

REFERENCE TITLE: SFB; department of administration

State of Arizona
House of Representatives
Fifty-fourth Legislature
Second Regular Session
2020

HB 2679

Introduced by
Representative Udall

AN ACT

AMENDING SECTIONS 15-119, 15-181, 15-203, 15-213.01, 15-213.03, 15-341, 15-342, 15-481, 15-491, 15-907, 15-964, 15-995, 15-996, 15-1021 AND 15-1107, ARIZONA REVISED STATUTES; PROVIDING FOR TRANSFERRING AND RENUMBERING; AMENDING SECTIONS 35-185.01, 35-313, 37-221 AND 37-521, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 1, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-175; AMENDING TITLE 41, CHAPTER 4, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-710.02; AMENDING SECTIONS 41-2632, 41-3022.18 AND 41-3026.01, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-5701, 41-5702, 41-5703, 41-5704, 41-5705, 41-5706, 41-5711, 41-5721, 41-5731, 41-5741, 41-5751, 41-5752, 41-5753, 41-5754, 41-5755, 41-5757, 41-5758, 41-5759, 41-5760, 41-5761, 41-5763, 41-5764, 41-5781, 41-5782, 41-5783, 41-5784, 41-5785, 41-5787, 41-5788, 41-5789, 41-5790, 41-5791, 41-5793, 41-5794, 41-5805, 41-5810, 41-5832, 41-5841, 41-5851, 41-5853, 41-5854, 41-5857 AND 41-5858, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED; AMENDING SECTIONS 42-5029, 42-5030.01, 43-1089.02 AND 43-1181, ARIZONA REVISED STATUTES; APPROPRIATING MONIES; RELATING TO SCHOOL CAPITAL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-119, Arizona Revised Statutes, is amended to
3 read:

4 15-119. Vacant and partially used buildings; list; sale or
5 lease; equipment; definitions

6 A. The school facilities OVERSIGHT board, ~~in conjunction with~~
7 WITHIN the department of administration, shall annually publish a list of
8 vacant buildings and partially used buildings that are owned by this state
9 or by school districts in this state and that may be suitable for the
10 operation of a school. The school facilities OVERSIGHT board shall make
11 the list publicly available on the website of the school facilities
12 OVERSIGHT board and on request to applicants for charter schools, to
13 applicants applying to the school facilities OVERSIGHT board for
14 additional space and to existing district and charter schools. The list
15 shall include the address of each building, a short description of the
16 building, the name of the owner of the building and any other pertinent
17 information related to the vacancy and capacity of the building. The
18 school facilities OVERSIGHT board shall annually submit the list to the
19 governor, the president of the senate and the speaker of the house of
20 representatives and provide a copy of the list to the secretary of state
21 and the state board for charter schools.

22 B. If a school district decides to sell or lease a vacant building
23 or partially used building, the school district may not prohibit a charter
24 school or a private school from negotiating to buy or lease the property
25 in the same manner as other potential buyers or lessees. A school
26 district may not accept an offer for the sale or lease of the vacant
27 building or partially used building from a potential buyer or lessee that
28 is less than an offer from a charter school or private school. This
29 section does not require the owner of a building on the list to sell or
30 lease the building or a portion of the building to a charter school, to
31 any other school or to any other prospective buyer or tenant, except that
32 the owner of a building on the list may not withdraw the property from
33 sale or lease solely because a charter school or private school is the
34 highest bidder. At the conclusion of a lease for an existing tenant that
35 is a public school or that is providing services to public school
36 students, the lease may be terminated, renewed according to the terms of
37 the existing agreement, or renewed with a negotiated increase. The
38 building owner must provide the rationale for a proposed increase to the
39 lessee, which may include considerations for the percentage of revenue
40 that should be dedicated to educational facilities, inflators related to
41 student enrollment increases or the annual GDP price deflator as defined
42 in section 41-563, or expenses for building and parking lot maintenance
43 and upgrades.

1 C. A school district may sell used equipment to a charter school or
2 private school before the school district attempts to sell or dispose of
3 the equipment by other means.

4 D. Buildings that are used for career and technical education,
5 special education services, preschool programs, schools that have been
6 open for ~~less~~ FEWER than five years or magnet schools are not considered
7 partially used buildings for the purposes of this section, except that
8 ~~these exemptions~~ THIS EXEMPTION may not be applied to more than
9 twenty-five percent of a district's school buildings.

10 E. For the purposes of this section:

11 1. "Partially used building" means a building with at least four
12 thousand five hundred square feet of contiguous, unused space.

13 2. "Vacant building" means a building that has been vacant and
14 unused for at least two years.

15 Sec. 2. Section 15-181, Arizona Revised Statutes, is amended to
16 read:

17 15-181. Charter schools; purpose; scope

18 A. Charter schools may be established pursuant to this article to
19 provide a learning environment that will improve pupil achievement.
20 Charter schools provide additional academic choices for parents and
21 pupils. Charter schools may consist of new schools or all or any portion
22 of an existing school. Charter schools are public schools that serve as
23 alternatives to traditional public schools and charter schools are not
24 subject to the requirements of article XI, section 1, Constitution of
25 Arizona, or TITLE 41, chapter ~~16 of this title~~ 56.

26 B. Charter schools shall comply with all provisions of this article
27 in order to receive state funding as prescribed in section 15-185.

28 Sec. 3. Section 15-203, Arizona Revised Statutes, is amended to
29 read:

30 15-203. Powers and duties

31 A. The state board of education shall:

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

35 2. Keep a record of its proceedings.

36 3. Make rules for its own government.

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

38 5. Subject to title 41, chapter 4, article 4, employ staff.

39 6. Prescribe and supervise the duties of its employees pursuant to
40 title 41, chapter 4, article 4, if not otherwise prescribed by statute.

41 7. Delegate to the superintendent of public instruction the
42 execution of board policies and rules.

43 8. Recommend to the legislature changes or additions to the
44 statutes pertaining to schools.

- 1 9. Prepare, publish and distribute reports concerning the
2 educational welfare of this state.
- 3 10. Prepare a budget for expenditures necessary for proper
4 maintenance of the board and accomplishment of its purposes and present
5 the budget to the legislature.
- 6 11. Aid in the enforcement of laws relating to schools.
- 7 12. Prescribe a minimum course of study in the common schools,
8 minimum competency requirements for the promotion of pupils from the third
9 grade and minimum course of study and competency requirements for the
10 promotion of pupils from the eighth grade. The state board of education
11 shall prepare a fiscal impact statement of any proposed changes to the
12 minimum course of study or competency requirements and, on completion,
13 shall send a copy to the director of the joint legislative budget
14 committee and the ~~executive~~ director of the ~~school facilities board~~
15 DEPARTMENT OF ADMINISTRATION. The state board of education shall not
16 adopt any changes in the minimum course of study or competency
17 requirements in effect on July 1, 1998 that will have a fiscal impact on
18 school capital costs.
- 19 13. Prescribe minimum course of study and competency requirements
20 for the graduation of pupils from high school. The state board of
21 education shall prepare a fiscal impact statement of any proposed changes
22 to the minimum course of study or competency requirements and, on
23 completion, shall send a copy to the director of the joint legislative
24 budget committee and the ~~executive~~ director of the ~~school facilities board~~
25 DEPARTMENT OF ADMINISTRATION. The state board of education shall not
26 adopt any changes in the minimum course of study or competency
27 requirements in effect on July 1, 1998 that will have a fiscal impact on
28 school capital costs.
- 29 14. Pursuant to section 15-501.01, supervise and control the
30 certification of persons engaged in instructional work directly as any
31 classroom, laboratory or other teacher or indirectly as a supervisory
32 teacher, speech therapist, principal or superintendent in a school
33 district, including school district preschool programs, or any other
34 educational institution below the community college, college or university
35 level, and prescribe rules for certification.
- 36 15. Adopt a list of approved tests for determining special
37 education assistance to gifted pupils as defined in and as provided in
38 chapter 7, article 4.1 of this title. The adopted tests shall provide
39 separate scores for quantitative reasoning, verbal reasoning and nonverbal
40 reasoning and shall be capable of providing reliable and valid scores at
41 the highest ranges of the score distribution.
- 42 16. Adopt rules governing the methods for the administration of all
43 proficiency examinations.
- 44 17. Adopt proficiency examinations for its use and determine the
45 passing score for the proficiency examinations.

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

4 19. Supervise and control the qualifications of professional
5 nonteaching school personnel and prescribe standards relating to
6 qualifications. The standards shall not require the business manager of a
7 school district to obtain certification from the state board of education.

8 20. Impose such disciplinary action, including the issuance of a
9 letter of censure, suspension, suspension with conditions or revocation of
10 a certificate, on a finding of immoral or unprofessional conduct.

11 21. Establish an assessment, data gathering and reporting system
12 for pupil performance as prescribed in chapter 7, article 3 of this title,
13 including qualifying examinations for the college credit by examination
14 incentive program pursuant to section 15-249.06.

15 22. Adopt a rule to promote braille literacy pursuant to section
16 15-214.

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

20 24. For purposes of federal law, serve as the state board for
21 vocational and technological education and meet at least four times each
22 year solely to execute the powers and duties of the state board for
23 vocational and technological education.

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

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

37 We hold these truths to be self-evident, that all men
38 are created equal, that they are endowed by their creator with
39 certain unalienable rights, that among these are life, liberty
40 and the pursuit of happiness. That to secure these rights,
41 governments are instituted among men, deriving their just
42 powers from the consent of the governed. . . .

43 27. Adopt rules that provide for certification reciprocity pursuant
44 to section 15-501.01.

1 28. Adopt rules that provide for the presentation of an honorary
2 high school diploma to a person who has never obtained a high school
3 diploma and who meets both of the following requirements:

4 (a) Currently resides in this state.

5 (b) Provides documented evidence from the department of veterans'
6 services that the person enlisted in the armed forces of the United States
7 and served in World War I, World War II, the Korean conflict or the
8 Vietnam conflict.

9 29. Cooperate with the Arizona-Mexico commission in the governor's
10 office and with researchers at universities in this state to collect data
11 and conduct projects in the United States and Mexico on issues that are
12 within the scope of the duties of the department of education and that
13 relate to quality of life, trade and economic development in this state in
14 a manner that will help the Arizona-Mexico commission to assess and
15 enhance the economic competitiveness of this state and of the
16 Arizona-Mexico region.

17 30. Adopt rules to define and provide guidance to schools as to the
18 activities that would constitute immoral or unprofessional conduct of
19 certificated persons.

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

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

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

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

35 (d) Orientation and notification procedures of community service
36 opportunities for pupils entering grade nine, including the development of
37 a notification form. The notification form shall be signed by the pupil
38 and the pupil's parent or guardian, except that a pupil shall not be
39 required to participate in community service if the parent or guardian
40 notifies the principal of the pupil's school in writing that the parent or
41 guardian does not wish the pupil to participate in community service.

42 (e) Procedures for a pupil in grade nine to prepare a written
43 proposal that outlines the type of community service that the pupil would
44 like to perform and the goals that the pupil hopes to achieve as a result
45 of community service. The pupil's written proposal shall be reviewed by a

1 faculty advisor, a guidance counselor or any other school employee who is
2 designated as the community service program coordinator for that school.
3 The pupil may alter the written proposal at any time before performing
4 community service.

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

9 32. To facilitate the transfer of military personnel and their
10 dependents to and from the public schools of this state, pursue, in
11 cooperation with the Arizona board of regents, reciprocity agreements with
12 other states concerning the transfer credits for military personnel and
13 their dependents. A reciprocity agreement entered into pursuant to this
14 paragraph shall:

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

16 (i) The transfer of student records.

17 (ii) Awarding credit for completed coursework.

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

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

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

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

38 35. Adopt a list of approved professional development training
39 providers for use by school districts as provided in section 15-107,
40 subsection J. The professional development training providers shall meet
41 the training curriculum requirements determined by the state board of
42 education in at least the areas of school finance, governance, employment,
43 staffing, inventory and human resources, internal controls and
44 procurement.

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

12 37. Adopt rules for the alternative certification of teachers of
13 nontraditional foreign languages that allow for the passing of a
14 nationally accredited test to substitute for the education coursework
15 required for certification.

16 38. Adopt rules to define competency-based educational pathways for
17 college and career readiness that may be used by schools. The rules shall
18 include the following components:

19 (a) The establishment of learning outcomes that will be expected
20 for students in a particular subject.

21 (b) A process and criteria by which assessments may be identified
22 or established to determine whether students have reached the desired
23 competencies in a particular subject.

24 (c) A mechanism to allow pupils in grades seven through twelve who
25 have demonstrated competency in a subject to immediately obtain credit for
26 the mastery of that subject. The rules shall include a list of applicable
27 subjects, including the level of competency required for each subject.

28 39. In consultation with the department of health services, the
29 department of education, medical professionals, school health
30 professionals, school administrators and an organization that represents
31 school nurses in this state, adopt rules that prescribe the following for
32 school districts and charter schools:

33 (a) Annual training in the administration of auto-injectable
34 epinephrine for designated medical and nonmedical school personnel. The
35 annual training prescribed in this subdivision is optional during any
36 fiscal year in which a school does not stock epinephrine auto-injectors at
37 the school during that fiscal year.

38 (b) Annual training for all school site personnel on the
39 recognition of anaphylactic shock symptoms and the procedures to follow
40 when anaphylactic shock occurs, following the national guidelines of the
41 American academy of pediatrics. The annual training prescribed in this
42 subdivision is optional during any fiscal year in which a school does not
43 stock epinephrine auto-injectors at the school during that fiscal year.

44 (c) Procedures for the administration of epinephrine auto-injectors
45 in emergency situations.

1 (d) Procedures for annually requesting a standing order for
2 epinephrine auto-injectors pursuant to section 15-157 from the chief
3 medical officer of the department of health services, the chief medical
4 officer of a county health department, a doctor of medicine licensed
5 pursuant to title 32, chapter 13 or a doctor of osteopathic medicine
6 licensed pursuant to title 32, chapter 17.

7 (e) Procedures for reporting the use of epinephrine auto-injectors
8 to the department of health services.

9 40. In consultation with the department of education, medical
10 professionals, school health professionals, school administrators and an
11 organization that represents school nurses in this state, adopt rules that
12 prescribe the following for school districts and charter schools that
13 elect to administer inhalers:

14 (a) Annual training in the recognition of respiratory distress
15 symptoms and the procedures to follow when respiratory distress occurs, in
16 accordance with good clinical practice, and the administration of
17 inhalers, as directed on the prescription protocol, by designated medical
18 and nonmedical school personnel.

19 (b) Requirements for school districts and charter schools that
20 elect to administer inhalers to designate at least two employees at each
21 school to be trained in the recognition of respiratory distress symptoms
22 and the procedures to follow when respiratory distress occurs, in
23 accordance with good clinical practice, and at least two employees at each
24 school to be trained in the administration of inhalers, as directed on the
25 prescription protocol.

26 (c) Procedures for the administration of inhalers in emergency
27 situations, as directed on the prescription protocol.

28 (d) Procedures for annually requesting a standing order for
29 inhalers and spacers or holding chambers pursuant to section 15-158 from
30 the chief medical officer of a county health department, a physician
31 licensed pursuant to title 32, chapter 13 or 17 or a nurse practitioner
32 licensed pursuant to title 32, chapter 15.

33 (e) Procedures for notifying a parent once an inhaler has been
34 administered.

35 41. Adopt rules for certification that allow substitute teachers
36 who can demonstrate primary teaching responsibility in a classroom as
37 defined by the state board of education to use the time spent in that
38 classroom toward the required capstone experience for standard teaching
39 certification.

40 B. The state board of education may:

41 1. Contract.

42 2. Sue and be sued.

43 3. Distribute and score the tests prescribed in chapter 7, article
44 3 of this title.

1 4. Provide for an advisory committee to conduct hearings and
2 screenings to determine whether grounds exist to impose disciplinary
3 action against a certificated person, whether grounds exist to reinstate a
4 revoked or surrendered certificate and whether grounds exist to approve or
5 deny an initial application for certification or a request for renewal of
6 a certificate. The board may delegate its responsibility to conduct
7 hearings and screenings to its advisory committee. Hearings shall be
8 conducted pursuant to title 41, chapter 6, article 6.

9 5. Proceed with the disposal of any complaint requesting
10 disciplinary action or with any disciplinary action against a person
11 holding a certificate as prescribed in subsection A, paragraph 14 of this
12 section after the suspension or expiration of the certificate or surrender
13 of the certificate by the holder.

14 6. Assess costs and reasonable attorney fees against a person who
15 files a frivolous complaint or who files a complaint in bad faith. Costs
16 assessed pursuant to this paragraph shall not exceed the expenses incurred
17 by the department of education in the investigation of the complaint.

18 Sec. 4. Section 15-213.01, Arizona Revised Statutes, is amended to
19 read:

20 15-213.01. Procurement practices; guaranteed energy cost
21 savings contracts; definitions

22 A. Notwithstanding section 15-213, subsection A, a school district
23 may contract for the procurement of a guaranteed energy cost savings
24 contract with a qualified provider through a competitive sealed proposal
25 process as provided by the procurement practices adopted by the state
26 board of education.

27 B. A school district may enter into a guaranteed energy cost
28 savings contract with a qualified provider if it determines that the
29 energy savings project pays for itself within the expected life, according
30 to the manufacturer's equipment standards, of the energy cost savings
31 measures implemented, the term of the financial agreement or twenty-five
32 years, whichever is shortest, if the recommendations in the proposal are
33 followed. The school district shall retain the cost savings achieved by a
34 guaranteed energy cost savings contract, and these cost savings may be
35 used to pay for the contract and project implementation.

36 C. The school district shall use objective criteria in selecting
37 the qualified provider, including the cost of the contract, the energy
38 cost savings, the net projected energy savings, the quality of the
39 technical approach, the quality of the project management plan, the
40 financial solvency of the qualified provider and the experience of the
41 qualified provider with projects of similar size and scope. The school
42 district shall set forth each criterion with its respective numerical
43 weighting in the request for proposal.

1 D. In selecting a contractor to perform any construction work
2 related to performing the guaranteed energy cost savings contract, the
3 qualified provider may develop and use a prequalification process for
4 contractors. These prequalifications may require the contractor to
5 demonstrate that the contractor is adequately bonded to perform the work
6 and that the contractor has not failed to perform on a prior job.

7 E. A study shall be performed by the selected qualified provider in
8 order to establish the exact scope of the guaranteed energy cost savings
9 contract, the fixed cost savings guarantee amount and the methodology for
10 determining actual savings. This report shall be reviewed and approved by
11 the school district before the actual installation of any equipment. The
12 qualified provider shall transmit a copy of the approved study to the
13 school facilities **OVERSIGHT** board and the governor's office ~~of energy~~
14 ~~policy~~.

15 F. The guaranteed energy cost savings contract shall require that,
16 in determining whether the projected energy savings calculations have been
17 met, the energy savings shall be computed by comparing the energy baseline
18 before installation or implementation of the energy cost savings measures
19 with the energy consumed after installation or implementation of the
20 energy cost savings measures. The qualified provider and the school
21 district may agree to make modifications to the energy baseline only for
22 any of the following:

- 23 1. Changes in utility rates.
- 24 2. Changes in the number of days in the utility billing cycle.
- 25 3. Changes in the square footage of the facility.
- 26 4. Changes in the operational schedule of the facility.
- 27 5. Changes in facility temperature.
- 28 6. Significant changes in the weather.
- 29 7. Significant changes in the amount of equipment or lighting used
30 in the facility.
- 31 8. Significant changes in the nature or intensity of energy use,
32 such as the change of classroom space to laboratory space.

33 G. The information to develop the energy baseline shall be derived
34 from historical energy costs or actual energy measurements or shall be
35 calculated from energy measurements at the facility where energy cost
36 savings measures are to be installed or implemented. The baseline shall
37 be established before the installation or implementation of energy cost
38 savings measures.

39 H. At the qualified provider's expense, the proposal shall include
40 an independent third-party validation of cost savings calculations
41 associated with each proposed energy cost savings measure by a licensed,
42 registered professional engineer, with credentials from the national
43 association of energy engineers, who has demonstrated experience in energy
44 analysis. The school district must approve the selection of the
45 credentialed engineer.

1 I. A school district, or two or more school districts, may enter
2 into a financing agreement with a qualified provider or the financial
3 institution, trustee or paying agent for the purchase and installation or
4 implementation of energy cost savings measures. The guaranteed energy
5 cost savings contract may provide for payments over a period of not more
6 than the expected life, according to the manufacturer's equipment
7 standards, of the energy cost savings measures implemented, the term of
8 the financial agreement or twenty-five years, whichever is shortest. The
9 contract shall provide that all payments, except obligations on
10 termination of the contract before its expiration, shall be made pursuant
11 to the terms of the financing agreement. If a school district purchases
12 the energy cost savings measure, the qualified provider shall guarantee
13 that the energy cost savings meet or exceed the school district's total
14 cost of the energy savings project purchase.

15 J. The guaranteed energy cost savings contract shall include a
16 written guarantee of the qualified provider that the energy savings will
17 meet or exceed the costs of the energy cost savings measures over the
18 expected life, according to the manufacturer's equipment standards, of the
19 energy cost savings measures implemented, the term of the financial
20 agreement or twenty-five years, whichever is shortest. The qualified
21 provider shall:

22 1. For the term of the guaranteed energy cost savings contract,
23 prepare a measurement and verification report on an annual basis in
24 addition to an annual reconciliation of savings.

25 2. Reimburse the school district for any shortfall of guaranteed
26 energy cost savings on an annual basis.

27 3. Use the international performance and measurement and
28 verification protocol standards or the federal energy management program
29 standards to validate the savings guarantee.

30 K. The school district may obtain any required financing as part of
31 the original competitive sealed proposal process from the qualified
32 provider or a third-party financing institution.

33 L. A qualified provider that is awarded the contract shall give a
34 sufficient bond to the school district for its faithful performance of the
35 equipment installment.

36 M. The qualified provider is required to make public the
37 information in the subcontractor's bids only if the qualified provider is
38 awarded the guaranteed energy cost savings contract by the school
39 district.

40 N. For all projects carried out under this section, the district
41 shall report to the governor's office ~~of energy policy~~:

- 42 1. The name of the project.
43 2. The name of the qualified provider.
44 3. The total cost of the project.

1 4. The expected energy cost savings and relevant escalators.

2 5. The agreed-on baseline in the measurement and verification
3 agreement in both kilowatt hours and dollars.

4 0. This section does not apply to the construction of new
5 buildings.

6 P. A school district may use a simplified energy performance
7 contract for projects that are less than ~~five hundred thousand dollars~~
8 **\$500,000**. Simplified energy performance contracts are not required to
9 include an energy savings guarantee and shall comply with all requirements
10 in this section except for the requirements that are specifically related
11 to the energy savings guarantee and the measurement and verification of
12 the guaranteed savings.

13 Q. For the purposes of this section:

14 1. "Construction" means the process of building, altering,
15 repairing, improving or demolishing any school district structure or
16 building, or other public improvements of any kind to any school district
17 real property. Construction does not include the routine operation,
18 routine repair or routine maintenance of existing structures, buildings or
19 real property.

20 2. "Energy baseline" means a calculation of the amount of energy
21 used in an existing facility before the installation or implementation of
22 the energy cost savings measures.

23 3. "Energy cost savings measure" means a training program or
24 facility alteration designed to reduce energy consumption and may include
25 one or more of the following, and any related meters or other measuring
26 devices:

27 (a) Insulating the building structure or systems in the building.

28 (b) Storm windows or doors, caulking or weather stripping,
29 multiglazed windows or door systems, additional glazing, reductions in
30 glass area, or other window and door system modifications that reduce
31 energy consumption.

32 (c) Automated or computerized energy control systems.

33 (d) Heating, ventilating or air conditioning system modifications
34 or replacements, including geothermal.

35 (e) Replacing or modifying lighting fixtures to increase the energy
36 efficiency of the lighting system without increasing the overall
37 illumination of a facility unless an increase in illumination is necessary
38 to conform to the applicable state or local building code for the lighting
39 system after the proposed modifications are made.

40 (f) Indoor air quality improvements to increase air quality that
41 conform to the applicable state or local building code requirements.

42 (g) Energy recovery systems.

43 (h) Installing a new or retrofitting an existing day lighting
44 system.

- 1 (i) Procurement of low-cost utility supplies of all types,
2 including electricity, natural gas, propane and water.
- 3 (j) Devices that reduce water consumption and water costs or that
4 reduce sewer charges.
- 5 (k) Rainwater harvesting systems.
- 6 (l) Combined heat and power systems.
- 7 (m) Renewable and alternative energy projects and renewable energy
8 power service agreements.
- 9 (n) Self-generation systems.
- 10 (o) Any additional building systems and infrastructure that produce
11 energy, or that provide utility cost savings not specifically mentioned in
12 this paragraph, if the improvements meet the life-cycle cost requirement
13 and enhance building system performance or occupant comfort and safety,
14 excluding those systems that fall under section 15-213.02.

15 (p) Geothermal.
16 4. "Guaranteed energy cost savings contract" means a contract for
17 implementing one or more energy cost savings measures.

18 5. "Life-cycle cost" means the sum of present values of investment
19 costs, capital costs, installation costs, energy costs, operating costs,
20 maintenance costs and disposal costs and utility rebates over the life of
21 the project, product or measure as provided by federal life-cycle cost
22 rules, regulations and criteria contained in the United States department
23 of energy federal energy management program "guidance on life-cycle cost
24 analysis" required by executive order 13423, January 2007.

25 6. "Qualified provider" means a person or a business that is
26 experienced in designing, implementing or installing energy cost savings
27 measures, that has a record of established projects or measures of similar
28 size and scope, that has demonstrated technical, operational, financial
29 and managerial capabilities to design and operate energy cost savings
30 measures and projects and that has the financial ability to satisfy
31 guarantees for energy cost savings.

32 Sec. 5. Section 15-213.03, Arizona Revised Statutes, is amended to
33 read:

34 15-213.03. Procurement practices; guaranteed energy
35 production contracts; definitions

36 A. Notwithstanding section 15-213, subsection A, a school district
37 may contract for the procurement of a guaranteed energy production
38 contract with a qualified provider through a competitive sealed proposal
39 process as provided by the procurement practices adopted by the state
40 board of education.

41 B. The school district shall use objective criteria in selecting
42 the qualified provider, including the guaranteed energy price, the
43 guaranteed energy production, the quality of the technical approach, the
44 quality of the project management plan, the financial solvency of the
45 qualified provider and the experience of the qualified provider with

1 projects of similar size and scope. The school district shall set forth
2 each criterion with its respective numerical weighting in the request for
3 proposal.

4 C. In selecting a contractor to perform any construction work
5 related to performing the guaranteed energy production contract, the
6 qualified provider may develop and use a prequalification process for
7 contractors. These prequalifications may require the contractor to
8 demonstrate that the contractor is adequately bonded to perform the work
9 and that the contractor has not failed to perform on a prior job.

10 D. When submitting a proposal for the installation of equipment,
11 the qualified provider shall include information containing the guaranteed
12 energy production associated with each proposed energy production
13 measure. The school district shall review and approve this guarantee
14 before the actual installation of any equipment. The qualified provider
15 shall transmit a copy of the approved guarantee to the school facilities
16 **OVERSIGHT** board and the governor's office ~~of energy policy~~.

17 E. A guaranteed energy production contract shall include a
18 guaranteed energy price, and a written guaranteed energy production as
19 measured on an annual basis over the expected life of the energy
20 production measures implemented or within twenty-five years, whichever is
21 shorter. The qualified provider shall:

22 1. Prepare a measurement and verification report on an annual basis
23 in addition to an annual reconciliation of any guaranteed energy
24 production shortfall.

25 2. Reimburse the school district for any guaranteed energy
26 production shortfall on an annual basis by multiplying any energy
27 production shortfall by either the difference between the guaranteed
28 energy price and the effective utility rate, or an alternative method as
29 mutually agreed on by the school district and the **QUALIFIED** provider.

30 F. The school district may obtain any required financing as part of
31 the original competitive sealed proposal process from the qualified
32 provider or a third-party financing institution.

33 G. A qualified provider that is awarded the contract shall give a
34 sufficient bond to the school district for its faithful performance of the
35 equipment installment.

36 H. The qualified provider is required to make public information in
37 the subcontractor's bids only if the school district awards the qualified
38 provider the guaranteed energy production contract.

39 I. For all projects carried out under this section, the district
40 shall report to the governor's office ~~of energy policy~~ and the school
41 facilities **OVERSIGHT** board:

- 42 1. The name of the project.
- 43 2. The **NAME OF THE** qualified provider.
- 44 3. The total cost of the project.

1 4. The expected guaranteed energy production and guaranteed energy
2 price, including relevant escalators, if applicable, over the term of the
3 guaranteed energy production contract.

4 J. For all projects carried out under this section, the district
5 shall report to the school facilities **OVERSIGHT** board, by October 15 each
6 year, the actual energy production and guaranteed energy price.

7 K. For the purposes of this section:

8 1. "Actual energy production" means the actual amount of energy
9 that flows from the energy production measure on an annual basis as
10 measured by a meter in kilowatt hours alternating current.

11 2. "Construction" means the process of building, altering,
12 repairing, improving or demolishing any school district structure or
13 building, or other public improvements of any kind to any school district
14 real property. Construction does not include the routine operation,
15 routine repair or routine maintenance of existing structures, buildings or
16 real property.

17 3. "Effective utility rate" means the average price per kilowatt
18 hour that a school district paid to its utility provider for electricity
19 service to the facility that is the subject of the guaranteed energy
20 production contract over the previous twelve months.

21 4. "Energy production measure" means renewable and alternative
22 energy projects or renewable energy power service agreements.

23 5. "Guaranteed energy price" means the agreed on price to be
24 charged to the school for each kilowatt hour alternating current of actual
25 energy production as such may change on an annual basis as set forth in
26 the guaranteed energy production contract.

27 6. "Guaranteed energy production" means the amount of energy,
28 measured in kilowatt hours alternating current, that the qualified
29 provider guarantees for each year of the guaranteed energy production
30 contract.

31 7. "Guaranteed energy production contract" means a contract for
32 implementing one or more energy production measures between one or more
33 qualified providers and a school district.

34 8. "Guaranteed energy production shortfall" means the amount, if
35 any, that the actual energy production is less than the guaranteed energy
36 production in any given year.

37 9. "Qualified provider" means a person or a business that is
38 experienced in designing, implementing or installing energy cost savings
39 measures, that has demonstrated technical, operational, financial and
40 managerial capabilities to design and operate cost savings measures and
41 projects and that has the financial ability to satisfy guarantees for
42 guaranteed energy production, financial solvency and experience for
43 projects of similar size and scope.

1 Sec. 6. Section 15-341, Arizona Revised Statutes, is amended to
2 read:

3 15-341. General powers and duties; immunity; delegation

4 A. The governing board shall:

5 1. Prescribe and enforce policies and procedures for the governance
6 of the schools that are not inconsistent with law or rules prescribed by
7 the state board of education.

8 2. Exclude from schools all books, publications, papers or
9 audiovisual materials of a sectarian, partisan or denominational
10 character. This paragraph does not prohibit the elective course permitted
11 by section 15-717.01.

12 3. Manage and control the school property within its district,
13 except that a district may enter into a partnership with an entity,
14 including a charter school, another school district or a military base, to
15 operate a school or offer educational services in a district building,
16 including at a vacant or partially used building, or in any building on
17 the entity's property pursuant to a written agreement between the parties.

18 4. Acquire school furniture, apparatus, equipment, library books
19 and supplies for the use of the schools.

20 5. Prescribe the curricula and criteria for the promotion and
21 graduation of pupils as provided in sections 15-701 and 15-701.01.

22 6. Furnish, repair and insure, at full insurable value, the school
23 property of the district.

24 7. Construct school buildings on approval by a vote of the district
25 electors.

26 8. Make in the name of the district conveyances of property
27 belonging to the district and sold by the board.

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

35 10. Construct, improve and furnish buildings used for school
36 purposes when such buildings or premises are leased from the national park
37 service.

38 11. Purchase school sites or construct, improve and furnish school
39 buildings from the proceeds of the sale of school property only on
40 approval by a vote of the district electors.

41 12. Hold pupils to strict account for disorderly conduct on school
42 property.

43 13. Discipline students for disorderly conduct on the way to and
44 from school.

1 14. Except as provided in section 15-1224, deposit all monies
2 received by the district as gifts, grants and devises with the county
3 treasurer who shall credit the deposits as designated in the uniform
4 system of financial records. If not inconsistent with the terms of the
5 gifts, grants and devises given, any balance remaining after expenditures
6 for the intended purpose of the monies have been made shall be used for
7 reduction of school district taxes for the budget year, except that in the
8 case of accommodation schools the county treasurer shall carry the balance
9 forward for use by the county school superintendent for accommodation
10 schools for the budget year.

11 15. Provide that, if a parent or legal guardian chooses not to
12 accept a decision of the teacher as provided in paragraph 42 of this
13 subsection, the parent or legal guardian may request in writing that the
14 governing board review the teacher's decision. This paragraph does not
15 release school districts from any liability relating to a child's
16 promotion or retention.

17 16. Provide for adequate supervision over pupils in instructional
18 and noninstructional activities by certificated or noncertificated
19 personnel.

20 17. Use school monies received from the state and county school
21 apportionment exclusively for payment of salaries of teachers and other
22 employees and contingent expenses of the district.

23 18. Make an annual report to the county school superintendent on or
24 before October 1 in the manner and form and on the blanks prescribed by
25 the superintendent of public instruction or county school superintendent.
26 The board shall also make reports directly to the county school
27 superintendent or the superintendent of public instruction whenever
28 required.

29 19. Deposit all monies received by school districts other than
30 student activities monies or monies from auxiliary operations as provided
31 in sections 15-1125 and 15-1126 with the county treasurer to the credit of
32 the school district except as provided in paragraph 20 of this subsection
33 and sections 15-1223 and 15-1224, and the board shall expend the monies as
34 provided by law for other school funds.

35 20. Establish bank accounts in which the board during a month may
36 deposit miscellaneous monies received directly by the district. The board
37 shall remit monies deposited in the bank accounts at least monthly to the
38 county treasurer for deposit as provided in paragraph 19 of this
39 subsection and in accordance with the uniform system of financial records.

40 21. Prescribe and enforce policies and procedures for disciplinary
41 action against a teacher who engages in conduct that is a violation of the
42 policies of the governing board but that is not cause for dismissal of the
43 teacher or for revocation of the certificate of the teacher. Disciplinary
44 action may include suspension without pay for a period of time not to
45 exceed ten school days. Disciplinary action shall not include suspension

1 with pay or suspension without pay for a period of time longer than ten
 2 school days. The procedures shall include notice, hearing and appeal
 3 provisions for violations that are cause for disciplinary action. The
 4 governing board may designate a person or persons to act on behalf of the
 5 board on these matters.

6 22. Prescribe and enforce policies and procedures for disciplinary
 7 action against an administrator who engages in conduct that is a violation
 8 of the policies of the governing board regarding duties of administrators
 9 but that is not cause for dismissal of the administrator or for revocation
 10 of the certificate of the administrator. Disciplinary action may include
 11 suspension without pay for a period of time not to exceed ten school days.
 12 Disciplinary action shall not include suspension with pay or suspension
 13 without pay for a period of time longer than ten school days. The
 14 procedures shall include notice, hearing and appeal provisions for
 15 violations that are cause for disciplinary action. The governing board
 16 may designate a person or persons to act on behalf of the board on these
 17 matters. For violations that are cause for dismissal, the provisions of
 18 notice, hearing and appeal in chapter 5, article 3 of this title shall
 19 apply. The filing of a timely request for a hearing suspends the
 20 imposition of a suspension without pay or a dismissal pending completion
 21 of the hearing.

22 23. Notwithstanding sections 13-3108 and 13-3120, prescribe and
 23 enforce policies and procedures that prohibit a person from carrying or
 24 possessing a weapon on school grounds unless the person is a peace officer
 25 or has obtained specific authorization from the school administrator.

26 24. Prescribe and enforce policies and procedures relating to the
 27 health and safety of all pupils participating in district-sponsored
 28 practice sessions or games or other interscholastic athletic activities,
 29 including:

30 (a) The provision of water.

31 (b) Guidelines, information and forms, developed in consultation
 32 with a statewide private entity that supervises interscholastic
 33 activities, to inform and educate coaches, pupils and parents of the
 34 dangers of concussions and head injuries and the risks of continued
 35 participation in athletic activity after a concussion. The policies and
 36 procedures shall require that, before a pupil participates in an athletic
 37 activity, the pupil and the pupil's parent must sign an information form
 38 at least once each school year that states that the parent is aware of the
 39 nature and risk of concussion. The policies and procedures shall require
 40 that a pupil who is suspected of sustaining a concussion in a practice
 41 session, game or other interscholastic athletic activity be immediately
 42 removed from the athletic activity and that the pupil's parent or guardian
 43 be notified. A coach from the pupil's team or an official or a licensed
 44 health care provider may remove a pupil from play. A team parent may also
 45 remove the parent's own child from play. A pupil may return to play on

1 the same day if a health care provider rules out a suspected concussion at
2 the time the pupil is removed from play. On a subsequent day, the pupil
3 may return to play if the pupil has been evaluated by and received written
4 clearance to resume participation in athletic activity from a health care
5 provider who has been trained in the evaluation and management of
6 concussions and head injuries. A health care provider who is a volunteer
7 and who provides clearance to participate in athletic activity on the day
8 of the suspected injury or on a subsequent day is immune from civil
9 liability with respect to all decisions made and actions taken that are
10 based on good faith implementation of the requirements of this
11 subdivision, except in cases of gross negligence or wanton or wilful
12 neglect. A school district, school district employee, team coach,
13 official or team volunteer or a parent or guardian of a team member is not
14 subject to civil liability for any act, omission or policy undertaken in
15 good faith to comply with the requirements of this subdivision or for a
16 decision made or an action taken by a health care provider. A group or
17 organization that uses property or facilities owned or operated by a
18 school district for athletic activities shall comply with the requirements
19 of this subdivision. A school district and its employees and volunteers
20 are not subject to civil liability for any other person or organization's
21 failure or alleged failure to comply with the requirements of this
22 subdivision. This subdivision does not apply to teams that are based in
23 another state and that participate in an athletic activity in this state.
24 For the purposes of this subdivision, athletic activity does not include
25 dance, rhythmic gymnastics, competitions or exhibitions of academic skills
26 or knowledge or other similar forms of physical noncontact activities,
27 civic activities or academic activities, whether engaged in for the
28 purposes of competition or recreation. For the purposes of this
29 subdivision, "health care provider" means a physician who is licensed
30 pursuant to title 32, chapter 13 or 17, an athletic trainer who is
31 licensed pursuant to title 32, chapter 41, a nurse practitioner who is
32 licensed pursuant to title 32, chapter 15, and a physician assistant who
33 is licensed pursuant to title 32, chapter 25.

34 (c) Guidelines, information and forms that are developed in
35 consultation with a statewide private entity that supervises
36 interscholastic activities to inform and educate coaches, pupils and
37 parents of the dangers of heat-related illnesses, sudden cardiac death and
38 prescription opioid use. Before a pupil participates in any
39 district-sponsored practice session or game or other interscholastic
40 athletic activity, the pupil and the pupil's parent must be provided with
41 information at least once each school year on the risks of heat-related
42 illnesses, sudden cardiac death and prescription opioid addiction.

43 25. Establish an assessment, data gathering and reporting system as
44 prescribed in chapter 7, article 3 of this title.

