



Bill Number: S.B. 1826

Fann Floor Amendment

Reference to: printed bill

Amendment drafted by: Leg Council

FLOOR AMENDMENT EXPLANATION

Face Coverings

1. Prohibits, retroactive to July 1, 2021, a county, city, town, school district governing board (governing board) or charter school governing body (governing body) from requiring students or staff to use face coverings during school hours and on school property.
2. Removes allowances for a governing board or governing body to make the final determination on any face covering policy.

Child Assault Awareness and Abuse Prevention

3. Allows age and grade-appropriate classroom instruction on child assault awareness and abuse prevention, conditioned on the enactment of House Bill 2035, relating to parental rights and sex education instruction.

Career Technical Education Districts (CTEDs)

4. Requires a CTED to cover a student's licensure or certification exam cost and directs a CTED to apply to the Arizona Department of Education for reimbursement.
5. Deems, in FYs 2022 through 2025, a participating student in an approved career technical education program included on the in-demand regional education list, on the date the list is compiled, is qualified for CTED funding in the year immediately following graduation.

Prohibited Instruction

6. Prohibits a teacher, administrator or other district, charter school or state employee, involved with teachers or students in preschool through grade 12, from requiring instruction in or making the following concepts a part of a course:
 - a) one race, ethnic group or sex is inherently superior to another;
 - b) an individual, by virtue of their race, ethnicity or sex, is inherently racist, sexist or oppressive;

Amendment explanation prepared by Jeffrey Ong

6/22/21

- c) an individual should be discriminated against or receive adverse treatment because of their race, ethnicity or sex;
- d) an individual's character is determined by their race, ethnicity or sex;
- e) an individual bears responsibility for actions by other members of the same race, ethnic group or sex;
- f) an individual should feel discomfort, guilt or anguish because of their race, ethnicity or sex; and
- g) academic achievement, meritocracy or traits are racist, sexist or were created by others to oppress members of another race, ethnic group or sex.

7. Specifies that any sexual harassment training or lessons on recognizing and reporting abuse are still permitted.
8. Allows an attorney representing a public school to request a legal opinion whether a proposed use of school resources would be a violation.
9. Allows the county attorney or the Attorney General (AG) to initiate a suit in the county where the alleged violation occurs.
10. Subjects a violating teacher to disciplinary action, including suspending or revoking their certificate, as determined by the State Board of Education.
11. Allows a court to impose a civil penalty for each violation, limited to \$5,000 per school district, charter school or state agency.

Injunctive and Civil Remedies

12. Authorizes the AG to bring an action against:
 - a) a public official, employee or agent of Arizona, a political subdivision or a budget unit that uses public monies or resources to plan any activity preventing a public school from operating, with specified exemptions; or
 - b) a teacher, administrator, other district, charter school or state employee whose violation of prohibited instruction results in an illegal use of public monies.
13. Specifies public resources include email, equipment or compensated work time.

School Facilities Board (SFB)

14. Transfers the authority, powers, duties and responsibilities of the SFB to the School Facilities Oversight Board (Oversight Board) and the Division of School Facilities (Division) and maintains existing rules, orders and contracts.
15. Specifies that all SFB-issued certificates, licenses, registrations and permits retain their validity for the duration of their terms.

Division

16. Establishes the Division within the Arizona Department of Administration (ADOA) and outlines and modifies Division duties.

17. Requires the Division to contract with a third party to certify school district self-inspections to ensure compliance with adequacy and reporting requirements.
18. Transfers oversight of the Emergency Deficiencies Correction Fund (EDC Fund), the Building Renewal Grant Fund (BRG Fund) and the New School Facilities Fund (NSF Fund) to the Division.
19. Requires the Division to annually brief the Joint Committee on Capital Review regarding the use of monies from the EDC Fund, the BRG Fund and the NSF Fund.

Oversight Board

20. Creates the Oversight Board within the Division and replaces the current membership with members appointed by the Governor and approved by the Senate.
21. Establishes that the Superintendent of Public Instruction and the ADOA Director or their designees serve as advisory nonvoting members.
22. Allows current SFB members to continue to serve as Oversight Board members until their current terms of office expire.
23. Requires the Oversight Board to review and approve student population projections to determine how much monies districts receive for new school facilities.
24. Directs the Oversight Board to:
 - a) certify new school facility plans meet prescribed adequacy standards;
 - b) review and approve district requests to reduce pupil square footage; and
 - c) adopt minimum school facility guidelines for the Arizona State Schools for the Deaf and the Blind.
25. Establishes reporting requirements for the Oversight Board to provide specified information.
26. Terminates the Oversight Board on July 1, 2022.

EDC Fund

27. Directs a school district governing board to issue an emergency declaration before applying for emergency funding from the EDC Fund.
28. Expands the meaning of emergency to include:
 - a) a situation that threatens adequate water supply, energy and wastewater;
 - b) an unsafe environment at a school district; and
 - c) school facilities or systems that are structurally unsafe and impact the functions of the school district.

BRG Fund

- 29. Directs a school district to submit a preventive maintenance plan to the Division to be eligible for BRG Fund monies.**
- 30. Specifies that a building renewal grant expires 12 months after grant approval, unless it is extended.**
- 31. Directs a school district to return any unspent BRG Fund monies for deposit into the BRG Fund.**
- 32. Requires a school district to report the preventive maintenance activities completed during the past 12 months for facilities for which BRG Fund monies are being requested.**
- 33. Directs the Division to adopt rules and timelines to approve a building renewal grant with notification requirements.**

NSF Fund

- 34. Requires the Division, with direction from the Oversight Board, to distribute monies to school districts for constructing new school facilities and purchasing land and outlined contracted expenses.**
- 35. Permits a school district to apply for monies from the NSF Fund if one or more school buildings have been condemned.**

Empowerment Scholarship Accounts (ESAs)

- 36. Deems children qualified for the ESA program who:**
 - a) receive free or reduced-price lunches (FRPLs) under the National School Lunch and Child Nutrition Acts; or**
 - b) have a parent who is a veteran of the U.S. armed forces.**
- 37. Reduces, from the first 100 days to any 30 days, the amount of time a full-time student must attend a qualified primary or secondary school to qualify for the ESA Program.**
- 38. Modifies ESA Program eligibility to include:**
 - a) students attending a primary or secondary school during the current fiscal year; or**
 - b) students counted among the average daily membership at any primary or secondary school during the prior fiscal year, including Arizona online instruction students.**
- 39. Requires an ineligible purchase that is repaid by the ESA holder to be credited back to the ESA within 30 days of payment receipt, unless the AG determines fraud has been committed.**

40. Entitles a child participating in the ESA Program to an equitable share of the funding that would otherwise be allocated to a charter school or school district from the Classroom Site Fund for that child.

41. Allows ESA monies to:

- a) fund any amount of educational therapies from a licensed or accredited provider not covered by a health insurance policy, if the expense is partially paid by insurance; or
- b) be used on public transportation services in Arizona, including a commuter pass or specified transportation network services between the qualified student's residence and a qualified school.

42. Allows an ESA to remain open after the qualified student's graduation from a postsecondary institution or after four consecutive years following high school graduation, if the account holder meets certain conditions.

Miscellaneous

43. Delays, until July 1, 2022, the adjustments to the basic state aid apportionment schedule.

44. Allows, instead of requires, the Auditor General to assist ADOA with any requested information for the school financial transparency portal.

45. Makes technical and conforming changes.

FANN FLOOR AMENDMENT
SENATE AMENDMENTS TO S.B. 1826
(Reference to printed bill)

1 Page 1, between lines 29 and 30, insert:

2 "Sec. 2. 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 DIVISION OF school facilities ~~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 DIVISION OF school facilities ~~board~~ shall make
11 the list publicly available on the website of the DIVISION OF school
12 facilities ~~board~~ and on request to applicants for charter schools, to
13 applicants applying to the DIVISION OF school facilities ~~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 DIVISION OF school facilities ~~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 in
25 the same manner as other potential buyers or lessees. A school district
26 may not accept an offer for the sale or lease of the vacant building or

1 partially used building from a potential buyer or lessee that is less than
2 an offer from a charter school or private school. This section does not
3 require the owner of a building on the list to sell or lease the building
4 or a portion of the building to a charter school, to any other school or to
5 any other prospective buyer or tenant, except that the owner of a building
6 on the list may not withdraw the property from sale or lease solely because
7 a charter school or private school is the highest bidder. At the
8 conclusion of a lease for an existing tenant that is a public school or
9 that is providing services to public school students, the lease may be
10 terminated, renewed according to the terms of the existing agreement, or
11 renewed with a negotiated increase. The building owner must provide the
12 rationale for a proposed increase to the lessee, which may include
13 considerations for the percentage of revenue that should be dedicated to
14 educational facilities, inflators related to student enrollment increases
15 or the annual GDP price deflator as defined in section 41-563, or expenses
16 for building and parking lot maintenance and upgrades.

17 C. A school district may sell used equipment to a charter school or
18 private school before the school district attempts to sell or dispose of
19 the equipment by other means.

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

26 E. For the purposes of this section:

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

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

1 Sec. 3. Section 15-181, Arizona Revised Statutes, is amended to
2 read:

3 15-181. Charter schools; purpose; scope

4 A. Charter schools may be established pursuant to this article to
5 provide a learning environment that will improve pupil achievement. Charter
6 schools provide additional academic choices for parents and
7 pupils. Charter schools may consist of new schools or all or any portion
8 of an existing school. Charter schools are public schools that serve as
9 alternatives to traditional public schools and charter schools are not
10 subject to the requirements of article XI, section 1, Constitution of
11 Arizona, or ~~TITLE 41, chapter 16 of this title~~ 56.

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

14 Renumber to conform

15 Page 7, line 9, strike "executive"; strike "board" insert "**DIVISION WITHIN THE**
16 **DEPARTMENT OF ADMINISTRATION**"

17 Line 18, strike "executive"

18 Line 19, strike the first "board" insert "**DIVISION WITHIN THE DEPARTMENT OF**
19 **ADMINISTRATION**"

20 Page 10, strike line 43, insert "section 15-550, subsection D from certification
21 pursuant to this title"

22 Page 11, strike line 4, insert "subsection C, paragraph 9 or section 15-550,
23 subsection E from"

24 Page 13, between lines 41 and 42, insert:

25 "Sec. 6. Section 15-213.01, Arizona Revised Statutes, is amended to
26 read:

27 15-213.01. Procurement practices; guaranteed energy cost
28 savings contracts; definitions

29 A. Notwithstanding section 15-213, subsection A, a school district
30 may contract for the procurement of a guaranteed energy cost savings
31 contract with a qualified provider through a competitive sealed proposal

1 process as provided by the procurement practices adopted by the state board
2 of education.

3 B. A school district may enter into a guaranteed energy cost savings
4 contract with a qualified provider if it determines that the energy savings
5 project pays for itself within the expected life, according to the
6 manufacturer's equipment standards, of the energy cost savings measures
7 implemented, the term of the financial agreement or twenty-five years,
8 whichever is shortest, if the recommendations in the proposal are
9 followed. The school district shall retain the cost savings achieved by a
10 guaranteed energy cost savings contract, and these cost savings may be used
11 to pay for the contract and project implementation.

12 C. The school district shall use objective criteria in selecting the
13 qualified provider, including the cost of the contract, the energy cost
14 savings, the net projected energy savings, the quality of the technical
15 approach, the quality of the project management plan, the financial
16 solvency of the qualified provider and the experience of the qualified
17 provider with projects of similar size and scope. The school district
18 shall set forth each criterion with its respective numerical weighting in
19 the request for proposal.

20 D. In selecting a contractor to perform any construction work
21 related to performing the guaranteed energy cost savings contract, the
22 qualified provider may develop and use a prequalification process for
23 contractors. These prequalifications may require the contractor to
24 demonstrate that the contractor is adequately bonded to perform the work
25 and that the contractor has not failed to perform on a prior job.

26 E. A study shall be performed by the selected qualified provider in
27 order to establish the exact scope of the guaranteed energy cost savings
28 contract, the fixed cost savings guarantee amount and the methodology for
29 determining actual savings. This report shall be reviewed and approved by
30 the school district before the actual installation of any equipment. The
31 qualified provider shall transmit a copy of the approved study to the

1 DIVISION OF school facilities ~~board~~ WITHIN THE DEPARTMENT OF ADMINISTRATION
2 and the governor's office ~~of energy policy~~.

3 F. The guaranteed energy cost savings contract shall require that,
4 in determining whether the projected energy savings calculations have been
5 met, the energy savings shall be computed by comparing the energy baseline
6 before installation or implementation of the energy cost savings measures
7 with the energy consumed after installation or implementation of the energy
8 cost savings measures. The qualified provider and the school district may
9 agree to make modifications to the energy baseline only for any of the
10 following:

- 11 1. Changes in utility rates.
- 12 2. Changes in the number of days in the utility billing cycle.
- 13 3. Changes in the square footage of the facility.
- 14 4. Changes in the operational schedule of the facility.
- 15 5. Changes in facility temperature.
- 16 6. Significant changes in the weather.
- 17 7. Significant changes in the amount of equipment or lighting used
18 in the facility.

19 8. Significant changes in the nature or intensity of energy use,
20 such as the change of classroom space to laboratory space.

21 G. The information to develop the energy baseline shall be derived
22 from historical energy costs or actual energy measurements or shall be
23 calculated from energy measurements at the facility where energy cost
24 savings measures are to be installed or implemented. The baseline shall be
25 established before the installation or implementation of energy cost
26 savings measures.

27 H. At the qualified provider's expense, the proposal shall include
28 an independent third-party validation of cost savings calculations
29 associated with each proposed energy cost savings measure by a licensed,
30 registered professional engineer, with credentials from the national
31 association of energy engineers, who has demonstrated experience in energy

1 analysis. The school district must approve the selection of the
2 credentialed engineer.

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

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

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

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

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

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

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

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

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

- 12 1. The name of the project.
- 13 2. The name of the qualified provider.
- 14 3. The total cost of the project.
- 15 4. The expected energy cost savings and relevant escalators.

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

18 O. This section does not apply to the construction of new buildings.

19 P. A school district may use a simplified energy performance
20 contract for projects that are less than ~~five hundred thousand dollars~~
21 \$500,000. Simplified energy performance contracts are not required to
22 include an energy savings guarantee and shall comply with all requirements
23 in this section except for the requirements that are specifically related
24 to the energy savings guarantee and the measurement and verification of the
25 guaranteed savings.

26 Q. For the purposes of this section:

27 1. "Construction" means the process of building, altering,
28 repairing, improving or demolishing any school district structure or
29 building, or other public improvements of any kind to any school district
30 real property. Construction does not include the routine operation,

1 routine repair or routine maintenance of existing structures, buildings or
2 real property.

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

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

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

11 (b) Storm windows or doors, caulking or weather stripping,
12 multiglazed windows or door systems, additional glazing, reductions in
13 glass area, or other window and door system modifications that reduce
14 energy consumption.

15 (c) Automated or computerized energy control systems.

16 (d) Heating, ventilating or air conditioning system modifications or
17 replacements, including geothermal.

18 (e) Replacing or modifying lighting fixtures to increase the energy
19 efficiency of the lighting system without increasing the overall
20 illumination of a facility unless an increase in illumination is necessary
21 to conform to the applicable state or local building code for the lighting
22 system after the proposed modifications are made.

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

25 (g) Energy recovery systems.

26 (h) Installing a new or retrofitting an existing day lighting
27 system.

28 (i) Procurement of low-cost utility supplies of all types, including
29 electricity, natural gas, propane and water.

(j) Devices that reduce water consumption and water costs or that reduce sewer charges.

(k) Rainwater harvesting systems.

(1) Combined heat and power systems.

(m) Renewable and alternative energy projects and renewable energy power service agreements.

(n) Self-generation systems.

(o) Any additional building systems and infrastructure that produce energy, or that provide utility cost savings not specifically mentioned in this paragraph, if the improvements meet the life-cycle cost requirement and enhance building system performance or occupant comfort and safety, excluding those systems that fall under section 15-213.02.

(p) Geothermal.

4. "Guaranteed energy cost savings contract" means a contract for implementing one or more energy cost savings measures.

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

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

Sec. 7. Section 15-213.03, Arizona Revised Statutes, is amended to read:

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

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

B. The school district shall use objective criteria in selecting the qualified provider, including the guaranteed energy price, the guaranteed energy production, the quality of the technical approach, the quality of the project management plan, the financial solvency of the qualified provider and the experience of the qualified provider with projects of similar size and scope. The school district shall set forth each criterion with its respective numerical weighting in the request for proposal.

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

D. When submitting a proposal for the installation of equipment, the qualified provider shall include information containing the guaranteed energy production associated with each proposed energy production measure. The school district shall review and approve this guarantee before the actual installation of any equipment. The qualified provider shall transmit a copy of the approved guarantee to the DIVISION OF school facilities ~~board~~ WITHIN THE DEPARTMENT OF ADMINISTRATION and TO the governor's office ~~of energy policy~~.

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

6 1. Prepare a measurement and verification report on an annual basis
7 in addition to an annual reconciliation of any guaranteed energy production
8 shortfall.

9 2. Reimburse the school district for any guaranteed energy
10 production shortfall on an annual basis by multiplying any energy
11 production shortfall by either the difference between the guaranteed energy
12 price and the effective utility rate, or an alternative method as mutually
13 agreed on by the school district and the **QUALIFIED** provider.

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

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

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

23 I. For all projects carried out under this section, the district
24 shall report to the governor's office ~~of energy policy~~ and the **DIVISION OF**
25 school facilities **board** **WITHIN THE DEPARTMENT OF ADMINISTRATION**:

- 26 1. The name of the project.
- 27 2. The **NAME OF THE** qualified provider.
- 28 3. The total cost of the project.
- 29 4. The expected guaranteed energy production and guaranteed energy
30 price, including relevant escalators, if applicable, over the term of the
31 guaranteed energy production contract.

1 J. For all projects carried out under this section, the district
2 shall report to the DIVISION OF school facilities ~~board~~ WITHIN THE
3 DEPARTMENT OF ADMINISTRATION, by October 15 each year, the actual energy
4 production and guaranteed energy price.

5 K. For the purposes of this section:

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

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

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

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

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

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

28 7. "Guaranteed energy production contract" means a contract for
29 implementing one or more energy production measures between one or more
30 qualified providers and a school district.

1 8. "Guaranteed energy production shortfall" means the amount, if
2 any, that the actual energy production is less than the guaranteed energy
3 production in any given year.

4 9. "Qualified provider" means a person or a business that is
5 experienced in designing, implementing or installing energy cost savings
6 measures, that has demonstrated technical, operational, financial and
7 managerial capabilities to design and operate cost savings measures and
8 projects and that has the financial ability to satisfy guarantees for
9 guaranteed energy production, financial solvency and experience for
10 projects of similar size and scope."

11 Renumber to conform

12 Page 19, line 31, after "the" insert "DIVISION OF"; strike the second "board"
13 insert "WITHIN THE DEPARTMENT OF ADMINISTRATION"

14 Line 33, after "the" insert "DIVISION OF"; strike "board" insert "WITHIN THE
15 DEPARTMENT OF ADMINISTRATION"

16 Page 25, line 28, after "facilities" insert "OVERSIGHT"; strike "15-2001" insert
17 "41-5701.02"

18 Line 29, after "facilities" insert "OVERSIGHT"

19 Line 38, strike "15-2011" insert "41-5711"

20 Line 40, after "facilities" insert "OVERSIGHT"

21 Page 26, line 6, after the second "facilities" insert "OVERSIGHT"

22 Line 8, strike "15-2011" insert "41-5711"

23 Between lines 11 and 12, insert:

24 "Sec. 11. Section 15-342, Arizona Revised Statutes, is amended to
25 read:

26 15-342. Discretionary powers

27 The governing board may:

28 1. Expel pupils for misconduct.

29 2. Exclude from grades one through eight children under six years of
30 age.

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

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

3 5. ~~Permit~~ ALLOW a superintendent or principal or representatives of
4 the superintendent or principal to travel for a school purpose, as
5 determined by a majority vote of the board. The board may ~~permit~~ ALLOW
6 members and members-elect of the board to travel within or without the
7 school district for a school purpose and receive reimbursement. Any
8 expenditure for travel and subsistence pursuant to this paragraph shall be
9 as provided in title 38, chapter 4, article 2. The designated post of duty
10 referred to in section 38-621 shall be construed, for school district
11 governing board members, to be the member's actual place of residence, as
12 opposed to the school district office or the school district boundaries.
13 Such expenditures shall be a charge against the budgeted school district
14 funds. The governing board of a school district shall prescribe procedures
15 and amounts for reimbursement of lodging and subsistence expenses.
16 Reimbursement amounts shall not exceed the maximum amounts established
17 pursuant to section 38-624, subsection C.

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

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

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

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

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

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

14 (b) The buildings and sites are completely funded with monies
15 distributed by **THE SCHOOL FACILITIES DIVISION WITHIN THE DEPARTMENT OF**
16 **ADMINISTRATION OR AT THE DIRECTION OF** the school facilities **OVERSIGHT**
17 board, **OR ITS PREDECESSOR**.

18 (c) The transaction involves the sale of improved or unimproved
19 property pursuant to an agreement with the school facilities **OVERSIGHT**
20 board in which the school district agrees to sell the improved or
21 unimproved property and transfer the proceeds of the sale to the school
22 facilities **OVERSIGHT** board in exchange for monies from the school
23 facilities **OVERSIGHT** board for the acquisition of a more suitable school
24 site. For a sale of property acquired by a school district ~~prior to~~ **BEFORE**
25 July 9, 1998, a school district shall transfer to the school facilities
26 **OVERSIGHT** board that portion of the proceeds that equals the cost of the
27 acquisition of a more suitable school site. If there are any remaining
28 proceeds after the transfer of monies to the school facilities **OVERSIGHT**
29 board, a school district shall only use those remaining proceeds for future
30 land purchases approved by the school facilities **OVERSIGHT** board, or for

1 capital improvements not funded by the school facilities **OVERSIGHT** board
2 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~~ IF
7 the sale proceeds of the improved or unimproved property are used within
8 two years after the date of the original sale to purchase the replacement
9 property. If the sale proceeds of the improved or unimproved property are
10 not used within two years after the date of the original sale to purchase
11 replacement property, the sale proceeds shall be used ~~towards payment of~~
12 **TOWARD PAYING** any outstanding bonded indebtedness. If any sale proceeds
13 remain after paying for outstanding bonded indebtedness, or if the district
14 has no outstanding bonded indebtedness, sale proceeds shall be used to
15 reduce the district's primary tax levy. A school district shall not use
16 this subdivision unless all of the following conditions exist:

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

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

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

23 11. Review the decision of a teacher to promote a pupil to a grade
24 or retain a pupil in a grade in a common school or to pass or fail a pupil
25 in a course in high school. The pupil has the burden of proof to overturn
26 the decision of a teacher to promote, retain, pass or fail the pupil. In
27 order to sustain the burden of proof, the pupil shall demonstrate to the
28 governing board that the pupil has mastered the academic standards adopted
29 by the state board of education pursuant to sections 15-701 and 15-701.01.
30 If the governing board overturns the decision of a teacher pursuant to this
31 paragraph, the governing board shall adopt a written finding that the pupil

1 has mastered the academic standards. Notwithstanding title 38, chapter 3,
2 article 3.1, the governing board shall review the decision of a teacher to
3 promote a pupil to a grade or retain a pupil in a grade in a common school
4 or to pass or fail a pupil in a course in high school in executive session
5 unless a parent or legal guardian of the pupil or the pupil, if
6 emancipated, disagrees that the review should be conducted in executive
7 session and then the review shall be conducted in an open meeting. If the
8 review is conducted in executive session, the board shall notify the
9 teacher of the date, time and place of the review and shall allow the
10 teacher to be present at the review. If the teacher is not present at the
11 review, the board shall consult with the teacher before making its
12 decision. Any request, including the written request as provided in
13 section 15-341, the written evidence presented at the review and the
14 written record of the review, including the decision of the governing board
15 to accept or reject the teacher's decision, shall be retained by the
16 governing board as part of its permanent records.

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

20 13. Enter into intergovernmental agreements and contracts with
21 school districts or other governing bodies as provided in section 11-952.
22 Intergovernmental agreements and contracts between school districts or
23 between a school district and other governing bodies as provided in section
24 11-952 are exempt from competitive bidding under the procurement rules
25 adopted by the state board of education pursuant to section 15-213.

26 14. Include in the curricula it prescribes for high schools in the
27 school district career and technical education, vocational education and
28 technology education programs and career and technical, vocational and
29 technology program improvement services for the high schools, subject to
30 approval by the state board of education. The governing board may contract

1 for the provision of career and technical, vocational and technology
2 education as provided in section 15-789.

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

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

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

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

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

17 18. Donate surplus or outdated learning materials, educational
18 equipment and furnishings to nonprofit community organizations ~~where~~ IF the
19 governing board determines that the anticipated cost of selling the
20 learning materials, educational equipment or furnishings equals or exceeds
21 the estimated market value of the materials.

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

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

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

8 22. Require students to wear uniforms.

