

REFERENCE TITLE: charter school omnibus

State of Arizona
Senate
Fifty-third Legislature
Second Regular Session
2018

SB 1303

Introduced by
Senators Quezada: Bradley, Cajero Bedford, Contreras, Dalessandro,
Farley, Hobbs, Mendez, Miranda, Peshlakai

AN ACT

AMENDING SECTIONS 15-183, 15-189.01, 15-189.02, 15-189.03, 15-213, 15-914,
15-914.01, 15-914.02, 41-1279.03 AND 41-1279.04, ARIZONA REVISED STATUTES;
RELATING TO CHARTER SCHOOLS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-183, Arizona Revised Statutes, is amended to
3 read:

4 15-183. Charter schools; application; requirements; immunity;
5 exemptions; renewal of application; reprisal; fee;
6 funds; annual reports

7 A. An applicant seeking to establish a charter school shall submit
8 a written application to a proposed sponsor as prescribed in subsection C
9 of this section. The application, application process and application
10 time frames shall be posted on the sponsor's website and shall include the
11 following, as specified in the application adopted by the sponsor:

- 12 1. A detailed educational plan.
- 13 2. A detailed business plan.
- 14 3. A detailed operational plan.
- 15 4. Any other materials required by the sponsor.

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

19 C. The sponsor of a charter school may be either the state board of
20 education, the state board for charter schools, a university under the
21 jurisdiction of the Arizona board of regents, a community college district
22 or a group of community college districts, subject to the following
23 requirements:

24 1. An applicant may not submit an application for sponsorship to
25 any person or entity other than those prescribed in this subsection.

26 2. The applicant may submit the application to the state board of
27 education or the state board for charter schools. Notwithstanding any
28 other law, neither the state board for charter schools nor the state board
29 of education shall grant a charter to a school district governing board
30 for a new charter school or for the conversion of an existing district
31 public school to a charter school. The state board of education or the
32 state board for charter schools may approve the application if the
33 application meets the requirements of this article and may approve the
34 charter if the proposed sponsor determines, within its sole discretion,
35 that the applicant is sufficiently qualified to operate a charter school
36 and that the applicant is applying to operate as a separate charter holder
37 by considering factors such as whether:

38 (a) The schools have separate governing bodies, governing body
39 membership, staff, facilities and student population.

40 (b) Daily operations are carried out by different administrators.

41 (c) The applicant intends to have an affiliation agreement for the
42 purpose of providing enrollment preferences.

43 (d) The applicant's charter management organization has multiple
44 charter holders serving varied grade configurations on one physical site
45 or nearby sites serving one community.

1 (e) It is reconstituting an existing school site population at the
2 same or new site.

3 (f) It is reconstituting an existing grade configuration from a
4 prior charter holder with at least one grade remaining on the original
5 site with the other grade or grades moving to a new site. The state board
6 of education or the state board for charter schools may approve any
7 charter schools transferring charters. If the state board of education or
8 the state board for charter schools rejects the preliminary application,
9 the state board of education or the state board for charter schools shall
10 notify the applicant in writing of the reasons for the rejection and of
11 suggestions for improving the application. An applicant may submit a
12 revised application for reconsideration by the state board of education or
13 the state board for charter schools. The applicant may request, and the
14 state board of education or the state board for charter schools may
15 provide, technical assistance to improve the application.

16 3. The applicant may submit the application to a university under
17 the jurisdiction of the Arizona board of regents, a community college
18 district or a group of community college districts. A university, a
19 community college district or a group of community college districts shall
20 not grant a charter to a school district governing board for a new charter
21 school or for the conversion of an existing district public school to a
22 charter school. A university, a community college district or a group of
23 community college districts may approve the application if it meets the
24 requirements of this article and if the proposed sponsor determines, in
25 its sole discretion, that the applicant is sufficiently qualified to
26 operate a charter school.

27 4. Each applicant seeking to establish a charter school shall
28 submit a full set of fingerprints to the approving agency for the purpose
29 of obtaining a state and federal criminal records check pursuant to
30 section 41-1750 and Public Law 92-544. If an applicant will have direct
31 contact with students, the applicant shall possess a valid fingerprint
32 clearance card that is issued pursuant to title 41, chapter 12,
33 article 3.1. The department of public safety may exchange this
34 fingerprint data with the federal bureau of investigation. The criminal
35 records check shall be completed before the issuance of a charter.

36 5. All persons engaged in instructional work directly as a
37 classroom, laboratory or other teacher or indirectly as a supervisory
38 teacher, speech therapist or principal shall have a valid fingerprint
39 clearance card that is issued pursuant to title 41, chapter 12, article
40 3.1, unless the person is a volunteer or guest speaker who is accompanied
41 in the classroom by a person with a valid fingerprint clearance card. A
42 charter school shall not employ a teacher whose certificate has been
43 surrendered or revoked, unless the teacher's certificate has been
44 subsequently reinstated by the state board of education. All other
45 personnel shall be fingerprint checked pursuant to section 15-512, or the

1 charter school may require those personnel to obtain a fingerprint
2 clearance card issued pursuant to title 41, chapter 12, article 3.1.
3 Before employment, the charter school shall make documented, good faith
4 efforts to contact previous employers of a person to obtain information
5 and recommendations that may be relevant to a person's fitness for
6 employment as prescribed in section 15-512, subsection F. The charter
7 school shall notify the department of public safety if the charter school
8 or sponsor receives credible evidence that a person who possesses a valid
9 fingerprint clearance card is arrested for or is charged with an offense
10 listed in section 41-1758.03, subsection B. A person who is employed at a
11 charter school that has met the requirements of this paragraph is not
12 required to meet any additional requirements that are established by the
13 department of education or that may be established by rule by the state
14 board of education. The state board of education may not adopt rules that
15 exceed the requirements for persons qualified to teach in charter schools
16 prescribed in title I of the every student succeeds act (P.L. 114-95) or
17 the individuals with disabilities education improvement act of 2004
18 (P.L. 108-446). Charter schools may hire personnel who have not yet
19 received a fingerprint clearance card if proof is provided of the
20 submission of an application to the department of public safety for a
21 fingerprint clearance card and if the charter school that is seeking to
22 hire the applicant does all of the following:

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

25 (b) Ensures that the department of public safety completes a
26 statewide criminal records check on the applicant. A statewide criminal
27 records check shall be completed by the department of public safety every
28 one hundred twenty days until the date that the fingerprint check is
29 completed or the fingerprint clearance card is issued or denied.

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

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

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

38 (f) Verifies the fingerprint status of the applicant with the
39 department of public safety.

40 6. A charter school that complies with the fingerprinting
41 requirements of this section shall be deemed to have complied with section
42 15-512 and is entitled to the same rights and protections provided to
43 school districts by section 15-512.

44 7. If a charter school operator is not already subject to a public
45 meeting or hearing by the municipality in which the charter school is

1 located, the operator of a charter school shall conduct a public meeting
2 at least thirty days before the charter school operator opens a site or
3 sites for the charter school. The charter school operator shall post
4 notices of the public meeting in at least three different locations that
5 are within three hundred feet of the proposed charter school site.

6 8. A person who is employed by a charter school or who is an
7 applicant for employment with a charter school, who is arrested for or
8 charged with a nonappealable offense listed in section 41-1758.03,
9 subsection B and who does not immediately report the arrest or charge to
10 the person's supervisor or potential employer is guilty of unprofessional
11 conduct and the person shall be immediately dismissed from employment with
12 the charter school or immediately excluded from potential employment with
13 the charter school.

14 9. A person who is employed by a charter school and who is
15 convicted of any nonappealable offense listed in section 41-1758.03,
16 subsection B or is convicted of any nonappealable offense that amounts to
17 unprofessional conduct under section 15-550 shall immediately do all of
18 the following:

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

21 (b) Notify the person's employer or potential employer of the
22 conviction.