1 26. Provide special education programs and related services
2 pursuant to section 15-764, subsection A to all children with disabilities
3 as defined in section 15-761.

4 27. Administer competency tests prescribed by the state board of
5 education for the graduation of pupils from high school.

6 28. Ensure that insurance coverage is secured for all construction
7 projects for purposes of general liability, property damage and workers'
8 compensation and secure performance and payment bonds for all construction
9 projects.

10 29. Keep in the personnel file of all current and former employees
11 who provide instruction to pupils at a school information about the
12 employee's educational and teaching background and experience in a
13 particular academic content subject area. A school district shall inform
14 parents and guardians of the availability of the information and shall
15 make the information available for inspection on request of parents and
16 guardians of pupils enrolled at a school. This paragraph does not require
17 any school to release personally identifiable information in relation to
18 any teacher or employee, including the teacher's or employee's address,
19 salary, social security number or telephone number.

20 30. Report to local law enforcement agencies any suspected crime
21 against a person or property that is a serious offense as defined in
22 section 13-706 or that involves a deadly weapon or dangerous instrument or
23 serious physical injury and any conduct that poses a threat of death or
24 serious physical injury to employees, students or anyone on the property
25 of the school. This paragraph does not limit or preclude the reporting by
26 a school district or an employee of a school district of suspected crimes
27 other than those required to be reported by this paragraph. For the
28 purposes of this paragraph, "dangerous instrument", "deadly weapon" and
29 "serious physical injury" have the same meanings prescribed in section
30 13-105.

31 31. In conjunction with local law enforcement agencies and
32 emergency response agencies, develop an emergency response plan for each
33 school in the school district in accordance with minimum standards
34 developed jointly by the department of education and the division of
35 emergency management within the department of emergency and military
36 affairs.

37 32. Provide written notice to the parents or guardians of all
38 students enrolled in the school district at least ten days before a public
39 meeting to discuss closing a school within the school district. The
40 notice shall include the reasons for the proposed closure and the time and
41 place of the meeting. The governing board shall fix a time for a public
42 meeting on the proposed closure not less than ten days before voting in a
43 public meeting to close the school. The school district governing board
44 shall give notice of the time and place of the meeting. At the time and
45 place designated in the notice, the school district governing board shall

1 hear reasons for or against closing the school. The school district
2 governing board is exempt from this paragraph if the governing board
3 determines that the school shall be closed because it poses a danger to
4 the health or safety of the pupils or employees of the school. A
5 governing board may consult with the school facilities **OVERSIGHT** board for
6 technical assistance and for information on the impact of closing a
7 school. The information provided from the school facilities **OVERSIGHT**
8 board shall not require the governing board to take or not take any
9 action.

10 33. Incorporate instruction on Native American history into
11 appropriate existing curricula.

12 34. Prescribe and enforce policies and procedures:

13 (a) Allowing pupils who have been diagnosed with anaphylaxis by a
14 health care provider licensed pursuant to title 32, chapter 13, 14, 17 or
15 25 or by a registered nurse practitioner licensed and certified pursuant
16 to title 32, chapter 15 to carry and self-administer emergency
17 medications, including epinephrine auto-injectors, while at school and at
18 school-sponsored activities. The pupil's name on the prescription label
19 on the medication container or on the medication device and annual written
20 documentation from the pupil's parent or guardian to the school that
21 authorizes possession and self-administration is sufficient proof that the
22 pupil is entitled to the possession and self-administration of the
23 medication. The policies shall require a pupil who uses an epinephrine
24 auto-injector while at school and at school-sponsored activities to notify
25 the nurse or the designated school staff person of the use of the
26 medication as soon as practicable. A school district and its employees
27 are immune from civil liability with respect to all decisions made and
28 actions taken that are based on good faith implementation of the
29 requirements of this subdivision, except in cases of wanton or wilful
30 neglect.

31 (b) For the emergency administration of epinephrine auto-injectors
32 by a trained employee of a school district pursuant to section 15-157.

33 35. Allow the possession and self-administration of prescription
34 medication for breathing disorders in handheld inhaler devices by pupils
35 who have been prescribed that medication by a health care professional
36 licensed pursuant to title 32. The pupil's name on the prescription label
37 on the medication container or on the handheld inhaler device and annual
38 written documentation from the pupil's parent or guardian to the school
39 that authorizes possession and self-administration shall be sufficient
40 proof that the pupil is entitled to the possession and self-administration
41 of the medication. A school district and its employees are immune from
42 civil liability with respect to all decisions made and actions taken that
43 are based on a good faith implementation of the requirements of this
44 paragraph.

1 36. Prescribe and enforce policies and procedures to prohibit
2 pupils from harassing, intimidating and bullying other pupils on school
3 grounds, on school property, on school buses, at school bus stops, at
4 school-sponsored events and activities and through the use of electronic
5 technology or electronic communication on school computers, networks,
6 forums and mailing lists that include the following components:

7 (a) A procedure for pupils, parents and school district employees
8 to confidentially report to school officials incidents of harassment,
9 intimidation or bullying. The school shall make available written forms
10 designed to provide a full and detailed description of the incident and
11 any other relevant information about the incident.

12 (b) A requirement that school district employees report in writing
13 suspected incidents of harassment, intimidation or bullying to the
14 appropriate school official and a description of appropriate disciplinary
15 procedures for employees who fail to report suspected incidents that are
16 known to the employee.

17 (c) A requirement that, at the beginning of each school year,
18 school officials provide all pupils with a written copy of the rights,
19 protections and support services available to a pupil who is an alleged
20 victim of an incident reported pursuant to this paragraph.

21 (d) If an incident is reported pursuant to this paragraph, a
22 requirement that school officials provide a pupil who is an alleged victim
23 of the incident with a written copy of the rights, protections and support
24 services available to that pupil.

25 (e) A formal process for the documentation of reported incidents of
26 harassment, intimidation or bullying and for the confidentiality,
27 maintenance and disposition of this documentation. School districts shall
28 maintain documentation of all incidents reported pursuant to this
29 paragraph for at least six years. The school shall not use that
30 documentation to impose disciplinary action unless the appropriate school
31 official has investigated and determined that the reported incidents of
32 harassment, intimidation or bullying occurred. If a school provides
33 documentation of reported incidents to persons other than school officials
34 or law enforcement, all individually identifiable information shall be
35 redacted.

36 (f) A formal process for the investigation by the appropriate
37 school officials of suspected incidents of harassment, intimidation or
38 bullying, including procedures for notifying the alleged victim and the
39 alleged victim's parent or guardian when a school official or employee
40 becomes aware of the suspected incident of harassment, intimidation or
41 bullying.

42 (g) Disciplinary procedures for pupils who have admitted or been
43 found to have committed incidents of harassment, intimidation or bullying.

44 (h) A procedure that sets forth consequences for submitting false
45 reports of incidents of harassment, intimidation or bullying.

1 (i) Procedures designed to protect the health and safety of pupils
2 who are physically harmed as the result of incidents of harassment,
3 intimidation and bullying, including, if appropriate, procedures to
4 contact emergency medical services or law enforcement agencies, or both.

5 (j) Definitions of harassment, intimidation and bullying.

6 37. Prescribe and enforce policies and procedures regarding
7 changing or adopting attendance boundaries that include the following
8 components:

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

11 (b) A procedure to notify the parents or guardians of the students
12 affected.

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

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

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

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

24 (g) A formal process for updating attendance boundaries on the
25 school district's website within ninety days of an adopted boundary
26 change. The school district shall send a direct link to the school
27 district's attendance boundaries website to the department of real estate.

28 38. If the state board of education determines that the school
29 district has committed an overexpenditure as defined in section 15-107,
30 provide a copy of the fiscal management report submitted pursuant to
31 section 15-107, subsection H on its website and make copies available to
32 the public on request. The school district shall comply with a request
33 within five business days after receipt.

34 39. Ensure that the contract for the superintendent is structured
35 in a manner in which up to twenty percent of the total annual salary
36 included for the superintendent in the contract is classified as
37 performance pay. This paragraph does not require school districts to
38 increase total compensation for superintendents. Unless the school
39 district governing board votes to implement an alternative procedure at a
40 public meeting called for this purpose, the performance pay portion of the
41 superintendent's total annual compensation shall be determined as follows:

42 (a) Twenty-five percent of the performance pay shall be determined
43 based on the percentage of academic gain determined by the department of
44 education of pupils who are enrolled in the school district compared to
45 the academic gain achieved by the highest ranking of the fifty largest

1 school districts in this state. For the purposes of this subdivision, the
 2 department of education shall determine academic gain by the academic
 3 growth achieved by each pupil who has been enrolled at the same school in
 4 a school district for at least five consecutive months measured against
 5 that pupil's academic results in the 2008-2009 school year. For the
 6 purposes of this subdivision, of the fifty largest school districts in
 7 this state, the school district with pupils who demonstrate the highest
 8 statewide percentage of overall academic gain measured against academic
 9 results for the 2008-2009 school year shall be assigned a score of 100 and
 10 the school district with pupils who demonstrate the lowest statewide
 11 percentage of overall academic gain measured against academic results for
 12 the 2008-2009 school year shall be assigned a score of 0.

13 (b) Twenty-five percent of the performance pay shall be determined
 14 by the percentage of parents of pupils who are enrolled at the school
 15 district who assign a letter grade of "A" to the school on a survey of
 16 parental satisfaction with the school district. The parental satisfaction
 17 survey shall be administered and scored by an independent entity that is
 18 selected by the governing board and that demonstrates sufficient expertise
 19 and experience to accurately measure the results of the survey. The
 20 parental satisfaction survey shall use standard random sampling procedures
 21 and provide anonymity and confidentiality to each parent who participates
 22 in the survey. The letter grade scale used on the parental satisfaction
 23 survey shall direct parents to assign one of the following letter grades:

- 24 (i) A letter grade of "A" if the school district is excellent.
- 25 (ii) A letter grade of "B" if the school district is above average.
- 26 (iii) A letter grade of "C" if the school district is average.
- 27 (iv) A letter grade of "D" if the school district is below average.
- 28 (v) A letter grade of "F" if the school district is a failure.

29 (c) Twenty-five percent of the performance pay shall be determined
 30 by the percentage of teachers who are employed at the school district and
 31 who assign a letter grade of "A" to the school on a survey of teacher
 32 satisfaction with the school. The teacher satisfaction survey shall be
 33 administered and scored by an independent entity that is selected by the
 34 governing board and that demonstrates sufficient expertise and experience
 35 to accurately measure the results of the survey. The teacher satisfaction
 36 survey shall use standard random sampling procedures and provide anonymity
 37 and confidentiality to each teacher who participates in the survey. The
 38 letter grade scale used on the teacher satisfaction survey shall direct
 39 teachers to assign one of the following letter grades:

- 40 (i) A letter grade of "A" if the school district is excellent.
- 41 (ii) A letter grade of "B" if the school district is above average.
- 42 (iii) A letter grade of "C" if the school district is average.
- 43 (iv) A letter grade of "D" if the school district is below average.
- 44 (v) A letter grade of "F" if the school district is a failure.

1 (d) Twenty-five percent of the performance pay shall be determined
2 by other criteria selected by the governing board.

3 40. Maintain and store permanent public records of the school
4 district as required by law. Notwithstanding section 39-101, the
5 standards adopted by the Arizona state library, archives and public
6 records for the maintenance and storage of school district public records
7 shall allow school districts to elect to satisfy the requirements of this
8 paragraph by maintaining and storing these records either on paper or in
9 an electronic format, or a combination of a paper and electronic format.

10 41. Adopt in a public meeting and implement policies for principal
11 evaluations. Before adopting principal evaluation policies, the school
12 district governing board shall provide opportunities for public discussion
13 on the proposed policies. The governing board shall adopt policies that:

14 (a) Are designed to improve principal performance and improve
15 student achievement.

16 (b) Include the use of quantitative data on the academic progress
17 for all students, which shall account for between twenty percent and
18 thirty-three percent of the evaluation outcomes.

19 (c) Include four performance classifications, designated as highly
20 effective, effective, developing and ineffective.

21 (d) Describe both of the following:

22 (i) The methods used to evaluate the performance of principals,
23 including the data used to measure student performance and job
24 effectiveness.

25 (ii) The formula used to determine evaluation outcomes.

26 42. Prescribe and enforce policies and procedures that define the
27 duties of principals and teachers. These policies and procedures shall
28 authorize teachers to take and maintain daily classroom attendance, make
29 the decision to promote or retain a pupil in a grade in common school or
30 to pass or fail a pupil in a course in high school, subject to review by
31 the governing board in the manner provided in section 15-342,
32 paragraph 11.

33 43. Prescribe and enforce policies and procedures for the emergency
34 administration by an employee of a school district pursuant to section
35 36-2267 of naloxone hydrochloride or any other opioid antagonist approved
36 by the United States food and drug administration.

37 44. In addition to the notification requirements prescribed in
38 paragraph 36 of this subsection, prescribe and enforce reasonable and
39 appropriate policies to notify a pupil's parent or guardian if any person
40 engages in harassing, threatening or intimidating conduct against that
41 pupil. A school district and its officials and employees are immune from
42 civil liability with respect to all decisions made and actions taken that
43 are based on good faith implementation of the requirements of this
44 paragraph, except in cases of gross negligence or wanton or wilful
45 neglect. A person engages in threatening or intimidating if the person

1 threatens or intimidates by word or conduct to cause physical injury to
2 another person or serious damage to the property of another on school
3 grounds. A person engages in harassment if, with intent to harass or with
4 knowledge that the person is harassing another person, the person
5 anonymously or otherwise contacts, communicates or causes a communication
6 with another person by verbal, electronic, mechanical, telephonic or
7 written means in a manner that harasses on school grounds or substantially
8 disrupts the school environment.

9 B. Notwithstanding subsection A, paragraphs 7, 9 and 11 of this
10 section, the county school superintendent may construct, improve and
11 furnish school buildings or purchase or sell school sites in the conduct
12 of an accommodation school.

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

19 1. Is not abated, extinguished, discharged or merged in the title
20 to the property.

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

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

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

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

43 G. Notwithstanding any other provision of this title, a school
44 district governing board shall not take any action that would result in a
45 reduction of pupil square footage unless the governing board notifies the

1 school facilities **OVERSIGHT** board established by section ~~15-2001~~ 41-5701
2 of the proposed action and receives written approval from the school
3 facilities **OVERSIGHT** board to take the action. A reduction includes an
4 increase in administrative space that results in a reduction of pupil
5 square footage or sale of school sites or buildings, or both. A reduction
6 includes a reconfiguration of grades that results in a reduction of pupil
7 square footage of any grade level. This subsection does not apply to
8 temporary reconfiguration of grades to accommodate new school construction
9 if the temporary reconfiguration does not exceed one year. The sale of
10 equipment that results in a reduction that falls below the equipment
11 requirements prescribed in section ~~15-2011~~ 41-5711, subsection B is
12 subject to commensurate withholding of school district district additional
13 assistance monies pursuant to the direction of the school facilities
14 **OVERSIGHT** board. Except as provided in section 15-342, paragraph 10,
15 proceeds from the sale of school sites, buildings or other equipment shall
16 be deposited in the school plant fund as provided in section 15-1102.

17 H. Subsections C through G of this section apply to a county board
18 of supervisors and a county school superintendent when operating and
19 administering an accommodation school.

20 I. A school district governing board may delegate authority in
21 writing to the superintendent of the school district to submit plans for
22 new school facilities to the school facilities **OVERSIGHT** board for the
23 purpose of certifying that the plans meet the minimum school facility
24 adequacy guidelines prescribed in section ~~15-2011~~ 41-5711.

25 Sec. 7. Section 15-342, Arizona Revised Statutes, is amended to
26 read:

27 15-342. Discretionary powers

28 The governing board may:

- 29 1. Expel pupils for misconduct.
30 2. Exclude from grades one through eight children under six years
31 of age.

32 3. Make such separation of groups of pupils as it deems advisable.

33 4. Maintain such special schools during vacation as deemed
34 necessary for the benefit of the pupils of the school district.

35 5. ~~Permit~~ **ALLOW** a superintendent or principal or representatives of
36 the superintendent or principal to travel for a school purpose, as
37 determined by a majority vote of the board. The board may ~~permit~~ **ALLOW**
38 members and members-elect of the board to travel within or without the
39 school district for a school purpose and receive reimbursement. Any
40 expenditure for travel and subsistence pursuant to this paragraph shall be
41 as provided in title 38, chapter 4, article 2. The designated post of
42 duty referred to in section 38-621 shall be construed, for school district
43 governing board members, to be the member's actual place of residence, as
44 opposed to the school district office or the school district boundaries.
45 Such expenditures shall be a charge against the budgeted school district

1 funds. The governing board of a school district shall prescribe
2 procedures and amounts for reimbursement of lodging and subsistence
3 expenses. Reimbursement amounts shall not exceed the maximum amounts
4 established pursuant to section 38-624, subsection C.

5 6. Construct or provide in rural districts housing facilities for
6 teachers and other school employees that the board determines are
7 necessary ~~for the operation of~~ TO OPERATE the school.

8 7. Sell or lease to the state, a county, a city, another school
9 district or a tribal government agency any school property required for a
10 public purpose, ~~provided the~~ IF sale or lease of the property will not
11 affect the normal operations of a school within the school district.

12 8. Annually budget and ~~expend funds~~ SPEND MONIES for membership in
13 an association of school districts within this state.

14 9. Enter into leases or lease-purchase agreements for school
15 buildings or grounds, or both, as lessor or as lessee, for periods of less
16 than twenty years subject to voter approval for construction of school
17 buildings as prescribed in section 15-341, subsection A, paragraph 7.

18 10. Subject to TITLE 41, chapter ~~16 of this title~~ 56, sell school
19 sites or enter into leases or lease-purchase agreements for school
20 buildings and grounds, as lessor or as lessee, for a period of twenty
21 years or more, but not to exceed ninety-nine years, if authorized by a
22 vote of the school district electors in an election called by the
23 governing board as provided in section 15-491, except that authorization
24 by the school district electors in an election is not required if one of
25 the following requirements is met:

26 (a) The market value of the school property is less than \$50,000 or
27 the property is procured through a renewable energy development agreement,
28 an energy performance contract, which among other items includes a
29 renewable energy power service agreement, or a simplified energy
30 performance contract pursuant to section 15-213.01.

31 (b) The buildings and sites are completely funded with monies
32 distributed by the school facilities OVERSIGHT board.

33 (c) The transaction involves the sale of improved or unimproved
34 property pursuant to an agreement with the school facilities OVERSIGHT
35 board in which the school district agrees to sell the improved or
36 unimproved property and transfer the proceeds of the sale to the school
37 facilities OVERSIGHT board in exchange for monies from the school
38 facilities OVERSIGHT board for the acquisition of a more suitable school
39 site. For a sale of property acquired by a school district ~~prior to~~
40 BEFORE July 9, 1998, a school district shall transfer to the school
41 facilities OVERSIGHT board that portion of the proceeds that equals the
42 cost of the acquisition of a more suitable school site. If there are any
43 remaining proceeds after the transfer of monies to the school facilities
44 OVERSIGHT board, a school district shall only use those remaining proceeds
45 for future land purchases approved by the school facilities OVERSIGHT

1 board, or for capital improvements not funded by the school facilities
2 OVERSIGHT board for any existing or future facility.

3 (d) The transaction involves the sale of improved or unimproved
4 property pursuant to a formally adopted plan and the school district uses
5 the proceeds of this sale to purchase other property that will be used for
6 similar purposes as the property that was originally sold, ~~provided that~~
7 IF the sale proceeds of the improved or unimproved property are used
8 within two years after the date of the original sale to purchase the
9 replacement property. If the sale proceeds of the improved or unimproved
10 property are not used within two years after the date of the original sale
11 to purchase replacement property, the sale proceeds shall be used ~~towards~~
12 ~~payment of~~ TOWARD PAYING any outstanding bonded indebtedness. If any sale
13 proceeds remain after paying for outstanding bonded indebtedness, or if
14 the district has no outstanding bonded indebtedness, sale proceeds shall
15 be used to reduce the district's primary tax levy. A school district
16 shall not use this subdivision unless all of the following conditions
17 exist:

18 (i) The school district is the sole owner of the improved or
19 unimproved property that the school district intends to sell.

20 (ii) The school district did not purchase the improved or
21 unimproved property that the school district intends to sell with monies
22 that were distributed pursuant to TITLE 41, chapter ~~16 of this title~~ 56.

23 (iii) The transaction does not violate section 15-341,
24 subsection G.

25 11. Review the decision of a teacher to promote a pupil to a grade
26 or retain a pupil in a grade in a common school or to pass or fail a pupil
27 in a course in high school. The pupil has the burden of proof to overturn
28 the decision of a teacher to promote, retain, pass or fail the pupil. In
29 order to sustain the burden of proof, the pupil shall demonstrate to the
30 governing board that the pupil has mastered the academic standards adopted
31 by the state board of education pursuant to sections 15-701 and 15-701.01.
32 If the governing board overturns the decision of a teacher pursuant to
33 this paragraph, the governing board shall adopt a written finding that the
34 pupil has mastered the academic standards. Notwithstanding title 38,
35 chapter 3, article 3.1, the governing board shall review the decision of a
36 teacher to promote a pupil to a grade or retain a pupil in a grade in a
37 common school or to pass or fail a pupil in a course in high school in
38 executive session unless a parent or legal guardian of the pupil or the
39 pupil, if emancipated, disagrees that the review should be conducted in
40 executive session and then the review shall be conducted in an open
41 meeting. If the review is conducted in executive session, the board shall
42 notify the teacher of the date, time and place of the review and shall
43 allow the teacher to be present at the review. If the teacher is not
44 present at the review, the board shall consult with the teacher before
45 making its decision. Any request, including the written request as

1 provided in section 15-341, the written evidence presented at the review
2 and the written record of the review, including the decision of the
3 governing board to accept or reject the teacher's decision, shall be
4 retained by the governing board as part of its permanent records.

5 12. Provide transportation or site transportation loading and
6 unloading areas for any child or children if deemed for the best interest
7 of the district, whether within or without the district, county or state.

8 13. Enter into intergovernmental agreements and contracts with
9 school districts or other governing bodies as provided in section 11-952.
10 Intergovernmental agreements and contracts between school districts or
11 between a school district and other governing bodies as provided in
12 section 11-952 are exempt from competitive bidding under the procurement
13 rules adopted by the state board of education pursuant to section 15-213.

14 14. Include in the curricula it prescribes for high schools in the
15 school district career and technical education, vocational education and
16 technology education programs and career and technical, vocational and
17 technology program improvement services for the high schools, subject to
18 approval by the state board of education. The governing board may
19 contract for the provision of career and technical, vocational and
20 technology education as provided in section 15-789.

21 15. Suspend a teacher or administrator from the teacher's or
22 administrator's duties without pay for a period of time of not to exceed
23 ten school days, if the board determines that suspension is warranted
24 pursuant to section 15-341, subsection A, ~~paragraphs~~ PARAGRAPH 21 ~~and~~
25 OR 22.

26 16. Dedicate school property within an incorporated city or town to
27 ~~such~~ THAT city or town or within a county to that county for use as a
28 public right-of-way if both of the following apply:

29 (a) Pursuant to an ordinance adopted by ~~such~~ THE city, town or
30 county, there will be conferred ~~upon~~ ON the school district privileges and
31 benefits that may include benefits related to zoning.

32 (b) The dedication will not affect the normal operation of any
33 school within the district.

34 17. Enter into option agreements for the purchase of school sites.

35 18. Donate surplus or outdated learning materials, educational
36 equipment and furnishings to nonprofit community organizations ~~where~~ IF
37 the governing board determines that the anticipated cost of selling the
38 learning materials, educational equipment or furnishings equals or exceeds
39 the estimated market value of the materials.

40 19. Prescribe policies ~~for the assessment of~~ TO ASSESS reasonable
41 fees for students to use district-provided parking facilities. The fees
42 are to be applied by the district solely against costs incurred in
43 operating or securing the parking facilities. Any policy adopted by the
44 governing board pursuant to this paragraph shall include a fee waiver
45 provision in appropriate cases of need or economic hardship.

1 20. Establish alternative educational programs that are consistent
2 with the laws of this state to educate pupils, including pupils who have
3 been reassigned pursuant to section 15-841, subsection E or F.

4 21. Require a period of silence to be observed at the commencement
5 of the first class of the day in the schools. If a governing board
6 chooses to require a period of silence to be observed, the teacher in
7 charge of the room in which the first class is held shall announce that a
8 period of silence not to exceed one minute in duration will be observed
9 for meditation, and during that time no activities shall take place and
10 silence shall be maintained.

11 22. Require students to wear uniforms.

12 23. Exchange unimproved property or improved property, including
13 school sites, ~~where~~ IF the governing board determines that the improved
14 property is unnecessary for the continued operation of the school district
15 without requesting authorization by a vote of the school district electors
16 AND if the governing board determines that the exchange is necessary to
17 protect the health, safety or welfare of pupils or ~~when~~ IF the governing
18 board determines that the exchange is based on sound business principles
19 for either:

20 (a) Unimproved or improved property of equal or greater value.

21 (b) Unimproved property that the owner contracts to improve if the
22 value of the property ultimately received by the school district is of
23 equal or greater value.

24 24. For common and high school pupils, assess reasonable fees for
25 optional extracurricular activities and programs conducted when the common
26 or high school is not in session, except that ~~no~~ fees shall NOT be charged
27 for pupils' access to or use of computers or related materials. For high
28 school pupils, the governing board may assess reasonable fees for fine
29 arts and vocational education courses and for optional services, equipment
30 and materials offered to the pupils beyond those required to successfully
31 complete the basic requirements of any other course, except that ~~no~~ fees
32 shall NOT be charged for pupils' access to or use of computers or related
33 materials. Fees assessed pursuant to this paragraph shall be adopted at a
34 public meeting after notice has been given to all parents of pupils
35 enrolled at schools in the district and shall not exceed the actual costs
36 of the activities, programs, services, equipment or materials. The
37 governing board shall authorize principals to waive the assessment of all
38 or part of a fee assessed pursuant to this paragraph if it creates an
39 economic hardship for a pupil. For the purposes of this paragraph,
40 "extracurricular activity" means any optional, noncredit, educational or
41 recreational activity that supplements the education program of the
42 school, whether offered before, during or after regular school hours.

43 25. Notwithstanding section 15-341, subsection A, paragraphs 7 and
44 9, construct school buildings and purchase or lease school sites, without

1 a vote of the school district electors, if the buildings and sites are
2 totally funded from one or more of the following:

3 (a) Monies in the unrestricted capital outlay fund, except that the
4 estimated cost shall not exceed \$250,000 for a district that ~~utilizes~~ **USES**
5 section 15-949.

6 (b) Monies distributed from the school facilities **OVERSIGHT** board
7 established by section ~~15-2001~~ **41-5701**.

8 (c) Monies specifically donated for the purpose of constructing
9 school buildings.

10 This paragraph ~~shall~~ **DOES** not ~~be construed to~~ eliminate the requirement
11 for an election to raise revenues for a capital outlay override pursuant
12 to section 15-481 or a bond election pursuant to section 15-491.

13 26. Conduct a background investigation that includes a fingerprint
14 check conducted pursuant to section 41-1750, subsection G for certificated
15 personnel and personnel who are not paid employees of the school district,
16 as a condition of employment. A school district may release the results
17 of a background check to another school district for employment purposes.
18 The school district may charge the costs of fingerprint checks to its
19 fingerprinted employee, except that the school district may not charge the
20 costs of fingerprint checks for personnel who are not paid employees of
21 the school district.

22 27. Unless otherwise prohibited by law, sell advertising as
23 follows:

24 (a) Advertisements shall be age appropriate and not ~~contain~~
25 ~~promotion of~~ **PROMOTE** any substance that is illegal for minors such as
26 alcohol, tobacco and drugs or gambling. Advertisements shall comply with
27 the state sex education policy of abstinence.

28 (b) Advertising approved by the governing board for the exterior of
29 school buses may appear only on the sides of the bus in the following
30 areas:

31 (i) The signs shall be below the seat level rub rail and not extend
32 above the bottom of the side windows.

33 (ii) The signs shall be at least three inches from any required
34 lettering, lamp, wheel well or reflector behind the service door or stop
35 signal arm.

36 (iii) The signs shall not extend from the body of the bus so as to
37 allow a handhold or present a danger to pedestrians.

38 (iv) The signs shall not interfere with the operation of any door
39 or window.

40 (v) The signs shall not be placed on any emergency doors.

41 (c) The school district shall establish an advertisement fund that
42 is composed of revenues from the sale of advertising. The monies in an
43 advertisement fund are not subject to reversion.

1 28. Assess reasonable damage deposits to pupils in grades seven
 2 through twelve for ~~the use of~~ USING textbooks, musical instruments, band
 3 uniforms or other equipment required for academic courses. The governing
 4 board shall adopt policies on any damage deposits assessed pursuant to
 5 this paragraph at a public meeting called for this purpose after providing
 6 notice to all parents of pupils in grades seven through twelve in the
 7 school district. Principals of individual schools within the district may
 8 waive the damage deposit requirement for any textbook or other item if the
 9 payment of the damage deposit would create an economic hardship for the
 10 pupil. The school district shall return the full amount of the damage
 11 deposit for any textbook or other item if the pupil returns the textbook
 12 or other item in reasonably good condition within the time period
 13 prescribed by the governing board. For the purposes of this paragraph,
 14 "in reasonably good condition" means the textbook or other item is in the
 15 same or a similar condition as it was when the pupil received it, plus
 16 ordinary wear and tear.

17 29. Notwithstanding section 15-1105, expend surplus monies in the
 18 civic center school fund for maintenance and operations or unrestricted
 19 capital outlay, if sufficient monies are available in the fund after
 20 meeting the needs of programs established pursuant to section 15-1105.

21 30. Notwithstanding section 15-1143, ~~expend~~ SPEND surplus monies in
 22 the community school program fund for maintenance and operations or
 23 unrestricted capital outlay, if sufficient monies are available in the
 24 fund after meeting the needs of programs established pursuant to section
 25 15-1142.

26 31. Adopt guidelines ~~for standardization of~~ STANDARDIZING the
 27 format of the school report cards required by section 15-746 for schools
 28 within the district.

29 32. Adopt policies that require parental notification when a law
 30 enforcement officer interviews a pupil on school grounds. Policies
 31 adopted pursuant to this paragraph shall not impede a peace officer from
 32 ~~the performance of~~ PERFORMING the peace officer's duties. If the school
 33 district governing board adopts a policy that requires parental
 34 notification:

35 (a) The policy may provide reasonable exceptions to the parental
 36 notification requirement.

37 (b) The policy shall set forth whether and under what circumstances
 38 a parent may be present when a law enforcement officer interviews the
 39 pupil, including reasonable exceptions to the circumstances under which a
 40 parent may be present when a law enforcement officer interviews the pupil,
 41 and shall specify a reasonable maximum time after a parent is notified
 42 that an interview of a pupil by a law enforcement officer may be delayed
 43 to allow the parent to be present.

1 33. Enter into voluntary partnerships with any party to finance
2 with ~~funds~~ MONIES other than school district ~~funds~~ MONIES and
3 cooperatively design school facilities that comply with the adequacy
4 standards prescribed in section ~~15-2011~~ 41-5711 and the square footage per
5 pupil requirements pursuant to section ~~15-2041~~ 41-5741, subsection D,
6 paragraph 3, subdivision (b). The design plans and location of any such
7 school facility shall be submitted to the school facilities OVERSIGHT
8 board for approval pursuant to section ~~15-2041~~ 41-5741, subsection O. If
9 the school facilities OVERSIGHT board approves the design plans and
10 location of any such school facility, the party in partnership with the
11 school district may cause to be constructed and the district may begin
12 operating the school facility before monies are distributed from the
13 school facilities OVERSIGHT board pursuant to section ~~15-2041~~ 41-5741.
14 Monies distributed from the new school facilities fund to a school
15 district in a partnership with another party to finance and design the
16 school facility shall be paid to the school district pursuant to section
17 ~~15-2041~~ 41-5741. The school district shall reimburse the party in
18 partnership with the school district from the monies paid to the school
19 district pursuant to section ~~15-2041~~ 41-5741, in accordance with the
20 voluntary partnership agreement. Before the school facilities OVERSIGHT
21 board distributes any monies pursuant to this subsection, the school
22 district shall demonstrate to the school facilities OVERSIGHT board that
23 the facilities to be funded pursuant to section ~~15-2041~~ 41-5741,
24 subsection O meet the minimum adequacy standards prescribed in section
25 ~~15-2011~~ 41-5711. If the cost to construct the school facility exceeds the
26 amount that the school district receives from the new school facilities
27 fund, the partnership agreement between the school district and the other
28 party shall specify that, except as otherwise provided by the other party,
29 any such excess costs shall be the responsibility of the school district.
30 The school district governing board shall adopt a resolution in a public
31 meeting that an analysis has been conducted on the prospective effects of
32 the decision to operate a new school with existing monies from the school
33 district's maintenance and operations budget and how this decision may
34 affect other schools in the school district. If a school district
35 acquires land by donation at an appropriate school site approved by the
36 school facilities OVERSIGHT board and a school facility is financed and
37 built on the land pursuant to this paragraph, the school facilities
38 OVERSIGHT board shall distribute an amount equal to twenty percent of the
39 fair market value of the land that can be used for academic purposes. The
40 school district shall place the monies in the unrestricted capital outlay
41 fund and increase the unrestricted capital budget limit by the amount of
42 the monies placed in the fund. Monies distributed under this paragraph
43 shall be distributed from the new school facilities fund pursuant to
44 section ~~15-2041~~ 41-5741. If a school district acquires land by donation
45 at an appropriate school site approved by the school facilities OVERSIGHT

1 board and a school facility is financed and built on the land pursuant to
2 this paragraph, the school district shall not receive monies from the
3 school facilities OVERSIGHT board for the donation of real property
4 pursuant to section ~~15-2041~~ 41-5741, subsection F. It is unlawful for:

5 (a) A county, city or town to require as a condition of any land
6 use approval that a landowner or landowners that entered into a
7 partnership pursuant to this paragraph provide any contribution, donation
8 or gift, other than a site donation, to a school district. This
9 subdivision only applies to the property in the voluntary partnership
10 agreement pursuant to this paragraph.

11 (b) A county, city or town to require as a condition of any land
12 use approval that the landowner or landowners located within the
13 geographic boundaries of the school subject to the voluntary partnership
14 pursuant to this paragraph provide any donation or gift to the school
15 district except as provided in the voluntary partnership agreement
16 pursuant to this paragraph.

17 (c) A community facilities district established pursuant to title
18 48, chapter 4, article 6 to be used for reimbursement of financing the
19 construction of a school pursuant to this paragraph.

20 (d) A school district to enter into an agreement pursuant to this
21 paragraph with any party other than a master planned community party. Any
22 land area consisting of at least three hundred twenty acres that is the
23 subject of a development agreement with a county, city or town entered
24 into pursuant to section 9-500.05 or 11-1101 shall be deemed to be a
25 master planned community. For the purposes of this subdivision, "master
26 planned community" means a land area consisting of at least three hundred
27 twenty acres, which may be noncontiguous, that is the subject of a zoning
28 ordinance approved by the governing body of the county, city or town in
29 which the land is located that establishes the use of the land area as a
30 planned area development or district, planned community development or
31 district, planned unit development or district or other land use category
32 or district that is recognized in the local ordinance of such county, city
33 or town and that specifies the use of such land is for a master planned
34 development.

35 34. Enter into an intergovernmental agreement with a presiding
36 judge of the juvenile court to implement a law-related education program
37 as defined in section 15-154. The presiding judge of the juvenile court
38 may assign juvenile probation officers to participate in a law-related
39 education program in any school district in the county. The cost of
40 juvenile probation officers who participate in the program implemented
41 pursuant to this paragraph shall be funded by the school district.

42 35. Offer to sell outdated learning materials, educational
43 equipment or furnishings at a posted price commensurate with the value of
44 the items to pupils who are currently enrolled in that school district
45 before those materials are offered for public sale.

1 36. If the school district is a small school district as defined in
2 section 15-901, and if ~~permitted~~ ALLOWED by federal law, opt out of
3 federal grant opportunities if the governing board determines that the
4 federal requirements impose unduly burdensome reporting requirements.

5 37. Prescribe and enforce policies and procedures for the emergency
6 administration of inhalers by trained employees of the school district and
7 nurses who are under contract with the school district pursuant to section
8 15-158.

9 38. Develop policies and procedures to allow principals to budget
10 for or assist with budgeting federal, state and local monies.

11 Sec. 8. Section 15-481, Arizona Revised Statutes, is amended to
12 read:

13 15-481. Override election; budget increases; informational
14 pamphlet; notice; ballot; effect

15 A. If a proposed budget of a school district exceeds the aggregate
16 budget limit for the budget year, at least ninety days before the proposed
17 election the governing board shall order an override election to be held
18 on the first Tuesday following the first Monday in November as prescribed
19 by section 16-204, subsection F for the purpose of presenting the proposed
20 budget to the qualified electors of the school district who by a majority
21 of those voting either shall affirm or reject the budget. At the same
22 time as the order of the election, the governing board shall publicly
23 declare the deadline for submitting arguments, as set by the county school
24 superintendent pursuant to subsection B, paragraph 9 of this section, to
25 be submitted in the informational pamphlet and shall immediately post the
26 deadline in a prominent location on the district's website. In addition,
27 the governing board shall prepare an alternate budget that does not
28 include an increase in the budget of more than the amount ~~permitted~~
29 ALLOWED as provided in section 15-905. If the qualified electors approve
30 the proposed budget, the governing board of the school district shall
31 follow the procedures prescribed in section 15-905 for adopting a budget
32 that includes the authorized increase. If the qualified electors
33 disapprove the proposed budget, the governing board shall follow the
34 procedures prescribed in section 15-905 for adopting a budget that does
35 not include the proposed increase or the portion of the proposed increase
36 that exceeds the amount authorized by a previously approved budget
37 increase as prescribed in subsection P of this section.

38 B. The county school superintendent shall prepare an informational
39 pamphlet on the proposed increase in the budget and a sample ballot and,
40 at least forty days ~~prior to~~ BEFORE the election, shall transmit the
41 informational pamphlet and the sample ballot to the governing board of the
42 school district. The governing board, on receipt of the informational
43 pamphlet and the ballot, shall mail or distribute the informational
44 pamphlet and the ballot to the households in which qualified electors
45 reside within the school district at least thirty-five days ~~prior to~~

1 BEFORE the election. Any distribution of material concerning the proposed
2 increase in the budget shall not be conducted by children enrolled in the
3 school district. The informational pamphlet shall contain the following
4 information:

5 1. The date of the election.
6 2. The voter's polling place and the times it is open.
7 3. The proposed total increase in the budget that exceeds the
8 amount permitted pursuant to section 15-905.

9 4. The total amount of the current year's budget, the total amount
10 of the proposed budget and the total amount of the alternate budget.

11 5. If the override is for a period of more than one year, a
12 statement indicating the number of years the proposed increase in the
13 budget would be in effect and the percentage of the school district's
14 revenue control limit that the district is requesting for the future
15 years.

16 6. The proposed total amount of revenues that will fund the
17 increase in the budget and the amount that will be obtained from a levy of
18 taxes on the taxable property within the school district for the first
19 year for which the budget increase was adopted.

20 7. The proposed amount of revenues that will fund the increase in
21 the budget and that will be obtained from other than a levy of taxes on
22 the taxable property within the school district for the first year for
23 which the budget increase was adopted.

