



# HOUSE OF REPRESENTATIVES

HB 2476

school property; sales; leases; use

Prime Sponsor: Representative Norgaard, LD 18

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**DP** Committee on Ways and Means

**DP** Caucus and COW

**X** Transmitted to the Governor

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## OVERVIEW

HB 2476 repeals and replaces A.R.S. § 15-1102 relating to the sale or lease of school property.

## PROVISIONS

1. Repeals and replaces A.R.S. § 15-1102 relating to the sale or lease of school property.
2. Allows a common school district or a high school district with an outstanding bond indebtedness of, at most, 7% of the assessed valuation or a unified school district with an outstanding bond indebtedness of, at most, 14% of the assessed valuation to use proceeds from the sale or lease of school property as follows:
  - a. The total proceeds from the sale of school property to another school before July 1, 2016 or from the lease of school property for more than one year to anyone that is not a school:
    - i. Any amount may be used for maintenance & operation (M&O), up to 15% of the Revenue Control Limit (RCL).
    - ii. Any amount may be used towards capital outlay.
  - b. The total proceeds from the sale of school property, sold after June 30, 2016, exceeding \$100,000 to any one that is not a school may only be used for capital outlay.
3. Allows a common school district or a high school district with an outstanding bond indebtedness greater than 7% of the assessed valuation or a unified school district with an outstanding bond indebtedness greater than 14% of the assessed valuation to use proceeds from the sale or lease of school property as follows:
  - a. The total proceeds from the sale of school property to another school before July 1, 2016 or from the lease of school property for more than one year to anyone that is not a school:
    - i. No more than 25% of the monies may be used for M&O and cannot exceed 15% of the RCL.
    - ii. Any amount may be used for capital outlay.
  - b. The total proceeds from the sale of school property, sold after June 30, 2016, exceeding \$100,000 to anyone that is not a school:
    - i. No monies may be used for M&O
    - ii. At least 38% of proceeds must be used for the payment of any outstanding bonded indebtedness or for the reduction of taxes.
    - iii. All remaining monies may be used for capital outlay.
4. Combines the three school plant funds into one.
5. Removes language allowing a school district governing board to use proceeds from the sale of school property before July 1, 1998 or from the lease of school property for additional M&O expenses incurred from operating a year-round school.

## HB 2476

6. Strikes the requirement that proceeds from the sale of school property that have been approved by the voters be put into a separate fund for the approved purpose.
7. Specifies that the restrictions on proceeds from the sale and lease of school property established by this Act do not apply to proceeds from:
  - a. leases of school property to other schools;
  - b. leases of school property for less than one year; or
  - c. sales of school property of less than \$100,000.
8. Stipulates that a lease of school property for less than one year that includes an automatic lease renewal extending the lease over a year is considered a lease of more than one year.
9. Contains a retroactive effective date of July 1, 2016.

### CURRENT LAW

School district governing boards are locally elected governing bodies charged with administering the schools within the district. A.R.S. § 15-342 provides school district governing boards with discretionary powers including the authority to sell school sites and enter into leases or lease-purchase agreements. School district governing boards are required to call an election to approve the sale or lease of property that is over \$50,000 in value, with certain exceptions.

A.R.S. § 15-1102 authorizes a school district governing board to expend the proceeds from the sale or lease of school property on any outstanding bond indebtedness or to reduce district taxes, without limitations. Additionally, proceeds may be expended for M&O or capital outlay purposes, with limitations. Limitations on the expenditure for M&O or capital outlay purposes are broken into two categories. For non-unified school districts with an outstanding bond indebtedness of 7% of the assessed valuation or less or 14% or less for unified districts, the following apply:

- Proceeds from the sale of property before Fiscal Year (FY) 1998 or the lease of property expended for M&O are prohibited from exceeding 15% of the RCL of which 10% may be utilized without an election and the remaining 5% is subject to voter approval.
- Proceeds from property sold after FY 1998 are prohibited from being used for M&O.
- If a district has an override in place the total increase to the RCL may not exceed 15% with specifications to where the increase is attributable.

For non-unified school districts with an outstanding bond indebtedness of greater than 7% of the assessed valuation or greater than 14% for unified districts, the following apply:

- M&O expenditures are prohibited from exceeding the lesser of a 15% increase to the RCL or a quarter of the amount of proceeds from the lease of property.
- Capital outlay expenditures using proceeds from the lease of property are unlimited.
- Capital outlay expenditures using proceeds from the sale of property are prohibited from exceeding 62% of the proceeds.

Governing boards are permitted to use the proceeds from the sale of property July 1, 1998 or the lease of property for the additional M&O expenses incurred from operating a year round school, subject to the previous limitations. School districts are required to establish three plant funds to place the proceeds of sale or lease of property in the district with specifications on the monies that may be deposited in each fund. If a school district's voters approve the sale of school property and the use of proceeds for construction, improvement or furnishing of school facilities, that money is required to be placed in a separate fund.