

State of Arizona  
Senate  
Forty-ninth Legislature  
First Regular Session  
2009

## **CHAPTER 95**

# **SENATE BILL 1196**

### **AN ACT**

AMENDING SECTIONS 11-952.01, 15-101, 15-102 AND 15-106, ARIZONA REVISED STATUTES; REPEALING SECTION 15-108, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-183, 15-184, 15-185, 15-203 AND 15-238, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 15-241.01, 15-248 AND 15-248.01; AMENDING TITLE 15, CHAPTER 2, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-257; AMENDING SECTIONS 15-302, 15-321, 15-341 AND 15-382, ARIZONA REVISED STATUTES; REPEALING SECTION 15-509, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-521, 15-532, 15-534, 15-534.01, 15-701.01, 15-761 AND 15-771, ARIZONA REVISED STATUTES; REPEALING SENATE BILL 1187, SECTION 27, FORTY-NINTH LEGISLATURE, FIRST REGULAR SESSION, AS TRANSMITTED TO THE GOVERNOR; AMENDING SECTIONS 15-808, 15-816.01, 15-901, 15-902, 15-905, 15-915 AND 15-943, ARIZONA REVISED STATUTES; AMENDING SECTION 15-947, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 207, SECTION 4; REPEALING SECTION 15-947, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 287, SECTION 14; AMENDING SECTIONS 15-947.01, 15-961, 15-962, 15-964, 15-973, 15-973.01, 15-991 AND 15-1042, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 10, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1225; AMENDING SECTIONS 15-2002, 15-2022, 15-2031, 15-2041 AND 38-618.01, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-781; REPEALING SECTION 41-3010.25, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3019.01; AMENDING SECTIONS 42-6004 AND 43-1089, ARIZONA REVISED STATUTES; REPEALING SENATE BILL 1187, SECTION 74, FORTY-NINTH LEGISLATURE, FIRST REGULAR SESSION, AS TRANSMITTED TO THE GOVERNOR; RELATING TO EDUCATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 11-952.01, Arizona Revised Statutes, is amended to  
3 read:

4 11-952.01. Public agency pooling of property, fidelity,  
5 liability, workers' compensation, life, health,  
6 accident and disability coverage; exemptions;  
7 board of trustees; contract; termination; audit;  
8 insolvency; definition

9 A. In addition to other authority granted pursuant to this title, two  
10 or more public agencies may enter into contracts or agreements pursuant to  
11 this article for the joint purchasing of insurance, including prepaid legal  
12 insurance or reinsurance, or to pool retention of their risks for property,  
13 fidelity and liability losses and to provide for the payment of such property  
14 loss, fidelity loss, prepaid legal insurance or claim of liability made  
15 against any member of the pool, including any elected or appointed official,  
16 officer or employee covered by the pool, on a cooperative or contract basis  
17 with one another or may jointly form a nonprofit corporation or enter into a  
18 trust agreement to carry out ~~the provisions of~~ this section in their behalf  
19 directly or by contract with a private party.

20 B. In addition to other authority granted pursuant to this title, two  
21 or more public agencies may enter into contracts or agreements pursuant to  
22 this article to establish a workers' compensation pool to provide for the  
23 payment of workers' compensation claims pursuant to title 23, chapter 6 on a  
24 cooperative or contract basis with one another or may jointly form a  
25 nonprofit corporation or enter into a trust agreement to carry out ~~the~~  
26 ~~provisions of~~ this section in their behalf directly or by contract with a  
27 private party. A workers' compensation pool established pursuant to this  
28 subsection may provide coverage for workers' compensation, employers'  
29 liability and occupational disease claims. A workers' compensation pool is  
30 subject to approval as a self-insurer by the industrial commission pursuant  
31 to section 23-961, subsection A, paragraph 2 and is subject to title 23,  
32 chapter 6 and rules adopted pursuant to that chapter in addition to the  
33 requirements of this section. The industrial commission, by rule, resolution  
34 or order, may adopt requirements for the administration of a workers'  
35 compensation pool under this subsection, including separation or commingling  
36 of funds, accounting, auditing, reporting, actuarial standards and  
37 procedures.

38 C. In addition to other authority granted pursuant to this title, two  
39 or more public agencies may enter into contracts or agreements for the joint  
40 purchase of life insurance, disability insurance, accident insurance or  
41 health benefits plan insurance or may pool retention of their risks of loss  
42 for life, disability, health or accident claims made against any public  
43 agency member of the pool or to jointly provide the health and medical  
44 services authorized in section 36-2907. Public agencies may establish pools  
45 for the purposes of this subsection by any of the following methods:

46 1. On a cooperative or contract basis.

1           2. By the formation of a nonprofit corporation.

2           3. By contracts or intergovernmental agreements with the Arizona  
3 health care cost containment system administration.

4           4. By the execution of a trust agreement directly by the agencies or  
5 by contracting with a third party.

6           D. In addition to other authority granted pursuant to this title, two  
7 or more public agencies may enter into contracts or agreements pursuant to  
8 this article for the joint purchasing of insurance for property, liability or  
9 workers' compensation losses or to pool retention of their risks for property  
10 and liability loss to cover the public agency, its elected officials and  
11 employees and the contractor and subcontractor of every tier engaged in the  
12 performance of a construction project for the public agency. Public agencies  
13 may establish pools for the purpose of this subsection by any of the  
14 following methods:

15           1. On a cooperative or contract basis.

16           2. By the formation of a nonprofit corporation.

17           3. By the execution of a trust agreement directly by the agencies or  
18 by contracting with a third party.

19           E. Section 10-11301 does not apply to nonprofit corporations formed  
20 pursuant to this section.

21           F. Title 41, chapter 23 does not apply to the procurement of insurance  
22 or reinsurance, or to the procurement of the services provided for in  
23 subsection K, paragraph 8 of this section, by any pool established pursuant  
24 to this section.

25           G. Title 43 does not apply to any pool established pursuant to this  
26 section. Any pool established pursuant to this section is exempt from  
27 taxation under title 43.

28           H. Each pool shall be operated by a board of trustees consisting of at  
29 least three persons who are elected officials or employees of public entities  
30 within this state. The board of trustees shall notify the director of the  
31 department of insurance of the existence of the pool and shall file with the  
32 director and with the attorney general a copy of the intergovernmental  
33 agreement or contract. The attorney general shall file a copy of the  
34 agreement or contract with the secretary of state as required by section  
35 11-952. The board of trustees of each group shall do all of the following:

36           1. Establish terms and conditions of coverage within the pool,  
37 including exclusions of coverage.

38           2. Ensure that all claims are paid promptly.

39           3. Take all necessary precautions to safeguard the assets of the  
40 group.

41           4. Maintain minutes of its meetings.

42           5. Designate an administrator to carry out the policies established by  
43 the board of trustees and to provide day-to-day management of the group and  
44 delineate in the written minutes of its meetings the areas of authority it  
45 delegates to the administrator.

1           6. If the pool is a workers' compensation pool, file a copy of the  
2 agreement with the director of the industrial commission.

3           I. If the pool includes private, nonprofit educational institutions,  
4 each private, nonprofit educational institution shall post a bond, cash  
5 deposit or other comparable financial security in an amount that is equal to  
6 at least one and one-half times the amount of the private, nonprofit  
7 educational institution's annual premium to ensure payment of the school's or  
8 institution's legal liabilities and other obligations if the pool is  
9 determined to be insolvent or is otherwise found to be unable to discharge  
10 the pool's legal liabilities and other obligations pursuant to subsection N  
11 of this section.

12           J. The board of trustees shall not:

13           1. Extend credit to individual members for payment of a premium,  
14 except pursuant to payment plans established by the board.

15           2. Borrow any monies from the group or in the name of the group except  
16 in the ordinary course of business.

17           K. In addition to the requirements of section 11-952, a contract or  
18 agreement made pursuant to this section shall contain the following:

19           1. A provision for a system or program of loss control.

20           2. A provision for termination of membership, including either:

21           (a) Cancellation of individual members of the pool by the pool.

22           (b) Election by an individual member of the pool to terminate its  
23 participation.

24           3. A provision requiring the pool to pay all claims for which each  
25 member incurs liability during each member's period of membership.

26           4. A provision stating that each member is not relieved of its  
27 liability incurred during the member's period of membership except through  
28 the payment of losses by the pool or by the member.

29           5. A provision for the maintenance of claim reserves equal to known  
30 incurred losses and an estimate of incurred but not reported claims.

31           6. A provision for a final accounting and settlement of the  
32 obligations of or refunds to a terminating member to occur when all incurred  
33 claims are concluded, settled or paid.

34           7. A provision that the pool may establish offices where necessary in  
35 this state and employ necessary staff to carry out the purposes of the pool.

36           8. A provision that the pool may retain legal counsel, actuaries,  
37 auditors, engineers, private consultants and advisors.

38           9. A provision that the pool may make and alter bylaws and rules  
39 pertaining to the exercise of its purpose and powers.

40           10. A provision that the pool may purchase, lease or rent real and  
41 personal property it deems necessary.

1        11. A provision that the pool may enter into financial services  
2 agreements with banks and other financial institutions, that it may issue  
3 checks in its own name and that it may invest its monies in equity  
4 securities, mutual funds and investment funds registered with the United  
5 States securities and exchange commission, debt obligations and any eligible  
6 investment permitted by section 35-323.

7        L. A pool or a terminating member shall provide at least ninety days'  
8 written notice of the termination or cancellation. A workers' compensation  
9 pool shall notify the industrial commission of the termination or  
10 cancellation of a member thirty days before the termination or cancellation  
11 of the member.

12        M. The pool shall be audited annually at the expense of the pool by a  
13 certified public accountant, with a copy of the report submitted to the  
14 governing body or chief executive officer of each member of the pool and to  
15 the director of the department of insurance. The board of trustees of the  
16 pool shall obtain an appropriate actuarial evaluation of the claim reserves  
17 of the pool, including an estimate of the incurred but not reported claims.  
18 The department of insurance shall examine each public agency pool once every  
19 five years. The director of the department of insurance may examine a public  
20 agency pool sooner than five years from the preceding examination if the  
21 director has reason to believe that the pool is insolvent. The costs of any  
22 examination shall be paid by the pool subject to the examination.

23        N. If, as a result of the annual audit or an examination by the  
24 director of the department of insurance, it appears that the assets of the  
25 pool are insufficient to enable the pool to discharge its legal liabilities  
26 and other obligations, the director of the department of insurance shall  
27 notify the administrator and the board of trustees of the pool of the  
28 deficiency and the director's list of recommendations to abate the  
29 deficiency, including a recommendation not to add any new members until the  
30 deficiency is abated. If the pool fails to comply with the recommendations  
31 within sixty days after the date of the notice, the director shall notify the  
32 chief executive officer or the governing bodies, if any, of the members of  
33 the pool, the governor, the president of the senate and the speaker of the  
34 house of representatives that the pool has failed to comply with the  
35 recommendations of the director.

36        O. If a pool is determined to be insolvent or is otherwise found to be  
37 unable to discharge its legal liabilities and other obligations, each  
38 agreement or contract shall provide that the members of the pool shall be  
39 assessed on a pro rata basis as calculated by the amount of each member's  
40 annual contribution in order to satisfy the amount of deficiency. The  
41 assessment shall not exceed the amount of each member's annual contribution  
42 to the pool.

43        P. A pool established pursuant to this section may make available  
44 programs providing for insurance coverages described in subsections A, B and  
45 C of this section to those charter schools governed by section 15-183,

1 subsection M and, except for a workers' compensation pool, to private,  
2 nonprofit educational institutions.

3 Q. In addition to the authority set forth in this title, a pool  
4 established pursuant to this section may invest public monies on behalf of  
5 pool members, but any such investments shall be limited to those permitted by  
6 section 35-323, **EXCEPT AS PROVIDED IN SECTION 15-1225, SUBSECTION G.** A pool  
7 established pursuant to this section may not invest monies that are required  
8 by law to be deposited with a county treasurer.

9 R. A pool established pursuant to this section, by the adoption of a  
10 resolution of continuing effect, may authorize and request the state  
11 treasurer to invest funds for the pool pursuant to section 35-326.

12 S. For the purposes of this section, "health benefits plan" means a  
13 hospital or medical service corporation policy or certificate, a health care  
14 services corporation contract, a multiple employer welfare arrangement or any  
15 other arrangement under which health and medical benefits and services are  
16 provided to two or more persons.

17 Sec. 2. Section 15-101, Arizona Revised Statutes, is amended to read:

18 **15-101. Definitions**

19 In this title, unless the context otherwise requires:

20 1. "Accommodation school" means either:

21 (a) A school which is operated through the county board of supervisors  
22 and the county school superintendent and which the county school  
23 superintendent administers to serve a military reservation or territory which  
24 is not included within the boundaries of a school district.

25 (b) A school that provides educational services to homeless children  
26 or alternative education programs as provided in section 15-308,  
27 subsection B.

28 (c) A school that is established to serve a military reservation, the  
29 boundaries of which are coterminous with the boundaries of the military  
30 reservation on which the school is located.

31 2. "Assessed valuation" means the valuation derived by applying the  
32 applicable percentage as provided in title 42, chapter 15, article 1 to the  
33 full cash value or limited property value, whichever is applicable, of the  
34 property.

35 **3. "CHARTER HOLDER" MEANS A PERSON THAT ENTERS INTO A CHARTER WITH THE**  
36 **STATE BOARD FOR CHARTER SCHOOLS. FOR THE PURPOSES OF THIS PARAGRAPH,**  
37 **"PERSON" MEANS AN INDIVIDUAL, PARTNERSHIP, CORPORATION, ASSOCIATION OR PUBLIC**  
38 **OR PRIVATE ORGANIZATION OF ANY KIND.**

39 ~~3.~~ 4. "Charter school" means a public school established by contract  
40 with a district governing board, the state board of education or the state  
41 board for charter schools pursuant to article 8 of this chapter to provide  
42 learning that will improve pupil achievement.

43 ~~4.~~ 5. "Child with a disability" means a child with a disability as  
44 defined in section 15-761.

1       ~~5-~~ 6. "Class A bonds" means general obligation bonds approved by a  
2 vote of the qualified electors of a school district at an election held on or  
3 before December 31, 1998.

4       ~~6-~~ 7. "Class B bonds" means general obligation bonds approved by a  
5 vote of the qualified electors of a school district at an election held from  
6 and after December 31, 1998.

7       ~~7-~~ 8. "Competency" means a demonstrated ability in a skill at a  
8 specified performance level.

9       ~~8-~~ 9. "Course" means organized subject matter in which instruction is  
10 offered within a given period of time and for which credit toward promotion,  
11 graduation or certification is usually given. A course consists of knowledge  
12 selected from a subject for instructional purposes in the schools.

13       ~~9-~~ 10. "Course of study" means a list of required and optional  
14 subjects to be taught in the schools.

15       ~~10-~~ 11. "Dual enrollment course" means a college level course that is  
16 conducted on the campus of a high school or on the campus of a joint  
17 technological education district, that is applicable to an established  
18 community college academic degree or certificate program and that is  
19 transferable to a university under the jurisdiction of the Arizona board of  
20 regents. A dual enrollment course that is applicable to a community college  
21 occupational degree or certificate program may be transferable to a  
22 university under the jurisdiction of the Arizona board of regents.

23       ~~11-~~ 12. "Fiscal year" means the year beginning July 1 and ending  
24 June 30.

25       ~~12-~~ 13. "Governing board" means a body organized for the government  
26 and management of the schools within a school district or a county school  
27 superintendent in the conduct of an accommodation school.

28       ~~13-~~ 14. "Lease" means an agreement for conveyance and possession of  
29 real or personal property.

30       ~~14-~~ 15. "Limited property value" means the value determined pursuant  
31 to title 42, chapter 13, article 7. Limited property value shall be used as  
32 the basis for assessing, fixing, determining and levying primary property  
33 taxes.

34       ~~15-~~ 16. "Parent" means the natural or adoptive parent of a child or a  
35 person who has custody of a child.

36       ~~16-~~ 17. "Person who has custody" means a parent or legal guardian of a  
37 child, a person to whom custody of the child has been given by order of a  
38 court or a person who stands in loco parentis to the child.

39       ~~17- "P.L. 81-874" means Public Law 81-874 or its successors.~~

40       18. "Primary property taxes" means all ad valorem taxes except for  
41 secondary property taxes.

42       19. "Private school" means a nonpublic institution where instruction is  
43 imparted.

44       20. "School" means any public institution established for the purposes  
45 of offering instruction to pupils in programs for preschool children with

1 disabilities, kindergarten programs or any combination of grades one through  
2 twelve.

3 21. "School district" means a political subdivision of this state with  
4 geographic boundaries organized for the purpose of the administration,  
5 support and maintenance of the public schools or an accommodation school.

6 22. "Secondary property taxes" means ad valorem taxes used to pay the  
7 principal of and the interest and redemption charges on any bonded  
8 indebtedness or other lawful long-term obligation issued or incurred for a  
9 specific purpose by a school district or a community college district and  
10 amounts levied pursuant to an election to exceed a budget, expenditure or tax  
11 limitation.

12 23. "Subject" means a division or field of organized knowledge, such as  
13 English or mathematics, or a selection from an organized body of knowledge  
14 for a course or teaching unit, such as the English novel or elementary  
15 algebra.

16 Sec. 3. Section 15-102, Arizona Revised Statutes, is amended to read:

17 15-102. Parental involvement in the school; definition

18 A. The governing board, in consultation with parents, teachers and  
19 administrators, shall develop and adopt a policy to promote the involvement  
20 of parents and guardians of children enrolled in the schools within the  
21 school district, including:

22 1. A plan for parent participation in the schools which is designed to  
23 improve parent and teacher cooperation in such areas as homework, attendance  
24 and discipline.

25 2. Procedures by which parents may learn about the course of study for  
26 their children and review learning materials.

27 3. Procedures by which parents who object to any learning material or  
28 activity on the basis that it is harmful may withdraw their children from the  
29 activity or from the class or program in which the material is used.  
30 Objection to a learning material or activity on the basis that it is harmful  
31 includes objection to a material or activity because it questions beliefs or  
32 practices in sex, morality or religion.

33 B. The policy adopted by the governing board pursuant to this section  
34 may also include the following components:

35 1. A plan by which parents will be made aware of the district's  
36 parental involvement policy and ~~the provisions of~~ this section, including:

37 (a) Rights under the family educational rights and privacy act of 1974  
38 (20 UNITED STATES CODE SECTION 1232g) relating to access to children's  
39 official records.

40 (b) The parent's right to inspect the school district policies and  
41 curriculum.

42 2. Efforts to encourage the development of parenting skills.

43 3. The communication to parents of techniques designed to assist the  
44 child's learning experience in the home.

45 4. Efforts to encourage access to community and support services for  
46 children and families.

1           5. The promotion of communication between the school and parents  
2 concerning school programs and the academic progress of the parents'  
3 children.

4           6. Identifying opportunities for parents to participate in and support  
5 classroom instruction at the school.

6           7. Efforts to, with appropriate training, support parents as shared  
7 decision makers and to encourage membership on school councils.

8           8. The recognition of the diversity of parents and the development of  
9 guidelines that promote widespread parental participation and involvement in  
10 the school at various levels.

11          9. The development of preparation programs and specialized courses for  
12 certificated employees and administrators that promote parental involvement.

13          10. The development of strategies and programmatic structures at  
14 schools to encourage and enable parents to participate actively in their  
15 children's education.

16          C. A PARENT SHALL SUBMIT A WRITTEN REQUEST FOR INFORMATION PURSUANT TO  
17 THIS SECTION DURING REGULAR BUSINESS HOURS TO EITHER THE SCHOOL PRINCIPAL AT  
18 THE SCHOOL SITE OR THE SUPERINTENDENT OF THE SCHOOL DISTRICT AT THE OFFICE OF  
19 THE SCHOOL DISTRICT. WITHIN TEN DAYS OF RECEIVING THE REQUEST FOR  
20 INFORMATION, THE SCHOOL PRINCIPAL OR THE SUPERINTENDENT OF THE SCHOOL  
21 DISTRICT SHALL EITHER DELIVER THE REQUESTED INFORMATION TO THE PARENT OR  
22 SUBMIT TO THE PARENT A WRITTEN EXPLANATION OF THE REASONS FOR THE DENIAL OF  
23 THE REQUESTED INFORMATION. IF THE REQUEST FOR INFORMATION IS DENIED OR THE  
24 PARENT DOES NOT RECEIVE THE REQUESTED INFORMATION WITHIN FIFTEEN DAYS AFTER  
25 SUBMITTING THE REQUEST FOR INFORMATION, THE PARENT MAY SUBMIT A WRITTEN  
26 REQUEST FOR THE INFORMATION TO THE SCHOOL DISTRICT GOVERNING BOARD, WHICH  
27 SHALL FORMALLY CONSIDER THE REQUEST AT THE NEXT SCHEDULED PUBLIC MEETING OF  
28 THE GOVERNING BOARD THAT THE REQUEST CAN BE PROPERLY NOTICED ON THE AGENDA.

29          ~~C.~~ D. For the purposes of this section, "parent" means the parent or  
30 person who has custody of the child.

31          Sec. 4. Section 15-106, Arizona Revised Statutes, is amended to read:

32          15-106. Identity verified fingerprints

33          Beginning on January 1, 2008, an applicant who applies for a new  
34 teaching certificate in order to teach in a school district, A PARTICIPANT IN  
35 FIELD EXPERIENCE OR STUDENT TEACHING IN THIS STATE, an applicant who applies  
36 for a renewal of an existing teaching certificate in order to continue  
37 teaching in a school district, an applicant who is required for the first  
38 time to be fingerprinted in order to teach in a charter school and an  
39 applicant who is required to renew fingerprints in order to continue teaching  
40 in a charter school pursuant to section 15-183, ~~and~~ an applicant who is  
41 required to be fingerprinted pursuant to section 15-512 AND ANY PERSON WHO IS  
42 CONTRACTED BY THIS STATE, BY A SCHOOL DISTRICT OR BY A CHARTER SCHOOL TO  
43 PROVIDE TUTORING SERVICES shall submit for an identity verified fingerprint  
44 card that will be used by the department of public safety to process the  
45 fingerprint clearance card pursuant to title 41, chapter 12, article 3.1 as  
46 follows:

1           1. The applicant shall submit a request for an application packet from  
2 the department of public safety.

3           2. The application packet shall be contained in an envelope specified  
4 by the department of public safety and shall include the following:

5           (a) A blank applicant fingerprint card.

6           (b) An application for a fingerprint clearance card.

7           (c) Instructions for the return of the application packet.

8           3. A school district or charter school may contract for fingerprinting  
9 services through an entity or entities and shall provide a copy of the  
10 instructions to the entity or entities as provided by the department of  
11 public safety regarding the submission of identity verified fingerprints. If  
12 a school district or charter school elects to provide fingerprinting  
13 services, the school district or charter school shall authorize an individual  
14 employed by the school district or charter school to administer the services.

15           4. The department of public safety shall provide instructions to law  
16 enforcement agencies and public schools regarding the submission of identity  
17 verified fingerprints. The department of public safety shall reject the  
18 application for a fingerprint clearance card if the application is not  
19 correct or is not submitted according to the instructions provided by the  
20 department of public safety.

21           5. The applicant, at the time that identity verified fingerprints are  
22 taken, shall provide the law enforcement agency, school district, charter  
23 school or other entity with a completed application form for a fingerprint  
24 clearance card, the fingerprint card with the requisite demographic  
25 information and the required fee in the form of a money order or cashier's  
26 check made out to the ~~Arizona~~ department of public safety. The law  
27 enforcement agency, school district, charter school or other entity shall  
28 verify the identity of the applicant through recognized means of photographic  
29 identification and a comparison of the demographic information on the  
30 photographic identification against the demographic information on the  
31 application form and the fingerprint card. The authorized person taking the  
32 fingerprints shall enter on the application form a description of the  
33 photographic identification presented by the applicant. The law enforcement  
34 agency, school district, charter school or other entity shall place the  
35 completed fingerprint card, completed application form or any other form  
36 required by the department of public safety and the fee provided by the  
37 applicant in the ~~post-paid~~ POSTAGE PREPAID envelope provided by the  
38 department of public safety and mail it to the fingerprinting division ~~at~~ IN  
39 the department of public safety. A law enforcement agency, school district,  
40 charter school or other entity may charge the applicant a reasonable fee for  
41 services provided pursuant to this section.

42           6. The department of public safety shall process the application  
43 packet in the same manner prescribed for fingerprint clearance cards issued  
44 pursuant to title 41, chapter 12, article 3.1.

45           7. The department of public safety shall provide for digital storage  
46 and retrieval of identity verified fingerprints taken pursuant to this

section. The fingerprints taken pursuant to this section shall be digitally designated in the fingerprint archive as identity verified fingerprint records.

8. A person who has a set of identity verified fingerprints on file with the department of public safety pursuant to this section shall not be required to submit a new set of fingerprints to the department of public safety to renew the person's fingerprint clearance card. On receipt of the required application form and fee for a renewal fingerprint clearance card from a person required to submit identity verified fingerprints, the department of public safety shall attempt to use the electronic copy of the applicant's identity verified fingerprints that are retained pursuant to this section to conduct the ~~fingerprint~~ state and national criminal records checks. The department of public safety may require the applicant to submit a new set of identity verified fingerprints if the department of public safety determines that the original fingerprints submitted have been lost, ~~OR~~ damaged or are found to be otherwise of insufficient quality to conduct a valid technical fingerprint search either by the department of public safety or the federal bureau of investigation.

9. A PERSON WHO PARTICIPATES IN A TEACHER PREPARATION PROGRAM THAT IS APPROVED BY THE STATE BOARD OF EDUCATION AND WHO DOES NOT PARTICIPATE IN FIELD EXPERIENCE OR STUDENT TEACHING IN THIS STATE SHALL NOT BE REQUIRED TO OBTAIN A FINGERPRINT CLEARANCE CARD PURSUANT TO THIS SECTION.

Sec. 5. Repeal

Section 15-108, Arizona Revised Statutes, is repealed.

Sec. 6. Section 15-183, Arizona Revised Statutes, is amended to read:

15-183. Charter schools; application; requirements; immunity; exemptions; renewal of application; reprisal

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

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

C. The sponsor of a charter school may be either a school district governing board, the state board of education or the state board for charter schools, subject to the following requirements:

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

1 (a) An applicant for a charter school may submit its application to a  
2 school district governing board, which shall either accept or reject  
3 sponsorship of the charter school within ninety days. An applicant may  
4 submit a revised application for reconsideration by the governing board. If  
5 the governing board rejects the application, the governing board shall notify  
6 the applicant in writing of the reasons for the rejection. The applicant may  
7 request, and the governing board may provide, technical assistance to improve  
8 the application.

9 (b) In the first year that a school district is determined to be out  
10 of compliance with the uniform system of financial records, within fifteen  
11 days of the determination of noncompliance, the school district shall notify  
12 by certified mail each charter school sponsored by the school district that  
13 the school district is out of compliance with the uniform system of financial  
14 records. The notification shall include a statement that if the school  
15 district is determined to be out of compliance for a second consecutive year,  
16 the charter school will be required to transfer sponsorship to another entity  
17 pursuant to subdivision (c) of this paragraph.

18 (c) In the second consecutive year that a school district is  
19 determined to be out of compliance with the uniform system of financial  
20 records, within fifteen days of the determination of noncompliance, the  
21 school district shall notify by certified mail each charter school sponsored  
22 by the school district that the school district is out of compliance with the  
23 uniform system of financial records. A charter school that receives a  
24 notification of school district noncompliance pursuant to this subdivision  
25 shall file a written sponsorship transfer application within forty-five days  
26 with the state board of education, the state board for charter schools or the  
27 school district governing board if the charter school is located within the  
28 geographic boundaries of that school district. A charter school that  
29 receives a notification of school district noncompliance may request an  
30 extension of time to file a sponsorship transfer application, and the state  
31 board of education, the state board for charter schools or a school district  
32 governing board may grant an extension of not more than an additional thirty  
33 days if good cause exists for the extension. The state board of education  
34 and the state board for charter schools shall approve a sponsorship transfer  
35 application pursuant to this paragraph.

36 (d) ~~Beginning July 1, 2000,~~ A school district governing board shall  
37 not grant a charter to a charter school that is located outside the  
38 geographic boundaries of that school district.

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

42 2. The applicant may submit the application to the state board of  
43 education or the state board for charter schools. The state board of  
44 education or the state board for charter schools may approve the application  
45 if the application meets the requirements of this article and may approve the  
46 charter if the proposed sponsor determines, within its sole discretion, that

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

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

26 4. All persons engaged in instructional work directly as a classroom,  
27 laboratory or other teacher or indirectly as a supervisory teacher, speech  
28 therapist or principal shall have a valid fingerprint clearance card that is  
29 issued pursuant to title 41, chapter 12, article 3.1, unless the person is a  
30 volunteer or guest speaker who is accompanied in the classroom by a person  
31 with a valid fingerprint clearance card. A charter school shall not employ a  
32 teacher whose certificate has been revoked for a violation of section 15-507  
33 or 15-550 or for any offense that placed a pupil in danger. All other  
34 personnel shall be fingerprint checked pursuant to section 15-512. Before  
35 employment, the charter school shall make documented, good faith efforts to  
36 contact previous employers of a person to obtain information and  
37 recommendations that may be relevant to a person's fitness for employment as  
38 prescribed in section 15-512, subsection F. The charter school shall notify  
39 the department of public safety if the charter school or sponsor receives  
40 credible evidence that a person who possesses a valid fingerprint clearance  
41 card is arrested for or is charged with an offense listed in section  
42 41-1758.03, subsection B. Charter schools may hire personnel that have not  
43 yet received a fingerprint clearance card if proof is provided of the  
44 submission of an application to the department of public safety for a  
45 fingerprint clearance card and if the charter school that is seeking to hire  
46 the applicant does all of the following:

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

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

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

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

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

15 (f) Verifies the fingerprint status of the applicant with the  
16 department of public safety.

17 5. A CHARTER SCHOOL THAT COMPLIES WITH THE FINGERPRINTING REQUIREMENTS  
18 OF THIS SECTION SHALL BE DEEMED TO HAVE COMPLIED WITH SECTION 15-512 AND IS  
19 ENTITLED TO THE SAME RIGHTS AND PROTECTIONS PROVIDED TO SCHOOL DISTRICTS BY  
20 SECTION 15-512.

21 ~~5-~~ 6. If a charter school operator is not already subject to a public  
22 meeting or hearing by the municipality in which the charter school is  
23 located, the operator of a charter school shall conduct a public meeting at  
24 least thirty days before the charter school operator opens a site or sites  
25 for the charter school. The charter school operator shall post notices of  
26 the public meeting in at least three different locations that are within  
27 three hundred feet of the proposed charter school site.

28 ~~6-~~ 7. A person who is employed by a charter school or who is an  
29 applicant for employment with a charter school, who is arrested for or  
30 charged with a nonappealable offense listed in section 41-1758.03, subsection  
31 B and who does not immediately report the arrest or charge to the person's  
32 supervisor or potential employer is guilty of unprofessional conduct and the  
33 person shall be immediately dismissed from employment with the charter school  
34 or immediately excluded from potential employment with the charter school.

35 ~~7-~~ 8. A person who is employed by a charter school and who is  
36 convicted of any nonappealable offense listed in section 41-1758.03,  
37 subsection B or is convicted of any nonappealable offense that amounts to  
38 unprofessional conduct under section 15-550 shall immediately do all of the  
39 following:

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

41 (b) Notify the person's employer or potential employer of the  
42 conviction.

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

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

45 D. A board that is authorized to sponsor charter schools pursuant to  
46 this article has no legal authority over or responsibility for a charter

1 school sponsored by a different board. This subsection does not apply to the  
2 state board of education's duty to exercise general supervision over the  
3 public school system pursuant to section 15-203, subsection A, paragraph 1.

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

5 1. Compliance with federal, state and local rules, regulations and  
6 statutes relating to health, safety, civil rights and insurance. The  
7 department of education shall publish a list of relevant rules, regulations  
8 and statutes to notify charter schools of their responsibilities under this  
9 paragraph.

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

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

17 4. That it designs a method to measure pupil progress toward the pupil  
18 outcomes adopted by the state board of education pursuant to section  
19 15-741.01, including participation in the Arizona instrument to measure  
20 standards test and the nationally standardized norm-referenced achievement  
21 test as designated by the state board and the completion and distribution of  
22 an annual report card as prescribed in chapter 7, article 3 of this title.

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

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

40 7. Compliance with all federal and state laws relating to the  
41 education of children with disabilities in the same manner as a school  
42 district.

43 8. That it provides for a governing body for the charter school that  
44 is responsible for the policy decisions of the charter school.  
45 NOTWITHSTANDING SECTION 1-216, IF THERE IS A VACANCY OR VACANCIES ON THE  
46 GOVERNING BODY, A MAJORITY OF THE REMAINING MEMBERS OF THE GOVERNING BODY

1 CONSTITUTE A QUORUM FOR THE TRANSACTION OF BUSINESS, UNLESS THAT QUORUM IS  
2 PROHIBITED BY THE CHARTER SCHOOL'S OPERATING AGREEMENT.

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

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

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

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

25 I. An approved plan to establish a charter school is effective for  
26 fifteen years from the first day of operation. At least eighteen months  
27 before the expiration of the approved plan, the sponsor shall notify the  
28 charter school that the charter school may apply for renewal. A charter  
29 school that elects to apply for renewal shall file an application for renewal  
30 at least fifteen months before the expiration of the approved plan. In  
31 addition to any other requirements, the application for renewal shall include  
32 a detailed business plan for the charter school. The sponsor may deny the  
33 request for renewal if, in its judgment, the charter school has failed to  
34 complete the obligations of the contract or has failed to comply with this  
35 article. A sponsor shall give written notice of its intent not to renew the  
36 charter school's request for renewal to the charter school at least twelve  
37 months before the expiration of the approved plan to allow the charter school  
38 an opportunity to apply to another sponsor to transfer the operation of the  
39 charter school. If the operation of the charter school is transferred to  
40 another sponsor, the fifteen year period of the current charter shall be  
41 maintained. A sponsor shall review a charter at five year intervals and may  
42 revoke a charter at any time if the charter school breaches one or more  
43 provisions of its charter. At least ninety days before the effective date of  
44 the proposed revocation the sponsor shall give written notice to the operator  
45 of the charter school of its intent to revoke the charter. Notice of the  
46 sponsor's intent to revoke the charter shall be delivered personally to the

1 operator of the charter school or sent by certified mail, return receipt  
2 requested, to the address of the charter school. The notice shall  
3 incorporate a statement of reasons for the proposed revocation of the  
4 charter. The sponsor shall allow the charter school at least ninety days to  
5 correct the problems associated with the reasons for the proposed revocation  
6 of the charter. The final determination of whether to revoke the charter  
7 shall be made at a public hearing called for such purpose.

8 J. After renewal of the charter at the end of the fifteen year period  
9 described in subsection I of this section, the charter may be renewed for  
10 successive periods of fifteen years if the charter school and its sponsor  
11 deem that the school is in compliance with its own charter and this article.

12 K. A charter school that is sponsored by the state board of education  
13 or the state board for charter schools may not be located on the property of  
14 a school district unless the district governing board grants this authority.

15 L. A governing board or a school district employee who has control  
16 over personnel actions shall not take unlawful reprisal against another  
17 employee of the school district because the employee is directly or  
18 indirectly involved in an application to establish a charter school. A  
19 governing board or a school district employee shall not take unlawful  
20 reprisal against an educational program of the school or the school district  
21 because an application to establish a charter school proposes the conversion  
22 of all or a portion of the educational program to a charter school. For the  
23 purposes of this subsection, "unlawful reprisal" means an action that is  
24 taken by a governing board or a school district employee as a direct result  
25 of a lawful application to establish a charter school and that is adverse to  
26 another employee or an education program and:

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

- 29 (a) Disciplinary or corrective action.
- 30 (b) Detail, transfer or reassignment.
- 31 (c) Suspension, demotion or dismissal.
- 32 (d) An unfavorable performance evaluation.
- 33 (e) A reduction in pay, benefits or awards.
- 34 (f) Elimination of the employee's position without a reduction in  
35 force by reason of lack of monies or work.
- 36 (g) Other significant changes in duties or responsibilities that are  
37 inconsistent with the employee's salary or employment classification.

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

- 40 (a) Suspension or termination of the program.
- 41 (b) Transfer or reassignment of the program to a less favorable  
42 department.
- 43 (c) Relocation of the program to a less favorable site within the  
44 school or school district.
- 45 (d) Significant reduction or termination of funding for the program.

1 M. Charter schools shall secure insurance for liability and property  
2 loss. The governing body of a charter school that is sponsored by the state  
3 board of education or the state board for charter schools may enter into an  
4 intergovernmental agreement or otherwise contract to participate in an  
5 insurance program offered by a risk retention pool established pursuant to  
6 section 11-952.01 or 41-621.01 or the charter school may secure its own  
7 insurance coverage. The pool may charge the requesting charter school  
8 reasonable fees for any services it performs in connection with the insurance  
9 program.

10 N. Charter schools do not have the authority to acquire property by  
11 eminent domain.

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

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

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

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

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

30 T. All property accumulated by a charter school shall remain the  
31 property of the charter school.

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

43 V. A transfer of a charter to another sponsor, a transfer of a charter  
44 school site to another sponsor or a transfer of a charter school site to a  
45 different charter shall be completed before the beginning of the fiscal year  
46 that the transfer is scheduled to become effective. An entity that sponsors

1 charter schools may accept a transferring school after the beginning of the  
2 fiscal year if the transfer is approved by the superintendent of public  
3 instruction. The superintendent of public instruction shall have the  
4 discretion to consider each transfer during the fiscal year on a case by case  
5 basis. If a charter school is sponsored by a school district that is  
6 determined to be out of compliance with this title, the uniform system of  
7 financial records or any other state or federal law, the charter school may  
8 transfer to another sponsoring entity at any time during the fiscal year.

9 W. The sponsoring entity may not charge any fees to a charter school  
10 that it sponsors unless the sponsor has provided services to the charter  
11 school and the fees represent the full value of those services provided by  
12 the sponsor. On request, the value of the services provided by the sponsor  
13 to the charter school shall be demonstrated to the department of education.

14 Sec. 7. Section 15-184, Arizona Revised Statutes, is amended to read:

15 15-184. Charter schools; admission requirements

16 A. A charter school shall enroll all eligible pupils who submit a  
17 timely application, unless the number of applications exceeds the capacity of  
18 a program, class, grade level or building. A charter school shall give  
19 enrollment preference to pupils returning to the charter school in the second  
20 or any subsequent year of its operation and to siblings of pupils already  
21 enrolled in the charter school. A charter school that is sponsored by a  
22 school district governing board shall give enrollment preference to eligible  
23 pupils who reside within the boundaries of the school district where the  
24 charter school is physically located. **A CHARTER SCHOOL MAY GIVE ENROLLMENT  
25 PREFERENCE TO AND RESERVE CAPACITY FOR PUPILS WHO ARE CHILDREN OF EMPLOYEES  
26 OF THE SCHOOL, EMPLOYEES OF THE CHARTER HOLDER, MEMBERS OF THE GOVERNING BODY  
27 OF THE SCHOOL OR DIRECTORS, OFFICERS, PARTNERS OR BOARD MEMBERS OF THE  
28 CHARTER HOLDER.** If **REMAINING** capacity is insufficient to enroll all pupils  
29 who submit a timely application, the charter school shall select pupils  
30 through an equitable selection process such as a lottery except that  
31 preference shall be given to siblings of a pupil selected through an  
32 equitable selection process such as a lottery.

33 B. Except as provided in subsection C **OR D**, a charter school shall not  
34 limit admission based on ethnicity, national origin, gender, income level,  
35 disabling condition, proficiency in the English language or athletic ability.