24 8. The dollar amount and the purpose for which the proposed
25 increase in the budget is to be expended for the first year for which the
26 budget increase was adopted. The purpose statement shall only present
27 factual information in a neutral manner. Advocacy for the expenditures is
28 strictly limited to the arguments submitted pursuant to paragraph 9 of
29 this subsection.

30 9. At least two arguments, if submitted, but ~~no~~ NOT more than ten
31 arguments for and two arguments, if submitted, but ~~no~~ NOT more than ten
32 arguments against the proposed increase in the budget. The arguments
33 shall be in a form prescribed by the county school superintendent, and
34 each argument shall not exceed two hundred words. Arguments for the
35 proposed increase in the budget shall be provided in writing and signed by
36 the governing board. The ballot arguments for the proposed increase in
37 the budget shall be signed as the governing board of the school district
38 without listing any member's individual name for the arguments for the
39 proposed increase. If submitted, additional arguments in favor of the
40 proposed increase in the budget shall be provided in writing and signed by
41 those in favor. Arguments against the proposed increase in the budget
42 shall be provided in writing and signed by those in opposition. The names
43 of persons and entities submitting written arguments shall be included in
44 the informational pamphlet. The county school superintendent shall review
45 all factual statements contained in the written arguments and correct any

1 inaccurate statements of fact. The superintendent shall not review and
2 correct any portion of the written arguments that are identified as
3 statements of the author's opinion. The county school superintendent
4 shall make the written arguments available to the public as provided in
5 title 39, chapter 1, article 2. A deadline for submitting arguments to be
6 included in the informational pamphlet shall be set by the county school
7 superintendent.

8 10. A statement that the alternate budget shall be adopted by the
9 governing board if the proposed budget is not adopted by the qualified
10 electors of the school district.

11 11. The current limited property value and the net assessed
12 valuation provided by the department of revenue, the first year tax rate
13 for the proposed override and the estimated amount of the secondary
14 property taxes if the proposed budget is adopted for each of the
15 following:

16 (a) An owner-occupied residence whose assessed valuation is the
17 average assessed valuation of property classified as class three, as
18 prescribed by section 42-12003 for the current year in the school
19 district.

20 (b) An owner-occupied residence whose assessed valuation is
21 one-half of the assessed valuation of the residence in subdivision (a) of
22 this paragraph.

23 (c) An owner-occupied residence whose assessed valuation is twice
24 the assessed valuation of the residence in subdivision (a) of this
25 paragraph.

26 (d) A business whose assessed valuation is the average of the
27 assessed valuation of property classified as class one, as prescribed by
28 section 42-12001, paragraphs 12 and 13 for the current year in the school
29 district.

30 12. If the election is conducted pursuant to subsection L or M of
31 this section, the following information:

32 (a) An executive summary of the school district's most recent
33 capital improvement plan submitted to the school facilities **OVERSIGHT**
34 board.

35 (b) A complete list of each proposed capital improvement that will
36 be funded with the budget increase and a description of the proposed cost
37 of each improvement, including a separate aggregation of capital
38 improvements for administrative purposes as defined by the school
39 facilities **OVERSIGHT** board.

40 (c) The tax rate associated with each of the proposed capital
41 improvements and the estimated cost of each capital improvement for the
42 owner of a single family home that is valued at ~~eighty thousand dollars~~
43 **\$80,000**.

1 C. For the purpose of this section, the school district may use its
2 staff, equipment, materials, buildings or other resources only to
3 distribute the informational pamphlet at the school district office or at
4 public hearings and to produce such information as required in subsection
5 B of this section, provided that ~~nothing in~~ this subsection ~~shall~~ DOES NOT
6 preclude school districts from holding or participating in any public
7 hearings at which testimony is given by at least one person for the
8 proposed increase and one person against the proposed increase. Any
9 written information provided by the district pertaining to the override
10 election shall include financial information showing the estimated first
11 year tax rate for the proposed budget override amount.

12 D. If any amount of the proposed increase will be funded by a levy
13 of taxes in the district, the election prescribed in subsection A of this
14 section shall be held on the first Tuesday following the first Monday in
15 November as prescribed by section 16-204, subsection F. If the proposed
16 increase will be fully funded by revenues from other than a levy of taxes,
17 the elections prescribed in subsection A of this section shall be held on
18 any date prescribed by section 16-204. The elections shall be conducted
19 as nearly as practicable in the manner prescribed in article 1 of this
20 chapter, sections 15-422 through 15-424 and section 15-426, relating to
21 special elections, except that:

22 1. The notices required pursuant to section 15-403 shall be posted
23 not less than twenty-five days before the election.

24 2. Ballots shall be counted pursuant to title 16, chapter 4,
25 article 10.

26 E. If the election is to exceed the revenue control limit and if
27 the proposed increase will be fully funded by a levy of taxes on the
28 taxable property within the school district, the ballot shall contain the
29 words "budget increase, yes" and "budget increase, no", and the voter
30 shall signify the voter's desired choice. The ballot shall also contain
31 the amount of the proposed increase of the proposed budget over the
32 alternate budget, a statement that the amount of the proposed increase
33 will be based on a percentage of the school district's revenue control
34 limit in future years, if applicable, as provided in subsection P of this
35 section and the following statement:

36 Any budget increase authorized by this election shall be
37 entirely funded by a levy of taxes on the taxable property
38 within this school district for the year for which adopted and
39 for ____ subsequent years, shall not be realized from monies
40 furnished by the state and shall not be subject to the
41 limitation on taxes specified in article IX, section 18,
42 Constitution of Arizona. Based on the current net assessed
43 valuation used for secondary property tax purposes, to fund
44 the proposed increase in the school district's budget would
45 require an estimated tax rate of \$ _____ ~~dollar~~ per

1 ~~one hundred dollars~~ \$100 of net assessed valuation used for
2 secondary property tax purposes and is in addition to the
3 school district's tax rate that will be levied to fund the
4 school district's revenue control limit allowed by law.

5 F. If the election is to exceed the revenue control limit and if
6 the proposed increase will be fully funded by revenues from other than a
7 levy of taxes on the taxable property within the school district, the
8 ballot shall contain the words "budget increase, yes" and "budget
9 increase, no", and the voter shall signify the voter's desired choice.
10 The ballot shall also contain:

11 1. The amount of the proposed increase of the proposed budget over
12 the alternate budget.

13 2. A statement that the amount of the proposed increase will be
14 based on a percentage of the school district's revenue control limit in
15 future years, if applicable, as provided in subsection P of this section.

16 3. The following statement:

17 Any budget increase authorized by this election shall be
18 entirely funded by this school district with revenues from
19 other than a levy of taxes on the taxable property within the
20 school district for the year for which adopted and for _____
21 subsequent years and shall not be realized from monies
22 furnished by the state.

23 G. Except as provided in subsection H of this section, the maximum
24 budget increase that may be requested and authorized as provided in
25 subsection E or F of this section or the combination of subsections E and
26 F of this section is fifteen percent of the revenue control limit as
27 provided in section 15-947, subsection A for the budget year. If a school
28 district requests an override pursuant to section 15-482 or to continue
29 with a budget override pursuant to section 15-482 for pupils in
30 kindergarten programs and grades one through three that was authorized
31 before December 31, 2008, the maximum budget increase that may be
32 requested and authorized as provided in subsection E or F of this section
33 or the combination of subsections E and F of this section is ten percent
34 of the revenue control limit as provided in section 15-947, subsection A
35 for the budget year.

36 H. Special budget override provisions for school districts with a
37 student count of less than one hundred fifty-four in kindergarten programs
38 and grades one through eight or with a student count of less than one
39 hundred seventy-six in grades nine through twelve are as follows:

40 1. The maximum budget increase that may be requested and authorized
41 as provided in subsections E and F of this section is the greater of the
42 amount prescribed in subsection G of this section or a limit computed as
43 follows:

1 (a) For common or unified districts with a student count of less
 2 than one hundred fifty-four in kindergarten programs and grades one
 3 through eight, the limit computed as prescribed in item (i) or (ii) of
 4 this subdivision, whichever is appropriate:

5 (i)

6	Small School	Support Level Weight		Phase Down
7	Student	for Small Isolated		Reduction
8	<u>Count</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
9	- <u>125</u>	x 1.358 + (0.0005 x	x \$ _____	= \$ _____
10		(500 - Student Count))		
11			Small Isolated	
12	Phase Down	Phase Down	School District	
13	<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>	
14	\$150,000 -	\$ _____	=	\$ _____

15 (ii)

16	Small School	Support Level Weight		Phase Down
17	Student	for Small		Reduction
18	<u>Count</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
19	- <u>125</u>	x 1.278 + (0.0003 x	x \$ _____	= \$ _____
20		(500 - Student Count))		
21			Small	
22	Phase Down	Phase Down	School District	
23	<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>	
24	\$150,000 -	\$ _____	=	\$ _____

25 (b) For unified or union high school districts with a student count
 26 of less than one hundred seventy-six in grades nine through twelve, the
 27 limit computed as prescribed in item (i) or (ii) of this subdivision,
 28 whichever is appropriate:

29 (i)

30	Small School	Support Level Weight		Phase Down
31	Student	for Small Isolated		Reduction
32	<u>Count</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
33	- <u>100</u>	x 1.468 + (0.0005 x	x \$ _____	= \$ _____
34		(500 - Student Count))		
35			Small Isolated	
36	Phase Down	Phase Down	District	
37	<u>Base</u>	<u>Reduction Factor</u>	<u>Secondary Limit</u>	
38	\$350,000 -	\$ _____	=	\$ _____

39 (ii)

40	Small School	Support Level Weight		Phase Down
41	Student	for Small		Reduction
42	<u>Count</u>	<u>School Districts</u>	<u>Base Level</u>	<u>Factor</u>
43	- <u>100</u>	x 1.398 + (0.0004 x	x \$ _____	= \$ _____
44		(500 - Student Count))		

1				Small
2	Phase Down	Phase Down		School District
3	<u>Base</u>	<u>Reduction Factor</u>		<u>Secondary Limit</u>
4	\$350,000	- \$		= \$

5 (c) If both subdivisions (a) and (b) of this paragraph apply to a
 6 unified school district, its limit for the purposes of this paragraph is
 7 the combination of its elementary limit and its secondary limit.

8 (d) If only subdivision (a) or (b) of this paragraph applies to a
 9 unified school district, the district's limit for the purposes of this
 10 paragraph is the sum of the limit computed as provided in subdivision (a)
 11 or (b) of this paragraph plus ten percent of the revenue control limit
 12 attributable to those grade levels that do not meet the eligibility
 13 requirements of this subsection. If a school district budgets monies
 14 outside the revenue control limit pursuant to section 15-949, subsection
 15 E, the district's limit for the purposes of this paragraph is only the ten
 16 percent of the revenue control limit attributable to those grade levels
 17 that are not included under section 15-949, subsection E. For the
 18 purposes of this subdivision, the revenue control limit is separated into
 19 elementary and secondary components based on the weighted student count as
 20 provided in section 15-971, subsection B, paragraph 2, subdivision (a).

21 2. If a school district utilizes this subsection to request an
 22 override of more than one year, the ballot shall include an estimate of
 23 the amount of the proposed increase in the future years in place of the
 24 statement that the amount of the proposed increase will be based on a
 25 percentage of the school district's revenue control limit in future years,
 26 as prescribed in subsections E and F of this section.

27 3. Notwithstanding subsection P of this section, the maximum period
 28 of an override authorized pursuant to this subsection is five years.

29 4. Subsection P, paragraphs 1 and 2 of this section do not apply to
 30 overrides authorized pursuant to this subsection.

31 I. If the election is to exceed the revenue control limit as
 32 provided in section 15-482 and if the proposed increase will be fully
 33 funded by a levy of taxes on the taxable property within the school
 34 district, the ballot shall contain the words "budget increase, yes" and
 35 "budget increase, no", and the voter shall signify the voter's desired
 36 choice. The ballot shall also contain the amount of the proposed increase
 37 of the budget over the alternate budget, a statement that the amount of
 38 the proposed increase will be based on a percentage of the school
 39 district's revenue control limit in future years, if applicable, as
 40 provided in subsection Q of this section, and the following statement:

41 Any budget increase authorized by this election shall be
 42 entirely funded by a levy of taxes on the taxable property
 43 within this school district for the year for which adopted and
 44 for _____ subsequent years, shall not be realized from monies
 45 furnished by the state and shall not be subject to the

1 limitation on taxes specified in article IX, section 18,
2 Constitution of Arizona. Based on the current net assessed
3 valuation used for secondary property tax purposes, to fund
4 the proposed increase in the school district's budget that
5 will be funded by a levy of taxes on the taxable property
6 within this school district would require an estimated tax
7 rate of \$ _____ ~~dollar~~ per ~~one hundred dollars~~ \$100 of net
8 assessed valuation used for secondary property tax purposes
9 and is in addition to the school district's tax rate that will
10 be levied to fund the school district's revenue control limit
11 allowed by law.

12 J. If the election is to exceed the revenue control limit as
13 provided in section 15-482 and if the proposed increase will be fully
14 funded by revenues other than a levy of taxes on the taxable property
15 within the school district, the ballot shall contain the words "budget
16 increase, yes" and "budget increase, no", and the voter shall signify the
17 voter's desired choice. The ballot shall also contain the amount of the
18 proposed increase of the proposed budget over the alternate budget, a
19 statement that the amount of the proposed increase will be based on a
20 percentage of the school district's revenue control limit in future years,
21 if applicable, as provided in subsection Q of this section and the
22 following statement:

23 Any budget increase authorized by this election shall be
24 entirely funded by this school district with revenues from
25 other than a levy of taxes on the taxable property within the
26 school district for the year for which adopted and for _____
27 subsequent years and shall not be realized from monies
28 furnished by the state.

29 K. The maximum budget increase that may be requested and authorized
30 as provided in subsection I or J of this section, or a combination of both
31 of these subsections, is five percent of the revenue control limit as
32 provided in section 15-947, subsection A for the budget year. For a
33 common school district not within a high school district or a common
34 school district within a high school district that offers instruction in
35 high school subjects as provided in section 15-447, five percent of the
36 revenue control limit means five percent of the revenue control limit
37 attributable to the weighted student count in preschool programs for
38 children with disabilities, kindergarten programs and grades one through
39 eight as provided in section 15-971, subsection B. For a unified school
40 district, five percent of the revenue control limit means five percent of
41 the revenue control limit attributable to the weighted student count in
42 preschool programs for children with disabilities, kindergarten programs
43 and grades one through twelve. For a union high school district, five
44 percent of the revenue control limit means five percent of the revenue

1 control limit attributable to the weighted student count in grades nine
2 through twelve.

3 L. If the election is to exceed district additional assistance and
4 if the proposed increase will be fully funded by a levy of taxes on the
5 taxable property within the school district, the ballot shall contain the
6 words "budget increase, yes" and "budget increase, no", and the voter
7 shall signify the voter's desired choice. An election held pursuant to
8 this subsection shall be held on the first Tuesday after the first Monday
9 of November. The ballot shall also contain the amount of the proposed
10 increase of the proposed budget over the alternate budget and the
11 following statement:

12 Any budget increase authorized by this election shall be
13 entirely funded by a levy of taxes on the taxable property
14 within this school district for the year in which adopted and
15 for _____ subsequent years, shall not be realized from monies
16 furnished by the state and shall not be subject to the
17 limitation on taxes specified in article IX, section 18,
18 Constitution of Arizona. Based on the current net assessed
19 valuation used for secondary property tax purposes, to fund
20 the proposed increase in the school district's budget would
21 require an estimated tax rate of \$ _____ ~~dollar~~ per
22 ~~one hundred dollars~~ \$100 of net assessed valuation used for
23 secondary property tax purposes and is in addition to the
24 school district's tax rate that will be levied to fund the
25 school district's district additional assistance allowed by
26 law.

27 M. If the election is to exceed district additional assistance and
28 if the proposed increase will be fully funded by revenues from other than
29 a levy of taxes on the taxable property within the school district, the
30 ballot shall contain the words "budget increase, yes" and "budget
31 increase, no", and the voter shall signify the voter's desired choice. An
32 election held pursuant to this subsection shall be held on the first
33 Tuesday after the first Monday of November. The ballot shall also contain
34 the amount of the proposed increase of the proposed budget over the
35 alternate budget and the following statement:

36 Any budget increase authorized by this election shall be
37 entirely funded by this school district with revenues from
38 other than a levy of taxes on the taxable property within the
39 school district for the year in which adopted and for _____
40 subsequent years and shall not be realized from monies
41 furnished by the state.

42 N. If the election is to exceed a combination of the revenue
43 control limit as provided in subsection E or F of this section, the
44 revenue control limit as provided in subsection I or J of this section or
45 district additional assistance as provided in subsection L or M of this

1 section, the ballot shall be prepared so that the voters may vote on each
 2 proposed increase separately and shall contain statements required in the
 3 same manner as if each proposed increase were submitted separately.

4 0. If the election provides for a levy of taxes on the taxable
 5 property within the school district, at least thirty days ~~prior to~~ BEFORE
 6 the election, the department of revenue shall provide the school district
 7 governing board and the county school superintendent with the current net
 8 assessed valuation of the school district. The governing board and the
 9 county school superintendent shall use the current net assessed valuation
 10 of the school district to translate the amount of the proposed dollar
 11 increase in the budget of the school district over that allowed by law
 12 into a tax rate figure.

13 P. If the voters in a school district vote to adopt a budget in
 14 excess of the revenue control limit as provided in subsection E or F of
 15 this section, any additional increase shall be included in the aggregate
 16 budget limit for each of the years authorized. Any additional increase
 17 shall be excluded from the determination of equalization assistance. The
 18 school district governing board, however, may levy on the net assessed
 19 valuation used for secondary property tax purposes of the property in the
 20 school district the additional increase if adopted under subsection E of
 21 this section for the period of one year, two years or five through seven
 22 years as authorized. If an additional increase is approved as provided in
 23 subsection F of this section, the school district governing board may only
 24 use revenues derived from the school district's prior year's maintenance
 25 and operation fund ending cash balance to fund the additional
 26 increase. If a budget increase was previously authorized and will be in
 27 effect for the budget year or budget year and subsequent years, as
 28 provided in subsection E or F of this section, the governing board may
 29 request a new budget increase as provided in the same subsection under
 30 which the prior budget increase was adopted, which shall not exceed the
 31 maximum amount ~~permitted~~ ALLOWED under subsection G of this section. If
 32 the voters in the school district authorize the new budget increase
 33 amount, the existing budget increase no longer is in effect. If the
 34 voters in the school district do not authorize the budget increase amount,
 35 the existing budget increase remains in effect for the time period for
 36 which it was authorized. The maximum additional increase authorized as
 37 provided in subsection E or F of this section and the additional increase
 38 that is included in the aggregate budget limit is based on a percentage of
 39 a school district's revenue control limit in future years, if the budget
 40 increase is authorized for more than one year. If the additional
 41 increase:

42 1. Is for two years, the proposed increase in the second year is
 43 equal to the initial proposed percentage increase.

1 2. Is for five years or more, the proposed increase is equal to the
2 initial proposed percentage increase in the following years of the
3 proposed increase, except that in the next to last year it is two-thirds
4 of the initial proposed percentage increase and it is one-third of the
5 initial proposed percentage increase in the last year of the proposed
6 increase.

7 Q. If the voters in a school district vote to adopt a budget in
8 excess of the revenue control limit as provided in subsection I or J of
9 this section, any additional increase shall be included in the aggregate
10 budget limit for each of the years authorized. Any additional increase
11 shall be excluded from the determination of equalization assistance. The
12 school district governing board, however, may levy on the net assessed
13 valuation used for secondary property tax purposes of the property in the
14 school district the additional increase if adopted under subsection I of
15 this section for the period of one year, two years or five through seven
16 years as authorized. If an additional increase is approved as provided in
17 subsection J of this section, the increase may only be budgeted and
18 expended if sufficient monies are available in the maintenance and
19 operation fund of the school district. If a budget increase was
20 previously authorized and will be in effect for the budget year or budget
21 year and subsequent years, as provided in subsection I or J of this
22 section, the governing board may request a new budget increase as provided
23 in the same subsection under which the prior budget increase was adopted
24 that does not exceed the maximum amount permitted under subsection K of
25 this section. If the voters in the school district authorize the new
26 budget increase amount, the existing budget increase no longer is in
27 effect. If the voters in the school district do not authorize the budget
28 increase amount, the existing budget increase remains in effect for the
29 time period for which it was authorized. The maximum additional increase
30 authorized as provided in subsection I or J of this section and the
31 additional increase that is included in the aggregate budget limit is
32 based on a percentage of a school district's revenue control limit in
33 future years, if the budget increase is authorized for more than one year.
34 If the additional increase:

35 1. Is for two years, the proposed increase in the second year is
36 equal to the initial proposed percentage increase.

37 2. Is for five years or more, the proposed increase is equal to the
38 initial proposed percentage increase in the following years of the
39 proposed increase, except that in the next to last year it is two-thirds
40 of the initial proposed percentage increase and it is one-third of the
41 initial proposed percentage increase in the last year of the proposed
42 increase.

43 R. If the voters in a school district vote to adopt a budget in
44 excess of district additional assistance as provided in subsection L of
45 this section, any additional increase shall be included in the aggregate

1 budget limit for each of the years authorized. The additional increase
2 shall be excluded from the determination of equalization assistance. The
3 school district governing board, however, may levy on the net assessed
4 valuation used for secondary property tax purposes of the property in the
5 school district the additional increase for the period authorized but not
6 to exceed ten years. For overrides approved by a vote of the qualified
7 electors of the school district at an election held from and after
8 October 31, 1998, the period of the additional increase prescribed in this
9 subsection shall not exceed seven years for any capital override election.

10 S. If the voters in a school district vote to adopt a budget in
11 excess of district additional assistance as provided in subsection M of
12 this section, any additional increase shall be included in the aggregate
13 budget limit for each of the years authorized. The additional increase
14 shall be excluded from the determination of equalization assistance. The
15 school district governing board may only use revenues derived from the
16 school district's prior year's maintenance and operation fund ending cash
17 balance and capital outlay fund ending cash balance to fund the additional
18 increase for the period authorized but not to exceed ten years. For
19 overrides approved by a vote of the qualified electors of the school
20 district at an election held from and after October 31, 1998, the period
21 of the additional increase prescribed in this subsection shall not exceed
22 seven years for any capital override election.

23 T. In addition to subsections P and S of this section, from the
24 maintenance and operation fund and capital outlay fund ending cash
25 balances, the school district governing board shall first use any
26 available revenues to reduce its primary tax rate to zero and shall use
27 any remaining revenues to fund the additional increase authorized as
28 provided in subsections F and M of this section.

29 U. If the voters in a school district disapprove the proposed
30 budget, the alternate budget that, except for any budget increase
31 authorized by a prior election, does not include an increase in the budget
32 in excess of the amount provided in section 15-905 shall be adopted by the
33 governing board as provided in section 15-905.

34 V. The governing board may request that any override election be
35 cancelled if any change in chapter 9 of this title changes the amount of
36 the aggregate budget limit as provided in section 15-905. The request to
37 cancel the override election shall be made to the county school
38 superintendent at least eighty days ~~prior to~~ BEFORE the date of the
39 scheduled override election.

40 W. For any election conducted pursuant to subsection L or M of this
41 section:

42 1. The ballot shall include the following statement in addition to
43 any other statement required by this section:

1 The capital improvements that are proposed to be funded
2 through this override election are to exceed the state
3 standards and are in addition to monies provided by the state.
4 _____ school district is proposing to increase its
5 budget by \$_____ to fund capital improvements over and
6 above those funded by the state. Under the students first
7 capital funding system, _____ school district is entitled
8 to state monies for new construction and renovation of school
9 buildings in accordance with state law.

10 2. The ballot shall contain the words "budget increase, yes" and
11 "budget increase, no", and the voter shall signify the voter's desired
12 choice.

13 3. At least eighty-five days before the election, the school
14 district shall submit proposed ballot language to the director of the
15 Arizona legislative council. The director of the Arizona legislative
16 council shall review the proposed ballot language to determine whether the
17 proposed ballot language complies with this section. If the director of
18 the Arizona legislative council determines that the proposed ballot
19 language does not comply with this section, the director, within ten
20 calendar days ~~of the receipt of~~ AFTER RECEIVING the proposed ballot
21 language, shall notify the school district of the director's objections,
22 and the school district shall resubmit revised ballot language to the
23 director for approval.

24 X. If the voters approve the budget increase pursuant to subsection
25 L or M of this section, the school district shall not use the override
26 proceeds for any purposes other than the proposed capital improvements
27 listed in the informational pamphlet, except that up to ten percent of the
28 override proceeds may be used for general capital expenses, including cost
29 overruns of proposed capital improvements.

30 Y. Each school district that currently increases its budget
31 pursuant to this section ~~is required to~~ SHALL hold a public meeting each
32 year between September 1 and October 31 at which an update of the programs
33 or capital improvements financed through the override is discussed and at
34 which the public is ~~permitted~~ ALLOWED an opportunity to comment and:

35 1. If the increase is pursuant to subsection L or M of this
36 section, at a minimum, the update shall include the progress of capital
37 improvements financed through the override, a comparison of the current
38 status and the original projections on the construction of capital
39 improvements, the costs of capital improvements and the costs of capital
40 improvements in progress or completed since the prior meeting and the
41 future capital plans of the school district. The school district shall
42 include in the public meeting a discussion of the school district's use of
43 state capital aid and voter-approved bonding in funding capital
44 improvements, if any.

1 2. If the increase is pursuant to subsection E, F, I or J of this
2 section, the update shall include at a minimum the amount expended in the
3 previous fiscal year and the amount included in the current budget for
4 each of the purposes listed in the informational pamphlet prescribed by
5 subsection B of this section.

6 Z. If a budget in excess of district additional assistance was
7 previously adopted by the voters in a school district and will be in
8 effect for the budget year or budget year and subsequent years, as
9 provided in subsection L or M of this section, the governing board may
10 request an additional budget in excess of district additional assistance.
11 If the voters in a school district authorize the additional budget in
12 excess of district additional assistance, the existing district additional
13 assistance budget increase remains in effect.

14 AA. Notwithstanding any other law, the maximum budget increase that
15 may be authorized pursuant to subsection L or M of this section is ten
16 percent of the school district's revenue control limit.

17 BB. If the election is to continue to exceed the revenue control
18 limit and if the proposed override will be fully funded by a continuation
19 of a levy of taxes on the taxable property in the school district, the
20 ballot shall contain the words "budget override continuation, yes" and
21 "budget override continuation, no", and the voter shall signify the
22 voter's desired choice. The ballot shall also contain the amount of the
23 proposed continuation of the budget increase of the proposed budget over
24 the alternate budget, a statement that the amount of the proposed increase
25 will be based on a percentage of the school district's revenue control
26 limit in future years, if applicable, as provided in subsection P of this
27 section and the following statement:

28 Any budget increase continuation authorized by this
29 election shall be entirely funded by a levy of taxes on the
30 taxable property in this school district for the year for
31 which adopted and for _____ subsequent years, shall not be
32 realized from monies furnished by the state and shall not be
33 subject to the limitation on taxes specified in article IX,
34 section 18, Constitution of Arizona. Based on the current net
35 assessed valuation used for secondary property tax purposes,
36 to fund the proposed continuation of the increase in the
37 school district's budget would require an estimated
38 continuation of a tax rate of \$ _____ ~~dollar~~ per ~~one~~
39 ~~hundred dollars~~ \$100 of assessed valuation used for secondary
40 property tax purposes and is in addition to the school
41 district's tax rate that will be levied to fund the school
42 district's revenue control limit allowed by law.

43 CC. If the election is to continue to exceed the revenue control
44 limit as provided in section 15-482 and if the proposed override will be
45 fully funded by a continuation of a levy of taxes on the taxable property

1 in the school district, the ballot shall contain the words "budget
2 override continuation, yes" and "budget override continuation, no", and
3 the voter shall signify the voter's desired choice. The ballot shall also
4 contain the amount of the proposed continuation of the budget increase of
5 the proposed budget over the alternate budget, a statement that the amount
6 of the proposed increase will be based on a percentage of the school
7 district's revenue control limit in future years, if applicable, as
8 provided in subsection P of this section and the following statement:

9 Any budget increase continuation authorized by this
10 election shall be entirely funded by a levy of taxes on the
11 taxable property in this school district for the year for which
12 adopted and for _____ subsequent years, shall not be realized
13 from monies furnished by the state and shall not be subject to
14 the limitation on taxes specified in article IX, section 18,
15 Constitution of Arizona. Based on the current net assessed
16 valuation used for secondary property tax purposes, to fund the
17 proposed continuation of the increase in the school district's
18 budget would require an estimated continuation of a tax rate of
19 \$_____ ~~dollar~~ per ~~one hundred dollars~~ \$100 of net
20 assessed valuation used for secondary property tax purposes and
21 is in addition to the school district's tax rate that will be
22 levied to fund the school district's revenue control limit
23 allowed by law.

24 Sec. 9. Section 15-491, Arizona Revised Statutes, is amended to
25 read:

26 15-491. Elections on school property; exceptions

27 A. The governing board of a school district may, and on petition of
28 fifteen percent of the school electors as shown by the poll list at the
29 last preceding annual school election shall, call an election for the
30 following purposes:

31 1. To locate or change the location of school buildings.

32 2. To purchase or sell school sites or buildings or sell school
33 sites pursuant to section 15-342 or to build school buildings, but the
34 authorization by vote of the school district shall not necessarily specify
35 the site to be purchased.

36 3. To decide whether the bonds of the school district shall be
37 issued and sold for the purpose of raising ~~money~~ MONIES for purchasing or
38 leasing school lots, for building or renovating school buildings, for
39 supplying school buildings with furniture, equipment and technology, for
40 improving school grounds, for purchasing pupil transportation vehicles or
41 for liquidating any indebtedness already incurred for such purposes.
42 Bonds issued for furniture, equipment and technology, other than fixtures,
43 shall mature ~~no~~ NOT later than the July 1 that follows the fifth year
44 after the bonds were issued. A school district shall not issue class B
45 bonds until the school district has obligated in contract the entire

1 proceeds of any class A bonds issued by the school district. The total
2 amount of class A and class B bonds issued by a school district shall not
3 exceed the debt limitations prescribed in article IX, sections 8 and 8.1,
4 Constitution of Arizona.

5 4. To lease for twenty or more years, as lessor or as lessee,
6 school buildings or grounds. Approval by a majority of the school
7 district electors voting authorizes the governing board to negotiate for
8 and enter into a lease. The ballot shall list the school buildings or
9 grounds for which a lease is sought. If the governing board does not
10 enter into a lease of twenty or more years of the school buildings or
11 grounds listed on the ballot within twenty years ~~of~~ AFTER the date of the
12 election and the board continues to seek such a lease, the governing board
13 shall call a special election to reauthorize the board to negotiate for
14 and to enter into a lease of ~~ten~~ TWENTY or more years.

15 5. To change the list of capital projects or the purposes
16 authorized by prior voter approval to issue bonds.

17 6. To extend from six to ten years the time period to issue class B
18 bonds authorized in 2009 or earlier. Elections pursuant to this paragraph
19 may not be held later than the sixth November after the election approving
20 the issuance of the bonds.

21 B. ~~No~~ A petition ~~shall be~~ IS NOT required for ~~the~~ holding ~~of~~ the
22 first election to be held in a joint common school district for any of the
23 purposes specified in subsection A of this section. The certification of
24 election results required by section 15-493 shall be made to the board of
25 supervisors of the jurisdictional county.

26 C. When the election is called to determine whether or not bonds of
27 the school district shall be issued and sold for the purposes enumerated
28 in the call for the election, the question shall be submitted to the vote
29 of the qualified electors of the school district as defined in section
30 15-401 and subject to section 15-402.

31 D. The governing board shall order the election to be held and the
32 election notice and procedures to be conducted in the manner prescribed in
33 title 35, chapter 3, article 3. If a petition for an election has been
34 filed with the governing board as provided in subsection A of this
35 section, the board shall act on the petition within sixty days by ordering
36 the election to be held as provided in this subsection. If a school
37 district bond election is scheduled for the same date a school district
38 will hold an override election, the governing body shall deliver a copy of
39 the notice of election and ballot to the county school superintendent who
40 shall include the notice of election and ballot with the informational
41 pamphlet and ballot prepared for the override election. Mailing of the
42 information required for both the override and bond elections shall
43 constitute compliance with the notice provisions of this section.

1 E. The elections to be held pursuant to this section shall only be
2 held on dates prescribed by section 16-204, except that elections held
3 pursuant to this section to decide whether class B bonds shall be issued,
4 or any other obligation incurred that will require the assessment of
5 secondary property taxes, shall only be held on the first Tuesday after
6 the first Monday of November.

7 F. Subsection A, paragraph 2 of this section does not apply to the
8 sale of school property if the market value of the school property is less
9 than ~~fifty thousand dollars~~ \$50,000.

10 G. Bond counsel fees, financial advisory fees, printing costs and
11 paying agent and registrar fees for bonds issued pursuant to an election
12 under this section shall be paid from either the amount authorized by the
13 qualified electors of the school district or current operating funds.
14 Bond election expenses shall be paid from current operating funds only.

15 H. For any election conducted to decide whether class B bonds will
16 be issued pursuant to this section:

17 1. Except as provided in paragraph 2 of this subsection, the ballot
18 shall include the following statement:

19 The capital improvements that are proposed to be funded
20 through this bond issuance are to exceed the state standards
21 and are in addition to monies provided by the state.

22 _____ school district is proposing to issue class B
23 general obligation bonds totaling \$_____ to fund capital
24 improvements over and above those funded by the state. Under
25 the students first capital funding system, _____ school
26 district is entitled to state monies for new construction and
27 renovation of school buildings in accordance with state law.

28 2. For a school district that is a career technical education
29 district, the ballot shall include the following statement:

30 _____, a career technical education district, is
31 proposing to issue class B general obligation bonds totaling
32 \$_____ to fund capital improvements at a campus owned or
33 operated and maintained by the career technical education
34 district.

35 3. The ballot shall conform to the requirements of title 35,
36 chapter 3, article 3.

37 4. At least eighty-five days before the election, the school
38 district shall submit proposed ballot language to the county school
39 superintendent and the director of the Arizona legislative council. The
40 director of the Arizona legislative council shall review the proposed
41 ballot language to determine whether the proposed ballot language complies
42 with this section. If the director of the Arizona legislative council
43 determines that the proposed ballot language does not comply with this
44 section, the director, within ten calendar days ~~of the receipt of~~ AFTER
45 RECEIVING the proposed ballot language, shall notify the school district

1 and the county school superintendent of the director's objections, and the
2 school district shall resubmit revised ballot language to the director for
3 approval.

4 5. ~~NO~~ NOT later than thirty-five days before a class B bond
5 election conducted pursuant to this section, the school district shall
6 mail an informational pamphlet prepared by the county school
7 superintendent to each household that contains a qualified elector in the
8 school district. The informational pamphlet shall contain, at a minimum,
9 the following information:

10 (a) An executive summary of the school district's most recent
11 capital plan submitted to the school facilities OVERSIGHT board.

12 (b) A complete list of each proposed capital improvement that will
13 be funded with the proceeds of the bonds and a description of the proposed
14 cost of each improvement, including a separate aggregation of capital
15 improvements for administrative purposes as defined by the school
16 facilities OVERSIGHT board.

17 (c) The tax rate associated with each of the proposed capital
18 improvements and the estimated cost of each capital improvement for the
19 owner of a single family home that is valued at ~~one hundred thousand~~
20 ~~dollars~~ \$100,000.

21 I. For any election conducted to decide whether impact aid revenue
22 bonds shall be issued pursuant to this section:

23 1. The ballot shall include the following statement:

24 The capital improvements that are proposed to be funded
25 through this bond issuance are to exceed the state standards
26 and are in addition to monies provided by the state.

27 _____ school district is proposing to issue impact
28 aid revenue bonds totaling \$_____ to fund capital
29 improvements over and above those funded by the state. Under
30 the students first capital funding system, _____ school
31 district is entitled to state monies for new construction and
32 renovation of school buildings in accordance with state law.

33 2. The ballot shall contain the words "bond approval, yes" and
34 "bond approval, no", and the voter shall signify the voter's desired
35 choice.

36 3. At least eighty-five days before the election, the school
37 district shall submit proposed ballot language to the director of the
38 legislative council. The director of the legislative council shall review
39 the proposed ballot language to determine whether the proposed ballot
40 language complies with this section. If the director of the legislative
41 council determines that the proposed ballot language does not comply with
42 this section, the director, within ten calendar days ~~of the receipt of~~
43 AFTER RECEIVING the proposed ballot language, shall notify the school
44 district of the director's objections, and the school district shall
45 resubmit revised ballot language to the director for approval.

1 4. ~~No~~ NOT later than thirty-five days before an impact aid revenue
2 bond election conducted pursuant to this section, the school district
3 shall mail an informational pamphlet prepared by the county school
4 superintendent to each household that contains a qualified elector in the
5 school district. The informational pamphlet shall contain, at a minimum,
6 the following information:

7 (a) The date of the election.

8 (b) The voter's polling place and the times it is open.

9 (c) An executive summary of the school district's most recent
10 capital plan submitted to the school facilities OVERSIGHT board.

11 (d) A complete list of each proposed capital improvement that will
12 be funded with the proceeds of the bonds and a description of the proposed
13 cost of each improvement, including a separate aggregation of capital
14 improvements for administrative purposes as defined by the school
15 facilities OVERSIGHT board.

16 (e) A statement that impact aid revenue bonds will be fully funded
17 by aid that the school district receives from the federal government and
18 do not require a levy of taxes in the district.

19 (f) A statement that if the bonds are approved, the first priority
20 for the impact aid will be to pay the debt service for the bonds and that
21 other uses of the monies are prohibited until the debt service obligation
22 is met.

23 (g) A statement that if the impact aid revenue bonds are approved,
24 the school district shall not issue or sell class B bonds while the
25 district has existing indebtedness from impact aid revenue bonds, except
26 for bonds issued to refund any bonds issued by the board.

27 J. If the voters approve the issuance of school district class B
28 bonds or impact aid revenue bonds, the school district shall not use the
29 bond proceeds for any purposes other than the proposed capital
30 improvements listed in the informational pamphlet, except that up to ten
31 percent of the bond proceeds may be used for general capital expenses,
32 including cost overruns of proposed capital improvements. The proposed
33 capital improvements may be changed by a subsequent election as provided
34 by this section.

35 K. Each school district that issues bonds under this section ~~is~~
36 ~~required to~~ SHALL hold a public meeting each year between September 1 and
37 October 31, until the bond proceeds are spent, at which an update of the
38 progress of capital improvements financed through bonding is discussed and
39 at which the public is ~~permitted~~ ALLOWED an opportunity to comment. At a
40 minimum, the update shall include a comparison of the current status and
41 the original projections on the construction of capital improvements, the
42 costs of capital improvements and the costs of capital improvements in
43 progress or completed since the prior meeting and the future capital
44 bonding plans of the school district. The school district shall include
45 in the public meeting a discussion of the school district's use of state

1 capital aid and voter-approved capital overrides in funding capital
2 improvements, if any.

3 L. If an election is held to change the purpose or list of capital
4 projects authorized by prior voter approval to issue bonds pursuant to
5 subsection A, paragraph 5 of this section, the following requirements
6 apply:

7 1. The election may be held only on the first Tuesday after the
8 first Monday in November.

9 2. ~~NO~~ NOT later than thirty-five days before the election, the
10 school district shall mail an informational pamphlet prepared by the
11 county school superintendent to each household in the school district that
12 contains a qualified elector. The informational pamphlet shall contain,
13 at a minimum, the following information:

14 (a) The date of the election.