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

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

25 D. An entity that is authorized to sponsor charter schools pursuant
26 to this article has no legal authority over or responsibility for a
27 charter school sponsored by a different entity. This subsection does not
28 apply to the state board of education's duty to exercise general
29 supervision over the public school system pursuant to section 15-203,
30 subsection A, paragraph 1.

31 E. The charter of a charter school shall do all of the following:

32 1. Ensure compliance with federal, state and local rules,
33 regulations and statutes relating to health, safety, civil rights and
34 insurance. The department of education shall publish a list of relevant
35 rules, regulations and statutes to notify charter schools of their
36 responsibilities under this paragraph.

37 2. Ensure that it is nonsectarian in its programs, admission
38 policies and employment practices and all other operations.

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

44 4. Ensure that it designs a method to measure pupil progress toward
45 the pupil outcomes adopted by the state board of education pursuant to

1 section 15-741.01, including participation in the statewide assessment and
2 the nationally standardized norm-referenced achievement test as designated
3 by the state board and the completion and distribution of an annual report
4 card as prescribed in chapter 7, article 3 of this title.

5 5. Ensure that, except as provided in this article and in its
6 charter, it is exempt from all statutes and rules relating to schools,
7 governing boards and school districts.

8 6. Ensure that, except as provided in this article, it is subject
9 to the same financial and electronic data submission requirements as a
10 school district, including the uniform system of financial records as
11 prescribed in chapter 2, article 4 of this title, procurement rules as
12 prescribed in section 15-213 and audit requirements. The auditor general
13 shall conduct a comprehensive review and revision of the uniform system of
14 financial records to ensure that the provisions of the uniform system of
15 financial records that relate to charter schools are in accordance with
16 commonly accepted accounting principles used by private business.

17 ~~A school's charter may include exceptions to the requirements of this~~
18 ~~paragraph that are necessary as determined by the university, the~~
19 ~~community college district, the group of community college districts, the~~
20 ~~state board of education or the state board for charter schools. EACH~~

21 CHARTER SCHOOL AND EDUCATION MANAGEMENT ORGANIZATION OR CHARTER MANAGEMENT
22 ORGANIZATION THAT ENTERS INTO A MANAGEMENT SERVICES CONTRACT WITH THE
23 CHARTER SCHOOL SHALL ENSURE THAT AN ANNUAL INDEPENDENT AUDIT OF FINANCIAL
24 STATEMENTS IS CONDUCTED AND THAT THE RESULTS OF THAT AUDIT, INCLUDING
25 INDIVIDUAL SALARIES PAID BY THE CHARTER SCHOOL TO THE EDUCATION MANAGEMENT
26 ORGANIZATION OR CHARTER MANAGEMENT ORGANIZATION AND ANY MANAGEMENT LETTER
27 ISSUED IN CONNECTION WITH THAT AUDIT, IS MADE AVAILABLE TO THE PUBLIC.

28 The department of education or the office of the auditor general ~~may~~ SHALL
29 conduct financial, program or compliance audits.

30 7. Ensure compliance with all federal and state laws relating to
31 the education of children with disabilities in the same manner as a school
32 district.

33 8. Ensure that it provides for a governing body for the charter
34 school that is responsible for the OPERATIONAL AND policy decisions of the
35 charter school. Notwithstanding section 1-216, if there is a vacancy or
36 vacancies on the governing body, a majority of the remaining members of
37 the governing body constitute a quorum for the transaction of business,
38 unless that quorum is prohibited by the charter school's operating
39 agreement. FOR THE PURPOSES OF THIS PARAGRAPH, "OPERATIONAL" INCLUDES ALL
40 APPLICABLE REQUIREMENTS FOR SUPERVISION THAT ARE PRESCRIBED FOR SCHOOL
41 DISTRICT GOVERNING BOARDS PURSUANT TO SECTION 15-341.

42 9. Ensure that it provides a minimum of one hundred eighty
43 instructional days before June 30 of each fiscal year unless it is
44 operating on an alternative calendar approved by its sponsor. The
45 superintendent of public instruction shall adjust the apportionment

1 schedule accordingly to accommodate a charter school utilizing an
2 alternative calendar.

3 F. A charter school shall keep in the personnel file of all current
4 employees who provide instruction to pupils at the charter school
5 information about the employee's educational and teaching background and
6 experience in a particular academic content subject area. A charter
7 school shall inform parents and guardians of the availability of the
8 information and shall make the information available for inspection on
9 request of parents and guardians of pupils enrolled at the charter school.
10 This subsection does not require any charter school to release personally
11 identifiable information in relation to any teacher or employee, including
12 the teacher's or employee's address, salary, social security number or
13 telephone number.

14 G. The charter of a charter school may be amended at the request of
15 the governing body of the charter school and on the approval of the
16 sponsor.

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

18 I. The charter is effective for fifteen years from the first day of
19 the fiscal year as specified in the charter, subject to the following:

20 1. At least eighteen months before the expiration of the charter,
21 the sponsor shall notify the charter school that the charter school may
22 apply for renewal and shall make the renewal application available to the
23 charter school. A charter school that elects to apply for renewal shall
24 file a complete renewal application at least fifteen months before the
25 expiration of the charter. A sponsor shall give written notice of its
26 intent not to renew the charter school's request for renewal to the
27 charter school at least twelve months before the expiration of the
28 charter. The sponsor shall make data used in making renewal decisions
29 available to the school and the public and shall provide a public report
30 summarizing the evidence basis for each decision. The sponsor may deny
31 the request for renewal if, in its judgment, the charter holder has failed
32 to do any of the following:

33 (a) Meet or make sufficient progress toward the academic
34 performance expectations set forth in the performance framework.

35 (b) Meet the operational performance expectations set forth in the
36 performance framework or any improvement plans.

37 (c) Complete the obligations of the contract.

38 (d) Comply with this article or any provision of law from which the
39 charter school is not exempt.

40 2. A charter operator may apply for early renewal. At least nine
41 months before the charter school's intended renewal consideration, the
42 operator of the charter school shall submit a letter of intent to the
43 sponsor to apply for early renewal. The sponsor shall review fiscal
44 audits and academic performance data for the charter school that are
45 annually collected by the sponsor, review the current contract between the

1 sponsor and the charter school and provide the qualifying charter school
2 with a renewal application. On submission of a complete application, the
3 sponsor shall give written notice of its consideration of the renewal
4 application. The sponsor may deny the request for early renewal if, in
5 the sponsor's judgment, the charter holder has failed to do any of the
6 following:

7 (a) Meet or make sufficient progress toward the academic
8 performance expectations set forth in the performance framework.

9 (b) Meet the operational performance expectations set forth in the
10 performance framework or any improvement plans.

11 (c) Complete the obligations of the contract.

12 (d) Comply with this article or any provision of law from which the
13 charter school is not exempt.

14 3. A sponsor shall review a charter at five-year intervals using a
15 performance framework adopted by the sponsor and may revoke a charter at
16 any time if the charter school breaches one or more provisions of its
17 charter or if the sponsor determines that the charter holder has failed to
18 do any of the following:

19 (a) Meet or make sufficient progress toward the academic
20 performance expectations set forth in the performance framework.

21 (b) Meet the operational performance expectations set forth in the
22 performance framework or any improvement plans.

23 (c) Comply with this article or any provision of law from which the
24 charter school is not exempt.

25 4. In determining whether to renew or revoke a charter holder, the
26 sponsor must consider making sufficient progress toward the academic
27 performance expectations set forth in the sponsor's performance framework
28 as one of the most important factors.