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

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

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

21 24. For common and high school pupils, assess reasonable fees for
22 optional extracurricular activities and programs conducted when the common
23 or high school is not in session, except that ~~no~~ fees shall ~~NOT~~ be charged
24 for pupils' access to or use of computers or related materials. For high
25 school pupils, the governing board may assess reasonable fees for fine arts
26 and vocational education courses and for optional services, equipment and
27 materials offered to the pupils beyond those required to successfully
28 complete the basic requirements of any other course, except that ~~no~~ fees
29 shall ~~NOT~~ be charged for pupils' access to or use of computers or related
30 materials. Fees assessed pursuant to this paragraph shall be adopted at a
31 public meeting after notice has been given to all parents of pupils

1 enrolled at schools in the district and shall not exceed the actual costs
2 of the activities, programs, services, equipment or materials. The
3 governing board shall authorize principals to waive the assessment of all
4 or part of a fee assessed pursuant to this paragraph if it creates an
5 economic hardship for a pupil. For the purposes of this paragraph,
6 "extracurricular activity" means any optional, noncredit, educational or
7 recreational activity that supplements the education program of the school,
8 whether offered before, during or after regular school hours.

9 25. Notwithstanding section 15-341, subsection A, paragraphs 7 and
10 9, construct school buildings and purchase or lease school sites, without a
11 vote of the school district electors, if the buildings and sites are
12 totally funded from one or more of the following:

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

16 (b) Monies distributed ~~from~~ AT THE DIRECTION OF the school
17 facilities OVERSIGHT board established by section ~~15-2001~~ 41-5701.02 OR BY
18 THE SCHOOL FACILITIES DIVISION WITHIN THE DEPARTMENT OF ADMINISTRATION
19 PURSUANT TO TITLE 41, CHAPTER 56.

20 (c) Monies specifically donated for the purpose of constructing
21 school buildings.

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

25 26. Conduct a background investigation that includes a fingerprint
26 check conducted pursuant to section 41-1750, subsection G for certificated
27 personnel and personnel who are not paid employees of the school district,
28 as a condition of employment. A school district may release the results of
29 a background check to another school district for employment purposes. The
30 school district may charge the costs of fingerprint checks to its
31 fingerprinted employee, except that the school district may not charge the

1 costs of fingerprint checks for personnel who are not paid employees of the
2 school district.

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

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

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

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

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

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

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

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

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

24 28. Assess reasonable damage deposits to pupils in grades seven
25 through twelve for ~~the use of~~ USING textbooks, musical instruments, band
26 uniforms or other equipment required for academic courses. The governing
27 board shall adopt policies on any damage deposits assessed pursuant to this
28 paragraph at a public meeting called for this purpose after providing
29 notice to all parents of pupils in grades seven through twelve in the
30 school district. Principals of individual schools within the district may
31 waive the damage deposit requirement for any textbook or other item if the

1 payment of the damage deposit would create an economic hardship for the
2 pupil. The school district shall return the full amount of the damage
3 deposit for any textbook or other item if the pupil returns the textbook or
4 other item in reasonably good condition within the time period prescribed
5 by the governing board. For the purposes of this paragraph, "in reasonably
6 good condition" means the textbook or other item is in the same or a
7 similar condition as it was when the pupil received it, plus ordinary wear
8 and tear.

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

13 30. Notwithstanding section 15-1143, ~~expend~~ SPEND surplus monies in
14 the community school program fund for maintenance and operations or
15 unrestricted capital outlay~~—~~ if sufficient monies are available in the
16 fund after meeting the needs of programs established pursuant to section
17 15-1142.

18 31. Adopt guidelines ~~for standardization of~~ TO STANDARDIZE the
19 format of the school report cards required by section 15-746 for schools
20 within the district.

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

27 (a) The policy may provide reasonable exceptions to the parental
28 notification requirement.

29 (b) The policy shall set forth whether and under what circumstances
30 a parent may be present when a law enforcement officer interviews the
31 pupil, including reasonable exceptions to the circumstances under which a

1 parent may be present when a law enforcement officer interviews the pupil,
2 and shall specify a reasonable maximum time after a parent is notified that
3 an interview of a pupil by a law enforcement officer may be delayed to
4 allow the parent to be present.

5 33. Enter into voluntary partnerships with any party to finance with
6 ~~funds~~ MONIES other than school district ~~funds~~ MONIES and cooperatively
7 design school facilities that comply with the adequacy standards prescribed
8 in section ~~15-2011~~ 41-5711 and the square footage per pupil requirements
9 pursuant to section ~~15-2041~~ 41-5741, subsection D, paragraph 3, subdivision
10 (b). The design plans and location of any such school facility shall be
11 submitted to the school facilities **OVERSIGHT** board for approval pursuant to
12 section ~~15-2041~~ 41-5741, subsection 0. If the school facilities **OVERSIGHT**
13 board approves the design plans and location of any such school facility,
14 the party in partnership with the school district may cause to be
15 constructed and the district may begin operating the school facility before
16 monies are distributed ~~from~~ AT THE DIRECTION OF the school facilities
17 **OVERSIGHT** board pursuant to section ~~15-2041~~ 41-5741. Monies distributed
18 from the new school facilities fund to a school district in a partnership
19 with another party to finance and design the school facility shall be paid
20 to the school district pursuant to section ~~15-2041~~ 41-5741. The school
21 district shall reimburse the party in partnership with the school district
22 from the monies paid to the school district pursuant to section ~~15-2041~~
23 41-5741, in accordance with the voluntary partnership agreement. Before
24 the school facilities **OVERSIGHT** board ~~distributes~~ DIRECTS THE DISTRIBUTION
25 OF any monies pursuant to this subsection, the school district shall
26 demonstrate to the school facilities **OVERSIGHT** board that the facilities to
27 be funded pursuant to section ~~15-2041~~ 41-5741, subsection 0 meet the
28 minimum adequacy standards prescribed in section ~~15-2011~~ 41-5711. If the
29 cost to construct the school facility exceeds the amount that the school
30 district receives from the new school facilities fund, the partnership
31 agreement between the school district and the other party shall specify

1 that, except as otherwise provided by the other party, any such excess
2 costs shall be the responsibility of the school district. The school
3 district governing board shall adopt a resolution in a public meeting that
4 an analysis has been conducted on the prospective effects of the decision
5 to operate a new school with existing monies from the school district's
6 maintenance and operations budget and how this decision may affect other
7 schools in the school district. If a school district acquires land by
8 donation at an appropriate school site approved by the school facilities
9 OVERSIGHT board and a school facility is financed and built on the land
10 pursuant to this paragraph, the school facilities OVERSIGHT board shall
11 **distribute DIRECT THE DISTRIBUTION OF** an amount equal to twenty percent of
12 the fair market value of the land that can be used for academic
13 purposes. The school district shall place the monies in the unrestricted
14 capital outlay fund and increase the unrestricted capital budget limit by
15 the amount of the monies placed in the fund. Monies distributed under this
16 paragraph shall be distributed from the new school facilities fund pursuant
17 to section ~~15-2041~~ 41-5741. If a school district acquires land by donation
18 at an appropriate school site approved by the school facilities OVERSIGHT
19 board and a school facility is financed and built on the land pursuant to
20 this paragraph, the school district shall not receive monies ~~from the~~
21 ~~school facilities board~~ for the donation of real property pursuant to
22 section ~~15-2041~~ 41-5741, subsection F. It is unlawful for:

23 (a) A county, city or town to require as a condition of any land use
24 approval that a landowner or landowners that entered into a partnership
25 pursuant to this paragraph provide any contribution, donation or gift,
26 other than a site donation, to a school district. This subdivision only
27 applies to the property in the voluntary partnership agreement pursuant to
28 this paragraph.

29 (b) A county, city or town to require as a condition of any land use
30 approval that the landowner or landowners located within the geographic
31 boundaries of the school subject to the voluntary partnership pursuant to

1 this paragraph provide any donation or gift to the school district except
2 as provided in the voluntary partnership agreement pursuant to this
3 paragraph.

4 (c) A community facilities district established pursuant to title
5 48, chapter 4, article 6 to be used for reimbursement of financing the
6 construction of a school pursuant to this paragraph.

7 (d) A school district to enter into an agreement pursuant to this
8 paragraph with any party other than a master planned community party. Any
9 land area consisting of at least three hundred twenty acres that is the
10 subject of a development agreement with a county, city or town entered into
11 pursuant to section 9-500.05 or 11-1101 shall be deemed to be a master
12 planned community. For the purposes of this subdivision, "master planned
13 community" means a land area consisting of at least three hundred twenty
14 acres, which may be noncontiguous, that is the subject of a zoning
15 ordinance approved by the governing body of the county, city or town in
16 which the land is located that establishes the use of the land area as a
17 planned area development or district, planned community development or
18 district, planned unit development or district or other land use category
19 or district that is recognized in the local ordinance of such county, city
20 or town and that specifies the use of such land is for a master planned
21 development.

22 34. Enter into an intergovernmental agreement with a presiding judge
23 of the juvenile court to implement a law-related education program as
24 defined in section 15-154. The presiding judge of the juvenile court may
25 assign juvenile probation officers to participate in a law-related
26 education program in any school district in the county. The cost of
27 juvenile probation officers who participate in the program implemented
28 pursuant to this paragraph shall be funded by the school district.

29 35. Offer to sell outdated learning materials, educational equipment
30 or furnishings at a posted price commensurate with the value of the items

1 to pupils who are currently enrolled in that school district before those
2 materials are offered for public sale.

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

7 37. Prescribe and enforce policies and procedures for the emergency
8 administration of inhalers by trained employees of the school district and
9 nurses who are under contract with the school district pursuant to section
10 15-158.

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

13 Renumber to conform

14 Page 26, line 14, strike "final authority" insert "requirement prohibition"
15 Line 15, after the comma strike remainder of line
16 Strike lines 16 through 18, insert "A COUNTY, CITY, TOWN, SCHOOL DISTRICT
17 GOVERNING BOARD OR CHARTER SCHOOL GOVERNING BODY MAY NOT REQUIRE THE USE OF
18 FACE COVERINGS BY STUDENTS OR STAFF DURING SCHOOL HOURS AND ON SCHOOL
19 PROPERTY."

20 Page 39, between lines 18 and 19, insert:

21 "Sec. 16. Section 15-481, Arizona Revised Statutes, is amended to
22 read:

23 15-481. Override election; budget increases; informational
24 pamphlet; notice; ballot; effect

25 A. If a proposed budget of a school district exceeds the aggregate
26 budget limit for the budget year, at least ninety days before the proposed
27 election the governing board shall order an override election to be held on
28 the first Tuesday following the first Monday in November as prescribed by
29 section 16-204, subsection F for the purpose of presenting the proposed
30 budget to the qualified electors of the school district who by a majority
31 of those voting either shall affirm or reject the budget. At the same time

1 as the order of the election, the governing board shall publicly declare
2 the deadline for submitting arguments, as set by the county school
3 superintendent pursuant to subsection B, paragraph 9 of this section, to be
4 submitted in the informational pamphlet and shall immediately post the
5 deadline in a prominent location on the district's website. In addition,
6 the governing board shall prepare an alternate budget that does not include
7 an increase in the budget of more than the amount ~~permitted~~ ALLOWED as
8 provided in section 15-905. If the qualified electors approve the proposed
9 budget, the governing board of the school district shall follow the
10 procedures prescribed in section 15-905 for adopting a budget that includes
11 the authorized increase. If the qualified electors disapprove the proposed
12 budget, the governing board shall follow the procedures prescribed in
13 section 15-905 for adopting a budget that does not include the proposed
14 increase or the portion of the proposed increase that exceeds the amount
15 authorized by a previously approved budget increase as prescribed in
16 subsection P of this section.

17 B. The county school superintendent shall prepare an informational
18 pamphlet on the proposed increase in the budget and a sample ballot and, at
19 least forty days ~~prior to~~ BEFORE the election, shall transmit the
20 informational pamphlet and the sample ballot to the governing board of the
21 school district. The governing board, on receipt of the informational
22 pamphlet and the ballot, shall mail or distribute the informational
23 pamphlet and the ballot to the households in which qualified electors
24 reside within the school district at least thirty-five days ~~prior to~~ BEFORE
25 the election. Any distribution of material concerning the proposed
26 increase in the budget shall not be conducted by children enrolled in the
27 school district. The informational pamphlet shall contain the following
28 information:

29 1. The date of the election.
30 2. The voter's polling place and the times it is open.

1 3. The proposed total increase in the budget that exceeds the amount
2 permitted pursuant to section 15-905.

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

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

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

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

17 8. The dollar amount and the purpose for which the proposed increase
18 in the budget is to be expended for the first year for which the budget
19 increase was adopted. The purpose statement shall only present factual
20 information in a neutral manner. Advocacy for the expenditures is strictly
21 limited to the arguments submitted pursuant to paragraph 9 of this
22 subsection.

23 9. At least two arguments, if submitted, but ~~no~~ ^{NOT} more than ten
24 arguments for and two arguments, if submitted, but ~~no~~ ^{NOT} more than ten
25 arguments against the proposed increase in the budget. The arguments shall
26 be in a form prescribed by the county school superintendent, and each
27 argument shall not exceed two hundred words. Arguments for the proposed
28 increase in the budget shall be provided in writing and signed by the
29 governing board. The ballot arguments for the proposed increase in the
30 budget shall be signed as the governing board of the school district
31 without listing any member's individual name for the arguments for the

1 proposed increase. If submitted, additional arguments in favor of the
2 proposed increase in the budget shall be provided in writing and signed by
3 those in favor. Arguments against the proposed increase in the budget
4 shall be provided in writing and signed by those in opposition. The names
5 of persons and entities submitting written arguments shall be included in
6 the informational pamphlet. The county school superintendent shall review
7 all factual statements contained in the written arguments and correct any
8 inaccurate statements of fact. The superintendent shall not review and
9 correct any portion of the written arguments that are identified as
10 statements of the author's opinion. The county school superintendent shall
11 make the written arguments available to the public as provided in title 39,
12 chapter 1, article 2. A deadline for submitting arguments to be included
13 in the informational pamphlet shall be set by the county school
14 superintendent.

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

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

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

25 (b) An owner-occupied residence whose assessed valuation is one-half
26 of the assessed valuation of the residence in subdivision (a) of this
27 paragraph.

28 (c) An owner-occupied residence whose assessed valuation is twice
29 the assessed valuation of the residence in subdivision (a) of this
30 paragraph.

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

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

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

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

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

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

D. If any amount of the proposed increase will be funded by a levy of taxes in the district, the election prescribed in subsection A of this

1 section shall be held on the first Tuesday following the first Monday in
2 November as prescribed by section 16-204, subsection F. If the proposed
3 increase will be fully funded by revenues from other than a levy of taxes,
4 the elections prescribed in subsection A of this section shall be held on
5 any date prescribed by section 16-204. The elections shall be conducted as
6 nearly as practicable in the manner prescribed in article 1 of this
7 chapter, sections 15-422 through 15-424 and section 15-426, relating to
8 special elections, except that:

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

11 2. Ballots shall be counted pursuant to title 16, chapter 4,
12 article 10.

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

23 Any budget increase authorized by this election shall be
24 entirely funded by a levy of taxes on the taxable property
25 within this school district for the year for which adopted and
26 for ____ subsequent years, shall not be realized from monies
27 furnished by the state and shall not be subject to the
28 limitation on taxes specified in article IX, section 18,
29 Constitution of Arizona. Based on the current net assessed
30 valuation used for secondary property tax purposes, to fund the
31 proposed increase in the school district's budget would require

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

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

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

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

17 3. The following statement:

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

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

1 31, 2008, the maximum budget increase that may be requested and authorized
2 as provided in subsection E or F of this section or the combination of
3 subsections E and F of this section is ten percent of the revenue control
4 limit as provided in section 15-947, subsection A for the budget year.

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

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

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

17 (i)

	Small School Student Count	Support Level Weight for Small Isolated School Districts	Phase Down Reduction
20 Count	<u>Count Limit</u>	<u>School Districts</u>	<u>Base Level</u> <u>Factor</u>
21 _____ - 125	$\times 1.358 + (0.0005 \times$	$\times \$$	$= \$$
22	(500 - Student Count))		

	Phase Down	Phase Down	Small Isolated School District
25	<u>Base</u>	<u>Reduction Factor</u>	<u>Elementary Limit</u>
26	\$150,000	$- \$$	$= \$$

27 (ii)

	Small School Student Count	Support Level Weight for Small School Districts	Phase Down Reduction
30 Count	<u>Count Limit</u>	<u>School Districts</u>	<u>Base Level</u> <u>Factor</u>
31 _____ - 125	$\times 1.278 + (0.0003 \times$	$\times \$$	$= \$$

(500 - Student Count))		
Phase Down	Phase Down	Small
<u>Base</u>	<u>Reduction Factor</u>	<u>School District</u>
\$150,000	- \$ _____	= \$ _____

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

(i)

16			Small Isolated
17	Phase Down	Phase Down	District
18	<u>Base</u>	<u>Reduction Factor</u>	<u>Secondary Limit</u>
19	\$350,000	- \$	= \$

20 (ii)

21 Small School Support Level Weight Phase Down

22 Student Student for Small Reduction

23 Count Count Limit School Districts Base Level Factor

24 _____ - _____ 100 x 1.398 + (0.0004 x _____) x \$ _____ = \$ _____

25 (500 - Student Count))

26			Small
27	Phase Down	Phase Down	School District
28	<u>Base</u>	<u>Reduction Factor</u>	<u>Secondary Limit</u>
29	\$350,000	- \$	= \$

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

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

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

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

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

I. If the election is to exceed the revenue control limit as provided in section 15-482 and if the proposed increase will be fully funded by a levy of taxes on the taxable property within the school district, the ballot shall contain the words "budget increase, yes" and "budget increase, no", and the voter shall signify the voter's desired

1 choice. The ballot shall also contain the amount of the proposed increase
2 of the budget over the alternate budget, a statement that the amount of the
3 proposed increase will be based on a percentage of the school district's
4 revenue control limit in future years, if applicable, as provided in
5 subsection Q of this section, and the following statement:

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

22 J. If the election is to exceed the revenue control limit as
23 provided in section 15-482 and if the proposed increase will be fully
24 funded by revenues other than a levy of taxes on the taxable property
25 within the school district, the ballot shall contain the words "budget
26 increase, yes" and "budget increase, no", and the voter shall signify the
27 voter's desired choice. The ballot shall also contain the amount of the
28 proposed increase of the proposed budget over the alternate budget, a
29 statement that the amount of the proposed increase will be based on a
30 percentage of the school district's revenue control limit in future years,

1 if applicable, as provided in subsection Q of this section and the
2 following statement:

3 Any budget increase authorized by this election shall be
4 entirely funded by this school district with revenues from
5 other than a levy of taxes on the taxable property within the
6 school district for the year for which adopted and for ____
7 subsequent years and shall not be realized from monies
8 furnished by the state.

9 K. The maximum budget increase that may be requested and authorized
10 as provided in subsection I or J of this section, or a combination of both
11 of these subsections, is five percent of the revenue control limit as
12 provided in section 15-947, subsection A for the budget year. For a common
13 school district not within a high school district or a common school
14 district within a high school district that offers instruction in high
15 school subjects as provided in section 15-447, five percent of the revenue
16 control limit means five percent of the revenue control limit attributable
17 to the weighted student count in preschool programs for children with
18 disabilities, kindergarten programs and grades one through eight as
19 provided in section 15-971, subsection B. For a unified school district,
20 five percent of the revenue control limit means five percent of the revenue
21 control limit attributable to the weighted student count in preschool
22 programs for children with disabilities, kindergarten programs and grades
23 one through twelve. For a union high school district, five percent of the
24 revenue control limit means five percent of the revenue control limit
25 attributable to the weighted student count in grades nine through twelve.

26 L. If the election is to exceed district additional assistance and
27 if 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 shall
30 signify the voter's desired choice. An election held pursuant to this
31 subsection shall be held on the first Tuesday after the first Monday of

1 November. The ballot shall also contain the amount of the proposed
2 increase of the proposed budget over the alternate budget and the following
3 statement:

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

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

28 Any budget increase authorized by this election shall be
29 entirely funded by this school district with revenues from
30 other than a levy of taxes on the taxable property within the
31 school district for the year in which adopted and for _____

1 subsequent years and shall not be realized from monies
2 furnished by the state.

3 N. If the election is to exceed a combination of the revenue control
4 limit as provided in subsection E or F of this section, the revenue control
5 limit as provided in subsection I or J of this section or district
6 additional assistance as provided in subsection L or M of this section, the
7 ballot shall be prepared so that the voters may vote on each proposed
8 increase separately and shall contain statements required in the same
9 manner as if each proposed increase were submitted separately.

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

19 P. If the voters in a school district vote to adopt a budget in
20 excess of the revenue control limit as provided in subsection E or F of
21 this section, any additional increase shall be included in the aggregate
22 budget limit for each of the years authorized. Any additional increase
23 shall be excluded from the determination of equalization assistance. The
24 school district governing board, however, may levy on the net assessed
25 valuation used for secondary property tax purposes of the property in the
26 school district the additional increase if adopted under subsection E of
27 this section for the period of one year, two years or five through seven
28 years as authorized. If an additional increase is approved as provided in
29 subsection F of this section, the school district governing board may only
30 use revenues derived from the school district's prior year's maintenance
31 and operation fund ending cash balance to fund the additional increase. If

1 a budget increase was previously authorized and will be in effect for the
2 budget year or budget year and subsequent years, as provided in subsection
3 E or F of this section, the governing board may request a new budget
4 increase as provided in the same subsection under which the prior budget
5 increase was adopted, which shall not exceed the maximum amount ~~permitted~~
6 ALLOWED under subsection G of this section. If the voters in the school
7 district authorize the new budget increase amount, the existing budget
8 increase no longer is in effect. If the voters in the school district do
9 not authorize the budget increase amount, the existing budget increase
10 remains in effect for the time period for which it was authorized. The
11 maximum additional increase authorized as provided in subsection E or F of
12 this section and the additional increase that is included in the aggregate
13 budget limit is based on a percentage of a school district's revenue
14 control limit in future years, if the budget increase is authorized for
15 more than one year. If the additional increase:

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

18 2. Is for five years or more, the proposed increase is equal to the
19 initial proposed percentage increase in the following years of the proposed
20 increase, except that in the next to last year it is two-thirds of the
21 initial proposed percentage increase and it is one-third of the initial
22 proposed percentage increase in the last year of the proposed increase.

23 Q. If the voters in a school district vote to adopt a budget in
24 excess of the revenue control limit as provided in subsection I or J of
25 this section, any additional increase shall be included in the aggregate
26 budget limit for each of the years authorized. Any additional increase
27 shall be excluded from the determination of equalization assistance. The
28 school district governing board, however, may levy on the net assessed
29 valuation used for secondary property tax purposes of the property in the
30 school district the additional increase if adopted under subsection I of
31 this section for the period of one year, two years or five through seven

1 years as authorized. If an additional increase is approved as provided in
2 subsection J of this section, the increase may only be budgeted and
3 expended if sufficient monies are available in the maintenance and
4 operation fund of the school district. If a budget increase was previously
5 authorized and will be in effect for the budget year or budget year and
6 subsequent years, as provided in subsection I or J of this section, the
7 governing board may request a new budget increase as provided in the same
8 subsection under which the prior budget increase was adopted that does not
9 exceed the maximum amount permitted under subsection K of this section. If
10 the voters in the school district authorize the new budget increase amount,
11 the existing budget increase no longer is in effect. If the voters in the
12 school district do not authorize the budget increase amount, the existing
13 budget increase remains in effect for the time period for which it was
14 authorized. The maximum additional increase authorized as provided in
15 subsection I or J of this section and the additional increase that is
16 included in the aggregate budget limit is based on a percentage of a school
17 district's revenue control limit in future years, if the budget increase is
18 authorized for more than one year. If the additional increase:

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

21 2. Is for five years or more, the proposed increase is equal to the
22 initial proposed percentage increase in the following years of the proposed
23 increase, except that in the next to last year it is two-thirds of the
24 initial proposed percentage increase and it is one-third of the initial
25 proposed percentage increase in the last year of the proposed increase.

26 R. If the voters in a school district vote to adopt a budget in
27 excess of district additional assistance as provided in subsection L of
28 this section, any additional increase shall be included in the aggregate
29 budget limit for each of the years authorized. The additional increase
30 shall be excluded from the determination of equalization assistance. The
31 school district governing board, however, may levy on the net assessed

1 valuation used for secondary property tax purposes of the property in the
2 school district the additional increase for the period authorized but not
3 to exceed ten years. For overrides approved by a vote of the qualified
4 electors of the school district at an election held from and after
5 October 31, 1998, the period of the additional increase prescribed in this
6 subsection shall not exceed seven years for any capital override election.

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

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

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

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

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

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

11 The capital improvements that are proposed to be funded
12 through this override election are to exceed the state
13 standards and are in addition to monies provided by the state.

14 _____ school district is proposing to increase its
15 budget by \$_____ to fund capital improvements over and
16 above those funded by the state. Under the students first
17 capital funding system, _____ school district is entitled
18 to state monies for new construction and renovation of school
19 buildings in accordance with state law.

20 2. The ballot shall contain the words "budget increase, yes" and
21 "budget increase, no", and the voter shall signify the voter's desired
22 choice.

23 3. At least eighty-five days before the election, the school
24 district shall submit proposed ballot language to the director of the
25 Arizona legislative council. The director of the Arizona legislative
26 council shall review the proposed ballot language to determine whether the
27 proposed ballot language complies with this section. If the director of
28 the Arizona legislative council determines that the proposed ballot
29 language does not comply with this section, the director, within ten
30 calendar days ~~of the receipt of~~ AFTER RECEIVING the proposed ballot
31 language, shall notify the school district of the director's objections,

1 and the school district shall resubmit revised ballot language to the
2 director for approval.