36 C. A charter school may limit admission to pupils within a given age  
37 group or grade level.

38 **D. A CHARTER SCHOOL MAY PROVIDE INSTRUCTION TO PUPILS OF A SINGLE  
39 GENDER WITH THE APPROVAL OF THE SPONSOR OF THE CHARTER SCHOOL. AN EXISTING  
40 CHARTER SCHOOL MAY AMEND ITS CHARTER TO PROVIDE INSTRUCTION TO PUPILS OF A  
41 SINGLE GENDER, AND IF APPROVED BY THE SPONSOR OF THE CHARTER SCHOOL, MAY  
42 PROVIDE INSTRUCTION TO PUPILS OF A SINGLE GENDER AT THE BEGINNING OF THE NEXT  
43 SCHOOL YEAR.**

44 ~~D.~~ E. A charter school shall admit pupils who reside in the  
45 attendance area of a school or who reside in a school district that is under  
46 a court order of desegregation or that is a party to an agreement with the

1 United States department of education office for civil rights directed toward  
2 remediating alleged or proven racial discrimination unless notice is received  
3 from the resident school that the admission would violate the court order or  
4 agreement. If a charter school admits a pupil after notice is received that  
5 the admission would constitute such a violation, the charter school is not  
6 allowed to include in its student count the pupils wrongfully admitted.

7 ~~E.~~ F. A charter school may refuse to admit any pupil who has been  
8 expelled from another educational institution or who is in the process of  
9 being expelled from another educational institution.

10 Sec. 8. Section 15-185, Arizona Revised Statutes, is amended to read:

11 15-185. Charter schools; financing; civil penalty;  
12 transportation; definitions

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

15 1. The charter school shall be included in the district's budget and  
16 financial assistance calculations pursuant to paragraph 3 of this subsection  
17 and chapter 9 of this title, except for chapter 9, article 4 of this title.  
18 The charter of the charter school shall include a description of the methods  
19 of funding the charter school by the school district. The school district  
20 shall send a copy of the charter and application, including a description of  
21 how the school district plans to fund the school, to the state board of  
22 education before the start of the first fiscal year of operation of the  
23 charter school. The charter or application shall include an estimate of the  
24 student count for the charter school for its first fiscal year of operation.  
25 This estimate shall be computed pursuant to the requirements of paragraph 3  
26 of this subsection.

27 2. A school district is not financially responsible for any charter  
28 school that is sponsored by the state board of education or the state board  
29 for charter schools.

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

31 (a) Increase its student count as provided in subsection B, paragraph  
32 2 of this section during the first year of the charter school's operation to  
33 include those charter school pupils who were not previously enrolled in the  
34 school district. A charter school sponsored by a school district governing  
35 board is eligible for the assistance prescribed in subsection B, paragraph 4  
36 of this section. The soft capital allocation as provided in section 15-962  
37 for the school district sponsoring the charter school shall be increased by  
38 the amount of the additional assistance. The school district shall include  
39 the full amount of the additional assistance in the funding provided to the  
40 charter school.

41 (b) Compute separate weighted student counts pursuant to section  
42 15-943, paragraph 2, subdivision (a) for its noncharter school versus charter  
43 school pupils in order to maintain eligibility for small school district  
44 support level weights authorized in section 15-943, paragraph 1 for its  
45 noncharter school pupils only. The portion of a district's student count

1 that is attributable to charter school pupils is not eligible for small  
2 school district support level weights.

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

7 5. A school district that sponsors a charter school is not eligible to  
8 include the charter school pupils in its student count for the purpose of  
9 computing an increase in its capital outlay revenue limit as provided in  
10 section 15-961, subsection C, except that if the charter school was  
11 previously a school in the district, the district may include in its student  
12 count any charter school pupils who were enrolled in the school district in  
13 the prior year.

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

19 7. If a school district converts one or more of its district public  
20 schools to a charter school and receives assistance as prescribed in  
21 subsection B, paragraph 4 of this section, and subsequently converts the  
22 charter school back to a district public school, the school district shall  
23 repay the state the total additional assistance received for the charter  
24 school for all years that the charter school was in operation. The repayment  
25 shall be in one lump sum and shall be reduced from the school district's  
26 current year equalization assistance. The school district's general budget  
27 limit shall be reduced by the same lump sum amount in the current year.

28 B. Financial provisions for a charter school that is sponsored by the  
29 state board of education or the state board for charter schools are as  
30 follows:

31 1. The charter school shall calculate a base support level as  
32 prescribed in section 15-943, except that sections 15-941 and 15-942 do not  
33 apply to these charter schools.

34 2. Notwithstanding paragraph 1 of this subsection, the student count  
35 shall be determined initially using an estimated student count based on  
36 actual registration of pupils before the beginning of the school year. After  
37 the first one hundred days or two hundred days in session, as applicable, the  
38 charter school shall revise the student count to be equal to the actual  
39 average daily membership, as defined in section 15-901, or the adjusted  
40 average daily membership, as prescribed in section 15-902, of the charter  
41 school. A CHARTER SCHOOL THAT PROVIDES TWO HUNDRED DAYS OF INSTRUCTION MAY  
42 USE SECTION 15-902.02 FOR THE PURPOSES OF THIS SECTION. Before the one  
43 hundredth day or two hundredth day in session, as applicable, the state board  
44 of education or the state board for charter schools may require a charter  
45 school to report periodically regarding pupil enrollment and attendance, and  
46 the department of education may revise its computation of equalization

1 assistance based on the report. A charter school shall revise its student  
2 count, base support level and additional assistance before May 15. A charter  
3 school that overestimated its student count shall revise its budget before  
4 May 15. A charter school that underestimated its student count may revise  
5 its budget before May 15.

6 3. A charter school may utilize section 15-855 for the purposes of  
7 this section. The charter school and the department of education shall  
8 prescribe procedures for determining average daily attendance and average  
9 daily membership.

10 4. Equalization assistance for the charter school shall be determined  
11 by adding the amount of the base support level and additional assistance.  
12 The amount of the additional assistance is one thousand four hundred  
13 seventy-four dollars sixteen cents per student count in kindergarten programs  
14 and grades one through eight and one thousand seven hundred eighteen dollars  
15 ten cents per student count in grades nine through twelve.

16 5. The state board of education shall apportion state aid from the  
17 appropriations made for such purposes to the state treasurer for disbursement  
18 to the charter schools in each county in an amount as determined by this  
19 paragraph. The apportionments shall be made in twelve equal installments of  
20 the total amount to be apportioned during the fiscal year on the fifteenth  
21 day of each month of the fiscal year.

22 ~~6. Notwithstanding paragraph 5 of this subsection, if sufficient~~  
23 ~~appropriated monies are available after the first forty days in session of~~  
24 ~~the current year, a charter school may request additional state monies to~~  
25 ~~fund the increased state aid due to anticipated student growth through the~~  
26 ~~first one hundred days or two hundred days in session, as applicable, of the~~  
27 ~~current year as provided in section 15-948. In no event shall a charter~~  
28 ~~school have received more than three fourths of its total apportionment~~  
29 ~~before April 15 of the fiscal year. Early payments pursuant to this~~  
30 ~~subsection must be approved by the state treasurer, the director of the~~  
31 ~~department of administration and the superintendent of public instruction.~~

32 ~~7.~~ 6. The charter school shall not charge tuition, levy taxes or  
33 issue bonds.

34 ~~8.~~ 7. Not later than noon on the day preceding each apportionment  
35 date established by paragraph 5 of this subsection, the superintendent of  
36 public instruction shall furnish to the state treasurer an abstract of the  
37 apportionment and shall certify the apportionment to the department of  
38 administration, which shall draw its warrant in favor of the charter schools  
39 for the amount apportioned.

40 C. If a pupil is enrolled in both a charter school and a public school  
41 that is not a charter school, the sum of the daily membership, which includes  
42 enrollment as prescribed in section 15-901, subsection A, paragraph 2,  
43 subdivisions (a) and (b) and daily attendance as prescribed in section  
44 15-901, subsection A, paragraph 6, for that pupil in the school district and  
45 the charter school shall not exceed 1.0, except that if the pupil is enrolled  
46 in both a charter school and a joint technological education district and

1 resides within the boundaries of a school district participating in the joint  
2 technological education district, the sum of the average daily membership for  
3 that pupil in the charter school and the joint technological education  
4 district shall not exceed 1.25. If a pupil is enrolled in both a charter  
5 school and a public school that is not a charter school, the department of  
6 education shall direct the average daily membership to the school with the  
7 most recent enrollment date. Upon validation of actual enrollment in both a  
8 charter school and a public school that is not a charter school and if the  
9 sum of the daily membership or daily attendance for that pupil is greater  
10 than 1.0, the sum shall be reduced to 1.0 and shall be apportioned between  
11 the public school and the charter school based on the percentage of total  
12 time that the pupil is enrolled or in attendance in the public school and the  
13 charter school, except that if the pupil is enrolled in both a charter school  
14 and a joint technological education district and resides within the  
15 boundaries of a school district participating in the joint technological  
16 education district, the sum of the average daily membership for that pupil in  
17 the charter school and the joint technological education district shall be  
18 reduced to 1.25 and shall be apportioned between the charter school and the  
19 joint technological education district based on the percentage of total time  
20 that the pupil is enrolled or in attendance in the charter school and the  
21 joint technological education district. The uniform system of financial  
22 records shall include guidelines for the apportionment of the pupil  
23 enrollment and attendance as provided in this section.

24 D. Charter schools are allowed to accept grants and gifts to  
25 supplement their state funding, but it is not the intent of the charter  
26 school law to require taxpayers to pay twice to educate the same pupils. The  
27 base support level for a charter school or for a school district sponsoring a  
28 charter school shall be reduced by an amount equal to the total amount of  
29 monies received by a charter school from a federal or state agency if the  
30 federal or state monies are intended for the basic maintenance and operations  
31 of the school. The superintendent of public instruction shall estimate the  
32 amount of the reduction for the budget year and shall revise the reduction to  
33 reflect the actual amount before May 15 of the current year. If the  
34 reduction results in a negative amount, the negative amount shall be used in  
35 computing all budget limits and equalization assistance, except that:

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

37 2. For a charter school sponsored by the state board of education or  
38 the state board for charter schools, the total of the base support level, ~~the~~  
39 ~~capital outlay revenue limit, the soft capital allocation~~ and the additional  
40 assistance shall not be less than zero.

41 3. For a charter school sponsored by a school district, the base  
42 support level for the school district shall not be reduced by more than the  
43 amount that the charter school increased the district's base support level,  
44 capital outlay revenue limit and soft capital allocation.

45 E. If a charter school was a district public school in the prior year  
46 and is now being operated for or by the same school district and sponsored by

1 the state board of education, the state board for charter schools or a school  
2 district governing board, the reduction in subsection D of this section  
3 applies. The reduction to the base support level of the charter school or  
4 the sponsoring district of the charter school shall equal the sum of the base  
5 support level and the additional assistance received in the current year for  
6 those pupils who were enrolled in the traditional public school in the prior  
7 year and are now enrolled in the charter school in the current year.

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

11 G. At the request of a charter school, the county school  
12 superintendent of the county where the charter school is located may provide  
13 the same educational services to the charter school as prescribed in section  
14 15-308, subsection A. The county school superintendent may charge a fee to  
15 recover costs for providing educational services to charter schools.

16 H. If the sponsor of the charter school determines at a public meeting  
17 that the charter school is not in compliance with federal law, with the laws  
18 of this state or with its charter, the sponsor of a charter school may submit  
19 a request to the department of education to withhold up to ten per cent of  
20 the monthly apportionment of state aid that would otherwise be due the  
21 charter school. The department of education shall adjust the charter  
22 school's apportionment accordingly. The sponsor shall provide written notice  
23 to the charter school at least seventy-two hours before the meeting and shall  
24 allow the charter school to respond to the allegations of noncompliance at  
25 the meeting before the sponsor makes a final determination to notify the  
26 department of education of noncompliance. The charter school shall submit a  
27 corrective action plan to the sponsor on a date specified by the sponsor at  
28 the meeting. The corrective action plan shall be designed to correct  
29 deficiencies at the charter school and to ensure that the charter school  
30 promptly returns to compliance. When the sponsor determines that the charter  
31 school is in compliance, the department of education shall restore the full  
32 amount of state aid payments to the charter school.

33 I. In addition to the withholding of state aid payments pursuant to  
34 subsection H of this section, the sponsor of a charter school may impose a  
35 civil penalty of one thousand dollars per occurrence if a charter school  
36 fails to comply with the fingerprinting requirements prescribed in section  
37 15-183, subsection C or section 15-512. The sponsor of a charter school  
38 shall not impose a civil penalty if it is the first time that a charter  
39 school is out of compliance with the fingerprinting requirements and if the  
40 charter school provides proof within forty-eight hours of written  
41 notification that an application for the appropriate fingerprint check has  
42 been received by the department of public safety. The sponsor of the charter  
43 school shall obtain proof that the charter school has been notified, and the  
44 notification shall identify the date of the deadline and shall be signed by  
45 both parties. The sponsor of a charter school shall automatically impose a  
46 civil penalty of one thousand dollars per occurrence if the sponsor

1 determines that the charter school subsequently violates the fingerprinting  
2 requirements. Civil penalties pursuant to this subsection shall be assessed  
3 by requesting the department of education to reduce the amount of state aid  
4 that the charter school would otherwise receive by an amount equal to the  
5 civil penalty. The amount of state aid withheld shall revert to the state  
6 general fund at the end of the fiscal year.

7 J. A charter school may receive and spend monies distributed by the  
8 department of education pursuant to section 42-5029, subsection E and section  
9 37-521, subsection B.

10 K. If a school district transports or contracts to transport pupils to  
11 the Arizona state schools for the deaf and the blind during any fiscal year,  
12 the school district may transport or contract with a charter school to  
13 transport sensory impaired pupils during that same fiscal year to a charter  
14 school if requested by the parent of the pupil and if the distance from the  
15 pupil's place of actual residence within the school district to the charter  
16 school is less than the distance from the pupil's place of actual residence  
17 within the school district to the campus of the Arizona state schools for the  
18 deaf and the blind.

19 L. For the purposes of this section:

20 1. "Monies intended for the basic maintenance and operations of the  
21 school" means monies intended to provide support for the educational program  
22 of the school, except that it does not include supplemental assistance for a  
23 specific purpose or ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY  
24 EDUCATION ACT OF 1965 monies. The auditor general shall determine which  
25 federal or state monies meet the definition in this paragraph.

26 2. "Operated for or by the same school district" means the charter  
27 school is either governed by the same district governing board or operated by  
28 the district in the same manner as other traditional schools in the district  
29 or is operated by an independent party that has a contract with the school  
30 district. The auditor general and the department of education shall  
31 determine which charter schools meet the definition in this subsection.

32 Sec. 9. Section 15-203, Arizona Revised Statutes, is amended to read:

33 15-203. Powers and duties

34 A. The state board of education shall:

35 1. Exercise general supervision over and regulate the conduct of the  
36 public school system and adopt any rules and policies it deems necessary to  
37 accomplish this purpose.

38 2. Keep a record of its proceedings.

39 3. Make rules for its own government.

40 4. Determine the policy and work undertaken by it.

41 5. Appoint its employees, on the recommendation of the superintendent  
42 of public instruction.

43 6. Prescribe the duties of its employees if not prescribed by statute.

44 7. Delegate to the superintendent of public instruction the execution  
45 of board policies and rules.

1           8. Recommend to the legislature changes or additions to the statutes  
2 pertaining to schools.

3           9. Prepare, publish and distribute reports concerning the educational  
4 welfare of this state.

5           10. Prepare a budget for expenditures necessary for proper maintenance  
6 of the board and accomplishment of its purposes and present the budget to the  
7 legislature.

8           11. Aid in the enforcement of laws relating to schools.

9           12. Prescribe a minimum course of study in the common schools, minimum  
10 competency requirements for the promotion of pupils from the third grade and  
11 minimum course of study and competency requirements for the promotion of  
12 pupils from the eighth grade. The state board of education shall prepare a  
13 fiscal impact statement of any proposed changes to the minimum course of  
14 study or competency requirements and, on completion, shall send a copy to the  
15 director of the joint legislative budget committee and the executive director  
16 of the school facilities board. The state board of education shall not adopt  
17 any changes in the minimum course of study or competency requirements in  
18 effect on July 1, 1998 that will have a fiscal impact on school capital  
19 costs.

20           13. Prescribe minimum course of study and competency requirements for  
21 the graduation of pupils from high school. The state board of education  
22 shall prepare a fiscal impact statement of any proposed changes to the  
23 minimum course of study or competency requirements and, on completion, shall  
24 send a copy to the director of the joint legislative budget committee and the  
25 executive director of the school facilities board. The state board of  
26 education shall not adopt any changes in the minimum course of study or  
27 competency requirements in effect on July 1, 1998 that will have a fiscal  
28 impact on school capital costs.

29           14. Supervise and control the certification of persons engaged in  
30 instructional work directly as any classroom, laboratory or other teacher or  
31 indirectly as a supervisory teacher, speech therapist, principal or  
32 superintendent in a school district, including school district preschool  
33 programs, or any other educational institution below the community college,  
34 college or university level, and prescribe rules for certification, including  
35 rules for certification of teachers who have teaching experience and who are  
36 trained in other states, which are not unnecessarily restrictive and are  
37 substantially similar to the rules prescribed for the certification of  
38 teachers trained in this state. The rules shall require applicants for all  
39 certificates for common school instruction to complete a minimum of  
40 forty-five classroom hours or three college level credit hours, or the  
41 equivalent, of training in research based systematic phonics instruction from  
42 a public or private provider. The rules shall not require a teacher to  
43 obtain a master's degree or to take any additional graduate courses as a  
44 condition of certification or recertification. The rules shall allow a  
45 general equivalency diploma to be substituted for a high school diploma in  
46 the certification of emergency substitute teachers.

1       15. Adopt a list of approved tests for determining special education  
2 assistance to gifted pupils as defined in and as provided in chapter 7,  
3 article 4.1 of this title. The adopted tests shall provide separate scores  
4 for quantitative reasoning, verbal reasoning and nonverbal reasoning and  
5 shall be capable of providing reliable and valid scores at the highest ranges  
6 of the score distribution.

7       16. Adopt rules governing the methods for the administration of all  
8 proficiency examinations.

9       17. Adopt proficiency examinations for its use. The state board of  
10 education shall determine the passing score for the proficiency examination.

11       18. Include within its budget the cost of contracting for the purchase,  
12 distribution and scoring of the examinations as provided in paragraphs 16 and  
13 17 of this subsection.

14       19. Supervise and control the qualifications of professional  
15 nonteaching school personnel and prescribe standards relating to  
16 qualifications.

17       20. Impose such disciplinary action, including the issuance of a letter  
18 of censure, suspension, suspension with conditions or revocation of a  
19 certificate, upon a finding of immoral or unprofessional conduct.

20       21. Establish an assessment, data gathering and reporting system for  
21 pupil performance as prescribed in chapter 7, article 3 of this title.

22       22. Adopt a rule to promote braille literacy pursuant to section  
23 15-214.

24       23. Adopt rules prescribing procedures for the investigation by the  
25 department of education of every written complaint alleging that a  
26 certificated person has engaged in immoral conduct.

27       24. For purposes of federal law, serve as the state board for  
28 vocational and technological education and meet at least four times each year  
29 solely to execute the powers and duties of the state board for vocational and  
30 technological education.

31       25. Develop and maintain a handbook for use in the schools of this  
32 state that provides guidance for the teaching of moral, civic and ethical  
33 education. The handbook shall promote existing curriculum frameworks and  
34 shall encourage school districts to recognize moral, civic and ethical values  
35 within instructional and programmatic educational development programs for  
36 the general purpose of instilling character and ethical principles in pupils  
37 in kindergarten programs and grades one through twelve.

38       26. Require pupils to recite the following passage from the declaration  
39 of independence for pupils in grades four through six at the commencement of  
40 the first class of the day in the schools, except that a pupil shall not be  
41 required to participate if the pupil or the pupil's parent or guardian  
42 objects:

43               We hold these truths to be self-evident, that all men are  
44               created equal, that they are endowed by their creator with  
45               certain unalienable rights, that among these are life, liberty  
46               and the pursuit of happiness. That to secure these rights,

1 governments are instituted among men, deriving their just powers  
2 from the consent of the governed. . . .

3 27. Adopt rules that provide for teacher certification reciprocity.  
4 The rules shall provide for a one year reciprocal teaching certificate with  
5 minimum requirements including valid teacher certification from a state with  
6 substantially similar criminal history or teacher fingerprinting requirements  
7 and proof of the submission of an application for a fingerprint clearance  
8 card pursuant to title 41, chapter 12, article 3.1.

9 28. Adopt rules that will be in effect until December 31, 2006 and that  
10 provide for the presentation of an honorary high school diploma to a person  
11 who has never obtained a high school diploma and who meets each of the  
12 following requirements:

13 (a) Is at least sixty-five years of age.

14 (b) Currently resides in this state.

15 (c) Provides documented evidence from the Arizona department of  
16 veterans' services that the person enlisted in the armed forces of the United  
17 States before completing high school in a public or private school.

18 (d) Was honorably discharged from service with the armed forces of the  
19 United States.

20 29. Cooperate with the Arizona-Mexico commission in the governor's  
21 office and with researchers at universities in this state to collect data and  
22 conduct projects in the United States and Mexico on issues that are within  
23 the scope of the duties of the department of education and that relate to  
24 quality of life, trade and economic development in this state in a manner  
25 that will help the Arizona-Mexico commission to assess and enhance the  
26 economic competitiveness of this state and of the Arizona-Mexico region.

27 30. Adopt rules to define and provide guidance to schools as to the  
28 activities that would constitute immoral or unprofessional conduct of  
29 certificated persons.

30 31. Adopt guidelines to encourage pupils in grades nine, ten, eleven  
31 and twelve to volunteer for twenty hours of community service before  
32 graduation from high school. A school district that complies with the  
33 guidelines adopted pursuant to this paragraph is not liable for damages  
34 resulting from a pupil's participation in community service unless the school  
35 district is found to have demonstrated wanton or reckless disregard for the  
36 safety of the pupil and other participants in community service. For the  
37 purposes of this paragraph, "community service" may include service  
38 learning. The guidelines shall include the following:

39 (a) A list of the general categories in which community service may be  
40 performed.

41 (b) A description of the methods by which community service will be  
42 monitored.

43 (c) A consideration of risk assessment for community service projects.

44 (d) Orientation and notification procedures of community service  
45 opportunities for pupils entering grade nine, including the development of a  
46 notification form. The notification form shall be signed by the pupil and

1 the pupil's parent or guardian, except that a pupil shall not be required to  
2 participate in community service if the parent or guardian notifies the  
3 principal of the pupil's school in writing that the parent or guardian does  
4 not wish the pupil to participate in community service.

5 (e) Procedures for a pupil in grade nine to prepare a written proposal  
6 that outlines the type of community service that the pupil would like to  
7 perform and the goals that the pupil hopes to achieve as a result of  
8 community service. The pupil's written proposal shall be reviewed by a  
9 faculty advisor, a guidance counselor or any other school employee who is  
10 designated as the community service program coordinator for that school. The  
11 pupil may alter the written proposal at any time before performing community  
12 service.

13 (f) Procedures for a faculty advisor, a guidance counselor or any  
14 other school employee who is designated as the community service program  
15 coordinator to evaluate and certify the completion of community service  
16 performed by pupils.

17 32. To facilitate the transfer of military personnel and their  
18 dependents to and from the public schools of this state, pursue, in  
19 cooperation with the Arizona board of regents, reciprocity agreements with  
20 other states concerning the transfer credits for military personnel and their  
21 dependents. A reciprocity agreement entered into pursuant to this paragraph  
22 shall:

23 (a) Address procedures for each of the following:

24 (i) The transfer of student records.

25 (ii) Awarding credit for completed course work.

26 (iii) Permitting a student to satisfy the graduation requirements  
27 prescribed in section 15-701.01 through the successful performance on  
28 comparable exit-level assessment instruments administered in another state.

29 (b) Include appropriate criteria developed by the state board of  
30 education and the Arizona board of regents.

31 33. Adopt guidelines that school district governing boards shall use in  
32 identifying pupils who are eligible for gifted programs and in providing  
33 gifted education programs and services. The state board of education shall  
34 adopt any other guidelines and rules that it deems necessary in order to  
35 carry out the purposes of chapter 7, article 4.1 of this title.

36 34. For each of the alternative textbook formats of human-voiced audio,  
37 large-print and braille, designate alternative media producers to adapt  
38 existing standard print textbooks or to provide specialized textbooks, or  
39 both, for pupils with disabilities in this state. Each alternative media  
40 producer shall be capable of producing alternative textbooks in all relevant  
41 subjects in at least one of the alternative textbook formats. The board  
42 shall post the designated list of alternative media producers on its website.

43 35. Adopt a list of approved professional development training  
44 providers for use by school districts as provided in section 15-107,  
45 subsection J. The professional development training providers shall meet the  
46 training curriculum requirements determined by the state board of education

1 in at least the areas of school finance, governance, employment, staffing,  
2 inventory and human resources, internal controls and procurement.

3 36. Adopt rules to prohibit a person who violates the notification  
4 requirements prescribed in section 15-183, subsection C, paragraph ~~6- 7~~ or  
5 section 15-550, subsection C from certification pursuant to this title until  
6 the person is no longer charged or is acquitted of any offenses listed in  
7 section 41-1758.03, subsection B. The board shall also adopt rules to  
8 prohibit a person who violates the notification requirements, certification  
9 surrender requirements or fingerprint clearance card surrender requirements  
10 prescribed in section 15-183, subsection C, paragraph ~~7- 8~~ or section 15-550,  
11 subsection D from certification pursuant to this title for at least ten years  
12 after the date of the violation.

13 37. ADOPT RULES FOR THE ALTERNATIVE CERTIFICATION OF TEACHERS OF  
14 NONTRADITIONAL FOREIGN LANGUAGES THAT ALLOW FOR THE PASSING OF A NATIONALLY  
15 ACCREDITED TEST TO SUBSTITUTE FOR THE EDUCATION COURSEWORK REQUIRED FOR  
16 CERTIFICATION.

17 B. The state board of education may:

18 1. Contract.

19 2. Sue and be sued.

20 3. Distribute and score the tests prescribed in chapter 7, article 3  
21 of this title.

22 4. Provide for an advisory committee to conduct hearings and  
23 screenings to determine whether grounds exist to impose disciplinary action  
24 against a certificated person, whether grounds exist to reinstate a revoked  
25 or surrendered certificate and whether grounds exist to approve or deny an  
26 initial application for certification or a request for renewal of a  
27 certificate. The board may delegate its responsibility to conduct hearings  
28 and screenings to its advisory committee. Hearings shall be conducted  
29 pursuant to title 41, chapter 6, article 6.

30 5. Proceed with the disposal of any complaint requesting disciplinary  
31 action or with any disciplinary action against a person holding a certificate  
32 as prescribed in subsection A, paragraph 14 of this section after the  
33 suspension or expiration of the certificate or surrender of the certificate  
34 by the holder.

35 6. Assess costs and reasonable attorney fees against a person who  
36 files a frivolous complaint or who files a complaint in bad faith. Costs  
37 assessed pursuant to this paragraph shall not exceed the expenses incurred by  
38 the state board in the investigation of the complaint.

39 Sec. 10. Section 15-238, Arizona Revised Statutes, is amended to read:

40 ~~15-238.~~ Statewide student estimate

41 Before February 15 of each year the department of education shall  
42 submit to the economic estimates commission the total estimated statewide  
43 number of students determined for the current year using the unit of  
44 measurement prescribed in section 15-902, ~~subsection~~ SUBSECTIONS A AND B.

45 Sec. 11. Title 15, chapter 2, article 2, Arizona Revised Statutes, is  
46 amended by adding section 15-241.01, to read:

1           15-241.01. School accountability: alternative operation plans

2           A. IF A SCHOOL DISTRICT HAS SIX OR MORE SCHOOLS AND AT LEAST ONE-HALF  
3 OF THE SCHOOLS IN THE DISTRICT ARE DESIGNATED AS UNDERPERFORMING OR FAILING  
4 TO MEET THE ACADEMIC STANDARDS PURSUANT TO THIS SECTION AND AT LEAST ONE  
5 SCHOOL IS DESIGNATED AS FAILING TO MEET ACADEMIC STANDARDS, THE DEPARTMENT OF  
6 EDUCATION MAY SUBMIT TO THE STATE BOARD OF EDUCATION A RECOMMENDATION FOR A  
7 PUBLIC HEARING TO DETERMINE IF THE SCHOOL DISTRICT SHOULD BE SUBJECT TO AN  
8 ALTERNATIVE OPERATION PLAN AND THE REASONS FOR THAT RECOMMENDATION. WHEN  
9 CONSIDERING WHETHER TO RECOMMEND A PUBLIC HEARING PURSUANT TO THIS  
10 SUBSECTION, THE DEPARTMENT SHALL CONSIDER AT LEAST THE FOLLOWING:

11           1. THE LIKELIHOOD THAT CONTINUED SCHOOL-BASED INTERVENTIONS WILL BE  
12 SUCCESSFUL.

13           2. THE EXTENT TO WHICH THE SCHOOL DISTRICT ADMINISTRATORS AND THE  
14 SCHOOL DISTRICT GOVERNING BOARD IMPACTED THE UNDERPERFORMING AND FAILING TO  
15 MEET ACADEMIC STANDARDS DESIGNATIONS OF THE DISTRICT'S SCHOOLS.

16           3. WHETHER THOSE SCHOOLS DESIGNATED AS UNDERPERFORMING OR FAILING TO  
17 MEET ACADEMIC STANDARDS HAVE DEMONSTRATED REASONABLE ACADEMIC GROWTH AS  
18 DETERMINED BY THE MEASURE OF ACADEMIC PROGRESS ESTABLISHED PURSUANT TO THIS  
19 SECTION.

20           B. IF THE DEPARTMENT OF EDUCATION RECOMMENDS A PUBLIC HEARING PURSUANT  
21 TO SUBSECTION A OF THIS SECTION, THE STATE BOARD OF EDUCATION SHALL MEET AND  
22 MAY PROVIDE BY A MAJORITY VOTE OF THE ENTIRE BOARD FOR THE DEVELOPMENT AND  
23 IMPLEMENTATION OF AN ALTERNATIVE OPERATION PLAN AS ALLOWED BY THIS SECTION.  
24 WHEN DETERMINING WHETHER TO PLACE A SCHOOL DISTRICT UNDER AN ALTERNATIVE  
25 OPERATION PLAN, THE STATE BOARD SHALL CONSIDER AT LEAST THE FOLLOWING:

26           1. THE LIKELIHOOD THAT CONTINUED SCHOOL-BASED INTERVENTIONS WILL BE  
27 SUCCESSFUL.

28           2. THE EXTENT TO WHICH THE SCHOOL DISTRICT ADMINISTRATORS AND THE  
29 SCHOOL DISTRICT GOVERNING BOARD IMPACTED THE UNDERPERFORMING AND FAILING TO  
30 MEET ACADEMIC STANDARDS DESIGNATIONS OF THE DISTRICT'S SCHOOLS.

31           3. WHETHER THOSE SCHOOLS DESIGNATED AS UNDERPERFORMING OR FAILING TO  
32 MEET ACADEMIC STANDARDS HAVE DEMONSTRATED REASONABLE ACADEMIC GROWTH AS  
33 DETERMINED BY THE MEASURE OF ACADEMIC PROGRESS ESTABLISHED PURSUANT TO THIS  
34 SECTION.

35           C. BEFORE A HEARING IS HELD PURSUANT TO SUBSECTION B OF THIS SECTION,  
36 THE DEPARTMENT OF EDUCATION SHALL RECOMMEND TO THE STATE BOARD OF EDUCATION  
37 AT LEAST THREE GOVERNMENTAL, NONPROFIT OR PRIVATE ORGANIZATIONS OR PERSONS TO  
38 MANAGE THE SCHOOL DISTRICT'S AFFAIRS. IF THE STATE BOARD APPROVES THE  
39 IMPLEMENTATION OF AN ALTERNATIVE OPERATION PLAN, IT SHALL MAKE AN APPOINTMENT  
40 FROM THE LIST PROVIDED BY THE DEPARTMENT OF EDUCATION. ON MAKING THIS  
41 APPOINTMENT THE STATE BOARD SHALL IMMEDIATELY DETERMINE WHICH POWERS  
42 ENUMERATED IN SUBSECTION D OF THIS SECTION SHALL BE TEMPORARILY GRANTED TO  
43 THE APPOINTED ORGANIZATION OR PERSON. THE AUTHORITY GRANTED PURSUANT TO THIS  
44 SUBSECTION SHALL BE EFFECTIVE UNTIL THE STATE BOARD REVIEWS THE ALTERNATIVE  
45 OPERATION PLAN AS DESCRIBED IN SUBSECTION E OF THIS SECTION.

1 D. AN ORGANIZATION OR PERSON APPOINTED PURSUANT TO SUBSECTION C OF  
2 THIS SECTION SHALL BEGIN A FULL REVIEW AND INVESTIGATION OF THE SCHOOL  
3 DISTRICT'S EDUCATIONAL AFFAIRS AND SHALL SUBMIT TO THE STATE BOARD OF  
4 EDUCATION A DETAILED REPORT LISTING THE FINDINGS OF THAT INVESTIGATION. THIS  
5 REPORT SHALL INCLUDE AN ALTERNATIVE OPERATION PLAN THAT DETAILS HOW THE  
6 SCHOOL DISTRICT WILL RAISE THE LEVEL OF ACADEMIC ACHIEVEMENT SO THAT ALL OF  
7 THE SCHOOLS IN THE SCHOOL DISTRICT ARE DESIGNATED AS PERFORMING SCHOOLS,  
8 HIGHLY PERFORMING SCHOOLS OR EXCELLING SCHOOLS PURSUANT TO THIS SECTION. THE  
9 PLAN SHALL INCLUDE A PROPOSED TIMELINE FOR IMPROVING ACADEMIC ACHIEVEMENT.  
10 THE ALTERNATIVE OPERATION PLAN SHALL ALSO INCLUDE A TIMELINE AND DETAILS  
11 CONCERNING HOW THE ORGANIZATION OR PERSON WILL TRANSITION THE ADMINISTRATION  
12 OF THE SCHOOL DISTRICT BACK TO THE LOCALLY ELECTED GOVERNING BOARD. THE  
13 ORGANIZATION OR PERSON SHALL SUBMIT THE REPORT WITHIN ONE HUNDRED TWENTY DAYS  
14 FROM THE DATE THE ORGANIZATION OR PERSON WAS APPOINTED BY THE STATE BOARD.  
15 IF APPROVED BY THE STATE BOARD, THE ALTERNATIVE OPERATION PLAN MAY AUTHORIZE  
16 THE APPOINTED ORGANIZATION OR PERSON TO DO ANY OF THE FOLLOWING:

17 1. OVERRIDE ANY DECISIONS OF THE SCHOOL DISTRICT GOVERNING BOARD OR  
18 THE SCHOOL DISTRICT SUPERINTENDENT, OR BOTH, CONCERNING THE MANAGEMENT AND  
19 OPERATION OF THE SCHOOL DISTRICT, AND INITIATE AND MAKE DECISIONS CONCERNING  
20 THE MANAGEMENT AND OPERATION OF THE SCHOOL DISTRICT, INCLUDING REOPENING THE  
21 SCHOOL AS A CHARTER SCHOOL.

22 2. HIRE PERSONNEL, TERMINATE PERSONNEL AND CANCEL EXISTING EMPLOYMENT  
23 CONTRACTS, INCLUDING THE DISTRICT SUPERINTENDENT, TO THE EXTENT PERMITTED BY  
24 LAW. THE APPOINTED ORGANIZATION OR PERSON MAY REFUSE TO REEMPLOY ANY  
25 CERTIFICATED TEACHER WHO HAS NOT BEEN EMPLOYED BY THE SCHOOL DISTRICT FOR  
26 MORE THAN THE MAJOR PORTION OF THREE CONSECUTIVE SCHOOL YEARS AS PROVIDED IN  
27 SECTION 15-536.

28 3. ATTEND ANY MEETINGS OF THE SCHOOL DISTRICT GOVERNING BOARD AND  
29 ADMINISTRATIVE STAFF.

30 4. SUPERVISE THE ACTIVITIES OF THE SCHOOL DISTRICT'S STAFF, INCLUDING  
31 REASSIGNING THE DUTIES AND RESPONSIBILITIES OF PERSONNEL IN A MANNER THAT, AS  
32 DETERMINED BY THE APPOINTED ORGANIZATION OR PERSON, BEST SUITS THE NEEDS OF  
33 THE SCHOOL DISTRICT.

34 5. TO THE EXTENT PERMITTED BY LAW, CANCEL OR RENEGOTIATE ANY CONTRACT,  
35 OTHER THAN CONTRACTS OF CERTIFICATED TEACHERS WHO HAVE BEEN EMPLOYED BY THE  
36 SCHOOL DISTRICT IN THE CAPACITY OF A CERTIFICATED TEACHER FOR MORE THAN ONE  
37 YEAR, TO WHICH THE GOVERNING BOARD OR THE SCHOOL DISTRICT IS A PARTY IF THE  
38 CANCELLATION OR RENEGOTIATION OF THE CONTRACT WILL PRODUCE NEEDED ECONOMIES  
39 IN THE OPERATION OF THE DISTRICT'S SCHOOLS.

40 E. THE STATE BOARD OF EDUCATION SHALL PERIODICALLY REVIEW THE STATUS  
41 OF A SCHOOL DISTRICT THAT IS OPERATING UNDER AN ALTERNATIVE OPERATION PLAN  
42 PURSUANT TO THIS SECTION TO DETERMINE WHETHER THE OPERATIONS OF THE SCHOOL  
43 DISTRICT SHOULD BE RETURNED TO THE SCHOOL DISTRICT GOVERNING BOARD. BEFORE  
44 THE STATE BOARD MAKES A DETERMINATION TO TERMINATE AN ALTERNATIVE OPERATION  
45 PLAN, THE STATE BOARD OR ITS DESIGNEE SHALL MEET WITH THE SCHOOL DISTRICT  
46 GOVERNING BOARD OR ITS DESIGNEE TO ESTABLISH AN APPROPRIATE TIME FRAME AND

1 ADDRESS ANY ADDITIONAL OPERATIONAL CONSIDERATIONS THAT ARE NECESSARY TO  
2 ENSURE A SMOOTH TRANSITION OF AUTHORITY FROM THE APPOINTED ORGANIZATION OR  
3 PERSON BACK TO THE SCHOOL DISTRICT GOVERNING BOARD. WHEN DETERMINING WHETHER  
4 TO TERMINATE AN ALTERNATIVE OPERATION PLAN, THE STATE BOARD SHALL CONSIDER  
5 WHETHER THE DISTRICT'S SCHOOLS HAVE MADE SIGNIFICANT ACADEMIC GAINS AS  
6 DETERMINED BY INDIVIDUAL SCHOOL ACHIEVEMENT PROFILES ESTABLISHED PURSUANT TO  
7 THIS SECTION.

8 F. IF AT ANY TIME THE STATE BOARD DETERMINES THAT THE PROGRESS OF AN  
9 ORGANIZATION OR PERSON WHO IS APPOINTED PURSUANT TO THIS SUBSECTION OR  
10 SUBSECTION C OF THIS SECTION IS INSUFFICIENT, THE STATE BOARD MAY REMOVE THAT  
11 ORGANIZATION OR PERSON AND MAKE AN ALTERNATIVE APPOINTMENT. ALL AUTHORITY  
12 GRANTED PURSUANT TO THE APPROVED ALTERNATIVE OPERATION PLAN SHALL BE  
13 TRANSFERRED TO THE NEWLY APPOINTED ORGANIZATION OR PERSON. THE STATE BOARD  
14 MAY REQUIRE THE NEWLY APPOINTED ORGANIZATION OR PERSON TO PREPARE A REVISED  
15 ALTERNATIVE OPERATION PLAN AS DESCRIBED IN SUBSECTION D OF THIS SECTION.

16 G. ALL EXPENSES AND COSTS OF AN ORGANIZATION OR PERSON APPOINTED BY  
17 THE STATE BOARD PURSUANT TO SUBSECTION C OR F OF THIS SECTION SHALL BE PAID  
18 BY THE SCHOOL DISTRICT. THE STATE BOARD OF EDUCATION SHALL REVIEW THE  
19 EXPENSES AND COSTS AT LEAST TWICE EACH CALENDAR YEAR TO ENSURE THAT THE FEES  
20 ARE REASONABLE AND APPROPRIATE.

