

State of Arizona
Senate
Fifty-fourth Legislature
First Regular Session
2019

SENATE BILL 1101

AN ACT

AMENDING SECTION 15-910, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 9, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-942; AMENDING SECTION 15-943, ARIZONA REVISED STATUTES; RELATING TO SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-910, Arizona Revised Statutes, is amended to
3 read:

4 15-910. School district budgets; excess utility costs;
5 desegregation costs; tuition costs for bond issues;
6 costs for registering warrants; report

7 A. The governing board may budget for the district's excess utility
8 costs that are specifically exempt from the district's revenue control
9 limit. If approved by the qualified electors voting at a statewide general
10 election, the exemption from the revenue control limit under this
11 subsection expires at the end of the 2008-2009 budget year. The uniform
12 system of financial records shall specify expenditure items allowable as
13 excess utility costs, which are limited to direct operational costs of
14 heating, cooling, water and electricity, telephone communications and
15 sanitation fees. The department of education and the auditor general
16 shall include in the maintenance and operation section of the budget
17 format, as provided in section 15-903, a separate line for utility
18 expenditures and a special excess utility cost category. The special
19 excess utility cost category shall contain budgeted expenditures for
20 excess utility costs, determined as follows:

21 1. Determine the lesser of the total budgeted or total actual
22 utility expenditures for fiscal year 1984-1985.

23 2. Multiply the amount in paragraph 1 of this subsection by the
24 total percentage increase or decrease in the revenue control limit and the
25 capital outlay revenue limit for the budget year over the revenue control
26 limit and the capital outlay revenue limit for fiscal year 1984-1985
27 excluding monies available from a teacher compensation program provided
28 for in section 15-952.

29 3. The sum of the amounts in paragraphs 1 and 2 of this subsection
30 is the amount budgeted in the utility expenditure line.

31 4. Additional expenditures for utilities are budgeted in the excess
32 utility cost category.

33 B. The governing board shall apply the same percentage increase or
34 decrease allowed in the revenue control limit and the capital outlay
35 revenue limit as provided in section 15-905, subsection E to the utility
36 expenditure line of the budget.

37 C. The governing board may expend from the excess utility cost
38 category only after it has expended for utility purposes the full amount
39 budgeted in the utility expenditure line of the budget.

40 D. The governing board, after notice is given and a public meeting
41 is held as provided in section 15-905, subsection D, may revise at any
42 time before May 15 the amount budgeted in the excess utility cost category
43 for the current year. Not later than May 18, the budget as revised shall
44 be submitted electronically to the superintendent of public instruction.

1 E. If the revised excess utility cost category results in an
2 expenditure of monies in excess of school district revenues for the
3 current year, the county school superintendent shall include within the
4 revenue estimate for the budget year monies necessary to meet the
5 liabilities incurred by the school district in the current year in excess
6 of revenues received for the current year.

7 F. If a school district receives a refund of utility expenditures
8 or a rebate on energy saving devices or services, the refund or rebate
9 shall be applied against utility expenditures for the current year as a
10 reduction of the expenditures, except that the reduction of expenditures
11 shall not exceed the amount of actual utility expenditures.

12 G. The governing board may budget for expenses of complying with or
13 continuing to implement activities that were required or permitted by a
14 court order of desegregation or administrative agreement with the United
15 States department of education office for civil rights directed toward
16 remediating alleged or proven racial discrimination that are specifically
17 exempt in whole or in part from the revenue control limit and district
18 additional assistance. This exemption applies only to expenses incurred
19 for activities that are begun before the termination of the court order or
20 administrative agreement. If a district is levying a property tax on
21 February 23, 2006 and using those monies to administer an English language
22 learner program to remedy alleged or proven discrimination under title VI
23 of the civil rights act of 1964 (42 United States Code section 2000d), the
24 district may spend those monies to remedy a violation of the equal
25 educational opportunities act of 1974 (20 United States Code section
26 1703(f)). Nothing in this subsection allows a school district to levy a
27 property tax for violations of the equal educational opportunities act of
28 1974 (20 United States Code section 1703(f)) in the absence of an alleged
29 or proven discrimination under title VI of the civil rights act of 1964
30 (42 United States Code section 2000d).

