

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

**CHAPTER 129**  
**SENATE BILL 1531**

AN ACT

REPEALING SECTION 15-2042, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 16, ARIZONA REVISED STATUTES, BY ADDING ARTICLES 10 AND 11; AMENDING SECTIONS 35-185.01, 35-313 AND 41-3018.19, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3026.01; APPROPRIATING MONIES; RELATING TO PUBLIC SCHOOL CREDIT ENHANCEMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Repeal

3 Section 15-2042, Arizona Revised Statutes, is repealed from and after  
4 September 1, 2017.

5 Sec. 2. Title 15, chapter 16, Arizona Revised Statutes, is amended by  
6 adding articles 10 and 11, to read:

7 ARTICLE 10. ACHIEVEMENT DISTRICT SCHOOLS

8 15-2141. Achievement district school application

9 A. THE CREDIT ENHANCEMENT ELIGIBILITY BOARD ESTABLISHED BY SECTION  
10 15-2152 SHALL ESTABLISH AN APPLICATION PROCESS, APPLICATION FORMS AND  
11 SELECTION CRITERIA FOR A PUBLIC SCHOOL OR CHARTER SCHOOL TO QUALIFY AS AN  
12 ACHIEVEMENT DISTRICT SCHOOL FOR THE PURPOSES OF ARTICLE 11 OF THIS CHAPTER.

13 B. A PUBLIC SCHOOL OR CHARTER SCHOOL THAT MEETS ALL OF THE FOLLOWING  
14 CRITERIA IS ELIGIBLE TO QUALIFY AS AN ACHIEVEMENT DISTRICT SCHOOL:

15 1. HAS BEEN ASSIGNED A LETTER GRADE OF A, OR AN EQUIVALENT SUCCESSOR  
16 CLASSIFICATION, PURSUANT TO SECTION 15-241.

17 2. HAS PROVEN INSTRUCTIONAL STRATEGIES AND CURRICULA THAT DEMONSTRATE  
18 HIGH ACADEMIC OUTCOMES.

19 3. HAS A VERIFIABLE ENROLLMENT DEMAND, INCLUDING THE PLACEMENT OF  
20 PROSPECTIVE PUPILS ON A WAITING LIST.

21 4. HAS A SOUND FINANCIAL PLAN THAT CONTEMPLATES OPERATIONAL COSTS AND  
22 FUTURE ENROLLMENT GROWTH.

23 5. HAS SHOWN A COMMITMENT TO PROVIDE TECHNICAL ASSISTANCE, INCLUDING  
24 BUSINESS SERVICES, CURRICULUM DEVELOPMENT AND TEACHER TRAINING, TO AN  
25 UNDERPERFORMING SCHOOL IN THE STATE.

26 6. MEETS ANY OTHER CRITERIA ESTABLISHED BY THE CREDIT ENHANCEMENT  
27 ELIGIBILITY BOARD.

28 C. THE CREDIT ENHANCEMENT ELIGIBILITY BOARD SHALL MEET REGULARLY TO  
29 EVALUATE ACHIEVEMENT DISTRICT SCHOOL APPLICATIONS AND SHALL EITHER APPROVE OR  
30 DENY EACH APPLICATION SUBMITTED. THE BOARD SHALL REPORT ITS DECISION ON EACH  
31 APPLICATION TO THE PUBLIC SCHOOL OR CHARTER SCHOOL WITHIN TEN BUSINESS DAYS  
32 AFTER THE BOARD'S DECISION.

33 D. IF A SCHOOL'S APPLICATION IS APPROVED PURSUANT TO THIS SECTION, THE  
34 SCHOOL QUALIFIES AS AN ACHIEVEMENT DISTRICT SCHOOL AND IS ELIGIBLE TO APPLY  
35 FOR PARTICIPATION IN THE ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT PROGRAM  
36 ESTABLISHED BY SECTION 15-2155.

37 ARTICLE 11. ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT PROGRAM

38 15-2151. Definitions

39 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

40 1. "ACHIEVEMENT DISTRICT SCHOOL" MEANS A PUBLIC SCHOOL OR A CHARTER  
41 SCHOOL THAT HAS QUALIFIED AS AN ACHIEVEMENT DISTRICT SCHOOL PURSUANT TO  
42 ARTICLE 10 OF THIS CHAPTER AND THAT HAS SUBMITTED AN APPLICATION WITH THE  
43 BOARD PURSUANT TO THIS ARTICLE TO OBTAIN GUARANTEED FINANCING.

44 2. "BOARD" MEANS THE CREDIT ENHANCEMENT ELIGIBILITY BOARD ESTABLISHED  
45 BY SECTION 15-2152.

1           3. "FUND" MEANS THE ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT FUND  
2 ESTABLISHED BY SECTION 15-2154.

3           4. "GUARANTEED FINANCING" MEANS DEBT OBLIGATIONS THAT ARE ISSUED BY OR  
4 ON BEHALF OF A PUBLIC SCHOOL OR A CHARTER SCHOOL TO ACQUIRE, CONSTRUCT,  
5 RENOVATE, EQUIP, REFINANCE OR IMPROVE CAPITAL FACILITIES AND FOR WHICH THE  
6 BOARD HAS APPROVED A GUARANTEE OF ALL OR A PORTION OF THE PRINCIPAL AND  
7 INTEREST PAYMENTS PURSUANT TO THE PROGRAM.

8           5. "PROGRAM" MEANS THE ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT  
9 PROGRAM ESTABLISHED BY SECTION 15-2155.