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

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

14 1. If the increase is pursuant to subsection L or M of this section,
15 at a minimum, the update shall include the progress of capital improvements
16 financed through the override, a comparison of the current status and the
17 original projections on the construction of capital improvements, the costs
18 of capital improvements and the costs of capital improvements in progress
19 or completed since the prior meeting and the future capital plans of the
20 school district. The school district shall include in the public meeting a
21 discussion of the school district's use of state capital aid and
22 voter-approved bonding in funding capital improvements, if any.

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

28 Z. If a budget in excess of district additional assistance was
29 previously adopted by the voters in a school district and will be in effect
30 for the budget year or budget year and subsequent years, as provided in
31 subsection L or M of this section, the governing board may request an

1 additional budget in excess of district additional assistance. If the
2 voters in a school district authorize the additional budget in excess of
3 district additional assistance, the existing district additional assistance
4 budget increase remains in effect.

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

8 BB. If the election is to continue to exceed the revenue control
9 limit and if the proposed override will be fully funded by a continuation
10 of a levy of taxes on the taxable property in the school district, the
11 ballot shall contain the words "budget override continuation, yes" and
12 "budget override continuation, no", and the voter shall signify the voter's
13 desired choice. The ballot shall also contain the amount of the proposed
14 continuation of the budget increase of the proposed budget over the
15 alternate budget, a statement that the amount of the proposed increase will
16 be based on a percentage of the school district's revenue control limit in
17 future years, if applicable, as provided in subsection P of this section
18 and the following statement:

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

1 to fund the school district's revenue control limit allowed by
2 law.

3 CC. If the election is to continue to exceed the revenue control
4 limit as provided in section 15-482 and if the proposed override will be
5 fully funded by a continuation of a levy of taxes on the taxable property
6 in the school district, the ballot shall contain the words "budget override
7 continuation, yes" and "budget override continuation, no", and the voter
8 shall signify the voter's desired choice. The ballot shall also contain
9 the amount of the proposed continuation of the budget increase of the
10 proposed budget over the alternate budget, a statement that the amount of
11 the proposed increase will be based on a percentage of the school
12 district's revenue control limit in future years, if applicable, as
13 provided in subsection P of this section and the following statement:

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

1 Sec. 17. Section 15-491, Arizona Revised Statutes, is amended to
2 read:

3 15-491. Elections on school property; exceptions

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

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

9 2. To purchase or sell school sites or buildings or sell school
10 sites pursuant to section 15-342 or to build school buildings, but the
11 authorization by vote of the school district shall not necessarily specify
12 the site to be purchased.

13 3. To decide whether the bonds of the school district shall be
14 issued and sold for the purpose of raising ~~money~~ MONIES for purchasing or
15 leasing school lots, for building or renovating school buildings, for
16 supplying school buildings with furniture, equipment and technology, for
17 improving school grounds, for purchasing pupil transportation vehicles or
18 for liquidating any indebtedness already incurred for such purposes. Bonds
19 issued for furniture, equipment and technology, other than fixtures, shall
20 mature ~~no~~ NOT later than the July 1 that follows the fifth year after the
21 bonds were issued. A school district shall not issue class B bonds until
22 the school district has obligated in contract the entire proceeds of any
23 class A bonds issued by the school district. The total amount of class A
24 and class B bonds issued by a school district shall not exceed the debt
25 limitations prescribed in article IX, sections 8 and 8.1, Constitution of
26 Arizona.

27 4. To lease for twenty or more years, as lessor or as lessee, school
28 buildings or grounds. Approval by a majority of the school district
29 electors voting authorizes the governing board to negotiate for and enter
30 into a lease. The ballot shall list the school buildings or grounds for
31 which a lease is sought. If the governing board does not enter into a

1 lease of twenty or more years of the school buildings or grounds listed on
2 the ballot within twenty years ~~or~~ AFTER the date of the election and the
3 board continues to seek such a lease, the governing board shall call a
4 special election to reauthorize the board to negotiate for and to enter
5 into a lease of ~~ten~~ TWENTY or more years.

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

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

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

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

22 D. The governing board shall order the election to be held and the
23 election notice and procedures to be conducted in the manner prescribed in
24 title 35, chapter 3, article 3. If a petition for an election has been
25 filed with the governing board as provided in subsection A of this section,
26 the board shall act on the petition within sixty days by ordering the
27 election to be held as provided in this subsection. If a school district
28 bond election is scheduled for the same date a school district will hold an
29 override election, the governing body shall deliver a copy of the notice of
30 election and ballot to the county school superintendent who shall include
31 the notice of election and ballot with the informational pamphlet and

1 ballot prepared for the override election. Mailing of the information
2 required for both the override and bond elections shall constitute
3 compliance with the notice provisions of this section.

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

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

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

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

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

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

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

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

3 _____, a career technical education district, is
4 proposing to issue class B general obligation bonds totaling
5 \$_____ to fund capital improvements at a campus owned or
6 operated and maintained by the career technical education
7 district.

8 3. The ballot shall conform to the requirements of title 35, chapter
9 3, article 3.

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

22 5. ~~NOT~~ later than thirty-five days before a class B bond election
23 conducted pursuant to this section, the school district shall mail an
24 informational pamphlet prepared by the county school superintendent to each
25 household that contains a qualified elector in the school district. The
26 informational pamphlet shall contain, at a minimum, the following
27 information:

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

30 (b) A complete list of each proposed capital improvement that will
31 be funded with the proceeds of the bonds and a description of the proposed

1 cost of each improvement, including a separate aggregation of capital
2 improvements for administrative purposes as defined by the school
3 facilities **OVERSIGHT** board.

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

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

10 1. The ballot shall include the following statement:

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

14 _____ school district is proposing to issue impact
15 aid revenue bonds totaling \$_____ to fund capital
16 improvements over and above those funded by the state. Under
17 the students first capital funding system, _____ school
18 district is entitled to state monies for new construction and
19 renovation of school buildings in accordance with state law.

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

22 3. At least eighty-five days before the election, the school
23 district shall submit proposed ballot language to the director of the
24 legislative council. The director of the legislative council shall review
25 the proposed ballot language to determine whether the proposed ballot
26 language complies with this section. If the director of the legislative
27 council determines that the proposed ballot language does not comply with
28 this section, the director, within ten calendar days ~~of the receipt of~~
29 **AFTER RECEIVING** the proposed ballot language, shall notify the school
30 district of the director's objections, and the school district shall
31 resubmit revised ballot language to the director for approval.

1 4. ~~Not~~ later than thirty-five days before an impact aid revenue
2 bond election conducted pursuant to this section, the school district shall
3 mail an informational pamphlet prepared by the county school superintendent
4 to each household that contains a qualified elector in the school district.
5 The informational pamphlet shall contain, at a minimum, the following
6 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 do
18 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 improvements
30 listed in the informational pamphlet, except that up to ten percent of the
31 bond proceeds may be used for general capital expenses, including cost

1 overruns of proposed capital improvements. The proposed capital
2 improvements may be changed by a subsequent election as provided by this
3 section.

4 K. Each school district that issues bonds under this section ~~is~~
5 ~~required to~~ SHALL hold a public meeting each year between September 1 and
6 October 31, until the bond proceeds are spent, at which an update of the
7 progress of capital improvements financed through bonding is discussed and
8 at which the public is ~~permitted~~ ALLOWED an opportunity to comment. At a
9 minimum, the update shall include a comparison of the current status and
10 the original projections on the construction of capital improvements, the
11 costs of capital improvements and the costs of capital improvements in
12 progress or completed since the prior meeting and the future capital
13 bonding plans of the school district. The school district shall include in
14 the public meeting a discussion of the school district's use of state
15 capital aid and voter-approved capital overrides in funding capital
16 improvements, if any.

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

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

23 2. ~~No~~ NOT later than thirty-five days before the election, the
24 school district shall mail an informational pamphlet prepared by the county
25 school superintendent to each household in the school district that
26 contains a qualified elector. The informational pamphlet shall contain, at
27 a minimum, the following information:

28 (a) The date of the election.

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

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

1 (d) A complete list of each proposed capital improvement that is in
2 addition to the initial capital improvements presented in the informational
3 pamphlet when the bonds were approved and the proposed cost of each
4 improvement, including a separate aggregation of capital improvements for
5 administrative purposes as defined by the school facilities **OVERSIGHT**
6 board.

7 (e) A complete list of each capital improvement that was presented
8 in the informational pamphlet when the bonds were initially approved and
9 that is proposed to be eliminated or to have its cost reduced, and the
10 proposed cost of each improvement, including a separate aggregation of
11 capital improvements for administrative purposes as defined by the school
12 facilities **OVERSIGHT** board.

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

18 3. The ballot shall contain the words "change capital improvements,
19 yes" and "change capital improvements, no", and the voter shall signify the
20 voter's desired choice.

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

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

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

28 2. **NOT** later than thirty-five days before the election, the
29 school district shall mail an informational pamphlet prepared by the county
30 school superintendent to each household in the school district that

1 contains a qualified elector. The informational pamphlet shall contain, at
2 a minimum, the following information:

3 (a) The date of the election.
4 (b) The voter's polling place and the times it is open.
5 (c) A statement as to why the election was called.
6 (d) Arguments for and against the proposed change, if submitted, as
7 provided in section 15-481, subsection B, paragraph 9. The ballot
8 arguments for the proposed change shall be signed as the governing board of
9 the school district without listing any member's individual name for the
10 arguments for the proposed change.

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

14 Renumber to conform

15 Page 44, line 34, after "employer" insert ", THE STATE BOARD OF EDUCATION"

16 Page 47, between lines 6 and 7, insert:

17 "Sec. 21. Title 15, chapter 7, article 1, Arizona Revised Statutes,
18 is amended by adding sections 15-711.01 and 15-717.02, to read:

19 15-711.01. Instruction: child assault awareness: abuse
20 prevention

21 NOTWITHSTANDING ANY OTHER LAW, AGE-APPROPRIATE AND GRADE-APPROPRIATE
22 CLASSROOM INSTRUCTION REGARDING CHILD ASSAULT AWARENESS AND ABUSE
23 PREVENTION IS ALLOWED.

24 15-717.02. Prohibited instruction; disciplinary action; legal
25 action; civil penalty

26 A. A TEACHER, ADMINISTRATOR OR OTHER EMPLOYEE OF A SCHOOL DISTRICT,
27 CHARTER SCHOOL OR STATE AGENCY WHO IS INVOLVED WITH STUDENTS AND TEACHERS
28 IN GRADES PRESCHOOL THROUGH THE TWELFTH GRADE MAY NOT REQUIRE INSTRUCTION
29 IN OR MAKE PART OF A COURSE THE FOLLOWING CONCEPTS:

30 1. ONE RACE, ETHNIC GROUP OR SEX IS INHERENTLY MORALLY OR
31 INTELLECTUALLY SUPERIOR TO ANOTHER RACE, ETHNIC GROUP OR SEX.

1 2. AN INDIVIDUAL, BY VIRTUE OF THE INDIVIDUAL'S RACE, ETHNICITY OR
2 SEX, IS INHERENTLY RACIST, SEXIST OR OPPRESSIVE, WHETHER CONSCIOUSLY OR
3 UNCONSCIOUSLY.

4 3. AN INDIVIDUAL SHOULD BE INVIDIOUSLY DISCRIMINATED AGAINST OR
5 RECEIVE ADVERSE TREATMENT SOLELY OR PARTLY BECAUSE OF THE INDIVIDUAL'S
6 RACE, ETHNICITY OR SEX.

7 4. AN INDIVIDUAL'S MORAL CHARACTER IS DETERMINED BY THE INDIVIDUAL'S
8 RACE, ETHNICITY OR SEX.

9 5. AN INDIVIDUAL, BY VIRTUE OF THE INDIVIDUAL'S RACE, ETHNICITY OR
10 SEX, BEARS RESPONSIBILITY FOR ACTIONS COMMITTED BY OTHER MEMBERS OF THE
11 SAME RACE, ETHNIC GROUP OR SEX.

12 6. AN INDIVIDUAL SHOULD FEEL DISCOMFORT, GUILT, ANGUISH OR ANY OTHER
13 FORM OF PSYCHOLOGICAL DISTRESS BECAUSE OF THE INDIVIDUAL'S RACE, ETHNICITY
14 OR SEX.

15 7. ACADEMIC ACHIEVEMENT, MERITOCRACY OR TRAITS SUCH AS A HARD WORK
16 ETHIC ARE RACIST OR SEXIST OR WERE CREATED BY MEMBERS OF A PARTICULAR RACE,
17 ETHNIC GROUP OR SEX TO OPPRESS MEMBERS OF ANOTHER RACE, ETHNIC GROUP OR
18 SEX.

19 B. AN ATTORNEY ACTING ON BEHALF OF A PUBLIC SCHOOL MAY REQUEST A
20 LEGAL OPINION OF THE COUNTY ATTORNEY OR ATTORNEY GENERAL AS TO WHETHER A
21 PROPOSED USE OF SCHOOL DISTRICT RESOURCES WOULD VIOLATE THIS SECTION.

22 C. A TEACHER WHO VIOLATES THIS SECTION SHALL BE SUBJECT TO
23 DISCIPLINARY ACTION, INCLUDING THE SUSPENSION OR REVOCATION OF THE
24 TEACHER'S CERTIFICATE, AS THE STATE BOARD DEEMS APPROPRIATE.

25 D. THE ATTORNEY GENERAL OR THE COUNTY ATTORNEY FOR THE COUNTY IN
26 WHICH AN ALLEGED VIOLATION OF THIS SECTION OCCURS MAY INITIATE A SUIT IN
27 THE SUPERIOR COURT IN THE COUNTY IN WHICH THE SCHOOL DISTRICT, CHARTER
28 SCHOOL OR STATE AGENCY IS LOCATED FOR THE PURPOSE OF COMPLYING WITH THIS
29 SECTION.

30 E. FOR EACH VIOLATION OF THIS SECTION, INCLUDING SUBSEQUENT OR
31 CONTINUED VIOLATIONS, THE COURT MAY IMPOSE A CIVIL PENALTY NOT TO EXCEED

\$5,000 PER SCHOOL DISTRICT, CHARTER SCHOOL OR STATE AGENCY WHERE THE VIOLATION OCCURS.

F. THIS SECTION DOES NOT PRECLUDE ANY TRAINING ON SEXUAL HARASSMENT OR LESSONS ON RECOGNIZING AND REPORTING ABUSE."

5 Renumber to conform

6 Page 49, line 34, strike the comma insert "AND"

7 Line 35, strike "AND THE AUDITOR GENERAL"

8 Line 38, after the period insert "THE AUDITOR GENERAL MAY PROVIDE ASSISTANCE
9 RELATED TO THIS SECTION."

10 Page 66, between lines 39 and 40, insert:

11 "Sec. 29. Section 15-907, Arizona Revised Statutes, is amended to
12 read:

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

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

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

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

4 D. If the petition is allowed in whole or in part, the governing
5 board shall be authorized to incur liabilities in accordance with the
6 petition, and a copy of the order of the board of supervisors authorizing
7 the incurring of such liabilities shall be filed with the county school
8 superintendent. The county school superintendent, ~~upon~~ ON presentation of
9 proper vouchers, shall draw warrants against the additional allowance. Any
10 liability so incurred shall be in addition to the aggregate budget estimate
11 of the school district for the succeeding year.

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

16 Page 72, between lines 27 and 28, insert:

17 "Sec. 34. Section 15-964, Arizona Revised Statutes, is amended to
18 read:

19 15-964. Federal impact adjustment

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

23 1. Twenty-five ~~percent~~ PERCENT of the monies received from forest
24 reserve funds by the school district in the prior fiscal year as provided
25 in section 41-736.

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

28 (a) Twenty-five ~~percent~~ PERCENT of the title VIII of the elementary
29 and secondary education act of 1965 revenues received in the prior fiscal
30 year.

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

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

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

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

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

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

24 Renumber to conform

25 Page 74, after line 40, insert:

"Sec. 36. Section 15-995, Arizona Revised Statutes, is amended to read:

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

A. The governing board of a school district may contract for constructing, maintaining or otherwise improving any public way adjacent to

any parcel of land owned by the school district or leased for school purposes by the school district, or an intersection of any public way adjoining a quarter block in which the parcel of land is situated, and for ~~the construction of~~ CONSTRUCTING sidewalks, sewers, utility lines, roadways and other related improvements in or along such streets and intersections, and to pay for such improvements by ~~the levy of~~ LEVYING a special assessment on the taxable property in the school district. A school district shall not use any portion of the monies generated from the special assessment for any construction, maintenance or other improvements to the school district's property except improvements necessary to ensure the safe ingress to and egress from public school property directly adjacent to the public way for buses and fire equipment. The assessment shall be made a part of the itemized statement that is regularly filed with the county school superintendent and that shows the amount of monies needed for the expenses of schools within the school district for the ensuing year. Each adjacent ways project proposal to be funded through this special assessment must be filed with the DIVISION OF school facilities ~~board~~ WITHIN THE DEPARTMENT OF ADMINISTRATION and include the project cost estimate. If the entire project cost for the adjacent ways project is greater than ~~fifty thousand dollars~~ \$50,000, the ~~school facilities board~~ DIVISION shall approve or deny the project within sixty days after ~~receipt of~~ RECEIVING the filing of the project proposal by the school district and the expenditure shall not be made unless the ~~school facilities board~~ DIVISION validates both of the following within sixty days after ~~receipt of~~ RECEIVING the filing of the proposal:

1. The project that is proposed to be funded by the assessment ~~is in compliance~~ COMPLIES with state laws relating to adjacent ways projects.
2. The proposal selected by the school district does not contain additional work that is not listed in the adjacent ways proposal submitted by the school district.

1 B. If any property that is owned by a school district or leased by a
2 school district for school purposes from any city or county, the state or
3 the United States is included within the assessment district to be assessed
4 to pay the costs and expenses of any public improvements initiated by a
5 city, in order to make the assessments thereon payable by the city in which
6 the improvement is initiated, the governing board may contract with the
7 municipality or its improvement district to reimburse it for the amount of
8 the assessment against the property and to pay the amount so contracted for
9 by the levy of a special assessment as provided by subsection A of this
10 section.

11 C. The governing board of the school district shall follow the truth
12 in taxation notice and hearing requirements prescribed in section
13 15-905.01, subsection B.

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

17 Sec. 37. Section 15-996, Arizona Revised Statutes, is amended to
18 read:

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

21 The county treasurer shall:

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

1 2. Pool school district monies for investment except as provided in
2 sections 15-1024 and 15-1025. Interest earned on the monies pooled for
3 investment shall be apportioned at least quarterly to the appropriate
4 school district based on an average monthly balance as prescribed in the
5 uniform system of accounting for county treasurers as provided in section
6 41-1279.21.

7 3. Notwithstanding section 11-605, register warrants only as
8 follows:

9 (a) If separate accounts are maintained for each fund, warrants may
10 only be registered on the maintenance and operation, unrestricted capital
11 outlay and adjacent ways accounts and the classroom site fund prescribed in
12 section 15-977 and only if the total cash balance of all three accounts is
13 insufficient to pay the warrants, except that, during the period of time
14 when a school district is under receivership pursuant to section 15-103, a
15 warrant may be registered on the debt service account for which the cash
16 balance in the debt service account is insufficient to cover the debt
17 service payment if there are not sufficient monies in the debt service
18 account to cover the debt.

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

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

24 (ii) The county treasurer may honor warrants for any federal or
25 state grant fund with a negative balance as long as the total balance in
26 the second account is positive. If the second account total balance is
27 negative, the warrant for a federal or state grant fund shall be charged to
28 the maintenance and operation fund. Any interest charged to the federal or
29 state grant fund as a result of a negative balance that is in excess of
30 interest earned on the fund shall be transferred to the maintenance and
31 operation fund at the end of the fiscal year or the end of the grant

year. If a federal or state grant fund has a negative balance at the end of the fiscal year or grant year, sufficient expenditures shall be transferred to the maintenance and operation fund to eliminate the negative balance.

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

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

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

Sec. 38. Section 15-1021, Arizona Revised Statutes, is amended to read:

15-1021. Limit on bonded indebtedness; limit on authorization and issuance of bonds; definitions

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

B. From and after December 31, 1998, a school district may issue class B bonds for the purposes specified in this section and chapter 4, article 5 of this title to an amount in the aggregate, including the

1 existing class B indebtedness, not exceeding ten percent of the net
2 assessed value of the full cash value of the property in that school
3 district, or ~~one thousand five hundred dollars~~ \$1,500 per student count
4 pursuant to section 15-901, subsection A, paragraph 13, whichever amount is
5 greater. A school district shall not issue class B bonds until the
6 proceeds of any class A bonds issued by the school district have been
7 obligated in contract. The total amount of class A and class B bonds
8 issued by a school district shall not exceed the debt limitations
9 prescribed in article IX, section 8, Constitution of Arizona.

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

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

1 E. Bonds authorized to be issued by an election held after July 1,
2 1980 and before November 24, 2009 may not be issued more than six years
3 after the date of the election, except that the time period may be extended
4 to ten years pursuant to an election conducted pursuant to section 15-491,
5 subsection A, paragraph 6 and except that class A bonds shall not be issued
6 after December 31, 1999. Bonds authorized to be issued by an election held
7 after November 24, 2009 may not be issued more than ten years after the
8 date of the election.

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

13 G. A career technical education district shall not spend class B
14 bond proceeds to construct or renovate a facility located on the campus of
15 a school in a school district that participates in the career technical
16 education district unless the facility is only used to provide career and
17 technical education and is available to all pupils who live within the
18 career technical education district. If the facility is not owned by the
19 career technical education district, an intergovernmental agreement or a
20 written contract shall be executed for ten years or the duration of the
21 bonded indebtedness, whichever is greater. The intergovernmental agreement
22 or written contract shall include provisions:

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

26 2. That include the process to be used by the participating district
27 to compensate the career technical education district in the event that the
28 facility is no longer used only for career and technical education programs
29 offered by the career technical education district during the life of the
30 bond.

1 H. A school district shall not authorize, issue or sell bonds
2 pursuant to this section if the school district has any existing
3 indebtedness from impact aid revenue bonds pursuant to **TITLE 41**, chapter **16**
4 **56**, article 8 **of this title**, except for bonds issued to refund any bonds
5 issued by the governing board.

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

8 Renumber to conform

9 Page 76, between lines 35 and 36, insert:

10 "Sec. 40. Section 15-1107, Arizona Revised Statutes, is amended to
11 read:

12 15-1107. **Litigation recovery fund: disposition of proceeds**

13 A. Monies received for and derived from settlement of legal
14 controversies or from recovery of costs, attorney fees or damages by a
15 school district in litigation by or against the school district shall be
16 deposited with the county treasurer who shall credit the deposits to the
17 litigation recovery fund of the school district. The litigation recovery
18 fund is a continuing fund that is not subject to reversion.

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

24 1. Reimburse the ~~school facilities board~~ building renewal grant fund
25 established by section ~~15-2032~~ **41-5731** or the emergency deficiencies
26 correction fund established by section ~~15-2022~~ **41-5721** to the extent that
27 monies were received ~~by the school district from the school facilities~~
28 ~~board, FROM THOSE FUNDS~~ for replacing or repairing school buildings or
29 other school property that was the subject of the dispute and the monies
30 recovered by the school district pursuant to subsection A of this section
31 are designated for the replacement or repair. The school district shall

1 prioritize the reimbursement ~~of the school facilities board~~ AS DESCRIBED IN
2 ~~THIS PARAGRAPH~~, if 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 the
10 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 governing
14 board, or the superintendent or chief administrative officer with the
15 approval of the governing board, may apply the proceeds of litigation
16 recoveries to procure legal services or for the costs of litigation."

17 Renumber to conform

18 Page 77, line 11, strike "DEPARTMENT" insert "CAREER AND TECHNICAL EDUCATION
19 DISTRICT"

20 Line 12, after the period insert "THE CAREER AND TECHNICAL EDUCATION DISTRICT
21 SHALL APPLY TO THE DEPARTMENT TO RECEIVE REIMBURSEMENT FOR THE COST OF THE
22 EXAM."