31 H. If a governing board chooses to budget monies outside of the
32 revenue control limit as provided in subsection G of this section, the
33 governing board may do one of the following:

34 1. Use monies from the maintenance and operation fund equal to any
35 excess desegregation or compliance expenses beyond the revenue control
36 limit before June 30 of the current year.

37 2. Notify the county school superintendent to include the cost of
38 the excess expenses in the county school superintendent's estimate of the
39 additional amount needed for the school district from the secondary
40 property tax as provided in section 15-991.

41 3. Employ the provisions of both paragraphs 1 and 2 of this
42 subsection, provided that the total amount transferred and included in the
43 amount needed from property taxes does not exceed the total amount
44 budgeted as prescribed in subsection J, paragraph 1 of this section.

1 I. If a governing board chooses to budget monies outside of
2 district additional assistance as provided in subsection G of this
3 section, the governing board may notify the county school superintendent
4 to include the cost of the excess expenses in the county school
5 superintendent's estimate of the additional amount needed for the school
6 district from the secondary property tax as provided in section 15-991.

7 J. A governing board using subsections G, H and I of this section:

8 1. Shall prepare and employ a separate maintenance and operation
9 desegregation budget and capital outlay desegregation budget on a form
10 prescribed by the superintendent of public instruction in conjunction with
11 the auditor general. The budget format shall be designed to allow a
12 school district to plan and provide in detail for expenditures to be
13 incurred solely as a result of compliance with or continuing to implement
14 activities that were required or permitted by a court order of
15 desegregation or administrative agreement with the United States
16 department of education office for civil rights directed toward
17 remediating alleged or proven racial discrimination.

18 2. Shall prepare as a part of the annual financial report a
19 detailed report of expenditures incurred solely as a result of compliance
20 with or continuing to implement activities that were required or permitted
21 by a court order of desegregation or administrative agreement with the
22 United States department of education office for civil rights directed
23 toward remediating alleged or proven racial discrimination, in a format
24 prescribed by the auditor general in conjunction with the Arizona
25 department of education as provided by section 15-904.

26 3. On or before July 15 each year, shall collect and report data
27 regarding activities related to a court order of desegregation or an
28 administrative agreement with the United States department of education
29 office for civil rights directed toward remediating alleged or proven
30 racial discrimination in a format prescribed by the Arizona department of
31 education. The Arizona department of education shall compile and submit
32 copies of the reports to the governor, the president of the senate, the
33 speaker of the house of representatives and the chairpersons of the
34 education committees of the senate and the house of representatives and
35 shall submit a copy to the secretary of state. A school district that
36 becomes subject to a new court order of desegregation or a party to an
37 administrative agreement with the United States department of education
38 office for civil rights directed toward remediating alleged or proven
39 racial discrimination shall submit these reports on or before July 15 or
40 within ninety days of the date of the court order or administrative
41 agreement, whichever occurs first. The Arizona department of education,
42 in consultation with the auditor general, shall develop reporting
43 requirements to ensure that school districts submit at least the following
44 information and documentation to the Arizona department of education:

1 (a) A district-wide budget summary and a budget summary on a
2 school-by-school basis for each school in the school district that lists
3 the sources and uses of monies that are designated for desegregation
4 purposes.

5 (b) A detailed list of desegregation activities on a district-wide
6 basis and on a school-by-school basis for each school in the school
7 district.

8 (c) The date that the school district was determined to be out of
9 compliance with title VI of the civil rights act of 1964 (42 United States
10 Code section 2000d) and the basis for that determination.

11 (d) The initial date that the school district began to levy
12 property taxes to provide funding for desegregation expenses and any dates
13 that these property tax levies were increased.

14 (e) If applicable, a current and accurate description of all magnet
15 type programs that are in operation pursuant to the court order during the
16 current school year on a district-wide basis and on a school-by-school
17 basis. This information shall contain the eligibility and attendance
18 criteria of each magnet type program, the capacity of each magnet type
19 program, the ethnic composition goals of each magnet type program, the
20 actual attending ethnic composition of each magnet type program and the
21 specific activities offered in each magnet type program.

22 (f) The number of pupils who participate in desegregation
23 activities on a district-wide basis and on a school-by-school basis for
24 each school in the school district.

25 (g) A detailed summary of the academic achievement of pupils on a
26 district-wide basis and on a school-by-school basis for each school in the
27 school district.