29 5. At least sixty days before the effective date of the proposed
30 revocation, the sponsor shall give written notice to the operator of the
31 charter school of its intent to revoke the charter. Notice of the
32 sponsor's intent to revoke the charter shall be delivered personally to
33 the operator of the charter school or sent by certified mail, return
34 receipt requested, to the address of the charter school. The notice shall
35 incorporate a statement of reasons for the proposed revocation of the
36 charter. The sponsor shall allow the charter school at least sixty days
37 to correct the problems associated with the reasons for the proposed
38 revocation of the charter. The final determination of whether to revoke
39 the charter shall be made at a public hearing called for such purpose.

40 J. The charter may be renewed for successive periods of twenty
41 years.

42 K. A charter school that is sponsored by the state board of
43 education, the state board for charter schools, a university, a community
44 college district or a group of community college districts may not be

1 located on the property of a school district unless the district governing
2 board grants this authority.

3 L. A governing board or a school district employee who has control
4 over personnel actions shall not take unlawful reprisal against another
5 employee of the school district because the employee is directly or
6 indirectly involved in an application to establish a charter school. A
7 governing board or a school district employee shall not take unlawful
8 reprisal against an educational program of the school or the school
9 district because an application to establish a charter school proposes the
10 conversion of all or a portion of the educational program to a charter
11 school. For the purposes of this subsection, "unlawful reprisal" means an
12 action that is taken by a governing board or a school district employee as
13 a direct result of a lawful application to establish a charter school and
14 that is adverse to another employee or an education program and:

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

- 17 (a) Disciplinary or corrective action.
- 18 (b) Detail, transfer or reassignment.
- 19 (c) Suspension, demotion or dismissal.
- 20 (d) An unfavorable performance evaluation.
- 21 (e) A reduction in pay, benefits or awards.
- 22 (f) Elimination of the employee's position without a reduction in
23 force by reason of lack of monies or work.
- 24 (g) Other significant changes in duties or responsibilities that
25 are inconsistent with the employee's salary or employment classification.

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

- 28 (a) Suspension or termination of the program.
- 29 (b) Transfer or reassignment of the program to a less favorable
30 department.
- 31 (c) Relocation of the program to a less favorable site within the
32 school or school district.
- 33 (d) Significant reduction or termination of funding for the
34 program.

35 M. Charter schools shall secure insurance for liability and
36 property loss. The governing body of a charter school that is sponsored
37 by the state board of education or the state board for charter schools may
38 enter into an intergovernmental agreement or otherwise contract to
39 participate in an insurance program offered by a risk retention pool
40 established pursuant to section 11-952.01 or 41-621.01 or the charter
41 school may secure its own insurance coverage. The pool may charge the
42 requesting charter school reasonable fees for any services it performs in
43 connection with the insurance program.

44 N. Charter schools do not have the authority to acquire property by
45 eminent domain.

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

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

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

16 R. The sponsoring entity of a charter school shall have oversight
17 and administrative responsibility for the charter schools that it
18 sponsors. In implementing its oversight and administrative
19 responsibilities, the sponsor shall ground its actions in evidence of the
20 charter holder's performance in accordance with the performance framework
21 adopted by the sponsor. The performance framework shall be publicly
22 available, shall be placed on the sponsoring entity's website and shall
23 include:

24 1. The academic performance expectations of the charter school and
25 the measurement of sufficient progress toward the academic performance
26 expectations.

27 2. The operational expectations of the charter school, including
28 adherence to all applicable laws and obligations of the charter contract.

29 3. Intervention and improvement policies.

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

32 ~~T. All property accumulated by a charter school shall remain the~~
33 ~~property of the charter school.~~

34 T. IF A CHARTER SCHOOL CLOSES, ANY ASSET OF THAT CHARTER SCHOOL
35 THAT WAS ACQUIRED IN WHOLE OR IN PART WITH PUBLIC MONIES SHALL BE RETURNED
36 TO THIS STATE. THIS SUBSECTION DOES NOT APPLY IF THE PROCEEDS FROM THE
37 SALE OF A CLOSED CHARTER SCHOOL ARE USED TO FUND THE CAPITAL COSTS FOR A
38 NEW CAMPUS OF THAT CHARTER SCHOOL.

39 U. Charter schools may not locate a school on property that is less
40 than one-fourth mile from agricultural land regulated pursuant to section
41 3-365, except that the owner of the agricultural land may agree to comply
42 with the buffer zone requirements of section 3-365. If the owner agrees
43 in writing to comply with the buffer zone requirements and records the
44 agreement in the office of the county recorder as a restrictive covenant
45 running with the title to the land, the charter school may locate a school

1 within the affected buffer zone. The agreement may include any
2 stipulations regarding the charter school, including conditions for future
3 expansion of the school and changes in the operational status of the
4 school that will result in a breach of the agreement.

5 V. A transfer of a charter to another sponsor, a transfer of a
6 charter school site to another sponsor or a transfer of a charter school
7 site to a different charter shall be completed before the beginning of the
8 fiscal year that the transfer is scheduled to become effective. An entity
9 that sponsors charter schools may accept a transferring school after the
10 beginning of the fiscal year if the transfer is approved by the
11 superintendent of public instruction. The superintendent of public
12 instruction shall have the discretion to consider each transfer during the
13 fiscal year on a case-by-case basis. A charter holder seeking to transfer
14 sponsors shall comply with the current charter terms regarding assignment
15 of the charter. A charter holder transferring sponsors shall notify the
16 current sponsor that the transfer has been approved by the new sponsor.

17 W. Notwithstanding subsection V of this section, a charter holder
18 on an improvement plan must notify parents or guardians of registered
19 students of the intent to transfer the charter and the timing of the
20 proposed transfer. On the approved transfer, the new sponsor shall
21 enforce the improvement plan but may modify the plan based on performance.

22 X. Notwithstanding subsection Y of this section, the state board
23 for charter schools shall charge a processing fee to any charter school
24 that amends its contract to participate in Arizona online instruction
25 pursuant to section 15-808. The charter Arizona online instruction
26 processing fund is established consisting of fees collected and
27 administered by the state board for charter schools. The state board for
28 charter schools shall use monies in the fund only for the processing of
29 contract amendments for charter schools participating in Arizona online
30 instruction. Monies in the fund are continuously appropriated.

31 Y. The sponsoring entity may not charge any fees to a charter
32 school that it sponsors unless the sponsor has provided services to the
33 charter school and the fees represent the full value of those services
34 provided by the sponsor. On request, the value of the services provided
35 by the sponsor to the charter school shall be demonstrated to the
36 department of education.

37 Z. Charter schools may enter into an intergovernmental agreement
38 with a presiding judge of the juvenile court to implement a law-related
39 education program as defined in section 15-154. The presiding judge of
40 the juvenile court may assign juvenile probation officers to participate
41 in a law-related education program in any charter school in the
42 county. The cost of juvenile probation officers who participate in the
43 program implemented pursuant to this subsection shall be funded by the
44 charter school.

1 AA. The sponsor of a charter school shall modify previously
2 approved curriculum requirements for a charter school that wishes to
3 participate in the board examination system prescribed in chapter 7,
4 article 6 of this title.

5 BB. If a charter school decides not to participate in the board
6 examination system prescribed in chapter 7, article 6 of this title,
7 pupils enrolled at that charter school may earn a Grand Canyon diploma by
8 obtaining a passing score on the same board examinations.

9 CC. Notwithstanding subsection Y of this section, a sponsor of
10 charter schools may charge a new charter application processing fee to any
11 applicant. The application fee shall fully cover the cost of application
12 review and any needed technical assistance. Authorizers may approve
13 policies that allow a portion of the fee to be returned to the applicant
14 whose charter is approved.