15 (b) The voter's polling place and the times it is open.

16 (c) A statement as to why the election was called.

17 (d) A complete list of each proposed capital improvement that is in
18 addition to the initial capital improvements presented in the
19 informational pamphlet when the bonds were approved and the proposed cost
20 of each improvement, including a separate aggregation of capital
21 improvements for administrative purposes as defined by the school
22 facilities OVERSIGHT board.

23 (e) A complete list of each capital improvement that was presented
24 in the informational pamphlet when the bonds were initially approved and
25 that is proposed to be eliminated or to have its cost reduced, and the
26 proposed cost of each improvement, including a separate aggregation of
27 capital improvements for administrative purposes as defined by the school
28 facilities OVERSIGHT board.

29 (f) Arguments for and against the proposed change, if submitted, as
30 provided by section 15-481, subsection B, paragraph 9. The ballot
31 arguments for the proposed change shall be signed as the governing board
32 of the school district without listing any member's individual name for
33 the arguments for the proposed change.

34 3. The ballot shall contain the words "change capital improvements,
35 yes" and "change capital improvements, no", and the voter shall signify
36 the voter's desired choice.

37 4. If the election is to add a purpose that was not on the initial
38 ballot, the ballot shall list the purpose that is proposed to be added.

39 M. If an election is held to extend the time to issue bonds
40 pursuant to subsection A, paragraph 6 of this section, the following
41 requirements apply:

42 1. The election may be held only on the first Tuesday after the
43 first Monday in November.

1 2. ~~NO~~ NOT later than thirty-five days before the election, the
2 school district shall mail an informational pamphlet prepared by the
3 county school superintendent to each household in the school district that
4 contains a qualified elector. The informational pamphlet shall contain,
5 at a minimum, the following information:

6 (a) The date of the election.

7 (b) The voter's polling place and the times it is open.

8 (c) A statement as to why the election was called.

9 (d) Arguments for and against the proposed change, if submitted, as
10 provided in section 15-481, subsection B, paragraph 9. The ballot
11 arguments for the proposed change shall be signed as the governing board
12 of the school district without listing any member's individual name for
13 the arguments for the proposed change.

14 3. The ballot shall contain the words "extend time to issue bonds,
15 yes" and "extend time to issue bonds, no", and the voter shall signify the
16 voter's desired choice.

17 Sec. 10. Section 15-907, Arizona Revised Statutes, is amended to
18 read:

19 15-907. Incurring liabilities in excess of school district
20 budget; petition; approval; procedure for
21 expenditures

22 A. In the event of excessive and unexpected legal expenses or for
23 an emergency for which the school district did not receive funding from
24 the school facilities OVERSIGHT board pursuant to section ~~15-2022~~ 41-5721
25 because there were insufficient monies in the emergency deficiencies
26 correction fund, the governing board of the school district may petition
27 the county school superintendent, or in the case of an accommodation
28 school, the county school superintendent may petition the county board of
29 supervisors, requesting authority to incur liabilities in excess of the
30 school district budget, in an amount the governing board deems necessary.
31 The governing board of the school district shall follow the procedures for
32 the truth in taxation notice and hearing prescribed in section 15-905.01,
33 subsection B.

34 B. The county school superintendent shall forward the petition
35 together with the superintendent's recommendation and a copy of the budget
36 of the school district to the board of supervisors.

37 C. The board of supervisors shall hold a hearing on the petition
38 within twenty days after receipt and shall determine whether the petition
39 shall be allowed, allowed after revision or denied.

40 D. If the petition is allowed in whole or in part, the governing
41 board shall be authorized to incur liabilities in accordance with the
42 petition, and a copy of the order of the board of supervisors authorizing
43 the incurring of such liabilities shall be filed with the county school
44 superintendent. The county school superintendent, ~~अपण~~ ON presentation of
45 proper vouchers, shall draw warrants against the additional allowance.

1 Any liability so incurred shall be in addition to the aggregate budget
2 estimate of the school district for the succeeding year.

3 E. The portion of the primary tax rate to fund these liabilities in
4 excess of the school district budget as provided in this section shall not
5 be included in the computation of additional state aid for education
6 prescribed in section 15-972.

7 Sec. 11. Section 15-964, Arizona Revised Statutes, is amended to
8 read:

9 15-964. Federal impact adjustment

10 A. The governing board of a school district may compute a federal
11 impact adjustment to the unrestricted capital budget limit. The maximum
12 amount of the federal impact adjustment is the sum of the following:

13 1. Twenty-five ~~per cent~~ PERCENT of the monies received from forest
14 reserve funds by the school district in the prior fiscal year as provided
15 in section 41-736.

16 2. For a school district that is not an accommodation school, the
17 lesser of:

18 (a) Twenty-five ~~per cent~~ PERCENT of the title VIII of the
19 elementary and secondary education act of 1965 revenues received in the
20 prior fiscal year.

21 (b) The total amount of title VIII of the elementary and secondary
22 education act of 1965 revenues received in the prior fiscal year minus the
23 sum of the following:

24 (i) The amount of title VIII of the elementary and secondary
25 education act of 1965 assistance used to increase the general budget limit
26 as provided in section 15-905, subsections K and O for the prior fiscal
27 year.

28 (ii) The amount budgeted for title VIII of the elementary and
29 secondary education act of 1965 administrative costs as provided in
30 section 15-905, subsection P for the current year.

31 (iii) The amount budgeted for principal and interest on impact aid
32 revenue bonds pursuant to section ~~15-2104~~ 41-5804 for the current year.

33 B. The federal impact adjustment shall only be budgeted and
34 expended for new construction, major renovation of buildings or
35 expenditures that may be budgeted in the unrestricted capital fund.

36 C. If the governing board underestimated the amount of the federal
37 impact adjustment for the current year, the board may adjust the
38 unrestricted capital budget limit and the budget before May 15. If the
39 board overestimated the amount of the federal impact adjustment for the
40 current year, the board shall adjust the unrestricted capital budget limit
41 and the budget before May 15. Not later than May 18, the budget as
42 revised shall be submitted electronically to the superintendent of public
43 instruction.

1 Sec. 12. Section 15-995, Arizona Revised Statutes, is amended to
2 read:

3 15-995. Special district assessment for adjacent ways by
4 school district

5 A. The governing board of a school district may contract for
6 constructing, maintaining or otherwise improving any public way adjacent
7 to any parcel of land owned by the school district or leased for school
8 purposes by the school district, or an intersection of any public way
9 adjoining a quarter block in which the parcel of land is situated, and for
10 ~~the construction of~~ CONSTRUCTING sidewalks, sewers, utility lines,
11 roadways and other related improvements in or along such streets and
12 intersections, and to pay for such improvements by ~~the levy of~~ LEVYING a
13 special assessment on the taxable property in the school district. A
14 school district shall not use any portion of the monies generated from the
15 special assessment for any construction, maintenance or other improvements
16 to the school district's property except improvements necessary to ensure
17 the safe ingress to and egress from public school property directly
18 adjacent to the public way for buses and fire equipment. The assessment
19 shall be made a part of the itemized statement that is regularly filed
20 with the county school superintendent and that shows the amount of monies
21 needed for the expenses of schools within the school district for the
22 ensuing year. Each adjacent ways project proposal to be funded through
23 this special assessment must be filed with the ~~school facilities board~~
24 DEPARTMENT OF ADMINISTRATION and include the project cost estimate. If
25 the entire project cost for the adjacent ways project is greater than
26 ~~fifty thousand dollars~~ \$50,000, the ~~school facilities board~~ DEPARTMENT OF
27 ADMINISTRATION shall approve or deny the project within sixty days after
28 ~~receipt of~~ RECEIVING the filing of the project proposal by the school
29 district and the expenditure shall not be made unless the ~~school~~
30 ~~facilities board~~ DEPARTMENT OF ADMINISTRATION validates both of the
31 following within sixty days after ~~receipt of~~ RECEIVING the filing of the
32 proposal:

33 1. The project that is proposed to be funded by the assessment ~~is~~
34 ~~in compliance~~ COMPLIES with state laws relating to adjacent ways projects.

35 2. The proposal selected by the school district does not contain
36 additional work that is not listed in the adjacent ways proposal submitted
37 by the school district.

38 B. If any property that is owned by a school district or leased by
39 a school district for school purposes from any city or county, the state
40 or the United States is included within the assessment district to be
41 assessed to pay the costs and expenses of any public improvements
42 initiated by a city, in order to make the assessments thereon payable by
43 the city in which the improvement is initiated, the governing board may
44 contract with the municipality or its improvement district to reimburse it
45 for the amount of the assessment against the property and to pay the

1 amount so contracted for by the levy of a special assessment as provided
2 by subsection A of this section.

3 C. The governing board of the school district shall follow the
4 truth in taxation notice and hearing requirements prescribed in section
5 15-905.01, subsection B.

6 D. The portion of the primary tax rate to fund adjacent ways as
7 provided in this section shall not be included in the computation of
8 additional state aid for education as prescribed in section 15-972.

9 Sec. 13. Section 15-996, Arizona Revised Statutes, is amended to
10 read:

11 15-996. Duties of county treasurer relating to school
12 district's monies

13 The county treasurer shall:

14 1. Receive and hold all school district monies and keep a separate
15 account for each school district and for the special county school reserve
16 fund. The county treasurer may maintain separate accounts for each fund
17 of a school district or the county treasurer may maintain only two
18 accounts for each school district's monies in addition to the funds
19 provided for in sections 15-1024, 15-1025 and ~~15-2041~~ 41-5741. If only
20 two accounts are maintained, the first account shall consist of
21 maintenance and operation, unrestricted capital outlay and adjacent ways
22 monies and the classroom site fund prescribed in section 15-977 and the
23 second account shall consist of federal and state grant monies and all
24 other monies.

25 2. Pool school district monies for investment except as provided in
26 sections 15-1024 and 15-1025. Interest earned on the monies pooled for
27 investment shall be apportioned at least quarterly to the appropriate
28 school district based on an average monthly balance as prescribed in the
29 uniform system of accounting for county treasurers as provided in section
30 41-1279.21.

31 3. Notwithstanding section 11-605, register warrants only as
32 follows:

33 (a) If separate accounts are maintained for each fund, warrants may
34 only be registered on the maintenance and operation, unrestricted capital
35 outlay and adjacent ways accounts and the classroom site fund prescribed
36 in section 15-977 and only if the total cash balance of all three accounts
37 is insufficient to pay the warrants, except that, during the period of
38 time when a school district is under receivership pursuant to section
39 15-103, a warrant may be registered on the debt service account for which
40 the cash balance in the debt service account is insufficient to cover the
41 debt service payment if there are not sufficient monies in the debt
42 service account to cover the debt.

43 (b) If the county treasurer maintains only two accounts as provided
44 in paragraph 1 of this section:

1 (i) The county treasurer may register warrants only on the first
2 account and only if the balance of that account is insufficient to pay the
3 warrants.

4 (ii) The county treasurer may honor warrants for any federal or
5 state grant fund with a negative balance as long as the total balance in
6 the second account is positive. If the second account total balance is
7 negative, the warrant for a federal or state grant fund shall be charged
8 to the maintenance and operation fund. Any interest charged to the
9 federal or state grant fund as a result of a negative balance that is in
10 excess of interest earned on the fund shall be transferred to the
11 maintenance and operation fund at the end of the fiscal year or the end of
12 the grant year. If a federal or state grant fund has a negative balance
13 at the end of the fiscal year or grant year, sufficient expenditures shall
14 be transferred to the maintenance and operation fund to eliminate the
15 negative balance.

16 4. Notify the county school superintendent by the fifteenth day of
17 each calendar month of the month end balances of each school district
18 account.

19 5. Pay warrants issued by the county school superintendent and duly
20 endorsed by the person entitled to receive the monies.

21 6. On each property tax bill and each property tax statement
22 prepared, separately state and identify by name each school district's
23 primary property tax rate, the secondary property tax rate that is
24 associated with overrides, the secondary property tax rate that is
25 associated with class A bonds and the secondary property tax rate that is
26 associated with class B bonds. For the purposes of this paragraph, "class
27 A bonds" and "class B bonds" have the same meanings prescribed in section
28 15-101.

29 Sec. 14. Section 15-1021, Arizona Revised Statutes, is amended to
30 read:

31 15-1021. Limitation on bonded indebtedness; limitation on
32 authorization and issuance of bonds; definitions

33 A. Until December 31, 1999, a school district may issue class A
34 bonds for the purposes specified in this section and chapter 4, article 5
35 of this title to an amount in the aggregate, including the existing
36 indebtedness, not exceeding fifteen percent of the taxable property used
37 for secondary property tax purposes, as determined pursuant to title 42,
38 chapter 15, article 1, within a school district as ascertained by the last
39 property tax assessment previous to issuing the bonds.

40 B. From and after December 31, 1998, a school district may issue
41 class B bonds for the purposes specified in this section and chapter 4,
42 article 5 of this title to an amount in the aggregate, including the
43 existing class B indebtedness, not exceeding ten percent of the net
44 assessed value of the full cash value of the property in that school
45 district, or ~~one thousand five hundred dollars~~ \$1,500 per student count

1 pursuant to section 15-901, subsection A, paragraph 13, whichever amount
 2 is greater. A school district shall not issue class B bonds until the
 3 proceeds of any class A bonds issued by the school district have been
 4 obligated in contract. The total amount of class A and class B bonds
 5 issued by a school district shall not exceed the debt limitations
 6 prescribed in article IX, section 8, Constitution of Arizona.

7 C. Until December 31, 1999, a unified school district, as defined
 8 under article IX, section 8.1, Constitution of Arizona, may issue class A
 9 bonds for the purposes specified in this section and chapter 4, article 5
 10 of this title to an amount in the aggregate, including the existing
 11 indebtedness, not exceeding thirty percent of the taxable property used
 12 for secondary property tax purposes, as determined pursuant to title 42,
 13 chapter 15, article 1, within a unified school district as ascertained by
 14 the last property tax assessment previous to issuing the bonds.

15 D. From and after December 31, 1998, a unified school district, as
 16 defined under article IX, section 8.1, Constitution of Arizona, may issue
 17 class B bonds for the purposes specified in this section and chapter 4,
 18 article 5 of this title to an amount in the aggregate, including the
 19 existing class B indebtedness, not exceeding twenty percent of the net
 20 assessed value of the full cash value of the property in that school
 21 district, or ~~one thousand five hundred dollars~~ \$1,500 per student count
 22 pursuant to section 15-901, subsection A, paragraph 13, whichever amount
 23 is greater. A unified school district shall not issue class B bonds until
 24 the proceeds of any class A bonds issued by the unified school district
 25 have been obligated in contract. The total amount of class A and class B
 26 bonds issued by a unified school district shall not exceed the debt
 27 limitations prescribed in article IX, section 8.1, Constitution of
 28 Arizona.

29 E. Bonds authorized to be issued by an election held after July 1,
 30 1980 and before November 24, 2009 may not be issued more than six years
 31 after the date of the election, except that the time period may be
 32 extended to ten years pursuant to an election conducted pursuant to
 33 section 15-491, subsection A, paragraph 6 and except that class A bonds
 34 shall not be issued after December 31, 1999. Bonds authorized to be
 35 issued by an election held after November 24, 2009 may not be issued more
 36 than ten years after the date of the election.

37 F. Except as provided in section 15-491, subsection A, paragraph 3,
 38 bond proceeds shall not be expended for items whose useful life is less
 39 than the average life of the bonds issued, except that bond proceeds shall
 40 not be expended for items whose useful life is less than five years.

41 G. A career technical education district shall not spend class B
 42 bond proceeds to construct or renovate a facility located on the campus of
 43 a school in a school district that participates in the career technical
 44 education district unless the facility is only used to provide career and
 45 technical education and is available to all pupils who live within the

1 career technical education district. If the facility is not owned by the
2 career technical education district, an intergovernmental agreement or a
3 written contract shall be executed for ten years or the duration of the
4 bonded indebtedness, whichever is greater. The intergovernmental
5 agreement or written contract shall include provisions:

6 1. That preserve the usage of the facility renovated or
7 constructed, or both, only for career and technology programs operated by
8 the career technical education district.

9 2. That include the process to be used by the participating
10 district to compensate the career technical education district in the
11 event that the facility is no longer used only for career and technical
12 education programs offered by the career technical education district
13 during the life of the bond.

14 H. A school district shall not authorize, issue or sell bonds
15 pursuant to this section if the school district has any existing
16 indebtedness from impact aid revenue bonds pursuant to [TITLE 41](#), chapter
17 ~~16~~ [56](#), article 8 ~~of this title~~, except for bonds issued to refund any
18 bonds issued by the governing board.

19 I. For the purposes of this section, "full cash value" and "net
20 assessed value" have the same meanings prescribed in section 42-11001.

21 Sec. 15. Section 15-1107, Arizona Revised Statutes, is amended to
22 read:

23 [15-1107. Litigation recovery fund; disposition of proceeds](#)

24 A. Monies received for and derived from settlement of legal
25 controversies or from recovery of costs, attorney fees or damages by a
26 school district in litigation by or against the school district shall be
27 deposited with the county treasurer who shall credit the deposits to the
28 litigation recovery fund of the school district. The litigation recovery
29 fund is a continuing fund that is not subject to reversion.

30 B. If a school district receives monies as provided in subsection A
31 of this section for the purpose of replacing or repairing school buildings
32 or other school property, the governing board, or the superintendent or
33 chief administrative officer with the approval of the governing board, may
34 apply the proceeds only to:

35 1. Reimburse the ~~school facilities board~~ [DEPARTMENT OF](#)
36 [ADMINISTRATION](#) building renewal grant fund established by section ~~15-2032~~
37 [41-5731](#) or the emergency deficiencies correction fund established by
38 section ~~15-2022~~ [41-5721](#) to the extent that monies were received by the
39 school district from [THE DEPARTMENT OF ADMINISTRATION OR](#) the school
40 facilities [OVERSIGHT](#) board, [AS APPLICABLE](#), for replacing or repairing
41 school buildings or other school property that was the subject of the
42 dispute and the monies recovered by the school district pursuant to
43 subsection A of this section are designated for the replacement or
44 repair. The school district shall prioritize the reimbursement of [THE](#)

1 DEPARTMENT OF ADMINISTRATION OR the school facilities OVERSIGHT board, if
2 applicable.

3 2. Pay any outstanding bonded indebtedness of the school district
4 that is payable from the levy of taxes on property within the school
5 district.

6 3. Construct, acquire, improve, repair or furnish school buildings
7 after notice. If the proceeds are applied to a project that costs more
8 than ~~two hundred fifty thousand dollars~~ \$250,000, the governing board, or
9 the superintendent or chief administrative officer with the approval of
10 the governing board, may apply the proceeds after notice and a hearing.

11 4. Replace or repair the school property other than school
12 buildings.

13 C. Except as provided in subsection B of this section, the
14 governing board, or the superintendent or chief administrative officer
15 with the approval of the governing board, may apply the proceeds of
16 litigation recoveries to procure legal services or for the costs of
17 litigation.

18 Sec. 16. Transfer and renumber

19 Title 15, chapter 16, Arizona Revised Statutes, is transferred and
20 renumbered for placement in title 41, Arizona Revised Statutes, as a new
21 chapter 56. Title 15, chapter 16, articles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10
22 and 11, Arizona Revised Statutes, are transferred and renumbered for
23 placement in title 41, chapter 56, Arizona Revised Statutes, as added by
24 this act, as new articles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11,
25 respectively. The following sections are transferred and renumbered for
26 placement in title 41, chapter 56, article 1:

<u>Former Sections</u>	<u>New Sections</u>
27 15-2001	41-5701
28 15-2002	41-5702
29 15-2003	41-5703
30 15-2004	41-5704
31 15-2005	41-5705
32 15-2006	41-5706

33
34 The following section is transferred and renumbered for placement in
35 title 41, chapter 56, article 2:

<u>Former Section</u>	<u>New Section</u>
36 15-2011	41-5711

37
38 The following section is transferred and renumbered for placement in
39 title 41, chapter 56, article 3:

<u>Former Section</u>	<u>New Section</u>
40 15-2022	41-5721

1 The following section is transferred and renumbered for placement in
 2 title 41, chapter 56, article 4:

<u>Former Section</u>	<u>New Section</u>
15-2032	41-5731

5 The following section is transferred and renumbered for placement in
 6 title 41, chapter 56, article 5:

<u>Former Section</u>	<u>New Section</u>
15-2041	41-5741

9 The following sections are transferred and renumbered for placement
 10 in title 41, chapter 56, article 6:

<u>Former Sections</u>	<u>New Sections</u>
15-2051	41-5751
15-2052	41-5752
15-2053	41-5753
15-2054	41-5754
15-2055	41-5755
15-2056	41-5756
15-2057	41-5757
15-2059	41-5758
15-2060	41-5759
15-2061	41-5760
15-2062	41-5761
15-2064	41-5762
15-2065	41-5763
15-2066	41-5764

26 The following sections are transferred and renumbered for placement
 27 in title 41, chapter 56, article 7:

<u>Former Sections</u>	<u>New Sections</u>
15-2081	41-5781
15-2082	41-5782
15-2083	41-5783
15-2084	41-5784
15-2085	41-5785
15-2086	41-5786
15-2087	41-5787
15-2088	41-5788
15-2089	41-5789
15-2090	41-5790
15-2091	41-5791
15-2093	41-5792
15-2094	41-5793
15-2095	41-5794

1 The following sections are transferred and renumbered for placement
2 in title 41, chapter 56, article 8:

	<u>Former Sections</u>	<u>New Sections</u>
3		
4	15-2101	41-5801
5	15-2102	41-5802
6	15-2103	41-5803
7	15-2104	41-5804
8	15-2105	41-5805
9	15-2106	41-5806
10	15-2107	41-5807
11	15-2108	41-5808
12	15-2109	41-5809
13	15-2110	41-5810
14	15-2111	41-5811
15	15-2112	41-5812
16	15-2113	41-5813
17	15-2114	41-5814
18	15-2115	41-5815

19 The following sections are transferred and renumbered for placement
20 in title 41, chapter 56, article 9:

	<u>Former Sections</u>	<u>New Sections</u>
21		
22	15-2131	41-5831
23	15-2132	41-5832

24 The following section is transferred and renumbered for placement in
25 title 41, chapter 56, article 10:

	<u>Former Section</u>	<u>New Section</u>
26		
27	15-2141	41-5841

28 The following sections are transferred and renumbered for placement
29 in title 41, chapter 56, article 11:

	<u>Former Sections</u>	<u>New Sections</u>
30		
31	15-2151	41-5851
32	15-2152	41-5852
33	15-2153	41-5853
34	15-2154	41-5854
35	15-2155	41-5855
36	15-2156	41-5856
37	15-2157	41-5857
38	15-2158	41-5858

39 Sec. 17. Section 35-185.01, Arizona Revised Statutes, is amended to
40 read:

41 35-185.01. Treasurer's warrant notes; form; redemption;
42 exception

43 A. If monies are not available to pay warrants, checks or
44 substitute checks, or electronic funds transfer vouchers of the department
45 of administration presented to the state treasurer pursuant to section

1 35-185, the treasurer, in lieu of payment, shall issue and shall exchange
 2 or sell a treasurer's warrant note or notes in the amount or amounts equal
 3 to the sum of the face value of the warrants, checks or substitute checks,
 4 or electronic funds transfer vouchers presented for payment. Treasurer's
 5 warrant notes shall be issued in lieu of payment of state general fund
 6 warrants, checks or substitute checks, or electronic funds transfer
 7 vouchers only or in exchange for previously issued treasurer's warrant
 8 notes. Before issuing warrant notes, the state treasurer is not required
 9 to divest from program funding obligations issued pursuant to section
 10 ~~15-2157~~ 41-5857, board funding obligations issued pursuant to section
 11 28-7678, monies in the budget stabilization fund or operating monies
 12 invested in securities that are earning a rate of interest greater than
 13 the cost of issuing warrant notes. For the purposes of this subsection,
 14 "monies are not available" means an operating cash balance is not
 15 available to pay warrants, checks or substitute checks, or electronic
 16 funds transfer vouchers except for those operating monies invested in
 17 program funding obligations issued pursuant to section ~~15-2157~~ 41-5857,
 18 board funding obligations issued pursuant to section 28-7678, monies in
 19 the budget stabilization fund or operating monies invested in securities
 20 that are earning a rate of interest greater than the total cost of issuing
 21 any warrant notes.

22 B. The face value of a treasurer's warrant note may be equal to the
 23 sum of any combination of warrants, checks or substitute checks, and
 24 electronic funds transfer vouchers presented for payment. The treasurer
 25 may sell warrant notes at public or private sale and shall use the
 26 proceeds of the sale to pay warrants, checks or substitute checks, and
 27 electronic funds transfer vouchers previously presented pursuant to
 28 section 35-185. Treasurer's warrant notes shall not be sold at a price
 29 below their face value.

30 C. Each treasurer's warrant note sold or exchanged shall be dated
 31 the date the respective warrants are presented for payment. If the date
 32 of delivery of a treasurer's warrant note that is sold is later than the
 33 date of presentment of the respective warrant or warrants, the purchaser
 34 of the treasurer's warrant note shall pay the accrued interest as an
 35 additional purchase price. The accrued interest shall be paid to the
 36 holder of the respective unpaid warrant or warrants, which shall be deemed
 37 to bear interest at the same rate as the respective treasurer's warrant
 38 note from presentment to payment from the proceeds of warrant notes sold.

39 D. The treasurer shall establish a maturity date for each
 40 treasurer's warrant note of not longer than ninety days from the date of
 41 initial issue. The treasurer may specify that treasurer's warrant notes
 42 may be called for redemption at any time before the specified maturity
 43 date.

1 E. The treasurer shall pay interest from the treasurer's warrant
2 note redemption fund on the face value of each warrant note at the rate
3 established by the state treasurer at the time of issuing the warrant
4 note. Interest shall be paid from the date of the treasurer's warrant
5 note until the maturity date or redemption date. The treasurer shall
6 establish the interest rate before the exchange or sale of warrant notes
7 at a rate of not more than the maximum rate permitted by the state loan
8 commissioners.

9 F. The state loan commissioners, at a meeting called and chaired by
10 the state treasurer, shall fix or change the maximum rate of interest that
11 may be paid on warrant notes. Any change of the maximum allowable rate of
12 interest as established by the state loan commissioners shall not affect
13 warrant notes issued before the date of the change.

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

19 Treasurer's warrant note
20 (20__ to ____ fiscal year)
21 Number _____
22 Phoenix, Arizona _____, 20__
23 On _____, 20__, the treasurer of the state of
24 Arizona will pay to the order of _____ at
25 _____ \$_____ with interest at
26 _____ per annum from the date of issuance until paid
27 (calculated on a 365/366 day basis).
28 (insert early redemption provisions)

29 _____
30 _____
31 (Countersigned) State Treasurer
32 Director of the department
33 of administration

34 H. Treasurer's warrant notes may be exchanged or sold for the
35 combined face value of any number of treasurer's warrant notes previously
36 issued. Except for those treasurer's warrant notes issued in exchange for
37 or to redeem treasurer's warrant notes previously issued, treasurer's
38 warrant notes may not be issued, exchanged or sold except in payment of or
39 to provide monies to pay warrants, checks or substitute checks, and
40 electronic funds transfer vouchers presented for payment as provided in
41 section 35-185.

42 I. Treasurer's warrant notes issued in any fiscal year shall be
43 numbered consecutively beginning with the number one. Treasurer's warrant
44 notes shall be redeemed in numerical order. If the treasurer has
45 sufficient monies to pay only a portion of the lowest numbered outstanding

1 warrant note, the treasurer may deposit the monies with the paying agent
2 pursuant to subsection K of this section or call in the lowest numbered
3 warrant note, before maturity according to its terms, and pay the bearer
4 the amount available and issue to the bearer a new warrant note bearing a
5 number that will preserve, for the new warrant note, the priority of the
6 partially paid warrant note and bearing a value equal to the amount of
7 principal and interest remaining unpaid. The new warrant note and the
8 partial payment of principal and interest on the partially paid warrant
9 note shall be exchanged for the partially paid warrant note. The new
10 warrant note shall pay interest at the same rate as the partially paid
11 warrant note. The treasurer may make the changes in the form and date of
12 the new warrant note as necessary to reflect the amount of unpaid interest
13 on the partially paid warrant note.

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

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

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

40 M. If the state loan commissioners determine that it will result in
41 a lower net effective interest rate on one, some or all warrant notes to
42 be issued by the treasurer during the current fiscal year, the
43 commissioners may authorize the treasurer to purchase letters of credit
44 and to incur and pay insurance premiums, attorney fees or other related
45 costs incurred with respect to treasurer's warrant notes. All such

1 payments shall be treated in the same manner as interest to be paid on
2 treasurer's warrant notes and shall be paid from the treasurer's warrant
3 note redemption fund.

4 N. If treasurer's warrant notes are to be exchanged for warrants,
5 checks or substitute checks, or electronic funds transfer vouchers held by
6 banks or savings and loan associations, the treasurer may enter into
7 agreements with such banks or savings and loan associations to provide for
8 the issuance, reissuance and custody of treasurer's warrant notes, the
9 fixing of the interest rates on the treasurer's warrant notes and the
10 method of giving notice to the holders of the notes. Such agreements may
11 provide for a book entry system for the treasurer's warrant notes or may
12 provide for the issuance of one note with an appropriate grid on the
13 reverse, which shall show the advancements made by the banks or savings
14 and loan associations and also the payments of interest and reductions of
15 principal. Such agreements may be continuing in nature, may be executed
16 at any time and may apply to any treasurer's warrant notes exchanged for
17 either warrants, checks or substitute checks, or electronic funds transfer
18 vouchers or treasurer's warrant notes at any time during the remainder of
19 the fiscal year in which the agreement is made. The agreements shall
20 provide a method to preserve the priority of, interest rate on and other
21 terms of each treasurer's warrant note exchanged pursuant to the
22 agreement. Any such agreement shall not become effective until approved
23 by the state loan commissioners.

24 Sec. 18. Section 35-313, Arizona Revised Statutes, is amended to
25 read:

26 35-313. Investment of trust and treasury monies; loan of
27 securities

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

30 1. Obligations issued or guaranteed by the United States or any of
31 its agencies, sponsored agencies, corporations, sponsored corporations or
32 instrumentalities.

33 2. Repurchase agreements collateralized with securities that are
34 authorized for investment pursuant to state law and that are purchased
35 from authorized counterparties that have adequate capital and liquidity as
36 determined by the state treasurer.

37 3. Bonds or other evidences of indebtedness of this state or any of
38 the counties or incorporated cities, towns or duly organized school
39 districts.

40 4. Commercial paper whose issuer is investment grade for short-term
41 obligations by any two nationally recognized statistical rating
42 organizations.

43 5. Bills of exchange or time drafts known as banker's acceptances
44 that are drawn on and accepted by a commercial bank.

- 1 6. Negotiable certificates of deposit issued by a nationally or
2 state-chartered bank or savings and loan association.
- 3 7. Bonds, debentures, notes or other evidences of indebtedness that
4 are denominated in United States dollars and that carry an investment
5 grade rating by a nationally recognized bond rating agency.
- 6 8. Securities of or any other interests in any open-end or
7 closed-end management type investment company or investment trust,
8 including exchange traded products whose underlying investments are
9 invested in securities allowed by state law, registered under the
10 investment company act of 1940 (54 Stat. 789; 15 United States Code
11 sections 80a-1 through 80a-64), as amended. For any treasurer investment
12 pool that seeks to maintain a constant share price, both of the following
13 apply:
- 14 (a) The investment company or investment trust takes delivery of
15 the collateral for any repurchase agreement either directly or through an
16 authorized custodian.
- 17 (b) The investment policy of the investment company or investment
18 trust includes seeking to maintain a constant share price.
- 19 9. Certificates of deferred property taxes as provided by section
20 42-17309.
- 21 10. Treasurer's warrant notes issued pursuant to section 35-185.01
22 or registered warrants of a county issued pursuant to section 11-605, if
23 the yield is equal to or greater than yields on eligible investment
24 instruments of comparable maturities.
- 25 11. Shares in the treasurer's local government investment pools
26 pursuant to section 35-326 if investment policies of the pool seek to
27 maintain a constant share price.
- 28 12. Shares in the treasurer's long-term local government investment
29 pools, the terms of which are determined by the state board of investment,
30 pursuant to section 35-326.01.
- 31 13. Subject to subsection D of this section, state transportation
32 board funding obligations delivered pursuant to section 28-7678.
- 33 14. Deposits placed in accordance with the procedures prescribed in
34 section 35-323.01.
- 35 15. Institutional common trust funds whose underlying investments
36 are invested in securities allowed by state law.
- 37 16. Program funding obligations delivered by the credit enhancement
38 eligibility board pursuant to section ~~15-2157~~ 41-5857.
- 39 B. In case of default or failure to honor a county treasurer's
40 warrant, the state treasurer may withhold the first state shared revenues
41 that would otherwise be distributed to the defaulting county in the amount
42 necessary to honor the note, including accrued interest to and beyond the
43 date of default.

1 C. The state treasurer may contract to loan securities owned by the
 2 trust funds and operating monies deposited in the investment pools
 3 pursuant to section 35-316, subsection B to the financial or dealer
 4 community through one or more of the entities listed in section 35-317,
 5 subsection A, or authorized by the board of investment pursuant to section
 6 35-311, subsection E, if the borrower transfers collateral to the state
 7 treasurer or acting agent of the state in the form of cash or securities
 8 authorized for investment pursuant to state law. Collateral posted in the
 9 form of cash shall be in an amount equal to at least one hundred percent
 10 of the market value of the loaned securities as agreed. Collateral posted
 11 in the form of securities shall be in an amount of at least one hundred
 12 two percent of the market value of the loaned securities as established
 13 from time to time by the board of investment. The loaned securities shall
 14 be valued as to market value daily, and, if necessary, the borrower shall
 15 post additional collateral, as agreed, to ensure that the required margin
 16 is maintained. The state treasurer may collect from the borrower all
 17 dividends, interest, premiums, rights and other distributions to which the
 18 lender of securities would otherwise be entitled. The state treasurer may
 19 terminate the contract on at least five business days' notice, as agreed,
 20 and the borrower may terminate the contract on at least two business days'
 21 notice, as agreed.

22 D. The state treasurer shall invest operating monies in state
 23 transportation board funding obligations delivered pursuant to section
 24 28-7678 pursuant to the following:

25 1. The state treasurer shall liquidate investments of operating
 26 monies if necessary to invest in state transportation board funding
 27 obligations, except that if operating monies in the state general fund
 28 fall below an \$800,000,000 average over the previous twelve consecutive
 29 months, the state treasurer is not required to purchase state
 30 transportation board funding obligations pursuant to this subsection.

31 2. Each series of state transportation board funding obligations
 32 shall bear interest at a fixed interest rate equal to the mean bid-ask
 33 price of the United States treasury obligation with a maturity date
 34 closest to the maturity date of the state transportation board funding
 35 obligation as determined by the pricing system used by the state treasurer
 36 before the date the state treasurer receives a certificate from the state
 37 transportation board that states the board's determination to deliver an
 38 obligation to the state treasurer and the anticipated delivery date of the
 39 obligation. The delivery date shall be between fifteen and sixty days
 40 after the day the state treasurer receives the certificate.

41 3. The state treasurer shall notify the state transportation board
 42 and the director of the department of transportation in writing when the
 43 operating monies fall below \$400,000,000. If operating monies fall below
 44 \$200,000,000, the state treasurer may call the investment in the state
 45 transportation board funding obligations in \$25,000,000 increments up to

1 the amount that the operating monies are below \$200,000,000. The state
2 treasurer shall give the state transportation board and the director of
3 the department of transportation at least fifteen days' notice of the
4 call.

5 Sec. 19. Section 37-221, Arizona Revised Statutes, is amended to
6 read:

7 37-221. Sale or lease of state lands for public education
8 purposes

9 A. Notwithstanding any other law, school districts may enter into
10 leases of state land for more than ten years if the land is to be used for
11 public education purposes. These leases shall be granted according to the
12 constitution of this state and department rules. School districts shall
13 make all applications for leases for educational purposes on forms
14 prepared and furnished by the department, and an authorized agent of the
15 governing board of the school district shall sign and swear to the
16 application. A school district shall not use lands leased to it under
17 this section except for public ~~educational~~ EDUCATION purposes.

18 B. The department shall develop procedures to give priority to the
19 procedures used for school districts to lease state lands for public
20 education purposes. The department shall develop procedures to simplify
21 the procedures used for school districts to lease state lands for public
22 education purposes. The procedures shall specify that any leases entered
23 into and any improvements made to properties leased pursuant to this
24 section using state monies shall comply with the requirements of title ~~15~~
25 ~~41~~, chapter ~~16~~ 56.

26 C. The department shall develop procedures to give priority to the
27 procedures used for school districts to purchase state lands for public
28 education purposes. The department shall develop procedures to simplify
29 the procedures used for school districts to purchase state lands for
30 public education purposes. The procedures shall specify that any purchase
31 of school lands by school districts using state monies shall comply with
32 the requirements of title ~~15~~ 41, chapter ~~16~~ 56.

33 D. Any monies received by the department from the lease of state
34 ~~public school~~ TRUST land for public education purposes pursuant to this
35 section shall be transferred to the school facilities OVERSIGHT board for
36 deposit in the new school facilities fund established by section ~~15-2041~~
37 ~~41-5741~~.

38 E. For the purposes of this section, a school district shall be
39 considered to have abandoned a lease when leased property and any
40 improvements are no longer being used for public education purposes.

41 Sec. 20. Section 37-521, Arizona Revised Statutes, is amended to
42 read:

43 37-521. Permanent state school fund; composition; use

44 A. After any appropriation pursuant to section 37-527, the
45 permanent state school fund shall consist of:

1 1. The proceeds of all lands granted to the state by the United
2 States for the support of common schools.

3 2. All property which accrues to the state by escheat or
4 forfeiture.

5 3. All property donated for the benefit of the common schools,
6 unless the terms of the donation otherwise provide.

7 4. All unclaimed shares and dividends of any corporation
8 incorporated under the laws of this state.

9 5. The proceeds of sale of timber, mineral, gravel or other natural
10 products or property from school lands and state lands other than those
11 granted for specific purposes.

12 6. The residue of the lands granted for payment of the bonds and
13 accrued interest issued by Maricopa, Pima, Yavapai and Coconino counties,
14 after the purpose of the grant has been satisfied, and the five per cent
15 of the proceeds of sales of public lands lying within this state sold by
16 the United States subsequent to admission of this state into the union, as
17 granted by the enabling act.

18 B. The fund shall be and remain a perpetual fund and distributions
19 from the fund pursuant to article X, section 7, Constitution of Arizona,
20 plus monies derived from the rental of the lands and property, interest
21 and accrued rent for that year credited pursuant to section 37-295 and
22 interest paid on installment sales, shall be used as follows:

23 1. If there are outstanding state school facilities revenue bonds
24 pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6, outstanding qualified
25 zone academy bonds pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 7 or
26 outstanding state school trust revenue bonds issued to correct existing
27 deficiencies, the state treasurer and the state land department shall
28 annually transfer to the state school facilities revenue bond debt service
29 fund established in section ~~15-2054~~ 41-5754, the state school improvement
30 revenue bond debt service fund established in section ~~15-2084~~ 41-5784 and
31 the state school trust revenue bond debt service fund the amount that is
32 necessary to pay that fiscal year's debt service on outstanding state
33 school facilities revenue bonds, qualified zone academy bonds and state
34 school trust revenue bonds, before transferring amounts for any other
35 uses.