23 Page 78, strike lines 38 through 45

24 Strike pages 79 through 87

25 Page 88, strike lines 1 through 6, insert:

26 "Sec. 44. Repeal

27 Section 15-2003, Arizona Revised Statutes, is repealed.

28 Sec. 45. Transfer and renumber

29 Title 15, chapter 16, Arizona Revised Statutes, is transferred and
30 renumbered for placement in title 41, Arizona Revised Statutes, as a new
31 chapter 56. Title 15, chapter 16, articles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10

1 and 11, Arizona Revised Statutes, are transferred and renumbered for
2 placement in title 41, chapter 56, Arizona Revised Statutes, as added by
3 this act, as new articles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11,
4 respectively. The following sections are transferred and renumbered for
5 placement in title 41, chapter 56, article 1:

<u>Former Sections</u>	<u>New Sections</u>
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15-2001	41-5701.02
15-2002	41-5702
15-2004	41-5703
15-2005	41-5704
15-2006	41-5705

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

<u>Former Section</u>	<u>New Section</u>
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15-2011	41-5711
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16 The following section is transferred and renumbered for placement in
17 title 41, chapter 56, article 3:

<u>Former Section</u>	<u>New Section</u>
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15-2022	41-5721
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20 The following section is transferred and renumbered for placement in
21 title 41, chapter 56, article 4:

<u>Former Section</u>	<u>New Section</u>
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15-2032	41-5731
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24 The following section is transferred and renumbered for placement in
25 title 41, chapter 56, article 5:

<u>Former Section</u>	<u>New Section</u>
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15-2041	41-5741
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28 The following sections are transferred and renumbered for placement
29 in title 41, chapter 56, article 6:

<u>Former Sections</u>	<u>New Sections</u>
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15-2051	41-5751
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Senate Amendments to S.B. 1826

1	15-2052	41-5752
2	15-2053	41-5753
3	15-2054	41-5754
4	15-2055	41-5755
5	15-2056	41-5756
6	15-2057	41-5757
7	15-2059	41-5758
8	15-2060	41-5759
9	15-2061	41-5760
10	15-2062	41-5761
11	15-2064	41-5762
12	15-2065	41-5763
13	15-2066	41-5764

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

	<u>Former Sections</u>	<u>New Sections</u>
17	15-2081	41-5781
18	15-2082	41-5782
19	15-2083	41-5783
20	15-2084	41-5784
21	15-2085	41-5785
22	15-2086	41-5786
23	15-2087	41-5787
24	15-2088	41-5788
25	15-2089	41-5789
26	15-2090	41-5790
27	15-2091	41-5791
28	15-2093	41-5792
29	15-2094	41-5793
30	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>
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>
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>
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>
31	15-2151	41-5851

1	15-2152	41-5852
2	15-2153	41-5853
3	15-2154	41-5854
4	15-2155	41-5855
5	15-2156	41-5856
6	15-2157	41-5857
7	15-2158	41-5858

8 Sec. 46. Section 15-2401, Arizona Revised Statutes, is amended to
9 read:

10 **15-2401. Definitions**

11 In this chapter, unless the context otherwise requires:

12 1. "Annual education plan" means an initial individualized
13 evaluation and subsequent annual reviews that are developed for a qualified
14 student who meets the criteria specified in paragraph ~~7~~ 8, subdivision
15 (a), item (i), (ii) or (iii) of this section to determine ongoing annual
16 eligibility through the school year in which the qualified student reaches
17 twenty-two years of age and whether the student may be eligible pursuant to
18 section 36-2981 and should be referred for eligibility determination.

19 2. "CHILD WHO RECEIVES FREE OR REDUCED-PRICE LUNCHES UNDER THE
20 NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS" INCLUDES AN INCOMING
21 KINDERGARTENER OR ANY OTHER STUDENT WHO MEETS THE ELIGIBILITY REQUIREMENTS
22 ESTABLISHED UNDER THE NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS (42
23 UNITED STATES CODE SECTIONS 1751 THROUGH 1793) FOR FREE OR REDUCED-PRICE
24 LUNCHES, OR AN EQUIVALENT MEASURE RECOGNIZED FOR PARTICIPATING IN THE
25 FEDERAL FREE AND REDUCED-PRICE LUNCH PROGRAM AND OTHER SCHOOL PROGRAMS
26 DEPENDENT ON A POVERTY MEASURE.

27 ~~2.~~ 3. "Curriculum" means a course of study for content areas or
28 grade levels, including any supplemental materials required or recommended
29 by the curriculum, approved by the department.

30 ~~3.~~ 4. "Department" means the department of education.

1 **4.** 5. "Eligible postsecondary institution" means a community
2 college as defined in section 15-1401, a university under the jurisdiction
3 of the Arizona board of regents or an accredited private postsecondary
4 institution.

5 **5.** 6. "Parent" means a resident of this state who is the parent,
6 stepparent or legal guardian of a qualified student.

7 **6.** 7. "Qualified school" means a nongovernmental primary or
8 secondary school or a preschool for pupils with disabilities that is
9 located in this state or, for qualified students who reside within the
10 boundaries of an Indian reservation in this state, that is located in an
11 adjacent state and that is within two miles of the border of the state in
12 which the qualified student resides, and that does not discriminate on the
13 basis of race, color or national origin.

14 **7.** 8. "Qualified student" means a resident of this state who:

15 (a) Is any of the following:
16 (i) Identified as having a disability under section 504 of the
17 rehabilitation act of 1973 (29 United States Code section 794).

18 (ii) Identified by a school district or by an independent third
19 party pursuant to section 15-2403, subsection I as a child with a
20 disability as defined in section 15-731 or 15-761.

21 (iii) A child with a disability who is eligible to receive services
22 from a school district under section 15-763.

23 (iv) Attending a school or school district that ~~has been~~ WAS
24 assigned a letter grade of D or F pursuant to section 15-241 **FOR THE MOST**
25 **RECENT YEAR IN WHICH LETTER GRADES WERE ASSIGNED** or who is currently
26 eligible to attend kindergarten and who resides within the attendance
27 boundary of a school that ~~has been~~ WAS assigned a letter grade of D or F
28 pursuant to section 15-241 **FOR THE MOST RECENT YEAR IN WHICH LETTER GRADES**
29 **WERE ASSIGNED**.

30 (v) A previous recipient of a scholarship issued pursuant to section
31 15-891 or this section, unless the qualified student's parent has been

1 removed from eligibility in the program for failure to comply pursuant to
2 section 15-2403, subsection C.

3 (vi) A child of a parent who is a member of the armed forces of the
4 United States and who is on active duty, ~~OR~~ WHO was killed in the line of
5 duty **OR WHO IS A VETERAN OF THE ARMED FORCES OF THE UNITED STATES**. A child
6 who meets the requirements of this item is not subject to subdivision (b)
7 of this paragraph.

8 (vii) A child who is a ward of the juvenile court and who is
9 residing with a prospective permanent placement pursuant to section 8-862
10 and the case plan is adoption or permanent guardianship.

11 (viii) A child who was a ward of the juvenile court and who achieved
12 permanency through adoption or permanent guardianship.

13 (ix) A child who is the sibling of a current or previous Arizona
14 empowerment scholarship account recipient or of an eligible qualified
15 student who accepts the terms of and enrolls in an Arizona empowerment
16 scholarship account.

17 (x) A child who resides within the boundaries of an Indian
18 reservation in this state as determined by the department of education or a
19 tribal government.

20 (xi) A child of a parent who is legally blind or deaf or hard of
21 hearing as defined in section 36-1941.

22 (xii) **A CHILD WHO RECEIVES FREE OR REDUCED-PRICE LUNCHES UNDER THE**
23 **NATIONAL SCHOOL LUNCH AND CHILD NUTRITION ACTS.**

24 (b) And, except as provided in subdivision (a), item (vi) of this
25 paragraph, who meets any of the following requirements:

26 (i) Attended a governmental primary or secondary school as a
27 full-time student as defined in section 15-901 for at least ~~the first one~~
28 ~~hundred~~ **THIRTY** days of the **CURRENT OR** prior fiscal year and who transferred
29 from a governmental primary or secondary school under a contract to
30 participate in an Arizona empowerment scholarship account. First, second
31 and third grade students who are enrolled in Arizona online instruction

1 must receive four hundred hours of logged instruction to be eligible
2 pursuant to this item. Fourth, fifth and sixth grade students who are
3 enrolled in Arizona online instruction must receive five hundred hours of
4 logged instruction to be eligible pursuant to this item. Seventh and
5 eighth grade students who are enrolled in Arizona online instruction must
6 receive five hundred fifty hours of logged instruction to be eligible
7 pursuant to this item. High school students who are enrolled in Arizona
8 online instruction must receive five hundred hours of logged instruction to
9 be eligible pursuant to this item.

10 (ii) Previously participated in an Arizona empowerment scholarship
11 account.

12 (iii) Received a scholarship under section 43-1505 and who continues
13 to attend a qualified school if the student attended a governmental primary
14 or secondary school as a full-time student as defined in section 15-901 for
15 at least ninety days of the prior fiscal year or one full semester before
16 attending a qualified school.

17 (iv) Was eligible for an Arizona scholarship for pupils with
18 disabilities and received monies from a school tuition organization
19 pursuant to section 43-1505 or received an Arizona scholarship for pupils
20 with disabilities but did not receive monies from a school tuition
21 organization pursuant to section 43-1505 and who continues to attend a
22 qualified school if the student attended a governmental primary or
23 secondary school as a full-time student as defined in section 15-901 for at
24 least ninety days of the prior fiscal year or one full semester ~~prior to~~
25 BEFORE attending a qualified school.

26 (v) Has not previously attended a governmental primary or secondary
27 school but is currently eligible to enroll in a kindergarten program in a
28 school district or charter school in this state or attended a program for
29 preschool children with disabilities.

(vi) Has not previously attended a governmental primary or secondary school but is currently eligible to enroll in a program for preschool children with disabilities in this state.

(vii) WAS COUNTED AMONG THE AVERAGE DAILY MEMBERSHIP FOR THE PURPOSES OF DETERMINING STATE FUNDING AT ANY GOVERNMENTAL PRIMARY OR SECONDARY SCHOOL IN THIS STATE IN THE PRIOR FISCAL YEAR, INCLUDING AS AN ARIZONA ONLINE INSTRUCTION STUDENT.

~~8.~~ 9. "Treasurer" means the office of the state treasurer.

Sec. 47. Section 15-2402, Arizona Revised Statutes, is amended to read:

15-2402. Arizona empowerment scholarship accounts; funds

A. Arizona empowerment scholarship accounts are established to provide options for the education of students in this state.

B. To enroll a qualified student for an Arizona empowerment scholarship account, the parent of the qualified student must sign an agreement to do all of the following:

1. Use a portion of the Arizona empowerment scholarship account monies allocated annually to provide an education for the qualified student in at least the subjects of reading, grammar, mathematics, social studies and science, unless the Arizona empowerment scholarship account is allocated monies according to a transfer schedule other than quarterly transfers pursuant to section 15-2403, subsection F.

2. Not enroll the qualified student in a school district or charter school and release the school district from all obligations to educate the qualified student. This paragraph does not relieve the school district or charter school that the qualified student previously attended from the obligation to conduct an evaluation pursuant to section 15-766.

3. Not accept a scholarship from a school tuition organization pursuant to title 43 concurrently with an Arizona empowerment scholarship account for the qualified student in the same year a parent signs the agreement pursuant to this section.

1 4. Use monies deposited in the qualified student's Arizona
2 empowerment scholarship account only for the following expenses of the
3 qualified student:

4 (a) Tuition or fees at a qualified school.
5 (b) Textbooks required by a qualified school.
6 (c) If the qualified student meets any of the criteria specified in
7 section 15-2401, paragraph ~~7~~ 8, subdivision (a), item (i), (ii) or (iii)
8 as determined by a school district or by an independent third party
9 pursuant to section 15-2403, subsection I, the qualified student may use
10 the following additional services:

11 (i) Educational therapies from a licensed or accredited practitioner
12 or provider, **INCLUDING AND UP TO ANY AMOUNT NOT COVERED BY INSURANCE IF THE
13 EXPENSE IS PARTIALLY PAID BY A HEALTH INSURANCE POLICY FOR THE QUALIFIED
14 STUDENT.**

15 (ii) A licensed or accredited paraprofessional or educational aide.
16 (iii) Tuition for vocational and life skills education approved by
17 the department.

18 (iv) Associated goods and services that include educational and
19 psychological evaluations, assistive technology rentals and braille
20 translation goods and services approved by the department.

21 (d) Tutoring or teaching services provided by an individual or
22 facility accredited by a state, regional or national accrediting
23 organization.

24 (e) Curricula and supplementary materials.
25 (f) Tuition or fees for a nonpublic online learning program.
26 (g) Fees for a nationally standardized norm-referenced achievement
27 test, an advanced placement examination or any exams related to college or
28 university admission.
29 (h) Tuition or fees at an eligible postsecondary institution.
30 (i) Textbooks required by an eligible postsecondary institution.
31 (j) Fees to manage the Arizona empowerment scholarship account.

(k) Services provided by a public school, including individual classes and extracurricular programs.

(1) Insurance or surety bond payments.

(m) Uniforms purchased from or through a qualified school.

(n) If the qualified student meets the criteria specified in section 15-2401, paragraph ~~7~~ 8, subdivision (a), item (i), (ii) or (iii) and if the qualified student is in the second year prior to the final year of a contract executed pursuant to this article, costs associated with an annual education plan conducted by an independent evaluation team. The department shall prescribe minimum qualifications for independent evaluation teams pursuant to this subdivision and factors that teams must use to determine whether the qualified student shall be eligible to continue to receive monies pursuant to this article through the school year in which the qualified student reaches twenty-two years of age. An independent evaluation team that provides an annual education plan pursuant to this subdivision shall submit a written report that summarizes the results of the evaluation to the parent of the qualified student and to the department on or before July 31. The written report submitted by the independent evaluation team is valid for one year. If the department determines that the qualified student meets the eligibility criteria prescribed in the annual education plan, the qualified student is eligible to continue to receive monies pursuant to this article until the qualified student reaches twenty-two years of age, subject to annual review. A parent may appeal the department's decision pursuant to title 41, chapter 6, article 10. As an addendum to a qualified student's final-year contract, the department shall provide the following written information to the parent of the qualified student:

(i) That the qualified student will not be eligible to continue to receive monies pursuant to this article unless the results of an annual education plan conducted pursuant to this subdivision demonstrate that the

1 qualified student meets the eligibility criteria prescribed in the annual
2 education plan.

3 (ii) That the parent is entitled to obtain an annual education plan
4 pursuant to this subdivision to determine whether the qualified student
5 meets the eligibility criteria prescribed in the annual education plan.

6 (iii) A list of independent evaluation teams that meet the minimum
7 qualifications prescribed by the department pursuant to this subdivision.

8 (o) PUBLIC TRANSPORTATION SERVICES IN THIS STATE, INCLUDING A
9 COMMUTER PASS FOR THE QUALIFIED STUDENT, OR TRANSPORTATION NETWORK SERVICES
10 AS DEFINED IN SECTION 28-9551 BETWEEN THE QUALIFIED STUDENT'S RESIDENCE AND
11 A QUALIFIED SCHOOL IN WHICH THE QUALIFIED STUDENT IS ENROLLED.

12 5. Not file an affidavit of intent to homeschool pursuant to section
13 15-802, subsection B, paragraph 2 or 3.

14 6. Not use monies deposited in the qualified student's account for
15 any of the following:

16 (a) Computer hardware or other technological devices, except as
17 otherwise allowed under paragraph 4, subdivision (c) of this subsection.

18 (b) Transportation of the pupil, EXCEPT FOR TRANSPORTATION SERVICES
19 AS DESCRIBED IN PARAGRAPH 4, SUBDIVISION (o) OF THIS SUBSECTION.

20 (c) Consumable educational supplies, including paper, pens or
21 markers.

22 C. In exchange for the parent's agreement pursuant to subsection B
23 of this section, the department shall transfer from the monies that would
24 otherwise be allocated to a recipient's prior school district, or if the
25 child is currently eligible to attend kindergarten, the monies that the
26 department determines would otherwise be allocated to a recipient's
27 expected school district of attendance, to the treasurer for deposit into
28 an Arizona empowerment scholarship account an amount that is equivalent to
29 ninety percent of the sum of the base support level and additional
30 assistance prescribed in sections 15-185 and 15-943 for that particular
31 student if that student were attending a charter school.

1 D. A CHILD WHO PARTICIPATES IN AN ARIZONA EMPOWERMENT SCHOLARSHIP
2 ACCOUNT CONTINUES TO BE ENTITLED TO AN EQUITABLE SHARE OF THE FUNDING THAT
3 WOULD OTHERWISE BE ALLOCATED TO A SCHOOL DISTRICT OR CHARTER SCHOOL FOR
4 THAT CHILD FROM THE CLASSROOM SITE FUND ESTABLISHED BY SECTION 15-977. TO
5 ENSURE THIS EQUITY, AND IN RECOGNITION OF THE FACT A CHILD'S PRIMARY
6 INSTRUCTION MAY TAKE PLACE IN A VARIETY OF SETTINGS:

7 1. NOTWITHSTANDING ANY OTHER LAW, A CHILD WHO IS PARTICIPATING IN AN
8 ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT SHALL BE INCLUDED IN THE ESTIMATED
9 STATEWIDE WEIGHTED STUDENT COUNT FOR THE PURPOSES OF CALCULATING THE PER
10 PUPIL AMOUNT FROM THE CLASSROOM SITE FUND PURSUANT TO SECTION 15-977,
11 SUBSECTION G, PARAGRAPH 1 AS LONG AS THAT STUDENT CONTINUES TO PARTICIPATE
12 IN AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT.

13 2. IN ADDITION TO ANY AMOUNTS TRANSFERRED FROM THE CLASSROOM SITE
14 FUND TO A SCHOOL DISTRICT OR CHARTER SCHOOL, THE DEPARTMENT SHALL ANNUALLY
15 TRANSFER FROM THE FUND TO THE TREASURER FOR DEPOSIT IN EACH ARIZONA
16 EMPOWERMENT SCHOLARSHIP ACCOUNT AN AMOUNT THAT IS EQUIVALENT TO THE PER
17 PUPIL AMOUNT MULTIPLIED BY THE STUDENT'S WEIGHTED COUNT THAT WOULD BE
18 CALCULATED IF THAT STUDENT WERE ATTENDING THE STUDENT'S PRIOR SCHOOL
19 DISTRICT OR CHARTER SCHOOL OR, IF THE CHILD IS AN INCOMING KINDERGARTENER,
20 THE CHILD'S EXPECTED SCHOOL DISTRICT OF ATTENDANCE.

21 3. NOTWITHSTANDING ANY OTHER LAW, THE AMOUNT TRANSFERRED TO EACH
22 ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT PURSUANT TO PARAGRAPH 2 OF THIS
23 SUBSECTION SHALL COUNT TOWARD THE TOTAL AMOUNT THE DEPARTMENT IS REQUIRED
24 TO ALLOCATE AND TRANSFER TO EACH ACCOUNT PURSUANT TO SUBSECTION C OF THIS
25 SECTION AND MAY BE USED FOR ANY ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT
26 EXPENDITURE ALLOWED PURSUANT TO SUBSECTION B OF THIS SECTION,
27 NOTWITHSTANDING ANY OTHER LAW.

28 D. The department of education empowerment scholarship account
29 fund is established consisting of monies appropriated by the legislature.
30 The department shall administer the fund. Monies in the fund are subject
31 to legislative appropriation. Monies in the fund shall be used for the

1 department's costs in administering Arizona empowerment scholarship
2 accounts under this chapter. Monies in the fund are exempt from the
3 provisions of section 35-190 relating to lapsing of appropriations. If the
4 number of Arizona empowerment scholarship accounts significantly increases
5 after fiscal year 2020-2021, the department may request an increase in the
6 amount appropriated to the fund in any subsequent fiscal year in the budget
7 estimate submitted pursuant to section 35-113. The department shall list
8 monies in the fund as a separate line item in its budget estimate.

9 **E.** F. The state treasurer empowerment scholarship account fund is
10 established consisting of monies appropriated by the legislature. The
11 state treasurer shall administer the fund. Monies in the fund shall be
12 used for the state treasurer's costs in administering the Arizona
13 empowerment scholarship accounts under this chapter. If the number of
14 Arizona empowerment scholarship accounts significantly increases after
15 fiscal year 2020-2021, the state treasurer may request an increase in the
16 amount appropriated to the fund in any subsequent fiscal year in the budget
17 estimate submitted pursuant to section 35-113. Monies in the fund are
18 subject to legislative appropriation. Monies in the fund are exempt from
19 the provisions of section 35-190 relating to lapsing of appropriations.
20 The state treasurer shall list monies in the fund as a separate line item
21 in its budget estimate.

22 **F.** G. A parent must renew the qualified student's Arizona
23 empowerment scholarship account on an annual basis.

24 **G.** H. Notwithstanding any changes to the student's
25 multidisciplinary evaluation team plan, a student who has previously
26 qualified for an Arizona empowerment scholarship account remains eligible
27 to apply for renewal until the student finishes high school.

28 **H.** I. If a parent does not renew the qualified student's Arizona
29 empowerment scholarship account for a period of three academic years, the
30 department shall notify the parent that the qualified student's account
31 will be closed in sixty calendar days. The notification must be sent

1 through certified mail, email and telephone, if applicable. The parent has
2 sixty calendar days to renew the qualified student's Arizona empowerment
3 scholarship account. If the parent chooses not to renew or does not
4 respond in sixty calendar days, the department shall close the account and
5 any remaining monies shall be returned to the state.

6 ~~J.~~ A signed agreement under this section constitutes school
7 attendance required by section 15-802.

8 ~~J.~~ K. A qualified school or a provider of services purchased
9 pursuant to subsection B, paragraph 4 of this section may not share, refund
10 or rebate any Arizona empowerment scholarship account monies with the
11 parent or qualified student in any manner.

12 ~~K.~~ L. NOTWITHSTANDING SUBSECTION I OF THIS SECTION, on the
13 qualified student's graduation from a postsecondary institution or after
14 any period of four consecutive years after high school graduation in which
15 the student is not enrolled in an eligible postsecondary institution, BUT
16 NOT AS LONG AS THE ACCOUNT HOLDER CONTINUES USING A PORTION OF ACCOUNT
17 MONIES FOR ELIGIBLE EXPENSES EACH YEAR AND IS IN GOOD STANDING, the
18 qualified student's Arizona empowerment scholarship account shall be closed
19 and any remaining monies shall be returned to the state.

20 ~~L.~~ M. Monies received pursuant to this article do not constitute
21 taxable income to the parent of the qualified student.

22 Sec. 48. Section 15-2403, Arizona Revised Statutes, is amended to
23 read:

24 15-2403. Arizona empowerment scholarship accounts;
25 administration; appeals; audit; rules; policy
26 handbook

27 A. The treasurer may contract with private financial management
28 firms to manage Arizona empowerment scholarship accounts.

29 B. The department shall conduct or contract for annual audits of
30 Arizona empowerment scholarship accounts to ensure compliance with section
31 15-2402, subsection B, paragraph 4. The department shall also conduct or

1 contract for random, quarterly and annual audits of Arizona empowerment
2 scholarship accounts as needed to ensure compliance with section 15-2402,
3 subsection B, paragraph 4.

4 C. The department may remove any parent or qualified student from
5 eligibility for an Arizona empowerment scholarship account if the parent or
6 qualified student fails to comply with the terms of the contract or
7 applicable laws, rules or orders or knowingly misuses monies or knowingly
8 fails to comply with the terms of the contract with intent to defraud and
9 shall notify the treasurer. The department shall notify the treasurer to
10 suspend the account of a parent or qualified student and shall notify the
11 parent or qualified student in writing that the account has been suspended
12 and that no further transactions will be allowed or disbursements made.
13 The notification shall specify the reason for the suspension and state that
14 the parent or qualified student has ten days, not including weekends, to
15 respond and take corrective action. If the parent or qualified student
16 refuses or fails to contact the department, furnish any information or make
17 any report that may be required for reinstatement within the ten-day
18 period, the department may remove the parent or qualified student pursuant
19 to this subsection.

20 D. A parent may appeal to the state board of education any
21 administrative decision the department makes pursuant to this article,
22 including determinations of allowable expenses, removal from the program or
23 enrollment eligibility. The department shall notify the parent in writing
24 that the parent may appeal any administrative decision under this article
25 and the process by which the parent may appeal at the same time the
26 department notifies the parent of an administrative decision under this
27 article. The state board of education shall establish an appeals process,
28 and the department shall post this information on the department's website
29 in the same location as the policy handbook developed pursuant to
30 subsection J of this section.

1 E. The state board of education may refer cases of substantial
2 misuse of monies to the attorney general for the purpose of collection or
3 for the purpose of a criminal investigation if the state board of education
4 obtains evidence of fraudulent use of an account.

5 F. The department shall make quarterly transfers of the amount
6 calculated pursuant to section 15-2402, subsection C to the treasurer for
7 deposit in the Arizona empowerment scholarship account of each qualified
8 student, except the department may make transfers according to another
9 transfer schedule if the department determines a transfer schedule other
10 than quarterly transfers is necessary to operate the Arizona empowerment
11 scholarship account.

12 G. The department shall accept applications between July 1 and June
13 30 of each year. The department shall enroll and issue an award letter to
14 eligible applicants within ~~forty-five~~ THIRTY days after receipt of a
15 completed application and all required documentation. On or before May 30
16 of each year, the department shall furnish to the joint legislative budget
17 committee an estimate of the amount required to fund Arizona empowerment
18 scholarship accounts for the following fiscal year. The department shall
19 include in its budget request for the following fiscal year the amount
20 estimated pursuant to section 15-2402, subsection C for each qualified
21 student.

22 H. The state board of education may adopt rules and policies
23 necessary to administer Arizona empowerment scholarship accounts, including
24 rules and policies:

25 1. For establishing an appeals process pursuant to subsection D of
26 this section.

27 2. For conducting or contracting for examinations of the use of
28 account monies.

29 3. For conducting or contracting for random, quarterly and annual
30 reviews of accounts.

4. For establishing or contracting for the establishment of an online anonymous fraud reporting service.

5. For establishing an anonymous telephone hotline for fraud reporting.

6. That require a surety bond or insurance for account holders.

I. The department shall contract with an independent third party for the purposes of determining whether a qualified student is eligible to receive educational therapies or services pursuant to section 15-2402, subsection B, paragraph 4, subdivision (c).

J. On or before July 1 of each year, the department shall develop an applicant and participant handbook that includes information relating to policies and processes of Arizona empowerment scholarship accounts. The policy handbook shall comply with the rules adopted by the state board of education pursuant to this section. the department shall post the handbook on its website.