21 H. THE OPERATION OF A SCHOOL DISTRICT BY AN ORGANIZATION OR PERSON  
22 APPOINTED PURSUANT TO THIS SECTION SHALL NOT INTERFERE WITH THE ELECTION OF  
23 SCHOOL DISTRICT GOVERNING BOARD MEMBERS.

24 I. THE SCHOOL DISTRICT SHALL INDEMNIFY THE ORGANIZATION OR PERSON  
25 APPOINTED PURSUANT TO SUBSECTION C OR F OF THIS SECTION IF THAT ORGANIZATION  
26 OR PERSON IS MADE OR THREATENED TO BE MADE A PARTY TO ANY LITIGATION BY  
27 REASON OF THE ORGANIZATION'S OR PERSON'S STATUS UNDER THIS SECTION IF THE  
28 ORGANIZATION OR PERSON ACTED IN GOOD FAITH AND IN A MANNER THE ORGANIZATION  
29 OR PERSON BELIEVED TO BE LAWFUL AND IN THE BEST INTEREST OF THE SCHOOL  
30 DISTRICT.

31 J. ALL INFORMATION RECEIVED AND RECORDS OR REPORTS KEPT BY THE STATE  
32 BOARD OF EDUCATION DURING AN INVESTIGATION RESULTING FROM A COMPLAINT AGAINST  
33 AN ORGANIZATION OR PERSON APPOINTED PURSUANT TO SUBSECTION C OR F OF THIS  
34 SECTION ARE CONFIDENTIAL AND ARE NOT PUBLIC RECORDS.

35 Sec. 12. Title 15, chapter 2, article 2, Arizona Revised Statutes, is  
36 amended by adding sections 15-248 and 15-248.01, to read:

37 15-248. Arizona national rankings; annual report

38 A. THE DEPARTMENT OF EDUCATION SHALL COLLECT, EVALUATE AND ASSESS  
39 EXISTING STUDIES AND FINDINGS CONDUCTED BY ANY PUBLIC OR PRIVATE ENTITY ON  
40 THE NATIONAL RANKINGS AND OVERALL QUALITY OF SCHOOLS IN THIS STATE BASED ON  
41 THE FOLLOWING:

42 1. ACADEMIC PRODUCTIVITY AS MEASURED BY ACADEMIC PROGRESS INDICATORS.  
43 THE ACADEMIC PRODUCTIVITY MEASURES SHALL INCLUDE THE AREAS OF READING,  
44 WRITING AND MATHEMATICS AND OTHER ACADEMIC CATEGORIES DETERMINED BY THE  
45 DEPARTMENT.

46 2. RATINGS OF SCHOOL QUALITY BY PARENTS.

1 B. THE DEPARTMENT MAY FURTHER EVALUATE, BUT IS NOT LIMITED TO, THE  
2 FOLLOWING SCHOOL FUNDING ISSUES:

3 1. THE AVERAGE SALARIES OF TEACHERS WHO PROVIDE INSTRUCTION IN SCHOOL  
4 DISTRICTS IN THIS STATE COMPARED TO THE AVERAGE SALARIES OF TEACHERS WITH  
5 SIMILAR LEVELS OF EXPERIENCE AND EDUCATION IN OTHER STATES.

6 2. OTHER FUNDING CATEGORIES DETERMINED BY THE DEPARTMENT.

7 C. FOR THE PURPOSES OF THIS SECTION, STUDIES AND FINDINGS THAT ARE  
8 EVALUATED BY THE DEPARTMENT MAY BE CONDUCTED BY ANY PUBLIC OR PRIVATE ENTITY,  
9 EXCEPT THAT THE DEPARTMENT SHALL RELY ONLY ON RESEARCH IT DETERMINES IS  
10 SCIENTIFICALLY RELIABLE. THE DEPARTMENT MAY REQUEST THAT ADDITIONAL  
11 SPECIALIZED RESEARCH BE CONDUCTED BY PUBLIC OR PRIVATE ENTITIES SELECTED BY  
12 THE DEPARTMENT.

13 D. THE DEPARTMENT SHALL SEARCH SCIENTIFIC LITERATURE AND SELECT A  
14 NATIONAL RANKING STUDY OF THE PERFORMANCE OF EACH STATE'S SCHOOLS THAT USED  
15 THE MOST SCIENTIFICALLY SOUND METHODOLOGY IN THE RANKING PROCESS. THE  
16 DEPARTMENT SHALL IDENTIFY ALL THE DATA ELEMENTS USED IN THE STUDY AND SHALL  
17 DUPLICATE THOSE DATA ELEMENTS USING THE MOST RECENT AVAILABLE DATA. THE  
18 DEPARTMENT SHALL ATTEMPT TO IDENTIFY THE CHARACTERISTICS OF THE TOP TEN  
19 RANKED STATES AND THE BOTTOM TEN RANKED STATES IN ALL AREAS THAT IMPACT THE  
20 QUALITY OF EDUCATION.

21 E. THE DEPARTMENT SHALL SUBMIT ELECTRONICALLY AN ANNUAL REPORT ON OR  
22 BEFORE DECEMBER 1 REGARDING ITS FINDINGS TO THE GOVERNOR, THE SPEAKER OF THE  
23 HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE SENATE. THE DEPARTMENT  
24 SHALL PROVIDE COPIES OF THIS REPORT TO THE SECRETARY OF STATE AND THE  
25 DIRECTOR OF THE ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS. THE  
26 DEPARTMENT SHALL PRESENT ITS FINDINGS AT A PUBLIC MEETING FOR DISCUSSION AND  
27 ANALYSIS.

28 15-248.01. Task force for measuring academic gains of K-3  
29 pupils

30 A. THE TASK FORCE FOR MEASURING ACADEMIC GAINS OF K-3 PUPILS IS  
31 ESTABLISHED IN THE DEPARTMENT OF EDUCATION CONSISTING OF AT LEAST SEVEN  
32 REPRESENTATIVES FROM THE PARTICIPATING SCHOOLS SELECTED BY THE DEPARTMENT.

33 B. SUBJECT TO THE APPROVAL OF THE DEPARTMENT OF EDUCATION, THE TASK  
34 FORCE SHALL DEVELOP MEASURES AND TASKS ASSOCIATED WITH MEASURING ACADEMIC  
35 GAINS IN MATHEMATICS, READING AND LANGUAGE OF PUPILS IN KINDERGARTEN  
36 PROGRAMS, GRADE ONE, GRADE TWO AND GRADE THREE WITH A GOAL OF REACHING  
37 READING PROFICIENCY BY THE END OF GRADE THREE.

38 C. SCHOOL DISTRICTS AND CHARTER SCHOOLS MAY VOLUNTARILY PARTICIPATE IN  
39 THE MEASUREMENT OF ACADEMIC GAINS DEVELOPED BY THE TASK FORCE PURSUANT TO  
40 THIS SECTION.

41 D. THE DEPARTMENT OF EDUCATION SHALL DEVELOP MECHANISMS TO ALLOW A  
42 SCHOOL DISTRICT OR CHARTER SCHOOL THAT VOLUNTARILY PARTICIPATES IN THE  
43 MEASUREMENT OF ACADEMIC GAINS DEVELOPED BY THE TASK FORCE PURSUANT TO THIS  
44 SECTION TO IMPROVE ITS SCHOOL CLASSIFICATION DESIGNATED PURSUANT TO SECTION  
45 15-241 IF THE SCHOOL DISTRICT'S OR CHARTER SCHOOL'S ACADEMIC GAINS MEET THE  
46 CRITERIA DEVELOPED BY THE DEPARTMENT OF EDUCATION AND APPROVED BY THE STATE

1 BOARD OF EDUCATION. THE STATE BOARD OF EDUCATION SHALL REVIEW AND APPROVE  
2 THE MECHANISMS DEVELOPED BY THE DEPARTMENT OF EDUCATION.

3 E. THE DEPARTMENT OF EDUCATION SHALL ESTABLISH PROCEDURES TO MAINTAIN  
4 THE INTEGRITY OF THE TESTING PROCESS THAT WILL BE USED TO MEASURE ACADEMIC  
5 GAINS DEVELOPED BY THE TASK FORCE PURSUANT TO THIS SECTION, INCLUDING  
6 PROCEDURES FOR TESTING AND SCORING VALIDITY AND RELIABILITY. THE STATE BOARD  
7 OF EDUCATION SHALL REVIEW AND APPROVE THE TESTING PROCESS DEVELOPED BY THE  
8 TASK FORCE.

9 Sec. 13. Title 15, chapter 2, article 3, Arizona Revised Statutes, is  
10 amended by adding section 15-257, to read:

11 15-257. Employee evaluation system

12 NOTWITHSTANDING SECTION 38-618.01, THE SUPERINTENDENT OF PUBLIC  
13 INSTRUCTION MAY ESTABLISH A SYSTEM TO EVALUATE THE PERFORMANCE OF EMPLOYEES  
14 OF THE DEPARTMENT OF EDUCATION.

15 Sec. 14. Section 15-302, Arizona Revised Statutes, is amended to read:

16 15-302. Powers and duties

17 A. The county school superintendent shall:

18 1. Distribute all laws, reports, circulars, instructions and forms  
19 ~~which~~ THAT he may receive for the use of school officers.

20 2. Record all official acts.

21 3. Appoint governing board members of school districts to fill all  
22 vacancies, but the term of the appointment shall be until the next regular  
23 election for governing board members, at which time a successor shall be  
24 elected to serve the unexpired portion of the term. WITHIN THIRTY DAYS AFTER  
25 NOTIFICATION OF A VACANCY, THE SCHOOL DISTRICT GOVERNING BOARD MAY SUBMIT UP  
26 TO THREE NAMES TO THE COUNTY SCHOOL SUPERINTENDENT FOR CONSIDERATION OF AN  
27 APPOINTMENT TO FILL THE VACANCY. THE COUNTY SCHOOL SUPERINTENDENT IS NOT  
28 REQUIRED TO APPOINT A GOVERNING BOARD MEMBER FROM THE LIST OF NAMES SUBMITTED  
29 BY THE GOVERNING BOARD. The county school superintendent ~~may~~, if he deems it  
30 in the best interest of the community, MAY call a special election to fill  
31 the vacancies. If an election is called, the newly elected member shall  
32 serve for the remainder of the unexpired portion of the term.

33 4. Make reports, when directed by the superintendent of public  
34 instruction, showing matters relating to schools in his county as may be  
35 required on the forms furnished by the superintendent of public instruction.

36 5. Have such powers and perform such duties as otherwise prescribed by  
37 law.

38 6. On or before October 1 of each year, make a report to the  
39 superintendent of public instruction showing the amount of monies received  
40 from state school funds, special school district taxes and other sources, the  
41 total expenditures for school purposes and the balance on hand to the credit  
42 of each school district at the close of the school year.

43 7. Contract with the board of supervisors for the board of supervisors  
44 to conduct all regular school district elections.

45 8. Be responsible, in cooperation with the governing boards and the  
46 board of supervisors, for all special school district elections.

1           9. Maintain teacher and administrator certification records of  
2 effective dates and expiration dates of teachers' and administrators'  
3 certificates in compliance with guidelines prescribed in the uniform system  
4 of financial records for those school districts for which the county school  
5 superintendent is the fiscal agent. The county school superintendent shall  
6 not draw a warrant in payment of a teacher's, substitute teacher's or  
7 administrator's salary unless the teacher, substitute teacher or  
8 administrator is legally certified during the fiscal year in which the term  
9 for payment is demanded.

10          10. Notify a school district three years before the expiration of a  
11 revenue control limit override that the school district's budget must be  
12 adjusted in the final two years of the override pursuant to section 15-481,  
13 subsections P and Q, if the voters do not approve another override.

14          11. In collaboration with the department of education and other state  
15 agencies, provide assistance to school districts and charter schools on the  
16 use of student data, staff development, curriculum alignment and technology  
17 to improve student performance.

18          12. Assist schools in meeting yearly adequate progress goals as defined  
19 by criteria established by the state board of education and implemented by  
20 the department of education.

21          B. At the request of school districts and charter schools, the county  
22 school superintendent may provide discretionary programs in addition to the  
23 programs prescribed in subsection A **OF THIS SECTION**.

24          C. The county school superintendent may provide the services  
25 prescribed in subsections A and B **OF THIS SECTION** in the county or jointly  
26 with two or more counties pursuant to title 11, chapter 7, article 3.

27          D. Each county school superintendent may establish an advisory  
28 committee to the office of the county school superintendent.

29          Sec. 15. Section 15-321, Arizona Revised Statutes, is amended to read:

30          15-321. Organization; election of officers of the board;  
31                 meetings; execution of warrants; exemption

32          A. For the purpose of organization of the governing board, the board  
33 shall meet at the most convenient public facility in the school district. If  
34 a public facility is not available within the district, the governing board  
35 may meet at any available public facility that is convenient to all governing  
36 board members, regardless of the county or school district in which the  
37 facility is located. The governing board shall meet between January 1 and  
38 January 15 next following the election.

39          B. At the organization meeting the governing board shall elect from  
40 among the membership of the board a president.

41          C. For the purposes of regular meetings of the governing board, the  
42 board shall meet at the most convenient public facility in the school  
43 district. If a public facility is not available within the district, the  
44 governing board may meet at any available public facility that is convenient  
45 to all governing board members, regardless of the county or school district  
46 in which the facility is located.

1 D. The board shall prescribe rules for its own government. It shall  
2 hold a regular meeting at least once each month during the regular school  
3 year and may hold other meetings as often as called. If action has been  
4 taken and documents approved at a meeting, they may be signed subsequently by  
5 individual board members.

6 E. Business shall be conducted at regular or special meetings. Notice  
7 of a special meeting, and of the hour for a regular meeting if no hour is  
8 fixed by a rule of the board, shall be delivered personally or by telephone.

9 ~~F. A majority of the members of a governing board constitutes a quorum  
10 for the transaction of business.~~

11 F. NOTWITHSTANDING SECTION 1-216, IF THERE IS A VACANCY OR VACANCIES  
12 ON THE GOVERNING BOARD, A MAJORITY OF THE REMAINING MEMBERS OF THE GOVERNING  
13 BOARD CONSTITUTE A QUORUM FOR THE TRANSACTION OF BUSINESS, EXCEPT THAT A  
14 SINGLE MEMBER OF THE GOVERNING BOARD DOES NOT CONSTITUTE A QUORUM.

15 G. An order on a county school superintendent for a salary or other  
16 expense shall be signed by ~~a majority of~~ the governing board. An order for  
17 salary or other expense may be signed between board meetings if a resolution  
18 to that effect has been passed prior to the signing at a regular or special  
19 meeting of the governing board and the order is ratified by the board at the  
20 next regular or special meeting of the governing board.

21 H. This section does not apply to county school superintendents in the  
22 conduct of an accommodation school.

23 Sec. 16. Section 15-341, Arizona Revised Statutes, is amended to read:

24 15-341. General powers and duties; immunity; delegation

25 A. The governing board shall:

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

29 2. Maintain the schools established by it for the attendance of each  
30 pupil for a period of not less than one hundred seventy-five school days or  
31 two hundred school days, as applicable, or its equivalent as approved by the  
32 superintendent of public instruction for a school district operating on a  
33 year-round operation basis, to offer an educational program on the basis of a  
34 four day school week or to offer an alternative kindergarten program on the  
35 basis of a three day school week, in each school year, and if the funds of  
36 the district are sufficient, for a longer period, and as far as practicable  
37 with equal rights and privileges.

38 3. Exclude from schools all books, publications, papers or audiovisual  
39 materials of a sectarian, partisan or denominational character.

40 4. Manage and control the school property within its district.

41 5. Acquire school furniture, apparatus, equipment, library books and  
42 supplies for the use of the schools.

43 6. Prescribe the curricula and criteria for the promotion and  
44 graduation of pupils as provided in sections 15-701 and 15-701.01.

45 7. Furnish, repair and insure, at full insurable value, the school  
46 property of the district.

1           8. Construct school buildings on approval by a vote of the district  
2 electors.

3           9. Make in the name of the district conveyances of property belonging  
4 to the district and sold by the board.

5           10. Purchase school sites when authorized by a vote of the district at  
6 an election conducted as nearly as practicable in the same manner as the  
7 election provided in section 15-481 and held on a date prescribed in section  
8 15-491, subsection E, but such authorization shall not necessarily specify  
9 the site to be purchased and such authorization shall not be necessary to  
10 exchange unimproved property as provided in section 15-342, paragraph 23.

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

13           12. Purchase school sites or construct, improve and furnish school  
14 buildings from the proceeds of the sale of school property only on approval  
15 by a vote of the district electors.

16           13. Hold pupils to strict account for disorderly conduct on school  
17 property.

18           14. Discipline students for disorderly conduct on the way to and from  
19 school.

20           15. Except as provided in section 15-1224, deposit all monies received  
21 by the district as gifts, grants and devises with the county treasurer who  
22 shall credit the deposits as designated in the uniform system of financial  
23 records. If not inconsistent with the terms of the gifts, grants and devises  
24 given, any balance remaining after expenditures for the intended purpose of  
25 the monies have been made shall be used for reduction of school district  
26 taxes for the budget year, except that in the case of accommodation schools  
27 the county treasurer shall carry the balance forward for use by the county  
28 school superintendent for accommodation schools for the budget year.

29           16. Provide that, if a parent or legal guardian chooses not to accept a  
30 decision of the teacher as provided in section 15-521, paragraph ~~3~~ 2, the  
31 parent or legal guardian may request in writing that the governing board  
32 review the teacher's decision. Nothing in this paragraph shall be construed  
33 to release school districts from any liability relating to a child's  
34 promotion or retention.

35           17. Provide for adequate supervision over pupils in instructional and  
36 noninstructional activities by certificated or noncertificated personnel.

37           18. Use school monies received from the state and county school  
38 apportionment exclusively for payment of salaries of teachers and other  
39 employees and contingent expenses of the district.

40           19. Make an annual report to the county school superintendent on or  
41 before October 1 ~~each-year~~ in the manner and form and on the blanks  
42 prescribed by the superintendent of public instruction or county school  
43 superintendent. The board shall also make reports directly to the county  
44 school superintendent or the superintendent of public instruction whenever  
45 required.

1       20. Deposit all monies received by school districts other than student  
2 activities monies or monies from auxiliary operations as provided in sections  
3 15-1125 and 15-1126 with the county treasurer to the credit of the school  
4 district except as provided in paragraph 21 of this subsection and sections  
5 15-1223 and 15-1224, and the board shall expend the monies as provided by law  
6 for other school funds.

7       21. Establish a bank account in which the board during a month may  
8 deposit miscellaneous monies received directly by the district. The board  
9 shall remit monies deposited in the bank account at least monthly to the  
10 county treasurer for deposit as provided in paragraph 20 of this subsection  
11 and in accordance with the uniform system of financial records.

12       22. Employ an attorney admitted to practice in this state whose  
13 principal practice is in the area of commercial real estate, or a real estate  
14 broker who is licensed by this state and who is employed by a reputable  
15 commercial real estate company, to negotiate a lease of five or more years  
16 for the school district if the governing board decides to enter into a lease  
17 of five or more years as lessor of school buildings or grounds as provided in  
18 section 15-342, paragraph 7 or 10. Any lease of five or more years  
19 negotiated pursuant to this paragraph shall provide that the lessee is  
20 responsible for payment of property taxes pursuant to the requirements of  
21 section 42-11104.

22       23. Prescribe and enforce policies and procedures for disciplinary  
23 action against a teacher who engages in conduct that is a violation of the  
24 policies of the governing board but that is not cause for dismissal of the  
25 teacher or for revocation of the certificate of the teacher. Disciplinary  
26 action may include suspension without pay for a period of time not to exceed  
27 ten school days. Disciplinary action shall not include suspension with pay  
28 or suspension without pay for a period of time longer than ten school days.  
29 The procedures shall include notice, hearing and appeal provisions for  
30 violations that are cause for disciplinary action. The governing board may  
31 designate a person or persons to act on behalf of the board on these matters.

32       24. Prescribe and enforce policies and procedures for disciplinary  
33 action against an administrator who engages in conduct that is a violation of  
34 the policies of the governing board regarding duties of administrators but  
35 that is not cause for dismissal of the administrator or for revocation of the  
36 certificate of the administrator. Disciplinary action may include suspension  
37 without pay for a period of time not to exceed ten school days. Disciplinary  
38 action shall not include suspension with pay or suspension without pay for a  
39 period of time longer than ten school days. The procedures shall include  
40 notice, hearing and appeal provisions for violations that are cause for  
41 disciplinary action. The governing board may designate a person or persons  
42 to act on behalf of the board on these matters. For violations that are  
43 cause for dismissal, the provisions of notice, hearing and appeal in chapter  
44 5, article 3 of this title shall apply. The filing of a timely request for a  
45 hearing suspends the imposition of a suspension without pay or a dismissal  
46 pending completion of the hearing.

1       25. Notwithstanding section 13-3108, prescribe and enforce policies and  
2 procedures that prohibit a person from carrying or possessing a weapon on  
3 school grounds unless the person is a peace officer or has obtained specific  
4 authorization from the school administrator.

5       26. Prescribe and enforce policies and procedures relating to the  
6 health and safety of all pupils participating in district sponsored practice  
7 sessions, games or other interscholastic athletic activities, including the  
8 provision of water.

9       27. Prescribe and enforce policies and procedures regarding the smoking  
10 of tobacco within school buildings. The policies and procedures shall be  
11 adopted in consultation with school district personnel and members of the  
12 community and shall state whether smoking is prohibited in school buildings.  
13 If smoking in school buildings is not prohibited, the policies and procedures  
14 shall clearly state the conditions and circumstances under which smoking is  
15 permitted, those areas in a school building that may be designated as smoking  
16 areas and those areas in a school building that may not be designated as  
17 smoking areas.

18       28. Establish an assessment, data gathering and reporting system as  
19 prescribed in chapter 7, article 3 of this title.

20       29. Provide special education programs and related services pursuant to  
21 section 15-764, subsection A to all children with disabilities as defined in  
22 section 15-761.

23       30. Administer competency tests prescribed by the state board of  
24 education for the graduation of pupils from high school.

25       31. Secure insurance coverage for all construction projects for  
26 purposes of general liability, property damage and workers' compensation and  
27 secure performance and payment bonds for all construction projects.

28       32. Keep on file the resumes of all current and former employees who  
29 provide instruction to pupils at a school. Resumes shall include an  
30 individual's educational and teaching background and experience in a  
31 particular academic content subject area. A school district shall inform  
32 parents and guardians of the availability of the resume information and shall  
33 make the resume information available for inspection on request of parents  
34 and guardians of pupils enrolled at a school. Nothing in this paragraph  
35 shall be construed to require any school to release personally identifiable  
36 information in relation to any teacher or employee, including the teacher's  
37 or employee's address, salary, social security number or telephone number.

38       33. Report to local law enforcement agencies any suspected crime  
39 against a person or property that is a serious offense as defined in section  
40 13-706 or that involves a deadly weapon or dangerous instrument or serious  
41 physical injury and any conduct that poses a threat of death or serious  
42 physical injury to employees, students or anyone on the property of the  
43 school. This paragraph does not limit or preclude the reporting by a school  
44 district or an employee of a school district of suspected crimes other than  
45 those required to be reported by this paragraph. For the purposes of this

1 paragraph, "dangerous instrument", "deadly weapon" and "serious physical  
2 injury" have the same meanings prescribed in section 13-105.

3 34. In conjunction with local law enforcement agencies and local  
4 medical facilities, develop an emergency response plan for each school in the  
5 school district in accordance with minimum standards developed jointly by the  
6 department of education and the division of emergency management within the  
7 department of emergency and military affairs.

8 35. Annually assign at least one school district employee to  
9 participate in a multihazard crisis training program developed or selected by  
10 the governing board.

11 36. Provide written notice to the parents or guardians of all students  
12 affected in the school district at least thirty days prior to a public  
13 meeting to discuss closing a school within the school district. The notice  
14 shall include the reasons for the proposed closure and the time and place of  
15 the meeting. The governing board shall fix a time for a public meeting on  
16 the proposed closure no less than thirty days before voting in a public  
17 meeting to close the school. The school district governing board shall give  
18 notice of the time and place of the meeting. At the time and place  
19 designated in the notice, the school district governing board shall hear  
20 reasons for or against closing the school. The school district governing  
21 board is exempt from this paragraph if it is determined by the governing  
22 board that the school shall be closed because it poses a danger to the health  
23 or safety of the pupils or employees of the school.

24 37. Incorporate instruction on Native American history into appropriate  
25 existing curricula.

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

43 39. Allow the possession and self-administration of prescription  
44 medication for breathing disorders in handheld inhaler devices by pupils who  
45 have been prescribed that medication by a health care professional licensed  
46 pursuant to title 32. The pupil's name on the prescription label on the

1 medication container or on the handheld inhaler device and annual written  
2 documentation from the pupil's parent or guardian to the school that  
3 authorizes possession and self-administration shall be sufficient proof that  
4 the pupil is entitled to the possession and self-administration of the  
5 medication. A school district and its employees are immune from civil  
6 liability with respect to all decisions made and actions taken that are based  
7 on a good faith implementation of the requirements of this paragraph.

8 40. Prescribe and enforce policies and procedures to prohibit pupils  
9 from harassing, intimidating and bullying other pupils on school grounds, on  
10 school property, on school buses, at school bus stops and at school sponsored  
11 events and activities that include the following components:

12 (a) A procedure for pupils to confidentially report to school  
13 officials incidents of harassment, intimidation or bullying.

14 (b) A procedure for parents and guardians of pupils to submit written  
15 reports to school officials of suspected incidents of harassment,  
16 intimidation or bullying.

17 (c) A requirement that school district employees report suspected  
18 incidents of harassment, intimidation or bullying to the appropriate school  
19 official.

20 (d) A formal process for the documentation of reported incidents of  
21 harassment, intimidation or bullying, except that no documentation shall be  
22 maintained unless the harassment, intimidation or bullying has been proven.

23 (e) A formal process for the investigation by the appropriate school  
24 officials of suspected incidents of harassment, intimidation or bullying.

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

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

29 41. Prescribe and enforce policies and procedures regarding changing or  
30 adopting attendance boundaries that include the following components:

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

33 (b) A procedure to notify the parents or guardians of the students  
34 affected.

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

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

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

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

45 (g) A formal process for updating attendance boundaries on the school  
46 district's website within ninety days of an adopted boundary change. The

1 school district shall send a direct link to the school district's attendance  
2 boundaries website to the department of real estate.

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

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

12 B. Notwithstanding subsection A, paragraphs 8, 10 and 12 of this  
13 section, the county school superintendent may construct, improve and furnish  
14 school buildings or purchase or sell school sites in the conduct of an  
15 accommodation school.

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

22 1. Is not abated, extinguished, discharged or merged in the title to  
23 the property.

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

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

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

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

1 G. Notwithstanding any other provision of this title, a school  
 2 district governing board shall not take any action that would result in ~~an~~  
 3 ~~immediate reduction or~~ a reduction ~~within three years~~ of pupil square footage  
 4 ~~that would cause the school district to fall below the minimum adequate gross~~  
 5 ~~square footage requirements prescribed in section 15-2011, subsection C,~~  
 6 unless the governing board notifies the school facilities board established  
 7 by section 15-2001 of the proposed action and receives written approval from  
 8 the school facilities board to take the action. A reduction includes an  
 9 increase in administrative space that results in a reduction of pupil square  
 10 footage or sale of school sites or buildings, or both. A reduction includes  
 11 a reconfiguration of grades that results in a reduction of pupil square  
 12 footage of any grade level. This subsection does not apply to temporary  
 13 reconfiguration of grades to accommodate new school construction if the  
 14 temporary reconfiguration does not exceed one year. The sale of equipment  
 15 that results in ~~an immediate reduction or~~ a reduction ~~within three years~~ 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 monies pursuant to the direction of the school  
 19 facilities board. Except as provided in section 15-342, paragraph 10,  
 20 proceeds from the sale of school sites, buildings or other equipment shall be  
 21 deposited in the school plant fund as provided in section 15-1102.

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

25 I. Until the state board of education and the auditor general adopt  
 26 rules pursuant to section 15-213, subsection I, a school district may procure  
 27 construction services, including services for new school construction  
 28 pursuant to section 15-2041, by the construction-manager-at-risk,  
 29 design-build and job-order-contracting methods of project delivery as  
 30 provided in title 41, chapter 23, except that the rules adopted by the  
 31 director of the department of administration do not apply to procurements  
 32 pursuant to this subsection. Any procurement commenced pursuant to this  
 33 subsection may be completed pursuant to this subsection.

34 Sec. 17. Section 15-382, Arizona Revised Statutes, is amended to read:

35 15-382. Authorization to self-insure; pooling agreements; joint  
 36 agreements; trustees; liability coverage and pool  
 37 requirements; remedies; definition

38 A. The school district governing board may determine that  
 39 self-insurance is necessary or desirable in the best interest of the district  
 40 and may provide for a self-insurance program or programs for the district  
 41 including risk management consultation. Any risk management consultant or  
 42 insurance administrator employed by a school district governing board must be  
 43 licensed under title 20, chapter 2, article 3 or 9, and such license shall be  
 44 verified by the school district governing board prior to employment.

45 B. The school district governing board may:

1           1. Enter into intergovernmental agreements or contracts with pools  
2 operated pursuant to section 11-952.01 for participation in programs offered  
3 by public agency pools. In addition to the joint purchasing of insurance or  
4 reinsurance or the pooling of the retention of risks for property, fidelity  
5 and liability losses, these programs may include the joint purchasing of  
6 health benefits plan, life or disability insurance, prepaid legal insurance  
7 or the pooling of the retention of their risks of losses for health,  
8 accident, life or disability claims or the provision of the health and  
9 medical services enumerated in section 36-2907.

10           2. Separately contract with a trustee or board of trustees that  
11 provides a common self-insurance program or programs with pooled funds and  
12 risks to more than one district, a community college district formed pursuant  
13 to ~~title 15, chapter 12, article 3~~ OF THIS TITLE or an association of school  
14 districts within this state that is funded by member school districts  
15 pursuant to section 15-342, paragraph 8 OR A POOL CREATED FOR AND OPERATED  
16 SOLELY FOR CHARTER SCHOOLS PURSUANT TO SECTION 11-952.01. BEGINNING JANUARY  
17 1, 2010, A TRUSTEE, BOARD OF TRUSTEES OR POOL THAT CONTRACTS WITH A SCHOOL  
18 DISTRICT GOVERNING BOARD OR CHARTER SCHOOL PURSUANT TO THIS PARAGRAPH SHALL  
19 COMPLY WITH TITLE 38, CHAPTER 3, ARTICLE 3.1, TITLE 39, CHAPTER 1 AND SECTION  
20 11-952.01, SUBSECTIONS M AND N.

21           3. Enter into cooperative procurement agreements with other districts  
22 pursuant to rules adopted pursuant to section 15-213 to participate in  
23 programs for either self-insurance or the joint purchase of insurance.

24           4. Separately establish a self-insurance program solely for its  
25 district.

26           C. If the school district governing board, either alone or in  
27 combination with another school district or an association of school  
28 districts in this state that is funded by member school districts pursuant to  
29 section 15-342, paragraph 8, establishes a self-insurance program, the  
30 governing board or an association of school districts shall place all funds  
31 into a trust to be used for payment of uninsured losses, claims, defense  
32 costs, costs of training designed to reduce losses and claims, the cost of  
33 related employee benefits including wellness programs, life, disability and  
34 other fully and partially insured group insurance plans, programs that allow  
35 for participation in a cafeteria plan that meets the requirements of the  
36 United States internal revenue code of 1986, costs of administration and  
37 other related expenses. If a member of the governing board or employee of  
38 the school district is acting as a trustee, the trust shall be administered  
39 by at least five joint trustees, of whom no more than one may be a member of  
40 the governing board and no more than one may be an employee of the school  
41 district. Funds budgeted for self-insurance programs shall be subject to  
42 district budgetary requirements, including but not limited to the  
43 requirements that the funds be budgeted within the maintenance and operation  
44 section and the budget limitation on increases as prescribed in section  
45 15-905. The funds, upon being placed in the trust, shall not lapse at the  
46 close of the fiscal year, except that any cash balance remaining after

1 termination of the program and settlement of all outstanding claims shall be  
2 used for reduction of school district taxes for the budget year. The  
3 trustees of the trust must be bonded, a stop-loss provision must be  
4 incorporated in the trust agreement, and an annual audit must be performed by  
5 a certified public accountant and a copy of the report kept on file in the  
6 district office for a period of not less than five years.

7 D. If the self-insurance is for liability losses, excess liability  
8 coverage or reinsurance must be obtained as follows:

9 1. For a single school district, the coverage may include an annual  
10 aggregate limit of no more than three million dollars and the maximum  
11 retention per occurrence shall be one-half of one per cent of the district's  
12 maintenance and operation budget.

13 2. For a pool, the coverage may include an annual aggregate limit set  
14 by the pool and the maximum retention per occurrence shall not exceed  
15 one-half of one per cent of the combined maintenance and operation budgets of  
16 the districts in the pool.

17 E. "Self-insurance program" as used in this section means programs  
18 established and wholly or partially funded by the school district governing  
19 board. Self-insurance programs shall not include a decision by the governing  
20 board not to carry insurance upon a particular risk or risks.

21 Sec. 18. Repeal

22 Section 15-509, Arizona Revised Statutes, is repealed.

23 Sec. 19. Section 15-521, Arizona Revised Statutes, is amended to read:

24 15-521. Duties of teachers

25 Every teacher shall:

26 1. Hold pupils to strict account for disorderly conduct.

27 ~~2. Keep a school register, which the governing board shall carefully~~  
28 ~~preserve as one of the records of the school.~~

29 2. TAKE AND MAINTAIN DAILY CLASSROOM ATTENDANCE.

30 3. Make the decision to promote or retain a pupil in grade in a common  
31 school or to pass or fail a pupil in a course in high school. Such decisions  
32 may be overturned only as provided in section 15-342, paragraph 11.

33 4. Comply with all rules and policies of the governing board that  
34 relate to the duties prescribed in this section.

35 Sec. 20. Section 15-532, Arizona Revised Statutes, is amended to read:

36 15-532. Examination on state and United States constitutions;  
37 exemption; intergovernmental agreement or contract  
38 for administration and evaluation

39 A. A person applying for a certificate authorizing the person to  
40 become superintendent, principal or teacher in a school ~~shall~~, in addition to  
41 fingerprinting and other requirements, SHALL either complete the required  
42 classes or pass a satisfactory examination ~~upon~~ ON the provisions and  
43 principles of the Constitutions of the United States and Arizona.

44 B. A person who has not met the requirements of this section at the  
45 time application is made but who has met all other requirements shall be  
46 granted a certificate for not more than three years, except that a person who

1 has not met the requirements of this section but who has met all other  
2 requirements and who applies for a certificate authorizing the person to  
3 teach an academic course that focuses predominantly on history, government,  
4 social studies, citizenship, law or civics shall be granted a certificate for  
5 not more than one year. No additional certificate may be granted until all  
6 requirements have been fulfilled as provided by the regulations of the state  
7 board of education governing certification of teachers.

8 C. A noncertified person, qualified under the federal and state plans  
9 for vocational education, shall be exempt from ~~the provisions of~~ this section  
10 for the purpose of acting as an instructor for special adult and evening  
11 classes.

12 D. The state board of education may enter into intergovernmental  
13 agreements or contracts pursuant to title 11, chapter 7, article 3 for the  
14 administration and evaluation of the examination on the provisions and  
15 principles of the Constitutions of the United States and Arizona.  
16 Notwithstanding section 15-531, the intergovernmental agreement or contract  
17 shall specify the fee for the administration and evaluation of the  
18 examination and may provide for the retention of all or part of the monies by  
19 the contractor administering and evaluating the examination.

20 E. A university under the jurisdiction of the Arizona board of regents  
21 shall ~~administer~~ OFFER the ~~examination~~ CLASSES required by this section to  
22 students who are pursuing a bachelor of arts degree in education or a  
23 bachelor of science degree in education at that university.

24 Sec. 21. Section 15-534, Arizona Revised Statutes, is amended to read:

25 15-534. Fingerprinting; review and disciplinary action;  
26 violation; classification

27 A. A person who applies for a certificate as prescribed in section  
28 15-203 shall have a valid fingerprint clearance card that is issued pursuant  
29 to title 41, chapter 12, article 3.1. Applicants who possess a certificate  
30 pursuant to section 15-203 and who apply for additional certificates or who  
31 apply for renewal of any certificate shall meet one of the following  
32 requirements:

33 1. Have a valid fingerprint clearance card issued pursuant to title  
34 41, chapter 12, article 3.1.

35 2. Provide proof of the submission of an application for a fingerprint  
36 clearance card. Applicants who have been denied a fingerprint clearance card  
37 shall also provide proof that the applicant qualifies for a good cause  
38 exception hearing pursuant to section 41-619.55.

39 B. A person who is certified pursuant to section 15-203 shall maintain  
40 a valid fingerprint clearance card during the valid period of the person's  
41 certificate or certificates.

42 C. The state board of education may review and determine whether to  
43 renew or not issue a certificate to an applicant for certification on a  
44 finding that the applicant engaged in conduct that is immoral or  
45 unprofessional or engaged in conduct that would warrant disciplinary action

1 if the person had been certified at the time that the alleged conduct  
2 occurred. The board shall prescribe guidelines for this process.

3 D. The state board of education may take disciplinary action against  
4 or not renew the certificate of a person on a finding that the certificated  
5 person engaged in conduct that is immoral or unprofessional or engaged in  
6 conduct that would warrant disciplinary action if the person had been  
7 certified at the time that the alleged conduct occurred. The board shall  
8 prescribe guidelines for this process.

9 E. The department of education may issue conditional certification  
10 before an applicant has obtained a valid fingerprint clearance card. A  
11 conditional certificate may be used only for employment in the school  
12 district that submits an application to the department of education for  
13 conditional certification pursuant to this subsection. The state board of  
14 education may revoke conditional certification if the information on the  
15 application for a conditional certificate is false or incomplete, the  
16 applicant is denied a fingerprint clearance card or the conditional  
17 certificate is used for employment in a school district other than the school  
18 district that is indicated on the application for conditional certification.  
19 In addition to any other conditions or requirements deemed necessary by the  
20 superintendent of public instruction to protect the health and safety of  
21 pupils, conditional certification shall be issued before the applicant  
22 obtains a fingerprint clearance card if all of the following conditions are  
23 met:

24 1. The school district that is seeking to hire the applicant verifies  
25 in writing on a form developed by the department of education the necessity  
26 for hiring and placement of the applicant before a fingerprint check is  
27 completed.

28 2. The school district that is seeking to hire the applicant performs  
29 all of the following:

30 (a) Ensures that the department of public safety completes a statewide  
31 criminal records check on the applicant. A statewide criminal records check  
32 shall be completed by the department of public safety every one hundred  
33 twenty days until the date that the fingerprint check is completed.

34 (b) Completes a search of criminal records in all local jurisdictions  
35 outside of this state in which the applicant has lived in the previous five  
36 years.

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

40 (d) Provides general supervision of the applicant until the applicant  
41 receives permanent certification from the department of education.

42 F. Before employment, schools or school districts shall verify the  
43 certification and fingerprint status of applicants who apply for school or  
44 school district positions that require certification.

45 G. Any person who participates in a teacher preparation program that  
46 is approved by the state board OF EDUCATION or any person who is contracted

1 by this state, by a school district or by a charter school to provide  
2 tutoring services shall obtain a fingerprint clearance card pursuant to this  
3 section before the person participates in field experience in which services  
4 will be provided directly to pupils. A PERSON WHO PARTICIPATES IN A TEACHER  
5 PREPARATION PROGRAM AND WHO DOES NOT PARTICIPATE IN FIELD EXPERIENCE OR  
6 STUDENT TEACHING IN THIS STATE SHALL NOT BE REQUIRED TO OBTAIN A FINGERPRINT  
7 CLEARANCE CARD PURSUANT TO THIS SECTION.