28 (h) The number of employees, including teachers and administrative
29 personnel, on a district-wide basis and on a school-by-school basis for
30 each school in the school district that is necessary to conduct
31 desegregation activities.

32 (i) The number of employees, including teachers and administrative
33 personnel, on a district-wide basis and on a school-by-school basis for
34 each school in the school district and the number of employees at school
35 district administrative offices that are funded in whole or in part with
36 desegregation monies received pursuant to this section.

37 (j) The amount of monies that is not derived through a primary or
38 secondary property tax levy and that is budgeted and spent on
39 desegregation activities on a district-wide basis and on a
40 school-by-school basis for each school in the school district.

41 (k) Verification that the desegregation funding will supplement and
42 not supplant funding for other academic and extracurricular activities.

43 (l) Verification that the desegregation funding is educationally
44 justifiable.

1 (m) Any documentation that supports the proposition that the
2 requested desegregation funding is intended to result in equal education
3 opportunities for all pupils in the school district.

4 (n) Verification that the desegregation funding will be used to
5 promote systemic and organizational changes within the school district.

6 (o) Verification that the desegregation funding will be used in
7 accordance with the academic standards adopted by the state board of
8 education pursuant to sections 15-701 and 15-701.01.

9 (p) Verification that the desegregation funding will be used to
10 accomplish specific actions to remediate proven discrimination pursuant to
11 title VI of the civil rights act of 1964 (42 United States Code section
12 2000d) as specified in the court order or administrative agreement.

13 (q) An evaluation by the school district of the effectiveness of
14 the school district's desegregation measures.

15 (r) An estimate of when the school district will be in compliance
16 with the court order or administrative agreement and a detailed account of
17 the steps that the school district will take to achieve compliance.

18 (s) Any other information that the Arizona department of education
19 deems necessary to carry out the purposes of this paragraph.

20 K. If a school district governing board budgets for expenses of
21 complying with a court order of desegregation or an administrative
22 agreement with the United States department of education office for civil
23 rights directed toward remediating alleged or proven racial
24 discrimination, the governing board shall ensure that the desegregation
25 expenses will:

26 1. Be educationally justifiable.

27 2. Result in equal education opportunities for all pupils in the
28 school district.

29 3. Be used to promote systemic and organizational changes within
30 the school district.

31 4. Be used in accordance with the academic standards adopted by the
32 state board of education pursuant to sections 15-701 and 15-701.01.

33 5. Be used to accomplish specific actions to remediate proven
34 discrimination pursuant to title VI of the civil rights act of 1964
35 (42 United States Code section 2000d) as specified in the court order or
36 administrative agreement.

37 6. Be used in accordance with a plan submitted to the department of
38 education that includes an estimate of the amount of monies that will be
39 required to bring the school district into compliance with the court order
40 or administrative agreement and an estimate of when the school district
41 will be in compliance with the court order or administrative agreement.

42 7. Each fiscal year, not exceed the amount budgeted by the school
43 district for desegregation expenses in fiscal year 2008-2009, MINUS FIFTY
44 PERCENT OF ANY INCREASE ATTRIBUTED TO THE CALCULATED OPPORTUNITY INDEX
45 PRESCRIBED IN SECTION 15-942. THE SCHOOL DISTRICT MAY APPLY THIS AMOUNT

OF THE OPPORTUNITY INDEX TO BRING THE SCHOOL DISTRICT INTO COMPLIANCE WITH THE COURT ORDER OR ADMINISTRATIVE AGREEMENT. IF STATE MONIES ARE NOT PROVIDED FOR THE OPPORTUNITY INDEX IN ANY FISCAL YEAR, THE SCHOOL DISTRICT MAY CONTINUE TO LEVY TAXES TO BRING THE SCHOOL DISTRICT INTO COMPLIANCE WITH THE COURT ORDER OR ADMINISTRATIVE AGREEMENT PURSUANT TO SUBSECTION L OF THIS SECTION.

8. IF THE AMOUNT IN PARAGRAPH 7 OF THIS SUBSECTION IS LESS THAN ZERO, THE SCHOOL DISTRICT MAY NOT BUDGET FOR DESEGREGATION EXPENSES.

L. Beginning in fiscal year 2018-2019, subsections G through K of this section apply only if the governing board uses revenues from secondary property taxes rather than primary property taxes to fund expenses of complying with or continuing to implement activities that were required or allowed by a court order of desegregation or administrative agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination that are specifically exempt in whole or in part from the revenue control limit and district additional assistance. Secondary property taxes levied pursuant to this subsection do not require voter approval, but shall be separately delineated on a property owner's property tax statement.