K. EXCEPT FOR CASES IN WHICH THE ATTORNEY GENERAL DETERMINES THAT A PARENT OR ACCOUNT HOLDER HAS COMMITTED FRAUD, ANY EXPENDITURE FROM AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT FOR A PURCHASE THAT IS DEEMED INELIGIBLE PURSUANT TO SECTION 15-2402 AND THAT IS SUBSEQUENTLY REPAYED BY THE PARENT OR ACCOUNT HOLDER SHALL BE CREDITED BACK TO THE ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT BALANCE WITHIN THIRTY DAYS AFTER THE RECEIPT OF PAYMENT.

Sec. 49. Section 35-185.01, Arizona Revised Statutes, is amended to read:

35-185.01. Treasurer's warrant notes: form: redemption:
exception

A. If monies are not available to pay warrants, checks or substitute checks, or electronic funds transfer vouchers of the department of administration presented to the state treasurer pursuant to section 35-185, the treasurer, in lieu of payment, shall issue and shall exchange or sell a treasurer's warrant note or notes in the amount or amounts equal to the sum

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

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

28 C. Each treasurer's warrant note sold or exchanged shall be dated
29 the date the respective warrants are presented for payment. If the date of
30 delivery of a treasurer's warrant note that is sold is later than the date
31 of presentment of the respective warrant or warrants, the purchaser of the

1 treasurer's warrant note shall pay the accrued interest as an additional
2 purchase price. The accrued interest shall be paid to the holder of the
3 respective unpaid warrant or warrants, which shall be deemed to bear
4 interest at the same rate as the respective treasurer's warrant note from
5 presentment to payment from the proceeds of warrant notes sold.

6 D. The treasurer shall establish a maturity date for each
7 treasurer's warrant note of not longer than ninety days from the date of
8 initial issue. The treasurer may specify that treasurer's warrant notes
9 may be called for redemption at any time before the specified maturity
10 date.

11 E. The treasurer shall pay interest from the treasurer's warrant
12 note redemption fund on the face value of each warrant note at the rate
13 established by the state treasurer at the time of issuing the warrant
14 note. Interest shall be paid from the date of the treasurer's warrant note
15 until the maturity date or redemption date. The treasurer shall establish
16 the interest rate before the exchange or sale of warrant notes at a rate of
17 not more than the maximum rate permitted by the state loan commissioners.

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

23 G. Each treasurer's warrant note shall be signed by the treasurer or
24 the treasurer's designated agent and countersigned by the director of the
25 department of administration or the director's designated agent. The
26 required signatures may be electronic signatures. All treasurer's warrant
27 notes shall be substantially in the following form:

Treasurer's warrant note

(20__ to __ fiscal year)

Number _____

Phoenix, Arizona _____, 20____

On _____, 20_____, the treasurer of the state of Arizona

will pay to the order of _____ at _____

\$ _____ with interest at _____ per annum from the date

of issuance until paid (calculated on a 365/366 day basis).

(insert early redemption provisions)

(Countersigned)

State Treasurer

Director of the department

of administration

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

I. Treasurer's warrant notes issued in any fiscal year shall be numbered consecutively beginning with the number one. Treasurer's warrant notes shall be redeemed in numerical order. If the treasurer has sufficient monies to pay only a portion of the lowest numbered outstanding warrant note, the treasurer may deposit the monies with the paying agent pursuant to subsection K of this section or call in the lowest numbered warrant note, before maturity according to its terms, and pay the bearer the amount available and issue to the bearer a new warrant note bearing a number that will preserve, for the new warrant note, the priority of the

1 partially paid warrant note and bearing a value equal to the amount of
2 principal and interest remaining unpaid. The new warrant note and the
3 partial payment of principal and interest on the partially paid warrant
4 note shall be exchanged for the partially paid warrant note. The new
5 warrant note shall pay interest at the same rate as the partially paid
6 warrant note. The treasurer may make the changes in the form and date of
7 the new warrant note as necessary to reflect the amount of unpaid interest
8 on the partially paid warrant note.

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

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

27 L. When the treasurer or the paying agent, if payment is made to a
28 paying agent, pursuant to subsection K of this section, pays treasurer's
29 warrant notes or when the warrant notes are redeemed, the treasurer or
30 paying agent shall mark on the face of the treasurer's warrant notes the
31 word "cancelled" or shall cancel the warrant notes by electronic means

1 indicating the date of cancellation and shall promptly present the notes to
2 the director of the department of administration who shall give the state
3 treasurer a receipt therefor.

4 M. If the state loan commissioners determine that it will result in
5 a lower net effective interest rate on one, some or all warrant notes to be
6 issued by the treasurer during the current fiscal year, the commissioners
7 may authorize the treasurer to purchase letters of credit and to incur and
8 pay insurance premiums, attorney fees or other related costs incurred with
9 respect to treasurer's warrant notes. All such payments shall be treated
10 in the same manner as interest to be paid on treasurer's warrant notes and
11 shall be paid from the treasurer's warrant note redemption fund.

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

1 Sec. 50. Section 35-212, Arizona Revised Statutes, is amended to
2 read:

3 35-212. *Injunctive and civil remedies; time limit; definition*

4 A. The attorney general in the attorney general's discretion may
5 bring an action in the name of ~~the~~ THIS state to:

6 1. Enjoin the illegal payment of public monies, including violations
7 of section 11-952 and title 41, chapter 23.

8 2. Recover illegally paid public monies plus twenty percent of that
9 amount together with interest and costs, including reasonable attorney
10 fees, to be paid to the state treasurer or other appropriate official, or,
11 in the case of public monies of a political subdivision that did not
12 originate or were not received from this state, to the political
13 subdivision, to the credit of the fund from which the payment was made.

14 B. The attorney general may bring an action to recover illegally
15 paid public monies against:

16 1. Any person who received the illegal payment.
17 2. The public body or the public officer acting in the officer's
18 official capacity who ordered or caused the illegal payment or has
19 supervisory authority over the person that ordered or caused the illegal
20 payment.

21 3. The public official, employee or agent who ordered or caused the
22 illegal payment, including a payment ordered or caused to be made without
23 authorization of law.

24 4. THE PUBLIC OFFICIAL, EMPLOYEE OR AGENT OF THIS STATE, A POLITICAL
25 SUBDIVISION OF THIS STATE OR A BUDGET UNIT WHO KNOWINGLY USES PUBLIC MONIES
26 OR OTHER PUBLIC RESOURCES, INCLUDING EMAIL, EQUIPMENT OR COMPENSATED WORK
27 TIME, TO ORGANIZE, PLAN OR EXECUTE ANY ACTIVITY THAT IMPEDES OR PREVENTS A
28 PUBLIC SCHOOL FROM OPERATING FOR ANY PERIOD OF TIME, UNLESS THE PUBLIC
29 OFFICIAL, EMPLOYEE OR AGENT IS ACTING IN GOOD FAITH AND IN FURTHERANCE OF
30 THE OFFICIAL'S, EMPLOYEE'S OR AGENT'S OFFICIAL DUTIES.

1 5. THE TEACHER, ADMINISTRATOR OR OTHER EMPLOYEE OF A SCHOOL DISTRICT
2 OR CHARTER SCHOOL OR THE STATE EMPLOYEE WHOSE VIOLATION OF SECTION
3 15-717.02 RESULTED IN AN ILLEGAL USE OF PUBLIC MONIES.

4 C. A public official, employee or agent of this state, a political
5 subdivision of this state or a budget unit who is charged with collecting,
6 receiving, safekeeping, transferring or disbursing public monies may be
7 held personally liable for an illegal payment of public monies, including
8 payment made without authorization of law.

9 D. A public official, employee or agent of this state, a political
10 subdivision of this state or a budget unit who is responsible for
11 disbursing, collecting, receiving, safekeeping or transferring public
12 monies pursuant to a warrant, check or substitute check, electronic funds
13 transfer voucher or other form of claim that does not originate from the
14 public official, employee or agent making the disbursal may not be held
15 personally liable for illegal payments made pursuant to such warrants,
16 checks or substitute checks, electronic funds transfer vouchers or other
17 claims unless the public official, employee or agent knew or should have
18 known that a warrant, check or substitute check, electronic funds transfer
19 voucher or other claim would result in an illegal payment of public monies.

20 E. An action brought pursuant to this article is subject to title
21 12, chapter 7, article 2. If the action is brought by the attorney
22 general, the action must be brought within five years after the date an
23 illegal payment was ordered and section 12-821.01 does not apply to the
24 action.

25 F. For the purposes of this section, "public monies" includes all
26 monies coming into the lawful possession, custody or control of budget
27 units, state agencies, boards, commissions or departments or a state
28 officer, employee or agent in an official capacity, and all monies coming
29 into the lawful possession, custody or control of a tax-supported political
30 subdivision or an officer, employee or agent of a tax-supported political

1 subdivision in an official capacity irrespective of the source from which,
2 or the manner in which, the monies are received.

3 Sec. 51. Section 35-313, Arizona Revised Statutes, is amended to
4 read:

5 35-313. *Investment of trust and treasury monies; loan of*
6 *securities*

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

9 1. Obligations issued or guaranteed by the United States or any of
10 its agencies, sponsored agencies, corporations, sponsored corporations or
11 instrumentalities.

12 2. Repurchase agreements collateralized with securities that are
13 authorized for investment pursuant to state law and that are purchased from
14 authorized counterparties that have adequate capital and liquidity as
15 determined by the state treasurer.

16 3. Bonds or other evidences of indebtedness of this state or any of
17 the counties or incorporated cities, towns or duly organized school
18 districts.

19 4. Commercial paper whose issuer is investment grade for short-term
20 obligations by any two nationally recognized statistical rating
21 organizations.

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

24 6. Negotiable certificates of deposit issued by a nationally or
25 state-chartered bank or savings and loan association.

26 7. Bonds, debentures, notes or other evidences of indebtedness that
27 are denominated in United States dollars and that carry an investment grade
28 rating by a nationally recognized bond rating agency.

29 8. Securities of or any other interests in any open-end or
30 closed-end management type investment company or investment trust,
31 including exchange traded products whose underlying investments are

1 invested in securities allowed by state law, registered under the
2 investment company act of 1940 (54 Stat. 789; 15 United States Code
3 sections 80a-1 through 80a-64), as amended. For any treasurer investment
4 pool that seeks to maintain a constant share price, both of the following
5 apply:

6 (a) The investment company or investment trust takes delivery of the
7 collateral for any repurchase agreement either directly or through an
8 authorized custodian.

9 (b) The investment policy of the investment company or investment
10 trust includes seeking to maintain a constant share price.

11 9. Certificates of deferred property taxes as provided by section
12 42-17309.

13 10. Treasurer's warrant notes issued pursuant to section 35-185.01
14 or registered warrants of a county issued pursuant to section 11-605, if
15 the yield is equal to or greater than yields on eligible investment
16 instruments of comparable maturities.

17 11. Shares in the treasurer's local government investment pools
18 pursuant to section 35-326 if investment policies of the pool seek to
19 maintain a constant share price.

20 12. Shares in the treasurer's long-term local government investment
21 pools, the terms of which are determined by the state board of investment,
22 pursuant to section 35-326.01.

23 13. Subject to subsection D of this section, state transportation
24 board funding obligations delivered pursuant to section 28-7678.

25 14. Deposits placed in accordance with the procedures prescribed in
26 section 35-323.01.

27 15. Institutional common trust funds whose underlying investments
28 are invested in securities allowed by state law.

29 16. Program funding obligations delivered by the credit enhancement
30 eligibility board pursuant to section ~~15-2157~~ 41-5857.

1 B. In case of default or failure to honor a county treasurer's
2 warrant, the state treasurer may withhold the first state shared revenues
3 that would otherwise be distributed to the defaulting county in the amount
4 necessary to honor the note, including accrued interest to and beyond the
5 date of default.

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

27 D. The state treasurer shall invest operating monies in state
28 transportation board funding obligations delivered pursuant to section
29 28-7678 pursuant to the following:

30 1. The state treasurer shall liquidate investments of operating
31 monies if necessary to invest in state transportation board funding

obligations, except that if operating monies in the state general fund fall below an \$800,000,000 average over the previous twelve consecutive months, the state treasurer is not required to purchase state transportation board funding obligations pursuant to this subsection.

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

3. The state treasurer shall notify the state transportation board and the director of the department of transportation in writing when the operating monies fall below \$400,000,000. If operating monies fall below \$200,000,000, the state treasurer may call the investment in the state transportation board funding obligations in \$25,000,000 increments up to the amount that the operating monies are below \$200,000,000. The state treasurer shall give the state transportation board and the director of the department of transportation at least fifteen days' notice of the call.

Sec. 52. Section 37-221, Arizona Revised Statutes, is amended to read:

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

A. Notwithstanding any other law, school districts may enter into leases of state land for more than ten years if the land is to be used for public education purposes. These leases shall be granted according to the constitution of this state and department rules. School districts shall ~~make all applications~~ APPLY for leases for educational purposes on forms

1 prepared and furnished by the department, and an authorized agent of the
2 governing board of the school district shall sign and swear to the
3 application. A school district shall not use lands leased to it under this
4 section except for public ~~educational~~ EDUCATION purposes.

5 B. The department shall develop procedures to give priority to the
6 procedures used for school districts to lease state lands for public
7 education purposes. The department shall develop procedures to simplify
8 the procedures used for school districts to lease state lands for public
9 education purposes. The procedures shall specify that any leases entered
10 into and any improvements made to properties leased pursuant to this
11 section using state monies shall comply with the requirements of title ~~15~~
12 41, chapter ~~16~~ 56.

13 C. The department shall develop procedures to give priority to the
14 procedures used for school districts to purchase state lands for public
15 education purposes. The department shall develop procedures to simplify
16 the procedures used for school districts to purchase state lands for public
17 education purposes. The procedures shall specify that any purchase of
18 school lands by school districts using state monies shall comply with the
19 requirements of title ~~15~~ 41, chapter ~~16~~ 56.

20 D. Any monies received by the department from the lease of state
21 public school land for public education purposes pursuant to this section
22 shall be transferred ~~to the school facilities board~~ for deposit in the new
23 school facilities fund established by section ~~15-2041~~ 41-5741.

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

27 Sec. 53. Section 37-521, Arizona Revised Statutes, is amended to
28 read:

29 37-521. Permanent state school fund; composition; use

30 A. After any appropriation pursuant to section 37-527, the permanent
31 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 forfeiture.

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

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

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

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

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

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

1 school facilities revenue bonds, qualified zone academy bonds and state
2 school trust revenue bonds, before transferring amounts for any other uses.

3 2. If there are no outstanding state school facilities revenue bonds
4 pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6 or if the amount of
5 monies available under this subsection exceeds the amount required under
6 paragraph 1 of this subsection, the monies are subject to legislative
7 appropriation to the new school facilities fund established by section
8 ~~15-2041~~ 41-5741.

9 3. If the amount of monies available under this subsection exceeds
10 the amount required under paragraphs 1 and 2 of this subsection, the
11 legislature may annually appropriate an amount to be used as provided in
12 section 15-971, subsection H, except that the amount appropriated may not
13 exceed the amount appropriated from the permanent state school fund and
14 from the rent and interest paid on installment sales for this purpose in
15 fiscal year 2000-2001.

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

20 Sec. 54. Section 41-1092.02, Arizona Revised Statutes, is amended to
21 read:

22 41-1092.02. Appealable agency actions; application of
23 procedural rules; exemption from article

24 A. This article applies to all contested cases as defined in section
25 41-1001 and all appealable agency actions, except contested cases with or
26 appealable agency actions of:

27 1. The state department of corrections.
28 2. The board of executive clemency.
29 3. The industrial commission of Arizona.
30 4. The Arizona corporation commission.

1 5. The Arizona board of regents and institutions under its
2 jurisdiction.

3 6. The state personnel board.

4 7. The department of juvenile corrections.

5 8. The department of transportation, except as provided in title 28,
6 chapter 30, article 2.

7 9. The department of economic security except as provided in section
8 46-458.

9 10. The department of revenue regarding:

10 (a) Income tax or withholding tax.

11 (b) Any tax issue related to information associated with the
12 reporting of income tax or withholding tax unless the taxpayer requests in
13 writing that this article apply and waives confidentiality under title 42,
14 chapter 2, article 1.

15 11. The board of tax appeals.

16 12. The state board of equalization.

17 13. The state board of education, but only in connection with
18 contested cases and appealable agency actions related to **EITHER:**

19 (a) Applications for issuance or renewal of a certificate and
20 discipline of certificate holders pursuant to sections 15-203, 15-534,
21 15-534.01, 15-535, 15-545 and 15-550.

22 (b) **THE ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT PROGRAM PURSUANT TO**
23 **TITLE 15, CHAPTER 19.**

24 14. The board of fingerprinting.

25 15. The department of child safety except as provided in sections
26 8-506.01 and 8-811.

27 B. Unless waived by all parties, an administrative law judge shall
28 conduct all hearings under this article, and the procedural rules set forth
29 in this article and rules made by the director apply.

30 C. Except as provided in subsection A of this section:

1 1. A contested case heard by the office of administrative hearings
2 regarding taxes administered under title 42 shall be subject to section
3 42-1251.

4 2. A final decision of the office of administrative hearings
5 regarding taxes administered under title 42 may be appealed by either party
6 to the director of the department of revenue, or a taxpayer may file and
7 appeal directly to the board of tax appeals pursuant to section 42-1253.

8 D. Except as provided in subsections A, B, E, F and G of this
9 section and notwithstanding any other administrative proceeding or judicial
10 review process established in statute or administrative rule, this article
11 applies to all appealable agency actions and to all contested cases.

12 E. Except for a contested case or an appealable agency action
13 regarding unclaimed property, sections 41-1092.03, 41-1092.08 and
14 41-1092.09 do not apply to the department of revenue.

15 F. The board of appeals established by section 37-213 is exempt
16 from:

17 1. The time frames for hearings and decisions provided in section
18 41-1092.05, subsection A, section 41-1092.08 and section 41-1092.09.

19 2. The requirement in section 41-1092.06, subsection A to hold an
20 informal settlement conference at the appellant's request if the sole
21 subject of an appeal pursuant to section 37-215 is the estimate of value
22 reported in an appraisal of lands or improvements.

23 G. Auction protest procedures pursuant to title 37, chapter 2,
24 article 4.1 are exempt from this article."

25 Renumber to conform

26 Page 103, between lines 27 and 28, insert:

27 "Sec. 57. Section 41-2632, Arizona Revised Statutes, is amended to
28 read:

29 41-2632. Cooperative purchasing authorized; definitions

30 A. Any public procurement unit may either participate in, sponsor,
31 conduct or administer a cooperative purchasing agreement ~~for the~~

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

12 1. Sponsor, conduct or administer a cooperative agreement ~~for the~~
13 ~~procurement TO PROCURE or disposat~~ DISPOSE of any materials, services or
14 construction.

15 2. Cooperatively use materials or services.

16 3. Commonly use or share warehousing facilities, capital equipment
17 and other facilities.

18 4. Provide personnel, except that the requesting public procurement
19 unit shall pay the public procurement unit providing the personnel the
20 direct and indirect cost of providing the personnel, in accordance with the
21 agreement.

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

28 6. Pursuant to the rules for cooperative purchasing adopted by the
29 director, purchase materials, services, professional services, construction
30 or construction services under the terms of a contract between a vendor and

1 a public procurement unit or an external procurement activity without
2 complying with the requirements of sections 41-2533, 41-2534 and 41-2535.

3 B. The DIVISION OF school facilities ~~board~~ WITHIN THE DEPARTMENT OF
4 ADMINISTRATION or school districts, or both, may enter into an agreement
5 with a public procurement unit pursuant to this section for the purpose of
6 procuring materials and services needed to correct deficiencies in school
7 facilities.

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

10 D. A nonprofit corporation operating as a public procurement unit
11 under this section, on request of the auditor general, shall provide to the
12 auditor general all documentation concerning any cooperative purchasing
13 transaction the public procurement unit administers under this section.

14 E. A nonprofit corporation operating as a public procurement unit
15 under this section shall comply with all procurement laws applicable to the
16 public procurement unit participating in a cooperative purchasing
17 transaction that the nonprofit corporation administers.

18 F. This section does not abrogate the responsibility of each public
19 procurement unit to ensure compliance with procurement laws that apply to
20 the particular public procurement, notwithstanding the fact that the
21 cooperative purchase is administered by a nonprofit corporation operating
22 under this section.

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

27 H. For the purposes of this section:

28 1. "Construction services" has the same meaning prescribed in
29 section 41-2503.

30 2. "Professional services" has the same meaning prescribed in
31 section 41-2578.

Sec. 58. Section 41-3022.18, Arizona Revised Statutes, is amended to read:

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

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

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

1. The board has no outstanding state school facilities revenue bonds issued pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6, no outstanding state school improvement revenue bonds issued pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 7 and no outstanding lease-to-own transactions pursuant to sections ~~15-2004~~ 41-5703, ~~15-2005~~ 41-5704 and ~~15-2006~~ 41-5705.

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

C. If neither of the conditions in subsection B of this section ~~have~~
HAS occurred on or before January 1, 2023, title ~~15~~ 41, chapter ~~16~~ 56,
articles 1, 2, 3, 4, 5, 6, 7, 8 and 9 and this section are repealed thirty
days after the retirement of all revenue bonds issued pursuant to title ~~15~~
~~41~~, chapter ~~16~~ 56, articles 6 and 7 and any outstanding lease-to-own
transactions issued pursuant to sections ~~15-2004~~ 41-5703, ~~15-2005~~ 41-5704
and ~~15-2006~~ 41-5705.

Sec. 59. Section 41-3026.01, Arizona Revised Statutes, is amended to read:

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

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

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

3 1. The board has no outstanding program funding obligations issued
4 pursuant to title ~~41~~ 41, chapter ~~56~~ 56, article 11 or the legislature has
5 otherwise provided for paying or retiring any outstanding program funding
6 obligations issued pursuant to title ~~41~~ 41, chapter ~~56~~ 56, article 11.

7 2. There are no outstanding guaranteed financings approved pursuant
8 to title ~~41~~ 41, chapter ~~56~~ 56, article 11.

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

13 Sec. 60. Heading change

14 The article heading of title 41, chapter 56, article 1, as
15 transferred and renumbered, is changed from "SCHOOL FACILITIES BOARD" to
16 "SCHOOL FACILITIES".

17 Sec. 61. Title 41, chapter 56, article 1, Arizona Revised Statutes,
18 as transferred and renumbered, is amended by adding sections 41-5701 and
19 41-5701.01, to read:

20 41-5701. Definitions

21 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

22 1. "BOARD" MEANS THE SCHOOL FACILITIES OVERSIGHT BOARD.
23 2. "DIVISION" MEANS THE DIVISION OF SCHOOL FACILITIES WITHIN THE
24 DEPARTMENT OF ADMINISTRATION.

25 41-5701.01. Division of school facilities

26 A. THE DIVISION OF SCHOOL FACILITIES IS ESTABLISHED WITHIN THE
27 DEPARTMENT OF ADMINISTRATION.

28 B. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION SHALL APPOINT
29 THE DIRECTOR OF THE DIVISION.

30 Sec. 62. Section 41-5701.02, Arizona Revised Statutes, as
31 transferred and renumbered, is amended to read:

1 41-5701.02. School facilities oversight board; members;
2 conflict of interest; violation; classification;
3 change orders; notification

4 A. The school facilities OVERSIGHT board is established **WITHIN THE**
5 **DIVISION** consisting of the following members who ~~shall be~~ **ARE** appointed by
6 the governor pursuant to section 38-211 in such a manner as to provide for
7 approximate geographic balance and approximate balance between public and
8 private members:

- 9 1. ~~One member who is an elected member of a school district~~
10 ~~governing board with knowledge and experience in the area of finance.~~
- 11 2. ~~One private citizen who represents an organization of taxpayers.~~
- 12 3. ~~One member with knowledge and experience in public procurement.~~
- 13 4. ~~One member who is a registered professional architect and who has~~
14 ~~current knowledge and experience in school architecture.~~
- 15 5. ~~One member with knowledge and experience in school facilities~~
16 ~~management in a public school system.~~
- 17 6. ~~One member with knowledge and experience in demographics.~~
- 18 7. ~~One member who is a teacher and who currently provides classroom~~
19 ~~instruction.~~
- 20 8. ~~One member who is a registered professional engineer and who has~~
21 ~~current knowledge and experience in school engineering.~~
- 22 9. ~~One member who is an owner or officer of a private construction~~
23 ~~company whose business does not include school construction.~~
- 24 1. ONE MEMBER WHO REPRESENTS A STATEWIDE ORGANIZATION OF TAXPAYERS.
- 25 2. ONE MEMBER WHO IS A REGISTERED PROFESSIONAL ARCHITECT.
- 26 3. ONE MEMBER WITH KNOWLEDGE AND EXPERIENCE IN SCHOOL FACILITIES
- 27 MANAGEMENT IN A PUBLIC SCHOOL SYSTEM.
- 28 4. ONE MEMBER WHO IS A REGISTERED PROFESSIONAL ENGINEER.
- 29 5. TWO MEMBERS WHO ARE OWNERS OR OFFICERS OF A PRIVATE CONSTRUCTION
- 30 COMPANY, WHO HAVE KNOWLEDGE OF AND EXPERIENCE IN CONSTRUCTING LARGE

1 COMMERCIAL OR GOVERNMENT BUILDINGS AND WHOSE BUSINESSES DO NOT INCLUDE
2 SCHOOL CONSTRUCTION.

3 6. ONE PERSON WHO REPRESENTS THE BUSINESS COMMUNITY.