8 H. The state board of education shall notify the department of public  
9 safety if the state board of education receives credible evidence that a  
10 person who possesses a valid fingerprint clearance card either:

11 1. Is arrested for or charged with an offense listed in section  
12 41-1758.03, subsection B.

13 2. Falsified information on the form required by subsection A of this  
14 section.

15 I. A person who makes a false statement, representation or  
16 certification in any application for certification is guilty of a class 3  
17 misdemeanor.

18 Sec. 22. Section 15-534.01, Arizona Revised Statutes, is amended to  
19 read:

20 15-534.01. Withdrawal of applications for administrative  
21 deficiencies; denial of applications for  
22 substantive deficiencies; certification timeframes

23 A. If an application for certification is administratively incomplete,  
24 as prescribed in title 41, chapter 6, article 7.1, the department of  
25 education or the state board of education shall issue a written notice  
26 requesting the applicant to supply missing documents or other information.  
27 The department of education shall consider an application for certification  
28 withdrawn if, within sixty days after the date of the notice, the applicant  
29 does not supply the documentation or information requested or does not  
30 provide reasonable documented justification for the delay. On receipt of  
31 documented justification, the department of education shall provide an  
32 additional thirty days for the requested documentation or information to be  
33 provided before considering an application withdrawn.

34 B. If an application for certification is substantively incomplete, as  
35 prescribed in title 41, chapter 6, article 7.1, the department of education  
36 or the state board of education may issue a written notice requesting the  
37 applicant to supply additional documents or other information. The state  
38 board of education OR THE DEPARTMENT OF EDUCATION shall deny an application  
39 for certification if, within sixty days after the date of the notice, the  
40 applicant does not supply the documentation or information requested.

41 C. If the final day of a deadline imposed by this section falls on a  
42 Saturday, Sunday or other legal holiday, the next business day is the final  
43 day of the deadline.

44 D. A notice of denial of an application for certification issued by  
45 the state board of education OR THE DEPARTMENT OF EDUCATION pursuant to  
46 subsection B of this section shall comply with section 41-1076.

1 E. A person who has had an application for certification denied by the  
2 state board of education OR THE DEPARTMENT OF EDUCATION pursuant to  
3 subsection B of this section may file a written request for a hearing with  
4 the state board of education within fifteen days after receiving the notice  
5 of denial. The appeal shall be conducted in accordance with title 41,  
6 chapter 6, article 6.

7 Sec. 23. Section 15-701.01, Arizona Revised Statutes, is amended to  
8 read:

9 15-701.01. High school; graduation; requirements; community  
10 college or university courses; transfer from  
11 private schools; academic credit

12 A. The state board of education shall:

13 1. Prescribe a minimum course of study, as defined in section 15-101  
14 and incorporating the academic standards adopted by the state board of  
15 education, for the graduation of pupils from high school.

16 2. Prescribe competency requirements for the graduation of pupils from  
17 high school incorporating the academic standards in at least the areas of  
18 reading, writing, mathematics, science and social studies.

19 3. Develop and adopt competency tests pursuant to section 15-741 for  
20 the graduation of pupils from high school in at least the areas of reading,  
21 writing and mathematics and shall establish passing scores for each such  
22 test. FOR THE PURPOSES OF SATISFYING THE GRADUATION REQUIREMENTS OF THIS  
23 PARAGRAPH, A MINIMUM SCORE AS DETERMINED BY THE STATE BOARD OF EDUCATION ON  
24 ONE OR MORE NATIONALLY RECOGNIZED COLLEGE ENTRANCE EXAMINATIONS SELECTED BY  
25 THE STATE BOARD OF EDUCATION, IF EXAMINATION INFORMATION MAY BE ACCESSED AT  
26 NO COST TO THIS STATE, MAY BE SUBSTITUTED FOR PASSING SCORES ON THE ARIZONA  
27 INSTRUMENT TO MEASURE STANDARDS TEST IF A PUPIL WHO IS IN GRADE TWELVE HAS  
28 PREVIOUSLY TAKEN THE ARIZONA INSTRUMENT TO MEASURE STANDARDS TEST AT EACH  
29 ADMINISTRATION OF THE TEST. A pupil shall not be required to pass the  
30 competency test required in this paragraph to graduate from high school if  
31 the pupil transfers into the district from out-of-state and has successfully  
32 passed a statewide assessment test on state adopted standards that are  
33 substantially equivalent to the state board adopted academic standards.

34 B. If the state board of education adopts a competency test as a  
35 graduation requirement for a child with a disability as defined in section  
36 15-761 or a child who receives special education pursuant to section 15-763,  
37 pupils with individualized education programs shall not be required to  
38 achieve passing scores on competency tests in order to graduate from high  
39 school unless the pupil is learning at a level appropriate for the pupil's  
40 grade level in a specific academic area and unless passing scores on a  
41 competency test are specifically required in a specific academic area by the  
42 pupil's individualized education program as mutually agreed on by the pupil's  
43 parents and the pupil's individualized education program team or the pupil,  
44 if the pupil is at least eighteen years of age. These competency tests shall  
45 be administered to pupils in a manner prescribed in the pupil's  
46 individualized education program, and school districts and charter schools

1 shall make specific and appropriate accommodations for pupils with  
2 individualized education programs. Pupils with section 504 plans as defined  
3 in section 15-731 shall not be required to achieve passing scores on  
4 competency tests in order to graduate from high school unless the pupil is  
5 learning at a level appropriate for the pupil's grade level in a specific  
6 academic area and unless passing scores on a competency test are specifically  
7 required in a specific academic area by the pupil's section 504 plan that is  
8 developed in consultation with the pupil's parents. These competency tests  
9 shall be administered to pupils in a manner prescribed in the pupil's section  
10 504 plan, and school districts and charter schools shall make specific and  
11 appropriate accommodations for pupils with a section 504 plan. A pupil with  
12 an individualized education program or a section 504 plan who graduates from  
13 high school but who is not required to achieve a passing score on a  
14 competency test in order to graduate from high school shall receive the  
15 standard diploma issued by the school district or charter school.

16 C. The governing board of a school district shall:

17 1. Prescribe curricula that include the academic standards in the  
18 required subject areas pursuant to subsection A, paragraph 1 of this section.

19 2. Prescribe criteria for the graduation of pupils from the high  
20 schools in the school district. These criteria shall include accomplishment  
21 of the academic standards in at least reading, writing, mathematics, science  
22 and social studies, as determined by district assessment. Other criteria may  
23 include additional measures of academic achievement and attendance.

24 D. The governing board may prescribe the course of study and  
25 competency requirements for the graduation of pupils from high school ~~which~~  
26 ~~THAT~~ are in addition to or higher than the course of study and competency  
27 requirements which the state board prescribes.

28 E. The governing board may prescribe competency requirements for the  
29 passage of pupils in courses ~~which~~ ~~THAT~~ are required for graduation from high  
30 school.

31 F. A teacher shall determine whether to pass or fail a pupil in a  
32 course in high school as provided in section 15-521, paragraph 3 on the basis  
33 of the competency requirements, if any have been prescribed. The governing  
34 board, if it reviews the decision of a teacher to pass or fail a pupil in a  
35 course in high school as provided in section 15-342, paragraph 11, shall base  
36 its decision on the competency requirements, if any have been prescribed.

37 G. Graduation requirements established by the governing board may be  
38 met by a pupil who passes courses in the required or elective subjects at a  
39 community college or university, if the course is at a higher level than the  
40 course taught in the high school attended by the pupil or, if the course is  
41 not taught in the high school, the level of the course is equal to or higher  
42 than the level of a high school course. The governing board shall determine  
43 if the subject matter of the community college or university course is  
44 appropriate to the specific requirement the pupil intends it to fulfill and  
45 if the level of the community college or university course is less than,  
46 equal to or higher than a high school course, and the governing board shall

1 award one-half of a carnegie unit for each three semester hours of credit the  
2 pupil earns in an appropriate community college or university course. If a  
3 pupil is not satisfied with the decision of the governing board regarding the  
4 amount of credit granted or the subjects for which credit is granted, the  
5 pupil may request that the state board of education review the decision of  
6 the governing board, and the state board shall make the final determination  
7 of the amount of credit to be given the pupil and for which subjects. The  
8 governing board shall not limit the number of credits that is required for  
9 high school graduation and that may be met by taking community college or  
10 university courses. For the purposes of this subsection:

11 1. "Community college" means an educational institution that is  
12 operated by a community college district as defined in section 15-1401 or a  
13 postsecondary educational institution under the jurisdiction of an Indian  
14 tribe recognized by the United States department of the interior.

15 2. "University" means a university under the jurisdiction of the  
16 Arizona board of regents.

17 H. A pupil who transfers from a private school shall be provided with  
18 a list that indicates those credits that have been accepted and denied by the  
19 school district. A pupil may request to take an examination in each  
20 particular course in which credit has been denied. The school district shall  
21 accept the credit for each particular course in which the pupil takes an  
22 examination and receives a passing score on a test designed and evaluated by  
23 a teacher in the school district who teaches the subject matter on which the  
24 examination is based. In addition to the above requirements, the governing  
25 board of a school district may prescribe requirements for the acceptance of  
26 the credits of pupils who transfer from a private school.

27 I. If a pupil who was previously enrolled in a charter school or  
28 school district enrolls in a school district in this state, the school  
29 district shall accept credits earned by the pupil in courses or instructional  
30 programs at the charter school or school district. The governing board of a  
31 school district may adopt a policy concerning the application of transfer  
32 credits for the purpose of DETERMINING whether a credit earned by a pupil who  
33 was previously enrolled in a school district or charter school will be  
34 assigned as an elective or core credit.

35 J. A pupil who transfers from a charter school or school district  
36 shall be provided with a list that indicates which credits have been accepted  
37 as an elective credit and which credits have been accepted as a core credit  
38 by the school district. Within ten school days after receiving the list, a  
39 pupil may request to take an examination in each particular course in which  
40 core credit has been denied. The school district shall accept the credit as  
41 a core credit for each particular course in which the pupil takes an  
42 examination and receives a passing score on a test designed and evaluated by  
43 a teacher in the school district who teaches the subject matter on which the  
44 examination is based.

45 K. The state board of education shall adopt rules to allow high school  
46 pupils who can demonstrate competency in a particular academic course or

1 subject to obtain academic credit for the course or subject without enrolling  
2 in the course or subject.

3 Sec. 24. Section 15-761, Arizona Revised Statutes, is amended to read:

4 15-761. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Autism" means a developmental disability that significantly  
7 affects verbal and nonverbal communication and social interaction and that  
8 adversely affects educational performance. Characteristics include  
9 irregularities and impairments in communication, engagement in repetitive  
10 activities and stereotyped movements, resistance to environmental change or  
11 change in daily routines and unusual responses to sensory experiences.  
12 Autism does not include children with characteristics of emotional disability  
13 as defined in this section.

14 2. "Child with a disability":

15 (a) Means a child who is at least three years but less than twenty-two  
16 years of age, who has been evaluated pursuant to section 15-766 and found to  
17 have at least one of the following disabilities and who, because of the  
18 disability, needs special education and related services:

19 (i) Autism.

20 (ii) DEVELOPMENTAL DELAY.

21 ~~(iii)~~ (iii) Emotional disability.

22 ~~(iii)~~ (iv) Hearing impairment.

23 ~~(iv)~~ (v) Other health impairments.

24 ~~(v)~~ (vi) Specific learning disability.

25 ~~(vi)~~ (vii) Mild, moderate or severe mental retardation.

26 ~~(vii)~~ (viii) Multiple disabilities.

27 ~~(viii)~~ (ix) Multiple disabilities with severe sensory impairment.

28 ~~(ix)~~ (x) Orthopedic impairment.

29 ~~(x) Preschool moderate delay.~~

30 (xi) Preschool severe delay.

31 ~~(xii) Preschool speech/language delay.~~

32 ~~(xiii)~~ (xii) Speech/language impairment.

33 ~~(xiv)~~ (xiii) Traumatic brain injury.

34 ~~(xv)~~ (xiv) Visual impairment.

35 (b) Does not include a child if the determinant factor for the  
36 classification is one or more of the following:

37 (i) A lack of appropriate instruction in reading, including essential  
38 components of reading instruction.

39 (ii) A lack of appropriate instruction in mathematics.

40 (iii) Difficulty in writing, speaking or understanding the English  
41 language due to an environmental background in which a language other than  
42 English is primarily or exclusively used.

43 3. "DEVELOPMENTAL DELAY" MEANS PERFORMANCE BY A CHILD WHO IS AT LEAST  
44 THREE YEARS OF AGE BUT UNDER TEN YEARS OF AGE ON A NORM-REFERENCED TEST THAT  
45 MEASURES AT LEAST ONE AND ONE-HALF, BUT NOT MORE THAN THREE, STANDARD

1 DEVIATIONS BELOW THE MEAN FOR CHILDREN OF THE SAME CHRONOLOGICAL AGE IN TWO  
2 OR MORE OF THE FOLLOWING AREAS:

- 3 (a) COGNITIVE DEVELOPMENT.
- 4 (b) PHYSICAL DEVELOPMENT.
- 5 (c) COMMUNICATION DEVELOPMENT.
- 6 (d) SOCIAL OR EMOTIONAL DEVELOPMENT.
- 7 (e) ADAPTIVE DEVELOPMENT.

8 THE RESULTS OF THE NORM-REFERENCED MEASURE MUST BE CORROBORATED BY  
9 INFORMATION FROM A COMPREHENSIVE DEVELOPMENT ASSESSMENT AND FROM PARENTAL  
10 INPUT, IF AVAILABLE, AS MEASURED BY A JUDGMENT BASED ASSESSMENT OR SURVEY.  
11 IF THERE IS A DISCREPANCY BETWEEN THE MEASURES, THE EVALUATION TEAM SHALL  
12 DETERMINE ELIGIBILITY BASED ON A PREPONDERANCE OF THE INFORMATION PRESENTED.

13 ~~3-~~ 4. "Due process hearing" means a fair and impartial administrative  
14 hearing conducted by the state educational agency by an impartial  
15 administrative law judge in accordance with federal and state law.

16 ~~4-~~ 5. "Educational disadvantage" means a condition which has limited  
17 a child's opportunity for educational experience resulting in a child  
18 achieving less than a normal level of learning development.

19 ~~5-~~ 6. "Eligibility for special education" means the pupil must have  
20 one of the disabilities contained in paragraph 2 of this section and must  
21 also require special education services in order to benefit from an  
22 educational program.

23 ~~6-~~ 7. "Emotional disability":

24 (a) Means a condition whereby a child exhibits one or more of the  
25 following characteristics over a long period of time and to a marked degree  
26 that adversely affects the child's performance in the educational  
27 environment:

28 (i) An inability to learn which cannot be explained by intellectual,  
29 sensory or health factors.

30 (ii) An inability to build or maintain satisfactory interpersonal  
31 relationships with peers and teachers.

32 (iii) Inappropriate types of behavior or feelings under normal  
33 circumstances.

34 (iv) A general pervasive mood of unhappiness or depression.

35 (v) A tendency to develop physical symptoms or fears associated with  
36 personal or school problems.

37 (b) Includes children who are schizophrenic but does not include  
38 children who are socially maladjusted unless they are also determined to have  
39 an emotional disability as determined by evaluation as provided in section  
40 15-766.

41 ~~7-~~ 8. "Hearing impairment" means a loss of hearing acuity, as  
42 determined by evaluation pursuant to section 15-766, which interferes with  
43 the child's performance in the educational environment and requires the  
44 provision of special education and related services.

45 ~~8-~~ 9. "Home school district" means the school district in which the  
46 person resides who has legal custody of the child, as provided in section

1 15-824, subsection B. If the child is a ward of the state and a specific  
2 person does not have legal custody of the child, the home school district is  
3 the district that the child last attended or, if the child has not previously  
4 attended a public school in this state, the school district within which the  
5 child currently resides.

6 ~~9-~~ 10. "Impartial administrative law judge" means an administrative  
7 law judge of the office of administrative hearings who is knowledgeable in  
8 the laws governing special education and administrative hearings.

9 ~~10-~~ 11. "Individualized education program" means a written statement,  
10 as defined in 20 United States Code sections 1401 and 1412, for providing  
11 special education and related services to a child with a disability.

12 ~~11-~~ 12. "Individualized education program team" means a team whose  
13 task is to develop an appropriate educational program for the child and has  
14 the same meaning prescribed in 20 United States Code section 1414.

15 ~~12-~~ 13. "Mental retardation" means a significant impairment of general  
16 intellectual functioning that exists concurrently with deficits in adaptive  
17 behavior and that adversely affects the child's performance in the  
18 educational environment.

19 ~~13-~~ 14. "Mild mental retardation" means performance on standard  
20 measures of intellectual and adaptive behavior between two and three standard  
21 deviations below the mean for children of the same age.

22 ~~14-~~ 15. "Moderate mental retardation" means performance on standard  
23 measures of intellectual and adaptive behavior between three and four  
24 standard deviations below the mean for children of the same age.

25 ~~15-~~ 16. "Multidisciplinary evaluation team" means a team of persons  
26 including individuals described as the individualized education program team  
27 and other qualified professionals who shall determine whether a child is  
28 eligible for special education.

29 ~~16-~~ 17. "Multiple disabilities" means learning and developmental  
30 problems resulting from multiple disabilities as determined by evaluation  
31 pursuant to section 15-766 that cannot be provided for adequately in a  
32 program designed to meet the needs of children with less complex  
33 disabilities. Multiple disabilities include any of the following conditions  
34 that require the provision of special education and related services:

35 (a) Two or more of the following conditions:

36 (i) Hearing impairment.

37 (ii) Orthopedic impairment.

38 (iii) Moderate mental retardation.

39 (iv) Visual impairment.

40 (b) A child with a disability listed in subdivision (a) of this  
41 paragraph existing concurrently with a condition of mild mental retardation,  
42 emotional disability or specific learning disability.

43 ~~17-~~ 18. "Multiple disabilities with severe sensory impairment" means  
44 multiple disabilities that include at least one of the following:

45 (a) Severe visual impairment or severe hearing impairment in  
46 combination with another severe disability.

1 (b) Severe visual impairment and severe hearing impairment.

2 ~~18.~~ 19. "Orthopedic impairment" means one or more severe orthopedic  
3 impairments and includes those that are caused by congenital anomaly, disease  
4 and other causes, such as amputation or cerebral palsy, and that adversely  
5 affect a child's performance in the educational environment.

6 ~~19.~~ 20. "Other health impairments" means limited strength, vitality or  
7 alertness, including a heightened alertness to environmental stimuli, due to  
8 chronic or acute health problems which adversely affect a pupil's educational  
9 performance.

10 ~~20.~~ 21. "Out-of-home care" means the placement of a child with a  
11 disability outside of the home environment and includes twenty-four hour  
12 residential care, group care or foster care on either a full-time or  
13 part-time basis.

14 ~~21.~~ 22. "Parent" means:

15 (a) Either a natural or adoptive parent of a child.

16 (b) A guardian, but not this state if the child is a ward of this  
17 state.

18 (c) A person acting in the place of a natural or adoptive parent with  
19 whom the child lives or a person who is legally responsible for the child's  
20 welfare.

21 (d) A surrogate parent.

22 (e) A foster parent to the extent permitted by state law.

23 ~~22.~~ 23. "Preschool child" means a child who is at least three years of  
24 age but who has not reached the required age for kindergarten, subject to  
25 section 15-771, subsection G.

26 ~~23. "Preschool moderate delay" means performance by a preschool child~~  
27 ~~on a norm-referenced test that measures at least one and one half, but not~~  
28 ~~more than three, standard deviations below the mean for children of the same~~  
29 ~~chronological age in two or more of the following areas:~~

30 ~~(a) Cognitive development.~~

31 ~~(b) Physical development.~~

32 ~~(c) Communication development.~~

33 ~~(d) Social or emotional development.~~

34 ~~(e) Adaptive development.~~

35 ~~The results of the norm-referenced measure must be corroborated by~~  
36 ~~information from a comprehensive developmental assessment and from parental~~  
37 ~~input, if available, as measured by a judgment-based assessment or~~  
38 ~~survey. If there is a discrepancy between the measures, the evaluation team~~  
39 ~~shall determine eligibility based on a preponderance of the information~~  
40 ~~presented.~~

41 24. "Preschool severe delay" means performance by a preschool child on  
42 a norm-referenced test that measures more than three standard deviations  
43 below the mean for children of the same chronological age in one or more of  
44 the following areas:

45 (a) Cognitive development.

46 (b) Physical development.

1 (c) Communication development.

2 (d) Social or emotional development.

3 (e) Adaptive development.

4 The results of the norm-referenced measure must be corroborated by  
5 information from a comprehensive developmental assessment and from parental  
6 input, if available, as measured by a judgment based assessment or  
7 survey. If there is a discrepancy between the measures, the evaluation team  
8 shall determine eligibility based on a preponderance of the information  
9 presented.

10 ~~25. "Preschool speech/language delay" means performance by a preschool~~  
11 ~~child on a norm-referenced language test that measures at least one and~~  
12 ~~one-half standard deviations below the mean for children of the same~~  
13 ~~chronological age or whose speech, out of context, is unintelligible to a~~  
14 ~~listener who is unfamiliar with the child. Eligibility under this paragraph~~  
15 ~~is appropriate only if a comprehensive developmental assessment or~~  
16 ~~norm-referenced assessment and parental input indicate that the child is not~~  
17 ~~eligible for services under another preschool category. The evaluation team~~  
18 ~~shall determine eligibility based on a preponderance of the information~~  
19 ~~presented.~~

20 ~~26.~~ 25. "Prior written notice" means written prior notice that a  
21 public educational agency is required to send to parents whenever the public  
22 educational agency proposes or refuses to initiate or change the  
23 identification, evaluation or educational placement of a child with a  
24 disability or the provision of a free appropriate public education.

25 ~~27.~~ 26. "Public educational agency" means a school district, a charter  
26 school, an accommodation school, a state supported institution or any other  
27 political subdivision of this state that is responsible for providing  
28 education to children with disabilities.

29 ~~28.~~ 27. "Related services" means those supportive services, as defined  
30 in 20 United States Code section 1401, that are required to assist a child  
31 with a disability who is eligible to receive special education services in  
32 order for the child to benefit from special education.

33 ~~29.~~ 28. "Residential special education placement" means the placement  
34 of a child with a disability in a public or private residential program, as  
35 provided in section 15-765, subsection G, in order to provide necessary  
36 special education and related services as specified in the child's  
37 individualized education program.

38 ~~30.~~ 29. "Severe mental retardation" means performance on standard  
39 measures of intellectual and adaptive behavior measures at least four  
40 standard deviations below the mean for children of the same age.

41 ~~31.~~ 30. "Special education" means specially designed instruction that  
42 meets the unique needs of a child with a disability and that is provided  
43 without cost to the parents of the child.

44 ~~32.~~ 31. "Special education referral" means a written request for an  
45 evaluation to determine whether a pupil is eligible for special education  
46 services that, for referrals not initiated by a parent, includes

1 documentation of appropriate efforts to educate the pupil in the regular  
2 education program.

3 ~~33-~~ 32. "Specially designed instruction" means adapting the content,  
4 methodology or delivery of instruction to address the unique needs of a child  
5 with a disability and to ensure that child's access to the general curriculum  
6 as identified in the academic standards adopted by the state board of  
7 education.

8 ~~34-~~ 33. "Specific learning disability" has the same meaning ~~prescribed~~  
9 AS DEFINED in 20 United States Code section 1401.

10 ~~35-~~ 34. "Speech/language impairment":

11 (a) FOR A PRESCHOOL CHILD, MEANS PERFORMANCE ON A NORM-REFERENCED  
12 LANGUAGE TEST THAT MEASURES AT LEAST ONE AND ONE-HALF STANDARD DEVIATIONS  
13 BELOW THE MEAN FOR CHILDREN OF THE SAME CHRONOLOGICAL AGE OR WHOSE SPEECH,  
14 OUT OF CONTEXT, IS UNINTELLIGIBLE TO A LISTENER WHO IS UNFAMILIAR WITH THE  
15 CHILD. ELIGIBILITY FOR A PRESCHOOL CHILD UNDER THIS SUBDIVISION IS  
16 APPROPRIATE ONLY WHEN A COMPREHENSIVE DEVELOPMENTAL ASSESSMENT AND PARENTAL  
17 INPUT INDICATE THAT THE PRESCHOOL CHILD IS NOT ELIGIBLE FOR SERVICES UNDER  
18 ANOTHER PRESCHOOL CATEGORY OR UNDER THE DEVELOPMENTAL DELAY CATEGORY.

19 (b) FOR A CHILD WHO HAS REACHED THE REQUIRED AGE FOR KINDERGARTEN,  
20 means A speech or language impairment as ~~prescribed~~ DEFINED in 34 Code of  
21 Federal Regulations section 300.8.

22 ~~36-~~ 35. "State educational agency" means the Arizona department of  
23 education.

24 ~~37-~~ 36. "State placing agency" has the same meaning prescribed in  
25 section 15-1181.

26 ~~38-~~ 37. "Surrogate parent" means a person who has been appointed by  
27 the court or by the department of education pursuant to section 15-763.01 in  
28 order to represent a child in decisions regarding special education.

29 ~~39-~~ 38. "Traumatic brain injury":

30 (a) Means an acquired injury to the brain that is caused by an  
31 external physical force and that results in total or partial functional  
32 disability or psychosocial impairment, or both, that adversely affects  
33 educational performance.

34 (b) Applies to open or closed head injuries resulting in mild,  
35 moderate or severe impairments in one or more areas, including cognition,  
36 language, memory, attention, reasoning, abstract thinking, judgment, problem  
37 solving, sensory, perceptual and motor abilities, psychosocial behavior,  
38 physical functions, information processing and speech.

39 (c) Does not include brain injuries that are congenital or  
40 degenerative or brain injuries induced by birth trauma.

41 ~~40-~~ 39. "Visual impairment" has the same meaning prescribed in 34 Code  
42 of Federal Regulations section 300.8.

43 ~~41-~~ 40. "Ward of the state" has the same meaning prescribed in 20  
44 United States Code section 1401.

45 Sec. 25. Section 15-771, Arizona Revised Statutes, is amended to read:

1           15-771. Preschool programs for children with disabilities:  
2                     definition

3           A. Each school district shall make available an educational program  
4 for preschool children with disabilities who reside in the school district  
5 and who are not already receiving services that have been provided through  
6 the department of education. The state board of education shall prescribe  
7 rules for use by school districts in the provision of educational programs  
8 for preschool children with disabilities. School districts are required to  
9 make available educational programs for and, for the purposes of calculating  
10 average daily attendance and average daily membership, may count only those  
11 preschool children who meet the definition of one of the following  
12 conditions:

- 13           1. Hearing impairment.
- 14           2. Visual impairment.
- 15           3. ~~Preschool moderate~~ DEVELOPMENTAL delay.
- 16           4. Preschool severe delay.
- 17           5. ~~Preschool~~ Speech/language ~~delay~~ IMPAIRMENT.

18 ~~The school district may make available an educational program for speech or~~  
19 ~~language impaired preschool children whose performance on a standardized~~  
20 ~~language test measures one and one-half standard deviations, or less, below~~  
21 ~~the mean for children of their chronological age. The superintendent of~~  
22 ~~public instruction shall prescribe guidelines for the eligibility of speech~~  
23 ~~or language impaired children, except that eligibility under this subsection~~  
24 ~~is appropriate only when a comprehensive developmental assessment or~~  
25 ~~norm referenced assessment and parental input indicate that the child is not~~  
26 ~~eligible for services under another preschool category.~~

27           B. The state board of education shall annually distribute to school  
28 districts at least ten per cent of the monies it receives under 20 United  
29 States Code section 1411(c)(2) for preschool programs for children with  
30 disabilities. The state board shall prescribe rules for the distribution of  
31 the monies to school districts.

32           C. The governing board of a school district may submit a proposal to  
33 the state board of education as prescribed by the state board to receive  
34 monies for preschool programs for children with disabilities as provided in  
35 this section. A school district which receives monies as provided in this  
36 section shall include the monies in the special projects section of the  
37 budget as provided in section 15-903, subsection F.

38           D. All school districts shall cooperate, if appropriate, with  
39 community organizations that provide services to preschool children with  
40 disabilities in the provision of the district's preschool program for  
41 children with disabilities.

42           E. A school district may not admit a child to a preschool program for  
43 children with disabilities unless the child is evaluated and recommended for  
44 placement as provided in sections 15-766 and 15-767.

45           F. For the purpose of allocating monies pursuant to 20 United States  
46 Code section 1419(g)(1)(B)(i), "jurisdiction" includes high school pupils

1 whose parents reside within the boundaries of a common school district. The  
2 common school district shall ensure such high school pupils are not counted  
3 by any other school district.

4 G. For ~~THE~~ purposes of this section, "preschool child" means a child  
5 who is at least three years of age but who has not reached the age required  
6 for kindergarten. A preschool child is three years of age as of the date of  
7 the child's third birthday. The governing board of a school district may  
8 admit otherwise eligible children who are within ninety days of their third  
9 birthday, if it is determined to be in the best interest of the individual  
10 child. Children who are admitted to programs for preschool children prior to  
11 their third birthday are entitled to the same provision of services as if  
12 they were three years of age.

13 Sec. 26. Repeal

14 Senate bill 1187, section 27, forty-ninth legislature, first regular  
15 session, as transmitted to the governor, is repealed.

16 Sec. 27. Section 15-808, Arizona Revised Statutes, is amended to read:

17 15-808. Arizona online instruction; reports; definitions

18 A. ~~A technology assisted project-based instruction program~~ ARIZONA  
19 ONLINE INSTRUCTION shall be instituted ~~on a pilot basis~~ to meet the needs of  
20 pupils in the information age. ~~Until June 30, 2003,~~ The state board of  
21 education shall select ~~up to four existing~~ traditional public schools, ~~at~~  
22 ~~least one of which shall serve pupils in kindergarten programs and grades one~~  
23 ~~through twelve, and beginning July 1, 2003, the state board of education~~  
24 ~~shall select seven existing traditional public schools~~ and the state board  
25 for charter schools shall ~~select seven~~ SPONSOR charter schools to ~~participate~~  
26 ~~in the program~~ BE ONLINE COURSE PROVIDERS OR ONLINE SCHOOLS. THE STATE BOARD  
27 OF EDUCATION AND THE STATE BOARD FOR CHARTER SCHOOLS SHALL JOINTLY DEVELOP  
28 STANDARDS FOR THE APPROVAL OF ONLINE COURSE PROVIDERS AND ONLINE SCHOOLS  
29 based on the following criteria:

30 1. The depth and breadth of curriculum choices.

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

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

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

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

43 ~~6. The availability of broadcast quality television production and~~  
44 ~~editing facilities on campus.~~

45 ~~7. The availability of faculty members who are experienced in~~  
46 ~~broadcast television production.~~

1       ~~8.~~ 6. The availability of faculty members who are experienced with  
2 computer networks, the internet and computer animation.

3       ~~9.~~ 7. The extent to which the school intends to develop partnerships  
4 with universities, community colleges and private businesses.

5       ~~10.~~ 8. The services offered to developmentally disabled populations.

6       ~~11.~~ 9. The grade levels that will be served ~~by the program.~~

7       B. ~~Notwithstanding subsection A of this section, any school that was~~  
8 ~~previously approved to participate is required to reapply every five years~~  
9 ~~for participation in the program.~~ EACH NEW SCHOOL THAT PROVIDES ONLINE  
10 INSTRUCTION SHALL PROVIDE ONLINE INSTRUCTION ON A PROBATIONARY STATUS. AFTER  
11 A NEW SCHOOL THAT PROVIDES ONLINE INSTRUCTION HAS CLEARLY DEMONSTRATED THE  
12 ACADEMIC INTEGRITY OF ITS INSTRUCTION THROUGH THE ACTUAL IMPROVEMENT OF THE  
13 ACADEMIC PERFORMANCE OF ITS STUDENTS, THE SCHOOL MAY APPLY TO BE REMOVED FROM  
14 PROBATIONARY STATUS. THE STATE BOARD OF EDUCATION OR THE STATE BOARD FOR  
15 CHARTER SCHOOLS SHALL REMOVE FROM ARIZONA ONLINE INSTRUCTION ANY PROBATIONARY  
16 SCHOOL THAT FAILS TO CLEARLY DEMONSTRATE IMPROVEMENT IN ACADEMIC PERFORMANCE  
17 WITHIN THREE YEARS MEASURED AGAINST GOALS IN THE APPROVED APPLICATION AND THE  
18 STATE'S ACCOUNTABILITY SYSTEM. The state board of education and the state  
19 board for charter schools shall review the effectiveness of each  
20 participating school and other information that is contained in the annual  
21 report prescribed in subsection C of this section. ~~to determine whether to~~  
22 ~~renew a school's participation in the technology assisted project-based~~  
23 ~~instruction program. At least eighty per cent of the pupils who are accepted~~  
24 ~~each academic school year in each school participating in the program must~~  
25 ~~have been previously enrolled in and attended a public school in the previous~~  
26 ~~school year. Kindergarten pupils shall not participate in the technology~~  
27 ~~assisted project-based instruction program, except that a kindergarten pupil~~  
28 ~~may participate in the program if the pupil has a sibling who is currently~~  
29 ~~enrolled in and attending the program.~~ ALL PUPILS WHO PARTICIPATE IN ARIZONA  
30 ONLINE INSTRUCTION SHALL RESIDE IN THIS STATE. Pupils who participate in ~~the~~  
31 ~~program~~ ARIZONA ONLINE INSTRUCTION are subject to the testing requirements  
32 prescribed in chapter 7, article 3 of this title. Upon enrollment, the  
33 school shall notify the parents or guardians of the pupil of the state  
34 testing requirements. If a pupil fails to comply with the testing  
35 requirements and the school administers the tests pursuant to this subsection  
36 to less than ninety-five per cent of the pupils in ~~the program~~ ARIZONA ONLINE  
37 INSTRUCTION, the pupil shall not be allowed to participate in ~~the program~~  
38 ARIZONA ONLINE INSTRUCTION.

39       C. ~~Each school selected by the state board of education to participate~~  
40 ~~in the technology assisted project-based instruction program shall submit an~~  
41 ~~annual report to the state board of education and the joint legislative~~  
42 ~~budget committee. The state board of education and the state board for~~  
43 ~~charter schools shall collaborate to develop a uniform reporting format to be~~  
44 ~~used by all schools that participate in the program. Beginning July 1, 2003,~~  
45 ~~each school selected by the state board for charter schools to participate in~~  
46 ~~the technology assisted project-based instruction program shall submit an~~

1 ~~annual report to the state board for charter schools and the joint~~  
2 ~~legislative budget committee. The reports shall be submitted by August 1 and~~  
3 ~~shall include the following information:~~

4 ~~1. A description of the educational services that are offered under~~  
5 ~~the program and that specifically relate to the depth and breadth of the~~  
6 ~~curriculum choices offered by the school.~~

7 ~~2. A description of the effects of media and technology on the~~  
8 ~~delivery of specific educational services to specific pupil populations.~~

9 ~~3. Academic advancement as measured in grade level equivalents each~~  
10 ~~academic year based on a standardized norm-referenced achievement test.~~

11 ~~4. Data identified by the state board of education or the state board~~  
12 ~~for charter schools, as appropriate, that compares the academic performance~~  
13 ~~of pupils who participate in the technology assisted project-based~~  
14 ~~instruction program with other pupils in this state and with pupils in that~~  
15 ~~school who do not participate in the technology assisted project-based~~  
16 ~~instruction program.~~

17 ~~5. The results of a survey of pupil satisfaction with the program,~~  
18 ~~including:~~

19 ~~(a) Pupils' attitudes about delivery modalities employed by the~~  
20 ~~school.~~

21 ~~(b) Changes in pupils' attitudes toward learning in general.~~

22 ~~(c) Changes in pupils' attitudes about their own ability to learn and~~  
23 ~~about their own academic progress.~~

24 ~~(d) Pupils' attitudes about the school they attend.~~

25 ~~6. The results of a survey of parental satisfaction with the program,~~  
26 ~~including:~~

27 ~~(a) Parents' and their children's attitudes about the delivery~~  
28 ~~modalities employed by the school.~~

29 ~~(b) Changes in their children's attitudes about learning in general.~~

30 ~~(c) Changes in their children's attitudes about their ability to learn~~  
31 ~~and about their academic progress.~~

32 ~~(d) Parents' and their children's attitudes about the school that the~~  
33 ~~child attends.~~

34 ~~7. A description of the availability and equitable distribution of~~  
35 ~~educational services provided under the program, including specific~~  
36 ~~descriptions of the effectiveness of technology tools and modalities used to~~  
37 ~~address the needs of any underserved populations targeted by the school.~~

38 ~~8. A description of the operational and administrative efficiency of~~  
39 ~~the program.~~

40 ~~9. A description of the cost-effectiveness of the program.~~

41 ~~10. A listing of the salaries, by titles and job descriptions, of the~~  
42 ~~administrators who are employed at or contracted for employment at each~~  
43 ~~school selected by the state board of education or the state board for~~  
44 ~~charter schools to participate in the technology assisted project-based~~  
45 ~~instruction program.~~

1 C. BEGINNING JULY 1, 2010, THE STATE BOARD OF EDUCATION AND THE STATE  
2 BOARD FOR CHARTER SCHOOLS SHALL DEVELOP ANNUAL REPORTING MECHANISMS FOR  
3 SCHOOLS THAT PARTICIPATE IN ARIZONA ONLINE INSTRUCTION.

4 D. The ~~state board~~ DEPARTMENT of education ~~and joint legislative~~  
5 ~~budget committee~~ shall ~~collaboratively~~ compile ~~and evaluate~~ the information  
6 submitted in the annual reports by schools participating in the ~~pilot program~~  
7 ARIZONA ONLINE INSTRUCTION, ~~pursuant to subsection C of this section~~. The  
8 ~~state board~~ DEPARTMENT of education ~~and the joint legislative budget~~  
9 ~~committee~~ shall SUBMIT THE COMPILED report ~~their findings~~ to the governor,  
10 the speaker of the house of representatives and the president of the senate  
11 by November 15 of each year.

12 E. Each school selected for ~~the technology assisted project-based~~  
13 ~~instruction program~~ ARIZONA ONLINE INSTRUCTION shall ensure that a daily log  
14 is maintained for each pupil who participates in ~~the program~~ ARIZONA ONLINE  
15 INSTRUCTION. The daily log shall describe the amount of time spent by each  
16 pupil participating in ~~the program~~ ARIZONA ONLINE INSTRUCTION pursuant to  
17 this section on academic tasks. The daily log shall be used by the school  
18 district or charter school to qualify the pupils who participate in ~~the~~  
19 ~~program~~ ARIZONA ONLINE INSTRUCTION in the school's average daily attendance  
20 calculations pursuant to section 15-901.