M. The governing board may budget for the bond issues portion of the cost of tuition charged the district as provided in section 15-824 for the pupils attending school in another school district, except that if the district is a common school district not within a high school district, the district may only include that part of tuition that is excluded from the revenue control limit and district support level as provided in section 15-951. The bond issues portion of the cost of tuition charged is specifically exempt from the revenue control limit of the school district of residence, and the primary property tax rate set to fund this amount shall not be included in the computation of additional state aid for education as provided in section 15-972, except as provided in section 15-972, subsection E. The department of education and the auditor general shall include in the maintenance and operation section of the budget format, as provided in section 15-903, a separate category for the bond issues portion of the cost of tuition.

N. The governing board may budget for interest expenses it incurred for registering warrants drawn against a fund of the school district or net interest expense on tax anticipation notes as prescribed in section 35-465.05, subsection C for the fiscal year preceding the current year if the county treasurer pooled all school district monies for investment as provided in section 15-996 for the fiscal year preceding the current year and, in those school districts that receive state aid, the school districts applied for an apportionment of state aid before the date set for the apportionment as provided in section 15-973 for the fiscal year preceding the current year. The governing board may budget an amount for interest expenses for registering warrants or issuing tax anticipation

1 notes equal to or less than the amount of the warrant interest expense or
2 net interest expense on tax anticipation notes as prescribed in section
3 35-465.05, subsection C for the fiscal year preceding the current year as
4 provided in this subsection that is specifically exempt from the revenue
5 control limit. For the purposes of this subsection, "state aid" means
6 state aid as determined in sections 15-971 and 15-972.

7 Sec. 2. Title 15, chapter 9, article 3, Arizona Revised Statutes,
8 is amended by adding section 15-942, to read:

9 15-942. Calculated opportunity index; report

10 A. ON OR BEFORE FEBRUARY 1 OF EACH YEAR, THE SUPERINTENDENT OF
11 PUBLIC INSTRUCTION SHALL DETERMINE THE CALCULATED OPPORTUNITY INDEX AS
12 FOLLOWS:

13 1. DETERMINE THE STATEWIDE AVERAGE PERCENTAGE OF PUPILS IN SCHOOL
14 DISTRICTS AND CHARTER SCHOOLS WHO ARE ELIGIBLE UNDER THE NATIONAL SCHOOL
15 LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751
16 THROUGH 1785) FOR FREE OR REDUCED-PRICE LUNCHES OR AN EQUIVALENT MEASURE
17 RECOGNIZED FOR PARTICIPATING IN THE FEDERAL FREE AND REDUCED-PRICE LUNCH
18 PROGRAM AND OTHER SCHOOL PROGRAMS DEPENDENT ON A POVERTY MEASURE,
19 INCLUDING THE COMMUNITY ELIGIBILITY PROVISION FOR WHICH FREE AND
20 REDUCED-PRICE LUNCH DATA IS NOT AVAILABLE.

21 2. DETERMINE THE AVERAGE PERCENTAGE OF PUPILS AT EACH INDIVIDUAL
22 SCHOOL WITHIN A SCHOOL DISTRICT OR CHARTER SCHOOL IN THIS STATE WHO ARE
23 ELIGIBLE UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42
24 UNITED STATES CODE SECTIONS 1751 THROUGH 1785) FOR FREE OR REDUCED-PRICE
25 LUNCHES OR AN EQUIVALENT MEASURE RECOGNIZED FOR PARTICIPATING IN THE
26 FEDERAL FREE AND REDUCED-PRICE LUNCH PROGRAM AND OTHER SCHOOL PROGRAMS
27 DEPENDENT ON A POVERTY MEASURE, INCLUDING THE COMMUNITY ELIGIBILITY
28 PROVISION FOR WHICH FREE AND REDUCED-PRICE LUNCH DATA IS NOT AVAILABLE.