36 2. If there are no outstanding state school facilities revenue
37 bonds pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6 or if the amount
38 of monies available under this subsection exceeds the amount required
39 under paragraph 1 of this subsection, the monies are subject to
40 legislative appropriation to the new school facilities fund established by
41 section ~~15-2041~~ 41-5741.

42 3. If the amount of monies available under this subsection exceeds
43 the amount required under paragraphs 1 and 2 of this subsection, the
44 legislature may annually appropriate an amount to be used as provided in
45 section 15-971, subsection H, except that the amount appropriated may not

1 exceed the amount appropriated from the permanent state school fund and
2 from the rent and interest paid on installment sales for this purpose in
3 fiscal year 2000-2001.

4 4. Notwithstanding paragraphs 1, 2 and 3 of this subsection, from
5 and after June 30, 2001, any expendable earnings under this subsection
6 that exceed the fiscal year 2000-2001 expendable earnings shall be
7 deposited in the classroom site fund established by section 15-977.

8 Sec. 21. Title 41, chapter 1, article 4, Arizona Revised Statutes,
9 is amended by adding section 41-175, to read:

10 41-175. Capital additional assistance fund; local-level
11 funds; definition

12 A. THE CAPITAL ADDITIONAL ASSISTANCE FUND IS ESTABLISHED CONSISTING
13 OF LEGISLATIVE APPROPRIATIONS. THE STATE TREASURER SHALL ADMINISTER THE
14 FUND AND DISTRIBUTE MONIES TO SCHOOL DISTRICTS FOR THE PURPOSES PRESCRIBED
15 IN SUBSECTION E OF THIS SECTION. MONIES IN THE FUND ARE CONTINUOUSLY
16 APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING
17 TO LAPSING OF APPROPRIATIONS. THE STATE TREASURER SHALL INVEST AND DIVEST
18 MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED FROM
19 INVESTMENT SHALL BE CREDITED TO THE FUND.

20 B. THE STATE TREASURER SHALL ALLOCATE MONIES IN THE CAPITAL
21 ADDITIONAL ASSISTANCE FUND TO SCHOOL DISTRICTS ON A PRO RATA BASIS USING
22 THE WEIGHTED STUDENT COUNT FOR THE SCHOOL DISTRICT FOR THE PRIOR FISCAL
23 YEAR PURSUANT TO SECTION 15-943, PARAGRAPH 2, SUBDIVISION (a) AND INCREASE
24 THE BUDGET LIMITS PURSUANT TO SECTION 15-947 ACCORDINGLY. FOR THE
25 PURPOSES OF THIS SUBSECTION, THE WEIGHTED STUDENT COUNT FOR A SCHOOL
26 DISTRICT THAT SERVES AS THE DISTRICT OF ATTENDANCE FOR NONRESIDENT PUPILS
27 SHALL BE INCREASED TO INCLUDE NONRESIDENT PUPILS WHO ATTEND SCHOOL IN THE
28 SCHOOL DISTRICT.

29 C. EACH SCHOOL DISTRICT SHALL ESTABLISH A LOCAL-LEVEL CAPITAL
30 ADDITIONAL ASSISTANCE FUND TO RECEIVE ALLOCATIONS FROM THE STATE-LEVEL
31 CAPITAL ADDITIONAL ASSISTANCE FUND. A SCHOOL DISTRICT SHALL SPEND MONIES
32 IN THE SCHOOL DISTRICT'S LOCAL-LEVEL CAPITAL ADDITIONAL ASSISTANCE FUND
33 ONLY FOR THE PURPOSES PRESCRIBED IN THIS SECTION. THE AUDITOR GENERAL
34 SHALL MODIFY THE BUDGET FORMAT, FINANCIAL RECORD REQUIREMENTS, ACCOUNTING
35 FORMS AND FINANCIAL REPORT FORMS IN ACCORDANCE WITH THIS SUBSECTION. IN
36 CONSULTATION WITH THE STATE TREASURER, THE AUDITOR GENERAL SHALL PROVIDE
37 SUPPORT AND GUIDANCE TO ASSIST SCHOOL DISTRICTS IN COMPLYING WITH THIS
38 SUBSECTION. THE STATE TREASURER AND THE JOINT LEGISLATIVE BUDGET
39 COMMITTEE SHALL REVIEW DOCUMENTS DEVELOPED PURSUANT TO THIS SUBSECTION.

40 D. TO RECEIVE CAPITAL ADDITIONAL ASSISTANCE, A SCHOOL DISTRICT
41 SHALL SUBMIT A REQUEST TO THE STATE TREASURER, AND THE STATE TREASURER
42 SHALL AUTOMATICALLY TRANSMIT THE REQUESTED AMOUNT TO THE SCHOOL DISTRICT.
43 THE STATE TREASURER MAY NOT TRANSMIT MORE THAN THE AMOUNT CALCULATED
44 PURSUANT TO SUBSECTION B OF THIS SECTION.

1 E. A SCHOOL DISTRICT MAY USE CAPITAL ADDITIONAL ASSISTANCE MONIES
2 ON PROJECTS FOR BUILDINGS OR ANY PART OF A BUILDING IN THE SCHOOL
3 FACILITIES OVERSIGHT BOARD'S DATABASE MAINTAINED PURSUANT TO SECTION
4 41-5702 FOR ANY OF THE FOLLOWING PURPOSES:

- 5 1. MAJOR RENOVATIONS AND REPAIRS TO A BUILDING THAT IS USED FOR
6 STUDENT INSTRUCTION OR OTHER ACADEMIC PURPOSES.
- 7 2. UPGRADING SYSTEMS AND AREAS THAT WILL MAINTAIN OR EXTEND THE
8 USEFUL LIFE OF A BUILDING.
- 9 3. INFRASTRUCTURE COSTS.
- 10 4. PROJECT OR CONSTRUCTION ASSESSMENTS, OR BOTH.

11 F. A SCHOOL DISTRICT MAY NOT USE CAPITAL ADDITIONAL ASSISTANCE
12 MONIES FOR ANY OF THE FOLLOWING PURPOSES:

- 13 1. NEW CONSTRUCTION.
- 14 2. REMODELING INTERIOR SPACE FOR AESTHETIC OR PREFERENTIAL REASONS.
- 15 3. EXTERIOR BEAUTIFICATION.
- 16 4. DEMOLITION.
- 17 5. ROUTINE PREVENTIVE MAINTENANCE.
- 18 6. ANY PROJECT IN A BUILDING, OR PART OF A BUILDING, THAT IS BEING
19 LEASED TO ANOTHER ENTITY.

20 G. A SCHOOL DISTRICT THAT RECEIVES CAPITAL ADDITIONAL ASSISTANCE
21 MONIES UNDER THIS SECTION SHALL ACCOUNT FOR ALL EXPENDITURES OF THESE
22 MONIES ON A FORM PRESCRIBED BY THE STATE TREASURER AND SHALL SUBMIT THIS
23 FORM TO THE STATE TREASURER IN A MANNER PRESCRIBED BY THE STATE TREASURER.
24 THE STATE TREASURER SHALL COMPILE A MONTHLY REPORT THAT DETAILS ALL
25 EXPENDITURES OF CAPITAL ADDITIONAL ASSISTANCE MONIES AND SHALL SUBMIT THIS
26 REPORT TO THE SCHOOL FACILITIES OVERSIGHT BOARD.

27 H. ACCOMMODATION SCHOOLS ARE NOT ELIGIBLE FOR CAPITAL ADDITIONAL
28 ASSISTANCE MONIES.

29 I. FOR THE PURPOSES OF THIS SECTION, "ROUTINE PREVENTIVE
30 MAINTENANCE" HAS THE SAME MEANING PRESCRIBED IN SECTION 41-5731.

31 Sec. 22. Title 41, chapter 4, article 1, Arizona Revised Statutes,
32 is amended by adding section 41-710.02, to read:

33 41-710.02. Adjacent ways projects; validation; report

34 THE DEPARTMENT SHALL:

35 1. VALIDATE PROPOSED ADJACENT WAYS PROJECTS SUBMITTED BY SCHOOL
36 DISTRICTS AS PRESCRIBED IN SECTION 15-995 PURSUANT TO RULES ADOPTED BY THE
37 SCHOOL FACILITIES OVERSIGHT BOARD UNDER SECTION 41-5702, SUBSECTION A,
38 PARAGRAPH 16.

39 2. SUBMIT A MONTHLY REPORT TO THE SCHOOL FACILITIES OVERSIGHT BOARD
40 THAT DETAILS EACH ADJACENT WAYS PROJECT VALIDATED PURSUANT TO PARAGRAPH 1
41 OF THIS SECTION.

1 Sec. 23. Section 41-2632, Arizona Revised Statutes, is amended to
2 read:

3 41-2632. Cooperative purchasing authorized; definitions

4 A. Any public procurement unit may either participate in, sponsor,
5 conduct or administer a cooperative purchasing agreement ~~for the~~
6 ~~procurement of~~ TO PROCURE any materials, services, professional services,
7 construction or construction services with one or more public procurement
8 units or external procurement activities in accordance with an agreement
9 entered into between the participants. The cooperative purchasing may
10 include joint or multiparty contracts between public procurement units and
11 open-ended public procurement unit contracts that ~~shall be~~ ARE available
12 to local public procurement units. A nonprofit corporation may enter into
13 an agreement pursuant to this section if one or more of the parties
14 involved is a public procurement unit. An agreement entered into as
15 provided in this article is exempt from section 11-952, subsection D.
16 Parties under a cooperative purchasing agreement may:

17 1. Sponsor, conduct or administer a cooperative agreement ~~for the~~
18 ~~procurement~~ TO PROCURE or ~~dispose~~ DISPOSE of any materials, services or
19 construction.

20 2. Cooperatively use materials or services.

21 3. Commonly use or share warehousing facilities, capital equipment
22 and other facilities.

23 4. Provide personnel, except that the requesting public procurement
24 unit shall pay the public procurement unit providing the personnel the
25 direct and indirect cost of providing the personnel, in accordance with
26 the agreement.

27 5. On request, make available to other public procurement units
28 informational, technical or other services or software that may assist in
29 improving the efficiency or economy of procurement. The public
30 procurement unit furnishing the informational, technical or other services
31 or software has the right to request reimbursement for the reasonable and
32 necessary costs of providing these services or software.

33 6. Pursuant to the rules for cooperative purchasing adopted by the
34 director, purchase materials, services, professional services,
35 construction or construction services under the terms of a contract
36 between a vendor and a public procurement unit or an external procurement
37 activity without complying with the requirements of sections 41-2533,
38 41-2534 and 41-2535.

39 B. The school facilities **OVERSIGHT** board or school districts, or
40 both, may enter into an agreement with a public procurement unit pursuant
41 to this section for the purpose of procuring materials and services needed
42 to correct deficiencies in school facilities.

43 C. The activities described in this section do not limit what
44 parties may do under a cooperative purchasing agreement.

1 D. A nonprofit corporation operating as a public procurement unit
2 under this section, on request of the auditor general, shall provide to
3 the auditor general all documentation concerning any cooperative
4 purchasing transaction the public procurement unit administers under this
5 section.

6 E. A nonprofit corporation operating as a public procurement unit
7 under this section shall comply with all procurement laws applicable to
8 the public procurement unit participating in a cooperative purchasing
9 transaction that the nonprofit corporation administers.

10 F. This section does not abrogate the responsibility of each public
11 procurement unit to ensure compliance with procurement laws that apply to
12 the particular public procurement, notwithstanding the fact that the
13 cooperative purchase is administered by a nonprofit corporation operating
14 under this section.

15 G. Any public procurement unit conducting or administering a
16 cooperative purchasing agreement ~~for the procurement of~~ TO PROCURE
17 construction services or professional services shall comply with the
18 requirements of section 34-603 or 41-2578.

19 H. For the purposes of this section:

20 1. "Construction services" has the same meaning prescribed in
21 section 41-2503.

22 2. "Professional services" has the same meaning prescribed in
23 section 41-2578.

24 Sec. 24. Section 41-3022.18, Arizona Revised Statutes, is amended
25 to read:

26 41-3022.18. School facilities oversight board; termination
27 July 1, 2022

28 A. The school facilities OVERSIGHT board terminates on July 1,
29 2022.

30 B. Title ~~15~~ 41, chapter ~~16~~ 56, articles 1, 2, 3, 4, 5, 6, 7, 8 and
31 9 and this section are repealed on January 1, 2023 only if either:

32 1. The board has no outstanding state school facilities revenue
33 bonds issued pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6, no
34 outstanding state school improvement revenue bonds issued pursuant to
35 title ~~15~~ 41, chapter ~~16~~ 56, article 7 and no outstanding lease-to-own
36 transactions pursuant to sections ~~15-2004~~ 41-5704, ~~15-2005~~ 41-5705 and
37 ~~15-2006~~ 41-5706.

38 2. The legislature has otherwise provided for paying or retiring
39 any outstanding state school facilities revenue bonds, any outstanding
40 state school improvement revenue bonds and any outstanding lease-to-own
41 transactions.

42 C. If neither of the conditions in subsection B of this section
43 ~~have~~ HAS occurred on or before January 1, 2023, title ~~15~~ 41, chapter ~~16~~
44 56, articles 1, 2, 3, 4, 5, 6, 7, 8 and 9 and this section are repealed
45 thirty days after the retirement of all revenue bonds issued pursuant to

1 title ~~15~~ 41, chapter ~~16~~ 56, articles 6 and 7 and any outstanding lease-to-
2 own transactions issued pursuant to sections ~~15-2004~~ 41-5704, ~~15-2005~~
3 41-5705 and ~~15-2006~~ 41-5706.

4 Sec. 25. Section 41-3026.01, Arizona Revised Statutes, is amended
5 to read:

6 41-3026.01. Credit enhancement eligibility board; termination
7 July 1, 2026

8 A. The credit enhancement eligibility board terminates on
9 July 1, 2026.

10 B. Title ~~15~~ 41, chapter ~~16~~ 56, articles 10 and 11 are repealed on
11 January 1, 2027 only if both of the following apply:

12 1. The board has no outstanding program funding obligations issued
13 pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 11 or the legislature has
14 otherwise provided for paying or retiring any outstanding program funding
15 obligations issued pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 11.

16 2. There are no outstanding guaranteed financings approved pursuant
17 to title ~~15~~ 41, chapter ~~16~~ 56, article 11.

18 C. If both of the conditions in subsection B of this section do not
19 exist on January 1, 2027, title ~~15~~ 41, chapter ~~16~~ 56, articles 10 and 11
20 are repealed thirty days after both of the conditions in subsection B of
21 this section are met.

22 Sec. 26. Heading change

23 The article heading of title 41, chapter 56, article 1, as
24 transferred and renumbered, is changed from "SCHOOL FACILITIES BOARD" to
25 "SCHOOL FACILITIES OVERSIGHT BOARD".

26 Sec. 27. Section 41-5701, Arizona Revised Statutes, as transferred
27 and renumbered, is amended to read:

28 41-5701. School facilities oversight board; members; conflict
29 of interest; violation; classification; change
30 orders; notification

31 A. The school facilities OVERSIGHT board is established WITHIN THE
32 DEPARTMENT OF ADMINISTRATION consisting of the following members who shall
33 be appointed by the governor pursuant to section 38-211 in such a manner
34 as to provide for approximate geographic balance and approximate balance
35 between public and private members:

36 ~~1. One member who is an elected member of a school district~~
37 ~~governing board with knowledge and experience in the area of finance.~~

38 ~~2.~~ 1. One private citizen MEMBER who represents ~~an~~ A STATEWIDE
39 organization of taxpayers.

40 ~~3.~~ 2. ~~One member~~ TWO MEMBERS FROM PRIVATE INDUSTRY with knowledge
41 and experience in ~~public procurement~~ SCHOOL CONSTRUCTION.

42 ~~4.~~ 3. One member who is a registered professional architect and
43 who has current knowledge and experience in school architecture.

44 ~~5.~~ 4. One member with knowledge and experience in school
45 facilities management in a public school system.

1 ~~6. One member with knowledge and experience in demographics.~~
2 ~~7. One member who is a teacher and who currently provides classroom~~
3 ~~instruction.~~
4 ~~8.~~ 5. One member who is a registered professional engineer ~~and who~~
5 ~~has current knowledge and experience in school engineering.~~
6 ~~9.~~ 6. One member who is an owner or officer of a private
7 construction company whose business does not include school construction.
8 B. In addition to the members appointed pursuant to subsection A of
9 this section: ~~;~~
10 1. The superintendent of public instruction or the superintendent's
11 designee shall serve as an advisory nonvoting member of the school
12 facilities OVERSIGHT board.
13 2. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION OR THE
14 DIRECTOR'S DESIGNEE SHALL SERVE AS CHAIRPERSON OF THE SCHOOL FACILITIES
15 OVERSIGHT BOARD BUT FOR ALL OTHER PURPOSES SHALL SERVE AS AN ADVISORY
16 NONVOTING MEMBER.
17 ~~C. The governor shall appoint a chairperson from members appointed~~
18 ~~pursuant to subsection A of this section.~~
19 ~~D.~~ C. Members of the school facilities OVERSIGHT board serve
20 four-year terms. The school facilities OVERSIGHT board shall meet as
21 often as the members deem necessary. A majority of the members
22 constitutes a quorum for the transaction of business.
23 ~~E.~~ D. The unexcused absence of a member for more than three
24 consecutive meetings is justification for removal by a majority vote of
25 the board. If the member is removed, notice shall be given of the removal
26 pursuant to section 38-292.
27 ~~F.~~ E. The governor shall fill a vacancy by appointment of a
28 qualified person as provided in subsection A of this section.
29 ~~G.~~ F. Members of the board who are employed by government entities
30 are not eligible to receive compensation. Members of the board who are
31 not employed by government entities are entitled to payment of ~~one hundred~~
32 ~~fifty dollars~~ \$150 for each meeting attended, prorated for partial days
33 spent for each meeting, up to ~~two thousand five hundred dollars~~ \$2,500
34 each year. All members are eligible for reimbursement of expenses
35 pursuant to title 38, chapter 4, article 2. These expenses and the
36 payment of compensation are payable to a member from monies appropriated
37 to the board from the new school facilities fund.
38 ~~H.~~ G. Members and employees of the school facilities OVERSIGHT
39 board are subject to title 38, chapter 3, article 8.
40 ~~I.~~ H. In addition to the requirements prescribed in subsection
41 ~~H~~ G of this section, employees of the school facilities OVERSIGHT board
42 may not have a direct or indirect financial interest in any property
43 purchased, facility constructed or contract financed with monies made
44 available by the board or any other public monies. A person who knowingly
45 violates this subsection is guilty of a class 1 misdemeanor.

1 ~~J.~~ I. The ~~school facilities board~~ DEPARTMENT OF ADMINISTRATION
2 shall establish policies and procedures relating to building renewal grant
3 change orders that include the following:

4 1. The ~~board staff~~ DEPARTMENT OF ADMINISTRATION shall approve or
5 reject a change order within two business days.

6 2. If a school district approves work referenced in a change order
7 before the ~~board~~ DEPARTMENT OF ADMINISTRATION approves the change order,
8 the school district is responsible for the cost and construction of the
9 project.

10 ~~K.~~ J. The school facilities OVERSIGHT board shall establish
11 policies and procedures to ensure that it notifies school districts in a
12 uniform manner and at least annually of the services and funding that are
13 available from the board for facility construction, renovation and repair
14 projects. The board shall update and post this information on its website
15 on or before July 1 of each year.

16 ~~L.~~ K. The school facilities OVERSIGHT board shall establish and
17 maintain a list of the persons who are responsible for facilities
18 management at each school district in this state. A school district shall
19 promptly notify the board of any change to persons who are responsible for
20 facilities management at that school district. The board shall update and
21 post this information on its website on or before July 1 of each year.

22 ~~M.~~ L. Members of the school facilities OVERSIGHT board may not
23 solicit, accept or provide gifts that are prohibited by state law.

24 Sec. 28. Section 41-5702, Arizona Revised Statutes, as transferred
25 and renumbered, is amended to read:

26 41-5702. Powers and duties; staffing; reporting requirements

27 A. The school facilities OVERSIGHT board shall:

28 1. ~~Make assessments of~~ ASSESS school facilities and equipment
29 deficiencies and approve the distribution of grants as appropriate.

30 2. Maintain a database of school facilities to administer the
31 ~~building renewal grant fund and~~ new school facilities formula AND TO ALLOW
32 THE DEPARTMENT OF ADMINISTRATION TO ADMINISTER THE BUILDING RENEWAL GRANT
33 FUND. The facilities listed in the database must include all buildings
34 that are owned by school districts. The school facilities OVERSIGHT board
35 shall ensure that the database is updated on at least an annual
36 basis. Each school district shall report to the school facilities
37 OVERSIGHT board ~~no~~ NOT later than September 1 of each year information as
38 required by the school facilities OVERSIGHT board ~~for the administration~~
39 ~~of~~ TO ADMINISTER the building renewal grant fund and ~~computation of~~
40 COMPUTE new school facilities formula distributions, including the nature
41 and cost of major repairs, renovations or physical improvements to or
42 replacement of building systems or equipment that were made in the
43 previous year and that were paid for either with local monies or monies
44 provided by the ~~school facilities board~~ DEPARTMENT OF ADMINISTRATION from
45 the building renewal grant fund. Each school district shall report any

1 school or school buildings that have been closed, that are vacant or
 2 partially used pursuant to section 15-119 and that have been leased to
 3 another entity or that operate as a charter school. The school facilities
 4 **OVERSIGHT** board shall develop guidelines and definitions for the reporting
 5 prescribed in this paragraph and may review or audit the information, or
 6 both, to confirm the information submitted by a school district.
 7 Notwithstanding any other provision of this chapter, if a school district
 8 converts space that is listed in the database maintained pursuant to this
 9 paragraph to space that will be used for administrative purposes, the
 10 school district is responsible for any costs associated with ~~the~~
 11 ~~conversion~~ **CONVERTING**, ~~maintenance~~ **MAINTAINING** and ~~replacement~~
 12 **REPLACING** that space. If a building is significantly upgraded or
 13 remodeled, the school facilities **OVERSIGHT** board shall adjust the age of
 14 that school facility in the database as follows:

- 15 (a) Determine the building capacity value as follows:
 - 16 (i) Multiply the student capacity of the building by the per pupil
 17 square foot capacity established by section ~~15-2041~~ **41-5741**.
 - 18 (ii) Multiply the product determined in item (i) of this
 19 subdivision by the cost per square foot established by section ~~15-2041~~
 20 **41-5741**.
- 21 (b) Divide the cost of the renovation by the building capacity
 22 value determined in subdivision (a) of this paragraph.
- 23 (c) Multiply the quotient determined in subdivision (b) of this
 24 paragraph by the currently listed age of the building in the database.
- 25 (d) Subtract the product determined in subdivision (c) of this
 26 paragraph from the currently listed age of the building in the database,
 27 rounded to the nearest whole number. If the result is a negative number,
 28 use zero.

29 3. Inspect school buildings at least once every five years to
 30 ensure compliance with the building adequacy standards prescribed in
 31 section ~~15-2011~~ **41-5711**, the accuracy of the reporting of vacant and
 32 partially used buildings pursuant to this subsection and routine
 33 preventive maintenance guidelines as prescribed in this section with
 34 respect to ~~construction of~~ **CONSTRUCTING** new buildings and ~~maintenance of~~
 35 **MAINTAINING** existing buildings. The school facilities **OVERSIGHT** board
 36 shall randomly select twenty school districts every thirty months and
 37 inspect them pursuant to this paragraph.

38 4. Review and approve student population projections submitted by
 39 school districts to determine to what extent school districts are entitled
 40 to monies to construct new facilities pursuant to section ~~15-2041~~ **41-5741**.
 41 The board shall make a final determination within five months after the
 42 receipt of an application by a school district for monies from the new
 43 school facilities fund.

44 5. Certify that plans for new school facilities meet the building
 45 adequacy standards prescribed in section ~~15-2011~~ **41-5711**.

1 6. Develop prototypical elementary and high school designs. The
2 board shall review the design differences between the schools with the
3 highest academic productivity scores and the schools with the lowest
4 academic productivity scores. The board shall also review the results of
5 a valid and reliable survey of parent quality rating in the highest
6 performing schools and the lowest performing schools in this state. The
7 survey of parent quality rating shall be administered by the department of
8 education. The board shall consider the design elements of the schools
9 with the highest academic productivity scores and parent quality ratings
10 in the development of elementary and high school designs. The board shall
11 develop separate school designs for elementary, middle and high schools
12 with varying pupil capacities.

13 7. Develop application forms, reporting forms and procedures to
14 carry out the requirements of this article, including developing and
15 implementing policies and procedures to:

16 (a) Ensure that the board notifies school districts in a uniform
17 manner of the services and funding available for school districts from the
18 board for facility construction, renovation and repair projects. The
19 policies and procedures shall require the board to provide at least one
20 annual communication to school districts in a manner prescribed by the
21 board and shall require each school district to develop and maintain a
22 list of persons who are responsible for facilities management at that
23 school district.

24 (b) Establish a project eligibility assessment for all projects
25 submitted for building renewal grant funding or emergency deficiencies
26 correction funding, including establishing standardized criteria for
27 project eligibility. Before the board ~~OR THE DEPARTMENT OF~~
28 ~~ADMINISTRATION, AS APPLICABLE~~, formally approves a project, the staff of
29 the board ~~OR DEPARTMENT~~ may review the costs and scope of the proposed
30 project with persons and entities that have submitted bids on the project.

31 (c) Ensure that the board maintains standardized documentation of
32 all projects submitted to the board for consideration to receive services
33 or a financial award from the board. The board shall maintain
34 standardized documentation of any project awarded monies by the board,
35 including records of payments to school districts in a manner prescribed
36 by the board. The standardized documentation shall include the following
37 as part of the eligibility determination criteria:

38 (i) Whether the problem that the proposed project intends to
39 address caused the building or facility to fall below the minimum school
40 facility adequacy guidelines prescribed in section ~~15-2011~~ 41-5711.

41 (ii) Whether the school district performed the routine preventive
42 maintenance required ~~pursuant to~~ BY section ~~15-2032~~ 41-5731 on the
43 building or facility.

- 1 (d) Require a school district to submit contact information for
2 each proposed project, including the name, ~~e-mail~~ EMAIL address and
3 telephone number of persons who are responsible for facilities management
4 at the school district.
- 5 (e) Require a school district to provide justification for each
6 proposed project, including all of the following:
- 7 (i) The school district's use or planned use of the facility.
8 (ii) A detailed description of the problem and the school
9 district's recommended solution.
- 10 (iii) Any completed professional study regarding the proposed
11 project.
- 12 (iv) Any citation or report from government entities.
13 (v) The estimated cost of the proposed project, with documentation.
14 (vi) The project category.
15 (vii) A description of any local funding that will be used for the
16 proposed project.
17 (viii) Documentation on associated insurance coverage, if
18 applicable.
- 19 ~~(f) If the application is for monies from the building renewal~~
20 ~~grant fund established by section 15-2032, require the school district to~~
21 ~~report the preventive maintenance activities completed during the previous~~
22 ~~twelve months for the facility for which the monies are being requested.~~
- 23 ~~(g)~~ (f) Require that an initial application not be considered
24 complete until all necessary information is submitted.
- 25 ~~(h)~~ (g) Allow a school district to submit an incomplete
26 application and request technical assistance from the staff of the board
27 if the school district is unable to provide sufficient information in the
28 initial application.
- 29 ~~(i)~~ (h) Require that a complete application be received by the
30 board at least fifteen business days before the next regularly scheduled
31 board meeting in order for the application to be considered at that
32 meeting. An incomplete application may be considered at that meeting if
33 both the staff of the board and the superintendent of the school district
34 deem the project critical.
- 35 ~~(j)~~ (i) Allow the staff of the board to notify a school district
36 in writing before review by the board that the proposed project does not
37 meet eligibility criteria prescribed in this chapter. The written
38 notification shall include documentation to support the staff's
39 determination that the proposed project does not meet the eligibility
40 criteria prescribed in this chapter. The school district may directly
41 appeal the staff's determination of ineligibility to the ~~executive~~
42 director of the ~~board~~ DEPARTMENT OF ADMINISTRATION. The school district
43 may directly appeal the ~~executive~~ director's determination of
44 ineligibility to the board.

1 ~~(k)~~ (j) Prohibit the staff of the board from requesting that a
2 school district withdraw a project application from review by the board if
3 the initial staff review determines that the proposed project may be
4 ineligible for monies from the board.

5 8. Review and approve or reject requests submitted by school
6 districts to take actions pursuant to section 15-341, subsection G.

7 9. Submit electronically an annual report on or before December 15
8 to the speaker of the house of representatives, the president of the
9 senate, the superintendent of public instruction, the secretary of state
10 and the governor that includes the following information:

11 (a) A detailed description of the amount of monies distributed by
12 the school facilities **OVERSIGHT** board in the previous fiscal year.

13 (b) A list of each capital project that received monies from the
14 school facilities **OVERSIGHT** board during the previous fiscal year, a brief
15 description of each project that was funded and a summary of the board's
16 reasons for ~~the distribution of~~ **DISTRIBUTING** monies for the project.

17 (c) A summary of the findings and conclusions of the building
18 maintenance inspections conducted pursuant to this article during the
19 previous fiscal year.

20 (d) A summary of the findings of common design elements and
21 characteristics of the highest performing schools and the lowest
22 performing schools based on academic productivity, including the results
23 of the parent quality rating survey. For the purposes of this
24 subdivision, "academic productivity" means academic year advancement per
25 calendar year as measured with student-level data using the statewide
26 nationally standardized norm-referenced achievement test.

27 10. On or before December 1 of each year, report electronically to
28 the joint committee on capital review the amounts necessary to fulfill the
29 requirements of sections ~~15-2022~~ **41-5721** and ~~15-2041~~ **41-5741** for the
30 following three fiscal years. In developing the amounts necessary for
31 this report, the school facilities **OVERSIGHT** board shall use the most
32 recent average daily membership data available. On request from the
33 board, the department of education shall make available the most recent
34 average daily membership data for use in calculating the amounts necessary
35 to fulfill the requirements of section ~~15-2041~~ **41-5741** for the following
36 three fiscal years. The board shall provide copies of the report to the
37 president of the senate, the speaker of the house of representatives and
38 the governor.

39 11. Adopt minimum school facility adequacy guidelines to provide
40 the minimum quality and quantity of school buildings and the facilities
41 and equipment necessary and appropriate to enable pupils to achieve the
42 educational goals of the Arizona state schools for the deaf and the blind.
43 The school facilities **OVERSIGHT** board shall establish minimum school
44 facility adequacy guidelines applicable to the Arizona state schools for
45 the deaf and the blind.

1 12. In each even-numbered year, report electronically to the joint
2 committee on capital review the amounts necessary to fulfill the
3 requirements of section ~~15-2041~~ 41-5741 for the Arizona state schools for
4 the deaf and the blind for the following two fiscal years. The Arizona
5 state schools for the deaf and the blind shall incorporate the findings of
6 the report in any request for new school facilities monies. Any monies
7 provided to the Arizona state schools for the deaf and the blind for new
8 school facilities are subject to legislative appropriation.

9 13. On or before June 15 of each year, submit electronically
10 detailed information regarding demographic assumptions, a proposed
11 construction schedule and new school construction cost estimates for
12 individual projects approved in the current fiscal year and expected
13 project approvals for the upcoming fiscal year to the joint committee on
14 capital review for its review. A copy of the report shall also be
15 submitted electronically to the governor's office of strategic planning
16 and budgeting. The joint legislative budget committee staff, the
17 governor's office of strategic planning and budgeting staff and the school
18 facilities OVERSIGHT board staff shall agree on the format of the report.

19 14. Every two years, provide school districts with information on
20 improving and maintaining the indoor environmental quality in school
21 buildings.

22 15. On or before December 31 of each year, report to the joint
23 legislative budget committee on all class B bond approvals by school
24 districts in that year. Each school district shall report to the school
25 facilities OVERSIGHT board on or before December 1 of each year
26 information required by the school facilities OVERSIGHT board for the
27 report prescribed in this paragraph.

28 ~~16. Validate proposed adjacent ways projects submitted by school~~
29 ~~districts as prescribed in section 15-995.~~

30 16. ADOPT RULES REGARDING THE VALIDATION OF ADJACENT WAYS PROJECTS
31 PURSUANT TO SECTION 41-710.02.

32 B. The school facilities OVERSIGHT board may contract for the
33 following services in compliance with the procurement practices prescribed
34 in ~~title 41,~~ chapter 23 OF THIS TITLE:

- 35 1. Private services.
36 2. Construction project management services.
37 3. Assessments for school buildings to determine if the buildings
38 have outlived their useful life pursuant to section ~~15-2041~~ 41-5741,
39 subsection G.
40 4. Services related to land acquisition and development of a school
41 site.

42 C. The ~~governor~~ DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION shall
43 ~~appoint an executive~~ SERVE AS THE director of the school facilities
44 OVERSIGHT board ~~pursuant to section 38-211.~~ The ~~executive~~ director ~~is~~
45 ~~eligible to receive compensation as determined pursuant to section 38-611~~

- 1 ~~and~~ may hire and fire necessary staff subject to ~~title 41~~, chapter 4,
2 article 4 OF THIS TITLE and as approved by the legislature in the
3 budget. ~~The executive director shall have demonstrated competency in~~
4 ~~school finance, facilities design or facilities management, either in~~
5 ~~private business or government service. The executive director serves at~~
6 ~~the pleasure of the governor.~~ The staff of the school facilities
7 OVERSIGHT board is exempt from ~~title 41~~, chapter 4, articles 5 and 6 OF
8 THIS TITLE. The ~~executive~~ director:
- 9 1. Shall analyze applications for monies submitted to the board by
10 school districts.
 - 11 2. Shall assist the board in developing forms and procedures for
12 ~~the distribution~~ DISTRIBUTING and ~~review of~~ REVIEWING applications and ~~the~~
13 ~~distribution of~~ DISTRIBUTING monies to school districts.
 - 14 3. May review or audit, or both, the expenditure of monies by a
15 school district for deficiencies corrections and new school facilities.
 - 16 4. Shall assist the board in ~~the preparation of~~ PREPARING the
17 board's annual report.
 - 18 5. Shall research and provide reports on issues of general interest
19 to the board.
 - 20 6. May aid school districts in ~~the development of~~ DEVELOPING
21 reasonable and cost-effective school designs in order to avoid statewide
22 duplicated efforts and unwarranted expenditures in the area of school
23 design.
 - 24 7. May assist school districts in facilitating the development of
25 multijurisdictional facilities.
 - 26 8. Shall assist the board in any other appropriate matter or method
27 as directed by the members of the board.
 - 28 9. Shall establish procedures to ensure compliance with the notice
29 and hearing requirements prescribed in section 15-905. The notice and
30 hearing procedures adopted by the board shall include the requirement,
31 with respect to the board's consideration of any application filed after
32 July 1, 2001 or after December 31 of the year in which the property
33 becomes territory in the vicinity of a military airport or ancillary
34 military facility as defined in section 28-8461 for monies to fund the
35 construction of new school facilities proposed to be located in territory
36 in the vicinity of a military airport or ancillary military facility, that
37 the military airport receive notification of the application by first
38 class mail at least thirty days before any hearing concerning the
39 application.
 - 40 10. May expedite any request for monies in which the local match
41 was not obtained for a project that received preliminary approval by the
42 state board for school capital facilities.
 - 43 11. Shall expedite any request for monies in which the school
44 district governing board submits an application that shows an immediate
45 need for a new school facility.

1 12. Shall ~~make a determination as to~~ DETERMINE administrative
2 ~~completion~~ COMPLETENESS within one month after ~~the receipt of~~ RECEIVING an
3 application ~~by~~ FROM a school district for monies from the new school
4 facilities fund.

5 13. Shall provide technical support to school districts as
6 requested by school districts in connection with ~~the construction of~~
7 CONSTRUCTING new school facilities and ~~the maintenance of~~ MAINTAINING
8 existing school facilities and may contract directly with construction
9 project managers pursuant to subsection B of this section. This paragraph
10 does not restrict a school district from contracting with a construction
11 project manager using district or state resources.

12 D. When appropriate, the school facilities OVERSIGHT board shall
13 review and use the statewide school facilities inventory and needs
14 assessment conducted by the joint committee on capital review and issued
15 in July, 1995.

16 E. The school facilities OVERSIGHT board shall contract with one or
17 more private building inspectors to complete an initial assessment of
18 school facilities and equipment and shall inspect each school building in
19 this state at least once every five years to ensure compliance with
20 section ~~15-2011~~ 41-5711. A copy of the inspection report, together with
21 any recommendations for building maintenance, shall be provided to the
22 school facilities OVERSIGHT board and the governing board of the school
23 district.

24 F. The school facilities OVERSIGHT board may consider appropriate
25 combinations of facilities or uses in ~~making assessments of~~ ASSESSING and
26 curing deficiencies pursuant to subsection A, paragraph 1 of this section
27 and in certifying plans for new school facilities pursuant to subsection
28 A, paragraph 5 of this section.

29 G. The board shall not award any monies to fund new facilities that
30 are financed by class A bonds that are issued by the school district.

31 H. The board shall not distribute monies to a school district for
32 ~~replacement~~ REPLACING or ~~repair of~~ REPAIRING facilities if the costs
33 associated with the replacement or repair are covered by insurance or a
34 performance or payment bond.

35 I. The board may contract for construction services and materials
36 that are necessary to correct existing deficiencies in school district
37 facilities. The board may procure the construction services necessary
38 pursuant to this subsection by any method, including
39 construction-manager-at-risk, design-build, design-bid-build or
40 job-order-contracting as provided by ~~title 41,~~ chapter 23 OF THIS TITLE.
41 The construction planning and services performed pursuant to this
42 subsection are exempt from section 41-791.01.

43 J. The school facilities OVERSIGHT board may enter into agreements
44 with school districts to allow school facilities OVERSIGHT board staff and

1 contractors access to school property for the purposes of performing the
2 construction services necessary pursuant to subsection I of this section.

3 K. Each school district shall develop routine preventive
4 maintenance guidelines for its facilities. The guidelines shall include
5 plumbing systems, electrical systems, heating, ventilation and air
6 conditioning systems, special equipment and other systems and for roofing
7 systems shall recommend visual inspections performed by district staff for
8 signs of structural stress and weakness. The guidelines shall be
9 submitted to the school facilities OVERSIGHT board for review and
10 approval. If on inspection by the school facilities OVERSIGHT board it is
11 determined that a school district facility was inadequately maintained
12 pursuant to the school district's routine preventive maintenance
13 guidelines, the school district shall return the building to compliance
14 with the school district's routine preventive maintenance guidelines.

15 L. The school facilities OVERSIGHT board may temporarily transfer
16 monies between the capital reserve fund established by section ~~15-2003~~
17 ~~41-5703~~, the emergency deficiencies correction fund established by section
18 ~~15-2022~~ 41-5721 and the new school facilities fund established by section
19 ~~15-2041~~ 41-5741 if all of the following conditions are met:

20 1. The transfer is necessary to avoid a temporary shortfall in the
21 fund into which the monies are transferred.

22 2. The transferred monies are restored to the fund where the monies
23 originated as soon as practicable after the temporary shortfall in the
24 other fund has been addressed.

25 3. The school facilities OVERSIGHT board reports to the joint
26 committee on capital review the amount of and the reason for any monies
27 transferred.