15 DD. A charter school may choose to provide a preschool program for
16 children with disabilities pursuant to section 15-771.

17 EE. Pursuant to the prescribed graduation requirements adopted by
18 the state board of education, the governing body of a charter school
19 operating a high school may approve a rigorous computer science course
20 that would fulfill a mathematics course required for graduation from high
21 school. The governing body may approve a rigorous computer science course
22 only if the rigorous computer science course includes significant
23 mathematics content and the governing body determines the high school
24 where the rigorous computer science course is offered has sufficient
25 capacity, infrastructure and qualified staff, including competent teachers
26 of computer science.

27 FF. A charter school may permit the use of school property,
28 including school buildings, grounds, buses and equipment, by any person,
29 group or organization for any lawful purpose, including a recreational,
30 educational, political, economic, artistic, moral, scientific, social,
31 religious or other civic or governmental purpose. The charter school may
32 charge a reasonable fee for the use of the school property.

33 GG. A charter school and its employees, including the governing
34 body, or chief administrative officer, are immune from civil liability
35 with respect to all decisions made and actions taken to allow the use of
36 school property, unless the charter school or its employees are guilty of
37 gross negligence or intentional misconduct. This subsection does not
38 limit any other immunity provisions that are prescribed by law.

39 HH. Sponsors authorized pursuant to this section shall submit an
40 annual report to the auditor general on or before October 1. The report
41 shall include:

42 1. The current number of charters authorized and the number of
43 schools operated by authorized charter holders.

1 2. The academic and operational performance of the sponsor's
2 charter portfolio as measured by the sponsor's adopted performance
3 framework.

4 3. For the prior year, the number of new charters approved, the
5 number of charter schools closed and the reason for the closure.

6 4. The sponsor's application, amendment, renewal and revocation
7 processes, charter contract template and current performance framework as
8 required by this section.

9 II. The auditor general shall prescribe the format for the annual
10 report required by subsection HH of this section and may require that the
11 annual report be submitted electronically. The auditor general shall
12 review the submitted annual reports to ensure that the reports include the
13 required items in subsection HH of this section and shall make the annual
14 reports available on request. If the auditor general finds significant
15 noncompliance or if a sponsor fails to submit the annual report required
16 by subsection HH of this section, on or before December 31 of each year
17 the auditor general shall report to the governor, the president of the
18 senate, the speaker of the house of representatives and the chairs of the
19 senate and house education committees or their successor committees, and
20 the legislature shall consider revoking the sponsor's authority to sponsor
21 charter schools.

22 Sec. 2. Section 15-189.01, Arizona Revised Statutes, is amended to
23 read:

24 15-189.01. Charter schools; zoning; development fees

25 A. Charter schools shall be classified the same as public schools
26 that are operated by a school district for the purposes of zoning and the
27 assessment of zoning fees, site plan fees and development fees, including
28 any required hearings or applications. Municipalities and counties shall
29 allow a charter school to be established and operate at a location or in a
30 facility for which the zoning regulations of the county or municipality
31 cannot legally prohibit schools operated by school districts, except that
32 a county or municipality may adopt zoning regulations that prohibit a
33 charter school from operating on property that is less than an acre in
34 size and that is located within an existing single family residence zoning
35 district.

36 B. Except as provided in subsection D of this section, a charter
37 school is subject to the same level of oversight and the same rules,
38 hearing requirements, application requirements, ordinances, limitations
39 and other requirements, if any, that would be applied to and enforced
40 against a school that is operated by a school district. A municipality or
41 county shall not enforce, or attempt to enforce, any ordinance, procedure
42 or process against a charter school that cannot be legally enforced
43 against a school district. Voluntary compliance ~~of~~ BY a school district
44 ~~in~~ WITH the zoning regulations of a municipality or a county does not
45 result in the application of those zoning regulations to a charter school.

1 C. The construction and development of the charter school facility
2 shall be subject to the building codes, including life and safety building
3 codes, of the municipality, county or state in which the charter school
4 facility is located.

5 D. Municipalities and counties shall adopt procedures to ensure
6 that hearings and administrative reviews involving charter schools are
7 scheduled and conducted on an expedited basis and that charter schools
8 receive a final determination from the municipality or county within
9 thirty days after the beginning of processes requiring only an
10 administrative review and within ninety days after the beginning of
11 processes requiring a public hearing and allowing an appeal to a board of
12 adjustment, city or town governing body or board of supervisors.

13 E. Except as provided in subsection F of this section, no political
14 subdivision of this state may enact or interpret any law, rule or
15 ordinance in a manner that conflicts with this section.

16 F. Notwithstanding subsections A and B of this section, a charter
17 school shall not be established or operated on commercial or residential
18 property in an age restricted community that is located in unorganized
19 territory.

20 G. A charter school may authorize a third party to apply to a
21 municipality or county as the representative of that charter school for
22 any application or action prescribed in subsections A through D of this
23 section.

24 H. A NEW CHARTER SCHOOL MAY NOT BE ESTABLISHED AFTER THE EFFECTIVE
25 DATE OF THIS AMENDMENT TO THIS SECTION IN A LOCATION THAT IS WITHIN A
26 THREE-MILE RADIUS OF A SCHOOL THAT IS OPERATED BY A SCHOOL DISTRICT AND
27 THAT HAS RECEIVED A LETTER GRADE OF A OR B PURSUANT TO SECTION 15-241.

28 Sec. 3. Section 15-189.02, Arizona Revised Statutes, is amended to
29 read:

30 15-189.02. Charter schools; public bidding requirements

31 ~~A.~~ EXCEPT AS OTHERWISE PROVIDED IN SECTION 15-213, a charter
32 school's procurement is exempt from public bidding requirements if the
33 aggregate dollar amount of the procurement does not exceed the maximum
34 amount of the exemption authorized by title 41, chapter 23 or pursuant to
35 rules adopted by the director of the department of administration.

36 ~~B. Notwithstanding subsection A, the state board for charter~~
37 ~~schools may authorize an exemption from public bidding requirements that~~
38 ~~exceeds the maximum exemption prescribed in subsection A of this section~~
39 ~~for any charter school sponsored by the state board for charter schools.~~

40 Sec. 4. Section 15-189.03, Arizona Revised Statutes, is amended to
41 read:

42 15-189.03. Academic credits; transfer; withdrawal;
43 notification

44 A. If a pupil who was previously enrolled in a charter school or
45 school district enrolls in a charter school in this state, the charter

1 school shall accept credits earned by the pupil in courses or
2 instructional programs at the charter school or school district. A
3 charter school governing board may adopt a policy concerning the
4 application of transfer credits for the purpose of determining whether a
5 credit earned by a pupil who was previously enrolled in a school district
6 or charter school will be assigned as an elective or core credit.

7 B. A pupil who transfers from a charter school or school district
8 shall be provided with a list that indicates which credits have been
9 accepted as an elective credit and which credits have been accepted as a
10 core credit by the charter school. Within ten school days after receiving
11 the list, ~~a~~ THE pupil may request to take an examination in each
12 particular course in which core credit has been denied. The charter
13 school shall accept the credit as a core credit for each particular course
14 in which the pupil takes an examination and receives a passing score on a
15 test designed and evaluated by a teacher in the charter school who teaches
16 the subject matter on which the examination is based.

17 C. IF A PUPIL WITHDRAWS OR TRANSFERS FROM A CHARTER SCHOOL DURING
18 THE SCHOOL YEAR, THE CHARTER SCHOOL SHALL REPORT THE WITHDRAWAL OR
19 TRANSFER TO THE DEPARTMENT OF EDUCATION WITHIN TWO WEEKS AFTER THE
20 WITHDRAWAL OR TRANSFER. THE DEPARTMENT OF EDUCATION SHALL ADJUST THE
21 AVERAGE DAILY MEMBERSHIP OF THE CHARTER SCHOOL TO ACCOUNT FOR THAT PUPIL'S
22 WITHDRAWAL OR TRANSFER AT THE NEXT SCHEDULED DISTRIBUTION OF STATE AID TO
23 THAT CHARTER SCHOOL.