21 F. If a pupil is enrolled in a school district or charter school and  
22 also participates in ~~the technology assisted project-based instruction~~  
23 ~~program~~ ARIZONA ONLINE INSTRUCTION, the sum of the average daily membership,  
24 which includes enrollment as prescribed in section 15-901, subsection A,  
25 paragraph 2, subdivisions (a) and (b) and daily attendance as prescribed in  
26 section 15-901, subsection A, paragraph 6, for that pupil in the school  
27 district or charter school and in ~~the technology assisted project-based~~  
28 ~~instruction program~~ ARIZONA ONLINE INSTRUCTION shall not exceed 1.0. If the  
29 pupil is enrolled in a school district or a charter school and also  
30 participates in ~~the technology assisted project-based instruction program~~  
31 ARIZONA ONLINE INSTRUCTION and the sum of the daily membership or daily  
32 attendance for that pupil is greater than 1.0, the sum shall be reduced to  
33 1.0 and shall be apportioned between the school district or charter school  
34 and ~~the technology assisted project-based instruction program~~ ARIZONA ONLINE  
35 INSTRUCTION based on the percentage of total time that the pupil is enrolled  
36 or in attendance in the school district or charter school and ~~the technology~~  
37 ~~assisted project-based instruction program~~ ARIZONA ONLINE INSTRUCTION. The  
38 uniform system of financial records shall include guidelines for the  
39 apportionment of the pupil enrollment and attendance as provided in this  
40 subsection. PUPILS IN ARIZONA ONLINE INSTRUCTION DO NOT INCUR ABSENCES FOR  
41 PURPOSES OF SECTION 15-901 AND MAY GENERATE AN AVERAGE DAILY ATTENDANCE OF  
42 1.0 FOR ATTENDANCE HOURS DURING ANY HOUR OF THE DAY, DURING ANY DAY OF THE  
43 WEEK AND AT ANY TIME BETWEEN JULY 1 AND JUNE 30 OF EACH FISCAL YEAR. FOR  
44 KINDERGARTEN PROGRAMS AND GRADES ONE THROUGH EIGHT, AVERAGE DAILY MEMBERSHIP  
45 SHALL BE CALCULATED BY DIVIDING THE INSTRUCTIONAL HOURS AS REPORTED IN THE  
46 DAILY LOG REQUIRED IN SUBSECTION E OF THIS SECTION BY THE APPLICABLE HOURLY

1 REQUIREMENTS PRESCRIBED IN SECTION 15-901. FOR GRADES NINE THROUGH TWELVE,  
2 AVERAGE DAILY MEMBERSHIP SHALL BE CALCULATED BY DIVIDING THE INSTRUCTIONAL  
3 HOURS AS REPORTED IN THE DAILY LOG REQUIRED IN SUBSECTION E OF THIS SECTION  
4 BY NINE HUNDRED. THE AVERAGE DAILY MEMBERSHIP OF A PUPIL WHO PARTICIPATES IN  
5 ONLINE INSTRUCTION SHALL NOT EXCEED 1.0. AVERAGE DAILY MEMBERSHIP SHALL NOT  
6 BE CALCULATED ON THE ONE HUNDREDTH DAY OF INSTRUCTION FOR THE PURPOSES OF  
7 THIS SECTION. FUNDING SHALL BE DETERMINED AS FOLLOWS:

8 1. PUPILS WHO ARE ENROLLED FULL-TIME IN ARIZONA ONLINE INSTRUCTION  
9 SHALL BE FUNDED FOR ONLINE INSTRUCTION AT NINETY-FIVE PER CENT OF THE BASE  
10 SUPPORT LEVEL THAT WOULD BE CALCULATED FOR THAT PUPIL IF THAT PUPIL WERE  
11 ENROLLED AS A FULL-TIME STUDENT IN A SCHOOL DISTRICT OR CHARTER SCHOOL THAT  
12 DOES NOT PARTICIPATE IN ARIZONA ONLINE INSTRUCTION. ADDITIONAL ASSISTANCE,  
13 CAPITAL OUTLAY REVENUE LIMIT AND SOFT CAPITAL ALLOCATION LIMIT SHALL BE  
14 CALCULATED IN THE SAME MANNER THEY WOULD BE CALCULATED IF THE STUDENT WERE  
15 ENROLLED IN A DISTRICT OR CHARTER SCHOOL THAT DOES NOT PARTICIPATE IN ARIZONA  
16 ONLINE INSTRUCTION. A PUPIL ENROLLED IN ARIZONA ONLINE INSTRUCTION SHALL BE  
17 CONSIDERED FULL TIME IF THE PUPIL'S AVERAGE INSTRUCTIONAL HOURS, AS REPORTED  
18 IN THE DAILY LOG REQUIRED IN SUBSECTION E OF THIS SECTION, EXCEED ONE HUNDRED  
19 NINETEEN MINUTES FOR KINDERGARTEN PROGRAMS, TWO HUNDRED THIRTY-EIGHT MINUTES  
20 FOR GRADES ONE THROUGH THREE, TWO HUNDRED NINETY-SEVEN MINUTES FOR GRADES  
21 FOUR THROUGH SIX, THREE HUNDRED FIFTY-SIX MINUTES FOR GRADES SEVEN AND EIGHT  
22 AND THREE HUNDRED MINUTES FOR GRADES NINE THROUGH TWELVE.

23 2. PUPILS WHO ARE ENROLLED PART-TIME IN ARIZONA ONLINE INSTRUCTION  
24 SHALL BE FUNDED FOR ONLINE INSTRUCTION AT EIGHTY-FIVE PER CENT OF THE BASE  
25 SUPPORT LEVEL THAT WOULD BE CALCULATED FOR THAT PUPIL IF THAT PUPIL WERE  
26 ENROLLED AS A PART-TIME STUDENT IN A SCHOOL DISTRICT OR CHARTER SCHOOL THAT  
27 DOES NOT PARTICIPATE IN ARIZONA ONLINE INSTRUCTION. ADDITIONAL ASSISTANCE,  
28 CAPITAL OUTLAY REVENUE LIMIT AND SOFT CAPITAL ALLOCATION LIMIT SHALL BE  
29 CALCULATED IN THE SAME MANNER THEY WOULD BE CALCULATED IF THE STUDENT WERE  
30 ENROLLED IN A DISTRICT OR CHARTER SCHOOL THAT DOES NOT PARTICIPATE IN ARIZONA  
31 ONLINE INSTRUCTION. A PUPIL ENROLLED IN ARIZONA ONLINE INSTRUCTION SHALL BE  
32 CONSIDERED PART TIME IF THE PUPIL'S AVERAGE INSTRUCTIONAL HOURS, AS REPORTED  
33 IN THE DAILY LOG REQUIRED IN SUBSECTION E OF THIS SECTION, ARE LESS THAN THE  
34 HOURS REQUIRED FOR A FULL-TIME PUPIL PURSUANT TO PARAGRAPH 1 OF THIS  
35 SUBSECTION.

36 ~~G. If at any time the superintendent of public instruction determines~~  
37 ~~that a school district that was previously admitted to the technology~~  
38 ~~assisted project-based instruction program is not meeting the criteria~~  
39 ~~prescribed in subsection A of this section, the superintendent of public~~  
40 ~~instruction may recommend that the state board of education replace that~~  
41 ~~school district with a school district of the superintendent of public~~  
42 ~~instruction's choice that meets the criteria prescribed in subsection A of~~  
43 ~~this section. The state board of education shall consider and take formal~~  
44 ~~action on the superintendent of public instruction's recommendation.~~

45 ~~H. The enrollment of pupils in the technology assisted project-based~~  
46 ~~instruction program in each school that was previously approved to~~

1 ~~participate in the program shall not grow more than one hundred per cent in~~  
2 ~~any fiscal year.~~

3 ~~I.~~ G. If the academic achievement of a pupil declines while the pupil  
4 is participating in ~~the technology assisted project based instruction program~~  
5 ARIZONA ONLINE INSTRUCTION, the pupil's parents, the pupil's teachers and the  
6 principal or head teacher of the school shall confer to evaluate whether the  
7 pupil should be allowed to continue to participate in ~~the program~~ ARIZONA  
8 ONLINE INSTRUCTION.

9 H. TO ENSURE THE ACADEMIC INTEGRITY OF PUPILS WHO PARTICIPATE IN  
10 ONLINE INSTRUCTION, ARIZONA ONLINE INSTRUCTION SHALL INCLUDE MULTIPLE DIVERSE  
11 ASSESSMENT MEASURES AND THE PROCTORED ADMINISTRATION OF REQUIRED STATE  
12 STANDARDIZED TESTS.

13 I. FOR THE PURPOSES OF THIS SECTION:

14 1. "ONLINE COURSE PROVIDER" MEANS A SCHOOL OTHER THAN AN ONLINE SCHOOL  
15 THAT IS SELECTED BY THE STATE BOARD OF EDUCATION OR THE STATE BOARD FOR  
16 CHARTER SCHOOLS TO PARTICIPATE IN ARIZONA ONLINE INSTRUCTION PURSUANT TO THIS  
17 SECTION AND THAT PROVIDES AT LEAST ONE ONLINE ACADEMIC COURSE THAT IS  
18 APPROVED BY THE STATE BOARD OF EDUCATION.

19 2. "ONLINE SCHOOL" MEANS A SCHOOL THAT PROVIDES AT LEAST FOUR ONLINE  
20 ACADEMIC COURSES OR ONE OR MORE ONLINE COURSES FOR THE EQUIVALENT OF AT LEAST  
21 FIVE HOURS EACH DAY FOR ONE HUNDRED EIGHTY SCHOOL DAYS AND THAT IS A CHARTER  
22 SCHOOL THAT IS SPONSORED BY THE STATE BOARD FOR CHARTER SCHOOLS OR A  
23 TRADITIONAL PUBLIC SCHOOL THAT IS SELECTED BY THE STATE BOARD OF EDUCATION TO  
24 PARTICIPATE IN ARIZONA ONLINE INSTRUCTION.

25 Sec. 28. Section 15-816.01, Arizona Revised Statutes, is amended to  
26 read:

27 15-816.01. Enrollment policies

28 A. School district governing boards shall establish policies and shall  
29 implement an open enrollment policy without charging tuition. Tuition may be  
30 charged to nonresident pupils only if the tuition is authorized under section  
31 15-764, subsection C, section 15-797, subsection C, section 15-823,  
32 subsection A, section 15-824, subsection A or section 15-825 or if two school  
33 districts have entered into a voluntary agreement for the payment of tuition  
34 for certain pupils. These policies shall include admission criteria,  
35 application procedures and transportation provisions. A SCHOOL DISTRICT MAY  
36 GIVE ENROLLMENT PREFERENCE TO AND RESERVE CAPACITY FOR PUPILS WHO ARE  
37 CHILDREN OF PERSONS WHO ARE EMPLOYED BY OR AT A SCHOOL IN THE SCHOOL  
38 DISTRICT. A copy of the district policies for open enrollment shall be filed  
39 with the department of education.

40 B. The governing board of the district educating the pupil may provide  
41 transportation limited to no more than twenty miles each way to and from the  
42 school of attendance or to and from a pickup point on a regular  
43 transportation route or for the total miles traveled each day to an adjacent  
44 district for eligible nonresident pupils who meet the economic eligibility  
45 requirements established under the national school lunch and child nutrition

1 acts (42 United States Code sections 1751 through 1785) for free or reduced  
2 price lunches.

3 C. The governing board of the district educating the pupil shall  
4 provide transportation limited to no more than twenty miles each way to and  
5 from the school of attendance or to and from a pickup point on a regular  
6 transportation route or for the total miles traveled each day to an adjacent  
7 district for nonresident pupils with disabilities whose individualized  
8 education program specifies that transportation is necessary for fulfillment  
9 of the program.

10 Sec. 29. Section 15-901, Arizona Revised Statutes, is amended to read:

11 15-901. Definitions

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

13 1. "Average daily attendance" or "ADA" means actual average daily  
14 attendance through the first one hundred days or two hundred days in session,  
15 as applicable.

16 2. "Average daily membership" means the total enrollment of fractional  
17 students and full-time students, minus withdrawals, of each school day  
18 through the first one hundred days or two hundred days in session, as  
19 applicable, for the current year. Withdrawals include students formally  
20 withdrawn from schools and students absent for ten consecutive school days,  
21 except for excused absences as identified by the department of education.  
22 For computation purposes, the effective date of withdrawal shall be  
23 retroactive to the last day of actual attendance of the student.

24 (a) "Fractional student" means:

25 (i) For common schools, until fiscal year 2001-2002, a preschool child  
26 who is enrolled in a program for preschool children with disabilities of at  
27 least three hundred sixty minutes each week or a kindergarten student at  
28 least five years of age prior to January 1 of the school year and enrolled in  
29 a school kindergarten program that meets at least three hundred forty-six  
30 instructional hours during the minimum number of days required in a school  
31 year as provided in section 15-341. In fiscal year 2001-2002, the  
32 kindergarten program shall meet at least three hundred forty-eight hours. In  
33 fiscal year 2002-2003, the kindergarten program shall meet at least three  
34 hundred fifty hours. In fiscal year 2003-2004, the kindergarten program  
35 shall meet at least three hundred fifty-two hours. In fiscal year 2004-2005,  
36 the kindergarten program shall meet at least three hundred fifty-four  
37 hours. In fiscal year 2005-2006 and each fiscal year thereafter, the  
38 kindergarten program shall meet at least three hundred fifty-six  
39 hours. Lunch periods and recess periods may not be included as part of the  
40 instructional hours unless the child's individualized education program  
41 requires instruction during those periods and the specific reasons for such  
42 instruction are fully documented. In computing the average daily membership,  
43 preschool children with disabilities and kindergarten students shall be  
44 counted as one-half of a full-time student. For common schools, a part-time  
45 student is a student enrolled for less than the total time for a full-time  
46 student as defined in this section. A part-time common school student shall

1 be counted as one-fourth, one-half or three-fourths of a full-time student if  
2 the student is enrolled in an instructional program that is at least  
3 one-fourth, one-half or three-fourths of the time a full-time student is  
4 enrolled as defined in subdivision (b) of this paragraph.

5 (ii) For high schools, a part-time student who is enrolled in less  
6 than four subjects that count toward graduation as defined by the state board  
7 of education in a recognized high school and who is taught in less than  
8 twenty instructional hours per week prorated for any week with fewer than  
9 five school days. A part-time high school student shall be counted as  
10 one-fourth, one-half or three-fourths of a full-time student if the student  
11 is enrolled in an instructional program that is at least one-fourth, one-half  
12 or three-fourths of a full-time instructional program as defined in  
13 subdivision (c) of this paragraph.

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

15 (i) For common schools, a student who is at least six years of age  
16 prior to January 1 of a school year, who has not graduated from the highest  
17 grade taught in the school district and who is regularly enrolled in a course  
18 of study required by the state board of education. Until fiscal year  
19 2001-2002, first, second and third grade students, ungraded students at least  
20 six, but under nine, years of age by September 1 or ungraded group B children  
21 with disabilities who are at least five, but under six, years of age by  
22 September 1 must be enrolled in an instructional program that meets for a  
23 total of at least six hundred ninety-two hours during the minimum number of  
24 days required in a school year as provided in section 15-341. In fiscal year  
25 2001-2002, the program shall meet at least six hundred ninety-six hours. In  
26 fiscal year 2002-2003, the program shall meet at least seven hundred  
27 hours. In fiscal year 2003-2004, the program shall meet at least seven  
28 hundred four hours. In fiscal year 2004-2005, the program shall meet at  
29 least seven hundred eight hours. In fiscal year 2005-2006 and in each fiscal  
30 year thereafter, the program shall meet at least seven hundred twelve  
31 hours. Until fiscal year 2001-2002, fourth, fifth and sixth grade students  
32 or ungraded students at least nine, but under twelve, years of age by  
33 September 1 must be enrolled in an instructional program that meets for a  
34 total of at least eight hundred sixty-five hours during the minimum number of  
35 school days required in a school year as provided in section 15-341. In  
36 fiscal year 2001-2002, the program shall meet at least eight hundred seventy  
37 hours. In fiscal year 2002-2003, the program shall meet at least eight  
38 hundred seventy-five hours. In fiscal year 2003-2004, the program shall meet  
39 at least eight hundred eighty hours. In fiscal year 2004-2005, the program  
40 shall meet at least eight hundred eighty-five hours. In fiscal year  
41 2005-2006 and each fiscal year thereafter, the program shall meet at least  
42 eight hundred ninety hours. Until fiscal year 2001-2002, seventh and eighth  
43 grade students or ungraded students at least twelve, but under fourteen,  
44 years of age by September 1 must be enrolled in an instructional program that  
45 meets for a total of at least one thousand thirty-eight hours during the  
46 minimum number of days required in a school year as provided in section

15-341. In fiscal year 2001-2002, the program shall meet at least one thousand forty-four hours. In fiscal year 2002-2003, the program shall meet at least one thousand fifty hours. In fiscal year 2003-2004, the program shall meet at least one thousand fifty-six hours. In fiscal year 2004-2005, the program shall meet at least one thousand sixty-two hours. In fiscal year 2005-2006 and each fiscal year thereafter, the program shall meet at least one thousand sixty-eight hours. Lunch periods and recess periods may not be included as part of the instructional hours unless the student is a child with a disability and the child's individualized education program requires instruction during those periods and the specific reasons for such instruction are fully documented.

(ii) For high schools, except as provided in section 15-105, a student not graduated from the highest grade taught in the school district, or an ungraded student at least fourteen years of age by September 1, and enrolled in at least a full-time instructional program of subjects that count toward graduation as defined by the state board of education in a recognized high school. A full-time student shall not be counted more than once for computation of average daily membership.

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

(c) "Full-time instructional program" means:

(i) Through fiscal year 2000-2001, at least four subjects, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty hours a year, or the equivalent, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

(ii) For fiscal year 2001-2002, an instructional program that meets at least a total of seven hundred four hours during the minimum number of days required and includes at least four subjects each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-two hours a year, or the equivalent, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

(iii) For fiscal year 2002-2003, an instructional program that meets at least a total of seven hundred eight hours during the minimum number of days required and includes at least four subjects each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-two hours a year, or the equivalent, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

(iv) For fiscal year 2003-2004, an instructional program that meets at least a total of seven hundred twelve hours during the minimum number of days required and includes at least four subjects each of which, if taught each school day for the minimum number of days required in a school year, would

1 meet a minimum of one hundred twenty-three hours a year, or the equivalent,  
2 or one or more subjects taught in amounts of time totaling at least twenty  
3 hours per week prorated for any week with fewer than five school days.

4 (v) For fiscal year 2004-2005, an instructional program that meets at  
5 least a total of seven hundred sixteen hours during the minimum number of  
6 days required and includes at least four subjects each of which, if taught  
7 each school day for the minimum number of days required in a school year,  
8 would meet a minimum of one hundred twenty-three hours a year, or the  
9 equivalent, or one or more subjects taught in amounts of time totaling at  
10 least twenty hours per week prorated for any week with fewer than five school  
11 days.

12 (vi) For fiscal year 2005-2006 and each fiscal year thereafter, an  
13 instructional program that meets at least a total of seven hundred twenty  
14 hours during the minimum number of days required and includes at least four  
15 subjects each of which, if taught each school day for the minimum number of  
16 days required in a school year, would meet a minimum of one hundred  
17 twenty-three hours a year, or the equivalent, or one or more subjects taught  
18 in amounts of time totaling at least twenty hours per week prorated for any  
19 week with fewer than five school days.

20 3. "Budget year" means the fiscal year for which the school district  
21 is budgeting and which immediately follows the current year.

22 4. "Common school district" means a political subdivision of this  
23 state offering instruction to students in programs for preschool children  
24 with disabilities and kindergarten programs and grades one through eight.

25 5. "Current year" means the fiscal year in which a school district is  
26 operating.

27 6. "Daily attendance" means:

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

29 (i) Of a kindergarten program or ungraded, but not group B children  
30 with disabilities, and at least five, but under six, years of age by  
31 September 1 attends at least three-quarters of the instructional time  
32 scheduled for the day. If the total instruction time scheduled for the year  
33 is at least three hundred forty-six hours but is less than six hundred  
34 ninety-two hours such attendance shall be counted as one-half day of  
35 attendance. If the instructional time scheduled for the year is at least six  
36 hundred ninety-two hours, "daily attendance" means days in which a pupil  
37 attends at least one-half of the instructional time scheduled for the day.  
38 Such attendance shall be counted as one-half day of attendance.

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

44 (iii) Of the fourth, fifth or sixth grades or ungraded and at least  
45 nine, but under twelve, years of age by September 1 attends more than

1 three-quarters of the instructional time scheduled for the day, except as  
2 provided in section 15-797.

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

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

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

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

19 (c) For common schools, the attendance of a preschool child with  
20 disabilities shall be counted as one-fourth day's attendance for each  
21 thirty-six minutes of attendance not including lunch periods and recess  
22 periods, except as provided in paragraph 2, subdivision (a), item (i) of this  
23 subsection for children with disabilities up to a maximum of three hundred  
24 sixty minutes each week.

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

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

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

44 (g) For school districts which maintain school for an approved  
45 year-round school year operation, attendance shall be based on a computation,  
46 as prescribed by the superintendent of public instruction, of the one hundred

1 eighty days' equivalency or two hundred days' equivalency, as applicable, of  
2 instructional time as approved by the superintendent of public instruction  
3 during which each pupil is enrolled.

4 7. "Daily route mileage" means the sum of:

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

9 (b) The total number of miles driven daily on routes approved by the  
10 superintendent of public instruction for which a private party, a political  
11 subdivision or a common or a contract carrier is reimbursed for bringing an  
12 eligible student from the place of his residence to a school transportation  
13 pickup point or to the school of attendance and from the school  
14 transportation scheduled return point or from the school of attendance to his  
15 residence. Daily route mileage includes the total number of miles necessary  
16 to drive to transport eligible students from and to their residence as  
17 provided in this paragraph.

18 8. "District support level" means the base support level plus the  
19 transportation support level.

20 9. "Eligible students" means:

21 (a) Students who are transported by or for a school district and who  
22 qualify as full-time students or fractional students, except students for  
23 whom transportation is paid by another school district or a county school  
24 superintendent, and:

25 (i) For common school students, whose place of actual residence within  
26 the school district is more than one mile from the school facility of  
27 attendance or students who are admitted pursuant to section 15-816.01 and who  
28 meet the economic eligibility requirements established under the national  
29 school lunch and child nutrition acts (42 United States Code sections 1751  
30 through 1785) for free or reduced price lunches and whose actual place of  
31 residence outside the school district boundaries is more than one mile from  
32 the school facility of attendance.

33 (ii) For high school students, whose place of actual residence within  
34 the school district is more than one and one-half miles from the school  
35 facility of attendance or students who are admitted pursuant to section  
36 15-816.01 and who meet the economic eligibility requirements established  
37 under the national school lunch and child nutrition acts (42 United States  
38 Code sections 1751 through 1785) for free or reduced price lunches and whose  
39 actual place of residence outside the school district boundaries is more than  
40 one and one-half miles from the school facility of attendance.

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

44 (c) Children with disabilities, as defined by section 15-761, who are  
45 transported by or for the school district or who are admitted pursuant to  
46 chapter 8, article 1.1 of this title and who qualify as full-time students or

1 fractional students regardless of location or residence within the school  
2 district or children with disabilities whose transportation is required by  
3 the pupil's individualized education program.

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

7 10. "Enrolled" or "enrollment" means when a pupil is currently  
8 registered in the school district.

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

12 12. "High school district" means a political subdivision of this state  
13 offering instruction to students for grades nine through twelve or that  
14 portion of the budget of a common school district which is allocated to  
15 teaching high school subjects with permission of the state board of  
16 education.

17 13. "Revenue control limit" means the base revenue control limit plus  
18 the transportation revenue control limit.

19 14. "Student count" means average daily membership as prescribed in  
20 this subsection for the fiscal year prior to the current year, except that  
21 for the purpose of budget preparation student count means average daily  
22 membership as prescribed in this subsection for the current year.

23 15. "Submit electronically" means submitted in a format and in a manner  
24 prescribed by the department of education.

25 16. "Total bus mileage" means the total number of miles driven by all  
26 buses of a school district during the school year.

27 17. "Total students transported" means all eligible students  
28 transported from their place of residence to a school transportation pickup  
29 point or to the school of attendance and from the school of attendance or  
30 from the school transportation scheduled return point to their place of  
31 residence.

32 18. "Unified school district" means a political subdivision of the  
33 state offering instruction to students in programs for preschool children  
34 with disabilities and kindergarten programs and grades one through twelve.

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

36 1. "Base" means the revenue level per student count specified by the  
37 legislature.

38 2. "Base level" means:

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

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

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

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

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

6           6. "DD" MEANS PROGRAMS FOR CHILDREN WITH DEVELOPMENTAL DELAYS WHO ARE  
7 AT LEAST THREE YEARS OF AGE BUT UNDER TEN YEARS OF AGE. A PRESCHOOL CHILD  
8 WHO IS CATEGORIZED UNDER THIS PARAGRAPH IS NOT ELIGIBLE TO RECEIVE FUNDING  
9 PURSUANT TO SECTION 15-943, PARAGRAPH 2, SUBDIVISION (b).

10          ~~6-~~ 7. "ED, MIMR, SLD, SLI and OHI" means programs for children with  
11 emotional disabilities, mild mental retardation, a specific learning  
12 disability, a speech/language impairment and other health impairments. A  
13 PRESCHOOL CHILD WHO IS CATEGORIZED AS SLI UNDER THIS PARAGRAPH IS NOT  
14 ELIGIBLE TO RECEIVE FUNDING PURSUANT TO SECTION 15-943, PARAGRAPH 2,  
15 SUBDIVISION (b).

16          ~~7-~~ 8. "ED-P" means programs for children with emotional disabilities  
17 who are enrolled in private special education programs as prescribed in  
18 section 15-765, subsection D, paragraph 1 or in an intensive school district  
19 program as provided in section 15-765, subsection D, paragraph 2.

20          ~~8-~~ 9. "ELL" means English learners who do not speak English or whose  
21 native language is not English, who are not currently able to perform  
22 ordinary classroom work in English and who are enrolled in an English  
23 language education program pursuant to sections 15-751, 15-752 and 15-753.

24          ~~9-~~ 10. "Full-time equivalent certified teacher" or "FTE certified  
25 teacher" means for a certified teacher the following:

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

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

31          ~~10-~~ 11. "Group A" means educational programs for career exploration, a  
32 specific learning disability, an emotional disability, mild mental  
33 retardation, remedial education, a speech/language impairment, ~~DEVELOPMENTAL~~  
34 ~~DELAY,~~ homebound, bilingual, ~~preschool—moderate—delay, preschool~~  
35 ~~speech/language delay,~~ other health impairments and gifted pupils.

36          ~~11-~~ 12. "Group B" means educational improvements for pupils in  
37 kindergarten programs and grades one through three, educational programs for  
38 autism, a hearing impairment, moderate mental retardation, multiple  
39 disabilities, multiple disabilities with severe sensory impairment,  
40 orthopedic impairments, preschool severe delay, severe mental retardation and  
41 emotional disabilities for school age pupils enrolled in private special  
42 education programs or in school district programs for children with severe  
43 disabilities or visual impairment and English learners enrolled in a program  
44 to promote English language proficiency pursuant to section 15-752.

45          ~~12-~~ 13. "HI" means programs for pupils with hearing impairment.

~~13.~~ 14. "Homebound" or "hospitalized" means a pupil who is capable of profiting from academic instruction but is unable to attend school due to illness, disease, accident or other health conditions, who has been examined by a competent medical doctor and who is certified by that doctor as being unable to attend regular classes for a period of not less than three school months or a pupil who is capable of profiting from academic instruction but is unable to attend school regularly due to chronic or acute health problems, who has been examined by a competent medical doctor and who is certified by that doctor as being unable to attend regular classes for intermittent periods of time totaling three school months during a school year. The medical certification shall state the general medical condition, such as illness, disease or chronic health condition, that is the reason that the pupil is unable to attend school. Homebound or hospitalized includes a student who is unable to attend school for a period of less than three months due to a pregnancy if a competent medical doctor, after an examination, certifies that the student is unable to attend regular classes due to risk to the pregnancy or to the student's health.

~~14.~~ 15. "K" means kindergarten programs.

~~15.~~ 16. "K-3" means kindergarten programs and grades one through three.

~~16.~~ 17. "MD-R, A-R and SMR-R" means resource programs for pupils with multiple disabilities, autism and severe mental retardation.

~~17.~~ 18. "MD-SC, A-SC and SMR-SC" means self-contained programs for pupils with multiple disabilities, autism and severe mental retardation.

~~18.~~ 19. "MDSSI" means a program for pupils with multiple disabilities with severe sensory impairment.

~~19.~~ 20. "MOMR" means programs for pupils with moderate mental retardation.

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

~~21.~~ 22. "OI-SC" means a self-contained program for pupils with orthopedic impairments.

~~22.~~ 23. "PSD" means preschool programs for children with disabilities as provided in section 15-771.

~~23.~~ 24. "P-SD" means programs for children who meet the definition of preschool severe delay as provided in section 15-771.

~~24.~~ 25. "Qualifying tax rate" means the qualifying tax rate specified in section 15-971 applied to the assessed valuation used for primary property taxes.

~~25.~~ 26. "Small isolated school district" means a school district which meets all of the following:

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

(b) Contains no school which is fewer than thirty miles by the most reasonable route from another school, or, if road conditions and terrain make the driving slow or hazardous, fifteen miles from another school which

1 teaches one or more of the same grades and is operated by another school  
2 district in this state.

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

5 ~~26-~~ 27. "Small school district" means a school district which meets  
6 all of the following:

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

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

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

14 ~~27-~~ 28. "Transportation revenue control limit" means the  
15 transportation revenue control limit computed as prescribed in section  
16 15-946.

17 ~~28-~~ 29. "Transportation support level" means the support level for  
18 pupil transportation operating expenses as provided in section 15-945.

19 ~~29-~~ 30. "VI" means programs for pupils with visual impairments.

20 ~~30-~~ 31. "Voc. Ed." means career and technical education and vocational  
21 education programs, as defined in section 15-781.

22 Sec. 30. Section 15-902, Arizona Revised Statutes, is amended to read:

23 15-902. Determination of student count

24 A. For a common or a unified school district in which the average  
25 daily membership through the first one hundred days or two hundred days in  
26 session, as applicable, of the current year has exceeded the average daily  
27 attendance through the first one hundred days or two hundred days in session,  
28 as applicable, of the current year by more than six per cent, the student  
29 count shall be determined by an adjusted average daily membership computed by  
30 multiplying the actual average daily attendance by one hundred six per cent.

31 B. For a high school district in which the average daily membership  
32 through the first one hundred days in session of the current year exceeds the  
33 average daily attendance through the first one hundred days in session of the  
34 current year by more than eight and one-half per cent, the student count  
35 shall be determined by an adjusted average daily membership computed by  
36 multiplying the actual average daily attendance by one hundred eight and  
37 one-half per cent. If the high school district which utilized adjusted  
38 average daily membership pursuant to this subsection does not qualify for  
39 equalization assistance as provided by section 15-971, the computation of  
40 additional state aid for education as provided in section 15-972 for that  
41 district shall not include in the primary property tax rate the amount of  
42 primary property taxes necessary to fund an amount computed as follows:

43 1. Determine the revenue control limit, capital outlay revenue limit  
44 and soft capital allocation using the adjusted average daily membership.

45 2. Add the amounts determined in paragraph 1 of this subsection.

1           3. Determine the revenue control limit, capital outlay revenue limit  
2 and soft capital allocation using a student count computed by multiplying the  
3 actual average daily attendance by one hundred six per cent.

4           4. Add the amounts determined in paragraph 3 of this subsection.

5           5. Subtract the sum determined under paragraph 4 of this subsection  
6 from the sum determined under paragraph 2 of this subsection.

7           C. A school district required to utilize adjusted average daily  
8 membership as provided in this section may apply to the department of  
9 education for a further adjustment if student absences result from any of the  
10 following reasons:

11           1. Widespread illness for any period of three consecutive days or  
12 more.

13           2. Adverse weather conditions for any period of three consecutive days  
14 or more.

15           3. Concerted refusal by students to attend classes for any period of  
16 three consecutive days or more.

17           4. Threats of violence against school property, school personnel or  
18 students for any period of one day or more.

19           5. SCHOOL CLOSURE DUE TO SITUATIONS AFFECTING THE SAFETY OF PERSONS OR  
20 PROPERTY RESULTING FROM FIRE, FLOODING OR FLOODWATER, AN EARTHQUAKE, A  
21 HAZARDOUS MATERIAL EVENT OR OTHER CAUSES IF APPROVED BY THE DEPARTMENT OF  
22 EDUCATION.

23           D. All student absence figures shall be submitted by the school  
24 district on a school by school basis to the department of education pursuant  
25 to subsection C of this section and shall be certified by the governing board  
26 of the school district. The department of education shall review the  
27 materials and documents submitted and may, if it determines that the absences  
28 resulted from the reasons prescribed by this section, further adjust the  
29 average daily membership figures of the school district.

30           E. A school district required to use adjusted average daily membership  
31 as provided in this section may apply to the department of education for a  
32 further adjustment due to absences of pupils with chronic health problems as  
33 defined in section 15-346 if the school district is providing services to the  
34 pupils during their absence from school.

35           F. A pupil is enrolled if the pupil is currently registered in the  
36 school district. In addition, the uniform system of financial records shall  
37 contain procedures to ensure that enrollment is determined by all school  
38 districts on a uniform basis.

39           G. Any determination of average daily attendance and average daily  
40 membership shall be based on the records of the superintendent of public  
41 instruction.

42           H. For school districts which maintain an approved year-round school  
43 year operation program, an educational program offered on the basis of a four  
44 day school week or an alternative kindergarten program offered on the basis  
45 of a three day school week, student count shall be based on a computation as  
46 prescribed by the superintendent of public instruction on the one hundred

1 seventy-five days' equivalency or two hundred days' equivalency, as  
2 applicable, of instructional time as approved by the superintendent of public  
3 instruction during which each pupil is enrolled.

4 I. School districts shall be required to record electronically  
5 membership and attendance on a school by school basis for each day school is  
6 in session. Records shall be certified and forwarded to the department of  
7 education electronically within twelve days after the first forty days in  
8 session and within twelve days after the first one hundred days in session.

9 J. Absences shall be made part of the attendance record and shall be  
10 forwarded electronically by the school district on a school by school basis  
11 with other records to the department of education.

12 K. If a new school district is formed by the subdivision of an  
13 existing school district as provided in section 15-458, the new school  
14 district shall determine its student count, the approved daily route mileage  
15 and the number of eligible students transported on the basis of where pupils  
16 reside within the boundaries of the new school district when computing  
17 assistance as provided in this chapter. The school district shall determine  
18 its student count, the approved daily route mileage and the number of  
19 eligible students transported on the basis of where pupils reside within the  
20 diminished boundaries of the school district when computing a school district  
21 budget limit and assistance as provided in this chapter. The combined  
22 student count in the new districts may not exceed the student count of the  
23 school district which would have existed if the subdivision had not occurred.

24 Sec. 31. Section 15-905, Arizona Revised Statutes, is amended to read:

25 15-905. School district budgets: notice: adoption: aggregate  
26 budget limit: summary: adjustments: definition

27 A. Not later than July 5 of each year or no later than the publication  
28 of notice of the public hearing and board meeting as required by this  
29 section, the governing board of each school district shall prepare and  
30 furnish to the superintendent of public instruction and the county school  
31 superintendent, unless waived by the county school superintendent, a proposed  
32 budget in electronic format for the budget year, which shall contain the  
33 information and be in the form as provided by the department of education.  
34 The proposed budget shall include the following:

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

37 2. The total amount of revenues by source that will be necessary to  
38 meet the proposed budget of the school district, excluding property  
39 taxes. The governing board shall prepare the proposed budget and a summary  
40 of the proposed budget. Both documents shall be kept on file at the school  
41 district office and shall be made available to the public upon request. The  
42 auditor general in conjunction with the department of education shall  
43 prescribe the form of the summary of the proposed budget for use by governing  
44 boards. School district governing boards may include in the proposed budget  
45 any items or amounts which are authorized by legislation filed with the  
46 secretary of state and which will become effective during the budget

1 year. If subsequent events prevent the legislation from becoming effective,  
2 school district governing boards must reduce their budgets by the amounts  
3 budgeted pursuant to the legislation which did not become effective.

4 B. The governing board of each school district shall prepare a notice  
5 fixing a time not later than July 15 and designating a public place within  
6 each school district at which a public hearing and board meeting shall be  
7 held. The governing board shall present the proposed budget for  
8 consideration of the residents and the taxpayers of the school district at  
9 such hearing and meeting.

10 C. The governing board of each school district shall publish or mail,  
11 prior to the hearing and meeting, a copy of the proposed budget or the  
12 summary of the proposed budget and, in addition, a notice of the public  
13 hearing and board meeting no later than ten days prior to the meeting. The  
14 proposed budget and the summary of the proposed budget shall contain the  
15 percentage of increase or decrease in each budget category of the proposed  
16 budget as compared to each category of the budget for the current  
17 year. Notification shall be either by publication in a newspaper of general  
18 circulation within the school district in which the size of the newspaper  
19 print shall be at least eight-point type, by electronic transmission of the  
20 information to the department of education for posting on the department's  
21 web site or by mailing the information to each household in the school  
22 district. The cost of publication, web site posting or mailing shall be a  
23 charge against the school district. The publisher's affidavit of publication  
24 shall be filed by the governing board with the superintendent of public  
25 instruction within thirty days after publication. If the budget or proposed  
26 budget and notice are posted on a web site maintained by the department of  
27 education or mailed, the board shall file an affidavit with the  
28 superintendent of public instruction within thirty days after the mailing or  
29 the date that the information is posted on the web site. If a truth in  
30 taxation notice and hearing is required under section 15-905.01, the  
31 governing board may combine the notice and hearing under this section with  
32 the truth in taxation notice and hearing.

33 D. At the time and place fixed in the notice, the governing board  
34 shall hold the public hearing and present the proposed budget to the persons  
35 attending the hearing. Upon request of any person, the governing board shall  
36 explain the budget, and any resident or taxpayer of the school district may  
37 protest the inclusion of any item. A governing board member who has a  
38 substantial interest, as defined in section 38-502, in a specific item in the  
39 school district budget shall refrain from voting on the specific item. A  
40 governing board member may without creating a conflict of interest  
41 participate in adoption of a final budget even though the member may have  
42 substantial interest in specific items included in the budget.

43 E. Immediately following the public hearing the president shall call  
44 to order the governing board meeting for the purpose of adopting the budget.  
45 The governing board shall adopt the budget which shall not exceed the general  
46 budget limit, the unrestricted capital budget limit or the soft capital

1 allocation limit, making such deductions as it sees fit but making no  
2 additions to the proposed budget total for maintenance and operations or  
3 capital outlay, and shall enter the budget as adopted in its minutes. Not  
4 later than July 18, the budget as finally adopted shall be filed by the  
5 governing board with the county school superintendent who shall immediately  
6 transmit a copy to the board of supervisors. Not later than July 18, the  
7 budget as finally adopted shall be submitted electronically to the  
8 superintendent of public instruction. On or before October 30, the  
9 superintendent of public instruction shall review the budget and notify the  
10 governing board if the budget is in excess of the general budget limit, the  
11 unrestricted capital budget limit or the soft capital allocation limit. If  
12 the governing board receives notification that the budget is in excess of the  
13 general budget limit, the unrestricted capital budget limit or the soft  
14 capital allocation limit by fewer than one thousand dollars, the governing  
15 board shall adjust the budget and expenditures so as not to exceed the  
16 general budget limit, the unrestricted capital budget limit or the soft  
17 capital allocation limit for the current year. If the governing board  
18 receives notification that the budget is in excess of the general budget  
19 limit, the unrestricted capital budget limit or the soft capital allocation  
20 limit by one thousand dollars or more, it shall on or before December 15,  
21 after it gives notice and holds a public meeting in a similar manner as  
22 provided in subsections C and D of this section, adopt a revised budget for  
23 the current year which shall not exceed the general budget limit, the  
24 unrestricted capital budget limit or the soft capital allocation limit. On  
25 or before December 18, the governing board shall file the revised budget  
26 which it adopts with the county school superintendent who shall immediately  
27 transmit a copy to the board of supervisors. Not later than December 18, the  
28 budget as revised shall be submitted electronically to the superintendent of  
29 public instruction. School districts that are subject to section 15-914.01  
30 are not required to send a copy of revised budgets to the county school  
31 superintendent. Procedures for adjusting expenditures or revising the budget  
32 shall be as prescribed in the uniform system of financial records.

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

35 1. Amounts within the general budget limit, as provided in section  
36 15-947, subsection C, may only be budgeted in the following sections of the  
37 budget:

38 (a) The maintenance and operation section.

39 (b) The capital outlay section.

40 2. Amounts within the unrestricted capital budget limit, as provided  
41 in section 15-947, subsection D, may only be budgeted in the unrestricted  
42 capital outlay subsection of the budget. Monies received pursuant to the  
43 unrestricted capital budget limit shall be placed in the unrestricted capital  
44 outlay fund. The monies in the fund are not subject to reversion.

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

4           G. The governing board may authorize the expenditure of monies  
5 budgeted within the maintenance and operation section of the budget for any  
6 subsection within the section in excess of amounts specified in the adopted  
7 budget only by action taken at a public meeting of the governing board and if  
8 the expenditures for all subsections of the section do not exceed the amount  
9 budgeted as provided in this section. Until June 30, 1999, the governing  
10 board may authorize the expenditure of monies to exceed the budgeted  
11 expenditures of the capital outlay section of the budget only by action taken  
12 at a public meeting of the governing board and if monies are available in the  
13 reserve.