4 B. In addition to the members appointed pursuant to subsection A of
5 this section: ~~,~~

6 1. The superintendent of public instruction or the superintendent's
7 designee shall serve as an advisory nonvoting member of the school
8 facilities **OVERSIGHT** board.

9 2. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION OR THE
10 DIRECTOR'S DESIGNEE SHALL SERVE AS AN ADVISORY NONVOTING MEMBER OF THE
11 SCHOOL FACILITIES OVERSIGHT BOARD.

12 ~~C. The governor shall appoint a chairperson from members appointed
13 pursuant to subsection A of this section.~~

14 ~~D.~~ C. Members of the school facilities **OVERSIGHT** board serve
15 four-year terms. The school facilities **OVERSIGHT** board shall meet as often
16 as the members deem necessary. A majority of the members constitutes a
17 quorum for the transaction of business.

18 ~~E.~~ D. The unexcused absence of a member for more than three
19 consecutive meetings is justification for removal by a majority vote of the
20 board. If the member is removed, notice shall be given of the removal
21 pursuant to section 38-292.

22 ~~F.~~ E. The governor shall fill a vacancy by appointment of a
23 qualified person as provided in subsection A of this section.

24 ~~G.~~ F. Members of the board who are employed by government entities
25 are not eligible to receive compensation. Members of the board who are not
26 employed by government entities are entitled to payment of ~~one hundred~~
27 ~~fifty dollars~~ \$150 for each meeting attended, prorated for partial days
28 spent for each meeting, up to ~~two thousand five hundred dollars~~ \$2,500 each
29 year. All members are eligible for reimbursement of expenses pursuant to
30 title 38, chapter 4, article 2. These expenses and the payment of

1 compensation are payable to a member from monies appropriated to the board
2 from the new school facilities fund.

3 ~~H.~~ G. Members and employees of the school facilities **OVERSIGHT**
4 board are subject to title 38, chapter 3, article 8.

5 ~~I.~~ H. In addition to the requirements prescribed in subsection ~~H~~ G
6 of this section, employees of the school facilities **OVERSIGHT** board may not
7 have a direct or indirect financial interest in any property purchased,
8 facility constructed or contract financed with monies made available by the
9 board or any other public monies. A person who knowingly violates this
10 subsection is guilty of a class 1 misdemeanor.

11 ~~J.~~ I. The ~~school facilities board~~ **DIVISION** shall establish policies
12 and procedures relating to building renewal grant change orders that
13 include the following:

14 1. The ~~board staff~~ **DIVISION** shall approve or reject a change order
15 within two business days.

16 2. If a school district approves work referenced in a change order
17 before the ~~board~~ **DIVISION** approves the change order, the school district is
18 responsible for the cost and construction of the project.

19 ~~K.~~ J. The ~~school facilities board~~ **DIVISION** shall establish policies
20 and procedures to ensure that it notifies school districts in a uniform
21 manner and at least annually of the services and funding that are available
22 from the board **AND THE DIVISION** for facility construction, renovation and
23 repair projects. The ~~board~~ **DIVISION** shall update and post this information
24 on its website on or before July 1 of each year.

25 ~~L.~~ K. The ~~school facilities board~~ **DIVISION** shall establish and
26 maintain a list of the persons who are responsible for facilities
27 management at each school district in this state. A school district shall
28 promptly notify the ~~board~~ **DIVISION** of any change to persons who are
29 responsible for facilities management at that school district. The ~~board~~
30 **DIVISION** shall update and post this information on its website on or before
31 July 1 of each year.

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

3 Sec. 63. Section 41-5702, Arizona Revised Statutes, as transferred
4 and renumbered, is amended to read:

5 **41-5702. Powers and duties; staffing; reporting requirements**

6 A. The ~~school facilities board~~ **DIVISION** shall:

7 1. ~~Make assessments of~~ **ASSESS** school facilities and equipment
8 deficiencies and approve the distribution of grants as appropriate.

9 2. Maintain a database of school facilities to ~~administer~~ **ALLOW FOR**
10 **THE ADMINISTRATION OF** the ~~building renewal grant fund~~ and new school
11 facilities formula **AND THE BUILDING RENEWAL GRANT FUND**. The facilities
12 listed in the database must include all buildings that are owned by school
13 districts. The ~~school facilities board~~ **DIVISION** shall ensure that the
14 database is updated on at least an annual basis. Each school district
15 shall report to the ~~school facilities board~~ **DIVISION NOT** later than
16 September 1 of each year information as required by the ~~school facilities~~
17 ~~board for the administration of~~ **DIVISION TO ADMINISTER** the building renewal
18 grant fund and ~~computation of~~ **BY THE SCHOOL FACILITIES OVERSIGHT BOARD TO**
19 **COMPUTE** new school facilities formula distributions, including the nature
20 and cost of major repairs, renovations or physical improvements to or
21 replacement of building systems or equipment that were made in the previous
22 year and that were paid for either with local monies or monies provided ~~by~~
23 ~~the school facilities board~~ from the building renewal grant fund. Each
24 school district shall report any school or school buildings that have been
25 closed, that are vacant or partially used pursuant to section 15-119 and
26 that have been leased to another entity or that operate as a charter
27 school. The ~~school facilities board~~ **DIVISION** shall develop guidelines and
28 definitions for the reporting prescribed in this paragraph and may review
29 or audit the information, or both, to confirm the information submitted by
30 a school district. Notwithstanding any other provision of this chapter, if
31 a school district converts space that is listed in the database maintained

1 pursuant to this paragraph to space that will be used for administrative
2 purposes, the school district is responsible for any costs associated with
3 ~~the conversion~~ CONVERTING, ~~maintenance~~ MAINTAINING and ~~replacement of~~
4 REPLACING that space. If a building is significantly upgraded or
5 remodeled, the ~~school facilities board~~ DIVISION shall adjust the age of
6 that school facility in the database as follows:

7 (a) Determine the building capacity value as follows:
8 (i) Multiply the student capacity of the building by the per pupil
9 square foot capacity established by section ~~15-2041~~ 41-5741.

10 (ii) Multiply the product determined in item (i) of this subdivision
11 by the cost per square foot established by section ~~15-2041~~ 41-5741.

12 (b) Divide the cost of the renovation by the building capacity value
13 determined in subdivision (a) of this paragraph.

14 (c) Multiply the quotient determined in subdivision (b) of this
15 paragraph by the currently listed age of the building in the database.

16 (d) Subtract the product determined in subdivision (c) of this
17 paragraph from the currently listed age of the building in the database,
18 rounded to the nearest whole number. If the result is a negative number,
19 use zero.

20 3. Inspect, CONTRACT WITH A THIRD PARTY TO INSPECT OR CERTIFY SCHOOL
21 DISTRICT SELF-INSPECTIONS OF school buildings at least once every five
22 years to ensure compliance with the building adequacy standards prescribed
23 in section ~~15-2011~~ 41-5711, the accuracy of the reporting of vacant and
24 partially used buildings pursuant to this subsection and routine preventive
25 maintenance guidelines as prescribed in this section with respect to
26 ~~construction of~~ CONSTRUCTING new buildings and ~~maintenance of~~ MAINTAINING
27 existing buildings. The ~~school facilities board~~ DIVISION shall randomly
28 select twenty school districts every thirty months and ~~inspect~~ PROVIDE FOR
29 them TO BE INSPECTED pursuant to this paragraph.

30 4. ~~Review and approve student population projections submitted by~~
31 ~~school districts to determine to what extent school districts are entitled~~

1 ~~to monies to construct new facilities pursuant to section 15-2041. The~~
2 ~~board shall make a final determination within five months after the receipt~~
3 ~~of an application by a school district for monies from the new school~~
4 ~~facilities fund.~~

5 ~~5. Certify that plans for new school facilities meet the building~~
6 ~~adequacy standards prescribed in section 15-2011.~~

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

19 ~~7.~~ 5. Develop application forms, reporting forms and procedures to
20 carry out the requirements of this article, including developing and
21 implementing policies and procedures to:

22 (a) Ensure that the DIVISION AND THE SCHOOL FACILITIES OVERSIGHT
23 board, AS APPLICABLE, ~~notifies~~ NOTIFY school districts in a uniform manner
24 of the services and funding available for school districts from the board
25 OR THE DIVISION for facility construction, renovation and repair projects.
26 The policies and procedures shall require the DIVISION AND THE board to
27 provide at least one annual communication to school districts in a manner
28 prescribed by the ~~board~~ DIVISION and shall require each school district to
29 develop and maintain a list of persons who are responsible for facilities
30 management at that school district.

(b) Establish a project eligibility assessment for all projects submitted for building renewal grant funding or emergency deficiencies correction funding, including establishing standardized criteria for project eligibility. Before the ~~board~~ DIVISION formally approves a project, the staff of the ~~board~~ DIVISION may review the costs and scope of the proposed project with persons and entities that have submitted bids on the project.

(c) Ensure that the DIVISION AND THE SCHOOL FACILITIES OVERSIGHT board ~~maintains~~ MAINTAIN standardized documentation of all projects submitted to the board AND THE DIVISION for consideration to receive services or a financial award from the board OR THE DIVISION. The board AND THE DIVISION shall maintain standardized documentation of any project awarded monies by the board OR THE DIVISION, including records of payments to school districts in a manner prescribed by the ~~board~~ DIVISION. The standardized documentation shall include the following as part of the eligibility determination criteria:

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

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

(d) Require a school district to submit contact information for each proposed project, including the name, ~~email~~ EMAIL address and telephone number of persons who are responsible for facilities management at the school district.

(e) Require a school district to provide justification for each proposed project, including all of the following:

- (i) The school district's use or planned use of the facility.
- (ii) A detailed description of the problem and the school district's recommended solution.

(iii) Any completed professional study regarding the proposed project.

(iv) Any citation or report from government entities.

(v) The estimated cost of the proposed project, with documentation.

(vi) The project category.

(vii) A description of any local funding that will be used for the proposed project.

(viii) Documentation on associated insurance coverage, if applicable.

(f) If the application is for monies from the building renewal grant fund established by section 15-2032, require the school district to report the preventive maintenance activities completed during the previous twelve months for the facility for which the monies are being requested.

~~(g)~~ (f) Require that an initial application not be considered complete until all necessary information is submitted.

~~(H)~~ (g) Allow a school district to submit an incomplete application and request technical assistance from the staff of the board if the school district is unable to provide sufficient information in the initial application.

(h) IF APPLICABLE, require that a complete application be received by the board at least fifteen business days before the next regularly scheduled board meeting in order for the application to be considered at that meeting. An incomplete application may be considered at that meeting if both the staff of the board and the superintendent of the school district deem the project critical.

(f) (i) Allow the staff of the board OR THE DIVISION, AS APPLICABLE, to notify a school district in writing before review by the board OR DIVISION that the proposed project does not meet eligibility criteria prescribed in this chapter. The written notification shall include documentation to support the ~~staff's~~ determination that the proposed project does not meet the eligibility criteria prescribed in this

1 chapter. The school district may directly appeal the ~~staff's~~ determination
2 of ineligibility to the ~~executive~~ director of the ~~board~~ DIVISION. The
3 school district may directly appeal the ~~executive~~ director's determination
4 of ineligibility to the board.

5 ~~(k)~~ (j) Prohibit the staff of the board OR DIVISION from requesting
6 that a school district withdraw a project application from review by the
7 board OR DIVISION if the initial ~~staff~~ review determines that the proposed
8 project may be ineligible for monies ~~from the board~~ PURSUANT TO THIS
9 CHAPTER.

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

12 ~~9.~~ 6. Submit electronically an annual report on or before December
13 15 to the speaker of the house of representatives, the president of the
14 senate, the superintendent of public instruction, the secretary of state
15 and the governor that includes the following information:

16 (a) A detailed description of the amount of monies distributed by
17 the ~~school facilities board~~ DIVISION UNDER THIS CHAPTER in the previous
18 fiscal year.

19 (b) A list of each capital project that received monies from the
20 ~~school facilities board~~ DIVISION UNDER THIS CHAPTER during the previous
21 fiscal year, a brief description of each project that was funded and a
22 summary of the ~~board's~~ DIVISION'S reasons for ~~the distribution of~~
23 ~~DISTRIBUTING~~ monies for the project.

24 (c) A summary of the findings and conclusions of the building
25 maintenance inspections conducted pursuant to this article during the
26 previous fiscal year.

27 (d) A summary of the findings of common design elements and
28 characteristics of the highest performing schools and the lowest performing
29 schools based on academic productivity, including the results of the parent
30 quality rating survey. For the purposes of this subdivision, "academic
31 productivity" means academic year advancement per calendar year as measured

1 with student-level data using the statewide nationally standardized
2 norm-referenced achievement test.

3 10. 7. On or before December 1 of each year, report electronically
4 to the joint committee on capital review the amounts necessary to fulfill
5 the requirements of ~~sections 15-2022 and 15-2041~~ SECTION 41-5721 for the
6 following three fiscal years. In developing the amounts necessary for this
7 report, the ~~school facilities board~~ DIVISION shall use the most recent
8 average daily membership data available. On request from the ~~board~~
9 DIVISION, the department of education shall make available the most recent
10 average daily membership data for use in calculating the amounts necessary
11 to fulfill the requirements of section ~~15-2041~~ 41-5721 for the following
12 three fiscal years. The ~~board~~ DIVISION shall provide copies of the report
13 to the president of the senate, the speaker of the house of representatives
14 and the governor.

15 11. ~~Adopt minimum school facility adequacy guidelines to provide the~~
16 ~~minimum quality and quantity of school buildings and the facilities and~~
17 ~~equipment necessary and appropriate to enable pupils to achieve the~~
18 ~~educational goals of the Arizona state schools for the deaf and the blind.~~
19 ~~The school facilities board shall establish minimum school facility~~
20 ~~adequacy guidelines applicable to the Arizona state schools for the deaf~~
21 ~~and the blind.~~

22 12. ~~In each even-numbered year, report electronically to the joint~~
23 ~~committee on capital review the amounts necessary to fulfill the~~
24 ~~requirements of section 15-2041 for the Arizona state schools for the deaf~~
25 ~~and the blind for the following two fiscal years. The Arizona state~~
26 ~~schools for the deaf and the blind shall incorporate the findings of the~~
27 ~~report in any request for new school facilities monies. Any monies~~
28 ~~provided to the Arizona state schools for the deaf and the blind for new~~
29 ~~school facilities are subject to legislative appropriation.~~

30 13. 8. On or before June 15 of each year, submit electronically
31 detailed information regarding demographic assumptions, ~~AND~~ a proposed

1 construction schedule ~~and new school construction cost estimates~~ for
2 individual projects approved in the current fiscal year and expected
3 project approvals for the upcoming fiscal year to the joint committee on
4 capital review for its review. A copy of the report shall also be
5 submitted electronically to the governor's office of strategic planning and
6 budgeting. The joint legislative budget committee staff, the governor's
7 office of strategic planning and budgeting staff and the ~~school facilities~~
8 ~~board~~ DIVISION staff shall agree on the format of the report.

9 ~~14.~~ 9. Every two years, provide school districts with information
10 on improving and maintaining the indoor environmental quality in school
11 buildings.

12 ~~15. On or before December 31 of each year, report to the joint~~
13 ~~legislative budget committee on all class B bond approvals by school~~
14 ~~districts in that year. Each school district shall report to the school~~
15 ~~facilities board on or before December 1 of each year information required~~
16 ~~by the school facilities board for the report prescribed in this paragraph.~~

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

19 10. ADOPT RULES REGARDING THE VALIDATION OF ADJACENT WAYS PROJECTS
20 PURSUANT TO PARAGRAPH 11 OF THIS SUBSECTION.

21 11. VALIDATE PROPOSED ADJACENT WAYS PROJECTS THAT ARE SUBMITTED BY
22 SCHOOL DISTRICTS AS PRESCRIBED IN SECTION 15-995 PURSUANT TO RULES ADOPTED
23 BY THE DIVISION UNDER PARAGRAPH 10 OF THIS SUBSECTION.

24 12. SUBMIT A MONTHLY REPORT TO THE SCHOOL FACILITIES OVERSIGHT BOARD
25 THAT DETAILS EACH ADJACENT WAYS PROJECT VALIDATED PURSUANT TO PARAGRAPH 11
26 OF THIS SUBSECTION.

27 13. BRIEF THE JOINT COMMITTEE ON CAPITAL REVIEW AT LEAST ONCE EACH
28 YEAR REGARDING THE USE OF MONIES FROM ALL OF THE FOLLOWING:

29 (a) THE EMERGENCY DEFICIENCIES CORRECTION FUND ESTABLISHED BY
30 SECTION 41-5721.

31 (b) THE BUILDING RENEWAL GRANT FUND ESTABLISHED BY SECTION 41-5731.

(c) THE NEW SCHOOL FACILITIES FUND ESTABLISHED BY SECTION 41-5741.

B. The school facilities **OVERSIGHT** board OR THE DIVISION may contract for the following services in compliance with the procurement practices prescribed in **title 41**, chapter 23 OF THIS TITLE:

1. Private services.

2. Construction project management services.

3. Assessments for school buildings to determine if the buildings have outlived their useful life pursuant to section ~~15-2041~~ 41-5741, subsection G **OR HAVE BEEN CONDEMNED**.

4. Services related to land acquisition and development of a school site.

C. THE BOARD SHALL:

1. REVIEW AND APPROVE STUDENT POPULATION PROJECTIONS SUBMITTED BY SCHOOL DISTRICTS TO DETERMINE TO WHAT EXTENT SCHOOL DISTRICTS ARE ENTITLED TO MONIES TO CONSTRUCT NEW FACILITIES PURSUANT TO SECTION 41-5741. THE SCHOOL FACILITIES OVERSIGHT BOARD SHALL MAKE A FINAL DETERMINATION WITHIN FIVE MONTHS AFTER RECEIVING AN APPLICATION FROM A SCHOOL DISTRICT FOR MONIES FROM THE NEW SCHOOL FACILITIES FUND.

2. CERTIFY THAT PLANS FOR NEW SCHOOL FACILITIES MEET THE BUILDING ADEQUACY STANDARDS PRESCRIBED IN SECTION 41-5711.

3. REVIEW AND APPROVE OR REJECT REQUESTS SUBMITTED BY SCHOOL DISTRICTS TO TAKE ACTIONS PURSUANT TO SECTION 15-341, SUBSECTION G.

4. ON OR BEFORE DECEMBER 15 OF EACH YEAR ELECTRONICALLY SUBMIT A REPORT TO THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE PRESIDENT OF THE SENATE, THE SUPERINTENDENT OF PUBLIC INSTRUCTION, THE SECRETARY OF STATE AND THE GOVERNOR THAT INCLUDES THE FOLLOWING INFORMATION:

(a) A DETAILED DESCRIPTION OF THE AMOUNT OF MONIES THE BOARD DISTRIBUTED UNDER THIS CHAPTER IN THE PREVIOUS FISCAL YEAR.

(b) A LIST OF EACH CAPITAL PROJECT THAT RECEIVED MONIES FROM THE BOARD UNDER THIS CHAPTER DURING THE PREVIOUS FISCAL YEAR, A BRIEF

1 DESCRIPTION OF EACH PROJECT THAT WAS FUNDED AND A SUMMARY OF THE BOARD'S
2 REASONS FOR DISTRIBUTING MONIES FOR THE PROJECT.

3 (c) A SUMMARY OF THE FINDINGS AND CONCLUSIONS OF THE BUILDING
4 MAINTENANCE INSPECTIONS CONDUCTED PURSUANT TO THIS ARTICLE DURING THE
5 PREVIOUS FISCAL YEAR.

6 5. ON OR BEFORE DECEMBER 1 OF EACH YEAR, ELECTRONICALLY REPORT TO
7 THE JOINT COMMITTEE ON CAPITAL REVIEW THE AMOUNTS NECESSARY TO FULFILL THE
8 REQUIREMENTS OF SECTION 41-5741 FOR THE FOLLOWING THREE FISCAL YEARS. IN
9 DEVELOPING THE AMOUNTS NECESSARY FOR THIS REPORT, THE BOARD SHALL USE THE
10 MOST RECENT AVERAGE DAILY MEMBERSHIP DATA AVAILABLE. ON REQUEST FROM THE
11 BOARD, THE DEPARTMENT OF EDUCATION SHALL MAKE AVAILABLE THE MOST RECENT
12 AVERAGE DAILY MEMBERSHIP DATA FOR USE IN CALCULATING THE AMOUNTS NECESSARY
13 TO FULFILL THE REQUIREMENTS OF SECTION 41-5741 FOR THE FOLLOWING THREE
14 FISCAL YEARS. THE BOARD SHALL PROVIDE COPIES OF THE REPORT TO THE
15 PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND
16 THE GOVERNOR.

17 6. ADOPT MINIMUM SCHOOL FACILITY ADEQUACY GUIDELINES TO PROVIDE THE
18 MINIMUM QUALITY AND QUANTITY OF SCHOOL BUILDINGS AND THE FACILITIES AND
19 EQUIPMENT NECESSARY AND APPROPRIATE TO ENABLE PUPILS TO ACHIEVE THE
20 EDUCATIONAL GOALS OF THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND.
21 THE BOARD SHALL ESTABLISH MINIMUM SCHOOL FACILITY ADEQUACY GUIDELINES
22 APPLICABLE TO THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND.

23 7. ON OR BEFORE JUNE 15 OF EACH YEAR, ELECTRONICALLY SUBMIT TO THE
24 JOINT COMMITTEE ON CAPITAL REVIEW FOR ITS REVIEW DETAILED INFORMATION
25 REGARDING DEMOGRAPHIC ASSUMPTIONS, A PROPOSED CONSTRUCTION SCHEDULE AND NEW
26 SCHOOL CONSTRUCTION COST ESTIMATES FOR INDIVIDUAL PROJECTS APPROVED IN THE
27 CURRENT FISCAL YEAR AND EXPECTED PROJECT APPROVALS FOR THE UPCOMING FISCAL
28 YEAR. A COPY OF THE REPORT SHALL ALSO BE SUBMITTED ELECTRONICALLY TO THE
29 GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING. THE JOINT
30 LEGISLATIVE BUDGET COMMITTEE STAFF, THE GOVERNOR'S OFFICE OF STRATEGIC

1 PLANNING AND BUDGETING STAFF AND THE BOARD STAFF SHALL AGREE ON THE FORMAT
2 OF THE REPORT.

3 8. ON OR BEFORE DECEMBER 31 OF EACH YEAR, REPORT TO THE JOINT
4 LEGISLATIVE BUDGET COMMITTEE ON ALL CLASS B BOND APPROVALS BY SCHOOL
5 DISTRICTS IN THAT YEAR. EACH SCHOOL DISTRICT SHALL REPORT TO THE BOARD ON
6 OR BEFORE DECEMBER 1 OF EACH YEAR INFORMATION REQUIRED BY THE BOARD FOR THE
7 REPORT PRESCRIBED IN THIS PARAGRAPH.

8 e. D. The ~~governor~~ DIRECTOR OF THE DIVISION shall ~~appoint an~~
9 ~~executive~~ SERVE AS THE director of the school facilities OVERSIGHT board
10 ~~pursuant to section 38-211~~. The ~~executive~~ director ~~is eligible to receive~~
11 ~~compensation as determined pursuant to section 38-611 and~~ may hire and fire
12 necessary staff subject to ~~title 41~~, chapter 4, article 4 OF THIS TITLE and
13 as approved by the legislature in the budget. ~~The executive director shall~~
14 ~~have demonstrated competency in school finance, facilities design or~~
15 ~~facilities management, either in private business or government service.~~
16 ~~The executive director serves at the pleasure of the governor.~~ The staff
17 of the school facilities OVERSIGHT board is exempt from ~~title 41~~, chapter
18 4, articles 5 and 6 OF THIS TITLE. The ~~executive~~ director:

19 1. Shall analyze applications for monies submitted to the board AND
20 TO THE DIVISION by school districts.

21 2. Shall assist the board AND THE DIVISION in developing forms and
22 procedures for ~~the distribution~~ DISTRIBUTING and ~~review of~~ REVIEWING
23 applications and ~~the distribution of~~ DISTRIBUTING monies to school
24 districts.

25 3. May review or audit, or both, the expenditure of monies by a
26 school district for deficiencies corrections and new school facilities.

27 4. Shall assist the board AND THE DIVISION in ~~the preparation of~~
28 PREPARING the board's AND DIVISION'S annual ~~report~~ REPORTS.

29 5. Shall research and provide reports on issues of general interest
30 to the board AND THE DIVISION.

1 6. May aid school districts in ~~the development of~~ DEVELOPING
2 reasonable and cost-effective school designs in order to avoid statewide
3 duplicated efforts and unwarranted expenditures in the area of school
4 design.

5 7. May assist school districts in facilitating the development of
6 multijurisdictional facilities.

7 8. Shall assist the board **AND THE DIVISION** in any other appropriate
8 matter or method as directed by the **DIVISION AND THE** members of the board.

9 9. Shall establish procedures to ensure compliance with the notice
10 and hearing requirements prescribed in section 15-905. The notice and
11 hearing procedures adopted by the board shall include the requirement, with
12 respect to the board's consideration of any application filed after July 1,
13 2001 or after December 31 of the year in which the property becomes
14 territory in the vicinity of a military airport or ancillary military
15 facility as defined in section 28-8461 for monies to fund the construction
16 of new school facilities proposed to be located in territory in the
17 vicinity of a military airport or ancillary military facility, that the
18 military airport receive notification of the application by first class
19 mail at least thirty days before any hearing concerning the application.