10          6. "PROGRAM FUNDING OBLIGATIONS" MEANS PROGRAM FUNDING OBLIGATIONS  
11 APPROVED AND ISSUED BY THE BOARD PURSUANT TO SECTION 15-2157.

12          7. "PROGRAM LEVERAGE RATIO" MEANS THE RATIO AT ANY TIME BETWEEN THE  
13 AGGREGATE PRINCIPAL AMOUNT OF GUARANTEED FINANCINGS OUTSTANDING AND THE  
14 AMOUNTS ON DEPOSIT IN THE FUND.

15           15-2152. Credit enhancement eligibility board; members

16          A. THE CREDIT ENHANCEMENT ELIGIBILITY BOARD IS ESTABLISHED CONSISTING  
17 OF THE FOLLOWING MEMBERS:

- 18           1. THE GOVERNOR OR THE GOVERNOR'S DESIGNEE.  
19           2. THE STATE TREASURER OR THE TREASURER'S DESIGNEE.  
20           3. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION OR THE DIRECTOR'S  
21 DESIGNEE.

22          B. MEMBERS OF THE BOARD ARE NOT ELIGIBLE TO RECEIVE COMPENSATION FOR  
23 SERVICES PERFORMED PURSUANT TO THIS ARTICLE.

24          C. MEMBERS OF THE BOARD ARE PUBLIC OFFICERS WITH RESPECT TO THEIR  
25 SERVICE ON THE BOARD AND ARE SUBJECT TO TITLE 38, CHAPTER 3, ARTICLE 8, AND  
26 THE BOARD IS A PUBLIC BODY FOR THE PURPOSES OF TITLE 38, CHAPTER 3,  
27 ARTICLE 3.1.

28           15-2153. Powers and duties of the board

29          A. THE BOARD IS A BODY CORPORATE AND POLITIC AND MAY HAVE AN OFFICIAL  
30 SEAL THAT IS JUDICIALLY NOTICED.

31          B. THE BOARD MAY:

- 32           1. SUE AND BE SUED IN ITS OWN NAME.  
33           2. CONTRACT AND ENTER INTO AGREEMENTS AS NECESSARY TO CARRY OUT ITS  
34 RESPONSIBILITIES UNDER THIS ARTICLE.

35          3. CONTRACT WITH EXPERTS, ADVISERS, CONSULTANTS AND AGENTS, INCLUDING  
36 FINANCIAL EXPERTS, LEGAL COUNSEL AND OTHER ADVISERS AND CONSULTANTS AS MAY BE  
37 NECESSARY FOR SERVICES TO ASSIST THE BOARD.

38          4. MAKE AND EXECUTE CONTRACTS AND OTHER INSTRUMENTS NECESSARY OR  
39 CONVENIENT FOR THE PERFORMANCE OF ITS DUTIES AND THE EXERCISE OF ITS POWER  
40 AND FUNCTIONS.

41          5. PURSUANT TO SECTION 15-2155, APPROVE FINANCING FOR AN ACHIEVEMENT  
42 DISTRICT SCHOOL AS GUARANTEED FINANCING UNDER THE PROGRAM.

43          6. DO ALL ACTS, WHETHER OR NOT EXPRESSLY AUTHORIZED, THAT MAY BE  
44 DEEMED NECESSARY OR PROPER FOR THE PROTECTION OF THE MONIES IN THE ARIZONA  
45 PUBLIC SCHOOL CREDIT ENHANCEMENT FUND, EXCEPT THAT THE BOARD MAY NOT TAKE ANY

1 ACTION THAT WOULD CREATE A GENERAL OR MORAL OBLIGATION OF THIS STATE OR ANY  
2 AGENCY OF THE STATE.

3 7. CONTRACT WITH ANY ENTITY RELATING TO GUARANTEED FINANCINGS.

4 8. ISSUE PROGRAM FUNDING OBLIGATIONS PURSUANT TO SECTION 15-2157.

5 9. ADOPT RULES GOVERNING THE OPERATION OF THE PROGRAM.

6 10. TAKE ANY OTHER ACTION THAT IS NECESSARY OR APPROPRIATE TO CARRY  
7 OUT THIS ARTICLE.

8 C. THE SCHOOL FACILITIES BOARD SHALL PROVIDE STAFF AS REQUESTED BY THE  
9 BOARD TO SUPPORT THE ACTIVITIES OF THE CREDIT ENHANCEMENT ELIGIBILITY BOARD.

10 15-2154. Arizona public school credit enhancement fund;  
11 purposes; exemption

12 A. THE ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT FUND IS ESTABLISHED  
13 CONSISTING OF:

14 1. PAYMENTS OF PROGRAM PARTICIPATION FEES PAID BY SCHOOLS THAT HAVE  
15 PARTICIPATED IN GUARANTEED FINANCINGS PURSUANT TO SECTION 15-2155.

16 2. REPAYMENTS OF MONIES OF THE FUND THAT ARE USED TO MAKE PAYMENTS OF  
17 PRINCIPAL AND INTEREST ON GUARANTEED FINANCINGS PURSUANT TO SECTION 15-2156.

18 3. THE PROCEEDS OF PROGRAM FUNDING OBLIGATIONS ISSUED BY THE BOARD  
19 PURSUANT TO SECTION 15-2157.

20 4. GIFTS, GRANTS AND DONATIONS RECEIVED FROM ANY PUBLIC OR PRIVATE  
21 SOURCE TO CARRY OUT THE PURPOSES OF THIS ARTICLE.

22 5. INTEREST EARNINGS AND INVESTMENT INCOME EARNED ON MONIES IN THE  
23 FUND.