24 Sec. 5. Section 15-213, Arizona Revised Statutes, is amended to
25 read:

26 15-213. Procurement practices of school districts and charter
27 schools; definitions

28 A. The state board of education shall adopt rules prescribing
29 procurement practices for all school districts in this state as follows:

30 1. The state board shall submit to the auditor general proposed
31 rules consistent with the procurement practices prescribed in title 41,
32 chapter 23, modifying the provisions for public notice of invitation for
33 bids, requests for proposals and requests for qualifications to allow a
34 governing board to give public notice of the invitation for bids, requests
35 for proposals and requests for qualifications by publication in the
36 official newspaper of the county as ~~defined~~ PRESCRIBED in section 11-255,
37 modifying the provisions relating to disposal of materials to comply with
38 section 15-342, paragraph 18, providing for governing board delegation of
39 procurement authority and modifying as necessary other provisions that the
40 state board determines are not appropriate for school districts. The
41 rules shall include provisions specifying that school districts are not
42 required to engage in competitive bidding in order to make the decision to
43 participate in programs pursuant to section 15-382 and that a program
44 authorized by section 15-382 is not required to engage in competitive
45 bidding for the services necessary to administer the program or for

1 purchase of insurance or reinsurance. The rules shall include provisions
 2 specifying that school districts are not required to engage in competitive
 3 bidding in order to place a pupil in a private school that provides
 4 special education services if such placement is prescribed in the pupil's
 5 individualized education program and the private school has been approved
 6 by the department of education division of special education pursuant to
 7 section 15-765, subsection D. This placement is not subject to rules
 8 adopted by the state board of education before November 24, 2009 pursuant
 9 to this section. The rules for procurement of construction projects shall
 10 include provisions specifying that surety bonds furnished as bid security
 11 and performance and payment bonds shall be executed and furnished as
 12 required by title 34, chapter 2 or 6, as applicable. The rules shall
 13 specify the total cost of a procurement that is subject to invitations for
 14 bids, requests for proposals and requests for clarification, using the
 15 aggregate dollar amount limits for procurements prescribed in section
 16 41-2535, EXCEPT THAT ANY SOLICITED QUOTE THAT EXCEEDS FIFTY THOUSAND
 17 DOLLARS FOR THE PROVISION OF MATERIALS, SERVICES OR CONSTRUCTION FOR
 18 CHARTER SCHOOLS MUST BE IN WRITING.

19 2. The state board of education shall adopt rules for procurements
 20 involving construction not exceeding one hundred fifty thousand dollars,
 21 which shall be known as the simplified school construction procurement
 22 program. At a minimum, the rules for a simplified construction
 23 procurement program shall require that:

24 (a) A list be maintained by each county school superintendent of
 25 persons who desire to receive solicitations to bid on construction
 26 projects to which additions shall be permitted throughout the year.

27 (b) The list of persons be available for public inspection.

28 (c) A performance bond and a payment bond as required by this
 29 section be provided for contracts for construction by contractors.

30 (d) All bids for construction be opened at a public opening and the
 31 bids shall remain confidential until the public opening.

32 (e) All persons desiring to submit bids be treated equitably and
 33 the information related to each project be available to all eligible
 34 persons.

35 (f) Competition for construction projects under the simplified
 36 school construction procurement program be encouraged to the maximum
 37 extent possible. At a minimum, a school district shall submit information
 38 on each project to all persons listed with the county school
 39 superintendent by any school district within that county.

40 (g) A provision, covenant, clause or understanding in, collateral
 41 to or affecting a construction contract that makes the contract subject to
 42 the laws of another state or that requires any litigation, arbitration or
 43 other dispute resolution proceeding arising from the contract to be
 44 conducted in another state is against this state's public policy and is
 45 void and unenforceable.

1 3. The state board of education shall adopt rules for the
2 procurement of goods and information services by school districts and
3 charter schools using electronic, online bidding. The rules adopted by
4 the state board shall include the use of reverse auctions and shall be
5 consistent with the procurement practices prescribed in title 41, chapter
6 23, article 13, modifying as necessary those provisions and the rules
7 adopted pursuant to that article that the state board determines are not
8 appropriate for school districts and charter schools. Until the rules are
9 adopted, school districts and charter schools may procure goods and
10 information services pursuant to title 41, chapter 23, article 13 using
11 the rules adopted by the department of administration in implementing that
12 article.

13 4. The auditor general shall review the proposed rules to determine
14 whether the rules are consistent with the procurement practices prescribed
15 in title 41, chapter 23 and any modifications are required to adapt the
16 procedures for school districts.

17 5. If the auditor general approves the proposed rules, the auditor
18 general shall notify the state board in writing and the state board shall
19 adopt such rules.

20 6. If the auditor general objects to the proposed rules, the
21 auditor general shall notify the state board of the objections in writing
22 and the state board, in adopting the rules, shall conform the proposed
23 rules to meet the objections of the auditor general or revise the proposed
24 rules to which an objection has been made and submit the revisions to the
25 auditor general for approval.

26 B. After the bids submitted in response to an invitation for bids
27 are opened and the award is made or after the proposals or qualifications
28 are submitted in response to a request for proposals or a request for
29 qualifications and the award is made, the governing board shall make
30 available for public inspection all information, all bids, proposals and
31 qualifications submitted and all findings and other information considered
32 in determining whose bid conforms to the invitation for bids and will be
33 the most advantageous with respect to price, conformity to the
34 specifications and other factors or whose proposal or qualifications are
35 to be selected for the award. The invitation for bids, request for
36 proposals or request for qualifications shall include a notice that all
37 information and bids, proposals and qualifications submitted will be made
38 available for public inspection. The rules adopted by the state board
39 shall prohibit the use in connection with procurement of specifications in
40 any way proprietary to one supplier unless the specification includes all
41 of the following:

42 1. A statement of the reasons why no other specification is
43 practicable.

44 2. A description of the essential characteristics of the specified
45 product.

1 3. A statement specifically permitting an acceptable alternative
2 product to be supplied.

3 C. No project or purchase may be divided or sequenced into separate
4 projects or purchases in order to avoid the limits prescribed by the state
5 board under subsection A of this section.

6 D. A contract for the procurement of construction or construction
7 services shall include a provision that provides for negotiations between
8 the school district and the contractor for the recovery of damages related
9 to expenses incurred by the contractor for a delay for which the school
10 district is responsible, that is unreasonable under the circumstances and
11 that was not within the contemplation of the parties to the contract.
12 This subsection shall not be construed to void any provision in the
13 contract that requires notice of delays, provides for arbitration or any
14 other procedure for settlement or provides for liquidated damages.

15 E. The auditor general may conduct discretionary reviews,
16 investigations and audits of the financial and operational procurement
17 activities of school districts, ~~nonexempt~~ charter schools and school
18 purchasing cooperatives. The auditor general has final review and
19 approval authority over all school district, ~~nonexempt~~ charter school and
20 school purchasing cooperative audit contracts and any audit reports issued
21 in accordance with this section.