28 M. After notifying each school district, and if a written objection
29 from the school district is not received by the school facilities
30 OVERSIGHT board within thirty days ~~of~~ AFTER the notification, the school
31 facilities OVERSIGHT board may access public utility company records of
32 power, water, natural gas, telephone and broadband usage to assemble
33 consistent and accurate data on utility consumption at school facilities
34 to determine the effectiveness of facility design, operation and
35 maintenance measures intended to reduce energy and water consumption and
36 costs. Any public utility that provides service to a school district in
37 this state shall provide the data requested by the school facilities
38 OVERSIGHT board pursuant to this subsection.

39 N. The school facilities OVERSIGHT board shall not require a common
40 school district that provides instruction to pupils in grade nine to
41 obtain approval from the school facilities OVERSIGHT board to reconfigure
42 its school facilities. A common school district that provides instruction
43 to pupils in grade nine is not entitled to additional monies from the
44 school facilities OVERSIGHT board for facilities to educate pupils in
45 grade nine.

1 0. A school district may appeal the denial of a request for monies
2 pursuant to this chapter or any other appealable agency action by the
3 school facilities **OVERSIGHT** board pursuant to ~~title 41,~~ chapter 6, article
4 10 **OF THIS TITLE**. For the purposes of this subsection, "appealable agency
5 action" has the same meaning prescribed in section 41-1092.

6 Sec. 29. Section 41-5703, Arizona Revised Statutes, as transferred
7 and renumbered, is amended to read:

8 41-5703. Capital reserve fund

9 A. ~~THE~~ capital reserve fund is established consisting of monies
10 that are credited to the fund from the new school facilities fund
11 established by section ~~15-2041~~ 41-5741, subsection A.

12 B. The school facilities **OVERSIGHT** board shall administer the fund.
13 On notice from the school facilities **OVERSIGHT** board, the state treasurer
14 shall invest and reinvest monies in the fund as provided by section
15 35-313, and monies earned on investments shall be credited to the capital
16 reserve fund.

17 C. Monies in the capital reserve fund are subject to legislative
18 appropriation only to ~~the deficiencies correction fund established by~~
19 ~~section 15-2021 or~~ the new school facilities fund established by section
20 ~~15-2041~~ 41-5741.

21 Sec. 30. Section 41-5704, Arizona Revised Statutes, as transferred
22 and renumbered, is amended to read:

23 41-5704. School facilities oversight board lease-to-own;
24 fund; expiration

25 A. In order to fulfill the requirements of section ~~15-2041~~ 41-5741,
26 the school facilities **OVERSIGHT** board may acquire school facilities for
27 the use of one or more school districts by entering into one or more
28 lease-to-own transactions in accordance with this section. For **THE**
29 purposes of this section, providing school facilities includes land
30 acquisition, related infrastructure, fixtures, furnishings, equipment and
31 costs of the lease-to-own transaction. The school facilities **OVERSIGHT**
32 board may provide monies to provide school facilities in part pursuant to
33 section ~~15-2041~~ 41-5741 and in part through a lease-to-own transaction.

34 B. A lease-to-own transaction may provide for:

35 1. The ground lease of the land for the facilities to a private
36 entity for the term of the lease-to-own transaction or for a term of up to
37 one and one-half times the term of the lease-to-own transaction, subject
38 to earlier termination on completion of performance of the lease-to-own
39 agreement. The ground lessor may either be the school district or the
40 school facilities **OVERSIGHT** board, whichever holds title to the land.

41 2. The lease of the completed school facilities by a private entity
42 to the school facilities **OVERSIGHT** board for an extended term of years
43 pursuant to a lease-to-own agreement.

1 3. The sublease of the completed school facilities by the school
2 facilities **OVERSIGHT** board to the school district during the term of the
3 lease-to-own agreement. The sublease shall provide for the use,
4 maintenance and operation of the school facilities by the school district
5 and for the transfer of ownership of the school facilities to the school
6 district on completion of performance of the lease-to-own agreement.

7 4. The option for the school facilities **OVERSIGHT** board's purchase
8 of the school facilities and transfer of ownership of the school
9 facilities to the school district before the expiration of the
10 lease-to-own agreement.

11 5. The services of trustees, financial advisors, paying agents,
12 transfer agents, underwriters, lawyers and other professional service
13 providers, credit enhancements or liquidity facilities and all other
14 services considered necessary by the school facilities **OVERSIGHT** board in
15 connection with the lease-to-own transaction, and related agreements and
16 arrangements including arrangements for the creation and sale of
17 certificates of participation evidencing proportionate interests in the
18 lease payments to be made by the school facilities **OVERSIGHT** board
19 pursuant to the lease-to-own agreement.

20 C. The sublease of the school facilities to the school district is
21 subject to this section and to the provisions of the lease-to-own
22 agreement. Neither a ground lease by the school district as lessor nor a
23 sublease of the school facilities to the school district is required to be
24 authorized by a vote of the school district electors. A ground lease is
25 not subject to any limitations or requirements applicable to leases or
26 lease-purchase agreements pursuant to section 15-342 or any other section
27 of **TITLE 15 OR** this ~~title~~ **CHAPTER**.

28 D. Any school facility that is constructed through a lease-to-own
29 agreement shall meet the minimum building adequacy standards set forth in
30 section ~~15-2011~~ **41-5711**.

31 E. School districts may use local monies to exceed the minimum
32 adequacy standards and to build athletic fields and any other capital
33 project for leased-to-own facilities.

34 F. The school facilities **OVERSIGHT** board shall include any square
35 footage of new school facilities constructed through lease-to-own
36 agreements in the computations prescribed in section ~~15-2011~~ **41-5711**.

37 G. ~~THE~~ **THE** lease-to-own fund is established consisting of monies
38 appropriated by the legislature. The school facilities **OVERSIGHT** board
39 shall administer the fund and distribute monies in the fund to make
40 payments pursuant to lease-to-own agreements entered into by the school
41 facilities **OVERSIGHT** board pursuant to this section, to make payments to
42 or for the benefit of school districts pursuant to local lease-to-own
43 agreements entered into by school districts pursuant to section ~~15-2005~~
44 **41-5705** and to pay costs considered necessary by the school facilities
45 **OVERSIGHT** board in connection with lease-to-own transactions and local

1 lease-to-own transactions. Payments by the school facilities **OVERSIGHT**
2 board pursuant to a lease-to-own agreement or local lease-to-own agreement
3 shall be made only from the lease-to-own fund. On notice from the school
4 facilities **OVERSIGHT** board, the state treasurer shall invest and divest
5 monies in the fund as provided by section 35-313, and monies earned from
6 investment shall be credited to the lease-to-own fund.

7 H. A lease-to-own agreement entered into by the school facilities
8 **OVERSIGHT** board pursuant to this section shall provide that:

9 1. At the completion of the lease-to-own agreement, ownership of
10 the school facilities and land associated with the lease-to-own agreement
11 shall be transferred to the school district as specified in the agreement.

12 2. The obligation of the school facilities **OVERSIGHT** board to make
13 any payment under the lease-to-own agreement is a current expense, payable
14 exclusively from appropriated monies, and is not a general obligation
15 indebtedness of this state or the school facilities **OVERSIGHT** board. The
16 obligation of a school district to make expenditures under a sublease
17 pursuant to subsection B, paragraph 3 of this section is a current
18 expense, payable exclusively from budgeted monies, and is not a general
19 obligation indebtedness of the school district.

20 3. If the legislature fails to appropriate monies or the school
21 facilities **OVERSIGHT** board fails to allocate such monies for any periodic
22 payment or renewal term of the lease-to-own agreement, the lease-to-own
23 agreement terminates at the end of the current term and this state and the
24 school facilities **OVERSIGHT** board are relieved of any subsequent
25 obligation under the agreement and the school district is relieved of any
26 subsequent obligation under the sublease.

27 4. The lease-to-own agreement shall be reviewed and approved by the
28 attorney general before the agreement may take effect.

29 5. Before the agreement takes effect and after review by the
30 attorney general, the project or projects related to the agreement shall
31 be submitted for review by the joint committee on capital review.

32 I. The school facilities **OVERSIGHT** board may covenant to use its
33 best efforts to budget, obtain, allocate and maintain sufficient
34 appropriated monies to make payments under a lease-to-own agreement, but
35 the lease-to-own agreement shall acknowledge that appropriating state
36 monies is a legislative act and is beyond the control of the school
37 facilities **OVERSIGHT** board or of any other party to the lease-to-own
38 agreement.

39 J. The land and the school facilities on the land are exempt from
40 taxation during the term of the lease-to-own agreement and during
41 construction and subsequent occupancy by the school district pursuant to
42 the sublease.

43 K. The powers prescribed in this section are in addition to the
44 powers conferred by any other law. Without reference to any other
45 provision of **TITLE 15**, this ~~title~~ **CHAPTER** or ~~to~~ any other law, this

1 section is authority for the completion of the purposes prescribed in this
2 section for the school facilities OVERSIGHT board to provide school
3 facilities for use by school districts through lease-to-own transactions
4 pursuant to this section without regard to the procedure required by any
5 other law. Except as otherwise provided in this section, the provisions
6 of TITLE 15 AND this ~~title~~ CHAPTER that relate to the matters contained in
7 this section are superseded because this section is the exclusive law on
8 these matters.

9 L. The school facilities OVERSIGHT board shall not enter into
10 lease-to-own transactions, including any refinancings or refundings,
11 pursuant to this section from and after May 15, 2006.

12 Sec. 31. Section 41-5705, Arizona Revised Statutes, as transferred
13 and renumbered, is amended to read:

14 41-5705. Local lease-to-own by school districts; expiration

15 A. In order to fulfill the requirements of section ~~15-2041~~ 41-5741,
16 with the approval of the school facilities OVERSIGHT board, a school
17 district may acquire school facilities by entering into a local
18 lease-to-own transaction in accordance with this section. For purposes of
19 this section, providing school facilities includes land acquisition,
20 related infrastructure, fixtures, furnishings, equipment and costs of the
21 local lease-to-own transaction. The school facilities OVERSIGHT board may
22 provide monies to provide school facilities in part pursuant to section
23 ~~15-2041~~ 41-5741 and in part through payments to or for the benefit of a
24 school district for a local lease-to-own transaction.

25 B. A local lease-to-own transaction may provide for:

26 1. The ground lease of the land for the facilities to a private
27 entity for the term of the local lease-to-own transaction or for a term of
28 up to one and one-half times the term of the local lease-to-own
29 transaction, subject to earlier termination on completion of performance
30 of the local lease-to-own agreement. The ground lessor may either be the
31 school district or the school facilities OVERSIGHT board, whichever holds
32 title to the land.

33 2. The lease of the completed school facilities by a private entity
34 to the school district for an extended term of years pursuant to a local
35 lease-to-own agreement. The local lease-to-own agreement shall provide
36 for the use, maintenance and operation of the school facilities by the
37 school district and for the transfer of ownership of the school facilities
38 to the school district on completion of performance of the local
39 lease-to-own agreement.

40 3. The option for the school district's purchase of the school
41 facilities and transfer of ownership of the school facilities to the
42 school district before the expiration of the local lease-to-own agreement.

43 4. The services of trustees, financial advisors, paying agents,
44 transfer agents, underwriters, lawyers and other professional service
45 providers, credit enhancements or liquidity facilities and all other

1 services considered necessary by the school district or the school
2 facilities **OVERSIGHT** board in connection with the local lease-to-own
3 transaction, and related agreements and arrangements including
4 arrangements for the creation and sale of certificates of participation
5 evidencing proportionate interests in the lease payments to be made by the
6 school district pursuant to the local lease-to-own agreement.

7 C. Neither a ground lease by the school district as lessor nor a
8 local lease-to-own agreement is required to be authorized by a vote of the
9 school district electors. A ground lease is not subject to any
10 limitations or requirements applicable to leases or lease-purchase
11 agreements pursuant to section 15-342 or any other section of **TITLE 15 OR**
12 this ~~title~~ **CHAPTER**.

13 D. The school facilities **OVERSIGHT** board may make payments to or
14 for the benefit of the school district from the lease-to-own fund
15 established by section ~~15-2004~~ **41-5704** for the payment of amounts payable
16 under the local lease-to-own agreement.

17 E. Any school facility that is constructed through a lease-to-own
18 agreement shall meet the minimum building adequacy standards set forth in
19 section ~~15-2011~~ **41-5711**.

20 F. School districts may use local monies to exceed the minimum
21 adequacy standards and to build athletic fields and any other capital
22 project for leased-to-own facilities.

23 G. The school facilities **OVERSIGHT** board shall include any square
24 footage of new school facilities constructed through lease-to-own
25 agreements in the computations prescribed in section ~~15-2011~~ **41-5711**.

26 H. A local lease-to-own agreement entered into by a school district
27 pursuant to this section shall provide that:

28 1. At the completion of the lease-to-own agreement, ownership of
29 the school facilities and land associated with the lease-to-own agreement
30 shall be transferred to the school district as specified in the agreement.

31 2. The obligation of the school district to make any payment or
32 expenditure under the local lease-to-own agreement is a current expense,
33 payable exclusively from properly budgeted monies, and is not a general
34 obligation indebtedness of this state, the school facilities **OVERSIGHT**
35 board or the school district, and that any payment by the school
36 facilities **OVERSIGHT** board to or for the benefit of the school district
37 from the lease-to-own fund established by section ~~15-2004~~ **41-5704** for
38 payments of amounts payable under the local lease-to-own agreement is a
39 current expense, payable exclusively from appropriated monies, and is not
40 a general obligation indebtedness of this state or the school facilities
41 **OVERSIGHT** board.

42 3. If the school district fails to properly budget for payments
43 under the local lease-to-own agreement or if the legislature fails to
44 appropriate monies or the school facilities **OVERSIGHT** board fails to
45 allocate monies for periodic payment to or for the benefit of the school

1 district for payments under the local lease-to-own agreement, the local
2 lease-to-own agreement terminates at the end of the current term and the
3 school district, the school facilities OVERSIGHT board and this state are
4 relieved of any subsequent obligation under the local lease-to-own
5 agreement.

6 4. The local lease-to-own agreement shall be reviewed and approved
7 by the attorney general before the agreement may take effect.

8 5. Before the agreement takes effect and after review by the
9 attorney general, the project or projects related to the agreement shall
10 be submitted for review by the joint committee on capital review.

11 I. The school district may covenant to use its best efforts to
12 budget, obtain, allocate and maintain sufficient monies to make payments
13 under a local lease-to-own agreement, but the local lease-to-own agreement
14 shall acknowledge that budgeting school district monies is a governmental
15 act of the school district governing board that may not be contracted
16 away. The school facilities OVERSIGHT board is not required to covenant
17 to budget, obtain, allocate or maintain sufficient monies in the
18 lease-to-own fund to make payments to or for the benefit of a school
19 district for payments under a local lease-to-own agreement.

20 J. The land and the school facilities on the land are exempt from
21 taxation during the term of the local lease-to-own agreement and during
22 construction and subsequent occupancy by the school district pursuant to
23 the local lease-to-own agreement.

24 K. The powers prescribed in this section are in addition to the
25 powers conferred by any other law. Without reference to any other
26 provision of TITLE 15 OR this ~~title~~ CHAPTER or to any other law, this
27 section is authority for the completion of the purposes prescribed in this
28 section for school districts to provide school facilities through local
29 lease-to-own transactions pursuant to this section without regard to the
30 procedure required by any other law. Except as otherwise provided in this
31 section, the provisions of TITLE 15 OR this ~~title~~ CHAPTER that relate to
32 the matters contained in this section are superseded because this section
33 is the exclusive law on these matters.

34 L. School districts shall not enter into lease-to-own transactions,
35 including any refinancings or refundings, pursuant to this section from
36 and after May 15, 2006.

37 Sec. 32. Section 41-5706, Arizona Revised Statutes, as transferred
38 and renumbered, is amended to read:

39 41-5706. Lease-to-own amount; expiration

40 A. In order to fulfill the requirements of section ~~15-2041~~ 41-5741,
41 the school facilities OVERSIGHT board may enter into lease-to-own
42 transactions for up to a maximum of ~~two hundred million dollars~~
43 \$200,000,000 in any fiscal year.

1 B. The school facilities OVERSIGHT board shall not enter into
2 lease-to-own transactions, including any refinancings or refundings,
3 pursuant to this section from and after May 15, 2006.

4 Sec. 33. Section 41-5711, Arizona Revised Statutes, as transferred
5 and renumbered, is amended to read:

6 41-5711. Minimum school facility adequacy requirements;
7 definition

8 A. The school facilities OVERSIGHT board, as determined and
9 prescribed in this chapter, shall provide funding to school districts for
10 new construction as the number of pupils in the district fills the
11 existing school facilities and requires more pupil space.

12 B. School buildings in a school district are adequate if all of the
13 following requirements are met:

14 1. The buildings contain sufficient and appropriate space and
15 equipment that comply with the minimum school facility adequacy guidelines
16 established pursuant to subsection F of this section. The state shall not
17 fund facilities for elective courses that require the school district
18 facilities to exceed minimum school facility adequacy requirements. The
19 school facilities OVERSIGHT board shall determine whether a school
20 building meets the requirements of this paragraph by analyzing the total
21 square footage that is available for each pupil in conjunction with the
22 need for specialized spaces and equipment.

23 2. The buildings are in compliance with federal, state and local
24 building and fire codes and laws that ~~are applicable~~ APPLY to the
25 particular building, except that a school with an aggregate area of less
26 than five thousand square feet is subject to permitting and inspection by
27 a local fire marshal and is only subject to regulation or inspection by
28 the office of the state fire marshal if the county, city or town in which
29 the school is located does not employ a local fire marshal. An existing
30 school building is not required to comply with current requirements for
31 new buildings unless this compliance is specifically mandated by law or by
32 the building or fire code of the jurisdiction where the building is
33 located.

34 3. The building systems, including roofs, plumbing, telephone
35 systems, electrical systems, heating systems and cooling systems, are in
36 working order and are capable of being properly maintained.

37 4. The buildings are structurally sound.

38 C. The standards that shall be used by the school facilities
39 OVERSIGHT board to determine whether a school building meets the minimum
40 adequate gross square footage requirements are as follows:

41 1. For a school district that provides instruction to pupils in
42 programs for preschool children with disabilities, kindergarten programs
43 and grades one through six, eighty square feet per pupil in programs for
44 preschool children with disabilities, kindergarten programs and grades one
45 through six.

1 2. For a school district that provides instruction to up to eight
2 hundred pupils in grades seven and eight, eighty-four square feet per
3 pupil in grades seven and eight.

4 3. For a school district that provides instruction to more than
5 eight hundred pupils in grades seven and eight, eighty square feet per
6 pupil in grades seven and eight or sixty-seven thousand two hundred square
7 feet, whichever is more.

8 4. For a school district that provides instruction to up to four
9 hundred pupils in grades nine through twelve, one hundred twenty-five
10 square feet per pupil in grades nine through twelve.

11 5. For a school district that provides instruction to more than
12 four hundred and up to one thousand pupils in grades nine through twelve,
13 one hundred twenty square feet per pupil in grades nine through twelve or
14 fifty thousand square feet, whichever is more.

15 6. For a school district that provides instruction to more than one
16 thousand and up to one thousand eight hundred pupils in grades nine
17 through twelve, one hundred twelve square feet per pupil in grades nine
18 through twelve or one hundred twenty thousand square feet, whichever is
19 more.

20 7. For a school district that provides instruction to more than one
21 thousand eight hundred pupils in grades nine through twelve, ninety-four
22 square feet per pupil in grades nine through twelve or two hundred one
23 thousand six hundred square feet, whichever is more.

24 D. The school facilities **OVERSIGHT** board may modify the square
25 footage requirements prescribed in subsection C of this section or modify
26 the amount of monies awarded to cure the square footage deficiency
27 pursuant to this section for particular school districts based on
28 extraordinary circumstances for any of the following considerations:

- 29 1. The number of pupils served by the school district.
30 2. Geographic factors.
31 3. Grade configurations other than those prescribed in subsection C
32 of this section.

33 E. In measuring the square footage per pupil requirements of
34 subsection C of this section, the school facilities **OVERSIGHT** board shall:

- 35 1. Use the projected one hundredth day average daily membership for
36 the current school year.
37 2. For each school, use the lesser of either:
38 (a) Total gross square footage.
39 (b) Student capacity multiplied by the appropriate square footage
40 per pupil prescribed by subsection C of this section.

41 3. Consider the total space available in all schools in use in the
42 school district, except that the school facilities **OVERSIGHT** board shall
43 allow an exclusion of the square footage for certain schools and the
44 pupils within the schools' boundaries if the school district demonstrates

1 to the board's satisfaction unusual or excessive busing of pupils or
2 unusual attendance boundary changes between schools.

3 4. Compute the gross square footage of all buildings by measuring
4 from exterior wall to exterior wall. Square footage used solely for
5 district administration, storage of vehicles and other nonacademic
6 purposes shall be excluded from the net square footage.

7 5. Include all portable and modular buildings.

8 6. Include in the net square footage new construction funded wholly
9 or partially by the school facilities **OVERSIGHT** board based on the square
10 footage funded by the school facilities **OVERSIGHT** board. If the new
11 construction is to exceed the square footage funded by the school
12 facilities **OVERSIGHT** board, the excess square footage shall not be
13 included in the net square footage if any of the following applies:

14 (a) The excess square footage was constructed before July 1, 2002
15 or funded by a class B bond, impact aid revenue bond or capital outlay
16 override approved by the voters after August 1, 1998 and before June 30,
17 2002 or funded from unrestricted capital outlay expended before June 30,
18 2002.

19 (b) The excess square footage of new school facilities does not
20 exceed twenty-five percent of the minimum square footage requirements
21 pursuant to subsection C of this section.

22 (c) The excess square footage of expansions to school facilities
23 does not exceed twenty-five percent of the minimum square footage
24 requirements pursuant to subsection C of this section.

25 7. Exclude square footage built under a developer agreement
26 according to section 15-342, paragraph 33 until the school facilities
27 **OVERSIGHT** board provides funding for the square footage under section
28 ~~15-2041~~ 41-5741, subsection 0.

29 8. Include square footage that a school district has leased to
30 another entity.

31 F. The school facilities **OVERSIGHT** board shall adopt rules
32 establishing minimum school facility adequacy guidelines. The guidelines
33 shall provide the minimum quality and quantity of school buildings and
34 facilities and equipment necessary and appropriate to enable pupils to
35 achieve the academic standards pursuant to section 15-203, subsection A,
36 paragraphs 12 and 13 and sections 15-701 and 15-701.01. At a minimum, the
37 school facilities **OVERSIGHT** board shall address all of the following in
38 developing these guidelines:

39 1. School sites.

40 2. Classrooms.

41 3. Libraries and media centers, or both.

42 4. Cafeterias.

43 5. Auditoriums, multipurpose rooms or other multiuse space.

44 6. Technology.

45 7. Transportation.

1 8. Facilities for science, arts and physical education.
2 9. Other facilities and equipment that are necessary and
3 appropriate to achieve the academic standards prescribed pursuant to
4 section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and
5 15-701.01.
6 10. Appropriate combinations of facilities or uses listed in this
7 section.
8 G. The board shall consider the facilities and equipment of the
9 schools with the highest academic productivity scores, as prescribed in
10 section ~~15-2002~~ 41-5702, subsection A, paragraph 9, subdivision (d), and
11 the highest parent quality ratings in the establishment of the guidelines.
12 H. The school facilities OVERSIGHT board may consider appropriate
13 combinations of facilities or uses in ~~making assessments of~~ ASSESSING and
14 curing existing deficiencies pursuant to section ~~15-2002~~ 41-5702,
15 subsection A, paragraph 1 and in certifying plans for new school
16 facilities pursuant to section ~~15-2002~~ 41-5702, subsection A, paragraph 5.
17 I. If the school facilities OVERSIGHT board makes any changes to
18 the minimum adequacy requirements prescribed in this section, the board
19 shall provide a fiscal impact statement of the effect of the proposed
20 changes to the joint committee on capital review for review.
21 J. For the purposes of this section, "student capacity" means the
22 capacity adjusted to include any additions to or deletions of space,
23 including modular or portable buildings at the school. The school
24 facilities OVERSIGHT board shall determine the student capacity for each
25 school in conjunction with each school district, recognizing each school's
26 allocation of space as of July 1, 1998, to achieve the academic standards
27 prescribed pursuant to section 15-203, subsection A, paragraphs 12 and 13
28 and sections 15-701 and 15-701.01.
29 Sec. 34. Section 41-5721, Arizona Revised Statutes, as transferred
30 and renumbered, is amended to read:
31 41-5721. Emergency deficiencies correction fund; definition
32 A. The emergency deficiencies correction fund is established
33 consisting of monies transferred from the new school facilities fund
34 established by section ~~15-2041~~ 41-5741. The school facilities OVERSIGHT
35 board shall administer the emergency deficiencies correction fund and
36 distribute monies in accordance with the rules of the school facilities
37 OVERSIGHT board to school districts for emergency purposes. The school
38 facilities OVERSIGHT board shall not transfer monies from the new school
39 facilities fund if the transfer will affect, interfere with, disrupt or
40 reduce any capital projects that the school facilities OVERSIGHT board has
41 approved pursuant to section ~~15-2041~~ 41-5741. The school facilities
42 OVERSIGHT board shall transfer to the emergency deficiencies correction
43 fund the amount necessary each fiscal year to fulfill the requirements of
44 this section. Within thirty days after transferring monies to the
45 emergency deficiencies correction fund, the school facilities OVERSIGHT

1 board shall report to the director of the joint legislative budget
 2 committee and the director of the governor's office of strategic planning
 3 and budgeting the amount and source of the transfer. Monies in the
 4 emergency deficiencies correction fund are continuously appropriated and
 5 are exempt from the provisions of section 35-190 relating to lapsing of
 6 appropriations.

7 B. If the school facilities OVERSIGHT board determines that there
 8 are insufficient monies in the emergency deficiencies correction fund to
 9 correct an emergency, the school district may correct the emergency
 10 pursuant to section 15-907.

11 C. If a school district has an emergency, the school district shall
 12 apply to the school facilities OVERSIGHT board for funding for the
 13 emergency. The school district's application shall disclose any insurance
 14 or building renewal monies available to the school district to pay for the
 15 emergency.

16 D. The school facilities OVERSIGHT board staff shall acknowledge
 17 receipt of the school district's application for emergency deficiencies
 18 funding in writing within five business days after receiving the
 19 application. The school facilities OVERSIGHT board staff shall include in
 20 the written acknowledgement of receipt to the school district any
 21 investigative, study or informational requirements from the school
 22 district, along with an estimated timeline to complete the requirements,
 23 necessary for the school facilities OVERSIGHT board staff to make a
 24 recommendation for funding to the school facilities OVERSIGHT board.

25 E. For the purposes of this section, "emergency" means a serious
 26 need for materials, services or construction or expenses ~~in excess of~~ THAT
 27 EXCEEDS the school district's adopted budget for the current fiscal year
 28 AND that seriously threatens the functioning of the school district, the
 29 preservation or protection of property or public health, welfare or
 30 safety.

31 Sec. 35. Section 41-5731, Arizona Revised Statutes, as transferred
 32 and renumbered, is amended to read:

33 41-5731. Building renewal grant fund; department of
 34 administration; rules; definitions

35 A. The building renewal grant fund is established consisting of
 36 monies appropriated to the fund by the legislature. The ~~school facilities~~
 37 ~~board~~ DEPARTMENT OF ADMINISTRATION shall administer the fund and
 38 distribute monies to school districts for the purpose of maintaining the
 39 adequacy of existing school facilities. Monies in the fund are exempt
 40 from the provisions of section 35-190 relating to lapsing of
 41 appropriations.

42 B. The ~~school facilities board~~ DEPARTMENT OF ADMINISTRATION shall
 43 distribute monies from the BUILDING RENEWAL GRANT fund based on grant
 44 requests from school districts to fund primary building renewal
 45 projects. THE DEPARTMENT MAY NOT DISTRIBUTE MONIES FROM THE BUILDING

1 RENEWAL GRANT FUND UNLESS THE PROJECTED COST OF THE PROJECT REQUEST
2 EXCEEDS FIFTY PERCENT OF THE SCHOOL DISTRICT'S ALLOCATION FROM THE CAPITAL
3 ADDITIONAL ASSISTANCE FUND ESTABLISHED BY SECTION 41-175. Project
4 requests shall be prioritized by the ~~school facilities board~~ DEPARTMENT,
5 with priority given to school districts that have provided routine
6 preventive maintenance on the facility. The ~~school facilities board~~
7 DEPARTMENT shall approve only projects that will be completed within
8 twelve months, unless similar projects on average take longer to complete.

9 C. School districts that receive monies from the BUILDING RENEWAL
10 GRANT fund shall use these monies on projects for buildings or any part of
11 a building in the school facilities OVERSIGHT board's database for any of
12 the following:

- 13 1. Major renovations and repairs to a building that is used for
14 student instruction or other academic purposes.
- 15 2. Upgrading systems and areas that will maintain or extend the
16 useful life of the building.
- 17 3. Infrastructure costs.

18 D. Monies received from the fund shall not be used for any of the
19 following purposes:

- 20 1. New construction.
- 21 2. Remodeling interior space for aesthetic or preferential reasons.
- 22 3. Exterior beautification.
- 23 4. Demolition.
- 24 5. Routine preventive maintenance.
- 25 6. Any project in a building, or part of a building, that is being
26 leased to another entity.

27 E. Accommodation schools are not eligible for monies from the
28 building renewal grant fund.

29 F. If the ~~school facilities board~~ DEPARTMENT OF ADMINISTRATION or a
30 court of competent jurisdiction determines that a school district received
31 monies from the building renewal grant fund that must be reimbursed to the
32 ~~school facilities board~~ DEPARTMENT due to legal action associated with
33 improper construction by a hired contractor, the school district shall
34 reimburse the ~~school facilities board~~ DEPARTMENT an agreed-on amount for
35 deposit into the building renewal grant fund.

36 G. The ~~school facilities board~~ DEPARTMENT OF ADMINISTRATION shall
37 categorize each project that is eligible for monies from the building
38 renewal grant fund as either critical or noncritical. The ~~board~~
39 DEPARTMENT shall adopt policies and procedures to prioritize critical
40 projects and to designate critical projects as projects that immediately
41 impact student safety or building closures or that result in operational
42 disruptions. Critical projects have priority over any previously approved
43 noncritical projects.

1 H. If the ~~school facilities board~~ DEPARTMENT OF ADMINISTRATION
2 determines that sufficient monies are not available for a noncritical
3 project that the ~~board~~ DEPARTMENT has approved, the ~~board~~ DEPARTMENT shall
4 notify the school district that submitted the project request that monies
5 will be distributed from the building renewal grant fund for the project
6 only if the legislature appropriates sufficient monies. If sufficient
7 monies are not available in the fiscal year in which the project is
8 awarded for a noncritical project, the noncritical project does not
9 receive priority in the next fiscal year.

10 I. Building renewal grants pursuant to this section shall be used
11 only for projects that serve an academic purpose.

12 J. THE DEPARTMENT OF ADMINISTRATION SHALL DO BOTH OF THE FOLLOWING:

13 1. IMPLEMENT POLICIES AND PROCEDURES TO REQUIRE A SCHOOL DISTRICT
14 TO REPORT THE PREVENTIVE MAINTENANCE ACTIVITIES COMPLETED DURING THE
15 PREVIOUS TWELVE MONTHS FOR THE FACILITY FOR WHICH THE MONIES ARE BEING
16 REQUESTED.

17 2. SUBMIT A MONTHLY REPORT TO THE SCHOOL FACILITIES OVERSIGHT BOARD
18 THAT DETAILS HOW MONIES FROM THE BUILDING RENEWAL GRANT FUND HAVE BEEN
19 DISTRIBUTED.

20 K. IN ADDITION TO ESTABLISHING A PROJECT ELIGIBILITY ASSESSMENT
21 UNDER SECTION 41-5702, SUBSECTION A, PARAGRAPH 7, SUBDIVISION (b), THE
22 SCHOOL FACILITIES OVERSIGHT BOARD SHALL ADOPT RULES REGARDING THE APPROVAL
23 OF BUILDING RENEWAL GRANTS PURSUANT TO THIS SECTION.

24 ~~J.~~ K. For the purposes of this section:

25 1. "Primary building renewal projects" means projects that are
26 necessary for buildings owned by school districts that are required to
27 meet the minimum adequacy standards for student capacity and that fall
28 below the minimum school facility adequacy guidelines, as adopted by the
29 school facilities OVERSIGHT board pursuant to section ~~15-2011~~ 41-5711, for
30 school districts that have provided routine preventive maintenance to the
31 school facility.

32 2. "Routine preventive maintenance" means services that are
33 performed on a regular schedule at intervals ranging from four times a
34 year to once every three years, or on the schedule of services recommended
35 by the manufacturer of the specific building system or equipment, and that
36 are intended to extend the useful life of a building system and reduce the
37 need for major repairs.

38 3. "Student capacity" has the same meaning prescribed in section
39 ~~15-2011~~ 41-5711.

40 Sec. 36. Section 41-5741, Arizona Revised Statutes, as transferred
41 and renumbered, is amended to read:

42 41-5741. New school facilities fund; capital plan; reporting
43 requirements

44 A. The new school facilities fund is established consisting of
45 monies appropriated by the legislature and monies credited to the NEW

1 SCHOOL FACILITIES fund pursuant to section 37-221. The school facilities
2 OVERSIGHT board shall administer the NEW SCHOOL FACILITIES fund and
3 distribute monies, as a continuing appropriation, to school districts for
4 the purpose of constructing new school facilities and for contracted
5 expenses pursuant to section ~~15-2002~~ 41-5702, subsection B, paragraphs 2,
6 3 and 4. On June 30 of each fiscal year, any unobligated contract monies
7 in the new school facilities fund shall be transferred to the capital
8 reserve fund established by section ~~15-2003~~ 41-5703.

9 B. The school facilities OVERSIGHT board shall prescribe a uniform
10 format for use by the school district governing board in developing and
11 annually updating a capital plan that consists of each of the following:

12 1. Enrollment projections for the next five years for elementary
13 schools and eight years for middle and high schools, including a
14 description of the methods used to make the projections.

15 2. A description of new schools or additions to existing schools
16 needed to meet the building adequacy standards prescribed in section
17 ~~15-2011~~ 41-5711. The description shall include:

18 (a) The grade levels and the total number of pupils that the school
19 or addition is intended to serve.

20 (b) The year in which it is necessary for the school or addition to
21 begin operations.

22 (c) A timeline that shows the planning and construction process for
23 the school or addition.

24 3. Long-term projections of the need for land for new schools.

25 4. Any other necessary information required by the school
26 facilities OVERSIGHT board to evaluate a school district's capital plan.

27 5. If a school district pays tuition for all or a portion of the
28 school district's high school pupils to another school district, the
29 capital plan shall indicate the number of pupils for which the district
30 pays tuition to another district. If a school district accepts pupils
31 from another school district pursuant to section 15-824, subsection A, the
32 school district shall indicate the projections for this population
33 separately. This paragraph does not apply to a small isolated school
34 district as defined in section 15-901.

35 C. If the capital plan indicates a need for a new school or an
36 addition to an existing school within the next four years or a need for
37 land within the next ten years, the school district shall submit its plan
38 to the school facilities OVERSIGHT board on or before September 1 and
39 shall request monies from the new school facilities fund for the new
40 construction or land. The school facilities OVERSIGHT board may require a
41 school district to sell land that was previously purchased entirely with
42 monies provided by the school facilities OVERSIGHT board if the school
43 facilities OVERSIGHT board determines that the property is no longer
44 needed within the ten-year period specified in this subsection for a new
45 school or no longer needed within that ten-year period for an addition to

1 an existing school. Monies provided for land are in addition to any
2 monies provided pursuant to subsection D of this section.

3 D. The school facilities **OVERSIGHT** board shall distribute monies
4 from the new school facilities fund for additional square footage as
5 follows:

6 1. The school facilities **OVERSIGHT** board shall review and evaluate
7 the enrollment projections. On or before December 15 of each year,
8 following the submission of the enrollment projections, the school
9 facilities **OVERSIGHT** board shall either approve the projections as
10 submitted or revise the projections. In approving or revising the
11 enrollment projections, the school facilities **OVERSIGHT** board shall use
12 the average daily membership data available during the current school
13 year. On request from the school facilities **OVERSIGHT** board, the
14 department of education shall make available the most recent average daily
15 membership data for use in revising the enrollment projections. In
16 determining new construction requirements, the school facilities **OVERSIGHT**
17 board shall determine the net new growth of pupils that will require
18 additional square footage that exceeds the building adequacy standards
19 prescribed in section ~~15-2011~~ 41-5711. If the projected growth and the
20 existing number of pupils exceed three hundred fifty pupils who are served
21 in a school district other than the pupil's resident school district, the
22 school facilities **OVERSIGHT** board, the receiving school district and the
23 resident school district shall develop a capital facilities plan on how to
24 best serve those pupils. A small isolated school district as defined in
25 section 15-901 is not required to develop a capital facilities plan
26 pursuant to this paragraph.

27 2. If the average daily membership projections indicate that
28 additional space will not be needed within the next two school years in
29 order to meet the building adequacy standards prescribed in section
30 ~~15-2011~~ 41-5711, the request shall be held for consideration by the school
31 facilities **OVERSIGHT** board for possible future funding and the school
32 district shall annually submit an updated plan until the additional space
33 is needed.

34 3. If the average daily membership projections indicate that
35 additional space will be needed within the next two school years in order
36 to meet the building adequacy standards prescribed in section ~~15-2011~~
37 41-5711, the school facilities **OVERSIGHT** board shall provide an amount as
38 follows:

39 (a) Determine the number of pupils requiring additional square
40 footage to meet building adequacy standards. This amount for elementary
41 schools shall not be less than the number of new pupils for whom space
42 will be needed in the next year and shall not exceed the number of new
43 pupils for whom space will be needed in the next five years. This amount
44 for middle and high schools shall not be less than the number of new
45 pupils for whom space will be needed in the next four years and shall not

1 exceed the number of new pupils for whom space will be needed in the next
2 eight years.

3 (b) Multiply the number of pupils determined in subdivision (a) of
4 this paragraph by the square footage per pupil. The square footage per
5 pupil is ninety square feet per pupil for preschool children with
6 disabilities, kindergarten programs and grades one through six, one
7 hundred square feet for grades seven and eight, one hundred thirty-four
8 square feet for a school district that provides instruction in grades nine
9 through twelve for fewer than one thousand eight hundred pupils and one
10 hundred twenty-five square feet for a school district that provides
11 instruction in grades nine through twelve for at least one thousand eight
12 hundred pupils. The total number of pupils in grades nine through twelve
13 in the district shall determine the square footage factor to use for net
14 new pupils. The school facilities **OVERSIGHT** board may modify the square
15 footage requirements prescribed in this subdivision for particular schools
16 based on any of the following factors:

17 (i) The number of pupils served or projected to be served by the
18 school district.

19 (ii) Geographic factors.

20 (iii) Grade configurations other than those prescribed in this
21 subdivision.

22 (iv) Compliance with minimum school facility adequacy requirements
23 established pursuant to section ~~15-2011~~ 41-5711.