24 6. ANY OTHER MONIES DISTRIBUTED, PAID OR DEPOSITED TO THE FUND BY LAW  
25 OR PURSUANT TO CONTRACTS ARISING OUT OF A GUARANTEED FINANCING.

26 B. MONIES AND OTHER ASSETS OF THE FUND SHALL BE HELD AND DISBURSED  
27 SEPARATE AND APART FROM ALL OTHER MONIES OR ASSETS OF THIS STATE OR POLITICAL  
28 SUBDIVISIONS OF THIS STATE.

29 C. MONIES IN THE FUND SHALL BE USED FOR THE FOLLOWING PURPOSES:

30 1. BY THE STATE TREASURER TO MAKE PAYMENTS OF PRINCIPAL OR INTEREST ON  
31 GUARANTEED FINANCINGS PURSUANT TO SECTION 15-2156.

32 2. BY THE BOARD AT ITS DIRECTION:

33 (a) TO PAY ANY OPERATIONAL OR ADMINISTRATIVE EXPENSES OF THE BOARD,  
34 INCLUDING FEES FOR ADVISERS, RATING AGENCIES AND PROFESSIONALS RETAINED BY  
35 THE BOARD.

36 (b) TO MAKE PAYMENTS TO BOND INSURERS TO PROVIDE MUNICIPAL BOND  
37 INSURANCE GUARANTEEING THE TIMELY PAYMENT OF ALL OR A PORTION OF ANY  
38 GUARANTEED FINANCING.

39 (c) TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST IN CONNECTION WITH ANY  
40 PROGRAM FUNDING OBLIGATIONS.

41 D. THE STATE TREASURER SHALL ADMINISTER THE FUND AND SHALL DISBURSE  
42 MONIES IN THE FUND AS REQUIRED BY SUBSECTION C, PARAGRAPH 1 OF THIS SECTION  
43 AND AS DIRECTED BY THE BOARD PURSUANT TO SUBSECTION C, PARAGRAPH 2 OF THIS  
44 SECTION. THE STATE TREASURER SHALL SEPARATELY ACCOUNT FOR MONIES RECEIVED  
45 FROM EACH SOURCE LISTED IN SUBSECTION A OF THIS SECTION AND MAY ESTABLISH

1 ACCOUNTS AND SUBACCOUNTS AS NECESSARY TO PROPERLY ACCOUNT FOR AND USE MONIES  
2 IN THE FUND.

3 E. MONIES RECEIVED PURSUANT TO SUBSECTION A OF THIS SECTION MAY NOT BE  
4 USED FOR ANY PURPOSE EXCEPT GUARANTEEING OR MAKING PAYMENTS OF PRINCIPAL AND  
5 INTEREST ON GUARANTEED FINANCINGS APPROVED BY THE BOARD AND ANY COSTS AND  
6 EXPENSES OF THE PROGRAM OR THE BOARD AS PROVIDED IN THIS ARTICLE.

7 F. THE STATE TREASURER SHALL INVEST AND DIVEST MONIES IN THE FUND AS  
8 PROVIDED IN SECTION 35-313, AND MONIES EARNED FROM INVESTMENT SHALL BE  
9 CREDITED TO THE FUND. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF  
10 SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

11 15-2155. Arizona public school credit enhancement program;  
12 eligibility; approval of financing; participation  
13 fee

14 A. THE ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT PROGRAM IS ESTABLISHED  
15 TO ASSIST ACHIEVEMENT DISTRICT SCHOOLS IN OBTAINING MORE FAVORABLE FINANCING  
16 BY GUARANTEEING THE PAYMENT OF PRINCIPAL AND INTEREST ON GUARANTEED  
17 FINANCINGS ISSUED BY OR ON BEHALF OF ACHIEVEMENT DISTRICT SCHOOLS.

18 B. TO BE CONSIDERED FOR A GUARANTEED FINANCING, AN ACHIEVEMENT  
19 DISTRICT SCHOOL SHALL SUBMIT AN APPLICATION TO THE BOARD, ON A FORM AND IN  
20 THE MANNER PRESCRIBED BY THE BOARD, THAT CONTAINS AT LEAST THE FOLLOWING  
21 INFORMATION:

22 1. PROOF OF APPROVAL OF THE SCHOOL'S APPLICATION PURSUANT TO ARTICLE  
23 10 OF THIS CHAPTER AT THE TIME OF APPLYING TO THE BOARD. A SCHOOL'S FAILURE  
24 TO MAINTAIN ONGOING ACHIEVEMENT DISTRICT SCHOOL ELIGIBILITY DOES NOT IMPAIR  
25 OR AFFECT THE VALIDITY OR ENFORCEABILITY OF THE PROGRAM GUARANTEE.

26 2. EXHIBITED SUSTAINABILITY IN THE FINANCIAL OPERATIONS OF THE SCHOOL  
27 OVER AT LEAST TWO YEARS BASED ON FINANCIAL METRICS DETERMINED BY THE BOARD,  
28 INCLUDING DAYS CASH ON HAND, THE RATIO OF OPERATING REVENUES TO DEBT SERVICE  
29 OR THE RATIO OF THE FINANCED PROPERTY VALUE TO ANY DEBT BEING SECURED BY THE  
30 PROPERTY.

31 3. FOR CHARTER SCHOOLS, DEMONSTRATED EXPERIENCE IN OPERATING AND  
32 MANAGING CHARTER SCHOOLS WITH HIGH ACADEMIC OUTCOMES FOR AT LEAST TWO  
33 CONSECUTIVE YEARS.

