacy guidelines to provide the
31 minimum quality and quantity of school buildings and the facilities and
32 equipment necessary and appropriate to enable pupils to achieve the
33 educational goals of the Arizona state schools for the deaf and the blind.
34 The school facilities board shall establish minimum school facility adequacy
35 guidelines applicable to the Arizona state schools for the deaf and the
36 blind.

37 12. In each even-numbered year, report electronically to the joint
38 committee on capital review the amounts necessary to fulfill the requirements
39 of section 15-2041 for the Arizona state schools for the deaf and the blind
40 for the following two fiscal years. The Arizona state schools for the deaf
41 and the blind shall incorporate the findings of the report in any request for
42 new school facilities monies. Any monies provided to the Arizona state
43 schools for the deaf and the blind for new school facilities are subject to
44 legislative appropriation.

45 13. On or before June 15 of each year, submit electronically detailed
46 information regarding demographic assumptions, a proposed construction

1 schedule and new school construction cost estimates for individual projects
2 approved in the current fiscal year and expected project approvals for the
3 upcoming fiscal year to the joint committee on capital review for its review.
4 A copy of the report shall also be submitted electronically to the governor's
5 office of strategic planning and budgeting. The joint legislative budget
6 committee staff, the governor's office of strategic planning and budgeting
7 staff and the school facilities board staff shall agree on the format of the
8 report.

9 14. Every two years, provide school districts with information on
10 improving and maintaining the indoor environmental quality in school
11 buildings.

12 15. On or before December 31 of each year, report to the joint
13 legislative budget committee on all class B bond approvals by school
14 districts in that year. Each school district shall report to the school
15 facilities board on or before December 1 of each year information required by
16 the school facilities board for the report prescribed in this paragraph.

17 16. VALIDATE PROPOSED ADJACENT WAYS PROJECTS SUBMITTED BY SCHOOL
18 DISTRICTS AS PRESCRIBED IN SECTION 15-995.

19 B. The school facilities board may contract for the following services
20 in compliance with the procurement practices prescribed in title 41,
21 chapter 23:

- 22 1. Private services.
- 23 2. Construction project management services.
- 24 3. Assessments for school buildings to determine if the buildings have
25 outlived their useful life pursuant to section 15-2041, subsection G.
- 26 4. Services related to land acquisition and development of a school
27 site.

28 C. The governor shall appoint an executive director of the school
29 facilities board pursuant to section 38-211. The executive director is
30 eligible to receive compensation as determined pursuant to section 38-611 and
31 may hire and fire necessary staff subject to title 41, chapter 4, article 4
32 and as approved by the legislature in the budget. The executive director
33 shall have demonstrated competency in school finance, facilities design or
34 facilities management, either in private business or government service. The
35 executive director serves at the pleasure of the governor. The staff of the
36 school facilities board is exempt from title 41, chapter 4, articles 5 and 6.
37 The executive director:

- 38 1. Shall analyze applications for monies submitted to the board by
39 school districts.
- 40 2. Shall assist the board in developing forms and procedures for the
41 distribution and review of applications and the distribution of monies to
42 school districts.
- 43 3. May review or audit, or both, the expenditure of monies by a school
44 district for deficiencies corrections and new school facilities.
- 45 4. Shall assist the board in the preparation of the board's annual
46 report.

1 5. Shall research and provide reports on issues of general interest to
2 the board.

3 6. May aid school districts in the development of reasonable and
4 cost-effective school designs in order to avoid statewide duplicated efforts
5 and unwarranted expenditures in the area of school design.

6 7. May assist school districts in facilitating the development of
7 multijurisdictional facilities.

8 8. Shall assist the board in any other appropriate matter or method as
9 directed by the members of the board.

10 9. Shall establish procedures to ensure compliance with the notice and
11 hearing requirements prescribed in section 15-905. The notice and hearing
12 procedures adopted by the board shall include the requirement, with respect
13 to the board's consideration of any application filed after July 1, 2001 or
14 after December 31 of the year in which the property becomes territory in the
15 vicinity of a military airport or ancillary military facility as defined in
16 section 28-8461 for monies to fund the construction of new school facilities
17 proposed to be located in territory in the vicinity of a military airport or
18 ancillary military facility, that the military airport receive notification
19 of the application by first class mail at least thirty days before any
20 hearing concerning the application.

21 10. May expedite any request for monies in which the local match was
22 not obtained for a project that received preliminary approval by the state
23 board for school capital facilities.