20 10. May expedite any request for monies in which the local match was
21 not obtained for a project that received preliminary approval by the state
22 board for school capital facilities.

23 11. Shall expedite any request for monies in which the school
24 district governing board submits an application that shows an immediate
25 need for a new school facility.

26 12. Shall ~~make a determination as to~~ DETERMINE administrative
27 ~~completion~~ COMPLETENESS within one month after ~~the receipt of~~ RECEIVING an
28 application **by** **FROM** a school district for monies from the new school
29 facilities fund.

30 13. Shall provide technical support to school districts as requested
31 by school districts in connection with ~~the construction of~~ CONSTRUCTING new

1 school facilities and ~~the maintenance of~~ MAINTAINING existing school
2 facilities and may contract directly with construction project managers
3 pursuant to subsection B of this section. This paragraph does not restrict
4 a school district from contracting with a construction project manager
5 using district or state resources.

6 ~~D.~~ E. When appropriate, the ~~school facilities~~ board AND THE
7 DIVISION shall review and use the statewide school facilities inventory and
8 needs assessment conducted by the joint committee on capital review and
9 issued in July, 1995.

10 ~~E.~~ F. The school facilities OVERSIGHT board shall contract with one
11 or more private building inspectors to complete an initial assessment of
12 school facilities and equipment and shall inspect each school building in
13 this state at least once every five years to ensure compliance with section
14 ~~15-2011~~ 41-5711. A copy of the inspection report, together with any
15 recommendations for building maintenance, shall be provided to the school
16 facilities OVERSIGHT board and the governing board of the school district.

17 ~~F.~~ G. The ~~school facilities~~ DIVISION OR THE board, AS APPLICABLE,
18 may consider appropriate combinations of facilities or uses in ~~making~~
19 ~~assessments of~~ ASSESSING and curing deficiencies pursuant to subsection A,
20 paragraph 1 of this section and in certifying plans for new school
21 facilities pursuant to subsection ~~A~~ C, paragraph ~~5~~ 2 of this section.

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

24 ~~H.~~ I. The board OR THE DIVISION shall not distribute monies to a
25 school district for ~~replacement~~ REPLACING or ~~repair of~~ REPAIRING facilities
26 if the costs associated with the replacement or repair are covered by
27 insurance or a performance or payment bond.

28 ~~I.~~ J. The ~~board~~ DIVISION may contract for construction services and
29 materials that are necessary to correct existing deficiencies in school
30 district facilities. The ~~board~~ DIVISION may procure the construction
31 services necessary pursuant to this subsection by any method, including

1 construction-manager-at-risk, design-build, design-bid-build or
2 job-order-contracting as provided by ~~title 41~~, chapter 23 **OF THIS TITLE**.
3 The construction planning and services performed pursuant to this
4 subsection are exempt from section 41-791.01.

5 ~~J.~~ **K.** The ~~school facilities board~~ DIVISION may enter into
6 agreements with school districts to allow ~~school facilities board~~ DIVISION
7 staff and contractors access to school property for the purposes of
8 performing the construction services necessary pursuant to subsection ~~I-~~ **J**
9 of this section.

10 ~~K.~~ **L.** Each school district shall develop routine preventive
11 maintenance guidelines for its facilities. The guidelines shall include
12 plumbing systems, electrical systems, heating, ventilation and air
13 conditioning systems, special equipment and other systems and for roofing
14 systems shall recommend visual inspections performed by district staff for
15 signs of structural stress and weakness. The guidelines shall be submitted
16 to the ~~school facilities board~~ DIVISION for review and approval. If on
17 inspection by the ~~school facilities board~~ DIVISION it is determined that a
18 school district facility was inadequately maintained pursuant to the school
19 district's routine preventive maintenance guidelines, the school district
20 shall return the building to compliance with the school district's routine
21 preventive maintenance guidelines.

22 ~~T.~~ **M.** The ~~school facilities~~ board **AND THE DIVISION** may temporarily
23 transfer monies, **OR, IF APPLICABLE, DIRECT THE DIVISION TO TRANSFER MONIES,**
24 between ~~the capital reserve fund established by section 15-2003~~, the
25 emergency deficiencies correction fund established by section ~~15-2022~~
26 41-5721 and the new school facilities fund established by section ~~15-2041~~
27 41-5741 if all of the following conditions are met:

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

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

4 3. The ~~school facilities~~ board ~~reports~~ AND THE DIVISION REPORT to
5 the joint committee on capital review the amount of and the reason for any
6 monies transferred.

7 **M.** N. After notifying each school district, and if a written
8 objection from the school district is not received by the ~~school facilities~~
9 board OR THE DIVISION within thirty days ~~of~~ AFTER the notification, the
10 ~~school facilities~~ board OR THE DIVISION may access public utility company
11 records of power, water, natural gas, telephone and broadband usage to
12 assemble consistent and accurate data on utility consumption at school
13 facilities to determine the effectiveness of facility design, operation and
14 maintenance measures intended to reduce energy and water consumption and
15 costs. Any public utility that provides service to a school district in
16 this state shall provide the data requested by the ~~school facilities~~ board
17 OR THE DIVISION pursuant to this subsection.

18 **N.** O. The ~~school facilities~~ DIVISION OR THE board shall not require
19 a common school district that provides instruction to pupils in grade nine
20 to obtain approval from the ~~school facilities~~ DIVISION OR THE board to
21 reconfigure its school facilities. A common school district that provides
22 instruction to pupils in grade nine is not entitled to additional monies
23 from the ~~school facilities~~ DIVISION OR THE board for facilities to educate
24 pupils in grade nine.

25 **O.** P. A school district may appeal the denial of a request for
26 monies pursuant to this chapter or any other appealable agency action by
27 the ~~school facilities~~ DIVISION OR THE board pursuant to ~~title 41~~, chapter
28 6, article 10 OF THIS TITLE. For the purposes of this subsection,
29 "appealable agency action" has the same meaning prescribed in section
30 41-1092.

Sec. 64. Section 41-5703, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5703. School facilities oversight board lease-to-own; fund; expiration

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

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

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

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

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

1 4. The option for the ~~school facilities~~ board's purchase of the
2 school facilities and transfer of ownership of the school facilities to the
3 school district before the expiration of the lease-to-own agreement.

4 5. The services of trustees, financial advisors, paying agents,
5 transfer agents, underwriters, lawyers and other professional service
6 providers, credit enhancements or liquidity facilities and all other
7 services considered necessary by the ~~school facilities~~ board in connection
8 with the lease-to-own transaction, and related agreements and arrangements
9 including arrangements for the creation and sale of certificates of
10 participation evidencing proportionate interests in the lease payments to
11 be made by the ~~school facilities~~ board pursuant to the lease-to-own
12 agreement.

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

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

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

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

30 G. ~~A~~ **THE** lease-to-own fund is established consisting of monies
31 appropriated by the legislature. The ~~school facilities~~ board shall

1 administer the fund and distribute monies in the fund to make payments
2 pursuant to lease-to-own agreements entered into by the ~~school facilities~~
3 board pursuant to this section, to make payments to or for the benefit of
4 school districts pursuant to local lease-to-own agreements entered into by
5 school districts pursuant to section ~~15-2005~~ 41-5704 and to pay costs
6 considered necessary by the ~~school facilities~~ board in connection with
7 lease-to-own transactions and local lease-to-own transactions. Payments by
8 the ~~school facilities~~ board pursuant to a lease-to-own agreement or local
9 lease-to-own agreement shall be made only from the lease-to-own fund. On
10 notice from the ~~school facilities~~ board, the state treasurer shall invest
11 and divest monies in the fund as provided by section 35-313, and monies
12 earned from investment shall be credited to the lease-to-own fund.

13 H. A lease-to-own agreement entered into by the ~~school facilities~~
14 board pursuant to this section shall provide that:

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

18 2. The obligation of the ~~school facilities~~ board to make any payment
19 under the lease-to-own agreement is a current expense, payable exclusively
20 from appropriated monies, and is not a general obligation indebtedness of
21 this state or the ~~school facilities~~ board. The obligation of a school
22 district to make expenditures under a sublease pursuant to subsection B,
23 paragraph 3 of this section is a current expense, payable exclusively from
24 budgeted monies, and is not a general obligation indebtedness of the school
25 district.

26 3. If the legislature fails to appropriate monies or the ~~school~~
27 ~~facilities~~ board fails to allocate such monies for any periodic payment or
28 renewal term of the lease-to-own agreement, the lease-to-own agreement
29 terminates at the end of the current term and this state and the ~~school~~
30 ~~facilities~~ board are relieved of any subsequent obligation under the

1 agreement and the school district is relieved of any subsequent obligation
2 under the sublease.

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

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

8 I. The ~~school facilities~~ board may covenant to use its best efforts
9 to budget, obtain, allocate and maintain sufficient appropriated monies to
10 make payments under a lease-to-own agreement, but the lease-to-own
11 agreement shall acknowledge that appropriating state monies is a
12 legislative act and is beyond the control of the ~~school facilities~~ board or
13 of any other party to the lease-to-own agreement.

14 J. The land and the school facilities on the land are exempt from
15 taxation during the term of the lease-to-own agreement and during
16 construction and subsequent occupancy by the school district pursuant to
17 the sublease.

18 K. The powers prescribed in this section are in addition to the
19 powers conferred by any other law. Without reference to any other
20 provision of **TITLE 15**, this ~~title~~ **CHAPTER** or ~~to~~ any other law, this section
21 is authority for the completion of the purposes prescribed in this section
22 for the ~~school facilities~~ board to provide school facilities for use by
23 school districts through lease-to-own transactions pursuant to this section
24 without regard to the procedure required by any other law. Except as
25 otherwise provided in this section, the provisions of **TITLE 15 AND** this
26 ~~title~~ **CHAPTER** that relate to the matters contained in this section are
27 superseded because this section is the exclusive law on these matters.

28 L. The ~~school facilities~~ board shall not enter into lease-to-own
29 transactions, including any refinancings or refundings, pursuant to this
30 section from and after May 15, 2006.

1 Sec. 65. Section 41-5704, Arizona Revised Statutes, as transferred
2 and renumbered, is amended to read:

3 41-5704. Local lease-to-own by school districts; expiration

4 A. In order to fulfill the requirements of section ~~15-2041~~ 41-5741,
5 with the approval of the ~~school facilities~~ board, a school district may
6 acquire school facilities by entering into a local lease-to-own transaction
7 in accordance with this section. For purposes of this section, providing
8 school facilities includes land acquisition, related infrastructure,
9 fixtures, furnishings, equipment and costs of the local lease-to-own
10 transaction. The ~~school facilities~~ board may provide monies to provide
11 school facilities in part pursuant to section ~~15-2041~~ 41-5741 and in part
12 through payments to or for the benefit of a school district for a local
13 lease-to-own transaction.

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

15 1. The ground lease of the land for the facilities to a private
16 entity for the term of the local lease-to-own transaction or for a term of
17 up to one and one-half times the term of the local lease-to-own
18 transaction, subject to earlier termination on completion of performance of
19 the local lease-to-own agreement. The ground lessor may either be the
20 school district or the ~~school facilities~~ board, whichever holds title to
21 the land.

22 2. The lease of the completed school facilities by a private entity
23 to the school district for an extended term of years pursuant to a local
24 lease-to-own agreement. The local lease-to-own agreement shall provide for
25 the use, maintenance and operation of the school facilities by the school
26 district and for the transfer of ownership of the school facilities to the
27 school district on completion of performance of the local lease-to-own
28 agreement.

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

1 4. The services of trustees, financial advisors, paying agents,
2 transfer agents, underwriters, lawyers and other professional service
3 providers, credit enhancements or liquidity facilities and all other
4 services considered necessary by the school district or the ~~school~~
5 ~~facilities~~ board in connection with the local lease-to-own transaction, and
6 related agreements and arrangements including arrangements for the creation
7 and sale of certificates of participation evidencing proportionate
8 interests in the lease payments to be made by the school district pursuant
9 to the local lease-to-own agreement.

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

15 D. The ~~school facilities~~ board may make payments to or for the
16 benefit of the school district from the lease-to-own fund established by
17 section ~~15-2004~~ **41-5703** for the payment of amounts payable under the local
18 lease-to-own agreement.

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

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

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

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

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

4 2. The obligation of the school district to make any payment or
5 expenditure under the local lease-to-own agreement is a current expense,
6 payable exclusively from properly budgeted monies, and is not a general
7 obligation indebtedness of this state, the ~~school facilities~~ board or the
8 school district, and that any payment by the ~~school facilities~~ board to or
9 for the benefit of the school district from the lease-to-own fund
10 established by section ~~15-2004~~ 41-5703 for payments of amounts payable
11 under the local lease-to-own agreement is a current expense, payable
12 exclusively from appropriated monies, and is not a general obligation
13 indebtedness of this state or the ~~school facilities~~ board.

14 3. If the school district fails to properly budget for payments
15 under the local lease-to-own agreement or if the legislature fails to
16 appropriate monies or the ~~school facilities~~ board fails to allocate monies
17 for periodic payment to or for the benefit of the school district for
18 payments under the local lease-to-own agreement, the local lease-to-own
19 agreement terminates at the end of the current term and the school
20 district, the ~~school facilities~~ board and this state are relieved of any
21 subsequent obligation under the local lease-to-own agreement.

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

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

27 I. The school district may covenant to use its best efforts to
28 budget, obtain, allocate and maintain sufficient monies to make payments
29 under a local lease-to-own agreement, but the local lease-to-own agreement
30 shall acknowledge that budgeting school district monies is a governmental
31 act of the school district governing board that may not be contracted

1 away. The school facilities **OVERSIGHT** board is not required to covenant to
2 budget, obtain, allocate or maintain sufficient monies in the lease-to-own
3 fund to make payments to or for the benefit of a school district for
4 payments under a local lease-to-own agreement.

5 J. The land and the school facilities on the land are exempt from
6 taxation during the term of the local lease-to-own agreement and during
7 construction and subsequent occupancy by the school district pursuant to
8 the local lease-to-own agreement.

9 K. The powers prescribed in this section are in addition to the
10 powers conferred by any other law. Without reference to any other
11 provision of **TITLE 15 OR** this ~~title~~ **CHAPTER** or ~~to~~ any other law, this
12 section is authority for the completion of the purposes prescribed in this
13 section for school districts to provide school facilities through local
14 lease-to-own transactions pursuant to this section without regard to the
15 procedure required by any other law. Except as otherwise provided in this
16 section, the provisions of **TITLE 15 OR** this ~~title~~ **CHAPTER** that relate to
17 the matters contained in this section are superseded because this section
18 is the exclusive law on these matters.

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

22 Sec. 66. Section 41-5705, Arizona Revised Statutes, as transferred
23 and renumbered, is amended to read:

24 **41-5705. Lease-to-own amount; expiration**

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

29 B. The ~~school facilities~~ board shall not enter into lease-to-own
30 transactions, including any refinancings or refundings, pursuant to this
31 section from and after May 15, 2006.

Sec. 67. Section 41-5711, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5711. Minimum school facility adequacy requirements; definition

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

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

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

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

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

4 4. The buildings are structurally sound.

5 C. The standards that shall be used by the ~~school facilities~~ board
6 to determine whether a school building meets the minimum adequate gross
7 square footage requirements are as follows:

8 1. For a school district that provides instruction to pupils in
9 programs for preschool children with disabilities, kindergarten programs
10 and grades one through six, eighty square feet per pupil in programs for
11 preschool children with disabilities, kindergarten programs and grades one
12 through six.

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

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

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

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

27 6. For a school district that provides instruction to more than one
28 thousand and up to one thousand eight hundred pupils in grades nine through
29 twelve, one hundred twelve square feet per pupil in grades nine through
30 twelve or one hundred twenty thousand square feet, whichever is more.

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

5 D. The ~~school facilities~~ board may modify the square footage
6 requirements prescribed in subsection C of this section or modify the
7 amount of monies awarded to cure the square footage deficiency pursuant to
8 this section for particular school districts based on extraordinary
9 circumstances for any of the following considerations:

- 10 1. The number of pupils served by the school district.
- 11 2. Geographic factors.
- 12 3. Grade configurations other than those prescribed in subsection C
13 of this section.

14 E. In measuring the square footage per pupil requirements of
15 subsection C of this section, the ~~school facilities~~ board shall:

- 16 1. Use the projected one hundredth day average daily membership for
17 the current school year.
- 18 2. For each school, use the lesser of either:
 - 19 (a) Total gross square footage.
 - 20 (b) Student capacity multiplied by the appropriate square footage
21 per pupil prescribed by subsection C of this section.
- 22 3. Consider the total space available in all schools in use in the
23 school district, except that the ~~school facilities~~ board shall allow an
24 exclusion of the square footage for certain schools and the pupils within
25 the schools' boundaries if the school district demonstrates to the board's
26 satisfaction unusual or excessive busing of pupils or unusual attendance
27 boundary changes between schools.
- 28 4. Compute the gross square footage of all buildings by measuring
29 from exterior wall to exterior wall. Square footage used solely for
30 district administration, storage of vehicles and other nonacademic purposes
31 shall be excluded from the net square footage.

1 5. Include all portable and modular buildings.

2 6. Include in the net square footage new construction funded wholly
3 or partially by the ~~school facilities~~ board based on the square footage
4 funded by the ~~school facilities~~ board. If the new construction is to
5 exceed the square footage funded by the ~~school facilities~~ board, the excess
6 square footage shall not be included in the net square footage if any of
7 the following applies:

8 (a) The excess square footage was constructed before July 1, 2002 or
9 funded by a class B bond, impact aid revenue bond or capital outlay
10 override approved by the voters after August 1, 1998 and before June 30,
11 2002 or funded from unrestricted capital outlay expended before June 30,
12 2002.

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

16 (c) The excess square footage of expansions to school facilities
17 does not exceed twenty-five percent of the minimum square footage
18 requirements pursuant to subsection C of this section.

19 7. Exclude square footage built under a developer agreement
20 according to section 15-342, paragraph 33 until the ~~school facilities~~ board
21 provides funding for the square footage under section ~~15-2041~~ [41-5741](#),
22 subsection 0.

23 8. Include square footage that a school district has leased to
24 another entity.

25 F. The ~~school facilities~~ board shall adopt rules establishing
26 minimum school facility adequacy guidelines. The guidelines shall provide
27 the minimum quality and quantity of school buildings and facilities and
28 equipment necessary and appropriate to enable pupils to achieve the
29 academic standards pursuant to section 15-203, subsection A, paragraphs 12
30 and 13 and sections 15-701 and 15-701.01. At a minimum, the ~~school~~

1 ~~facilities~~ board shall address all of the following in developing these
2 guidelines:

- 3 1. School sites.
- 4 2. Classrooms.
- 5 3. Libraries and media centers, or both.
- 6 4. Cafeterias.
- 7 5. Auditoriums, multipurpose rooms or other multiuse space.
- 8 6. Technology.
- 9 7. Transportation.
- 10 8. Facilities for science, arts and physical education.

11 9. Other facilities and equipment that are necessary and appropriate
12 to achieve the academic standards prescribed pursuant to section 15-203,
13 subsection A, paragraphs 12 and 13 and sections 15-701 and 15-701.01.

14 10. Appropriate combinations of facilities or uses listed in this
15 section.

16 G. THE BOARD MAY CONVENE SUBCOMMITTEES AS NEEDED ON SPECIFIC ISSUES,
17 INCLUDING SCHOOL FACILITY SAFETY STANDARDS. NOTWITHSTANDING ANY OTHER LAW,
18 A SCHOOL DISTRICT THAT RECEIVES GRANT MONIES FROM THE BUILDING RENEWAL
19 GRANT FUND ESTABLISHED BY SECTION 41-5731 OR MONIES FROM THE NEW SCHOOL
20 FACILITIES FUND ESTABLISHED BY SECTION 41-5741 SHALL CONSIDER SCHOOL
21 FACILITY SAFETY STANDARDS WHEN COMPLETING APPROVED PROJECTS OR CONSTRUCTING
22 NEW SCHOOL FACILITIES WITH MONIES RECEIVED FROM THOSE FUNDS.

23 H. The board shall consider the facilities and equipment of the
24 schools with the highest academic productivity scores, as prescribed in
25 section ~~15-2002~~ 41-5702, subsection A, paragraph ~~9~~ 6, subdivision (d), and
26 the highest parent quality ratings in the establishment of the guidelines.

27 I. The ~~school facilities~~ board may consider appropriate
28 combinations of facilities or uses in ~~making assessments of~~ ASSESSING and
29 curing existing deficiencies pursuant to section ~~15-2002~~ 41-5702,
30 subsection A, paragraph 1 and in certifying plans for new school facilities
31 pursuant to section ~~15-2002~~ 41-5702, subsection ~~A~~ C, paragraph ~~5~~ 2.

1 I. J. If the ~~school facilities~~ board makes any changes to the
2 minimum adequacy requirements prescribed in this section, the board shall
3 provide a fiscal impact statement of the effect of the proposed changes to
4 the joint committee on capital review for review.

5 J. K. For the purposes of this section, "student capacity" means
6 the capacity adjusted to include any additions to or deletions of space,
7 including modular or portable buildings at the school. The ~~school~~
8 ~~facilities~~ board shall determine the student capacity for each school in
9 conjunction with each school district, recognizing each school's allocation
10 of space as of July 1, 1998, to achieve the academic standards prescribed
11 pursuant to section 15-203, subsection A, paragraphs 12 and 13 and sections
12 15-701 and 15-701.01.

13 Sec. 68. Section 41-5721, Arizona Revised Statutes, as transferred
14 and renumbered, is amended to read:

15 41-5721. Emergency deficiencies correction fund; definition
16 A. The emergency deficiencies correction fund is established
17 consisting of monies transferred from the new school facilities fund
18 established by section ~~15-2041~~ 41-5741. The ~~school facilities board~~
19 ~~DIVISION~~ shall administer the emergency deficiencies correction fund and
20 distribute monies in accordance with the rules of the ~~school facilities~~
21 ~~board~~ ~~DIVISION~~ to school districts for emergency purposes. The ~~school~~
22 ~~facilities board~~ ~~DIVISION~~ shall not transfer monies from the new school
23 facilities fund if the ~~DIVISION, IN CONJUNCTION WITH THE SCHOOL FACILITIES~~
24 ~~OVERSIGHT BOARD, DETERMINES THAT THE~~ transfer will affect, interfere with,
25 disrupt or reduce any capital projects that the ~~school facilities~~ board has
26 approved pursuant to section ~~15-2041~~ 41-5741. The ~~school facilities board~~
27 ~~DIVISION~~ shall transfer to the emergency deficiencies correction fund the
28 amount necessary each fiscal year to fulfill the requirements of this
29 section. Within thirty days after transferring monies to the emergency
30 deficiencies correction fund, the ~~school facilities board~~ ~~DIVISION~~ shall
31 report to the director of the joint legislative budget committee and the

1 director of the governor's office of strategic planning and budgeting the
2 amount and source of the transfer. Monies in the emergency deficiencies
3 correction fund are continuously appropriated and are exempt from the
4 provisions of section 35-190 relating to lapsing of appropriations.

5 B. If the ~~school facilities board~~ DIVISION determines that there are
6 insufficient monies in the emergency deficiencies correction fund to
7 correct an emergency, the school district may correct the emergency
8 pursuant to section 15-907.

9 C. If a school district has an emergency, the school district shall
10 apply to the ~~school facilities board~~ DIVISION for funding for the
11 emergency. The school district's application shall disclose any insurance
12 or building renewal monies available to the school district to pay for the
13 emergency. BEFORE APPLYING TO THE DIVISION FOR FUNDING FOR THE EMERGENCY,
14 THE SCHOOL DISTRICT GOVERNING BOARD SHALL ISSUE AN EMERGENCY DECLARATION OR
15 RESOLUTION TO BE ELIGIBLE FOR MONIES FROM THE EMERGENCY DEFICIENCIES
16 CORRECTION FUND.

17 D. The ~~school facilities board~~ DIVISION staff shall acknowledge
18 receipt of the school district's application for emergency deficiencies
19 funding in writing within five business days after receiving the
20 application. The ~~school facilities board~~ DIVISION staff shall include in
21 the written acknowledgement of receipt to the school district any
22 investigative, study or informational requirements from the school
23 district, along with an estimated timeline to complete the requirements,
24 necessary for the ~~school facilities board~~ DIVISION staff to make a
25 recommendation for DECISION REGARDING funding to the ~~school facilities~~
26 board.

27 E. THE BOARD SHALL REVIEW ALL POLICIES AND PROCEDURES THAT THE
28 DIVISION DEVELOPS TO ADMINISTER THIS SECTION.

29 E. F. For the purposes of this section, "emergency":

30 1. Means a serious need for materials, services or construction or
31 expenses ~~in excess of~~ THAT EXCEEDS the school district's adopted budget for

1 the current fiscal year **AND** that seriously threatens the functioning of the
2 school district, the preservation or protection of property or public
3 health, welfare or safety.

4 **2. INCLUDES ALL OF THE FOLLOWING:**

5 (a) A SITUATION THAT THREATENS LIFE SERVICES SUCH AS ADEQUATE WATER
6 SUPPLY, ENERGY AND WASTEWATER.

7 (b) A SITUATION IN WHICH A SCHOOL DISTRICT IS UNDER ORDERS FROM AN
8 AUTHORITY HAVING JURISDICTION FOR AN UNSAFE ENVIRONMENT SUCH AS THE
9 DEPARTMENT OF ENVIRONMENTAL QUALITY, THE OCCUPATIONAL SAFETY AND HEALTH
10 ADMINISTRATION OR THE STATE FIRE MARSHAL.