34 4. INFORMATION REGARDING THE PROPOSED GUARANTEED FINANCING BY OR ON  
35 BEHALF OF THE SCHOOL, INCLUDING THE PLANNED TIMING OF THE FINANCING, SOURCES  
36 AND USES OF MONIES, THE EXPECTED PRINCIPAL AND INTEREST PAYMENT DATES AND  
37 AMOUNTS BY PAYMENT DATE, PLANS FOR FUNDING RESERVES, EXPECTED RATINGS, IF  
38 ANY, AND ANY OTHER INFORMATION THAT WOULD BE USEFUL TO THE BOARD'S  
39 DELIBERATIONS.

40 5. FOR CHARTER SCHOOLS, AN ACKNOWLEDGEMENT THAT THE GUARANTEED  
41 FINANCING WILL INCLUDE A FULLY FUNDED DEBT SERVICE RESERVE EQUAL TO AT LEAST  
42 THE MAXIMUM AMOUNT PERMITTED BY FEDERAL LAW IN CONNECTION WITH THE ISSUANCE  
43 OF TAX EXEMPT OBLIGATIONS.

44 6. THE IDENTIFICATION OF ANY PROPERTY BEING PLEDGED AS COLLATERAL TO  
45 THE GUARANTEED FINANCING AND THE VALUE OF THE PROPERTY.



1 THE STATE TREASURER SHALL PAY FROM THE FUND TO THE BANK TRUSTEE, PAYING AGENT  
2 OR OTHER FIDUCIARY THE AMOUNT TO BE USED SOLELY FOR MAKING PAYMENT OF  
3 PRINCIPAL OR INTEREST ON THE GUARANTEED FINANCING.

4 C. IF THE STATE TREASURER MAKES A PAYMENT IN CONNECTION WITH A  
5 GUARANTEED FINANCING FROM THE FUND PURSUANT TO SUBSECTION B OF THIS SECTION,  
6 THE SCHOOL ON WHOSE BEHALF THE PAYMENT WAS MADE SHALL REPAY THE AMOUNT OF THE  
7 PAYMENT PLUS INTEREST AT A RATE THAT IS ONE HUNDRED BASIS POINTS HIGHER THAN  
8 THE TRUE INTEREST RATE ON THE GUARANTEED FINANCING AS DETERMINED BY THE  
9 BOARD. REPAYMENT SHALL BE MADE IN EQUAL MONTHLY INSTALLMENTS OVER A  
10 TWELVE-MONTH PERIOD OR ANOTHER PERIOD AS DETERMINED BY THE BOARD. THE  
11 REPAYMENTS SHALL BE MADE TO THE STATE TREASURER FOR DEPOSIT IN THE  
12 FUND. AFTER THE STATED REPAYMENT PERIOD, ANY OUTSTANDING REPAYMENT BALANCE  
13 SHALL BECOME IMMEDIATELY DUE AND PAYABLE. ANY REPAYMENT AMOUNT OWED TO THE  
14 FUND THAT IS NOT OTHERWISE PAID REMAINS A LAWFUL OBLIGATION OF THE SCHOOL AND  
15 SHALL BE PAID FROM ANY OTHER MONIES LAWFULLY AVAILABLE TO THE SCHOOL.

16 D. IN EXCHANGE FOR THE GUARANTEE OF THE PAYMENT OF AMOUNTS DUE ON  
17 GUARANTEED FINANCING ISSUED BY OR ON BEHALF OF AN ACHIEVEMENT DISTRICT  
18 SCHOOL, THE BOARD AND THE FUND ARE ENTITLED TO PROTECTIONS AND REMEDIES  
19 RELATING TO THE REPAYMENT OF THE AMOUNT, IF ANY, PAID FROM THE FUND WITH  
20 RESPECT TO THE GUARANTEED FINANCING, AND THE PAYMENT OF PROGRAM PARTICIPATION  
21 FEES. THE PROTECTIONS AND REMEDIES MAY INCLUDE ONE OR MORE OF THE FOLLOWING:

22 1. THE RIGHT TO ALL OR A PORTION OF THE PROCEEDS FROM THE SALE OR  
23 LEASE OF ANY PROPERTY SERVING AS COLLATERAL FOR A GUARANTEED FINANCING.

24 2. THE RIGHT TO INTERCEPT ANY PAYMENTS OR MONIES OTHERWISE PAYABLE TO  
25 THE SCHOOL.

26 3. THE RIGHT TO ANY INSURANCE PROCEEDS OTHERWISE PAYABLE TO THE  
27 SCHOOL.

28 E. ON REQUEST OF THE BOARD, THE ATTORNEY GENERAL SHALL TAKE ANY  
29 ACTIONS NECESSARY TO ENFORCE REPAYMENT OF FUND MONIES BY A SCHOOL.

30 15-2157. Program funding obligations; immunity

31 A. THE BOARD MAY DELIVER NONNEGOTIABLE PROGRAM FUNDING OBLIGATIONS IN  
32 ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN EIGHTY  
33 MILLION DOLLARS.

34 B. THE BOARD SHALL SELL ANY PROGRAM FUNDING OBLIGATIONS PRESCRIBED IN  
35 SUBSECTION A OF THIS SECTION TO THE STATE TREASURER, AND THE STATE TREASURER  
36 SHALL BUY SUCH OBLIGATIONS AS AN ALLOWABLE INVESTMENT OF THE FUND. THE TOTAL  
37 PRINCIPAL AMOUNT OF PROGRAM FUNDING OBLIGATIONS OUTSTANDING AT ANY ONE TIME  
38 MAY NOT EXCEED EIGHTY MILLION DOLLARS. THE BOARD MAY REISSUE TO THE STATE  
39 TREASURER ANY CALLED PROGRAM FUNDING OBLIGATIONS ON THE SAME TERMS AS THE  
40 OBLIGATIONS THAT WERE CALLED AND IN A PRINCIPAL AMOUNT THAT DOES NOT EXCEED  
41 THE PRINCIPAL AMOUNT CALLED.