29 3. IF THE NUMBER DETERMINED IN PARAGRAPH 2 OF THIS SECTION IS
30 GREATER THAN THE NUMBER DETERMINED IN PARAGRAPH 1 OF THIS SECTION,
31 DETERMINE THE NUMBER OF PERCENTAGE POINTS THAT THE NUMBER DETERMINED IN
32 PARAGRAPH 2 OF THIS SECTION EXCEEDS THE NUMBER DETERMINED IN PARAGRAPH 1
33 OF THIS SECTION AND ROUND TO THE NEAREST TENTH OF A PERCENTAGE POINT. IF
34 THE NUMBER DETERMINED IN PARAGRAPH 1 OF THIS SECTION IS GREATER THAN THE
35 NUMBER IN PARAGRAPH 2 OF THIS SECTION, USE ZERO.

36 4. MULTIPLY THE NUMBER DETERMINED IN PARAGRAPH 3 OF THIS SECTION BY
37 0.059.

38 5. DIVIDE THE NUMBER DETERMINED IN PARAGRAPH 4 OF THIS SECTION BY
39 100.

40 6. DIVIDE THE AVERAGE DAILY MEMBERSHIP OF THE SCHOOL BY THE AVERAGE
41 DAILY MEMBERSHIP FOR THE SCHOOL DISTRICT OR CHARTER SCHOOL.

42 7. MULTIPLY THE NUMBER DETERMINED IN PARAGRAPH 6 OF THIS SECTION BY
43 THE NUMBER DETERMINED IN PARAGRAPH 5 OF THIS SECTION.

44 8. ADD THE PRODUCT DETERMINED IN PARAGRAPH 7 OF THIS SECTION FOR
45 ALL SCHOOLS WITHIN THE SCHOOL DISTRICT OR CHARTER SCHOOL.

B. ON OR BEFORE OCTOBER 15 OF EACH YEAR, EACH DISTRICT OR CHARTER SCHOOL WHO RECEIVED ADDITIONAL FUNDING FROM THE CALCULATED OPPORTUNITY INDEX SHALL SUBMIT ELECTRONICALLY A REPORT TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES SHOWING THE ACADEMIC GROWTH OF STUDENTS AT THE SCHOOLS THAT GENERATED THE ADDITIONAL FUNDING. THE ASSESSMENT THAT WILL BE USED AT THE END OF THE YEAR TO MEASURE GROWTH MUST BE ADOPTED PRIOR TO THE BEGINNING OF THE SCHOOL YEAR. SCHOOLS WILL APPROVE THEIR ASSESSMENTS USED FOR GROWTH THROUGH THEIR RESPECTIVE BOARDS. THESE ASSESSMENTS WILL BE ALIGNED TO THE STATE STANDARDS.

Sec. 3. 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 For Small Isolated School Districts	Support Level Weight For Small School Districts
<u>Student Count</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-3		0.060	x		=	
K-3 reading		0.040	x		=	
ELL		0.115	x		=	
MD-R, A-R and SID-R		6.024	x		=	
MD-SC, A-SC and SID-SC		5.833	x		=	
MD-SSI		7.947	x		=	
OI-R		3.158	x		=	
OI-SC		6.773	x		=	
P-SD		3.595	x		=	
DD, ED, MIID, SLD, SLI and OHI		0.003	x		=	
ED-P		4.822	x		=	
MOID		4.421	x		=	
VI		4.806	x		=	
					Subtotal	B

(c) Total of subtotals A and B:

3. Multiply the total determined in paragraph 2 of this section by the base level.

~~4. Multiply the teacher experience index of the district or 1.00, whichever is greater, by the product obtained in paragraph 3 of this section.~~

4. ADD THE TEACHER EXPERIENCE INDEX OF THE DISTRICT OR 1.00, WHICHEVER IS GREATER, TO THE CALCULATED OPPORTUNITY INDEX OF THE DISTRICT. FOR A CHARTER SCHOOL, ADD 1.00 TO THE CALCULATED OPPORTUNITY INDEX OF THE CHARTER SCHOOL.

5. MULTIPLY THE SUM DETERMINED IN PARAGRAPH 4 OF THIS SECTION BY THE PRODUCT OBTAINED IN PARAGRAPH 3 OF THIS SECTION.

1 ~~5.~~ 6. For the purposes of this section, the student count is the
2 average daily membership as prescribed in section 15-901 for the current
3 year, except that for the purposes of computing the base support level
4 used in determining school district rollover allocations and school
5 district budget override amounts, the student count is the average daily
6 membership as prescribed in section 15-901 for the prior year.