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

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

17           2. The unrestricted capital budget limit as determined in section  
18 15-947 for the budget year.

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

21           4. Federal assistance, excluding ~~P.L. 81-874~~ TITLE VIII OF THE  
22 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 monies.

23           I. School districts which overestimated tuition revenues as provided  
24 in section 15-947, subsection C, paragraph 2 shall adjust the general budget  
25 limit and expenditures based upon tuition revenues for attendance of  
26 nonresident pupils during the current fiscal year. School districts which  
27 underestimated tuition revenues may adjust their budgets prior to May 15  
28 based upon tuition revenues for attendance of nonresident pupils during the  
29 current fiscal year. School districts which overestimated revenues as  
30 provided in section 15-947, subsection C, paragraph 2, subdivision (a), items  
31 (iii), (iv) and (v) and subdivision (d) shall adjust the general budget limit  
32 and expenditures based on actual revenues during the current fiscal  
33 year. School districts which underestimated such revenues may adjust their  
34 budgets before May 15 based on actual revenues during the current fiscal  
35 year. Procedures for completing adjustments shall be as prescribed in the  
36 uniform system of financial records. Not later than May 18, the budget as  
37 adjusted shall be submitted electronically to the superintendent of public  
38 instruction.

39           J. A common school district not within a high school district whose  
40 estimated tuition charge for high school pupils exceeds the actual tuition  
41 charge for high school pupils shall adjust the general budget limit and  
42 expenditures based on the actual tuition charge. Not later than May 18, the  
43 budget as adjusted shall be submitted electronically to the superintendent of  
44 public instruction. A common school district not within a high school  
45 district whose estimated tuition charge for high school pupils is less than  
46 the actual tuition charge for high school pupils may adjust its budget before

1 May 15 based on the actual tuition charge. Procedures for completing  
 2 adjustments shall be as prescribed in the uniform system of financial  
 3 records. If the adjusted general budget limit requires an adjustment of  
 4 state aid and if the adjustment to state aid is not made in the current year,  
 5 the superintendent of public instruction shall adjust by August 15 of the  
 6 succeeding fiscal year the apportionment of state aid to the school district  
 7 to correct any overpayment or underpayment of state aid received during the  
 8 current year.

9 K. The governing board may include ~~P.L. 81-874~~ TITLE VIII OF THE  
 10 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance allocated for  
 11 children with disabilities, children with specific learning disabilities,  
 12 children residing on Indian lands and children residing within the boundaries  
 13 of an accommodation school that is located on a military reservation and that  
 14 is classified as a heavily impacted local educational agency pursuant to 20  
 15 United States Code section 7703 which is in addition to basic assistance when  
 16 determining the general budget limit as prescribed in section 15-947,  
 17 subsection C. The increase in the general budget limit for children residing  
 18 within the boundaries of an accommodation school that is located on a  
 19 military reservation and that is classified as a heavily impacted local  
 20 education agency shall equal the dollar amount calculated pursuant to 20  
 21 United States Code section 7703(b)(2). The governing board may adjust before  
 22 May 15 the budget for the current year based on any adjustments which result  
 23 in increases over the amount estimated by the superintendent of public  
 24 instruction for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY  
 25 EDUCATION ACT OF 1965 assistance for such pupils for the fiscal year  
 26 preceding the current year. The governing board shall adjust before May 15  
 27 the budget for the current year based on any adjustments which result in  
 28 decreases in the amount estimated by the superintendent of public instruction  
 29 for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF  
 30 1965 assistance for such pupils for the fiscal year preceding the current  
 31 year. Not later than May 18, the budget as adjusted shall be submitted  
 32 electronically to the superintendent of public instruction. Procedures for  
 33 complying with this subsection shall be as prescribed in the uniform system  
 34 of financial records.

35 L. The DEPARTMENT OF EDUCATION SHALL NOTIFY THE state board of  
 36 education ~~shall hold a hearing~~ if expenditures by any school district exceed  
 37 the general budget limit prescribed in section 15-947, subsection C, the  
 38 unrestricted capital budget limit, the soft capital allocation limit  
 39 prescribed in section 15-947, subsection E, the school plant fund limits  
 40 prescribed in section 15-1102, subsection B, the maintenance and operation  
 41 section of the budget or the capital outlay section of the budget. If the  
 42 expenditures of any school district exceed these limits or sections of the  
 43 budget without authorization as provided in section 15-907, AND IF THE STATE  
 44 BOARD OF EDUCATION DETERMINES THAT THE EQUALIZATION ASSISTANCE FOR EDUCATION  
 45 RECEIVED BY THE SCHOOL DISTRICT AS PROVIDED IN SECTION 15-971 DOES NOT  
 46 CONFORM WITH STATUTORY REQUIREMENTS, the state board of education shall

1 reduce the state aid for equalization assistance for education for the school  
2 district computed as provided in section 15-971 during the fiscal year  
3 subsequent to the fiscal year in which the excess ~~expenditures were made~~  
4 EQUALIZATION ASSISTANCE FOR EDUCATION WAS RECEIVED by an amount equal to the  
5 excess ~~expenditures~~ EQUALIZATION ASSISTANCE FOR EDUCATION, except that in  
6 case of hardship to the school district, the superintendent of public  
7 instruction may approve reductions partly in the first subsequent year and  
8 partly in the second subsequent year. IF THE STATE BOARD OF EDUCATION  
9 DETERMINES THAT THE EQUALIZATION ASSISTANCE FOR EDUCATION RECEIVED BY THE  
10 SCHOOL DISTRICT CONFORMS WITH STATUTORY REQUIREMENTS, THE STATE BOARD OF  
11 EDUCATION SHALL NOT REDUCE THE DISTRICT'S EQUALIZATION ASSISTANCE FOR  
12 EDUCATION PURSUANT TO THIS SUBSECTION BUT THE DISTRICT SHALL REDUCE THE  
13 BUDGET LIMITS AS REQUIRED IN SUBSECTION M OF THIS SECTION. A SCHOOL DISTRICT  
14 THAT DISAGREES WITH THE DEPARTMENT OF EDUCATION'S DETERMINATION REGARDING AN  
15 EXCESS EXPENDITURE UNDER THIS SUBSECTION MAY REQUEST A HEARING BEFORE THE  
16 STATE BOARD OF EDUCATION.

17 M. The governing board of a school district shall reduce the general  
18 budget limit, the unrestricted capital budget limit or the soft capital  
19 allocation limit, for the year subsequent to the year in which the  
20 expenditures were in excess of the applicable limit or section of the budget  
21 by the amount determined in subsection L of this section, except that in case  
22 of hardship to the school district, the superintendent of public instruction  
23 may approve reductions partly in the first subsequent year and partly in the  
24 second subsequent year. The reduction in the limit is applicable to each  
25 school district which has exceeded the general budget limit, the unrestricted  
26 capital budget limit, the soft capital allocation limit or a section of the  
27 budget even if the reduction exceeds the state aid for equalization  
28 assistance for education for the school district.

29 N. Except as provided in section 15-916, no expenditure shall be made  
30 by any school district for a purpose not included in the budget or in excess  
31 of the aggregate budget limit prescribed in this section, except that if no  
32 budget has been adopted, from July 1 to July 15 the governing board may make  
33 expenditures if the total of the expenditures does not exceed ten per cent of  
34 the prior year's aggregate budget limit. Any expenditures made from July 1  
35 to July 15 and prior to the adoption of the budget shall be included in the  
36 total expenditures for the current year. No expenditure shall be made and no  
37 debt, obligation or liability shall be incurred or created in any year for  
38 any purpose itemized in the budget in excess of the amount specified for the  
39 item irrespective of whether the school district at any time has received or  
40 has on hand funds in excess of those required to meet the expenditures,  
41 debts, obligations and liabilities provided for under the budget except  
42 expenditures from cash controlled funds as defined by the uniform system of  
43 financial records and except as provided in section 15-907 and subsection G  
44 of this section. This subsection does not prohibit any school district from  
45 prepaying insurance premiums or magazine subscriptions, or from prepaying any  
46 item which is normally prepaid in order to procure the service or to receive

1 a discounted price for the service, as prescribed by the uniform system of  
2 financial records.

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

9 1. For fiscal year 1988-1989:

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

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

20 (c) Multiply one thousand nine hundred fourteen dollars by the number  
21 of children residing on Indian lands who have disabilities or also have  
22 specific learning disabilities reported to the division of impact aid, United  
23 States department of education in the district's application for fiscal year  
24 1987-1988.

25 (d) Add the amounts determined in subdivisions (a) through (c).

26 (e) If the amount of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND  
27 SECONDARY EDUCATION ACT OF 1965 assistance as provided in subsection K of  
28 this section is less than the sum determined in subdivision (d) of this  
29 paragraph, the district is eligible to use the provisions of this subsection.

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

34 3. If the district is eligible to use the provisions of this  
35 subsection, subtract the amount of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY  
36 AND SECONDARY EDUCATION ACT OF 1965 assistance determined in subsection K of  
37 this section from the sum determined in paragraph 1, subdivision (d) of this  
38 subsection. The difference is the increase in the amount that may be  
39 included in determining the general budget limit as provided in subsection K  
40 of this section, if including this amount does not increase the district's  
41 primary tax rate for the budget year. If the amount of ~~P.L. 81-874~~ TITLE  
42 VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance  
43 determined in subsection K of this section is adjusted for the current year,  
44 the increase determined in this paragraph shall be recomputed using the  
45 adjusted amount and the recomputed increase shall be reported to the

1 department of education by May 15 on a form prescribed by the department of  
2 education.

3 4. If a district uses the provisions of this subsection, the district  
4 is not required to adjust its budget for the current year based on  
5 adjustments in the estimated amount of ~~P.L. 81-874~~ TITLE VIII OF THE  
6 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance as provided in  
7 subsection K of this section.

8 P. A school district, except for an accommodation school, which  
9 applies for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION  
10 ACT OF 1965 assistance during the current year may budget an amount for ~~P.L.~~  
11 ~~81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965  
12 administrative costs for the budget year. The amount budgeted for ~~P.L.~~  
13 ~~81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965  
14 administrative costs is exempt from the revenue control limit and may not  
15 exceed an amount determined for the budgeted year as follows:

16 1. Determine the minimum cost. The minimum cost for fiscal year  
17 1990-1991 is two thousand three hundred forty-three dollars. For fiscal year  
18 1991-1992 and thereafter, the minimum cost is the minimum cost for the prior  
19 year increased by the growth rate as prescribed by law, subject to  
20 appropriation.

21 2. Determine the hourly rate. The hourly rate for fiscal year  
22 1990-1991 is nine dollars thirty-eight cents. For fiscal year 1991-1992 and  
23 thereafter, the hourly rate is the hourly rate for the prior year increased  
24 by the growth rate as prescribed by law, subject to appropriation.

25 3. Determine the ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND  
26 SECONDARY EDUCATION ACT OF 1965 revenues available by subtracting the amount  
27 of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF  
28 1965 assistance used to increase the general budget limit as provided in  
29 subsections K and O of this section for the current fiscal year from the  
30 total amount of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY  
31 EDUCATION ACT OF 1965 revenues received in the current fiscal year.

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

33 (a) Determine the sum of the following:

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

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

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

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

42 (b) For the purposes of this paragraph:

43 (i) "High impact pupil" means a pupil who resides on Indian lands or a  
44 pupil who resides on federal property or in low rent housing and whose parent  
45 is employed on federal property or low rent housing property or is on active  
46 duty in uniformed service, as provided in ~~P.L. 81-874, section 3(a)~~ TITLE

VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965, SECTION 8003(a) (20 UNITED STATES CODE SECTION 7703) and as reported in the application for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance in the current year.

(ii) "Low impact pupil" means a pupil who resides on nonfederal property and has a parent who is employed on federal property or low rent housing property or is on active duty in a uniformed service or a pupil who resides on federal property or in low rent housing and who does not have a parent who is employed on federal property or low rent housing property or is on active duty in uniformed service, as provided in ~~P.L. 81-874, section 3(b)~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965, SECTION 8003(a) (20 UNITED STATES CODE SECTION 7703) and as reported in the application for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance in the current year.

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

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

7. Add to the amount determined in paragraph 6 of this subsection the amount, if any, to be expended by the school district in the budget year through an intergovernmental agreement with other school districts or the department of education to provide ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 technical assistance to participating districts.

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

9. The amount determined in paragraph 8 of this subsection is the maximum amount which may be budgeted for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 administrative costs for the budget year as provided in this subsection.

10. If the governing board underestimated the amount that may be budgeted for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965, SECTION 8007 administrative costs for the current year, the board may adjust the general budget limit and the budget before May 15. If the governing board overestimated the amount that may be budgeted for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 administrative costs for the current year, the board shall adjust the general budget limit and the budget before May 15.

Q. If a school district governing board has adopted a budget for a fiscal year based on forms and instructions provided by the auditor general and the department of education for that fiscal year and if, as a result of the enactment or nonenactment of proposed legislation after May 1 of the previous fiscal year, the budget is based on incorrect limits, does not

1 include items authorized by law or does not otherwise conform with law, the  
2 governing board may revise its budget at a public hearing on or before  
3 September 15 to conform with the law. Not later than September 18, the  
4 budget as adjusted shall be submitted electronically to the superintendent of  
5 public instruction. If the governing board does not revise the budget on or  
6 before September 15 and if the budget includes any items not authorized by  
7 law or if the budget exceeds any limits, the governing board shall adjust or  
8 revise the budget as provided in subsection E of this section.

9 R. For the purposes of this section, "~~P.L. 81-874~~ TITLE VIII OF THE  
10 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance" means, for the  
11 current year, an amount equal to the final determination of ~~P.L. 81-874~~ TITLE  
12 VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 assistance for the  
13 fiscal year preceding the current year as confirmed by the division of impact  
14 aid, United States department of education or, if a final determination has  
15 not been made, the amount estimated by the superintendent of public  
16 instruction as confirmed by the division of impact aid, United States  
17 department of education and, for the budget year, an amount equal to the  
18 determination of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY  
19 EDUCATION ACT OF 1965 assistance for the fiscal year preceding the budget  
20 year as estimated by the superintendent of public instruction.

21 Sec. 32. Section 15-915, Arizona Revised Statutes, is amended to read:

22 15-915. Correction of state aid or budget limit errors;  
23 definition

24 A. If the superintendent of public instruction determines that the  
25 calculation of state aid for a school district or charter school or the  
26 calculation of the school district's or charter school's budget limits within  
27 the previous three years did not conform with statutory requirements, the  
28 superintendent shall require correction of the errors as follows:

29 1. Corrections may be made in the current year or in the budget year,  
30 except that in case of hardship to the school district, the superintendent  
31 may approve corrections partly in one year and partly in the year after that  
32 year.

33 2. Errors in the calculation of state aid shall be corrected by  
34 increasing or decreasing the state aid to the school district or charter  
35 school in the year or years in which the correction is made.

3. Errors in the calculation of the school district's or charter school's budget limits shall be corrected at a public hearing by requiring the governing board to reduce or by allowing it to increase its budget by the amount of the correction to be made that year. Overbudgeting errors corrected as provided in this paragraph are exempt from the provisions of section 15-905, subsections L and M. Not later than three days after the hearing and correction, the budget as revised shall be submitted electronically to the superintendent of public instruction. **NOTHING IN THIS PARAGRAPH SHALL BE CONSTRUED TO REQUIRE A DECREASE IN STATE AID NOT OTHERWISE REQUIRED BY PARAGRAPH 2 OF THIS SUBSECTION.**

B. Subject to the review by the joint legislative budget committee, the superintendent of public instruction shall adjust state aid for a school district in the current year if the governing board of a school district requests the recalculation of state aid for a prior year due to a change in assessed valuation that occurred as the result of a judgment in accordance with section 42-16213.

C. Notwithstanding subsection A of this section, a school district or charter school may not make upward revisions to its average daily membership counts for a particular school year after June 30 of the subsequent school year.

D. For the purposes of this section, "state aid":

1. For school districts means state aid as determined in section 15-971 and additional state aid as determined in section 15-972.

2. For charter schools means state aid as determined in section 15-185.

Sec. 33. Section 15-943, Arizona Revised Statutes, is amended to read: **15-943. Base support level**

The base support level for each school district shall be computed as follows:

1. The following support level weights shall be used in paragraph 2, subdivision (a) **OF THIS SECTION** for the following school districts:

(a) For school districts whose student count in kindergarten programs and grades one through eight is classified in column 1 of this subdivision, the support level weight for kindergarten programs and grades one through eight is the corresponding support level weight prescribed in column 2 or 3 of this subdivision, whichever is appropriate:

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
	Support Level Weight For Small Isolated School Districts	Support Level Weight For Small School Districts
<u>Student Count</u>		
1-99	1.559	1.399
100-499	$1.358 + [0.0005 \times (500 - \text{student count})]$	$1.278 + [0.0003 \times (500 - \text{student count})]$
500-599	$1.158 + [0.002 \times (600 - \text{student count})]$	$1.158 + [0.0012 \times (600 - \text{student count})]$

(b) For school districts whose student count in grades nine through twelve is classified in column 1 of this subdivision, the support level weight for grades nine through twelve is the corresponding support level weight prescribed in column 2 or 3 of this subdivision, whichever is appropriate:

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
	Support Level Weight	Support Level Weight
	For Small Isolated	For Small
<u>Student Count</u>	<u>School Districts</u>	<u>School Districts</u>
1-99	1.669	1.559
100-499	$1.468 + [0.0005 \times (500 - \text{student count})]$	$1.398 + [0.0004 \times (500 - \text{student count})]$
500-599	$1.268 + [0.002 \times (600 - \text{student count})]$	$1.268 + [0.0013 \times (600 - \text{student count})]$

2. Subject to paragraph 1 OF THIS SECTION, determine the weighted student count as follows:

(a)

<u>Grade</u>	<u>Base</u>		<u>Group A</u>		<u>Support Level Weight</u>		<u>Student Count</u>		<u>Weighted Student Count</u>
PSD	1.000	+	0.450	=	1.450	x	_____	=	_____
K-8	1.000	+	0.158	=	1.158	x	_____	=	_____
9-12	1.163	+	0.105	=	1.268	x	_____	=	_____
							Subtotal	A	_____

(b)

<u>Funding Category</u>	<u>Support Level Weight</u>		<u>Student Count</u>		<u>Weighted Student Count</u>
HI	4.771	x	_____	=	_____
K, for fiscal year 2006-2007	0.835	x	_____	=	_____
K, for fiscal year 2007-2008 and each fiscal year thereafter	1.352	x	_____	=	_____
K-3	0.060	x	_____	=	_____
ELL	0.115	x	_____	=	_____
MD-R, A-R and SMR-R	6.024	x	_____	=	_____
MD-SC, A-SC and SMR-SC	5.833	x	_____	=	_____
MD-SSI	7.947	x	_____	=	_____
OI-R	3.158	x	_____	=	_____
OI-SC	6.773	x	_____	=	_____

1	<del>P-SD</del>	<del>3.595</del>	<del>x</del>	<del>_____</del>	<del>=</del>	<del>_____</del>
2	<del>ED, MIMR, SLD,</del>					
3	<del>SLI and OHI</del>	<del>0.003</del>	<del>x</del>	<del>_____</del>	<del>=</del>	<del>_____</del>
4	P-SD	3.595	x	_____	=	_____
5	DD, ED, MIMR, SLD,					
6	SLI AND OHI	0.003	x	_____	=	_____
7	ED-P	4.822	x	_____	=	_____
8	MOMR	4.421	x	_____	=	_____
9	VI	4.806	x	_____	=	_____
10		Subtotal			B	_____

11 (c) Total of subtotals A and B: \_\_\_\_\_  
 12 3. Multiply the total determined in paragraph 2 OF THIS SECTION by the  
 13 base level.

14 4. Multiply the teacher experience index of the district or 1.00,  
 15 whichever is greater, by the product obtained in paragraph 3 OF THIS SECTION.

16 5. Add the amount determined in section 15-910.04.

17 Sec. 34. Section 15-947, Arizona Revised Statutes, as amended by Laws  
 18 2008, chapter 207, section 4, is amended to read:

19 15-947. Revenue control limit; district support level; general  
 20 budget limit; unrestricted total capital budget  
 21 limit; soft capital allocation limit

22 A. The revenue control limit for a school district is equal to the sum  
 23 of the base revenue control limit determined in section 15-944, THE AMOUNT  
 24 DETERMINED IN SECTION 15-910.04 and the transportation revenue control limit  
 25 determined in section 15-946.

26 B. The district support level for a school district is equal to the  
 27 sum of the base support level determined in section 15-943 and the  
 28 transportation support level determined in section 15-945.

29 C. The general budget limit for each school district, for each fiscal  
 30 year, is the sum of the following:

31 1. The maintenance and operations portion of the revenue control limit  
 32 for the budget year.

33 2. The maintenance and operation portion of the following amounts:

34 (a) Amounts that are fully funded by revenues other than a levy of  
 35 taxes upon the taxable property within the school district, as listed below:

36 (i) Amounts budgeted as the budget balance carryforward as provided in  
 37 section 15-943.01.

38 (ii) Tuition revenues for attendance of nonresident pupils.

39 (iii) State assistance as provided in section 15-976.

40 (iv) Special education revenues as provided in section 15-825,  
 41 subsection D and section 15-1204.

42 (v) ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION  
 43 ACT OF 1965 assistance determined for children with disabilities, children  
 44 with specific learning disabilities, children residing on Indian lands and  
 45 children residing within the boundaries of an accommodation school that is  
 46 located on a military reservation and that is classified as a heavily

1 impacted local educational agency pursuant to 20 United States Code section  
2 7703 as provided in section 15-905, subsections K and O.

3 (vi) ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION  
4 ACT OF 1965 administrative costs as provided in section 15-905, subsection P.

5 (vii) State assistance for excess tuition as provided in section  
6 15-825.01.

7 (viii) Amounts received from the state board of education pursuant to  
8 section 15-973.01.

9 (ix) TRANSPORTATION REVENUES FOR ATTENDANCE OF NONRESIDENT PUPILS.

10 (b) Amounts approved pursuant to an override election as provided in  
11 section 15-481 for the applicable fiscal year.

12 (c) Expenditures for excess utility costs as provided in section  
13 15-910.

14 (d) Amounts authorized by the county school superintendent pursuant to  
15 section 15-974, subsection B.

16 (e) Expenditures for complying with a court order of desegregation as  
17 provided in section 15-910.

18 (f) Expenditures for the bond issues portion of the cost of tuition as  
19 provided in section 15-910.

20 (g) Interest on registered warrants or tax anticipation notes as  
21 provided in section 15-910.

22 (h) Amounts budgeted for a jointly owned and operated career and  
23 technical education and vocational education center as provided in section  
24 15-910.01.

25 3. The maintenance and operations portion of the capital outlay  
26 revenue limit for the budget year.

27 4. Any other budget item that is budgeted in the maintenance and  
28 operation section of the budget and that is specifically exempt from the  
29 revenue control limit or the capital outlay revenue limit.

30 D. The unrestricted capital budget limit, for each school district for  
31 each fiscal year, is the sum of the following:

32 1. The federal impact adjustment as determined in section 15-964 for  
33 the budget year.

34 2. Any other budget item that is budgeted in the capital outlay  
35 section of the budget and that is specifically exempt from the capital outlay  
36 revenue limit.

37 3. The UNRESTRICTED capital portion of the amounts contained in  
38 subsection C, ~~paragraph 2~~ of this section.

39 4. The unexpended budget balance in the unrestricted capital outlay  
40 fund from the previous fiscal year.

41 5. The net interest earned in the unrestricted capital outlay fund the  
42 previous fiscal year.

43 6. THE BUDGETED AMOUNT AS APPROVED AND DETERMINED PURSUANT TO SECTION  
44 15-962, SUBSECTION F.

45 E. The soft capital allocation limit for each school district for each  
46 fiscal year is the sum of the following:

1           1. The soft capital allocation for the budget year.  
2           2. The unexpended budget balance in the soft capital allocation fund  
3 from the previous fiscal year.  
4           3. The net interest earned in the soft capital allocation fund the  
5 previous fiscal year.  
6           Sec. 35. Repeal  
7           Section 15-947, Arizona Revised Statutes, as amended by Laws 2008,  
8 chapter 287, section 14, is repealed.  
9           Sec. 36. Section 15-947.01, Arizona Revised Statutes, is amended to  
10 read:  
11           15-947.01. Revenue control limit; general budget limit; total  
12 capital budget limit for joint technological  
13 education districts  
14           A. The revenue control limit for a joint technological education  
15 district is equal to the base support level determined in section 15-943.02  
16 and the amount determined in section 15-910.04.  
17           B. The general budget limit for each joint technological education  
18 district, for each fiscal year, is the sum of the following:  
19           1. The revenue control limit for the budget year.  
20           2. The capital outlay revenue limit for the budget year.  
21           3. Tuition revenues for attendance of nonresident pupils.  
22           4. ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION  
23 ACT OF 1965 assistance determined for children with disabilities, children  
24 with specific learning disabilities and children residing on Indian lands as  
25 provided in section 15-905, subsections K and O.  
26           5. Expenditures for excess utility costs as provided in section  
27 15-910.  
28           C. The unrestricted capital budget limit for each joint technological  
29 education district for the budget year is as provided in section 15-947,  
30 subsection D.  
31           D. The soft capital allocation limit for each joint technological  
32 education district for the budget year is as provided in section 15-947,  
33 subsection E.  
34           Sec. 37. Section 15-961, Arizona Revised Statutes, is amended to read:  
35           15-961. Capital outlay revenue limit; growth rate  
36           A. A capital outlay revenue limit per student count is established for  
37 fiscal year ~~1984-1985~~ 2009-2010 as follows:  
38           1. FOR SCHOOL DISTRICTS WITH A STUDENT COUNT OF LESS THAN ONE HUNDRED  
39 FOR KINDERGARTEN PROGRAMS AND GRADES ONE THROUGH EIGHT, TWO HUNDRED  
40 SEVENTY-TWO DOLLARS SEVENTY-FIVE CENTS. FOR SCHOOL DISTRICTS WITH A STUDENT  
41 COUNT OF ONE HUNDRED OR MORE AND LESS THAN SIX HUNDRED for kindergarten  
42 programs and grades one through eight multiply ~~one hundred fifty-five dollars~~  
43 ONE HUNDRED NINETY-FOUR DOLLARS NINETY-FIVE CENTS by the weight which  
44 corresponds to the student count for kindergarten programs and grades one  
45 through eight for the school district as provided in section 15-943,  
46 paragraph 1, subdivision (a), column 3. For a school district with a student

count of six hundred or more in kindergarten programs and grades one through eight, ~~multiply one hundred fifty five dollars by 1.158~~ THE LIMIT IS TWO HUNDRED TWENTY-FIVE DOLLARS SEVENTY-SIX CENTS.

2. FOR SCHOOL DISTRICTS WITH A STUDENT COUNT OF LESS THAN ONE HUNDRED FOR GRADES NINE THROUGH TWELVE, THREE HUNDRED TWENTY-NINE DOLLARS FORTY-ONE CENTS. FOR SCHOOL DISTRICTS WITH A STUDENT COUNT OF ONE HUNDRED OR MORE AND LESS THAN SIX HUNDRED for grades nine through twelve, multiply ~~one hundred sixty eight dollars~~ TWO HUNDRED ELEVEN DOLLARS TWENTY-NINE CENTS by the weight which corresponds to the student count for grades nine through twelve for the school district as provided in section 15-943, paragraph 1, subdivision (b), column 3. For a school district with a student count of six hundred or more in grades nine through twelve, ~~multiply one hundred sixty eight dollars by 1.268~~ THE LIMIT IS TWO HUNDRED SIXTY-SEVEN DOLLARS NINETY-FOUR CENTS.

3. For programs for preschool children with disabilities, ~~multiply one hundred fifty five dollars by 1.158~~ TWO HUNDRED TWENTY-FIVE DOLLARS SEVENTY-SIX CENTS.

B. For fiscal year ~~1985-1986~~ 2009-2010 and each year thereafter, the capital outlay revenue limit prescribed in subsection A of this section shall be adjusted by the growth rate prescribed by law, subject to appropriation.

C. For fiscal year 1985-1986 and each year thereafter, the capital outlay revenue limit for a school district shall be computed as follows:

1. Select the applicable capital outlay revenue limit or limits per student count for the school district.

2. Multiply the amount or amounts selected in paragraph 1 of this subsection by the appropriate student count of the school district. The student count of the school district shall not include any pupils in a charter school sponsored by the district pursuant to section 15-185, subsection A, paragraph 3.

3. If a school district's student count used for the budget year is greater than one hundred five per cent of the student count used for the current year's budget, increase the adjusted capital outlay revenue limit determined in paragraph 2 of this subsection by the actual percentage increase in the school district's student count.

D. For fiscal year ~~1985-1986~~ 2009-2010 and each year thereafter, an amount for the purchase of required textbooks and related printed subject matter materials shall be used to increase the capital outlay revenue limit for a school district as determined in subsection C, paragraph 2 or 3 of this section, whichever is applicable. For fiscal year ~~1985-1986~~ 2009-2010, ~~the funding level is fifty seven dollars fifty cents~~ MULTIPLY THE STUDENT COUNT IN GRADES NINE THROUGH TWELVE BY SIXTY-NINE DOLLARS SIXTY-EIGHT CENTS. ~~For fiscal year 1986-1987 and each year thereafter, the funding level is the funding level of the previous year adjusted by the growth rate prescribed by law, subject to appropriation. The amount to be added to the amount in subsection C, paragraph 2 or 3 of this section, whichever is applicable, to~~

~~determine the capital outlay revenue limit for a school district is computed as follows:~~

~~1. For fiscal year 1985-1986, multiply the student count in grade nine by the funding level for the applicable year as prescribed in this subsection.~~

~~2. For fiscal year 1986-1987, multiply the student count in grades nine and ten by the funding level for the applicable year as prescribed in this subsection.~~

~~3. For fiscal year 1987-1988, multiply the student count in grades nine through eleven by the funding level for the applicable year as prescribed in this subsection.~~

~~4. For fiscal year 1988-1989 and each year thereafter, multiply the student count in grades nine through twelve by the funding level for the applicable year as prescribed in this subsection.~~

Sec. 38. Section 15-962, Arizona Revised Statutes, is amended to read:

15-962. Soft capital allocation

A. A soft capital allocation per student count is established for fiscal year 1999-2000, as follows:

1. For kindergarten programs and grades one through eight, multiply one hundred ninety-four dollars thirty cents by the weight which corresponds to the student count for kindergarten programs and grades one through eight for the school district as provided in section 15-943, paragraph 1, subdivision (a), column 3.

2. For grades nine through twelve, multiply one hundred ninety-four dollars thirty cents by the weight which corresponds to the student count as provided in section 15-943, paragraph 1, subdivision (a), column 3.

3. For a school district with a student count of six hundred or more in kindergarten programs and grades one through eight or grades nine through twelve, multiply one hundred ninety-four dollars thirty cents by 1.158.

4. For programs for preschool children with disabilities, multiply one hundred ninety-four dollars thirty cents by 1.158.

B. Beginning with fiscal year 1999-2000, the soft capital allocation prescribed in subsection A of this section shall be adjusted by the growth rate prescribed by law, subject to appropriation.

C. Beginning in fiscal year 1999-2000, the soft capital allocation for a school district is computed as follows:

1. Select the applicable soft capital allocation per student count for the school district as provided in subsection A of this section.

2. Multiply the amount selected in paragraph 1 of this subsection by the appropriate student count of the school district. The student count of the school district shall not include any pupils in a charter school sponsored by the school district pursuant to section 15-185, subsection A, paragraph 3.

D. A school district shall receive its soft capital allocation in the amount determined in this section from monies appropriated for this purpose to the department of education. Soft capital allocation monies shall only be

1 used for short-term capital items that are required to meet academic adequacy  
2 standards such as technology, textbooks, library resources, instructional  
3 aids, pupil transportation vehicles, furniture and equipment. School  
4 districts shall not use any portion of soft capital allocation monies for  
5 maintenance and operation expenses. School districts may use soft capital  
6 allocation monies to meet administrative soft capital purposes after  
7 complying with the adequacy standards prescribed in section 15-2011.

8 E. School districts shall establish a district soft capital allocation  
9 fund and shall use the monies only for the purposes prescribed in subsection  
10 D of this section. The ending unexpended budget balance in the school  
11 district's soft capital allocation fund may be used in following fiscal years  
12 for short-term capital items. School districts shall provide to the  
13 superintendent of public instruction an itemized accounting on forms provided  
14 by the department of education that details the expenditures of soft capital  
15 allocation monies at each school in the district. The superintendent of  
16 public instruction shall forward a copy of the report to the school  
17 facilities board established by section 15-2001.

18 F. A school district governing board may petition the state board of  
19 education for authority to budget and accumulate for school construction,  
20 building renovation or soft capital purposes a portion of the prior year's  
21 ending cash balance, not to exceed the amount of ~~P.L. 81-874~~ TITLE VIII OF  
22 THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 monies which the school  
23 district was entitled to receive in the prior year, as computed by the  
24 superintendent of public instruction, if:

25 1. The governing board filed with the United States department of  
26 education division of impact aid an approved application for federal  
27 assistance for construction under P.L. 81-815 for the current or budget year  
28 and has been advised by the division of impact aid that no federal monies are  
29 available to fund its application.

30 2. The school district has a computed assessed valuation per pupil  
31 which is below the median amount computed by the superintendent of public  
32 instruction for all school districts.

33 3. The governing board has used any available revenues to reduce its  
34 primary tax rate to zero for any year in which it petitions to budget and  
35 accumulate monies received under ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND  
36 SECONDARY EDUCATION ACT OF 1965 for school construction purposes.

37 The state board of education may grant approval to a school district  
38 governing board to annually budget in the unrestricted capital outlay section  
39 of the budget a portion of the cash balance, not to exceed the amount of ~~P.L.~~  
40 ~~81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965  
41 monies which the school district was entitled to receive in the prior year as  
42 computed by the superintendent of public instruction.

43 G. The state board of education shall not include in the aggregate  
44 expenditures of local revenues as determined in section 15-911 the amount of  
45 revenues collected pursuant to the soft capital allocation limit. The amount

1 of revenues collected for the soft capital allocation limit is the capital  
2 levy as authorized by law.

3 Sec. 39. Section 15-964, Arizona Revised Statutes, is amended to read:  
4 15-964. Federal impact adjustment

5 A. The governing board of a school district may compute a federal  
6 impact adjustment to the unrestricted capital budget limit. The maximum  
7 amount of the federal impact adjustment is the sum of the following:

8 1. Twenty-five per cent of the monies received from forest reserve  
9 funds by the school district in the prior fiscal year as provided in section  
10 41-736.

11 2. For a school district that is not an accommodation school, the  
12 lesser of:

13 (a) Twenty-five per cent of the ~~P.L. 81-874~~ TITLE VIII OF THE  
14 ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 revenues received in the prior  
15 fiscal year.

16 (b) The total amount of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND  
17 SECONDARY EDUCATION ACT OF 1965 revenues received in the prior fiscal year  
18 minus the sum of the following:

19 (i) The amount of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND  
20 SECONDARY EDUCATION ACT OF 1965 assistance used to increase the general  
21 budget limit as provided in section 15-905, subsections K and O for the prior  
22 fiscal year.

23 (ii) The amount budgeted for ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY  
24 AND SECONDARY EDUCATION ACT OF 1965 administrative costs as provided in  
25 section 15-905, subsection P for the current year.

26 (iii) The amount budgeted for principal and interest on impact aid  
27 revenue bonds pursuant to section 15-2104 for the current year.

28 B. The federal impact adjustment shall only be budgeted and expended  
29 for new construction, major renovation of buildings or soft capital.

30 C. The governing board may not compute a federal impact adjustment for  
31 any year in which it budgets as provided in section 15-962, subsection F.

32 D. If the governing board underestimated the amount of the federal  
33 impact adjustment for the current year, the board may adjust the unrestricted  
34 capital budget limit and the budget before May 15. If the board  
35 overestimated the amount of the federal impact adjustment for the current  
36 year, the board shall adjust the unrestricted capital budget limit and the  
37 budget before May 15. Not later than May 18, the budget as revised shall be  
38 submitted electronically to the superintendent of public instruction.

39 Sec. 40. Section 15-973, Arizona Revised Statutes, is amended to read:  
40 15-973. Apportionment of funds; expenditure limitation

41 A. The state board of education shall apportion state aid from  
42 appropriations made for such purpose to the several counties on the basis of  
43 state aid entitlement for the school districts in each county. No allowance  
44 shall be made for nonresident alien children nor for wards of the United  
45 States for whom tuition is paid, but attendance of a student in a school of a  
46 county adjoining the county of his residence outside the state under a

1 certificate of educational convenience as provided by section 15-825 shall be  
2 deemed to be enrollment in the school of the county or school district of his  
3 residence.

4 B. Apportionments shall be made as follows:

5 1. On July 15, one-twelfth of the total amount to be apportioned  
6 during the fiscal year.

7 2. On September 15, one-twelfth of the total amount to be apportioned  
8 during the fiscal year.

9 3. On October 15, one-twelfth of the total amount to be apportioned  
10 during the fiscal year.

11 4. On December 15, one-twelfth of the total amount to be apportioned  
12 during the fiscal year.

13 5. On January 15, one-twelfth of the total amount to be apportioned  
14 during the fiscal year.

15 6. On February 15, one-twelfth of the total amount to be apportioned  
16 during the fiscal year.

17 7. On March 15, one-twelfth of the total amount to be apportioned  
18 during the fiscal year.

19 8. On April 15, one-sixth of the total amount to be apportioned during  
20 the fiscal year.

21 9. On May 15, one-sixth of the total amount to be apportioned during  
22 the fiscal year.

23 10. On June 15, one-twelfth of the total amount to be apportioned  
24 during the fiscal year, except that if the total amount of monies available  
25 to make the payment is less than the amount of the payment, a portion of the  
26 June 15 payment may be delayed no later than June 30 to allow for the receipt  
27 of income from the permanent state common school fund.

28 The superintendent of public instruction shall furnish to the county  
29 treasurer and the county school superintendent an abstract of the  
30 apportionment and shall certify the apportionment to the department of  
31 administration, which shall draw its warrant in favor of the county treasurer  
32 of each county for the amount apportioned. Upon receipt of the warrant the  
33 county treasurer shall notify the county school superintendent of the amount,  
34 together with any other monies standing to the credit of such school district  
35 in the county school fund.

36 C. Notwithstanding subsection B of this section, if sufficient  
37 appropriated funds are available and on a showing by a school district that  
38 additional state monies are necessary for current expenses, an apportionment  
39 or part of an apportionment of state aid may be paid to the school district  
40 prior to the date set for such apportionment by subsection B of this  
41 section. After the first forty days in session of the current year, a school  
42 district may request additional state monies to fund the increased state aid  
43 due to anticipated student growth through the first one hundred days or two  
44 hundred days in session, as applicable, of the current year as provided in  
45 section 15-948. In no event shall a school district have received more than  
46 three-fourths of its total apportionment before April 15 of the fiscal

1 year. Early payments pursuant to this subsection must be approved by the  
2 state treasurer, the director of the department of administration and the  
3 superintendent of public instruction.