42 C. THE BOARD SHALL AUTHORIZE EACH PROGRAM FUNDING OBLIGATION BY A  
43 RESOLUTION THAT SETS FORTH:

44 1. THE RATE OR RATES OF INTEREST.

45 2. THE DATE OR DATES OF MATURITY.

1           3. THE TERMS OF REDEMPTION.  
2           4. THE FORM AND MANNER OF EXECUTION OF THE PROGRAM FUNDING OBLIGATION.  
3           5. ANY TERMS NECESSARY TO SECURE CREDIT ENHANCEMENT OR OTHER SOURCES  
4 OF PAYMENT OR SECURITY.  
5           6. ANY OTHER TERMS DEEMED NECESSARY OR ADVISABLE BY THE BOARD.  
6           D. THE INTEREST RATE TO BE PAID ON PROGRAM FUNDING OBLIGATIONS  
7 AUTHORIZED BY THE BOARD PURSUANT TO SUBSECTION C OF THIS SECTION SHALL BE  
8 EQUAL TO THE SUM OF THE FOLLOWING:  
9           1. THE ACTUAL RATE OF INTEREST EARNED BY THE STATE TREASURER ON THE  
10 INVESTMENT OF THE PROCEEDS FROM THE SALE OF THE PROGRAM FUNDING OBLIGATIONS.  
11           2. FOR ANY PERIOD DURING WHICH GUARANTEED FINANCINGS ARE OUTSTANDING,  
12 AN ADDITIONAL INTEREST RATE OF AT LEAST ONE HUNDRED BASIS POINTS AS  
13 DETERMINED BY THE BOARD.  
14           E. THE PRINCIPAL OF AND INTEREST ON THE PROGRAM FUNDING OBLIGATIONS  
15 SHALL BE SECURED BY AND PAID FROM MONIES DEPOSITED IN THE FUND, ON THE TERMS  
16 SET FORTH IN THE RESOLUTION, AND ARE SUBORDINATE TO ANY PAYMENTS THAT ARE  
17 NECESSARY TO BE MADE FOR GUARANTEED FINANCINGS. PRINCIPAL PAYMENTS SHALL BE  
18 PAID ON A BASIS PROPORTIONAL TO THE REDUCTION IN OUTSTANDING PRINCIPAL OF  
19 GUARANTEED FINANCINGS UNDER THE PROGRAM. INTEREST SHALL BE PAID ON AN ANNUAL  
20 OR MORE FREQUENT BASIS AS SET FORTH IN THE RESOLUTION OF THE BOARD. THE  
21 MONIES PLEDGED UNDER THIS SECTION TO THE PROGRAM FUNDING OBLIGATIONS ARE  
22 IMMEDIATELY SUBJECT TO THE LIEN OF THE PLEDGE WITHOUT ANY FUTURE PHYSICAL  
23 DELIVERY OR FURTHER ACT. A LIEN OF ANY PLEDGE IS VALID AND BINDING AGAINST  
24 ALL PARTIES HAVING CLAIMS OF ANY KIND IN TORT, CONTRACT OR OTHERWISE AGAINST  
25 THE BOARD IRRESPECTIVE OF WHETHER THE PARTIES HAVE NOTICE OF THE LIEN. WHEN  
26 PLACED IN THE BOARD'S RECORDS, THE RESOLUTION BY WHICH THE PLEDGE IS CREATED  
27 IS NOTICE TO ALL CONCERNED OF THE CREATION OF THE PLEDGE.  
28           F. PROGRAM FUNDING OBLIGATIONS SHALL BE SOLD AT PRIVATE SALE TO THE  
29 STATE TREASURER AT A PRICE AND ON TERMS PROVIDED BY THE BOARD IN ITS  
30 RESOLUTION PURSUANT TO THIS SECTION. THE PROCEEDS FROM THE SALE OF PROGRAM  
31 FUNDING OBLIGATIONS SHALL BE DEPOSITED INTO THE FUND AND MAY BE USED FOR THE  
32 PURPOSES OF THE FUND AS SET FORTH IN SECTION 15-2154.  
33           G. PROGRAM FUNDING OBLIGATIONS ARE:  
34           1. SPECIAL OBLIGATIONS OF THE BOARD.  
35           2. NOT OBLIGATIONS THAT ARE GENERAL, SPECIAL OR OTHERWISE OF THIS  
36 STATE.  
37           3. NOT A LEGAL DEBT OF THIS STATE.  
38           4. PAYABLE AND ENFORCEABLE ONLY FROM THE MONIES AND FUND PLEDGED AND  
39 ASSIGNED BY THE BOARD IN ITS RESOLUTION.  
40           H. ANY MEMBER OF THE BOARD OR A PERSON EXECUTING A PROGRAM FUNDING  
41 OBLIGATION IS NOT PERSONALLY LIABLE FOR THE PAYMENT OF THE PROGRAM FUNDING  
42 OBLIGATION.  
43           15-2158. Quarterly reports  
44           WITHIN THIRTY DAYS AFTER THE LAST DAY OF EACH CALENDAR QUARTER, THE  
45 SCHOOL FACILITIES BOARD STAFF, IN COLLABORATION WITH THE CREDIT ENHANCEMENT