24 11. Shall expedite any request for monies in which the school district
25 governing board submits an application that shows an immediate need for a new
26 school facility.

27 12. Shall make a determination as to administrative completion within
28 one month after the receipt of an application by a school district for monies
29 from the new school facilities fund.

30 13. Shall provide technical support to school districts as requested
31 by school districts in connection with the construction of new school
32 facilities and the maintenance of existing school facilities and may contract
33 directly with construction project managers pursuant to subsection B of this
34 section. This paragraph does not restrict a school district from contracting
35 with a construction project manager using district or state resources.

36 D. When appropriate, the school facilities board shall review and use
37 the statewide school facilities inventory and needs assessment conducted by
38 the joint committee on capital review and issued in July, 1995.

39 E. The school facilities board shall contract with one or more private
40 building inspectors to complete an initial assessment of school facilities
41 and equipment and shall inspect each school building in this state at least
42 once every five years to ensure compliance with section 15-2011. A copy of
43 the inspection report, together with any recommendations for building
44 maintenance, shall be provided to the school facilities board and the
45 governing board of the school district.

1 F. The school facilities board may consider appropriate combinations
2 of facilities or uses in making assessments of and curing deficiencies
3 pursuant to subsection A, paragraph 1 of this section and in certifying plans
4 for new school facilities pursuant to subsection A, paragraph 5 of this
5 section.

6 G. The board shall not award any monies to fund new facilities that
7 are financed by class A bonds that are issued by the school district.

8 H. The board shall not distribute monies to a school district for
9 replacement or repair of facilities if the costs associated with the
10 replacement or repair are covered by insurance or a performance or payment
11 bond.

12 I. The board may contract for construction services and materials that
13 are necessary to correct existing deficiencies in school district facilities.
14 The board may procure the construction services necessary pursuant to this
15 subsection by any method, including construction-manager-at-risk,
16 design-build, design-bid-build or job-order-contracting as provided by title
17 41, chapter 23. The construction planning and services performed pursuant to
18 this subsection are exempt from section 41-791.01.

19 J. The school facilities board may enter into agreements with school
20 districts to allow school facilities board staff and contractors access to
21 school property for the purposes of performing the construction services
22 necessary pursuant to subsection I of this section.

23 K. Each school district shall develop routine preventative maintenance
24 guidelines for its facilities. The guidelines shall include plumbing
25 systems, electrical systems, heating, ventilation and air conditioning
26 systems, special equipment and other systems and for roofing systems shall
27 recommend visual inspections performed by district staff for signs of
28 structural stress and weakness. The guidelines shall be submitted to the
29 school facilities board for review and approval. If on inspection by the
30 school facilities board it is determined that a school district facility was
31 inadequately maintained pursuant to the school district's routine
32 preventative maintenance guidelines, the school district shall return the
33 building to compliance with the school district's routine preventative
34 maintenance guidelines.

35 L. The school facilities board may temporarily transfer monies between
36 the capital reserve fund established by section 15-2003, the emergency
37 deficiencies correction fund established by section 15-2022 and the new
38 school facilities fund established by section 15-2041 if all of the following
39 conditions are met:

40 1. The transfer is necessary to avoid a temporary shortfall in the
41 fund into which the monies are transferred.

42 2. The transferred monies are restored to the fund where the monies
43 originated as soon as practicable after the temporary shortfall in the other
44 fund has been addressed.

45 3. The school facilities board reports to the joint committee on
46 capital review the amount of and the reason for any monies transferred.

1 M. After notifying each school district, and if a written objection
2 from the school district is not received by the school facilities board
3 within thirty days of the notification, the school facilities board may
4 access public utility company records of power, water, natural gas, telephone
5 and broadband usage to assemble consistent and accurate data on utility
6 consumption at school facilities to determine the effectiveness of facility
7 design, operation and maintenance measures intended to reduce energy and
8 water consumption and costs. Any public utility that provides service to a
9 school district in this state shall provide the data requested by the school
10 facilities board pursuant to this subsection.

11 N. The school facilities board shall not require a common school
12 district that provides instruction to pupils in grade nine to obtain approval
13 from the school facilities board to reconfigure its school facilities. A
14 common school district that provides instruction to pupils in grade nine is
15 not entitled to additional monies from the school facilities board for
16 facilities to educate pupils in grade nine.

APPROVED BY THE GOVERNOR MARCH 18, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 18, 2016.