4 ~~D. Until June 30, 1999, at such time and as provided by federal law or~~  
5 ~~regulation, state aid shall be reduced as follows:~~

6 ~~1. The superintendent of public instruction shall compute the amount~~  
7 ~~of monies which each school district is eligible to receive under P.L.~~  
8 ~~81-874, less P.L. 81-874 monies for children with disabilities, children with~~  
9 ~~specific learning disabilities and children residing on Indian lands which~~  
10 ~~are in addition to the basic assistance as provided in 20 United States Code~~  
11 ~~section 238(d)2(C) and (D), and for which monies have been appropriated.~~

12 ~~2. The superintendent of public instruction shall deduct from state~~  
13 ~~aid for each school district which is eligible to receive monies under P.L.~~  
14 ~~81-874 and for which monies are appropriated as provided in paragraph 1 of~~  
15 ~~this subsection the lesser of:~~

16 ~~(a) The maximum allowed by law or regulation.~~

17 ~~(b) The amount computed as follows:~~

18 ~~(i) For fiscal year 1982-1983, twenty-five per cent of the amount~~  
19 ~~computed in paragraph 1 of this subsection.~~

20 ~~(ii) For fiscal year 1983-1984, fifty per cent of the amount computed~~  
21 ~~in paragraph 1 of this subsection.~~

22 ~~(iii) For fiscal year 1984-1985, seventy-five per cent of the amount~~  
23 ~~computed in paragraph 1 of this subsection.~~

24 ~~(iv) Beginning with fiscal year 1985-1986, ninety-five per cent of the~~  
25 ~~amount computed in paragraph 1 of this subsection.~~

26 ~~3. The reduction in state aid shall be made from equalization~~  
27 ~~assistance as prescribed in section 15-971 or from additional state aid as~~  
28 ~~prescribed in section 15-972 during the fiscal year following the fiscal year~~  
29 ~~in which the monies are received. The superintendent of public instruction~~  
30 ~~shall make additional adjustments in state aid for allowable deductions which~~  
31 ~~were not made in any previous fiscal year which is not more than five years~~  
32 ~~earlier than the year in which the adjustments are made. The superintendent~~  
33 ~~of public instruction shall give the school district prior notice of the~~  
34 ~~intention to make the additional adjustments and may distribute the~~  
35 ~~adjustments over more than one year after considering the effects of the~~  
36 ~~adjustments on the school district.~~

37 ~~E. D.~~ The superintendent of public instruction shall not make  
38 application to the federal government to utilize ~~P.L. 81-874~~ TITLE VIII OF  
39 THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965 monies in determining the  
40 apportionment prescribed in this section.

41 ~~F. E.~~ If a school district which is eligible to receive monies  
42 pursuant to this article is unable to meet a scheduled payment on any  
43 lawfully incurred long-term obligation for debt service as provided in  
44 section 15-1022, the county treasurer shall use any amount distributed  
45 pursuant to this section to make the payment. The county treasurer shall  
46 keep a record of all the instances in which a payment is made pursuant to

1 this subsection. Any monies subsequently collected by the district to make  
2 the scheduled payment shall be used to replace the amount diverted pursuant  
3 to this subsection. When determining the total amount to be funded by a levy  
4 of secondary taxes upon property within the school district for the following  
5 fiscal year, the county board of supervisors shall add to the amounts  
6 budgeted to be expended during the following fiscal year an amount equal to  
7 the total of all payments pursuant to this subsection during the current  
8 fiscal year which were not repaid during the current year.

9 ~~G.~~ F. The total amount of state monies that may be spent in any  
10 fiscal year by the state board of education for apportionment of state aid  
11 for education shall not exceed the amount appropriated or authorized by  
12 section 35-173 for that purpose. This section shall not be construed to  
13 impose a duty on an officer, agent or employee of this state to discharge a  
14 responsibility or to create any right in a person or group if the discharge  
15 or right would require an expenditure of state monies in excess of the  
16 expenditure authorized by legislative appropriation for that specific  
17 purpose.

18 Sec. 41. Section 15-973.01, Arizona Revised Statutes, is amended to  
19 read:

20 15-973.01. Assistance for education fund

21 A. The assistance for education fund is established consisting of  
22 monies received pursuant to section 43-617.

23 B. The state board of education shall administer the fund. On notice  
24 from the state board, the state treasurer shall invest and divest monies in  
25 the fund as provided by section 35-313 and monies earned from investments  
26 shall be credited to the fund. Monies in the fund:

27 1. Are continuously appropriated to the state board of education.

28 2. Are exempt from the provisions of section 35-190, relating to  
29 lapsing of appropriations.

30 C. The state board of education shall ACCUMULATE MONIES UNTIL THOSE  
31 MONIES ARE SUFFICIENT TO PROVIDE A MINIMUM OF FIVE DOLLARS PER UNWEIGHTED  
32 STUDENT COUNT AND SHALL distribute monies in the fund to school districts AND  
33 CHARTER SCHOOLS at the same time, in the same manner and in the same  
34 proportions as state aid from appropriations made pursuant to ~~section~~  
35 SECTIONS 15-185 AND 15-973.

36 D. Monies in the fund shall not be used to reduce the general fund  
37 requirement for state aid.

38 Sec. 42. Section 15-991, Arizona Revised Statutes, is amended to read:

39 15-991. Annual estimate by county school superintendent of  
40 monies for ensuing year

41 A. The county school superintendent, not later than August 1 each  
42 year, shall file in writing with the governing board of each school district  
43 in the county and the board of supervisors the superintendent's estimate of  
44 the amount of school monies required by each school district for the ensuing  
45 year, based on the budgets adopted by the governing boards of the school  
46 districts. The estimate shall contain:

1           1. A statement of the student count of each school district.

2           2. The total amount to be received for the year by each school  
3 district from the county school fund and the special county school reserve  
4 fund.

5           3. The ending cash balance from the previous year for each school  
6 district.

7           4. The anticipated interest earnings for each school district.

8           5. Revenues equal to the amount included in the adopted budget for the  
9 maintenance and operation section of the budget permitted by section 15-947,  
10 subsection C, paragraph 2, subdivision (a), items (ii), (iii), (iv), (v) and  
11 (vi) and subdivision (d). The county school superintendent shall estimate  
12 the additional amounts needed for each school district from the primary  
13 property tax and the secondary property tax and shall certify such amounts to  
14 the board of supervisors in writing at the time of filing the estimate. When  
15 estimating the additional amount needed from the primary property tax for a  
16 school district that is not eligible for any equalization assistance as  
17 provided in section 15-971, the county school superintendent shall include  
18 the school district governing board's estimate of the increase in the revenue  
19 control limit as prescribed by section 15-948 for the applicable year, except  
20 that the percentage increase in average daily membership used to compute the  
21 estimated increase in the revenue control limit may not exceed the average of  
22 the percentage increase in average daily membership in the three years before  
23 the year for which the estimate is made.

24           B. The county school superintendent shall recompute equalization  
25 assistance for education for each school district as provided in section  
26 15-971, subsection A using the property values provided by the county  
27 assessor as provided in section 42-17052. The county school superintendent  
28 shall certify in writing the amount of equalization assistance for education  
29 and the amount needed for each school district from the primary property tax  
30 to the board of supervisors on or before the third day prior to the day the  
31 board of supervisors is required to levy school district taxes as provided in  
32 section 15-992.

33           C. The county school superintendent shall compute the additional  
34 amount to be levied as provided in section 15-992, subsection B, using the  
35 property values provided in section 42-17052. The county school  
36 superintendent shall certify in writing the additional amount to be levied to  
37 the county board of supervisors on or before the third day prior to the day  
38 the board of supervisors is required to levy school district taxes as  
39 provided in section 15-992.

40           D. On or before September 1, the governing board of a school district  
41 shall file with the county school superintendent an estimate of the amount of  
42 ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965  
43 monies which it is eligible to receive during the current year. On or before  
44 June 1, the governing board shall file with the county school superintendent  
45 and the superintendent of public instruction a statement of the actual amount  
46 of ~~P.L. 81-874~~ TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF

1 1965 monies it received during the current year. This subsection does not  
2 apply to accommodation schools.

3 E. The department may collect any other similar or related information  
4 from school districts that the department may determine is necessary to carry  
5 out the purposes of this section.

6 Sec. 43. Section 15-1042, Arizona Revised Statutes, is amended to  
7 read:

8 15-1042. Time line; student level data; definition

9 A. The department of education shall notify school districts and  
10 charter schools of electronic data submission procedures and shall distribute  
11 a list of the specific student level data elements that school districts and  
12 charter schools are required to submit. The department of education shall  
13 not make any changes to the student level data elements to be collected  
14 except for the following:

15 1. Student attendance data for a joint technological education  
16 district, including entry date and exit date, for classes that count towards  
17 the student's graduation requirements as provided for in section 15-701.01.

18 2. Student attendance data for a community college, unless the college  
19 is owned, operated or chartered by an Indian tribe, including entry date and  
20 exit date, for classes that count towards the student's graduation  
21 requirements as provided for in section 15-701.01.

22 B. ~~By July 1, 2001,~~ Each school district and charter school shall  
23 submit electronic data on a school by school basis, including student level  
24 data, to the department of education in order for the school district or  
25 charter school to receive monies for the cost of educating students pursuant  
26 to this title.

27 C. The department of education shall grant a school district or  
28 charter school an extension to the deadline for the submission of student  
29 level data or may provide for an alternative method for the submission of  
30 student level data if the school district or charter school proves that good  
31 cause exists for the extension, and the school district or charter school  
32 shall continue to receive monies for the cost of educating students pursuant  
33 to this title. ~~A school district or charter school requesting an extension~~  
34 ~~shall notify the department of education no later than June 1, 2001.~~ The  
35 request by a school district or charter school for an extension of the  
36 deadline for the submission of student level data shall include a  
37 justification for the extension and the status of current efforts towards  
38 complying with the submission of student level data.

39 D. A pupil or the parent or guardian of a pupil shall not be required  
40 to submit data that does not relate to the provision of educational services  
41 or assistance to the pupil.

42 E. Each student level data element shall include a statutory reference  
43 to the law that necessitates its collection.

44 F. **UNLESS OTHERWISE PRESCRIBED, SCHOOL DISTRICTS AND CHARTER SCHOOLS**  
45 **SHALL BEGIN TO REPORT NEW DATA ELEMENTS ON JULY 1 OF THE YEAR THAT FOLLOWS**  
46 **THE EFFECTIVE DATE OF THE LAW THAT REQUIRES THE COLLECTION OF THE DATA.**

1       ~~F.~~ G. Student level data items submitted to the department of  
2 education by school districts pursuant to this section shall not be used to  
3 adjust funding levels or calculate the average daily membership for the  
4 purpose of funding school districts at any time other than the fortieth, one  
5 hundredth and two hundredth day of the school year.

6       ~~G.~~ H. A school district or charter school is not required to submit  
7 student level data to the department of education more often than once every  
8 twenty school days.

9       ~~H.~~ I. Notwithstanding subsection ~~K~~ L of this section, the student  
10 level data shall include reasons for the withdrawal if reasons are provided  
11 by the withdrawing pupil or the pupil's parent or guardian. For the purposes  
12 of this subsection, the department of education shall include in the specific  
13 student level data elements that school districts and charter schools are  
14 required to submit data relating to students who withdraw from school because  
15 the student is pregnant or because the student is the biological parent of a  
16 child.

17       ~~I.~~ J. The department of education shall adopt guidelines to remove  
18 outdated student level data collected by school districts and charter schools  
19 from the student accountability information system ~~beginning in the 2004-2005~~  
20 ~~school year.~~

21       ~~J.~~ K. All student level data collected pursuant to this section is  
22 confidential and is not a public record. The data collected may be used for  
23 aggregate research and reporting.

24       ~~K.~~ L. For the purposes of this section, "student level data" means  
25 all data elements that are compiled and submitted for each student in this  
26 state and that are necessary for the completion of the statutory requirements  
27 of the department of education and the state board of education relating to  
28 the calculation of funding for public education, the determination of student  
29 academic progress as measured by student testing programs in this state,  
30 state and federal reporting requirements and other duties prescribed to the  
31 department of education or the state board of education by law. Student  
32 level data does not include data elements related to student behavior,  
33 discipline, criminal history, medical history, religious affiliation,  
34 personal physical descriptors or family information not authorized by the  
35 parent or guardian of the pupil.

36       Sec. 44. Title 15, chapter 10, article 8, Arizona Revised Statutes, is  
37 amended by adding section 15-1225, to read:

38       15-1225. Postemployment benefits; trust accounts; actuarial  
39       report

40       A. IF THE GOVERNING BOARD OFFERS POSTEMPLOYMENT BENEFITS TO SCHOOL  
41 DISTRICT EMPLOYEES OR TO SPOUSES AND DEPENDENTS OF SCHOOL DISTRICT EMPLOYEES,  
42 OR BOTH, MONIES TO FUND THESE BENEFITS MAY BE DEPOSITED IN AN OTHER  
43 POSTEMPLOYMENT BENEFITS FUND OR AN OTHER POSTEMPLOYMENT BENEFITS TRUST  
44 ACCOUNT, OR BOTH. ADDITIONAL MONIES SHALL NOT BE LEGISLATIVELY APPROPRIATED  
45 SPECIFICALLY TO PROVIDE ANY POSTEMPLOYMENT BENEFITS OFFERED BY A GOVERNING  
46 BOARD.

1           B. AN OTHER POSTEMPLOYMENT BENEFITS FUND IS A CASH CONTROLLED FUND AS  
2 PROVIDED IN SECTION 15-905, SUBSECTION N. THE MONIES IN THE OTHER  
3 POSTEMPLOYMENT BENEFITS FUND ARE NOT SUBJECT TO REVERSION, EXCEPT THAT AT THE  
4 END OF FIVE YEARS OF NO ACTIVITY IN THE FUND, ANY REMAINING MONIES SHALL  
5 REVERT TO THE MAINTENANCE AND OPERATIONS FUND.

6           C. AN OTHER POSTEMPLOYMENT BENEFITS TRUST ACCOUNT ESTABLISHED PURSUANT  
7 TO SUBSECTION A OF THIS SECTION SHALL MEET ALL OF THE FOLLOWING CONDITIONS:

8           1. CONTRIBUTIONS MADE BY THE SCHOOL DISTRICT INTO THE TRUST ACCOUNT  
9 ARE IRREVOCABLE.

10          2. THE ASSETS OF THE TRUST ACCOUNT SHALL BE DEDICATED TO PROVIDING  
11 BENEFITS TO SCHOOL DISTRICT RETIREES AND THEIR BENEFICIARIES IN ACCORDANCE  
12 WITH THE TERMS OF THE POSTEMPLOYMENT BENEFITS PLAN.

13          3. TRUST ASSETS SHALL BE LEGALLY PROTECTED FROM CREDITORS OF THE  
14 SCHOOL DISTRICT OR THE INVESTMENT MANAGER PURSUANT TO SUBSECTION F OF THIS  
15 SECTION.

16          D. CURRENT OR PRIOR YEAR POSTEMPLOYMENT BENEFITS LIABILITIES MAY BE  
17 PAID FROM ANY SCHOOL DISTRICT FUND FROM WHICH A SCHOOL DISTRICT MAY PAY  
18 EMPLOYEE BENEFITS INTO THE OTHER POSTEMPLOYMENT BENEFITS FUND OR TRUST  
19 ACCOUNT. PAYMENTS FOR CURRENT OR PRIOR YEAR LIABILITIES PAID INTO THE OTHER  
20 POSTEMPLOYMENT BENEFITS FUND OR TRUST ACCOUNT SHALL BE TREATED AS AN  
21 EXPENDITURE FROM THE ORIGINATING SCHOOL DISTRICT FUND.

22          E. THE FOLLOWING EXPENDITURES MAY BE MADE FROM AN OTHER POSTEMPLOYMENT  
23 BENEFITS FUND OR AN OTHER POSTEMPLOYMENT BENEFITS TRUST ACCOUNT:

24           1. ADMINISTRATIVE AND MANAGEMENT COSTS.

25           2. PAYMENT OF BENEFITS.

26          F. AN INVESTMENT MANAGER FOR AN OTHER POSTEMPLOYMENT BENEFITS TRUST  
27 ACCOUNT ESTABLISHED PURSUANT TO SUBSECTION A OF THIS SECTION SHALL BE EITHER:

28           1. A QUALIFIED INVESTMENT MANAGER APPOINTED BY THE DISTRICT GOVERNING  
29 BOARD.

30           2. THE MANAGER OF A PUBLIC AGENCY POOL ESTABLISHED PURSUANT TO SECTION  
31 11-952.01.

32          G. THE INVESTMENT MANAGER FOR AN OTHER POSTEMPLOYMENT BENEFITS TRUST  
33 ACCOUNT MAY INVEST AND REINVEST THE MONIES IN THE ACCOUNT AND MAY HOLD,  
34 PURCHASE, SELL, ASSIGN, TRANSFER AND DISPOSE OF ANY OF THE SECURITIES AND  
35 INVESTMENTS IN WHICH ANY OF THE TRUST ACCOUNT MONIES ARE INVESTED. THE  
36 INVESTMENT MANAGER SHALL INVEST THE MONIES IN THE TRUST ACCOUNT IN THE SAME  
37 MANNER AS THE MONIES IN THE PERMANENT STATE LAND FUND PURSUANT TO SECTION  
38 35-314.01, EXCEPT THAT NOT MORE THAN THIRTY PER CENT OF THE MONIES IN THE  
39 TRUST ACCOUNT MAY BE INVESTED IN EQUITY SECURITIES AT ANY TIME. THE  
40 PERCENTAGE OF INVESTMENT SHALL BE CALCULATED AT COST.

41          H. IF APPLICABLE, EACH SCHOOL DISTRICT SHALL SUBMIT ON OR BEFORE  
42 SEPTEMBER 1, 2009 TO THE JOINT LEGISLATIVE BUDGET COMMITTEE THE MOST RECENT  
43 ACTUARIAL STUDY OF THE SCHOOL DISTRICT'S EXISTING OTHER POSTEMPLOYMENT  
44 BENEFITS OFFERED BY THE SCHOOL DISTRICT AND ANY PROSPECTIVE OTHER  
45 POSTEMPLOYMENT BENEFITS CONTEMPLATED TO BE OFFERED BY THE SCHOOL DISTRICT,  
46 INCLUDING AN ANALYSIS OF DEFINED CONTRIBUTION PLANS AND DEFINED BENEFITS

1 PLANS IF APPROPRIATE AND IF THE DEFINED CONTRIBUTION OR DEFINED BENEFIT PLANS  
2 ARE USED TO ADMINISTER ANY OTHER POSTEMPLOYMENT BENEFIT. EACH TIME A SCHOOL  
3 DISTRICT CONDUCTS A NEW ACTUARIAL STUDY OF THE SCHOOL DISTRICT'S EXISTING OR  
4 PROSPECTIVE OTHER POSTEMPLOYMENT BENEFITS, THE SCHOOL DISTRICT SHALL SUBMIT  
5 THE NEW STUDY TO THE JOINT LEGISLATIVE BUDGET COMMITTEE WITHIN THIRTY DAYS OF  
6 THE COMPLETION OF THE STUDY.

7 I. FOR THE PURPOSES OF THIS SECTION, POSTEMPLOYMENT BENEFITS DO NOT  
8 INCLUDE BENEFITS PROVIDED BY THE ARIZONA STATE RETIREMENT SYSTEM.

9 Sec. 45. Section 15-2002, Arizona Revised Statutes, is amended to  
10 read:

11 15-2002. Powers and duties; executive director; staffing;  
12 report

13 A. The school facilities board shall:

14 1. Make assessments of school facilities and equipment deficiencies  
15 and approve the distribution of grants as appropriate.

16 2. Develop a database for administering the building renewal formula  
17 prescribed in section 15-2031 and administer the distribution of monies to  
18 school districts for building renewal.

19 3. Inspect school buildings at least once every five years to ensure  
20 compliance with the building adequacy standards prescribed in section 15-2011  
21 and routine preventative maintenance guidelines as prescribed in this section  
22 with respect to construction of new buildings and maintenance of existing  
23 buildings. The school facilities board shall randomly select twenty school  
24 districts every thirty months and inspect them pursuant to this paragraph.

25 4. Review and approve student population projections submitted by  
26 school districts to determine to what extent school districts are entitled to  
27 monies to construct new facilities pursuant to section 15-2041. The board  
28 shall make a final determination within six months of the receipt of an  
29 application by a school district for monies from the new school facilities  
30 fund.

31 5. Certify that plans for new school facilities meet the building  
32 adequacy standards prescribed in section 15-2011.

33 6. Develop prototypical elementary and high school designs. The board  
34 shall review the design differences between the schools with the highest  
35 academic productivity scores and the schools with the lowest academic  
36 productivity scores. The board shall also review the results of a valid and  
37 reliable survey of parent quality rating in the highest performing schools  
38 and the lowest performing schools in this state. The survey of parent  
39 quality rating shall be administered by the department of education. The  
40 board shall consider the design elements of the schools with the highest  
41 academic productivity scores and parent quality ratings in the development of  
42 elementary and high school designs. The board shall develop separate school  
43 designs for elementary, middle and high schools with varying pupil  
44 capacities.

45 7. Develop application forms, reporting forms and procedures to carry  
46 out the requirements of this article.

1           8. Review and approve or reject requests submitted by school districts  
2 to take actions pursuant to section 15-341, subsection ~~F~~ G.

3           9. Submit ELECTRONICALLY an annual report by December 15 to the  
4 speaker of the house of representatives, the president of the senate, the  
5 superintendent of public instruction, the director of the Arizona state  
6 library, archives and public records and the governor that includes the  
7 following information:

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

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

14          (c) A summary of the findings and conclusions of the building  
15 maintenance inspections conducted pursuant to this article during the  
16 previous fiscal year.

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

24          10. By December 1 of each year, report ELECTRONICALLY to the joint  
25 committee on capital review the amounts necessary to fulfill the requirements  
26 of sections 15-2022, 15-2031 and 15-2041 for the following fiscal year and  
27 the estimated amounts necessary to fulfill the requirements of sections  
28 15-2022, 15-2031 and 15-2041 for the fiscal year following the next fiscal  
29 year. The board shall provide copies of the report to the president of the  
30 senate, the speaker of the house of representatives and the governor.

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

38          12. In each even-numbered year, report ELECTRONICALLY to the joint  
39 committee on capital review the amounts necessary to fulfill the requirements  
40 of sections 15-2031 and 15-2041 for the Arizona state schools for the deaf  
41 and the blind for the following two fiscal years. The Arizona state schools  
42 for the deaf and the blind shall incorporate the findings of the report in  
43 any request for building renewal monies and new school facilities monies.  
44 Any monies provided to the Arizona state schools for the deaf and the blind  
45 for building renewal and for new school facilities are subject to legislative  
46 appropriation.

13. By June 15 of each year, submit ELECTRONICALLY detailed information regarding demographic assumptions, a proposed construction schedule and new school construction cost estimates for individual projects approved in the current fiscal year and expected project approvals for the upcoming fiscal year to the joint committee on capital review for its review. A copy of the report shall also be submitted ELECTRONICALLY to the governor's office of strategic planning and budgeting. The joint legislative budget committee staff, the governor's office of strategic planning and budgeting staff and the school facilities board staff shall agree on the format of the report.

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

B. The school facilities board may contract for ~~private~~ THE FOLLOWING services in compliance with the procurement practices prescribed in title 41, chapter 23:

1. PRIVATE SERVICES.
2. CONSTRUCTION PROJECT MANAGEMENT SERVICES.
3. ASSESSMENTS FOR SCHOOL BUILDINGS TO DETERMINE IF THEY HAVE OUTLIVED THEIR USEFUL LIFE PURSUANT TO SECTION 15-2041, SUBSECTION G.
4. SERVICES RELATED TO LAND ACQUISITION AND DEVELOPMENT OF A SCHOOL SITE.

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

1. Shall analyze applications for monies submitted to the board by school districts.
2. Shall assist the board in developing forms and procedures for the distribution and review of applications and the distribution of monies to school districts.
3. May review or audit, or both, the expenditure of monies by a school district for deficiencies corrections, building renewal and new school facilities.
4. Shall assist the board in the preparation of the board's annual report.
5. Shall research and provide reports on issues of general interest to the board.
6. May aid school districts in the development of reasonable and cost-effective school designs in order to avoid statewide duplicated efforts and unwarranted expenditures in the area of school design.

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

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

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

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

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

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

25          13. Shall provide technical support to school districts as requested by  
26 school districts in connection with the construction of new school facilities  
27 and the maintenance of existing school facilities AND MAY CONTRACT DIRECTLY  
28 WITH CONSTRUCTION PROJECT MANAGERS PURSUANT TO SUBSECTION B OF THIS SECTION.  
29 THIS PARAGRAPH DOES NOT RESTRICT A SCHOOL DISTRICT FROM CONTRACTING WITH A  
30 CONSTRUCTION PROJECT MANAGER USING DISTRICT OR STATE RESOURCES.

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

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

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

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

3 H. The board shall not distribute monies to a school district for  
4 replacement or repair of facilities if the costs associated with the  
5 replacement or repair are covered by insurance or a performance or payment  
6 bond.

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

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

18 K. Each school district shall develop routine preventative maintenance  
19 guidelines for its facilities. The guidelines shall be submitted to the  
20 school facilities board for review and approval. If upon inspection by the  
21 school facilities board it is determined that a school district facility was  
22 inadequately maintained pursuant to the school district's routine  
23 preventative maintenance guidelines, the school district shall use building  
24 renewal monies pursuant to section 15-2031, subsection L to return the  
25 building to compliance with the school district's routine preventative  
26 maintenance guidelines. Once the district is in compliance, it no longer is  
27 required to use building renewal monies for preventative maintenance.

28 L. The school facilities board may temporarily transfer monies between  
29 the capital reserve fund established by section 15-2003, the emergency  
30 deficiencies correction fund established by section 15-2022, the building  
31 renewal fund established by section 15-2031 and the new school facilities  
32 fund established by section 15-2041 if all of the following conditions are  
33 met:

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

36 2. The transferred monies are restored to the fund where the monies  
37 originated as soon as practicable after the temporary shortfall in the other  
38 fund has been addressed.

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

41 M. AFTER NOTIFYING EACH SCHOOL DISTRICT, AND IF A WRITTEN OBJECTION  
42 FROM THE SCHOOL DISTRICT IS NOT RECEIVED BY THE SCHOOL FACILITIES BOARD  
43 WITHIN THIRTY DAYS OF THE NOTIFICATION, THE SCHOOL FACILITIES BOARD MAY  
44 ACCESS PUBLIC UTILITY COMPANY RECORDS OF POWER, WATER, NATURAL GAS, TELEPHONE  
45 AND BROADBAND USAGE TO ASSEMBLE CONSISTENT AND ACCURATE DATA ON UTILITY  
46 CONSUMPTION AT SCHOOL FACILITIES TO DETERMINE THE EFFECTIVENESS OF FACILITY

1 DESIGN, OPERATION AND MAINTENANCE MEASURES INTENDED TO REDUCE ENERGY AND  
2 WATER CONSUMPTION AND COSTS. ANY PUBLIC UTILITY THAT PROVIDES SERVICE TO A  
3 SCHOOL DISTRICT IN THIS STATE SHALL PROVIDE THE DATA REQUESTED BY THE SCHOOL  
4 FACILITIES BOARD PURSUANT TO THIS SUBSECTION.

5 Sec. 46. Section 15-2022, Arizona Revised Statutes, is amended to  
6 read:

7 15-2022. Emergency deficiencies correction fund; definition

8 A. An emergency deficiencies correction fund is established consisting  
9 of monies transferred from ~~the deficiencies correction fund established by~~  
10 ~~section 15-2021 or~~ the new school facilities fund established by section  
11 15-2041. The school facilities board shall administer the fund and  
12 distribute monies in accordance with the rules of the school facilities board  
13 to school districts for emergency purposes. The school facilities board  
14 shall not transfer monies from ~~the deficiencies correction fund and~~ the new  
15 school facilities fund if the transfer will affect, interfere with, disrupt  
16 or reduce any capital projects that the school facilities board has approved  
17 pursuant to ~~sections 15-2021 and~~ SECTION 15-2041. The school facilities  
18 board shall transfer to the emergency deficiencies correction fund the amount  
19 necessary each fiscal year to fulfill the requirements of this section.  
20 Monies in the fund are continuously appropriated and are exempt from the  
21 provisions of section 35-190 relating to lapsing of appropriations.

22 B. If the school facilities board determines that there are  
23 insufficient monies in the emergency deficiencies correction fund to correct  
24 an emergency, the school district may correct the emergency pursuant to  
25 section 15-907.

26 C. If a school district has an emergency, the school district shall  
27 apply to the school facilities board for funding for the emergency. The  
28 school district's application shall disclose any insurance or building  
29 renewal monies available to the school district to pay for the emergency.

30 D. The school facilities board staff shall ~~notify~~ ACKNOWLEDGE RECEIPT  
31 OF the school ~~district of the staff's recommendation~~ DISTRICT'S APPLICATION  
32 FOR EMERGENCY DEFICIENCIES FUNDING IN WRITING within five business days of  
33 receiving the application. The school facilities board STAFF shall ~~decide on~~  
34 ~~the staff's recommendation for funding at the next scheduled school~~  
35 ~~facilities board meeting~~ INCLUDE IN THE WRITTEN ACKNOWLEDGEMENT OF RECEIPT TO  
36 THE SCHOOL DISTRICT ANY INVESTIGATIVE, STUDY OR INFORMATIONAL REQUIREMENTS  
37 FROM THE SCHOOL DISTRICT, ALONG WITH AN ESTIMATED TIMELINE TO COMPLETE THE  
38 REQUIREMENTS, NECESSARY FOR THE SCHOOL FACILITIES BOARD STAFF TO MAKE A  
39 RECOMMENDATION FOR FUNDING TO THE SCHOOL FACILITIES BOARD.

40 E. For the purposes of this section, "emergency" means a serious need  
41 for materials, services or construction or expenses in excess of the  
42 district's adopted budget for the current fiscal year ~~and~~ that seriously  
43 ~~threaten~~ THREATENS the functioning of the school district, the preservation  
44 or protection of property or public health, welfare or safety.

1       Sec. 47. Section 15-2031, Arizona Revised Statutes, is amended to  
2 read:

3       15-2031. Building renewal fund; definitions

4       A. A building renewal fund is established consisting of monies  
5 appropriated by the legislature. The school facilities board shall  
6 administer the fund and distribute monies to school districts for the purpose  
7 of maintaining the adequacy of existing school facilities. Monies in the  
8 fund are continuously appropriated and are exempt from the provisions of  
9 section 35-190 relating to lapsing of appropriations.

10       B. The school facilities board shall inventory and inspect all school  
11 buildings in this state in order to develop a database to administer the  
12 building renewal formula. The database shall include the student capacity of  
13 the building as determined by the school facilities board. The board shall  
14 distribute monies from the building renewal fund to school districts in an  
15 amount computed pursuant to subsection I of this section. A school district  
16 that receives monies from the building renewal fund shall use the monies  
17 first for any projects that fall below the minimum school facility adequacy  
18 guidelines, as adopted by the school facilities board pursuant to section  
19 15-2011, and that are part of any buildings in the database and second for  
20 any other projects that are part of any buildings owned by the school  
21 district for any of the following:

- 22           1. Major renovations and repairs of a building.
- 23           2. Upgrading systems and areas that will maintain or extend the useful  
24 life of the building.
- 25           3. Infrastructure costs.

- 26           4. Relocation and placement of portable and modular buildings.

27       C. Monies received from the building renewal fund shall be used for  
28 primary projects, unless only secondary projects exist.

29       D. Notwithstanding subsections B and C of this section, school  
30 districts shall use building renewal monies on secondary projects to comply  
31 with building, health, fire or safety codes. Before spending building  
32 renewal monies on secondary projects to comply with building, health, fire or  
33 safety codes, the school facilities board shall approve the projects.

34       E. Monies received from the building renewal fund shall not be used  
35 for any of the following purposes:

- 36           1. New construction.
- 37           2. Remodeling interior space for aesthetic or preferential reasons.
- 38           3. Exterior beautification.
- 39           4. Demolition.
- 40           5. The purchase of soft capital items pursuant to section 15-962,  
41 subsection D.
- 42           6. Routine maintenance except as provided in section 15-2002,  
43 subsection K and subsection L of this section.

1 F. The school facilities board shall maintain the building renewal  
2 database and use the database for the computation of the building renewal  
3 formula distributions. The board shall ensure that the database is updated  
4 on at least an annual basis to reflect changes in the ages and value of  
5 school buildings. The facilities listed in the database shall include only  
6 those buildings that are owned by school districts that are required to meet  
7 academic standards. Each school district shall report to the school  
8 facilities board no later than ~~September 1~~ OCTOBER 15 of each year the number  
9 and type of school buildings owned by the district, the square footage of  
10 each building, the age of each building, the nature of any renovations  
11 completed and the cost of any renovations completed. The school facilities  
12 board may review or audit, or both, to confirm the information submitted by a  
13 school district. If a joint technological education district leases a  
14 building from a school district, that building shall not be included in the  
15 school district's square footage calculation for the purposes of determining  
16 the school district's building renewal distribution pursuant to this section.  
17 The board shall adjust the age of each school facility in the database  
18 whenever a building is significantly upgraded or remodeled. The age of a  
19 building that has been significantly upgraded or remodeled shall be  
20 recomputed as follows:

21 1. Divide the cost of the renovation by the building capacity value of  
22 the building determined in subsection I, paragraph 3 of this section.

23 2. Multiply the quotient determined in paragraph 1 of this subsection  
24 by the currently listed age of the building in the database.

25 3. Subtract the product determined in paragraph 2 of this subsection  
26 from the currently listed age of the building in the database, rounded to the  
27 nearest whole number. If the result is negative, use zero.

28 G. The school facilities board shall submit ELECTRONICALLY an annual  
29 report to the president of the senate, the speaker of the house of  
30 representatives, the Arizona state library, archives and public records and  
31 the governor by October 1 that includes the computation of the amount of  
32 monies to be distributed from the building renewal fund for the current  
33 fiscal year. The joint committee on capital review shall review the school  
34 facilities board's calculation of the building renewal fund distributions.  
35 After the joint committee on capital review reviews the distributions  
36 computed by the school facilities board, the school facilities board shall  
37 distribute the monies from the building renewal fund to school districts in  
38 two equal installments in November and May of each year.

39 H. School districts that receive monies from the building renewal fund  
40 shall establish a district building renewal fund and shall use the monies in  
41 the district building renewal fund only for the purposes prescribed in  
42 subsection B of this section. Ending cash balances in a school district's  
43 building renewal fund may be used in following fiscal years for building  
44 renewal pursuant to subsection B of this section. By October 15 of each  
45 year, each school district shall report to the school facilities board the  
46 projects funded at each school in the previous fiscal year with monies from

the district building renewal fund, including the amount of expenditures dedicated to primary projects and to secondary projects. On receipt of these reports, the school facilities board shall forward this information to the joint legislative budget committee staff and the governor's office of strategic planning and budgeting staff. Each school district shall also report to the school facilities board an accounting of the monies remaining in the district building renewal fund at the end of the previous fiscal year and a comprehensive three year plan that details the proposed use of building renewal monies. If a school district fails to submit the report by October 15 ~~OR THE INFORMATION REQUIRED BY SUBSECTION F OF THIS SECTION~~, the school facilities board shall withhold building renewal monies from the school district until the school facilities board determines that the school district has complied with the reporting requirement. When the school facilities board determines that the school district has complied with the reporting requirement, the school facilities board shall restore the full amount of withheld building renewal monies to the school district.

I. Notwithstanding any other provision of this chapter, if a school district converts space that is listed in the database maintained pursuant to this section to space that will be used for administrative purposes, the school district is responsible for any costs associated with the conversion, maintenance and replacement of that space. The building renewal amount for each school building shall be computed as follows:

1. Divide the age of the building as computed pursuant to subsection F of this section by one thousand two hundred seventy-five or, in the case of modular or portable buildings, by two hundred ten.

2. Multiply the quotient determined in paragraph 1 of this subsection by 0.67.

3. Determine the building capacity value as follows:

(a) Multiply the student capacity of the building by the per student square foot capacity established by section 15-2041.

(b) Multiply the product determined in subdivision (a) by the cost per square foot established by section 15-2041.

4. Multiply the product determined in paragraph 2 of this subsection by the product determined in paragraph 3, subdivision (b) of this subsection.

J. If the school facilities board determines that a school district has spent monies from the building renewal fund for purposes other than those prescribed in subsection B of this section, the school facilities board shall notify the superintendent of public instruction. Notwithstanding any other law, the superintendent of public instruction shall withhold a corresponding amount from the monies that would otherwise be due the school district under the capital outlay revenue limit until these monies are repaid.

K. ~~Beginning on July 1, 2002,~~ A school district is not entitled to receive monies from the building renewal fund for any buildings that are to be replaced with new buildings that are funded with deficiencies corrections monies. The replacement buildings are not eligible to receive building

1 renewal funding until the fiscal year following the completion of the  
2 building.

3 L. Notwithstanding subsections B and E of this section, a school  
4 district may use eight per cent of the building renewal amount computed  
5 pursuant to subsection I of this section for routine preventative  
6 maintenance. The board, after consultation with maintenance specialists in  
7 school districts, shall provide examples of recommended services that are  
8 routine preventative maintenance.

9 M. A school district that uses building renewal monies for routine  
10 preventative maintenance shall use the building renewal monies to supplement  
11 and not supplant expenditures from other funds for the maintenance of school  
12 buildings. The auditor general shall prescribe a method for determining  
13 compliance with the requirements of this subsection. A school district, in  
14 connection with any audit conducted by a certified public accountant, shall  
15 also contract for an independent audit to determine whether the school  
16 district used building renewal monies to reduce the school district's  
17 existing level of routine preventative maintenance funding. The auditor  
18 general may conduct discretionary reviews of a school district that is not  
19 required to contract for an independent audit.

20 N. For the purposes of this section:

21 1. "Primary projects" means projects that are necessary for buildings  
22 owned by school districts that are required to meet the academic standards  
23 listed in the database maintained pursuant to subsection F of this section  
24 and that fall below the minimum school facility adequacy guidelines, as  
25 adopted by the school facilities board pursuant to section 15-2011.

26 2. "Routine preventative maintenance" means services that are  
27 performed on a regular schedule at intervals ranging from four times a year  
28 to once every three years and that are intended to extend the useful life of  
29 a building system and reduce the need for major repairs.

30 3. "Secondary projects" means all projects that are not primary  
31 projects.

32 4. "Student capacity" has the same meaning prescribed in section  
33 15-2011.

34 Sec. 48. Section 15-2041, Arizona Revised Statutes, is amended to  
35 read:

36 15-2041. New school facilities fund; capital plan; report

37 A. A new school facilities fund is established consisting of monies  
38 appropriated by the legislature and monies credited to the fund pursuant to  
39 section 37-221. The school facilities board shall administer the fund and  
40 distribute monies, as a continuing appropriation, to school districts for the  
41 purpose of constructing new school facilities **AND FOR CONTRACTED EXPENSES**  
42 **PURSUANT TO SECTION 15-2002, SUBSECTION B, PARAGRAPHS 2, 3 AND 4.** On June 30  
43 of each fiscal year, any unobligated contract monies in the new school  
44 facilities fund shall be transferred to the capital reserve fund established  
45 by section 15-2003.

1           B. The school facilities board shall prescribe a uniform format for  
2 use by the school district governing board in developing and annually  
3 updating a capital plan that consists of each of the following:

4           1. Enrollment projections for the next five years for elementary  
5 schools and eight years for middle and high schools, including a description  
6 of the methods used to make the projections.

7           2. A description of new schools or additions to existing schools  
8 needed to meet the building adequacy standards prescribed in section 15-2011.  
9 The description shall include:

10           (a) The grade levels and the total number of pupils that the school or  
11 addition is intended to serve.

12           (b) The year in which it is necessary for the school or addition to  
13 begin operations.

14           (c) A timeline that shows the planning and construction process for  
15 the school or addition.

16           3. Long-term projections of the need for land for new schools.

17           4. Any other necessary information required by the school facilities  
18 board to evaluate a school district's capital plan.

19           5. If a school district pays tuition for all or a portion of the  
20 school district's high school pupils to another school district, the capital  
21 plan shall indicate the number of pupils for which the district pays tuition  
22 to another district. If a school district accepts pupils from another school  
23 district pursuant to section 15-824, subsection A, the school district shall  
24 indicate the projections for this population separately. This paragraph does  
25 not apply to a small isolated school district as defined in section 15-901.

26           C. If the capital plan indicates a need for a new school or an  
27 addition to an existing school within the next four years or a need for land  
28 within the next ten years, the school district shall submit its plan to the  
29 school facilities board by September 1 and shall request monies from the new  
30 school facilities fund for the new construction or land. Monies provided for  
31 land shall be in addition to any monies provided pursuant to subsection D of  
32 this section.