1 ELIGIBILITY BOARD, SHALL SUBMIT TO THE SPEAKER OF THE HOUSE OF  
2 REPRESENTATIVES, THE PRESIDENT OF THE SENATE, THE DIRECTOR OF THE JOINT  
3 LEGISLATIVE BUDGET COMMITTEE AND THE DIRECTOR OF THE GOVERNOR'S OFFICE OF  
4 STRATEGIC PLANNING AND BUDGETING A QUARTERLY REPORT ON THE IMPLEMENTATION OF  
5 THE PROGRAM PURSUANT TO THIS ARTICLE. THE QUARTERLY REPORT SHALL INCLUDE AT  
6 LEAST THE FOLLOWING INFORMATION:  
7 1. A LISTING OF ALL OUTSTANDING GUARANTEED FINANCINGS APPROVED BY THE  
8 BOARD, INCLUDING THE FOLLOWING INFORMATION FOR EACH FINANCING:  
9 (a) THE NAME OF THE PUBLIC SCHOOL OR CHARTER SCHOOL BY OR ON BEHALF OF  
10 WHICH THE DEBT OBLIGATION WAS ISSUED.  
11 (b) THE DATE OF THE ISSUANCE.  
12 (c) THE ORIGINAL AMOUNT OF THE ISSUANCE.  
13 (d) THE INTEREST RATE OF THE ISSUANCE.  
14 (e) THE TERM LENGTH OF THE ISSUANCE.  
15 (f) THE CREDIT RATING OF THE ISSUANCE.  
16 (g) THE AMOUNT OF PRINCIPAL AND INTEREST DUE ON THE DEBT OBLIGATION IN  
17 THE CURRENT FISCAL YEAR.  
18 (h) THE PURPOSE FOR WHICH THE DEBT OBLIGATION WAS ISSUED, SEPARATELY  
19 DELINEATED FOR OBLIGATIONS TO CONSTRUCT NEW CAPITAL FACILITIES, RENOVATE  
20 EXISTING CAPITAL FACILITIES OR REFINANCE EXISTING DEBT OBLIGATIONS.  
21 (i) THE CURRENT OUTSTANDING PRINCIPAL OF THE DEBT OBLIGATION.  
22 2. A LISTING OF ALL GUARANTEED FINANCINGS SUBJECT TO SECTION 15-2156  
23 IN THE PRIOR QUARTER, INCLUDING THE AMOUNTS DISBURSED FOR PAYMENT OF  
24 PRINCIPAL AND INTEREST FOR THE GUARANTEED FINANCING AND THE TERMS AND  
25 CONDITIONS THE SCHOOL IS SUBJECT TO UNDER SECTION 15-2156, SUBSECTIONS C, D  
26 AND E.  
27 3. THE CURRENT BALANCE OF THE ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT  
28 FUND.  
29 4. THE CURRENT PROGRAM LEVERAGE RATIO.



1 established by the state treasurer at the time of issuing the warrant note.  
2 Interest shall be paid from the date of the treasurer's warrant note until  
3 the maturity date or redemption date. The treasurer shall establish the  
4 interest rate before the exchange or sale of warrant notes at a rate not in  
5 excess of the maximum rate permitted by the state loan commissioners.

6 F. The state loan commissioners, at a meeting called and chaired by  
7 the state treasurer, shall fix or change the maximum rate of interest that  
8 may be paid on warrant notes. No change of the maximum allowable rate of  
9 interest as established by the state loan commissioners shall affect warrant  
10 notes issued before the date of the change.

11 G. Each treasurer's warrant note shall be signed by the treasurer or  
12 the treasurer's designated agent and countersigned by the director of the  
13 department of administration or the director's designated agent. The  
14 required signatures may be electronic signatures. All treasurer's warrant  
15 notes shall be substantially in the following form:

16 Treasurer's warrant note  
17 (20\_\_ to \_\_\_\_ fiscal year)  
18 Number \_\_\_\_\_  
19 Phoenix, Arizona \_\_\_\_\_, 20\_\_  
20 On \_\_\_\_\_, 20\_\_, the treasurer of the state of  
21 Arizona will pay to the order of \_\_\_\_\_ at  
22 \_\_\_\_\_ \$ \_\_\_\_\_ with  
23 interest at \_\_\_\_\_ per annum from the date of issuance until  
24 paid (calculated on a 365/366 day basis).

(insert early redemption provisions)

25 \_\_\_\_\_  
26 \_\_\_\_\_  
27 \_\_\_\_\_  
28 (Countersigned) State Treasurer  
29 Director of the department  
30 of administration

31 H. Treasurer's warrant notes may be exchanged or sold for the combined  
32 face value of any number of treasurer's warrant notes previously issued.  
33 Except for those treasurer's warrant notes issued in exchange for or to  
34 redeem treasurer's warrant notes previously issued, no treasurer's warrant  
35 notes may be issued, exchanged or sold except in payment of or to provide  
36 monies for the payment of a warrant or warrants presented for payment as  
37 provided in section 35-185.

38 I. Treasurer's warrant notes issued in any fiscal year shall be  
39 numbered consecutively beginning with the number one. Treasurer's warrant  
40 notes shall be redeemed in numerical order. If the treasurer has sufficient  
41 monies to pay only a portion of the lowest numbered outstanding warrant note,  
42 he may deposit the monies with the paying agent pursuant to subsection K of  
43 this section or call in the lowest numbered warrant note, before maturity  
44 according to its terms, and pay the bearer the amount available and issue to  
45 the bearer a new warrant note bearing a number that will preserve, for the

1 new warrant note, the priority of the partially paid warrant note and bearing  
2 a value equal to the amount of principal and interest remaining unpaid. The  
3 new warrant note and the partial payment of principal and interest on the  
4 partially paid warrant note shall be exchanged for the partially paid warrant  
5 note. The new warrant note shall pay interest at the same rate as the  
6 partially paid warrant note. The treasurer may make the changes in the form  
7 and date of the new warrant note as necessary to reflect the amount of unpaid  
8 interest on the partially paid warrant note.