22 F. In addition to the requirements of sections 15-914 and
23 15-914.01, school districts, ~~nonexempt~~ charter schools and school
24 purchasing cooperatives, in connection with any audit conducted by a
25 certified public accountant, shall contract for a systematic review of
26 purchasing practices using methodology consistent with sampling guidelines
27 established by the auditor general. The auditor general shall consider
28 cost when establishing guidelines pursuant to this subsection and to the
29 extent possible shall attempt to minimize the cost of the review. The
30 purpose of the review is to determine whether the school district,
31 ~~nonexempt~~ charter school or school purchasing cooperative is in compliance
32 with the procurement laws and applicable procurement rules of this state.
33 A copy of the review shall be submitted on completion to the auditor
34 general. The auditor general may conduct discretionary reviews of school
35 districts, ~~nonexempt~~ charter schools and school purchasing cooperatives
36 not required to contract for independent audits. **AN AUDIT OF A CHARTER
37 SCHOOL SHALL IDENTIFY THE SOURCE OF ANY PROFIT DISTRIBUTION THAT EXCEEDS
38 NET PROFITS FOR THAT YEAR.**

39 G. The attorney general or county attorney has jurisdiction to
40 enforce this section. The attorney general or county attorney may seek
41 relief for any violation of this section through an appropriate civil or
42 criminal action in superior court, including an action to enjoin a
43 threatened or pending violation of this section and including an action to
44 enforce compliance with any request for documents made by the auditor
45 general pursuant to this section.

1 H. The department of education shall enact policies and procedures
2 for the acceptance and disposition of complaints from the public regarding
3 school procurement practices and shall forward all school procurement
4 complaints to the attorney general. Notwithstanding rules adopted by the
5 state board, school districts shall not be required to prepare or submit
6 an annual report on the benefits associated with the use of
7 construction-manager-at-risk, design-build, qualified select bidders list
8 and job-order-contracting methods.

9 I. The state board of education shall adopt, and the auditor
10 general shall review, rules authorizing school districts to procure
11 construction services by construction-manager-at-risk, design-build,
12 qualified select bidders list and job-order-contracting methods of project
13 delivery. The rules shall not require school districts to obtain bid
14 security for the construction-manager-at-risk method of project delivery.

15 J. A school district or charter school may evaluate United States
16 general services administration contracts for materials and services. The
17 governing board or governing body may authorize purchases under a current
18 contract for materials or services without complying with the requirements
19 of the procurement rules adopted by the state board of education if the
20 governing board or governing body determines in writing that all of the
21 following apply:

22 1. The price for materials or services is equal to or less than the
23 contractor's current federal supply contract price with the general
24 services administration.

25 2. The contractor has indicated in writing that the contractor is
26 willing to extend the current federal supply contract pricing, terms and
27 conditions to the school district or charter school.

28 3. The purchase order adequately identifies the federal supply
29 contract on which the order is based.

30 4. The purchase contract is cost effective and is in the best
31 interests of the school district or charter school.

32 K. Unless otherwise provided by law, multiterm contracts for
33 materials or services and contracts for job-order-contracting construction
34 services may be entered into if the duration of the contract and the
35 conditions of renewal or extension, if any, are included in the invitation
36 for bids or the request for proposals and if monies are available for the
37 first fiscal period at the time the contract is executed. The duration of
38 contracts for materials or services and contracts for
39 job-order-contracting construction services shall be limited to no more
40 than five years unless the governing board determines in writing before
41 the procurement solicitation is issued that a contract of longer duration
42 would be advantageous to the school district. Payment and performance
43 obligations for succeeding fiscal periods are subject to the availability
44 and appropriation of monies.

1 L. Notwithstanding the rules adopted by the state board of
2 education, the maximum dollar amount of an individual job order for
3 job-order-contracting construction services shall be one million dollars
4 or a higher or lower amount prescribed by the governing board in a policy
5 adopted in a public meeting held pursuant to title 38, chapter 3, article
6 3.1. Requirements shall not be artificially divided or fragmented in order
7 to constitute a job order that satisfies the requirements of this
8 subsection.

9 M. For the purposes of this section:

10 ~~1. "Nonexempt charter school" means a charter school that is not~~
11 ~~exempted from procurement laws pursuant to section 15-183, subsection E,~~
12 ~~paragraph 6.~~

13 ~~2.~~ 1. "School purchasing cooperative" means an entity engaged in
14 cooperative purchasing as defined in section 41-2631.

15 ~~3.~~ 2. "Total cost" means the cost of all materials and services,
16 including the cost of labor performed by employees of the school district,
17 for all construction as provided in subsection A of this section.

18 Sec. 6. Section 15-914, Arizona Revised Statutes, is amended to
19 read:

20 15-914. Financial and compliance audits

21 A. The governing board of a school district that is required to
22 comply with the single audit act amendments of 1996 (P.L. 104-156; 110
23 Stat. 1396; 31 United States Code sections 7501 through 7507) shall
24 contract for at least annual financial and compliance audits of financial
25 transactions and accounts subject to the single audit act amendments of
26 1996 and kept by or for the school district. The governing board of a
27 school district that is not required to comply with the single audit act
28 and that has adopted an expenditure budget of two million dollars or more
29 for the maintenance and operation fund pursuant to section 15-905 shall
30 contract for an annual financial statement audit. The governing board of
31 a school district that is not required to comply with the single audit act
32 and that has adopted an expenditure budget of less than two million
33 dollars but more than seven hundred thousand dollars for the maintenance
34 and operation fund pursuant to section 15-905 shall contract for a
35 biennial financial statement audit. An independent certified public
36 accountant shall conduct the audit in accordance with generally accepted
37 governmental auditing standards. To the extent permitted by federal law,
38 a school district that is required to participate in an annual audit
39 pursuant to this subsection may convert to a biennial audit schedule if
40 the previous annual audit did not contain any significant negative
41 findings. If a biennial audit of a school district conducted pursuant to
42 this subsection contains any significant negative findings, the school
43 district shall convert back to an annual audit schedule. If a school
44 district is required to convert back to an annual audit schedule pursuant
45 to this subsection because of significant negative findings, the school

1 district may subsequently convert to a biennial audit schedule if the
2 previous two annual audits did not contain any significant negative
3 findings. For the purposes of this subsection, "significant negative
4 finding" means a finding that results in the issuance of a letter of
5 noncompliance from the auditor general.

6 B. The governing board of a charter school that is required to
7 comply with the single audit act amendments of 1996 shall contract for an
8 annual financial and compliance audit of financial transactions and
9 accounts subject to the single audit act amendments of 1996 and kept by or
10 for the charter school.

11 C. A charter school that is not subject to the single audit act
12 amendments of 1996 shall contract for ~~at least~~ an annual ~~financial~~
13 ~~statement~~ COMPREHENSIVE audit conducted in accordance with generally
14 accepted governmental auditing standards. An independent certified public
15 accountant shall conduct the audit.

16 D. For all audits referred to in subsections A, B and C of this
17 section, the independent certified public accountant shall submit a
18 uniform system of financial records compliance questionnaire to the
19 auditor general with the applicable audit reports. The independent
20 certified public accountant shall also send a paper copy or electronic
21 copy of the applicable audit reports to the county school superintendent
22 of the county where the school district is located.

23 E. Contracts for all financial and compliance audits and financial
24 statement audits and the completed audits shall be approved by the auditor
25 general as provided in section 41-1279.21. Contracts for all financial
26 and compliance audits and financial statement audits shall comply with the
27 rules for competitive sealed proposals as prescribed by the state board of
28 education in section 15-213.

29 F. If the school district or charter school will incur costs of
30 financial and compliance audits for the budget year, the governing board
31 of the school district or the governing body of the charter school may
32 increase its base support level for the budget year by an amount equal to
33 the amount expended for the district's or charter school's financial and
34 compliance audits in the year before the current year, increased by the
35 growth rate as prescribed by law, subject to appropriation. In
36 determining the amount expended for the district's or charter school's
37 financial and compliance audits, the school district or charter school
38 shall include only the portion of the audit that must be paid from monies
39 other than federal monies. The department of education and the auditor
40 general shall prescribe a method for determining the increase in the base
41 support level and shall include in the maintenance and operation section
42 of the budget format, as provided in section 15-903, a separate line for
43 financial and compliance audits expenditures.