24 (c) Multiply the product obtained in subdivision (b) of this
25 paragraph by the cost per square foot. The cost per square foot is \$90
26 for preschool children with disabilities, kindergarten programs and grades
27 one through six, \$95 for grades seven and eight and \$110 for grades nine
28 through twelve. The cost per square foot shall be adjusted annually for
29 construction market considerations based on an index identified or
30 developed by the joint legislative budget committee as necessary but not
31 less than once each year. The school facilities **OVERSIGHT** board shall
32 multiply the cost per square foot by 1.05 for any school district located
33 in a rural area. The school facilities **OVERSIGHT** board may only modify
34 the base cost per square foot prescribed in this subdivision for
35 particular schools based on geographic conditions or site conditions. For
36 the purposes of this subdivision, "rural area" means an area outside a
37 thirty-five-mile radius of a boundary of a municipality with a population
38 of more than fifty thousand persons.

39 (d) Once the school district governing board obtains approval from
40 the school facilities **OVERSIGHT** board for new facility construction
41 monies, additional portable or modular square footage created for the
42 express purpose of providing temporary space for pupils until the
43 completion of the new facility and any additional space funded by the
44 school district shall not be included by the school facilities **OVERSIGHT**
45 board for the purpose of new construction funding calculations. On

1 completion of the new facility construction project, any additional space
2 funded by the school district shall be included as prescribed by this
3 chapter and, if the portable or modular facilities continue in use, the
4 portable or modular facilities shall be included as prescribed by this
5 chapter, unless the school facilities **OVERSIGHT** board approves their
6 continued use for the purpose of providing temporary space for pupils
7 until the completion of the next new facility that has been approved for
8 funding from the new school facilities fund.

9 4. For projects approved after December 31, 2001, and
10 notwithstanding paragraph 3 of this subsection, a unified school district
11 that does not have a high school is not eligible to receive high school
12 space as prescribed by section ~~15-2011~~ 41-5711 and this section unless the
13 unified district qualifies for geographic factors prescribed by paragraph
14 3, subdivision (b), item (ii) of this subsection.

15 5. If a career technical education district leases a building from
16 a school district, that building shall be included in the school
17 district's square footage calculation for the purposes of new construction
18 pursuant to this section.

19 6. If a school district leases a building to another entity, that
20 building shall be included in the school district's square footage
21 calculation for purposes of new construction pursuant to this section.

22 7. A school district shall qualify for monies from the new school
23 facilities fund for additional square footage in a fiscal year only if the
24 school facilities **OVERSIGHT** board has approved or revised its enrollment
25 projection under paragraph 1 of this subsection on or before December 15
26 of the prior fiscal year.

27 E. Monies for architectural and engineering fees, project
28 management services and preconstruction services shall be distributed on
29 the completion of the analysis by the school facilities **OVERSIGHT** board of
30 the school district's request. After receiving monies pursuant to this
31 subsection, the school district shall submit a design development plan for
32 the school or addition to the school facilities **OVERSIGHT** board before any
33 monies for construction are distributed. If the school district's request
34 meets the building adequacy standards, the school facilities **OVERSIGHT**
35 board may review and comment on the district's plan with respect to the
36 efficiency and effectiveness of the plan in meeting state square footage
37 and facility standards before distributing the remainder of the monies.
38 If the school facilities **OVERSIGHT** board modifies the cost per square foot
39 as prescribed in subsection D, paragraph 3, subdivision (c) of this
40 section, the school facilities **OVERSIGHT** board may deduct the cost of
41 project management services and preconstruction services from the required
42 cost per square foot. The school facilities **OVERSIGHT** board may decline
43 to fund the project if the square footage is no longer required due to
44 revised enrollment projections. The school facilities **OVERSIGHT** board may

1 decline a portion of the funding if a portion of the square footage is no
 2 longer needed due to revised enrollment projections.

3 F. The school facilities OVERSIGHT board shall distribute the
 4 monies needed for land for new schools so that land may be purchased at a
 5 price that is less than or equal to fair market value and in advance of
 6 the construction of the new school. If necessary, the school facilities
 7 OVERSIGHT board may distribute monies for land to be leased for new
 8 schools if the duration of the lease exceeds the life expectancy of the
 9 school facility by at least fifty percent. A school district shall not
 10 use land purchased or partially purchased with monies provided by the
 11 school facilities OVERSIGHT board for a purpose other than a site for a
 12 school facility without obtaining prior written approval from the school
 13 facilities OVERSIGHT board. A school district shall not lease, sell or
 14 take any action that would diminish the value of land purchased or
 15 partially purchased with monies provided by the school facilities
 16 OVERSIGHT board without obtaining prior written approval from the school
 17 facilities OVERSIGHT board. The proceeds derived through the sale of any
 18 land purchased or partially purchased, or the sale of buildings funded or
 19 partially funded, with monies provided by the school facilities OVERSIGHT
 20 board shall be returned to the state fund from which it was appropriated
 21 and to any other participating entity on a proportional basis. Except as
 22 provided in section 15-342, paragraph 33, if a school district acquires
 23 real property by donation at an appropriate school site approved by the
 24 school facilities OVERSIGHT board, the school facilities OVERSIGHT board
 25 shall distribute an amount equal to twenty percent of the fair market
 26 value of the donated real property that can be used for academic purposes.
 27 The school district shall place the monies in the unrestricted capital
 28 outlay fund and increase the unrestricted capital budget limit by the
 29 amount of monies placed in the fund. Monies distributed under this
 30 subsection shall be distributed from the new school facilities fund. A
 31 school district that receives monies from the new school facilities fund
 32 for a donation of land pursuant to section 15-342, paragraph 33 shall not
 33 receive monies from the school facilities OVERSIGHT board for the donation
 34 of real property pursuant to this subsection. A school district shall not
 35 pay a consultant a percentage of the value of any of the following:

36 1. Donations of real property, services or cash from any of the
 37 following:

38 (a) Entities that have offered to provide construction services to
 39 the school district.

40 (b) Entities that have been contracted to provide construction
 41 services to the school district.

42 (c) Entities that build residential units in that school district.

43 (d) Entities that develop land for residential use in that school
 44 district.

1 2. Monies received from the school facilities **OVERSIGHT** board on
2 behalf of the school district.

3 3. Monies paid by the school facilities **OVERSIGHT** board on behalf
4 of the school district.

5 G. In addition to distributions to school districts based on pupil
6 growth projections, a school district may submit an application to the
7 school facilities **OVERSIGHT** board for monies from the new school
8 facilities fund if one or more school buildings have outlived their useful
9 life. If the school facilities **OVERSIGHT** board determines that the school
10 district needs to build a new school building for these reasons, the
11 school facilities **OVERSIGHT** board shall remove the square footage
12 computations that represent the building from the computation of the
13 school district's total square footage for purposes of this section. If
14 the square footage recomputation reflects that the school district no
15 longer meets building adequacy standards, the school district qualifies
16 for a distribution of monies from the new school construction formula in
17 an amount determined pursuant to subsection D of this section. The school
18 facilities **OVERSIGHT** board may only modify the base cost per square foot
19 prescribed in this subsection under extraordinary circumstances for
20 geographic factors or site conditions.

21 H. School districts that receive monies from the new school
22 facilities fund shall establish a district new school facilities fund and
23 shall use the monies in the district new school facilities fund only for
24 the purposes prescribed in this section. By October 15 of each year, each
25 school district shall report to the school facilities **OVERSIGHT** board the
26 projects funded at each school in the previous fiscal year with monies
27 from the district new school facilities fund and shall provide an
28 accounting of the monies remaining in the new school facilities fund at
29 the end of the previous fiscal year.

30 I. If a school district has surplus monies received from the new
31 school facilities fund, the school district may use the surplus monies
32 only for capital purposes for the project for up to one year after
33 completion of the project. If the school district possesses surplus
34 monies from the new school construction project that have not been
35 expended within one year of the completion of the project, the school
36 district shall return the surplus monies to the school facilities
37 **OVERSIGHT** board for deposit in the new school facilities fund.

38 J. The board's consideration of any application filed after
39 December 31 of the year in which the property becomes territory in the
40 vicinity of a military airport or ancillary military facility as defined
41 in section 28-8461 for monies to fund the construction of new school
42 facilities proposed to be located in territory in the vicinity of a
43 military airport or ancillary military facility shall include, if after
44 notice is transmitted to the military airport pursuant to section ~~15-2002~~
45 **41-5702** and before the public hearing the military airport provides

1 comments and an analysis concerning compatibility of the proposed school
2 facilities with the high noise or accident potential generated by military
3 airport or ancillary military facility operations that may have an adverse
4 effect on public health and safety, consideration and an analysis of the
5 comments and an analysis provided by the military airport before making a
6 final determination.

7 K. If a school district uses its own project manager for new school
8 construction, the members of the school district governing board and the
9 project manager shall sign an affidavit stating that the members and the
10 project manager understand and will follow the minimum adequacy
11 requirements prescribed in section ~~15-2011~~ 41-5711.

12 L. The school facilities **OVERSIGHT** board shall establish a separate
13 account in the new school facilities fund designated as the litigation
14 account to pay attorney fees, expert witness fees and other costs
15 associated with litigation in which the school facilities **OVERSIGHT** board
16 pursues the recovery of damages for deficiencies correction that resulted
17 from alleged construction defects or design defects that the school
18 facilities **OVERSIGHT** board believes caused or contributed to a failure of
19 the school building to conform to the building adequacy requirements
20 prescribed in section ~~15-2011~~ 41-5711. Attorney fees paid pursuant to
21 this subsection shall not exceed the market rate for similar types of
22 litigation. On or before December 1 of each year, the school facilities
23 **OVERSIGHT** board shall report to the joint committee on capital review the
24 costs associated with current and potential litigation that may be paid
25 from the litigation account.

26 M. Until the state board of education and the auditor general adopt
27 rules pursuant to section 15-213, subsection J, the school facilities
28 **OVERSIGHT** board may allow school districts to contract for construction
29 services and materials through the qualified select bidders list method of
30 project delivery for new school facilities pursuant to this section.

31 N. The school facilities **OVERSIGHT** board shall submit
32 electronically a report on project management services and preconstruction
33 services to the governor, the president of the senate and the speaker of
34 the house of representatives by December 31 of each year. The report
35 shall compare projects that use project management and preconstruction
36 services with those that do not. The report shall address cost, schedule
37 and other measurable components of a construction project. School
38 districts, construction-manager-at-risk firms and project management firms
39 that participate in a school facilities **OVERSIGHT** board funded project
40 shall provide the information required by the school facilities **OVERSIGHT**
41 board in relation to this report.

42 O. If a school district constructs new square footage according to
43 section 15-342, paragraph 33, the school facilities **OVERSIGHT** board shall
44 review the design plans and location of any new school facility submitted
45 by school districts and another party to determine whether the design

1 plans comply with the adequacy standards prescribed in section ~~15-2011~~
2 ~~41-5711~~ and the square footage per pupil requirements pursuant to
3 subsection D, paragraph 3, subdivision (b) of this section. When the
4 school district qualifies for a distribution of monies from the new school
5 facilities fund according to this section, the school facilities **OVERSIGHT**
6 board shall distribute monies to the school district from the new school
7 facilities fund for the square footage constructed under section 15-342,
8 paragraph 33 at the same cost per square foot established by this section
9 that was in effect at the time of the beginning of the construction of the
10 school facility. Before the school facilities **OVERSIGHT** board distributes
11 any monies pursuant to this subsection, the school district shall
12 demonstrate to the school facilities **OVERSIGHT** board that the facilities
13 to be funded pursuant to this section meet the minimum adequacy standards
14 prescribed in section ~~15-2011~~ ~~41-5711~~. The agreement entered into
15 pursuant to section 15-342, paragraph 33 shall set forth the procedures
16 for the allocation of these funds to the parties that participated in the
17 agreement.

18 P. Accommodation schools are not eligible for monies from the new
19 school facilities fund.

20 Q. If the school facilities **OVERSIGHT** board approves a school
21 district for funding from the new school facilities fund and the full
22 legislative appropriation is not available to the school district in the
23 fiscal year following the approval by the school facilities **OVERSIGHT**
24 board, the school district may use any legally available monies to pay for
25 the land or the new construction project approved by the school facilities
26 **OVERSIGHT** board and may reimburse the fund from which the monies were used
27 in subsequent years with legislative appropriations when those
28 appropriations are made available by this state.

29 Sec. 37. Section 41-5751, Arizona Revised Statutes, as transferred
30 and renumbered, is amended to read:

31 41-5751. Authorization of state school facilities revenue
32 bonds

33 A. The school facilities **OVERSIGHT** board may issue negotiable
34 revenue bonds pursuant to this article. If authorized by the legislature,
35 bonds may be issued under this article in a principal amount not exceeding
36 ~~two hundred million dollars~~ ~~\$200,000,000~~ in a fiscal year to:

37 1. Provide monies to pay the cost of:

38 (a) Acquiring real property and constructing new school facilities
39 as provided by section ~~15-2041~~ ~~41-5741~~.

40 (b) Bond related expenses including any expenses incurred by the
41 school facilities **OVERSIGHT** board to issue and administer its bonds
42 including underwriting fees and costs, trustee fees, financial consultant
43 fees, printing and advertising costs, paying agent fees, transfer agent
44 fees, legal, accounting, feasibility consultant and other professional
45 fees and expenses, bond insurance or other credit enhancements or

1 liquidity facilities, attorney and accounting fees and expenses related to
2 credit enhancement, bond insurance or liquidity enhancement, remarketing
3 fees, rating agency fees and costs, travel and telephone expenses and all
4 other fees considered necessary by the school facilities OVERSIGHT board
5 in order to market and administer the bonds.

6 2. Fully or partially fund any reserves or sinking accounts
7 established by the bond resolution.

8 B. The school facilities OVERSIGHT board shall authorize the bonds
9 by resolution. The resolution shall prescribe:

10 1. The fixed or variable rate or rates of interest, the date or
11 dates on which interest is payable and the denominations of the bonds.

12 2. The date or dates of the bonds and maturity, within ten years
13 after the date of issuance.

14 3. The form of the bonds.

15 4. The manner of executing the bonds.

16 5. The medium and place of payment.

17 6. The terms of redemption, which may provide for a premium for
18 early redemption.

19 C. The bonds issued pursuant to this article shall be known as
20 state school facilities revenue bonds.

21 Sec. 38. Section 41-5752, Arizona Revised Statutes, as transferred
22 and renumbered, is amended to read:

23 41-5752. Issuance and sale of revenue bonds

24 A. The school facilities OVERSIGHT board shall issue the bonds in
25 the number and amount provided in the resolution.

26 B. The bonds shall be sold at public or private sale at the price
27 and on the terms prescribed in the resolution at, above or below par.

28 C. The net proceeds of the sale of the bonds shall be deposited in
29 the revenue bond proceeds fund established pursuant to section ~~15-2053~~
30 41-5753.

31 Sec. 39. Section 41-5753, Arizona Revised Statutes, as transferred
32 and renumbered, is amended to read:

33 41-5753. School facilities revenue bond proceeds fund; use
34 for new school facilities

35 A. If the school facilities OVERSIGHT board issues revenue bonds
36 under this article, the board shall establish a school facilities revenue
37 bond proceeds fund consisting of the net proceeds received from the sale
38 of the bonds.

39 B. The school facilities OVERSIGHT board may use monies in the
40 school facilities revenue bond proceeds fund only for the purposes
41 provided in section ~~15-2051~~ 41-5751, subsection A. Monies in the revenue
42 bond proceeds fund are exempt from lapsing under section 35-190.

43 C. The state treasurer or bond trustee shall administer and account
44 for the school facilities revenue bond proceeds fund.

1 Sec. 40. Section 41-5754, Arizona Revised Statutes, as transferred
2 and renumbered, is amended to read:

3 41-5754. School facilities revenue bond debt service fund

4 A. The school facilities **OVERSIGHT** board shall establish a school
5 facilities revenue bond debt service fund consisting of monies transferred
6 to the fund pursuant to sections 37-521 and 42-5030.01.

7 B. Monies in the school facilities revenue bond debt service fund
8 may be used only for the purposes authorized by this article.

9 C. The state treasurer or bond trustee shall administer and account
10 for the school facilities revenue bond debt service fund.

11 Sec. 41. Section 41-5755, Arizona Revised Statutes, as transferred
12 and renumbered, is amended to read:

13 41-5755. Securing principal and interest

14 A. In connection with issuing bonds authorized by this article and
15 to secure the principal and interest on the bonds, the school facilities
16 **OVERSIGHT** board by resolution may:

17 1. Segregate the school facilities revenue bond debt service fund
18 into one or more accounts and subaccounts and provide that bonds issued
19 under this article may be secured by a lien on all or part of the monies
20 paid into the school facilities revenue bond debt service fund or into any
21 account or subaccount in the fund.

22 2. Provide that the bonds issued under this article are secured by
23 a first lien on the monies paid into the school facilities revenue bond
24 debt service fund as provided by section 37-521, subsection B, paragraph 1
25 and section 42-5030.01, and pledge and assign to or in trust for the
26 benefit of the holder or holders of the bonds all or part of the monies in
27 the school facilities revenue bond debt service fund, any account or
28 subaccount in the fund or in the school facilities revenue bond proceeds
29 fund as is necessary to secure and pay the principal, the interest and any
30 premium on the bonds as they come due.

31 3. Establish priorities among bondholders based on criteria adopted
32 by the board.

33 4. Set aside, regulate and dispose of reserves and sinking
34 accounts.

35 5. Prescribe the procedure, if any, by which the terms of any
36 contract with bondholders may be amended or abrogated, the amount of bonds
37 the holders of which must consent to and the manner in which the consent
38 may be given.

39 6. Provide for payment of bond related expenses from the proceeds
40 of the sale of the bonds or other revenues authorized by this article and
41 available to the board.

42 7. Provide for the services of trustees, cotrustees, agents and
43 consultants and other specialized services with respect to the bonds.

1 8. Take any other action that in any way may affect the security
2 and protection of the bonds or interest on the bonds.

3 9. Refund any bonds issued by the board, if these bonds are secured
4 from the same source of revenues as the bonds authorized by this article,
5 by issuing new bonds.

6 10. Issue bonds partly to refund outstanding bonds and partly for
7 any other purpose consistent with this article.

8 B. Bonds issued to refund any bonds issued by the board as provided
9 by subsection A, paragraphs 9 and 10 of this section are not subject to
10 legislative authorization or the ~~two hundred million dollar limitation~~
11 ~~\$200,000,000~~ LIMIT prescribed by section ~~15-2051~~ 41-5751, subsection A.

12 Sec. 42. Section 41-5757, Arizona Revised Statutes, as transferred
13 and renumbered, is amended to read:

14 41-5757. Bond purchase; cancellation

15 The school facilities OVERSIGHT board may purchase bonds for
16 cancellation out of any monies available for the purchase, at a price of
17 not more than either of the following:

18 1. If the bonds are redeemable at the time of the purchase, the
19 applicable redemption price plus accrued interest to the next interest
20 payment date on the bonds.

21 2. If the bonds are not redeemable at the time of the purchase, the
22 applicable redemption price on the first date after the purchase on which
23 the bonds become subject to redemption plus accrued interest to that date.

24 Sec. 43. Section 41-5758, Arizona Revised Statutes, as transferred
25 and renumbered, is amended to read:

26 41-5758. Payment of revenue bonds

27 A. The revenue bonds shall be paid solely from monies from the
28 school facilities revenue bond debt service fund established by section
29 ~~15-2054~~ 41-5754 and other monies that are credited to the school
30 facilities revenue bond debt service fund.

31 B. The state treasurer or the paying agent for the revenue bonds
32 shall cancel all revenue bonds when paid.

33 Sec. 44. Section 41-5759, Arizona Revised Statutes, as transferred
34 and renumbered, is amended to read:

35 41-5759. Investment of monies in school facilities revenue
36 bond proceeds fund

37 A. As provided by section ~~15-2062~~ 41-5761, the school facilities
38 OVERSIGHT board may authorize the state treasurer or bond trustee to
39 invest monies in the school facilities revenue bond proceeds fund
40 established by section ~~15-2053~~ 41-5753.

41 B. The order directing an investment shall state a specified time
42 when the proceeds from the sale of the bonds will be used. The state
43 treasurer or bond trustee shall make the investment in such a way as to
44 mature at the specified date.

1 C. All monies earned as interest or otherwise derived from the
2 investment of the monies in the school facilities revenue bond proceeds
3 fund shall be credited to the school facilities revenue bond debt service
4 fund established by section ~~15-2054~~ 41-5754.

5 Sec. 45. Section 41-5760, Arizona Revised Statutes, as transferred
6 and renumbered, is amended to read:

7 41-5760. Investment of monies in school facilities revenue
8 bond debt service fund

9 A. The school facilities OVERSIGHT board may authorize the state
10 treasurer or bond trustee to invest and reinvest any monies in the school
11 facilities revenue bond debt service fund as provided by section ~~15-2062~~
12 41-5761.

13 B. All monies earned as interest or otherwise derived from the
14 investment of the monies in the school facilities revenue bond debt
15 service fund shall be credited to that fund.

16 Sec. 46. Section 41-5761, Arizona Revised Statutes, as transferred
17 and renumbered, is amended to read:

18 41-5761. Authorized investments of fund monies

19 A. On notice from the school facilities OVERSIGHT board, the state
20 treasurer or bond trustee shall invest and divest monies in either the
21 school facilities revenue bond proceeds fund or the school facilities
22 revenue debt service fund in any of the following:

23 1. Obligations issued or guaranteed by the United States or any of
24 the senior debt of its agencies, sponsored agencies, corporations,
25 sponsored corporations or instrumentalities.

26 2. State, county or municipal bonds issued in this state on which
27 the payments of interest have not been deferred.

28 3. Investment agreements and repurchase agreements collateralized
29 by investments described in paragraph 1 OF THIS SUBSECTION.

30 B. The purchase of the securities shall be made by the state
31 treasurer or bond trustee on authority of a resolution of the board. The
32 treasurer or bond trustee shall act as custodian of all securities
33 purchased. The securities may be sold on an order of the board.

34 Sec. 47. Section 41-5763, Arizona Revised Statutes, as transferred
35 and renumbered, is amended to read:

36 41-5763. Effect of changing circumstances on bonds; agreement
37 of state

38 A. Bonds issued under this article remain valid and binding
39 obligations of the board notwithstanding that before the delivery of the
40 bonds any of the persons whose signatures appear on the bonds cease to be
41 members of the school facilities OVERSIGHT board.

42 B. An amendment of any provision of this article does not diminish
43 or impair the validity of bonds issued under this article or the remedies
44 and rights of bondholders.

1 C. This state pledges to and agrees with the holders of the bonds
2 authorized by this article that this state will not limit, alter or impair
3 the rights and remedies of the bondholders, until all bonds issued under
4 this article, together with interest on the bonds, interest on any unpaid
5 installments of principal or interest and all costs and expenses in
6 connection with any action or proceedings by or on behalf of the
7 bondholders, are fully met and discharged. The board, as agent for this
8 state, may include this pledge and undertaking in its resolutions and
9 indentures authorizing and securing the bonds.

10 Sec. 48. Section 41-5764, Arizona Revised Statutes, as transferred
11 and renumbered, is amended to read:

12 41-5764. [Validity of bonds; certification by attorney general](#)

13 A. This article constitutes full authority for authorizing and
14 issuing bonds without reference to any other law of this state. No other
15 law with regard to authorizing or issuing obligations or that in any way
16 impedes or restricts performing the acts authorized by this article may be
17 construed to apply to any proceedings taken or acts done pursuant to this
18 article.

19 B. The validity of bonds issued under this article does not depend
20 on and is not affected by the legality of any proceeding relating to any
21 action by the school facilities [OVERSIGHT](#) board in granting or lending
22 monies or the acquisition, construction or improvement of any facility
23 paid with monies provided by the board.

24 C. The school facilities [OVERSIGHT](#) board may submit to the attorney
25 general revenue bonds to be issued under this article after all
26 proceedings for authorizing the bonds have been completed. Within fifteen
27 days after submission, the attorney general shall examine the bonds and
28 pass on the validity of the bonds and the regularity of the proceedings.
29 If the bonds and proceedings comply with the Constitution of Arizona and
30 this article, and if the bonds when delivered and paid for will constitute
31 binding and legal obligations of the board, the attorney general shall
32 certify in substance that the bonds are issued according to the
33 constitution and laws of this state. The certificate shall also state
34 that the bonds are also validly secured by the obligation to transfer
35 monies from designated sources of revenue, including income on the
36 permanent state school fund established by section 37-521, to cover any
37 insufficiencies.

38 D. The bonds shall recite that they are regularly issued pursuant
39 to this article. That recital, together with the certification by the
40 attorney general under subsection C of this section, constitutes prima
41 facie evidence of the legality and validity of the bonds. From and after
42 the sale and delivery of the bonds, they are incontestable by the school
43 facilities [OVERSIGHT](#) board or this state.

1 Sec. 49. Section 41-5781, Arizona Revised Statutes, as transferred
2 and renumbered, is amended to read:

3 41-5781. Authorization of state school improvement revenue
4 bonds: expiration

5 A. The school facilities OVERSIGHT board may issue revenue bonds in
6 a principal amount not to exceed ~~eight hundred million dollars~~
7 \$800,000,000 pursuant to this article. The school facilities OVERSIGHT
8 board may also issue qualified zone academy bonds within the meaning of
9 section 1397e of the United States internal revenue code of 1986 or
10 successor provisions pursuant to this article in a principal amount not to
11 exceed ~~twenty million dollars~~ \$20,000,000. The qualified zone academy
12 bonds shall be separately accounted for within the school improvement
13 revenue bond proceeds fund established by section ~~15-2083~~ 41-5783. All
14 bonds authorized by this section may be issued for the following purposes:

15 1. To provide monies to pay the cost of:—

16 ~~(a) Correcting existing deficiencies as prescribed by section~~
17 ~~15-2021.~~

18 ~~(b) Bond related~~ BOND-RELATED expenses, including any expenses
19 incurred by the school facilities OVERSIGHT board to issue and administer
20 its bonds, including underwriting fees and costs, trustee fees, financial
21 consultant fees, printing and advertising costs, paying agent fees,
22 transfer agent fees, legal, accounting, feasibility consultant and other
23 professional fees and expenses, bond insurance or other credit
24 enhancements or liquidity facilities, attorney and accounting fees and
25 expenses related to credit enhancement, bond insurance or liquidity
26 enhancement, remarketing fees, rating agency fees and costs, travel and
27 telephone expenses and all other fees considered necessary by the school
28 facilities OVERSIGHT board in order to market and administer the bonds.

29 2. To fully or partially fund any reserves or sinking accounts
30 established by the bond resolution.

31 B. The school facilities OVERSIGHT board shall authorize the bonds
32 by resolution. The resolution shall prescribe:

33 1. The fixed or variable rate or rates of interest, the date or
34 dates on which interest is payable and the denominations of the bonds.

35 2. The date or dates of the bonds and maturity, within twenty years
36 after the date of issuance.

37 3. The form of the bonds.

38 4. The manner of executing the bonds.

39 5. The medium and place of payment.

40 6. The terms of redemption, which may provide for a premium for
41 early redemption.

42 C. The bonds issued pursuant to this article shall be known as
43 state school improvement revenue bonds.

1 D. The authority of the school facilities **OVERSIGHT** board to issue
2 school improvement revenue bonds pursuant to this article expires from and
3 after June 30, 2003, except for bonds issued to refund any bonds issued by
4 the board.

5 Sec. 50. Section 41-5782, Arizona Revised Statutes, as transferred
6 and renumbered, is amended to read:

7 41-5782. Issuance and sale of school improvement revenue
8 bonds

9 A. The school facilities **OVERSIGHT** board shall issue the school
10 improvement revenue bonds in the number and amount provided in the
11 resolution.

12 B. The bonds shall be sold at public or private sale at the price
13 and on the terms prescribed in the resolution at, above or below par.

14 C. The net proceeds of the sale of the bonds shall be deposited in
15 the school improvement revenue bond proceeds fund established pursuant to
16 section ~~15-2083~~ 41-5783.

17 Sec. 51. Section 41-5783, Arizona Revised Statutes, as transferred
18 and renumbered, is amended to read:

19 41-5783. School improvement revenue bond proceeds fund; use
20 for school improvements

21 A. If the school facilities **OVERSIGHT** board issues revenue bonds
22 under this article, the board shall establish a school improvement revenue
23 bond proceeds fund consisting of the net proceeds received from the sale
24 of the bonds.

25 B. The school facilities **OVERSIGHT** board may use monies in the
26 school improvement revenue bond proceeds fund only for the purposes
27 provided in section ~~15-2081~~ 41-5781, subsection A. Monies in the school
28 improvement revenue bond proceeds fund are exempt from lapsing under
29 section 35-190.

30 C. The state treasurer or bond trustee shall administer and account
31 for the school improvement revenue bond proceeds fund.

32 Sec. 52. Section 41-5784, Arizona Revised Statutes, as transferred
33 and renumbered, is amended to read:

34 41-5784. School improvement revenue bond debt service fund

35 A. The school facilities **OVERSIGHT** board shall establish a school
36 improvement revenue bond debt service fund consisting of monies received
37 by the school facilities **OVERSIGHT** board pursuant to section 42-5029,
38 subsection E, ~~section 42-5029.02, subsection A, paragraph 1~~ and section
39 37-521, subsection B, paragraph 1. All monies received pursuant to
40 section 42-5029, subsection E ~~and section 42-5029.02, subsection A,~~
41 ~~paragraph 1~~ shall be accounted for separately and shall be used only for
42 debt service of school improvement revenue bonds. All monies received
43 pursuant to section 37-521, subsection B, paragraph 1 shall be accounted
44 for separately and shall be used only for debt service of qualified zone
45 academy bonds.

1 B. Monies in the school improvement revenue bond debt service fund
2 may be used only for the purposes authorized by this article.

3 C. The state treasurer or bond trustee shall administer and account
4 for the school improvement revenue bond debt service fund.

5 Sec. 53. Section 41-5785, Arizona Revised Statutes, as transferred
6 and renumbered, is amended to read:

7 41-5785. Securing principal and interest

8 A. In connection with issuing bonds authorized by this article and
9 to secure the principal and interest on the bonds, the school facilities
10 **OVERSIGHT** board by resolution may:

11 1. Segregate the school improvement revenue bond debt service fund
12 into one or more accounts and subaccounts and provide that bonds issued
13 under this article may be secured by a lien on all or part of the monies
14 paid into the revenue bond debt service fund or into any account or
15 subaccount in the fund.

16 2. Provide that the bonds issued under this article ~~are~~ **BE** secured
17 by a first lien on the monies paid into the school improvement revenue
18 bond debt service fund as provided by section 42-5029, subsection E,
19 paragraph 1 ~~and section 42-5029.02, subsection A, paragraph 1~~ and pledge
20 and assign to or in trust for the benefit of the holder or holders of the
21 bonds all or part of the monies in the school improvement revenue bond
22 debt service fund, in any account or subaccount in the fund or in the
23 school improvement revenue bond proceeds fund as is necessary to secure
24 and pay the principal, the interest and any premium on the bonds as they
25 come due.

26 3. Establish priorities among bondholders based on criteria adopted
27 by the board.

28 4. Set aside, regulate and dispose of reserves and sinking
29 accounts.

30 5. Prescribe the procedure, if any, by which the terms of any
31 contract with bondholders may be amended or abrogated, the amount of bonds
32 the holders of which must consent to and the manner in which the consent
33 may be given.

34 6. Provide for payment of ~~bond-related~~ **BOND-RELATED** expenses from
35 the proceeds of the sale of the bonds or other revenues authorized by this
36 article and available to the board.

37 7. Provide for the services of trustees, cotrustees, agents and
38 consultants and other specialized services with respect to the bonds.

39 8. Take any other action that in any way may affect the security
40 and protection of the bonds or interest on the bonds.

41 9. Refund any bonds issued by the board, if these bonds are secured
42 from the same source of revenues as the bonds authorized by this article,
43 by issuing new bonds, whether at or before maturity of the bonds being
44 refunded.

1 10. Issue bonds partly to refund outstanding bonds and partly for
2 any other purpose consistent with this article.

3 B. Bonds issued to refund any bonds THAT ARE issued by the board as
4 provided by subsection A, paragraphs 9 and 10 of this section are not
5 subject to legislative authorization or subject to the ~~eight hundred~~
6 ~~million dollar limitation~~ \$800,000,000 LIMIT prescribed by section ~~15-2081~~
7 ~~41-5781~~, subsection A.

8 Sec. 54. Section 41-5787, Arizona Revised Statutes, as transferred
9 and renumbered, is amended to read:

10 41-5787. Bond purchase: cancellation

11 The school facilities OVERSIGHT board may purchase bonds for
12 cancellation out of any monies available for the purchase at a price of
13 not more than either of the following:

14 1. If the bonds are redeemable at the time of the purchase, the
15 applicable redemption price plus accrued interest to the next interest
16 payment date on the bonds.

17 2. If the bonds are not redeemable at the time of the purchase, the
18 applicable redemption price on the first date after the purchase on which
19 the bonds become subject to redemption plus accrued interest to that date.

20 Sec. 55. Section 41-5788, Arizona Revised Statutes, as transferred
21 and renumbered, is amended to read:

22 41-5788. Payment of revenue bonds

23 A. The revenue bonds shall be paid solely from monies from the
24 school improvement revenue bond debt service fund established pursuant to
25 section ~~15-2084~~ 41-5784 and other monies that are credited to the school
26 improvement revenue bond debt service fund.

27 B. The state treasurer or the paying agent for the revenue bonds
28 shall cancel all revenue bonds when paid.

29 Sec. 56. Section 41-5789, Arizona Revised Statutes, as transferred
30 and renumbered, is amended to read:

31 41-5789. Investment of monies in school improvement revenue
32 bond proceeds fund

33 A. As provided by section ~~15-2091~~ 41-5791, the school facilities
34 OVERSIGHT board may authorize the state treasurer or bond trustee to
35 invest monies in the school improvement revenue bond proceeds fund
36 established pursuant to section ~~15-2083~~ 41-5783.

37 B. The order directing an investment shall state a specified time
38 when the proceeds from the sale of the bonds will be used. The state
39 treasurer or bond trustee shall make the investment in such a way as to
40 mature at the specified date.

41 C. All monies earned as interest or otherwise derived from the
42 investment of the monies in the school improvement revenue bond proceeds
43 fund shall be credited to the school improvement revenue bond debt service
44 fund established by section ~~15-2084~~ 41-5784.

1 Sec. 57. Section 41-5790, Arizona Revised Statutes, as transferred
2 and renumbered, is amended to read:

3 41-5790. Investment of monies in school improvement revenue
4 bond debt service fund

5 A. The school facilities **OVERSIGHT** board may authorize the state
6 treasurer or bond trustee to invest and reinvest any monies in the school
7 improvement revenue bond debt service fund as provided by section ~~15-2091~~
8 41-5791.

9 B. All monies earned as interest or otherwise derived from the
10 investment of the monies in the school improvement revenue bond debt
11 service fund shall be credited to that fund.

12 Sec. 58. Section 41-5791, Arizona Revised Statutes, as transferred
13 and renumbered, is amended to read:

14 41-5791. Authorized investments of fund monies

15 A. On notice from the school facilities **OVERSIGHT** board, the state
16 treasurer or bond trustee shall invest and divest monies in either the
17 school improvement revenue bond proceeds fund or the school improvement
18 revenue **BOND** debt service fund in any of the following:

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

22 2. State, county or municipal bonds that are issued in this state
23 and on which the payments of interest have not been deferred.

24 3. Investment agreements and repurchase agreements collateralized
25 by investments described in paragraph 1 of this subsection.

26 B. The purchase of the securities shall be made by the state
27 treasurer or bond trustee on authority of a resolution of the board. The
28 treasurer or bond trustee shall act as custodian of all securities
29 purchased. The securities may be sold on an order of the board.

30 Sec. 59. Section 41-5793, Arizona Revised Statutes, as transferred
31 and renumbered, is amended to read:

32 41-5793. Effect of changing circumstances on bonds; agreement
33 of state

34 A. Bonds issued under this article remain valid and binding
35 obligations of the board notwithstanding that before the delivery of the
36 bonds any of the persons whose signatures appear on the bonds cease to be
37 members of the school facilities **OVERSIGHT** board.

38 B. An amendment of any provision of this article does not diminish
39 or impair the validity of bonds issued under this article or the remedies
40 and rights of bondholders.

41 C. This state pledges to and agrees with the holders of the bonds
42 authorized by this article that this state will not limit, alter or impair
43 the rights and remedies of the bondholders until all bonds issued under
44 this article, together with interest on the bonds, interest on any unpaid
45 installments of principal or interest and all costs and expenses in

1 connection with any action or proceedings by or on behalf of the
2 bondholders, are fully met and discharged. The board, as agent for this
3 state, may include this pledge and undertaking in its resolutions and
4 indentures authorizing and securing the bonds.

5 Sec. 60. Section 41-5794, Arizona Revised Statutes, as transferred
6 and renumbered, is amended to read:

7 41-5794. Validity of bonds; certification by attorney general

8 A. This article constitutes full authority for authorizing and
9 issuing bonds without reference to any other law of this state. No other
10 law with regard to authorizing or issuing obligations or that in any way
11 impedes or restricts performing the acts authorized by this article may be
12 construed to apply to any proceedings taken or acts done pursuant to this
13 article.

14 B. The validity of bonds issued under this article does not depend
15 on and is not affected by the legality of any proceeding relating to any
16 action by the school facilities **OVERSIGHT** board in granting or lending
17 monies or the acquisition, construction or improvement of any facility
18 paid with monies provided by the board.

19 C. The school facilities **OVERSIGHT** board may submit to the attorney
20 general revenue bonds to be issued under this article after all
21 proceedings for authorizing the bonds have been completed. Within fifteen
22 days after submission, the attorney general shall examine the bonds and
23 pass on the validity of the bonds and the regularity of the proceedings.
24 If the bonds and proceedings comply with the Constitution of Arizona and
25 this article, and if the bonds when delivered and paid for will constitute
26 binding and legal obligations of the board, the attorney general shall
27 certify in substance that the bonds are issued according to the
28 constitution and laws of this state.

29 D. The bonds shall recite that they are regularly issued pursuant
30 to this article. That recital, together with the certification by the
31 attorney general under subsection C of this section, constitutes prima
32 facie evidence of the legality and validity of the bonds. From and after
33 the sale and delivery of the bonds, they are incontestable by the school
34 facilities **OVERSIGHT** board or this state.

35 Sec. 61. Section 41-5805, Arizona Revised Statutes, as transferred
36 and renumbered, is amended to read:

37 41-5805. Securing principal and interest

38 To secure the principal and interest on the impact aid revenue
39 bonds, the **SCHOOL DISTRICT** governing board by resolution may:

40 1. Segregate the impact aid revenue bond debt service fund into one
41 or more accounts and subaccounts and provide that bonds issued under this
42 article may be secured by a lien on all or part of the monies paid into
43 the impact aid revenue bond debt service fund or into any account or
44 subaccount in the fund.

1 2. Provide that the bonds issued under this article ~~are~~ BE secured
2 by a first lien on the monies paid in the impact aid revenue bond debt
3 service fund as provided by section ~~15-2104~~ 41-5804 and pledge and assign
4 to or in trust for the benefit of the holder or holders of the bonds all
5 or part of the monies in the impact aid revenue bond debt service fund or
6 an account or subaccount as is necessary to secure and pay the principal,
7 the interest and any premium on the bonds as they come due.

8 3. Establish priorities among bondholders based on criteria adopted
9 by the governing board.

10 4. Set aside, regulate and dispose of reserves and sinking
11 accounts.

12 5. Prescribe the procedure, if any, by which the terms of any
13 contract with bondholders may be amended or abrogated, the amount of bonds
14 the holders of which must consent to and the manner in which the consent
15 may be given.