9 J. The treasurer may include in the form of the treasurer's warrant  
10 notes such provisions regarding the redemption and payment of treasurer's  
11 warrant notes before maturity as are consistent with subsections I and K of  
12 this section and section 35-185.02. If prior redemption is to be a provision  
13 of a treasurer's warrant note, the note shall provide a method of  
14 notification of the holder of the note by publication or written, telegraphic  
15 or electronic means as chosen by the treasurer.

16 K. The treasurer may appoint a paying agent for the purpose of  
17 facilitating the redemption and payment of treasurer's warrant notes. Monies  
18 deposited with the paying agent shall be allocated to the payment of the  
19 principal of, interest on and any prior redemption premiums associated with  
20 treasurer's warrant notes in numerical order. A treasurer's warrant note  
21 shall be deemed paid for all purposes of this section and section 35-185.02  
22 when there is deposited with the paying agent sufficient monies to pay all  
23 amounts when due on the treasurer's warrant note and all amounts when due on  
24 all outstanding treasurer's warrant notes bearing a lower number. A paying  
25 agent appointed pursuant to this subsection shall provide security deposits  
26 as required by the treasurer.

27 L. When the treasurer or the paying agent, if payment is made to a  
28 paying agent, pursuant to subsection K of this section, pays treasurer's  
29 warrant notes or when the warrant notes are redeemed he shall mark on the  
30 face of the treasurer's warrant notes the word "cancelled" or cancel the  
31 warrant notes by electronic means indicating the date of cancellation and  
32 shall promptly present the notes to the director of the department of  
33 administration who shall give the state treasurer a receipt therefor.

34 M. If the state loan commissioners determine that it will result in a  
35 lower net effective interest rate on one, some or all warrant notes to be  
36 issued by the treasurer during the current fiscal year, the commissioners may  
37 authorize the treasurer to purchase letters of credit and to incur and pay  
38 insurance premiums, attorney fees or other related costs incurred with  
39 respect to treasurer's warrant notes. All such payments shall be treated in  
40 the same manner as interest to be paid on treasurer's warrant notes and shall  
41 be paid from the treasurer's warrant note redemption fund.

42 N. If treasurer's warrant notes are to be exchanged for warrants held  
43 by banks or savings and loan associations, the treasurer may enter into  
44 agreements with such banks or savings and loan associations to provide for  
45 the issuance, reissuance and custody of treasurer's warrant notes, the fixing

1 of the interest rates on the treasurer's warrant notes and the method of  
2 giving notice to the holders of the notes. Such agreements may provide for a  
3 book entry system for the treasurer's warrant notes or may provide for the  
4 issuance of one note with an appropriate grid on the reverse, which shall  
5 show the advancements made by the banks or savings and loan associations and  
6 also the payments of interest and reductions of principal. Such agreements  
7 may be continuing in nature, may be executed at any time and may apply to any  
8 treasurer's warrant notes exchanged for either warrants or treasurer's  
9 warrant notes at any time during the remainder of the fiscal year in which  
10 the agreement is made. The agreements shall provide a method to preserve the  
11 priority of, interest rate on and other terms of each treasurer's warrant  
12 note exchanged pursuant to the agreement. No such agreement shall become  
13 effective until approved by the state loan commissioners.

14 Sec. 4. Section 35-313, Arizona Revised Statutes, is amended to read:

15 35-313. Investment of trust and treasury monies; loan of  
16 securities

17 A. The state treasurer shall invest and reinvest trust and treasury  
18 monies in any of the following items:

19 1. Obligations issued or guaranteed by the United States or any of its  
20 agencies, sponsored agencies, corporations, sponsored corporations or  
21 instrumentalities.

22 2. Collateralized repurchase agreements purchased from securities  
23 dealers that make markets in those securities listed in paragraph 1 of this  
24 subsection.

25 3. Bonds or other evidences of indebtedness of this state or any of  
26 the counties or incorporated cities, towns or duly organized school  
27 districts.

28 4. Commercial paper whose issuer is rated in one of the two highest  
29 rating categories for short-term obligations by any two nationally recognized  
30 statistical rating organizations.

31 5. Bills of exchange or time drafts known as bankers acceptances that  
32 are drawn on and accepted by a commercial bank.

33 6. Negotiable certificates of deposit issued by a nationally or state  
34 chartered bank or savings and loan association.

35 7. Bonds, debentures, notes or other evidences of indebtedness that  
36 are denominated in United States dollars and that carry an investment grade  
37 rating by a nationally recognized bond rating agency.

38 8. Securities of or any other interests in any open-end or closed-end  
39 management type investment company or investment trust, including exchange  
40 traded products whose underlying investments are invested in securities  
41 allowed by state law, registered under the investment company act of 1940 (54  
42 Stat. 789; 15 United States Code sections 80a-1 through 80a-64), as amended.  
43 For any treasurer investment pool that seeks to maintain a constant share  
44 price, both of the following apply:

1 (a) The investment company or investment trust takes delivery of the  
2 collateral for any repurchase agreement either directly or through an  
3 authorized custodian.

4 (b) The investment policy of the investment company or investment  
5 trust includes seeking to maintain a constant share price.

6 9. Certificates of deferred property taxes as provided by section  
7 42-17309.