44 G. Every audit contract shall include a systematic review of
45 average daily membership, as defined in section 15-901, using methodology

1 that is consistent with guidelines established by the auditor general.
2 The auditor general shall consider cost when establishing guidelines
3 pursuant to this subsection and, to the extent possible, shall attempt to
4 minimize the cost of the review. The purpose of the review is to
5 determine whether the average daily membership reported by the charter
6 school or school district is in compliance with the laws of this state and
7 the uniform systems of financial records for charter schools and school
8 districts.

9 H. IN ADDITION TO ANY OTHER AUDIT REQUIRED OR ALLOWED BY LAW, THE
10 AUDITOR GENERAL SHALL CONDUCT A COMPREHENSIVE ANNUAL AUDIT OF EACH CHARTER
11 SCHOOL IN THIS STATE.

12 I. EACH AUDIT CONDUCTED FOR A CHARTER SCHOOL THAT INCLUDES A REVIEW
13 OF COMPLIANCE WITH THE UNIFORM SYSTEM OF FINANCIAL RECORDS SHALL INCLUDE
14 EXAMINATIONS OF CLASSROOM SPENDING, SPECIAL EDUCATION PROGRAMS AND THE
15 DIVERSITY OF THE CHARTER SCHOOL PUPILS AND STAFF.

16 Sec. 7. Section 15-914.01, Arizona Revised Statutes, is amended to
17 read:

18 15-914.01. Accounting responsibility; definition

19 A. School districts AND CHARTER SCHOOLS may apply to the state
20 board of education to assume accounting responsibility.

21 B. A school district OR CHARTER SCHOOL applying to the state board
22 of education to assume accounting responsibility shall develop and file
23 with the department of education an accounting responsibility plan and
24 document in the plan:

25 1. Administrative and internal accounting controls designed to
26 achieve compliance with the uniform system of financial records and the
27 objectives of this section, including:

28 (a) Procedures for approving, preparing and signing vouchers and
29 warrants.

30 (b) Procedures to ensure verification of administrators' and
31 teachers' certification records with the department of education for all
32 classroom and administrative personnel required to hold a certificate by
33 the state board of education pursuant to section 15-203 before issuing
34 warrants for their services.

35 (c) Procedures to account for all revenues, including allocation of
36 certain revenues to funds.

37 (d) Procedures for reconciling the accounting records monthly to
38 the county treasurer.

39 2. A compilation of resources required to implement accounting
40 responsibility, including, at a minimum, personnel, training and
41 equipment, and a comprehensive analysis of the budgetary implications of
42 accounting responsibility for the school district OR CHARTER SCHOOL and
43 the county treasurer.

44 C. ~~Prior to~~ BEFORE January 1 of the fiscal year preceding the
45 fiscal year of implementation and before submitting an application to

1 assume accounting responsibility, a school district OR CHARTER SCHOOL
2 shall apply for evaluation by the auditor general. On completion of the
3 evaluation the auditor general may recommend approval or denial of
4 accounting responsibility to the state board of education. The evaluation
5 by the auditor general shall be performed contingent on staff availability
6 and may be billed to the school district OR CHARTER SCHOOL at cost.
7 Evaluation at a minimum shall include the following:

8 1. The most recent financial statements audited by an independent
9 certified public accountant.

10 2. The most recent report on internal control, report on compliance
11 and uniform system of financial records compliance questionnaire prepared
12 by an independent certified public accountant or procedural review
13 completed by the auditor general.

14 3. The working papers of the independent certified public
15 accountant responsible for auditing the school district OR CHARTER SCHOOL,
16 if deemed appropriate by the auditor general.

17 4. A procedural review if deemed appropriate by the auditor
18 general.

19 D. School districts AND CHARTER SCHOOLS that are approved by the
20 state board of education to assume accounting responsibility shall
21 contract with an independent certified public accountant for an annual
22 financial and compliance audit. The auditor general may reevaluate the
23 school district OR CHARTER SCHOOL annually based on the audit to determine
24 compliance with the uniform system of financial records. If permitted by
25 federal law, a school district OR CHARTER SCHOOL may convert to a biennial
26 audit schedule if the previous annual audit conducted pursuant to this
27 subsection did not contain any significant negative findings. If a
28 biennial audit of a school district OR CHARTER SCHOOL conducted pursuant
29 to this subsection contains any significant negative findings, the school
30 district OR CHARTER SCHOOL shall convert back to an annual audit schedule.
31 If a school district OR CHARTER SCHOOL is required to convert back to an
32 annual audit schedule pursuant to this subsection because of significant
33 negative findings, the school district OR CHARTER SCHOOL may subsequently
34 convert to a biennial audit schedule if the previous two annual audits did
35 not contain any significant negative findings. For the purposes of this
36 subsection, "significant negative finding" means a finding that results in
37 the issuance of a letter of noncompliance from the auditor general.

38 E. To assume accounting responsibility, a school district OR
39 CHARTER SCHOOL shall notify the county treasurer and the county school
40 superintendent of its intention before March 1 of the fiscal year
41 preceding the fiscal year of implementation. On notification, the county
42 treasurer shall establish acceptable standards for interface by school
43 districts AND CHARTER SCHOOLS with the county treasurer, including
44 specifications for computer hardware and software compatibility and

1 procedures to ensure the capacity of each school district AND CHARTER
2 SCHOOL for reconciliation of accounts with those of the county treasurer.

3 F. Any school district OR CHARTER SCHOOL that fails to maintain
4 accounting standards as provided by the uniform system of financial
5 records and that is found to be in noncompliance with the uniform system
6 of financial records by the state board of education as provided in
7 section 15-272 is not eligible to participate in the program provided by
8 this section.

9 G. Any school district OR CHARTER SCHOOL that has assumed
10 accounting responsibility pursuant to this section, that fails to maintain
11 accounting standards as provided by the uniform system of financial
12 records and that is found to be in noncompliance with the uniform system
13 of financial records by the state board of education as provided in
14 section 15-272 is no longer eligible to participate in the program
15 provided by this section.

16 H. For the purposes of this section, "accounting responsibility"
17 means authority for a school district OR CHARTER SCHOOL to operate with
18 full independence from the county school superintendent with respect to
19 revenues and expenditures, including allocating revenues, monitoring
20 vouchers, authorizing and issuing warrants and maintaining and verifying
21 staff records for certification and payroll purposes.

22 Sec. 8. Section 15-914.02, Arizona Revised Statutes, is amended to
23 read:

24 15-914.02. School district or charter school audit

25 A school district OR CHARTER SCHOOL that is subject to audit
26 pursuant to section 41-1279.03 shall comply with the reporting, follow-up
27 and hearing participation requirements of that section.

28 Sec. 9. Section 41-1279.03, Arizona Revised Statutes, is amended to
29 read:

30 41-1279.03. Powers and duties

31 A. The auditor general shall:

32 1. Prepare an audit plan for approval by the committee and report
33 to the committee the results of each audit and investigation and other
34 reviews conducted by the auditor general.

35 2. Conduct or cause to be conducted at least biennial financial and
36 compliance audits of financial transactions and accounts kept by or for
37 all state agencies subject to the single audit act of 1984 (P.L. 98-502).
38 The audits shall be conducted in accordance with generally accepted
39 governmental auditing standards and accordingly shall include tests of the
40 accounting records and other auditing procedures as may be considered
41 necessary in the circumstances. The audits shall include the issuance of
42 suitable reports as required by the single audit act of 1984 (P.L. 98-502)
43 so THAT the legislature, THE federal government and others will be
44 informed as to the adequacy of financial statements of the state in
45 compliance with generally accepted governmental accounting principles and

1 to determine whether the state has complied with laws and regulations that
2 may have a material effect on the financial statements and on major
3 federal assistance programs.