16 6. Provide for payment of bond related expenses from the proceeds
17 of the sale of the bonds or other revenues authorized by this article
18 available to the school district.

19 7. Provide for the services of trustees, cotrustees, agents and
20 consultants and other specialized services with respect to the bonds.

21 8. Take any other action that in any way may affect the security
22 and protection of the bonds or interest on the bonds.

23 9. Refund any bonds issued by the school district, if these bonds
24 are secured from the same source of revenues as the bonds authorized by
25 this article, by issuing new bonds.

26 10. Issue bonds partly to refund outstanding bonds and partly for
27 any other purpose consistent with this article.

28 Sec. 62. Section 41-5810, Arizona Revised Statutes, as transferred
29 and renumbered, is amended to read:

30 41-5810. Authorized investments of fund monies

31 A. The monies in either the impact aid revenue bond building fund
32 or debt service fund may be invested and reinvested at the direction of
33 the SCHOOL DISTRICT governing board in any of the investments authorized
34 by section ~~15-2062~~ 41-5761.

35 B. The purchase of the securities shall be made by the county
36 treasurer or the treasurer's designated agent on authority of a resolution
37 of the governing board. The county treasurer shall act as custodian of
38 all securities purchased. The securities may be sold on an order of the
39 governing board.

40 Sec. 63. Section 41-5832, Arizona Revised Statutes, as transferred
41 and renumbered, is amended to read:

42 41-5832. Indoor air quality requirements

43 A. When the school facilities OVERSIGHT board approves the
44 construction of a school building, the school facilities OVERSIGHT board
45 shall conduct an environmental site assessment. The board shall consider

1 site assessment standards in accordance with the American society for
2 testing and materials standard E1527, standard practice for environmental
3 site assessments: phase I environmental site assessment process.

4 B. The school facilities **OVERSIGHT** board shall not approve a school
5 building project if any of the following conditions ~~exist~~ **EXISTS**:

6 1. The environmental site assessment indicates that the site cannot
7 meet, within reasonable expenditures, the same criteria established for
8 residential properties.

9 2. The plans incorporate flat roof construction that does not have
10 adequate pitch towards drains in order to prevent pooling of water.

11 3. The plans do not incorporate indoor air quality guidelines that
12 are acceptable to the board. The board shall consider indoor air quality
13 guidelines in accordance with the sheet metal and air conditioning
14 contractors national association's publication entitled "indoor air
15 quality guidelines for occupied buildings under construction".

16 C. Each school district governing board that installed or renovated
17 its HVAC system on or after ~~the effective date of this article~~ **AUGUST 12,**
18 **2005** shall ensure that its HVAC system meets both of the following
19 requirements:

20 1. Is maintained and operated in a manner consistent with
21 ventilation standards acceptable to the board. The board shall consider
22 ventilation standards in accordance with standard 62.

23 2. Is operated continuously during school activity hours except
24 during scheduled maintenance and emergency repairs and except during
25 periods for which school officials can demonstrate to the governing
26 board's satisfaction that the quantity of outdoor air supplied by an air
27 supply system that is not mechanically driven meets the requirements for
28 air changes per hour acceptable to the board.

29 D. Each school district governing board that installed or renovated
30 its HVAC system before ~~the effective date of this article~~ **AUGUST 12, 2005**
31 shall ensure that its HVAC system is maintained and operated in accordance
32 with the prevailing maintenance and standards at the time of the
33 installation or renovation of the HVAC system.

34 Sec. 64. Section 41-5841, Arizona Revised Statutes, as transferred
35 and renumbered, is amended to read:

36 **41-5841. Achievement district school application**

37 A. The credit enhancement eligibility board established by section
38 ~~15-2152~~ **41-5852** shall establish an application process, application forms
39 and selection criteria for a public school or charter school to qualify as
40 an achievement district school for the purposes of article 11 of this
41 chapter.

42 B. A public school or charter school that meets all of the
43 following criteria is eligible to qualify as an achievement district
44 school:

- 1 1. Has been assigned a letter grade of A, or an equivalent
2 successor classification, pursuant to section 15-241.
- 3 2. Has proven instructional strategies and curricula that
4 demonstrate high academic outcomes.
- 5 3. Has a verifiable enrollment demand, including the placement of
6 prospective pupils on a waiting list.
- 7 4. Has a sound financial plan that contemplates operational costs
8 and future enrollment growth.
- 9 5. Has shown a commitment to provide technical assistance,
10 including business services, curriculum development and teacher training,
11 to an underperforming school in the state.
- 12 6. Meets any other criteria established by the credit enhancement
13 eligibility board.
- 14 C. The credit enhancement eligibility board shall meet regularly to
15 evaluate achievement district school applications and shall either approve
16 or deny each application submitted. The board shall report its decision
17 on each application to the public school or charter school within ten
18 business days after the board's decision.
- 19 D. If a school's application is approved pursuant to this section,
20 the school qualifies as an achievement district school and is eligible to
21 apply for participation in the Arizona public school credit enhancement
22 program established by section ~~15-2155~~ 41-5855.
- 23 Sec. 65. Section 41-5851, Arizona Revised Statutes, as transferred
24 and renumbered, is amended to read:
- 25 41-5851. Definitions
- 26 In this article, unless the context otherwise requires:
- 27 1. "Achievement district school" means a public school or a charter
28 school that has qualified as an achievement district school pursuant to
29 article 10 of this chapter and that has submitted an application with the
30 board pursuant to this article to obtain guaranteed financing.
- 31 2. "Board" means the credit enhancement eligibility board
32 established by section ~~15-2152~~ 41-5852.
- 33 3. "Fund" means the Arizona public school credit enhancement fund
34 established by section ~~15-2154~~ 41-5854.
- 35 4. "Guaranteed financing" means debt obligations that are issued by
36 or on behalf of a public school or a charter school to acquire, construct,
37 renovate, equip, refinance or improve capital facilities and for which the
38 board has approved a guarantee of all or a portion of the principal and
39 interest payments pursuant to the program.
- 40 5. "Program" means the Arizona public school credit enhancement
41 program established by section ~~15-2155~~ 41-5855.
- 42 6. "Program funding obligations" means program funding obligations
43 approved and issued by the board pursuant to section ~~15-2157~~ 41-5857.

1 3. The proceeds of program funding obligations issued by the board
2 pursuant to section ~~15-2157~~ 41-5857.

3 4. Gifts, grants and donations received from any public or private
4 source to carry out the purposes of this article.

5 5. Interest earnings and investment income earned on monies in the
6 fund.

7 6. Any other monies distributed, paid or deposited to the fund by
8 law or pursuant to contracts arising out of a guaranteed financing.

9 B. Monies and other assets of the fund shall be held and disbursed
10 separate and apart from all other monies or assets of this state or
11 political subdivisions of this state.

12 C. Monies in the fund shall be used for the following purposes:

13 1. By the state treasurer to make payments of principal or interest
14 on guaranteed financings pursuant to section ~~15-2156~~ 41-5856.

15 2. By the board at its direction:

16 (a) To pay any operational or administrative expenses of the board,
17 including fees for advisers, rating agencies and professionals retained by
18 the board.

19 (b) To make payments to bond insurers to provide municipal bond
20 insurance guaranteeing the timely payment of all or a portion of any
21 guaranteed financing.

22 (c) To make payments of principal and interest in connection with
23 any program funding obligations.

24 D. The state treasurer shall administer the fund and shall disburse
25 monies in the fund as required by subsection C, paragraph 1 of this
26 section and as directed by the board pursuant to subsection C, paragraph 2
27 of this section. The state treasurer shall separately account for monies
28 received from each source listed in subsection A of this section and may
29 establish accounts and subaccounts as necessary to properly account for
30 and use monies in the fund.

31 E. Monies received pursuant to subsection A of this section may not
32 be used for any purpose except guaranteeing or making payments of
33 principal and interest on guaranteed financings approved by the board and
34 any costs and expenses of the program or the board as provided in this
35 article.

36 F. The state treasurer shall invest and divest monies in the fund
37 as provided in section 35-313, and monies earned from investment shall be
38 credited to the fund. Monies in the fund are exempt from the provisions
39 of section 35-190 relating to lapsing of appropriations.

40 Sec. 68. Section 41-5857, Arizona Revised Statutes, as transferred
41 and renumbered, is amended to read:

42 41-5857. Program funding obligations; immunity

43 A. The board may deliver nonnegotiable program funding obligations
44 in one or more series in an aggregate principal amount of not more than
45 ~~eighty million dollars~~ \$80,000,000.

1 B. The board shall sell any program funding obligations prescribed
2 in subsection A of this section to the state treasurer, and the state
3 treasurer shall buy such obligations as an allowable investment of the
4 fund. The total principal amount of program funding obligations
5 outstanding at any one time may not exceed ~~eighty million dollars~~
6 **\$80,000,000**. The board may reissue to the state treasurer any called
7 program funding obligations on the same terms as the obligations that were
8 called and in a principal amount that does not exceed the principal amount
9 called.

10 C. The board shall authorize each program funding obligation by a
11 resolution that sets forth:

- 12 1. The rate or rates of interest.
- 13 2. The date or dates of maturity.
- 14 3. The terms of redemption.
- 15 4. The form and manner of execution of the program funding
16 obligation.
- 17 5. Any terms necessary to secure credit enhancement or other
18 sources of payment or security.
- 19 6. Any other terms deemed necessary or advisable by the board.

20 D. The interest rate to be paid on program funding obligations
21 authorized by the board pursuant to subsection C of this section shall be
22 equal to the sum of the following:

- 23 1. The actual rate of interest earned by the state treasurer on the
24 investment of the proceeds from the sale of the program funding
25 obligations.
- 26 2. For any period during which guaranteed financings are
27 outstanding, an additional interest rate of at least one hundred basis
28 points as determined by the board.

29 E. The principal of and interest on the program funding obligations
30 shall be secured by and paid from monies deposited in the fund, on the
31 terms set forth in the resolution, and are subordinate to any payments
32 that are necessary to be made for guaranteed financings. Principal
33 payments shall be paid on a basis proportional to the reduction in
34 outstanding principal of guaranteed financings under the program.
35 Interest shall be paid on an annual or more frequent basis as set forth in
36 the resolution of the board. The monies pledged under this section to the
37 program funding obligations are immediately subject to the lien of the
38 pledge without any future physical delivery or further act. A lien of any
39 pledge is valid and binding against all parties having claims of any kind
40 in tort, contract or otherwise against the board irrespective of whether
41 the parties have notice of the lien. When placed in the board's records,
42 the resolution by which the pledge is created is notice to all concerned
43 of the creation of the pledge.

1 F. Program funding obligations shall be sold at private sale to the
2 state treasurer at a price and on terms provided by the board in its
3 resolution pursuant to this section. The proceeds from the sale of
4 program funding obligations shall be deposited into the fund and may be
5 used for the purposes of the fund as set forth in section ~~15-2154~~ 41-5854.

6 G. Program funding obligations are:

7 1. Special obligations of the board.

8 2. Not obligations that are general, special or otherwise of this
9 state.

10 3. Not a legal debt of this state.

11 4. Payable and enforceable only from the monies and fund pledged
12 and assigned by the board in its resolution.

13 H. Any member of the board or a person executing a program funding
14 obligation is not personally liable for the payment of the program funding
15 obligation.

16 Sec. 69. Section 41-5858, Arizona Revised Statutes, as transferred
17 and renumbered, is amended to read:

18 41-5858. Quarterly reports

19 Within thirty days after the last day of each calendar quarter, the
20 school facilities **OVERSIGHT** board staff, in collaboration with the credit
21 enhancement eligibility board, shall submit to the speaker of the house of
22 representatives, the president of the senate, the director of the joint
23 legislative budget committee and the director of the governor's office of
24 strategic planning and budgeting a quarterly report on the implementation
25 of the program pursuant to this article. The quarterly report shall
26 include at least the following information:

27 1. A listing of all outstanding guaranteed financings approved by
28 the **CREDIT ENHANCEMENT ELIGIBILITY** board, including the following
29 information for each financing:

30 (a) The name of the public school or charter school by or on behalf
31 of which the debt obligation was issued.

32 (b) The date of the issuance.

33 (c) The original amount of the issuance.

34 (d) The interest rate of the issuance.

35 (e) The term length of the issuance.

36 (f) The credit rating of the issuance.

37 (g) The amount of principal and interest due on the debt obligation
38 in the current fiscal year.

39 (h) The purpose for which the debt obligation was issued,
40 separately delineated for obligations to construct new capital facilities,
41 renovate existing capital facilities or refinance existing debt
42 obligations.

43 (i) The current outstanding principal of the debt obligation.

1 2. Pay 38.08 percent to the counties in this state by averaging the
2 following proportions:

3 (a) The proportion that the population of each county bears to the
4 total state population.

5 (b) The proportion that the distribution base monies collected
6 during the calendar month in each county under this article, section
7 42-5164, subsection B and section 42-5205, subsection B bear to the total
8 distribution base monies collected under this article, section 42-5164,
9 subsection B and section 42-5205, subsection B throughout the state for
10 the calendar month.

11 3. Pay an additional 2.43 percent to the counties in this state as
12 follows:

13 (a) Average the following proportions:

14 (i) The proportion that the assessed valuation used to determine
15 secondary property taxes of each county, after deducting that part of the
16 assessed valuation that is exempt from taxation at the beginning of the
17 month for which the amount is to be paid, bears to the total assessed
18 valuations used to determine secondary property taxes of all the counties
19 after deducting that portion of the assessed valuations that is exempt
20 from taxation at the beginning of the month for which the amount is to be
21 paid. Property of a city or town that is not within or contiguous to the
22 municipal corporate boundaries and from which water is or may be withdrawn
23 or diverted and transported for use on other property is considered to be
24 taxable property in the county for purposes of determining assessed
25 valuation in the county under this item.

26 (ii) The proportion that the distribution base monies collected
27 during the calendar month in each county under this article, section
28 42-5164, subsection B and section 42-5205, subsection B bear to the total
29 distribution base monies collected under this article, section 42-5164,
30 subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state
31 for the calendar month.

32 (b) If the proportion computed under subdivision (a) of this
33 paragraph for any county is greater than the proportion computed under
34 paragraph 2 of this subsection, the department shall compute the
35 difference between the amount distributed to that county under paragraph 2
36 of this subsection and the amount that would have been distributed under
37 paragraph 2 of this subsection using the proportion computed under
38 subdivision (a) of this paragraph and shall pay that difference to the
39 county from the amount available for distribution under this paragraph.
40 Any monies remaining after all payments under this subdivision shall be
41 distributed among the counties according to the proportions computed under
42 paragraph 2 of this subsection.

43 4. After any distributions required by sections 42-5030,
44 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making
45 any transfer to the water quality assurance revolving fund as required by

1 section 49-282, subsection B, credit the remainder of the monies
2 designated as distribution base to the state general fund. From this
3 amount the legislature shall annually appropriate to:

4 (a) The department of revenue sufficient monies to administer and
5 enforce this article and articles 5 and 8 of this chapter.

6 (b) The department of economic security monies to be used for the
7 purposes stated in title 46, chapter 1.

8 (c) The firearms safety and ranges fund established by section
9 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected
10 from the retail classification pursuant to section 42-5061 for the current
11 fiscal year.

12 E. If approved by the qualified electors voting at a statewide
13 general election, all monies collected pursuant to section 42-5010,
14 subsection G and section 42-5155, subsection D shall be distributed each
15 fiscal year pursuant to this subsection. The monies distributed pursuant
16 to this subsection are in addition to any other appropriation, transfer or
17 other allocation of public or private monies from any other source and
18 shall not supplant, replace or cause a reduction in other school district,
19 charter school, university or community college funding sources. The
20 monies shall be distributed as follows:

21 1. If there are outstanding state school facilities revenue bonds
22 pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 7, each month one-twelfth
23 of the amount that is necessary to pay the fiscal year's debt service on
24 outstanding state school improvement revenue bonds for the current fiscal
25 year shall be transferred each month to the school improvement revenue
26 bond debt service fund established by section ~~15-2084~~ 41-5784. The total
27 amount of bonds for which these monies may be allocated for the payment of
28 debt service shall not exceed a principal amount of ~~eight hundred million~~
29 ~~dollars~~ \$800,000,000 exclusive of refunding bonds and other refinancing
30 obligations.

31 2. After any transfer of monies pursuant to paragraph 1 of this
32 subsection, twelve ~~per cent~~ PERCENT of the remaining monies collected
33 during the preceding month shall be transferred to the technology and
34 research initiative fund established by section 15-1648 to be distributed
35 among the universities for the purpose of investment in technology and
36 research-based initiatives.

37 3. After the transfer of monies pursuant to paragraph 1 of this
38 subsection, three ~~per cent~~ PERCENT of the remaining monies collected
39 during the preceding month shall be transferred to the workforce
40 development account established in each community college district
41 pursuant to section 15-1472 for the purpose of investment in workforce
42 development programs.

43 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
44 this subsection, one-twelfth of the amount a community college that is
45 owned, operated or chartered by a qualifying Indian tribe on its own

1 Indian reservation would receive pursuant to section 15-1472, subsection
 2 D, paragraph 2 if it were a community college district shall be
 3 distributed each month to the treasurer or other designated depository of
 4 a qualifying Indian tribe. Monies distributed pursuant to this paragraph
 5 are for the exclusive purpose of providing support to one or more
 6 community colleges owned, operated or chartered by a qualifying Indian
 7 tribe and shall be used in a manner consistent with section 15-1472,
 8 subsection B. For the purposes of this paragraph, "qualifying Indian
 9 tribe" has the same meaning as defined in section 42-5031.01,
 10 subsection D.

11 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of
 12 this subsection, one-twelfth of the following amounts shall be transferred
 13 each month to the department of education for the increased cost of basic
 14 state aid under section 15-971 due to added school days and associated
 15 teacher salary increases enacted in 2000:

- 16 (a) In fiscal year 2001-2002, \$15,305,900.
- 17 (b) In fiscal year 2002-2003, \$31,530,100.
- 18 (c) In fiscal year 2003-2004, \$48,727,700.
- 19 (d) In fiscal year 2004-2005, \$66,957,200.
- 20 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
 21 \$86,280,500.

22 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
 23 this subsection, ~~seven million eight hundred thousand dollars~~ \$7,800,000
 24 is appropriated each fiscal year, to be paid in monthly installments, to
 25 the department of education to be used for school safety as provided in
 26 section 15-154 and ~~two hundred thousand dollars~~ \$200,000 is appropriated
 27 each fiscal year, to be paid in monthly installments, to the department of
 28 education to be used for the character education matching grant program as
 29 provided in section 15-154.01.

30 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of
 31 this subsection, ~~no~~ NOT more than ~~seven million dollars~~ \$7,000,000 may be
 32 appropriated by the legislature each fiscal year to the department of
 33 education to be used for accountability purposes as described in section
 34 15-241 and title 15, chapter 9, article 8.

35 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of
 36 this subsection, ~~one million five hundred thousand dollars~~ \$1,500,000 is
 37 appropriated each fiscal year, to be paid in monthly installments, to the
 38 failing schools tutoring fund established by section 15-241.

39 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of
 40 this subsection, ~~twenty-five million dollars~~ \$25,000,000 shall be
 41 transferred each fiscal year to the state general fund to reimburse the
 42 STATE general fund for the cost of the income tax credit allowed by
 43 section 43-1072.01.

1 10. After the payment of monies pursuant to paragraphs 1 through 9
 2 of this subsection, the remaining monies collected during the preceding
 3 month shall be transferred to the classroom site fund established by
 4 section 15-977. The monies shall be allocated as follows in the manner
 5 prescribed by section 15-977:

6 (a) Forty ~~per cent~~ PERCENT shall be allocated for teacher
 7 compensation based on performance.

8 (b) Twenty ~~per cent~~ PERCENT shall be allocated for increases in
 9 teacher base compensation and employee related expenses.

10 (c) Forty ~~per cent~~ PERCENT shall be allocated for maintenance and
 11 operation purposes.

12 F. The department shall credit the remainder of the monies in the
 13 transaction privilege and severance tax clearing account to the state
 14 general fund, subject to any distribution required by section 42-5030.01.

15 G. Notwithstanding subsection D of this section, if a court of
 16 competent jurisdiction finally determines that tax monies distributed
 17 under this section were illegally collected under this article or articles
 18 5 and 8 of this chapter and orders the monies to be refunded to the
 19 taxpayer, the department shall compute the amount of such monies that was
 20 distributed to each city, town and county under this section. Each
 21 city's, town's and county's proportionate share of the costs shall be
 22 based on the amount of the original tax payment each municipality and
 23 county received. Each month the state treasurer shall reduce the amount
 24 otherwise distributable to the city, town and county under this section by
 25 ~~one thirty-sixth~~ 1/36 of the total amount to be recovered from the city,
 26 town or county until the total amount has been recovered, but the monthly
 27 reduction for any city, town or county shall not exceed ten percent of the
 28 full monthly distribution to that entity. The reduction shall begin for
 29 the first calendar month after the final disposition of the case and shall
 30 continue until the total amount, including interest and costs, has been
 31 recovered.

32 H. On receiving a certificate of default from the greater Arizona
 33 development authority pursuant to section 41-2257 or 41-2258 and to the
 34 extent not otherwise expressly prohibited by law, the state treasurer
 35 shall withhold from the next succeeding distribution of monies pursuant to
 36 this section due to the defaulting political subdivision the amount
 37 specified in the certificate of default and immediately deposit the amount
 38 withheld in the greater Arizona development authority revolving fund. The
 39 state treasurer shall continue to withhold and deposit the monies until
 40 the greater Arizona development authority certifies to the state treasurer
 41 that the default has been cured. In no event may the state treasurer
 42 withhold any amount that the defaulting political subdivision certifies to
 43 the state treasurer and the authority as being necessary to make any
 44 required deposits then due for the payment of principal and interest on
 45 bonds of the political subdivision that were issued before the date of the

1 loan repayment agreement or bonds and that have been secured by a pledge
2 of distributions made pursuant to this section.

3 I. Except as provided by sections 42-5033 and 42-5033.01, the
4 population of a county, city or town as determined by the most recent
5 United States decennial census plus any revisions to the decennial census
6 certified by the United States bureau of the census shall be used as the
7 basis for apportioning monies pursuant to subsection D of this section.

8 J. Except as otherwise provided by this subsection, on notice from
9 the department of revenue pursuant to section 42-6010, subsection B, the
10 state treasurer shall withhold from the distribution of monies pursuant to
11 this section to the affected city or town the amount of the penalty for
12 business location municipal tax incentives provided by the city or town to
13 a business entity that locates a retail business facility in the city or
14 town. The state treasurer shall continue to withhold monies pursuant to
15 this subsection until the entire amount of the penalty has been withheld.
16 The state treasurer shall credit any monies withheld pursuant to this
17 subsection to the state general fund as provided by subsection D,
18 paragraph 4 of this section. The state treasurer shall not withhold any
19 amount that the city or town certifies to the department of revenue and
20 the state treasurer as being necessary to make any required deposits or
21 payments for debt service on bonds or other long-term obligations of the
22 city or town that were issued or incurred before the location incentives
23 provided by the city or town.

24 K. On notice from the auditor general pursuant to section 9-626,
25 subsection D, the state treasurer shall withhold from the distribution of
26 monies pursuant to this section to the affected city the amount computed
27 pursuant to section 9-626, subsection D. The state treasurer shall
28 continue to withhold monies pursuant to this subsection until the entire
29 amount specified in the notice has been withheld. The state treasurer
30 shall credit any monies withheld pursuant to this subsection to the state
31 general fund as provided by subsection D, paragraph 4 of this section.

32 L. Except as otherwise provided by this subsection, on notice from
33 the attorney general pursuant to section 41-194.01, subsection B,
34 paragraph 1 that an ordinance, regulation, order or other official action
35 adopted or taken by the governing body of a county, city or town violates
36 state law or the Constitution of Arizona, the state treasurer shall
37 withhold the distribution of monies pursuant to this section to the
38 affected county, city or town and shall continue to withhold monies
39 pursuant to this subsection until the attorney general certifies to the
40 state treasurer that the violation has been resolved. The state treasurer
41 shall redistribute the monies withheld pursuant to this subsection among
42 all other counties, cities and towns in proportion to their population as
43 provided by subsection D of this section. The state treasurer shall not
44 withhold any amount that the county, city or town certifies to the
45 attorney general and the state treasurer as being necessary to make any

1 required deposits or payments for debt service on bonds or other long-term
2 obligations of the county, city or town that were issued or incurred
3 before committing the violation.

4 M. For the purposes of this section, "community college district"
5 means a community college district that is established pursuant to
6 sections 15-1402 and 15-1403 and that is a political subdivision of this
7 state and, unless otherwise specified, includes a community college
8 tuition financing district established pursuant to section 15-1409.

9 Sec. 71. Section 42-5030.01, Arizona Revised Statutes, is amended
10 to read:

11 42-5030.01. Distribution of revenues for school facilities

12 From and after June 30, 1999, if there are outstanding state school
13 facilities revenue bonds pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article
14 6, and if the amount of monies available under section 37-521, subsection
15 B, paragraph 1 is insufficient to pay the debt service due on the
16 outstanding bonds in that fiscal year, the state treasurer shall transfer
17 to the state school facilities revenue bond debt service fund established
18 pursuant to section ~~15-2054~~ 41-5754 the amount that is necessary to pay
19 the debt service due in that fiscal year on the outstanding bonds from
20 state general fund revenues that were collected pursuant to this chapter.

21 Sec. 72. Section 43-1089.02, Arizona Revised Statutes, is amended
22 to read:

23 43-1089.02. Credit for donation of school site

24 A. A credit is allowed against the taxes imposed by this title in
25 the amount of thirty ~~per cent~~ PERCENT of the value of real property and
26 improvements donated by the taxpayer to a school district or a charter
27 school for use as a school or as a site for the construction of a school.

28 B. To qualify for the credit:

29 1. The real property and improvements must be located in this
30 state.

31 2. The real property and improvements must be conveyed unencumbered
32 and in fee simple, except that:

33 (a) The conveyance must include as a deed restriction and
34 protective covenant running with title to the land the requirement that as
35 long as the donee holds title to the property the property shall only be
36 used as a school or as a site for the construction of a school, subject to
37 subsection I or J of this section.

38 (b) In the case of a donation to a charter school, the donor shall
39 record a lien on the property as provided by subsection J, paragraph 3 of
40 this section.

41 3. The conveyance shall not violate section 15-341, subsection D or
42 section 15-183, subsection U.

43 C. For the purposes of this section, the value of the donated
44 property is the property's fair market value as determined in an appraisal

1 as defined in section 32-3601 that is conducted by an independent party
2 and that is paid for by the donee.

3 D. If the property is donated by co-owners, including partners in a
4 partnership and shareholders of an S corporation, as defined in section
5 1361 of the internal revenue code, each donor may claim only the pro rata
6 share of the allowable credit under this section based on the ownership
7 interest. If the property is donated by a husband and wife who file
8 separate returns for a taxable year in which they could have filed a joint
9 return, they may determine between them the share of the credit each will
10 claim. The total of the credits allowed all co-owner donors may not
11 exceed the allowable credit.

12 E. If the allowable tax credit exceeds the taxes otherwise due
13 under this title on the claimant's income, or if there are no taxes due
14 under this title, the taxpayer may carry the amount of the claim not used
15 to offset the taxes under this title forward for not more than five
16 consecutive taxable years' income tax liability.

17 F. The credit under this section is in lieu of any deduction
18 pursuant to section 170 of the internal revenue code taken for state tax
19 purposes.

20 G. On written request by the donee, the donor shall disclose in
21 writing to the donee the amount of the credit allowed pursuant to this
22 section with respect to the property received by the donee.

23 H. A school district or charter school may refuse the donation of
24 any property for purposes of this section.

25 I. If the donee is a school district:

26 1. The district shall notify the school facilities **OVERSIGHT** board
27 established by section ~~15-2001~~ 41-5701 and furnish the board with any
28 information the board requests regarding the donation. A school district
29 shall not accept a donation pursuant to this section unless the school
30 facilities **OVERSIGHT** board has reviewed the proposed donation and has
31 issued a written determination that the real property and improvements are
32 suitable as a school site or as a school. The school facilities **OVERSIGHT**
33 board shall issue a determination that the real property and improvements
34 are not suitable as a school site or as a school if the expenses that
35 would be necessary to make the property suitable as a school site or as a
36 school exceed the value of the proposed donation.

37 2. The district may sell any donated property pursuant to section
38 15-342, but the proceeds from the sale shall only be used for capital
39 projects. The school facilities **OVERSIGHT** board shall withhold an amount
40 that corresponds to the amount of the proceeds from any monies that would
41 otherwise be due the school district from the school facilities **OVERSIGHT**
42 board pursuant to section ~~15-2041~~ 41-5741.

1 J. If the donee is a charter school:
2 1. The charter school shall:
3 (a) Immediately notify the sponsor of the charter school by
4 certified mail and shall furnish the sponsor with any information
5 requested by the sponsor regarding the donation during the ~~ten-year~~
6 **TEN-YEAR** period after the conveyance is recorded.
7 (b) Notify the sponsor by certified mail, and the sponsor shall
8 notify the state treasurer, in the event of the charter school's financial
9 failure or if the charter school:
10 (i) Fails to establish a charter school on the property within
11 forty-eight months after the conveyance is recorded.
12 (ii) Fails to provide instruction to pupils on the property within
13 forty-eight months after the conveyance is recorded.
14 (iii) Establishes a charter school on the property but subsequently
15 ceases to operate the charter school on the property for twenty-four
16 consecutive months or fails to provide instruction to pupils on the
17 property for twenty-four consecutive months.
18 2. The charter school, or a successor in interest, shall pay to the
19 state treasurer the amount of the credit allowed under this section, or if
20 that amount is unknown, the amount of the allowable credit under this
21 section, if any of the circumstances listed in paragraph 1, subdivision
22 (b) of this subsection occurs. If the amount is not paid within one year
23 after the treasurer receives notice under paragraph 1, subdivision (b) of
24 this subsection, a penalty and interest shall be added, determined
25 pursuant to title 42, chapter 1, article 3.
26 3. A tax credit under this section constitutes a lien on the
27 property, which the donor must record along with the title to the property
28 to qualify for the credit. The amount of the lien is the amount of the
29 allowable credit under this section, adjusted according to the average
30 change in the GDP price deflator, as defined in section 41-563, for each
31 calendar year since the donation, but not exceeding twelve and one-half
32 ~~per cent~~ **PERCENT** more than the allowable credit. The lien is subordinate
33 to any liens securing the financing of the school construction. The lien
34 is extinguished on the earliest of the following:
35 (a) Ten years after the lien is recorded. After that date, the
36 charter school, or a successor in interest, may request the state
37 treasurer to release the lien.
38 (b) On payment to the state treasurer by the donee charter school,
39 or by a successor in interest, of the amount of the allowable credit under
40 this section, either voluntarily or as required by paragraph 2 of this
41 subsection. After the required amount is paid, the charter school or
42 successor in interest may request the state treasurer to release the lien.
43 (c) On conveyance of fee simple title to the property to a school
44 district.

1 (d) On enforcement and satisfaction of the lien pursuant to
2 paragraph 4 of this subsection.

3 4. The state treasurer shall enforce the lien by foreclosure within
4 one year after receiving notice of any of the circumstances described in
5 paragraph 1, subdivision (b) of this subsection.

6 5. Subject to paragraphs 3 and 4 of this subsection, the charter
7 school may sell any donated property.

8 Sec. 73. Section 43-1181, Arizona Revised Statutes, is amended to
9 read:

10 43-1181. Credit of donation of school site

11 A. A credit is allowed against the taxes imposed by this title in
12 the amount of thirty ~~per cent~~ PERCENT of the value of real property and
13 improvements donated by the taxpayer to a school district or a charter
14 school for use as a school or as a site for the construction of a school.

15 B. To qualify for the credit:

16 1. The real property and improvements must be located in this
17 state.

18 2. The real property and improvements must be conveyed unencumbered
19 and in fee simple except that:

20 (a) The conveyance must include as a deed restriction and
21 protective covenant running with title to the land the requirement that as
22 long as the donee holds title to the property the property shall only be
23 used as a school or as a site for the construction of a school, subject to
24 subsection I or J of this section.

25 (b) In the case of a donation to a charter school, the donor shall
26 record a lien on the property as provided by subsection J, paragraph 3 of
27 this section.

28 3. The conveyance shall not violate section 15-341, subsection D or
29 section 15-183, subsection U.

30 C. For the purposes of this section, the value of the donated
31 property is the property's fair market value as determined in an appraisal
32 as defined in section 32-3601 that is conducted by an independent party
33 and that is paid for by the donee.

34 D. If the property is donated by co-owners, including corporate
35 partners in a partnership, each donor may claim only the pro rata share of
36 the allowable credit under this section based on the ownership interest.
37 The total of the credits allowed all co-owner donors may not exceed the
38 allowable credit.

39 E. If the allowable tax credit exceeds the taxes otherwise due
40 under this title on the claimant's income, or if there are no taxes due
41 under this title, the taxpayer may carry the amount of the claim not used
42 to offset the taxes under this title forward for not more than five
43 consecutive taxable years' income tax liability.

1 F. The credit under this section is in lieu of any deduction
2 pursuant to section 170 of the internal revenue code taken for state tax
3 purposes.

4 G. On written request by the donee, the donor shall disclose in
5 writing to the donee the amount of the credit allowed pursuant to this
6 section with respect to the property received by the donee.

7 H. A school district or charter school may refuse the donation of
8 any property for purposes of this section.

9 I. If the donee is a school district:

10 1. The district shall notify the school facilities **OVERSIGHT** board
11 established by section ~~15-2001~~ 41-5701 and furnish the board with any
12 information the board requests regarding the donation. A school district
13 shall not accept a donation pursuant to this section unless the school
14 facilities **OVERSIGHT** board has reviewed the proposed donation and has
15 issued a written determination that the real property and improvements are
16 suitable as a school site or as a school. The school facilities **OVERSIGHT**
17 board shall issue a determination that the real property and improvements
18 are not suitable as a school site or as a school if the expenses that
19 would be necessary to make the property suitable as a school site or as a
20 school exceed the value of the proposed donation.

21 2. The district may sell any donated property pursuant to section
22 15-342, but the proceeds from the sale shall only be used for capital
23 projects. The school facilities **OVERSIGHT** board shall withhold an amount
24 that corresponds to the amount of the proceeds from any monies that would
25 otherwise be due the school district from the school facilities **OVERSIGHT**
26 board pursuant to section ~~15-2041~~ 41-5741.

27 J. If the donee is a charter school:

28 1. The charter school shall:

29 (a) Immediately notify the sponsor of the charter school by
30 certified mail and shall furnish the sponsor with any information
31 requested by the sponsor regarding the donation during the ~~ten-year~~
32 **TEN-YEAR** period after the conveyance is recorded.

33 (b) Notify the sponsor by certified mail, and the sponsor shall
34 notify the state treasurer, in the event of the charter school's financial
35 failure or if the charter school:

36 (i) Fails to establish a charter school on the property within
37 forty-eight months after the conveyance is recorded.

38 (ii) Fails to provide instruction to pupils on the property within
39 forty-eight months after the conveyance is recorded.

40 (iii) Establishes a charter school on the property but subsequently
41 ceases to operate the charter school on the property for twenty-four
42 consecutive months or fails to provide instruction to pupils on the
43 property for twenty-four consecutive months.

44 2. The charter school, or a successor in interest, shall pay to the
45 state treasurer the amount of the credit allowed under this section, or if

1 that amount is unknown, the amount of the allowable credit under this
2 section, if any of the circumstances listed in paragraph 1, subdivision
3 (b) of this subsection ~~occur~~ OCCURS. If the amount is not paid within one
4 year after the treasurer receives notice under paragraph 1, subdivision
5 (b) of this subsection, a penalty and interest shall be added, determined
6 pursuant to title 42, chapter 1, article 3.

7 3. A tax credit under this section constitutes a lien on the
8 property, which the donor must record along with the title to the property
9 to qualify for the credit. The amount of the lien is the amount of the
10 allowable credit under this section, adjusted according to the average
11 change in the GDP price deflator, as defined in section 41-563, for each
12 calendar year since the donation, but not exceeding twelve and one-half
13 ~~percent~~ PERCENT more than the allowable credit. The lien is subordinate
14 to any liens securing the financing of the school construction. The lien
15 is extinguished on the earliest of the following:

16 (a) Ten years after the lien is recorded. After that date, the
17 charter school, or a successor in interest, may request the state
18 treasurer to release the lien.

19 (b) On payment to the state treasurer by the donee charter school,
20 or by a successor in interest, of the amount of the allowable credit under
21 this section, either voluntarily or as required by paragraph 2 of this
22 subsection. After the required amount is paid, the charter school or
23 successor in interest may request the state treasurer to release the lien.

24 (c) On conveyance of fee simple title to the property to a school
25 district.

26 (d) On enforcement and satisfaction of the lien pursuant to
27 paragraph 4 of this subsection.

28 4. The state treasurer shall enforce the lien by foreclosure within
29 one year after receiving notice of any of the circumstances described in
30 paragraph 1, subdivision (b) of this subsection.

31 5. Subject to paragraphs 3 and 4 of this subsection, the charter
32 school may sell any donated property.

33 Sec. 74. Terms of school facilities board members

34 Notwithstanding section 41-5701, Arizona Revised Statutes, as
35 transferred, renumbered and amended by this act, a person who is serving
36 as a member of the school facilities board on the effective date of this
37 act is eligible to continue to serve as a member of the school facilities
38 oversight board until expiration of the current term of office.

39 Sec. 75. Succession

40 A. As provided by this act, the school facilities oversight board
41 within the department of administration succeeds to the authority, powers,
42 duties and responsibilities of the school facilities board.

43 B. This act does not alter the effect of any actions that were
44 taken or impair the valid obligations of the school facilities board in
45 existence before the effective date of this act.

1 C. Administrative rules and orders that were adopted by the school
2 facilities board continue in effect until superseded by administrative
3 action by the school facilities oversight board.

4 D. All administrative matters, contracts and judicial and
5 quasi-judicial actions, whether completed, pending or in process, of the
6 school facilities board on the effective date of this act are transferred
7 to and retain the same status with the school facilities oversight board.

8 E. All certificates, licenses, registrations, permits and other
9 indicia of qualification and authority that were issued by the school
10 facilities board retain their validity for the duration of their terms of
11 validity as provided by law.

12 F. All equipment, records, furnishings and other property, all data
13 and investigative findings, all obligations and all appropriated monies
14 that remain unexpended and unencumbered on the effective date of this act
15 of the school facilities board are transferred to the school facilities
16 oversight board.

17 G. All personnel who are under the state personnel system and
18 employed by the school facilities board are transferred to comparable
19 positions and pay classifications in the respective administrative units
20 of the school facilities oversight board on the effective date of this
21 act.

22 Sec. 76. Appropriations; capital additional assistance fund;
23 building renewal grant fund

24 The following sums are appropriated from the state general fund in
25 fiscal year 2020-2021:

26 1. \$40,000,000 to the capital additional assistance fund
27 established by section 41-175, Arizona Revised Statutes, as added by this
28 act.

29 2. \$60,000,000 to the building renewal grant fund established by
30 section 41-5731, Arizona Revised Statutes, as transferred, renumbered and
31 amended by this act.

32 Sec. 77. Requirements for enactment; three-fourths vote

33 Pursuant to article IV, part 1, section 1, Constitution of Arizona,
34 section 42-5029, Arizona Revised Statutes, as amended by this act, is
35 effective only on the affirmative vote of at least three-fourths of the
36 members of each house of the legislature.