8 10. Treasurer's warrant notes issued pursuant to section 35-185.01 or  
9 registered warrants of a county issued pursuant to section 11-605, if the  
10 yield is equal to or greater than yields on eligible investment instruments  
11 of comparable maturities.

12 11. Shares in the treasurer's local government investment pools  
13 pursuant to section 35-326 provided that investment policies of the pool seek  
14 to maintain a constant share price.

15 12. Shares in the treasurer's long-term local government investment  
16 pools, which terms are determined by the state board of investment, pursuant  
17 to section 35-326.01.

18 13. Subject to subsection D of this section, state transportation board  
19 funding obligations delivered pursuant to section 28-7678.

20 14. Deposits placed in accordance with the procedures prescribed in  
21 section 35-323.01.

22 15. Institutional common trust funds whose underlying investments are  
23 invested in securities allowed by state law.

24 16. PROGRAM FUNDING OBLIGATIONS DELIVERED BY THE CREDIT ENHANCEMENT  
25 ELIGIBILITY BOARD PURSUANT TO SECTION 15-2157.

26 B. In case of default or failure to honor a county treasurer's  
27 warrant, the state treasurer may withhold the first state shared revenues  
28 that would otherwise be distributed to the defaulting county in the amount  
29 necessary to honor the note, including accrued interest to and beyond the  
30 date of default.

31 C. The state treasurer may contract to loan securities owned by the  
32 trust funds and operating monies deposited in the investment pools pursuant  
33 to section 35-316, subsection B to the financial or dealer community through  
34 one or more of the entities listed in section 35-317, subsection A, or  
35 authorized by the board of investment pursuant to section 35-311, subsection  
36 E, if the borrower transfers collateral to the state treasurer or acting  
37 agent of the state in the form of cash or securities specified in subsection  
38 A of this section. Collateral posted in the form of cash shall be in an  
39 amount equal to at least one hundred percent of the market value of the  
40 loaned securities as agreed. Collateral posted in the form of securities  
41 shall be in an amount of no more than one hundred ten percent of the market  
42 value of the loaned securities as established from time to time by the board  
43 of investment. The loaned securities shall be valued as to market value  
44 daily, and, if necessary, the borrower shall post additional collateral, as  
45 agreed, to ensure that the required margin is maintained. The state

1 treasurer may collect from the borrower all dividends, interest, premiums,  
2 rights and other distributions to which the lender of securities would  
3 otherwise be entitled. The state treasurer may terminate the contract on not  
4 less than five business days' notice, as agreed, and the borrower may  
5 terminate the contract on not less than two business days' notice, as agreed.

6 D. The state treasurer shall invest operating monies in state  
7 transportation board funding obligations delivered pursuant to section  
8 28-7678 pursuant to the following:

9 1. The state treasurer shall liquidate investments of operating monies  
10 if necessary in order to invest in state transportation board funding  
11 obligations, except that if operating monies in the state general fund fall  
12 below an eight hundred million dollar average over the previous twelve  
13 consecutive months, the state treasurer is not required to purchase state  
14 transportation board funding obligations pursuant to this subsection.

15 2. Each series of state transportation board funding obligations shall  
16 bear interest at a fixed interest rate equal to the mean bid-ask price of the  
17 United States treasury obligation with a maturity date closest to the  
18 maturity date of the state transportation board funding obligation as  
19 determined by the pricing system used by the state treasurer before the date  
20 the state treasurer receives a certificate from the state transportation  
21 board that states the board's determination to deliver an obligation to the  
22 state treasurer and the anticipated delivery date of the obligation. The  
23 delivery date shall be between fifteen and sixty days after the day the state  
24 treasurer receives the certificate.

25 3. The state treasurer shall provide written notice to the state  
26 transportation board and the director of the department of transportation  
27 when the operating monies fall below four hundred million dollars. If  
28 operating monies fall below two hundred million dollars, the state treasurer  
29 may call the investment in the state transportation board funding obligations  
30 in twenty-five million dollar increments up to the amount that the operating  
31 monies are below two hundred million dollars. The state treasurer shall give  
32 the state transportation board and the director of the department of  
33 transportation at least fifteen days' notice of the call.

34 Sec. 5. Section 41-3018.19, Arizona Revised Statutes, is amended to  
35 read:

36 41-3018.19. School facilities board; termination July 1, 2018

37 A. The school facilities board terminates on July 1, 2018.

38 B. Title 15, chapter 16, ~~is~~ ARTICLES 1, 2, 3, 4, 5, 6, 7, 8 AND 9 ARE  
39 repealed on January 1, 2019 only if either:

40 1. The board has no outstanding state school facilities revenue bonds  
41 issued pursuant to title 15, chapter 16, article 6, no outstanding state  
42 school improvement revenue bonds issued pursuant to title 15, chapter 16,  
43 article 7 and no outstanding lease-to-own transactions pursuant to sections  
44 15-2004, 15-2005 and 15-2006.



1           A. The sum of \$500,000 is appropriated from the state general fund in  
2 fiscal year 2016-2017 to the school facilities board for one-time funding for  
3 transaction costs associated with the Arizona public school credit  
4 enhancement program established by section 15-2155, Arizona Revised Statutes,  
5 as added by this act.

6           B. The appropriation made in subsection A of this section is exempt  
7 from the provisions of section 35-190, Arizona Revised Statutes, relating to  
8 lapsing of appropriations, except that all monies remaining unexpended and  
9 unencumbered on June 30, 2018 revert to the state general fund.

APPROVED BY THE GOVERNOR MAY 10, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 10, 2016.