4 3. Perform procedural reviews for all state agencies at times
5 determined by the auditor general. These reviews may include evaluation
6 of administrative and accounting internal controls and reports on these
7 reviews.

8 4. Perform special research requests, special audits and related
9 assignments as designated by the committee and conduct performance audits,
10 special audits, special research requests and investigations of any state
11 agency, whether created by the constitution or otherwise, as may be
12 requested by the committee.

13 5. Annually on or before the fourth Monday of December, prepare a
14 written report to the governor and to the committee that contains a
15 summary of activities for the previous fiscal year.

16 6. In the tenth year and in each fifth year thereafter in which a
17 transportation excise tax is in effect in a county as provided in section
18 42-6106 or 42-6107, conduct a performance audit that:

19 (a) Reviews past expenditures and future planned expenditures of
20 the transportation excise revenues and determines the impact of the
21 expenditures in solving transportation problems within the county and, for
22 a transportation excise tax in effect in a county as provided in section
23 42-6107, determines whether the expenditures of the transportation excise
24 revenues comply with section 28-6392, subsection B.

25 (b) Reviews projects completed to date and projects to be completed
26 during the remaining years in which a transportation excise tax is in
27 effect. Within six months after each review period, the auditor general
28 shall present a report to the speaker of the house of representatives and
29 the president of the senate detailing findings and making recommendations.

30 (c) Reviews, determines, reports and makes recommendations to the
31 speaker of the house of representatives and the president of the senate
32 whether the distribution of highway user revenues complies with title 28,
33 chapter 18, article 2.

34 7. If requested by the committee, conduct performance audits of
35 counties and incorporated cities and towns receiving highway user revenue
36 fund monies pursuant to title 28, chapter 18, article 2 to determine if
37 the monies are being spent as provided in section 28-6533, subsection B.

38 8. Perform special audits designated pursuant to law if the auditor
39 general determines that there are adequate monies appropriated for the
40 auditor general to complete the audit. If the auditor general determines
41 the appropriated monies are inadequate, the auditor general shall notify
42 the committee.

1 9. Establish a ~~school-wide~~ SCHOOLWIDE audit team in the office of
2 the auditor general to conduct performance audits and monitor school
3 districts AND CHARTER SCHOOLS to determine the percentage of every dollar
4 spent in the classroom by ~~a~~ THE school district OR CHARTER SCHOOL. The
5 performance audits shall determine whether school districts AND CHARTER
6 SCHOOLS that receive monies from the Arizona structured English immersion
7 fund established by section 15-756.04 and the statewide compensatory
8 instruction fund established by section 15-756.11 are in compliance with
9 title 15, chapter 7, article 3.1. The auditor general shall determine,
10 through random selection, the school districts AND CHARTER SCHOOLS to be
11 audited each year, subject to review by the joint legislative audit
12 committee. A school district OR CHARTER SCHOOL that is subject to an
13 audit pursuant to this paragraph shall notify the auditor general in
14 writing as to whether the school district OR CHARTER SCHOOL agrees or
15 disagrees with the findings and recommendations of the audit and whether
16 the school district OR CHARTER SCHOOL will implement the findings and
17 recommendations, implement modifications to the findings and
18 recommendations or refuse to implement the findings and recommendations.
19 The school district OR CHARTER SCHOOL shall submit to the auditor general
20 a written status report on the implementation of the audit findings and
21 recommendations every six months for two years after an audit conducted
22 pursuant to this paragraph. The auditor general shall review the school
23 district's OR CHARTER SCHOOL'S progress toward implementing the findings
24 and recommendations of the audit every six months after receipt of the
25 district's OR CHARTER SCHOOL'S status report for two years. The auditor
26 general may review a school district's OR CHARTER SCHOOL'S progress beyond
27 this two-year period for recommendations that have not yet been
28 implemented by the school district OR CHARTER SCHOOL. The auditor general
29 shall provide a status report of these reviews to the joint legislative
30 audit committee. The school district OR CHARTER SCHOOL shall participate
31 in any hearing scheduled during this review period by the joint
32 legislative audit committee or by any other legislative committee
33 designated by the joint legislative audit committee.

34 10. Annually review per diem compensation and reimbursement of
35 expenses for employees of the state and members of a state board,
36 commission, council or advisory committee by judgmentally selecting
37 samples and evaluating the propriety of per diem compensation and expense
38 reimbursements.

39 B. The auditor general may:

40 1. Subject to approval by the committee, adopt rules necessary to
41 administer the duties of the office.

42 2. Hire consultants to conduct the studies required by subsection
43 A, paragraphs 6 and 7 of this section.

1 C. If approved by the committee, the auditor general may charge a
2 reasonable fee for the cost of performing audits or providing accounting
3 services for auditing federal funds, special audits or special services
4 requested by political subdivisions of the state. Monies collected
5 pursuant to this subsection shall be deposited in the audit services
6 revolving fund.

7 D. The department of transportation, the board of supervisors of a
8 county that has approved a county transportation excise tax as provided in
9 section 42-6106 or 42-6107 and the governing bodies of counties, cities
10 and towns receiving highway user revenue fund monies shall cooperate with
11 and provide necessary information to the auditor general or the auditor
12 general's consultant.

13 E. The department of transportation shall reimburse the auditor
14 general as follows, and the auditor general shall deposit the reimbursed
15 monies in the audit services revolving fund:

16 1. For the cost of conducting the studies or hiring a consultant to
17 conduct the studies required by subsection A, paragraph 6, subdivisions
18 (a) and (b) of this section, from monies collected pursuant to a county
19 transportation excise tax levied pursuant to section 42-6106 or 42-6107.

20 2. For the cost of conducting the studies or hiring a consultant
21 pursuant to subsection A, paragraph 6, subdivision (c) and paragraph 7 of
22 this section, from the Arizona highway user revenue fund.

23 Sec. 10. Section 41-1279.04, Arizona Revised Statutes, is amended
24 to read:

25 41-1279.04. Authority to examine records; violation;
26 classification

27 A. The auditor general or the auditor general's authorized
28 representatives, in the performance of official duties, shall have access
29 to, and authority to examine, any and all books, accounts, reports,
30 vouchers, correspondence files and other records, bank accounts, criminal
31 history record information as defined in section 41-1701, money and other
32 property of any state agency, board, commission, department, institution,
33 program, advisory council or committee or political subdivision of this
34 state, whether created by the constitution or otherwise, or such documents
35 and property of a contractor relating to a contract with this state
36 pursuant to the provisions of section 35-214. ~~It is the duty of~~ Any
37 officer or employee of any such agency or political subdivision, ~~to~~ having
38 such records under the officer's or employee's control, ~~to~~ SHALL permit
39 access to and examination of the records on the request of the auditor
40 general or the auditor general's authorized representative.

41 B. For the purpose of complying with section 41-1279.03, subsection
42 A, paragraphs 4 and 9, the auditor general or the auditor general's
43 authorized representative, in the performance of official duties, may
44 attend executive sessions of the governing body of any state agency, ~~or~~
45 school district OR CHARTER SCHOOL in this state.

1 C. For the purpose of auditing the department of revenue, the
2 auditor general and the auditor general's authorized representatives have
3 access to state tax returns, except that a report of the auditor general
4 shall not violate the confidentiality of state tax laws.

5 D. Any officer or person who knowingly fails or refuses to permit
6 such access and examination is guilty of a class 2 misdemeanor.