33           D. The school facilities board shall distribute monies from the new  
34 school facilities fund as follows:

35           1. The school facilities board shall review and evaluate the  
36 enrollment projections and either approve the projections as submitted or  
37 revise the projections. In determining new construction requirements, the  
38 school facilities board shall determine the net new growth of pupils that  
39 will require additional square footage that exceeds the building adequacy  
40 standards prescribed in section 15-2011. If the projected growth and the  
41 existing number of pupils exceed three hundred fifty pupils who are served in  
42 a school district other than the pupil's resident school district, the school  
43 facilities board, the receiving school district and the resident school  
44 district shall develop a capital facilities plan on how to best serve those  
45 pupils. A small isolated school district as defined in section 15-901 is not  
46 required to develop a capital facilities plan pursuant to this paragraph.

1           2. If the approved projections indicate that additional space will not  
2 be needed within the next two years for elementary schools or three years for  
3 middle or high schools in order to meet the building adequacy standards  
4 prescribed in section 15-2011, the request shall be held for consideration by  
5 the school facilities board for possible future funding and the school  
6 district shall annually submit an updated plan until the additional space is  
7 needed.

8           3. If the approved projections indicate that additional space will be  
9 needed within the next two years for elementary schools or three years for  
10 middle or high schools in order to meet the building adequacy standards  
11 prescribed in section 15-2011, the school facilities board shall provide an  
12 amount as follows:

13           (a) Determine the number of pupils requiring additional square footage  
14 to meet building adequacy standards. This amount for elementary schools  
15 shall not be less than the number of new pupils for whom space will be needed  
16 in the next year and shall not exceed the number of new pupils for whom space  
17 will be needed in the next five years. This amount for middle and high  
18 schools shall not be less than the number of new pupils for whom space will  
19 be needed in the next four years and shall not exceed the number of new  
20 pupils for whom space will be needed in the next eight years.

21           (b) Multiply the number of pupils determined in subdivision (a) of  
22 this paragraph by the square footage per pupil. The square footage per pupil  
23 is ninety square feet per pupil for preschool children with disabilities,  
24 kindergarten programs and grades one through six, one hundred square feet for  
25 grades seven and eight, one hundred thirty-four square feet for a school  
26 district that provides instruction in grades nine through twelve for fewer  
27 than one thousand eight hundred pupils and one hundred twenty-five square  
28 feet for a school district that provides instruction in grades nine through  
29 twelve for at least one thousand eight hundred pupils. The total number of  
30 pupils in grades nine through twelve in the district shall determine the  
31 square footage factor to use for net new pupils. The school facilities board  
32 may modify the square footage requirements prescribed in this subdivision for  
33 particular schools based on any of the following factors:

34           (i) The number of pupils served or projected to be served by the  
35 school district.

36           (ii) Geographic factors.

37           (iii) Grade configurations other than those prescribed in this  
38 subdivision.

39           (iv) Compliance with minimum school facility adequacy requirements  
40 established pursuant to section 15-2011.

1 (c) Multiply the product obtained in subdivision (b) of this paragraph  
2 by the cost per square foot. The cost per square foot is ninety dollars for  
3 preschool children with disabilities, kindergarten programs and grades one  
4 through six, ninety-five dollars for grades seven and eight and one hundred  
5 ten dollars for grades nine through twelve. The cost per square foot shall  
6 be adjusted annually for construction market considerations based on an index  
7 identified or developed by the joint legislative budget committee as  
8 necessary but not less than once each year. The school facilities board  
9 shall multiply the cost per square foot by 1.05 for any school district  
10 located in a rural area. The school facilities board may modify the base  
11 cost per square foot prescribed in this subdivision for particular schools  
12 based on geographic conditions or site conditions. For the purposes of this  
13 subdivision, "rural area" means an area outside a thirty-five mile radius of  
14 a boundary of a municipality with a population of more than fifty thousand  
15 persons.

16 (d) Once the school district governing board obtains approval from the  
17 school facilities board for new facility construction funds, additional  
18 portable or modular square footage created for the express purpose of  
19 providing temporary space for pupils until the completion of the new facility  
20 shall not be included by the school facilities board for the purpose of new  
21 construction funding calculations. On completion of the new facility  
22 construction project, if the portable or modular facilities continue in use,  
23 the portable or modular facilities shall be included as prescribed by this  
24 chapter, unless the school facilities board approves their continued use for  
25 the purpose of providing temporary space for pupils until the completion of  
26 the next new facility that has been approved for funding from the new school  
27 facilities fund.

28 4. For projects approved after December 31, 2001, and notwithstanding  
29 paragraph 3 of this subsection, a unified school district that does not have  
30 a high school is not eligible to receive high school space as prescribed by  
31 section 15-2011 and this section unless the unified district qualifies for  
32 geographic factors prescribed by paragraph 3, subdivision (b), item (ii) of  
33 this subsection.

34 5. If a joint technological education district leases a building from  
35 a school district, that building shall be included in the school district's  
36 square footage calculation for the purposes of new construction pursuant to  
37 this section.

38 E. Monies for architectural and engineering fees, project management  
39 services and preconstruction services shall be distributed on the completion  
40 of the analysis by the school facilities board of the school district's  
41 request. After receiving monies pursuant to this subsection, the school  
42 district shall submit a design development plan for the school or addition to  
43 the school facilities board before any monies for construction are  
44 distributed. If the school district's request meets the building adequacy  
45 standards, the school facilities board may review and comment on the  
46 district's plan with respect to the efficiency and effectiveness of the plan

1 in meeting state square footage and facility standards before distributing  
 2 the remainder of the monies. If the school facilities board modifies the  
 3 cost per square foot as prescribed in subsection D, paragraph 3, subdivision  
 4 (c) **OF THIS SECTION**, the school facilities board may deduct the cost of  
 5 project management services and preconstruction services from the required  
 6 cost per square foot. The school facilities board may decline to fund the  
 7 project if the square footage is no longer required due to revised enrollment  
 8 projections.

9 F. The school facilities board shall distribute the monies needed for  
 10 land for new schools so that land may be purchased at a price that is less  
 11 than or equal to fair market value and in advance of the construction of the  
 12 new school. If necessary, the school facilities board may distribute monies  
 13 for land to be leased for new schools if the duration of the lease exceeds  
 14 the life expectancy of the school facility by at least fifty per cent. The  
 15 proceeds derived through the sale of any land purchased or partially  
 16 purchased with monies provided by the school facilities board shall be  
 17 returned to the state fund from which it was appropriated and to any other  
 18 participating entity on a proportional basis. Except as provided in section  
 19 15-342, paragraph 33, if a school district acquires real property by donation  
 20 at an appropriate school site approved by the school facilities board, the  
 21 school facilities board shall distribute an amount equal to twenty per cent  
 22 of the fair market value of the donated real property that can be used for  
 23 academic purposes. The school district shall place the monies in the  
 24 unrestricted capital outlay fund and increase the unrestricted capital budget  
 25 limit by the amount of monies placed in the fund. Monies distributed under  
 26 this subsection shall be distributed from the new school facilities fund. A  
 27 school district that receives monies from the new school facilities fund for  
 28 a donation of land pursuant to section 15-342, paragraph 33 shall not receive  
 29 monies from the school facilities board for the donation of real property  
 30 pursuant to this subsection. A school district shall not pay a consultant a  
 31 percentage of the value of any of the following:

32 1. Donations of real property, services or cash from any of the  
 33 following:

34 (a) Entities that have offered to provide construction services to the  
 35 school district.

36 (b) Entities that have been contracted to provide construction  
 37 services to the school district.

38 (c) Entities that build residential units in that school district.

39 (d) Entities that develop land for residential use in that school  
 40 district.

41 2. Monies received from the school facilities board on behalf of the  
 42 school district.

1           3. Monies paid by the school facilities board on behalf of the school  
2 district.

3           G. In addition to distributions to school districts based on pupil  
4 growth projections, a school district may submit an application to the school  
5 facilities board for monies from the new school facilities fund if one or  
6 more school buildings have outlived their useful life. If the school  
7 facilities board determines that the school district needs to build a new  
8 school building for these reasons, the school facilities board shall remove  
9 the square footage computations that represent the building from the  
10 computation of the school district's total square footage for purposes of  
11 this section. If the square footage recomputation reflects that the school  
12 district no longer meets building adequacy standards, the school district  
13 qualifies for a distribution of monies from the new school construction  
14 formula in an amount determined pursuant to subsection D of this section.  
15 Buildings removed from a school district's total square footage pursuant to  
16 this subsection shall not be included in the computation of monies from the  
17 building renewal fund established by section 15-2031. The school facilities  
18 board may modify the base cost per square foot prescribed in this subsection  
19 under extraordinary circumstances for geographic factors or site conditions.

20           H. School districts that receive monies from the new school facilities  
21 fund shall establish a district new school facilities fund and shall use the  
22 monies in the district new school facilities fund only for the purposes  
23 prescribed in this section. By October 15 of each year, each school district  
24 shall report to the school facilities board the projects funded at each  
25 school in the previous fiscal year with monies from the district new school  
26 facilities fund and shall provide an accounting of the monies remaining in  
27 the new school facilities fund at the end of the previous fiscal year.

28           I. If a school district has surplus monies received from the new  
29 school facilities fund, the school district may use the surplus monies only  
30 for capital purposes for the project for up to one year after completion of  
31 the project. If the school district possesses surplus monies from the new  
32 school construction project that have not been expended within one year of  
33 the completion of the project, the school district shall return the surplus  
34 monies to the school facilities board for deposit in the new school  
35 facilities fund.

36           J. The board's consideration of any application filed ~~after July 1,~~  
37 ~~2001 or~~ after December 31 of the year in which the property becomes territory  
38 in the vicinity of a military airport or ancillary military facility as  
39 defined in section 28-8461 for monies to fund the construction of new school  
40 facilities proposed to be located in territory in the vicinity of a military  
41 airport or ancillary military facility shall include, if after notice is  
42 transmitted to the military airport pursuant to section 15-2002 and before  
43 the public hearing the military airport provides comments and AN analysis  
44 concerning compatibility of the proposed school facilities with the high  
45 noise or accident potential generated by military airport or ancillary  
46 military facility operations that may have an adverse effect on public health

1 and safety, consideration and analysis of the comments and analysis provided  
2 by the military airport before making a final determination.

3 K. If a school district uses its own project manager for new school  
4 construction, the members of the school district governing board and the  
5 project manager shall sign an affidavit stating that the members and the  
6 project manager understand and will follow the minimum adequacy requirements  
7 prescribed in section 15-2011.

8 L. The school facilities board shall establish a separate account in  
9 the new school facilities fund designated as the litigation account to pay  
10 attorney fees, expert witness fees and other costs associated with litigation  
11 in which the school facilities board pursues the recovery of damages for  
12 deficiencies correction that resulted from alleged construction defects or  
13 design defects that the school facilities board believes caused or  
14 contributed to a failure of the school building to conform to the building  
15 adequacy requirements prescribed in section 15-2011. Attorney fees paid  
16 pursuant to this subsection shall not exceed the market rate for similar  
17 types of litigation. The joint committee on capital review shall conduct an  
18 annual review of the litigation account, including the costs associated with  
19 current and potential litigation.

20 M. Until the state board of education and the auditor general adopt  
21 rules pursuant to section 15-213, subsection I, the school facilities board  
22 may allow school districts to contract for construction services and  
23 materials through the qualified select bidders list method of project  
24 delivery for new school facilities pursuant to this section.

25 N. The school facilities board shall submit **ELECTRONICALLY** a report on  
26 project management services and preconstruction services to the governor, the  
27 president of the senate and the speaker of the house of representatives by  
28 December 31 of each year. The report shall compare projects that use project  
29 management and preconstruction services with those that do not. The report  
30 shall address cost, schedule and other measurable components of a  
31 construction project. School districts, construction manager at risk firms  
32 and project management firms that participate in a school facilities board  
33 funded project shall provide the information required by the school  
34 facilities board in relation to this report.

35 O. If a school district constructs new square footage according to  
36 section 15-342, paragraph 33, the school facilities board shall review the  
37 design plans and location of any new school facility submitted by school  
38 districts and another party to determine whether the design plans comply with  
39 the adequacy standards prescribed in section 15-2011 and the square footage  
40 per pupil requirements pursuant to subsection D, paragraph 3, subdivision (b)  
41 of this section. When the school district qualifies for a distribution of  
42 monies from the new school facilities fund according to this section, the  
43 school facilities board shall distribute monies to the school district from  
44 the new school facilities fund for the square footage constructed under  
45 section 15-342, paragraph 33 at the same cost per square foot established by  
46 this section that was in effect at the time of the beginning of the

1 construction of the school facility. Before the school facilities board  
2 distributes any monies pursuant to this subsection, the school district shall  
3 demonstrate to the school facilities board that the facilities to be funded  
4 pursuant to this section meet the minimum adequacy standards prescribed in  
5 section 15-2011. The agreement entered into pursuant to section 15-342,  
6 paragraph 33 shall set forth the procedures for the allocation of these funds  
7 to the parties that participated in the agreement.

8 Sec. 49. Section 38-618.01, Arizona Revised Statutes, is amended to  
9 read:

10 38-618.01. Performance pay for state employees; applicability;  
11 definition

12 A. All state agencies, departments, boards and commissions shall  
13 follow the procedures prescribed by this section.

14 B. The legislature may authorize in the general appropriations act a  
15 percentage increase for performance pay for each employee in a governmental  
16 unit if the governmental unit meets or exceeds prescribed performance  
17 measures.

18 C. Each governmental unit shall establish or revise a list of  
19 reasonable performance measures that are designed to result in cost  
20 reduction, increased productivity and improved quality of the delivery of  
21 state services or products. The performance measures shall include a  
22 measurement of the quality of service to citizens and other state agencies  
23 and employees as measured by the degree of excellence in providing the  
24 service and measurements of the quality of operations and unit cost of  
25 operations to the extent practicable and applicable. The head of each  
26 governmental unit shall either apply these performance measures to the entire  
27 governmental unit or apply relevant performance measures to subsets within  
28 the governmental unit either on a department, division, group, unit or  
29 individual basis.

30 D. Every month or every quarter, at the discretion of the governmental  
31 unit, the governmental unit shall review the unit's performance and determine  
32 if the performance measures were met. If the performance measures are met or  
33 exceeded, the applicable employees are entitled to receive the performance  
34 pay no later than the end of each month or the end of each quarter, if  
35 applicable. If the performance measures are not met, the applicable employee  
36 is not entitled to receive performance pay and monies that were appropriated  
37 for performance pay revert to the appropriate state fund. Each governmental  
38 unit shall annually inform the governor's office of strategic planning and  
39 budgeting and the joint legislative budget committee of the results of each  
40 review of the unit's performance.

41 E. If the head of the governmental unit applies the performance  
42 measures to the entire governmental unit, all employees of the governmental  
43 unit are entitled to receive the performance pay if the governmental unit  
44 meets or exceeds the governmental unit's performance measures. If the head  
45 of the governmental unit applies performance measures to subsets within the  
46 governmental unit, all employees within the subset are entitled to receive

1 the performance pay if the subset meets or exceeds that subset's performance  
2 measures.

3 F. The head of the governmental unit shall forward a copy of the  
4 performance measures established by the unit to the performance based  
5 incentives program oversight committee established by section 38-619 and  
6 shall notify the committee as to the results of achieving the performance  
7 measures.

8 G. Each governmental unit shall annually conduct a survey of the  
9 unit's employees ensuring that a significant sample of employees  
10 participates. The survey shall allow the employees to rate the workplace as  
11 outstanding, excellent, good, satisfactory or poor. The survey shall provide  
12 a comment section where employees can communicate what the governmental unit  
13 does well, areas where the governmental unit can improve and suggestions to  
14 improve the governmental unit. The governmental unit shall compile the data  
15 obtained pursuant to this subsection and forward a copy of the compiled data  
16 to the performance based incentives program oversight committee and on  
17 request make a copy of the compiled data available to the public.

18 H. This section does not apply to:

19 1. Employees who are appointed or employed by the legislature or  
20 either house of the legislature.

21 2. Employees of the governor's office.

22 3. Employees of the judiciary unless the chief justice of the supreme  
23 court elects to participate in this section.

24 4. Employees of the Arizona board of regents and employees of a  
25 university under the jurisdiction of the Arizona board of regents.

26 5. EMPLOYEES OF THE DEPARTMENT OF EDUCATION. THIS PARAGRAPH DOES NOT  
27 PROHIBIT THE SUPERINTENDENT OF PUBLIC INSTRUCTION FROM ADOPTING A PERFORMANCE  
28 PAY PLAN THAT CONFORMS TO THIS SECTION.

29 I. For the purposes of this section, "governmental unit" means all  
30 agencies, departments, boards and commissions of this state.

31 Sec. 50. Title 38, chapter 5, article 2, Arizona Revised Statutes, is  
32 amended by adding section 38-781, to read:

33 38-781. Supplemental employee deferral plan; public employees;  
34 administration; immunity; definitions

35 A. A SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN IS ESTABLISHED TO PROVIDE  
36 PUBLIC EMPLOYEES, OTHER THAN STATE EMPLOYEES, AN OPPORTUNITY TO SAVE  
37 ADDITIONAL TAX-DEFERRED MONIES FOR RETIREMENT.

38 B. ASRS MAY ESTABLISH, ADMINISTER, MANAGE AND OPERATE A SUPPLEMENTAL  
39 EMPLOYEE DEFERRAL PLAN FOR EMPLOYERS OTHER THAN THIS STATE.

40 C. ASRS MAY:

41 1. EMPLOY SERVICES IT DEEMS NECESSARY, INCLUDING LEGAL SERVICES, FOR  
42 THE OPERATION AND ADMINISTRATION OF THE PLAN.

43 2. ADMINISTER THE PLAN THROUGH CONTRACTS WITH MULTIPLE VENDORS.

44 3. PERFORM ALL ACTS, WHETHER OR NOT EXPRESSLY AUTHORIZED, THAT IT  
45 DEEMS NECESSARY AND PROPER FOR THE OPERATION AND PROTECTION OF THE PLAN.

4. FOR THE PURPOSES OF THIS SECTION, ENTER INTO INTERGOVERNMENTAL AGREEMENTS PURSUANT TO TITLE 11, CHAPTER 7, ARTICLE 3.

D. A SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN IS IN ADDITION TO AND DOES NOT REPLACE AN EMPLOYEE'S EXISTING STATE DEFINED BENEFIT RETIREMENT PLAN.

E. IF AN EMPLOYER THAT IS NOT THIS STATE ELECTS TO PARTICIPATE IN THE SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN, ANY EMPLOYEE OF THE EMPLOYER WHO MEETS THE ELIGIBILITY REQUIREMENTS THAT ARE PRESCRIBED BY ASRS FOR PARTICIPATION IN THE SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN MAY PARTICIPATE IN THE SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN.

F. PARTICIPATION IN THE SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN AUTHORIZES THE PARTICIPANT'S EMPLOYER TO MAKE SALARY REDUCTIONS FROM THE PARTICIPANT'S COMPENSATION AND CONTRIBUTE SUCH SALARY REDUCTIONS TO THE PLAN. AN EMPLOYER MAY MAKE EMPLOYER CONTRIBUTIONS TO THE SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN IF THE PLAN PERMITS. THE EMPLOYER SHALL SUBMIT ANY REPORTS REQUIRED BY THE PLAN. IF THE PARTICIPANT IS AN ACTIVE MEMBER, ANY COMPENSATION DEFERRED BY AN EMPLOYEE UNDER THE PLAN SHALL BE INCLUDED AS REGULAR COMPENSATION OR COMPENSATION FOR THE PURPOSE OF COMPUTING THE RETIREMENT AND PENSION BENEFITS PROVIDED IN THIS ARTICLE EARNED BY ANY EMPLOYEE PARTICIPATING IN THE PLAN.

G. EMPLOYEE CONTRIBUTIONS AND EARNINGS ON EMPLOYEE CONTRIBUTIONS ARE IMMEDIATELY VESTED. EMPLOYER CONTRIBUTIONS, IF ANY, AND THE EARNINGS ON EMPLOYER CONTRIBUTIONS SHALL VEST ACCORDING TO THE SCHEDULE ESTABLISHED IN THE PLAN.

H. NOTWITHSTANDING ANY OTHER LAW, THIS STATE AND ITS OFFICERS AND EMPLOYEES, THE BOARD AND ASRS ARE IMMUNE FROM CIVIL LIABILITY AND ARE NOT SUBJECT TO SUIT DIRECTLY OR BY WAY OF CONTRIBUTION FOR ANY ACT OR OMISSION RESULTING IN ANY DAMAGE OR INJURY ARISING OUT OF THE SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN.

I. FOR THE PURPOSES OF THIS SECTION:

1. "STATE" MEANS THIS STATE, INCLUDING ANY DEPARTMENT, OFFICE, BOARD, COMMISSION, AGENCY OR UNIVERSITY, BUT DOES NOT MEAN ANY SCHOOL DISTRICT OR COMMUNITY COLLEGE DISTRICT.

2. "SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN" MEANS A TAX DEFERRED ANNUITY DESCRIBED IN SECTION 403(b) OF THE INTERNAL REVENUE CODE, INCLUDING A CUSTODIAL ACCOUNT DESCRIBED IN 403(b)(7) OF THE INTERNAL REVENUE CODE, AND AN ELIGIBLE DEFERRED COMPENSATION PLAN DESCRIBED IN SECTION 457(b) OF THE INTERNAL REVENUE CODE. A SUPPLEMENTAL EMPLOYEE DEFERRAL PLAN SHALL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE SECTION OF THE INTERNAL REVENUE CODE UNDER WHICH SUCH PLAN IS ADOPTED AND MAINTAINED.

Sec. 51. Repeat

Section 41-3010.25, Arizona Revised Statutes, is repealed.

Sec. 52. Title 41, chapter 27, article 2, Arizona Revised Statutes, is amended by adding section 41-3019.01, to read:

41-3019.01. Commission for postsecondary education; termination  
July 1, 2019

A. THE COMMISSION FOR POSTSECONDARY EDUCATION TERMINATES ON JULY 1, 2019.

1           B. TITLE 15, CHAPTER 14, ARTICLE 5 IS REPEALED ON JANUARY 1, 2020.

2           Sec. 53. Section 42-6004, Arizona Revised Statutes, is amended to  
3 read:

4           42-6004. Exemption from municipal tax

5           A. A city, town or special taxing district shall not levy a  
6 transaction privilege, sales, use or other similar tax on:

7           1. Exhibition events in this state sponsored, conducted or operated by  
8 a nonprofit organization that is exempt from taxation under section  
9 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the  
10 organization is associated with a major league baseball team or a national  
11 touring professional golfing association and no part of the organization's  
12 net earnings inures to the benefit of any private shareholder or individual.

13           2. Interstate telecommunications services, which include that portion  
14 of telecommunications services, such as subscriber line service, allocable by  
15 federal law to interstate telecommunications service.

16           3. Sales of warranty or service contracts.

17           4. Sales of motor vehicles to nonresidents of this state for use  
18 outside this state if the vendor ships or delivers the motor vehicle to a  
19 destination outside this state.

20           5. Interest on finance contracts.

21           6. Dealer documentation fees on the sales of motor vehicles.

22           7. Through December 31, 2009, the gross proceeds of sales or gross  
23 income received from a contract from constructing any lake facility  
24 development in a commercial enhancement reuse district established pursuant  
25 to section 9-499.08.

26           8. Sales of food or other items purchased with United States  
27 department of agriculture food stamp coupons issued under the food stamp act  
28 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section  
29 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,  
30 section 4302; 42 United States Code section 1786) but may impose such a tax  
31 on other sales of food. If a city, town or special taxing district exempts  
32 sales of food from its tax or imposes a different transaction privilege rate  
33 on the gross proceeds of sales or gross income from sales of food and nonfood  
34 items, it shall use the definition of food prescribed by rule adopted by the  
35 department pursuant to section 42-5106.

36           9. Sales of internet access services to the person's subscribers and  
37 customers. For the purposes of this paragraph:

38           (a) "Internet" means the computer and telecommunications facilities  
39 that comprise the interconnected worldwide network of networks that employ  
40 the transmission control protocol or internet protocol, or any predecessor or  
41 successor protocol, to communicate information of all kinds by wire or radio.

42           (b) "Internet access" means a service that enables users to access  
43 content, information, electronic mail or other services over the internet.  
44 Internet access does not include telecommunication services provided by a  
45 common carrier.

1        10. The gross proceeds of sales or gross income retained by the Arizona  
2 exposition and state fair board from ride ticket sales at the annual Arizona  
3 state fair.

4        11. Through August 31, 2014, sales of Arizona centennial medallions by  
5 the historical advisory commission.

6        B. A city, town or other taxing jurisdiction shall not levy a  
7 transaction privilege, sales, use, franchise or other similar tax or fee,  
8 however denominated, on natural gas or liquefied petroleum gas used to propel  
9 a motor vehicle.

10       C. A city, town or other taxing jurisdiction shall not levy a  
11 transaction privilege, sales, gross receipts, use, franchise or other similar  
12 tax or fee, however denominated, on gross proceeds of sales or gross income  
13 derived from any of the following:

14       1. A motor carrier's use on the public highways in this state if the  
15 motor carrier is subject to a fee prescribed in title 28, chapter 16,  
16 article 4.

17       2. Leasing, renting or licensing a motor vehicle subject to and upon  
18 which the fee has been paid under title 28, chapter 16, article 4.

19       3. The sale of a motor vehicle and any repair and replacement parts  
20 and tangible personal property becoming a part of such motor vehicle to a  
21 motor carrier who is subject to a fee prescribed in title 28, chapter 16,  
22 article 4 and who is engaged in the business of leasing, renting or licensing  
23 such property.

24       4. Incarcerating or detaining in a privately operated prison, jail or  
25 detention facility prisoners who are under the jurisdiction of the United  
26 States, this state or any other state or a political subdivision of this  
27 state or of any other state.

28       5. Transporting for hire persons, freight or property by light motor  
29 vehicles subject to a fee under title 28, chapter 15, article 4.

30       6. Through December 31, 2009, and except as provided in section  
31 42-6104, a contract from constructing any lake facility development in a  
32 commercial enhancement reuse district established pursuant to section  
33 9-499.08.

34       7. Any amount attributable to development fees that are incurred in  
35 relation to the construction, development or improvement of real property and  
36 paid by the taxpayer as defined in the model city tax code or by a contractor  
37 providing services to the taxpayer. For the purposes of this paragraph:

38       (a) The attributable amount shall not exceed the value of the  
39 development fees actually imposed.

40       (b) The attributable amount is equal to the total amount of  
41 development fees paid by the taxpayer or by a contractor providing services  
42 to the taxpayer and the total development fees credited in exchange for the  
43 construction of, contribution to or dedication of real property for providing  
44 public infrastructure, public safety or other public services necessary to  
45 the development. The real property must be the subject of the development  
46 fees.

1 (c) "Development fees" means fees imposed to offset capital costs of  
2 providing public infrastructure, public safety or other public services to a  
3 development and authorized pursuant to section 9-463.05, section 11-1102 or  
4 title 48 regardless of the jurisdiction to which the fees are paid.

5 D. A city, town or other taxing jurisdiction shall not levy a  
6 transaction privilege, sales, use, franchise or other similar tax or fee,  
7 however denominated, in excess of one-tenth of one per cent of the value of  
8 the entire product mined, smelted, extracted, refined, produced or prepared  
9 for sale, profit or commercial use, on persons engaged in the business of  
10 mineral processing, except to the extent that the tax is computed on the  
11 gross proceeds or gross income from sales at retail.

12 E. In computing the tax base, any city, town or other taxing  
13 jurisdiction shall not include in the gross proceeds of sales or gross  
14 income:

15 1. A manufacturer's cash rebate on the sales price of a motor vehicle  
16 if the buyer assigns the buyer's right in the rebate to the retailer.

17 2. The waste tire disposal fee imposed pursuant to section 44-1302.

18 F. A CITY OR TOWN SHALL NOT LEVY A USE TAX ON THE STORAGE, USE OR  
19 CONSUMPTION OF TANGIBLE PERSONAL PROPERTY IN THE CITY OR TOWN BY A SCHOOL  
20 DISTRICT OR CHARTER SCHOOL.

21 Sec. 54. Section 43-1089, Arizona Revised Statutes, is amended to  
22 read:

23 43-1089. Credit for contributions to school tuition  
24 organization; definitions

25 A. A credit is allowed against the taxes imposed by this title for the  
26 amount of voluntary cash contributions made by the taxpayer during the  
27 taxable year to a school tuition organization, but not exceeding:

28 1. Five hundred dollars in any taxable year for a single individual or  
29 a head of household.

30 2. Eight hundred twenty-five dollars in taxable year 2005 for a  
31 married couple filing a joint return.

32 3. One thousand dollars in taxable year 2006 and any subsequent year  
33 for a married couple filing a joint return.

34 B. A husband and wife who file separate returns for a taxable year in  
35 which they could have filed a joint return may each claim only one-half of  
36 the tax credit that would have been allowed for a joint return.

37 C. If the allowable tax credit exceeds the taxes otherwise due under  
38 this title on the claimant's income, or if there are no taxes due under this  
39 title, the taxpayer may carry the amount of the claim not used to offset the  
40 taxes under this title forward for not more than five consecutive taxable  
41 years' income tax liability.

42 D. The credit allowed by this section is in lieu of any deduction  
43 pursuant to section 170 of the internal revenue code and taken for state tax  
44 purposes.

1 E. The tax credit is not allowed if the taxpayer designates the  
2 taxpayer's contribution to the school tuition organization for the direct  
3 benefit of any dependent of the taxpayer.

4 F. A school tuition organization that receives a voluntary cash  
5 contribution pursuant to subsection A shall report **ELECTRONICALLY** to the  
6 department, in a form prescribed by the department, by February 28 of each  
7 year the following information:

8 1. The name, address and contact name of the school tuition  
9 organization.

10 2. The total number of contributions received during the previous  
11 calendar year.

12 3. The total dollar amount of contributions received during the  
13 previous calendar year.

14 4. The total number of children awarded educational scholarships or  
15 tuition grants during the previous calendar year.

16 5. The total dollar amount of educational scholarships and tuition  
17 grants awarded during the previous calendar year.

18 6. For each school to which educational scholarships or tuition grants  
19 were awarded:

20 (a) The name and address of the school.

21 (b) The number of educational scholarships and tuition grants awarded  
22 during the previous calendar year.

23 (c) The total dollar amount of educational scholarships and tuition  
24 grants awarded during the previous calendar year.

25 G. For the purposes of this section:

26 1. "Handicapped student" means a student who has any of the following  
27 conditions:

28 (a) Hearing impairment.

29 (b) Visual impairment.

30 (c) ~~Preschool-moderate~~ **DEVELOPMENTAL** delay.

31 (d) Preschool severe delay.

32 (e) ~~Preschool~~ Speech ~~or~~ /language ~~delay~~ **IMPAIRMENT**.

33 2. "Qualified school" means a nongovernmental primary school or  
34 secondary school or a preschool for handicapped students that is located in  
35 this state, that does not discriminate on the basis of race, color, handicap,  
36 familial status or national origin and that satisfies the requirements  
37 prescribed by law for private schools in this state on January 1, 1997.

38 3. "School tuition organization" means a charitable organization in  
39 this state that is exempt from federal taxation under section 501(c)(3) of  
40 the internal revenue code and that allocates at least ninety per cent of its  
41 annual revenue for educational scholarships or tuition grants to children to  
42 allow them to attend any qualified school of their parents' choice. In  
43 addition, to qualify as a school tuition organization the charitable  
44 organization shall provide educational scholarships or tuition grants to  
45 students without limiting availability to only students of one school.

46 Sec. 55. Repeal

1 Senate bill 1187, section 74, forty-ninth legislature, first regular  
2 session, as transmitted to the governor, is repealed.

3 Sec. 56. Arizona online instruction; reports

4 Notwithstanding section 15-808, Arizona Revised Statutes, as amended by  
5 this act, until July 31, 2010, each school selected by the state board of  
6 education and each selected school sponsored by the state board for charter  
7 schools to participate in Arizona online instruction shall submit an annual  
8 report to the department of education. The department of education shall  
9 collaborate to develop a uniform reporting format to be used by all schools  
10 that participate in Arizona online instruction. The reports shall be  
11 submitted on or before August 1 each year and shall include the following  
12 information:

13 1. A description of the educational services that are offered under  
14 and that specifically relate to the depth and breadth of the curriculum  
15 choices offered by the school.

16 2. A description of the effects of media and technology on the  
17 delivery of specific educational services to specific pupil populations.

18 3. Academic advancement as measured in grade level equivalents each  
19 academic year based on a standardized norm-referenced achievement test.

20 4. Data identified by the department of education that compares the  
21 academic performance of pupils who participate in Arizona online instruction  
22 with other pupils in this state and with pupils in that school who do not  
23 participate in Arizona online instruction.

24 5. The results of a survey of pupil satisfaction with Arizona online  
25 instruction, including:

26 (a) Pupils' attitudes about delivery modalities employed by the  
27 school.

28 (b) Changes in pupils' attitudes toward learning in general.

29 (c) Changes in pupils' attitudes about their own ability to learn and  
30 about their own academic progress.

31 (d) Pupils' attitudes about the school they attend.

32 6. The results of a survey of parental satisfaction with Arizona  
33 online instruction, including:

34 (a) Parents' and their children's attitudes about the delivery  
35 modalities employed by the school.

36 (b) Changes in their children's attitudes about learning in general.

37 (c) Changes in their children's attitudes about their ability to learn  
38 and about their academic progress.

39 (d) Parents' and their children's attitudes about the school that the  
40 child attends.

41 7. A description of the availability and equitable distribution of  
42 educational services provided under Arizona online instruction, including  
43 specific descriptions of the effectiveness of technology tools and modalities  
44 used to address the needs of any underserved populations targeted by the  
45 school.

1           8. A description of the operational and administrative efficiency of  
2 Arizona online instruction.

3           9. A description of the cost-effectiveness of Arizona online  
4 instruction.

5           10. A listing of the salaries, by titles and job descriptions, of the  
6 administrators who are employed at or contracted for employment at each  
7 school selected by the state board of education or the state board for  
8 charter schools to participate in Arizona online instruction.

9           11. A description of assessment measures implemented to ensure the  
10 academic integrity of pupils pursuant to section 15-808, Arizona Revised  
11 Statutes, subsection H, as amended by this act.

12           Sec. 57. School district budget overexpenditures; correction;  
13 interest

14           A. Notwithstanding sections 15-905 and 15-915, Arizona Revised  
15 Statutes, as amended by this act, a school district that overexpended its  
16 budget at any time during a five-year period beginning in fiscal year  
17 2002-2003 and ending in fiscal year 2006-2007 shall correct the  
18 overexpenditures in equal installments over a five-year period beginning in  
19 fiscal year 2009-2010 and ending in fiscal year 2013-2014. This subsection  
20 applies to a district if all of the following conditions exist:

21           1. The school district is a union high school district that is located  
22 in a county with a population of less than one million persons but more than  
23 two hundred fifty thousand persons.

24           2. The school district's average daily membership for the 2006-2007  
25 school year was more than four hundred pupils but less than five hundred  
26 fifty pupils.

27           3. The total amount of the correction that would otherwise be required  
28 under section 15-915, Arizona Revised Statutes, as amended by this act, for  
29 fiscal years 2002-2003 through 2006-2007 is more than three hundred thousand  
30 dollars but less than eight hundred thousand dollars.

31           B. In addition to monies required to be repaid pursuant to  
32 subsection A of this section, accrued interest shall be paid at a rate  
33 determined by the superintendent of public instruction.

34           Sec. 58. Unified school district budget overexpenditures;  
35 correction; interest

36           A. Notwithstanding sections 15-905 and 15-915, Arizona Revised  
37 Statutes, as amended by this act, a school district that overexpended its  
38 budget during fiscal year 2005-2006 and fiscal year 2006-2007 shall correct  
39 the overexpenditures in equal installments beginning in fiscal year 2009-2010  
40 and ending in fiscal year 2013-2014 if all of the following conditions exist:

41           1. The school district is a unified district that is located in a  
42 county with a population of more than fifty thousand persons but less than  
43 one hundred thousand persons.

44           2. The school district's average daily membership for the 2007-2008  
45 school year was more than seven hundred pupils but less than one thousand two  
46 hundred pupils.

1           3. The total amount of the correction that would otherwise be required  
2 under section 15-915, Arizona Revised Statutes, as amended by this act, for  
3 fiscal years 2005-2006 and 2006-2007 is more than two million five hundred  
4 dollars but less than three million two hundred dollars.

5           B. In addition to monies required to be repaid pursuant to  
6 subsection A of this section, accrued interest shall be paid at a rate  
7 determined by the superintendent of public instruction.

8           Sec. 59. Previous audits; average daily membership; repayment;  
9                               retroactivity

10          A. Notwithstanding any other law, a school district that meets the  
11 criteria specified in subsection B, paragraph 1 or 2 of this section and that  
12 is required to repay monies to this state as the result of an audit conducted  
13 before the effective date of this act by the department of education or the  
14 office of the auditor general pursuant to Laws 2006, chapter 353, section 23,  
15 Laws 2007, chapter 264, section 17 or Laws 2008, chapter 287, section 50  
16 shall repay the full amount of the monies due to this state as a result of  
17 the audit within five years after the date of the audit finding.

18          B. The following school districts are eligible to use the repayment  
19 provisions of subsection A of this section:

20           1. A unified school district with a student count of at least two  
21 thousand but less than three thousand in fiscal year 2007-2008 that is  
22 required to repay a total of at least six hundred eighty-five thousand  
23 dollars but less than six hundred ninety thousand dollars pursuant to  
24 subsection A of this section.

25           2. A unified school district with a student count of at least two  
26 thousand but less than three thousand in fiscal year 2007-2008 that is  
27 required to repay a total of at least three hundred sixty thousand dollars  
28 but less than three hundred eighty thousand dollars pursuant to subsection A  
29 of this section.

30          C. If the amount a school district is required to repay under  
31 subsection B, paragraph 1 or 2 of this section is reduced as the result of a  
32 settlement agreement between the school district and the department of  
33 education, the school district shall repay the amount required by the  
34 settlement agreement within five years after the date of the audit finding.

35          D. This section is effective retroactively to September 21, 2006.

36           Sec. 60. State trust land proceeds for public education  
37                               purposes; fiscal year 2009-2010

38          Notwithstanding any other law, for fiscal year 2009-2010:

39           1. The school facilities board shall distribute monies credited  
40 pursuant to section 37-221, Arizona Revised Statutes, to the school district  
41 that funded the lease agreement if the school district was approved for new  
42 school facilities pursuant to section 15-2041, Arizona Revised Statutes, but  
43 was not awarded monies for new school facilities because of the new school  
44 construction moratorium.

45           2. The state land department shall notify the school facilities board  
46 and the affected school districts of the amounts transferred pursuant to

1 section 37-221, subsection D, Arizona Revised Statutes, and the source of the  
2 monies transferred and shall identify the specific school districts by the  
3 amounts transferred and the source of the monies transferred.

4 Sec. 61. Purpose

5 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,  
6 the legislature continues the commission for postsecondary education to:

7 1. Conduct, supervise and coordinate the review of public and private  
8 postsecondary education institutions in this state to determine their  
9 eligibility for student financial aid monies.

10 2. Administer specifically identified federal and state financial aid  
11 programs.

12 3. Provide a forum to public and private postsecondary education  
13 institutions for discussion of issues of mutual interest.

14 4. Coordinate and promote studies of interest to postsecondary  
15 institutions.

16 5. Provide information to the public on postsecondary education  
17 opportunities in this state.

18 Sec. 62. Intent

19 The legislature intends by enacting section 15-257, Arizona Revised  
20 Statutes, as added by this act, to allow the superintendent of public  
21 instruction to develop a performance pay system for employees of the  
22 department of education to boost productivity and instill a sense of shared  
23 responsibility among employees.

24 Sec. 63. Retroactivity

25 Section 15-1042, Arizona Revised Statutes, as amended by this act,  
26 applies retroactively to from and after June 30, 2009.

APPROVED BY THE GOVERNOR JULY 10, 2009.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 10, 2009.