11 (c) THE SCHOOL DISTRICT RECEIVES A PROFESSIONAL AND CERTIFIED
12 ASSESSMENT SHOWING THAT ONE OR MORE FACILITIES OR SYSTEMS ARE STRUCTURALLY
13 UNSAFE AND DIRECTLY IMPACT THE FUNCTIONS OF THE SCHOOL DISTRICT WITH NO
14 ALTERNATIVE OPTION AVAILABLE.

15 Sec. 69. Section 41-5731, Arizona Revised Statutes, as transferred
16 and renumbered, is amended to read:

17 **41-5731. Building renewal grant fund; rules; definitions**

18 A. The building renewal grant fund is established consisting of
19 monies appropriated to the fund by the legislature. The ~~school facilities~~
20 ~~board~~ DIVISION shall administer the fund and distribute monies to school
21 districts for the purpose of maintaining the adequacy of existing school
22 facilities. Monies in the fund are exempt from the provisions of section
23 35-190 relating to lapsing of appropriations.

24 B. The ~~school facilities board~~ DIVISION shall distribute monies from
25 the BUILDING RENEWAL GRANT fund based on grant requests from school
26 districts to fund primary building renewal projects. Project requests
27 shall be prioritized by the ~~school facilities board~~ DIVISION, with priority
28 given to school districts that have provided routine preventive maintenance
29 on the facility. A SCHOOL DISTRICT MUST SUBMIT A PREVENTIVE MAINTENANCE
30 PLAN TO THE DIVISION TO BE ELIGIBLE TO RECEIVE MONIES FROM THE BUILDING
31 RENEWAL GRANT FUND. The ~~school facilities board~~ DIVISION shall approve

1 only projects that will be completed within twelve months, unless similar
2 projects on average take longer to complete. A GRANT ISSUED UNDER THIS
3 SECTION EXPIRES TWELVE MONTHS AFTER THE GRANT REQUEST IS APPROVED UNLESS
4 THE DIVISION ISSUES AN EXTENSION, EXCEPT THAT IF THE DIVISION APPROVES A
5 PROJECT AND DETERMINES THAT SIMILAR PROJECTS ON AVERAGE TAKE LONGER THAN
6 TWELVE MONTHS TO COMPLETE, THE DIVISION SHALL EXTEND THE GRANT EXPIRATION
7 DATE BASED ON THE AVERAGE AMOUNT OF TIME THAT SIMILAR PROJECTS TAKE TO
8 COMPLETE. THE DIVISION SHALL ESTABLISH A PROCESS BY WHICH A SCHOOL
9 DISTRICT MAY REQUEST AN EXTENSION UNDER THIS SUBSECTION. ON EXPIRATION OF
10 A GRANT, A SCHOOL DISTRICT SHALL RETURN ANY BUILDING RENEWAL GRANT FUND
11 MONIES THAT THE SCHOOL DISTRICT HAS NOT SPENT TO THE DIVISION FOR DEPOSIT
12 IN THE BUILDING RENEWAL GRANT FUND. THE DIVISION MAY SPEND MONIES FROM THE
13 FUND FOR ASSESSMENTS TO DETERMINE WHETHER A GRANT FROM THE FUND IS
14 WARRANTED UNDER THIS SECTION.

15 C. School districts that receive monies from the BUILDING RENEWAL
16 GRANT fund shall use these monies on projects for buildings or any part of
17 a building in the ~~school facilities board's~~ DIVISION'S database for any of
18 the following:

- 19 1. Major renovations and repairs to a building that is used for
20 student instruction or other academic purposes.
- 21 2. Upgrading systems and areas that will maintain or extend the
22 useful life of the building.
- 23 3. Infrastructure costs.

24 D. Monies received from the fund shall not be used for any of the
25 following purposes:

- 26 1. New construction.
- 27 2. Remodeling interior space for aesthetic or preferential reasons.
- 28 3. Exterior beautification.
- 29 4. Demolition.
- 30 5. Routine preventive maintenance.

1 6. Any project in a building, or part of a building, that is being
2 leased to another entity.

3 E. Accommodation schools are not eligible for monies from the
4 building renewal grant fund.

5 F. If the ~~school facilities board~~ DIVISION or a court of competent
6 jurisdiction determines that a school district received monies from the
7 building renewal grant fund that must be reimbursed to the ~~school~~
8 ~~facilities board~~ DIVISION due to legal action associated with improper
9 construction by a hired contractor, the school district shall reimburse the
10 ~~school facilities board~~ DIVISION an agreed-on amount for deposit into the
11 building renewal grant fund.

12 G. The ~~school facilities board~~ DIVISION shall categorize each
13 project that is eligible for monies from the building renewal grant fund as
14 either critical or noncritical. The ~~board~~ DIVISION shall adopt policies
15 and procedures to prioritize critical projects and to designate critical
16 projects as projects that immediately impact student safety or building
17 closures or that result in operational disruptions. Critical projects have
18 priority over any previously approved noncritical projects.

19 H. If the ~~school facilities board~~ DIVISION determines that
20 sufficient monies are not available for a noncritical project that the
21 ~~board~~ DIVISION has approved, the ~~board~~ DIVISION shall notify the school
22 district that submitted the project request that monies will be distributed
23 from the building renewal grant fund for the project only if the
24 legislature appropriates sufficient monies. If sufficient monies are not
25 available in the fiscal year in which the project is awarded for a
26 noncritical project, the noncritical project does not receive priority in
27 the next fiscal year.

28 I. Building renewal grants pursuant to this section shall be used
29 only for projects that serve an academic purpose.

30 J. THE DIVISION SHALL DO BOTH OF THE FOLLOWING:

1 1. IMPLEMENT POLICIES AND PROCEDURES TO REQUIRE A SCHOOL DISTRICT TO
2 REPORT THE PREVENTIVE MAINTENANCE ACTIVITIES COMPLETED DURING THE PREVIOUS
3 TWELVE MONTHS FOR THE FACILITY FOR WHICH THE MONIES ARE BEING REQUESTED.

4 2. SUBMIT A MONTHLY REPORT TO THE SCHOOL FACILITIES OVERSIGHT BOARD
5 THAT DETAILS HOW MONIES FROM THE BUILDING RENEWAL GRANT FUND HAVE BEEN
6 DISTRIBUTED.

7 K. IN ADDITION TO ESTABLISHING A PROJECT ELIGIBILITY ASSESSMENT
8 UNDER SECTION 41-5702, SUBSECTION A, PARAGRAPH 5, SUBDIVISION (b), THE
9 DIVISION SHALL ADOPT RULES REGARDING BOTH OF THE FOLLOWING:

10 1. THE APPROVAL OF BUILDING RENEWAL GRANTS PURSUANT TO THIS SECTION.

11 2. TIME FRAMES FOR THE DIVISION REGARDING ALL OF THE FOLLOWING WITH
12 RESPECT TO THIS SECTION:

13 (a) APPROVING OR DENYING GRANT REQUESTS FOR CRITICAL PROJECTS.

14 (b) NOTIFYING AN APPLICANT IF THE APPLICANT'S APPLICATION IS
15 INCOMPLETE.

16 (c) PROVIDING REGULAR UPDATES TO APPLICANTS REGARDING COMPLETED
17 APPLICATIONS.

18 (d) DISTRIBUTING MONIES FROM THE BUILDING RENEWAL GRANT FUND.

19 L. THE BOARD SHALL REVIEW ALL POLICIES AND PROCEDURES THAT THE
20 DIVISION DEVELOPS TO ADMINISTER THIS SECTION.

21 M. THE DIVISION MAY SPEND MONIES FROM THE FUND FOR ASSESSMENTS TO
22 DETERMINE IF A GRANT FROM THE FUND IS WARRANTED UNDER THIS SECTION.

23 ~~N.~~ N. For the purposes of this section:

24 1. "Primary building renewal projects" means projects that are
25 necessary for buildings owned by school districts that are required to meet
26 the minimum adequacy standards for student capacity and that fall below the
27 minimum school facility adequacy guidelines, as adopted by the ~~school~~
28 ~~facilities~~ board pursuant to section ~~15-2011~~ 41-5711, for school districts
29 that have provided routine preventive maintenance to the school facility.

30 2. "Routine preventive maintenance" means services that are
31 performed on a regular schedule at intervals ranging from four times a year

to once every three years, or on the schedule of services recommended by the manufacturer of the specific building system or equipment, and that are intended to extend the useful life of a building system and reduce the need for major repairs.

3. "Student capacity" has the same meaning prescribed in section ~~15-2011~~ 41-5711.

Sec. 70. Section 41-5741, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5741. New school facilities fund; capital plan; reporting requirements

A. The new school facilities fund is established consisting of monies appropriated by the legislature and monies credited to the NEW SCHOOL FACILITIES fund pursuant to section 37-221. The ~~school facilities board~~ DIVISION shall administer the NEW SCHOOL FACILITIES fund and, AT THE DIRECTION OF THE SCHOOL FACILITIES OVERSIGHT BOARD, SHALL distribute monies, as a continuing appropriation, to school districts for the purpose of constructing new school facilities and for contracted expenses pursuant to section ~~15-2002~~ 41-5702, subsection B, paragraphs 2, 3 and 4. ~~On June 30 of each fiscal year, any unobligated contract monies in the new school facilities fund shall be transferred to the capital reserve fund established by section 15-2003.~~

B. The school facilities **OVERSIGHT** board shall prescribe a uniform format for use by the school district governing board in developing and annually updating a capital plan that consists of each of the following:

1. Enrollment projections for the next five years for elementary schools and eight years for middle and high schools, including a description of the methods used to make the projections.

2. A description of new schools or additions to existing schools needed to meet the building adequacy standards prescribed in section ~~15-2011~~ 41-5711. The description shall include:

(a) The grade levels and the total number of pupils that the school or addition is intended to serve.

(b) The year in which it is necessary for the school or addition to begin operations.

(c) A timeline that shows the planning and construction process for the school or addition.

3. Long-term projections of the need for land for new schools.

4. Any other necessary information required by the school facilities
OVERSIGHT board to evaluate a school district's capital plan.

5. If a school district pays tuition for all or a portion of the school district's high school pupils to another school district, the capital plan shall indicate the number of pupils for which the district pays tuition to another district. If a school district accepts pupils from another school district pursuant to section 15-824, subsection A, the school district shall indicate the projections for this population separately. This paragraph does not apply to a small isolated school district as defined in section 15-901.

C. If the capital plan indicates a need for a new school or an addition to an existing school within the next four years or a need for land within the next ten years, the school district shall submit its plan to the school facilities **OVERSIGHT** board on or before September 1 and shall request monies from the new school facilities fund for the new construction or land. The ~~school facilities~~ board may require a school district to sell land that was previously purchased entirely with monies provided by the ~~school facilities~~ board if the ~~school facilities~~ board determines that the property is no longer needed within the ten-year period specified in this subsection for a new school or no longer needed within that ten-year period for an addition to an existing school. Monies provided for land are in addition to any monies provided pursuant to subsection D of this section.

1 D. AT THE DIRECTION OF the ~~school facilities~~ board, THE DIVISION
2 shall distribute monies from the new school facilities fund for additional
3 square footage as follows:

4 1. The ~~school facilities~~ board shall review and evaluate the
5 enrollment projections. On or before December 15 of each year, following
6 the submission of the enrollment projections, the ~~school facilities~~ board
7 shall either approve the projections as submitted or revise the
8 projections. In approving or revising the enrollment projections, the
9 ~~school facilities~~ board shall use the average daily membership data
10 available during the current school year. On request from the ~~school~~
11 ~~facilities~~ board, the department of education shall make available the most
12 recent average daily membership data for use in revising the enrollment
13 projections. In determining new construction requirements, the ~~school~~
14 ~~facilities~~ board shall determine the net new growth of pupils that will
15 require additional square footage that exceeds the building adequacy
16 standards prescribed in section ~~15-2011~~ 41-5711. If the projected growth
17 and the existing number of pupils exceed three hundred fifty pupils who are
18 served in a school district other than the pupil's resident school
19 district, the ~~school facilities~~ board, the receiving school district and
20 the resident school district shall develop a capital facilities plan on how
21 to best serve those pupils. A small isolated school district as defined in
22 section 15-901 is not required to develop a capital facilities plan
23 pursuant to this paragraph.

24 2. If the average daily membership projections indicate that
25 additional space will not be needed within the next two school years in
26 order to meet the building adequacy standards prescribed in section ~~15-2011~~
27 41-5711, the request shall be held for consideration by the ~~school~~
28 ~~facilities~~ board for possible future funding and the school district shall
29 annually submit an updated plan until the additional space is needed.

30 3. If the average daily membership projections indicate that
31 additional space will be needed within the next two school years in order

1 to meet the building adequacy standards prescribed in section ~~15-2011~~
2 41-5711, the ~~school facilities~~ board shall provide an amount as follows:

3 (a) Determine the number of pupils requiring additional square
4 footage to meet building adequacy standards. This amount for elementary
5 schools shall not be less than the number of new pupils for whom space will
6 be needed in the next year and shall not exceed the number of new pupils
7 for whom space will be needed in the next five years. This amount for
8 middle and high schools shall not be less than the number of new pupils for
9 whom space will be needed in the next four years and shall not exceed the
10 number of new pupils for whom space will be needed in the next eight years.

11 (b) Multiply the number of pupils determined in subdivision (a) of
12 this paragraph by the square footage per pupil. The square footage per
13 pupil is ninety square feet per pupil for preschool children with
14 disabilities, kindergarten programs and grades one through six, one hundred
15 square feet for grades seven and eight, one hundred thirty-four square feet
16 for a school district that provides instruction in grades nine through
17 twelve for fewer than one thousand eight hundred pupils and one hundred
18 twenty-five square feet for a school district that provides instruction in
19 grades nine through twelve for at least one thousand eight hundred
20 pupils. The total number of pupils in grades nine through twelve in the
21 district shall determine the square footage factor to use for net new
22 pupils. The ~~school facilities~~ board may modify the square footage
23 requirements prescribed in this subdivision for particular schools based on
24 any of the following factors:

25 (i) The number of pupils served or projected to be served by the
26 school district.

27 (ii) Geographic factors.

28 (iii) Grade configurations other than those prescribed in this
29 subdivision.

30 (iv) Compliance with minimum school facility adequacy requirements
31 established pursuant to section ~~15-2011~~ 41-5711.

(c) Multiply the product obtained in subdivision (b) of this paragraph by the cost per square foot. The cost per square foot is ~~\$90~~ \$270.24 for preschool children with disabilities, kindergarten programs and grades one through six, ~~\$95~~ \$285.30 for grades seven and eight and ~~\$110~~ \$330.30 for grades nine through twelve. The cost per square foot shall be adjusted annually for construction market considerations based on an index identified or developed by the joint legislative budget committee as necessary but not less than once each year. EACH ANNUAL CONSTRUCTION MARKET ADJUSTMENT APPLIES TO ALL PROJECTS APPROVED BY THE SCHOOL FACILITIES BOARD UNDER THIS SUBSECTION DURING THAT YEAR. The ~~school facilities~~ board shall multiply the cost per square foot by 1.05 for any school district located in a rural area. The ~~school facilities~~ board may only modify the base cost per square foot prescribed in this subdivision for particular schools based on geographic conditions or site conditions. ANY EXTRA MONIES RECEIVED AS A RESULT OF A MODIFICATION BASED ON GEOGRAPHIC CONDITIONS OR SITE CONDITIONS MAY BE USED TO ADDRESS UNFORESEEN COSTS AT ANY STAGE OF A PROJECT UNDER THIS SECTION. For the purposes of this subdivision, "rural area" means an area outside a thirty-five-mile radius of a boundary of a municipality with a population of more than fifty thousand persons.

1 ~~facilities~~ board approves their continued use for the purpose of providing
2 temporary space for pupils until the completion of the next new facility
3 that has been approved for funding from the new school facilities fund.

4 4. For projects approved after December 31, 2001, and
5 notwithstanding paragraph 3 of this subsection, a unified school district
6 that does not have a high school is not eligible to receive high school
7 space as prescribed by section ~~15-2011~~ 41-5711 and this section unless the
8 unified district qualifies for geographic factors prescribed by paragraph
9 3, subdivision (b), item (ii) of this subsection.

10 5. If a career technical education district leases a building from a
11 school district, that building shall be included in the school district's
12 square footage calculation for the purposes of new construction pursuant to
13 this section.

14 6. If a school district leases a building to another entity, that
15 building shall be included in the school district's square footage
16 calculation for purposes of new construction pursuant to this section.

17 7. A school district shall qualify for monies from the new school
18 facilities fund for additional square footage in a fiscal year only if the
19 ~~school facilities~~ board has approved or revised its enrollment projection
20 under paragraph 1 of this subsection on or before December 15 of the prior
21 fiscal year.

22 E. Monies for architectural and engineering fees, project management
23 services and preconstruction services shall be distributed on the
24 completion of the analysis by the ~~school facilities~~ board of the school
25 district's request. After receiving monies pursuant to this subsection,
26 the school district shall submit a design development plan for the school
27 or addition to the ~~school facilities~~ board before any monies for
28 construction are distributed. If the school district's request meets the
29 building adequacy standards, the ~~school facilities~~ board may review and
30 comment on the district's plan with respect to the efficiency and
31 effectiveness of the plan in meeting state square footage and facility

1 standards before ~~distributing~~ DIRECTING THE DISTRIBUTION OF the remainder
2 of the monies. If the ~~school facilities~~ board modifies the cost per square
3 foot as prescribed in subsection D, paragraph 3, subdivision (c) of this
4 section, the ~~school facilities~~ board may deduct the cost of project
5 management services and preconstruction services from the required cost per
6 square foot. The ~~school facilities~~ board may decline to fund the project
7 if the square footage is no longer required due to revised enrollment
8 projections. The ~~school facilities~~ board may decline a portion of the
9 funding if a portion of the square footage is no longer needed due to
10 revised enrollment projections.

11 F. AT THE DIRECTION OF the ~~school facilities~~ board, THE DIVISION
12 shall distribute the monies needed for land for new schools so that land
13 may be purchased at a price that is less than or equal to fair market value
14 and in advance of the construction of the new school. If necessary, the
15 ~~school facilities~~ board may DIRECT THE DIVISION TO distribute monies for
16 land to be leased for new schools if the duration of the lease exceeds the
17 life expectancy of the school facility by at least fifty percent. A school
18 district shall not use land purchased or partially purchased with monies
19 provided ~~by~~ AT THE DIRECTION OF the ~~school facilities~~ board for a purpose
20 other than a site for a school facility without obtaining prior written
21 approval from the ~~school facilities~~ board. A school district shall not
22 lease, sell or take any action that would diminish the value of land
23 purchased or partially purchased with monies provided ~~by~~ AT THE DIRECTION
24 OF the ~~school facilities~~ board without obtaining prior written approval
25 from the ~~school facilities~~ board. The proceeds derived through the sale of
26 any land purchased or partially purchased, or the sale of buildings funded
27 or partially funded, with monies provided ~~by~~ AT THE DIRECTION OF the ~~school~~
28 ~~facilities~~ board shall be returned to the state fund from which it was
29 appropriated and to any other participating entity on a proportional
30 basis. Except as provided in section 15-342, paragraph 33, if a school
31 district acquires real property by donation at an appropriate school site

1 approved by the ~~school facilities~~ board, the ~~school facilities~~ board shall
2 DIRECT THE DIVISION TO distribute an amount equal to twenty percent of the
3 fair market value of the donated real property that can be used for
4 academic purposes. The school district shall place the monies in the
5 unrestricted capital outlay fund and increase the unrestricted capital
6 budget limit by the amount of monies placed in the fund. Monies
7 distributed under this subsection shall be distributed from the new school
8 facilities fund. A school district that receives monies from the new
9 school facilities fund for a donation of land pursuant to section 15-342,
10 paragraph 33 shall not receive monies from the ~~school facilities~~ board OR
11 THE DIVISION for the donation of real property pursuant to this
12 subsection. A school district shall not pay a consultant a percentage of
13 the value of any of the following:

14 1. Donations of real property, services or cash from any of the
15 following:

16 (a) Entities that have offered to provide construction services to
17 the school district.

18 (b) Entities that have been contracted to provide construction
19 services to the school district.

20 (c) Entities that build residential units in that school district.

21 (d) Entities that develop land for residential use in that school
22 district.

23 2. Monies received ~~from the school facilities board~~ UNDER THIS
24 CHAPTER on behalf of the school district.

25 3. Monies paid by OR AT THE DIRECTION OF the ~~school facilities~~ board
26 on behalf of the school district.

27 G. In addition to distributions to school districts based on pupil
28 growth projections, a school district may submit an application to the
29 ~~school facilities~~ board for monies from the new school facilities fund if
30 one or more school buildings have outlived their useful life OR HAVE BEEN
31 CONDEMNED. If the ~~school facilities~~ board determines that the school

1 district needs to build a new school building for these reasons, the ~~school~~
2 ~~facilities~~ board shall remove the square footage computations that
3 represent the building from the computation of the school district's total
4 square footage for purposes of this section. If the square footage
5 recomputation reflects that the school district no longer meets building
6 adequacy standards, the school district qualifies for a distribution of
7 monies from the new school construction formula in an amount determined
8 pursuant to subsection D of this section. The ~~school facilities~~ board may
9 only modify the base cost per square foot prescribed in this subsection
10 under extraordinary circumstances for geographic factors or site
11 conditions.

12 H. School districts that receive monies from the new school
13 facilities fund shall establish a district new school facilities fund and
14 shall use the monies in the district new school facilities fund only for
15 the purposes prescribed in this section. By October 15 of each year, each
16 school district shall report to the ~~school facilities~~ board the projects
17 funded at each school in the previous fiscal year with monies from the
18 district new school facilities fund and shall provide an accounting of the
19 monies remaining in the new school facilities fund at the end of the
20 previous fiscal year.

21 I. If a school district has surplus monies received from the new
22 school facilities fund, the school district may use the surplus monies only
23 for capital purposes for the project for up to one year after completion of
24 the project. If the school district possesses surplus monies from the new
25 school construction project that have not been expended within one year of
26 the completion of the project, the school district shall return the surplus
27 monies to the ~~school facilities board~~ DIVISION for deposit in the new
28 school facilities fund.

29 J. The board's consideration of any application filed after
30 December 31 of the year in which the property becomes territory in the
31 vicinity of a military airport or ancillary military facility as defined in

1 section 28-8461 for monies to fund the construction of new school
2 facilities proposed to be located in territory in the vicinity of a
3 military airport or ancillary military facility shall include, if after
4 notice is transmitted to the military airport pursuant to section ~~15-2002~~
5 41-5702 and before the public hearing the military airport provides
6 comments and an analysis concerning compatibility of the proposed school
7 facilities with the high noise or accident potential generated by military
8 airport or ancillary military facility operations that may have an adverse
9 effect on public health and safety, consideration and an analysis of the
10 comments and an analysis provided by the military airport before making a
11 final determination.

12 K. If a school district uses its own project manager for new school
13 construction, the members of the school district governing board and the
14 project manager shall sign an affidavit stating that the members and the
15 project manager understand and will follow the minimum adequacy
16 requirements prescribed in section ~~15-2011~~ 41-5711.

17 L. The ~~school facilities~~ board DIVISION shall establish a separate
18 account in the new school facilities fund designated as the litigation
19 account to pay attorney fees, expert witness fees and other costs
20 associated with litigation in which the ~~school facilities~~ board pursues the
21 recovery of damages for deficiencies correction that resulted from alleged
22 construction defects or design defects that the ~~school facilities~~ board
23 believes caused or contributed to a failure of the school building to
24 conform to the building adequacy requirements prescribed in section ~~15-2011~~
25 41-5711. Attorney fees paid pursuant to this subsection shall not exceed
26 the market rate for similar types of litigation. On or before December 1
27 of each year, the ~~school facilities~~ board shall report to the joint
28 committee on capital review the costs associated with current and potential
29 litigation that may be paid from the litigation account.

30 M. Until the state board of education and the auditor general adopt
31 rules pursuant to section 15-213, subsection J, the ~~school facilities~~ board

1 may allow school districts to contract for construction services and
2 materials through the qualified select bidders list method of project
3 delivery for new school facilities pursuant to this section.

4 N. The ~~school facilities~~ board shall submit electronically a report
5 on project management services and preconstruction services to the
6 governor, the president of the senate and the speaker of the house of
7 representatives by December 31 of each year. The report shall compare
8 projects that use project management and preconstruction services with
9 those that do not. The report shall address cost, schedule and other
10 measurable components of a construction project. School districts,
11 construction-manager-at-risk firms and project management firms that
12 participate in a ~~school facilities board funded~~ BOARD-FUNDED project shall
13 provide the information required by the ~~school facilities~~ board in relation
14 to this report.

15 O. If a school district constructs new square footage according to
16 section 15-342, paragraph 33, the ~~school facilities~~ board shall review the
17 design plans and location of any new school facility submitted by school
18 districts and another party to determine whether the design plans comply
19 with the adequacy standards prescribed in section ~~15-2011~~ 41-5711 and the
20 square footage per pupil requirements pursuant to subsection D, paragraph
21 3, subdivision (b) of this section. When the school district qualifies for
22 a distribution of monies from the new school facilities fund according to
23 this section, the ~~school facilities~~ board shall DIRECT THE DIVISION TO
24 distribute monies to the school district from the new school facilities
25 fund for the square footage constructed under section 15-342, paragraph 33
26 at the same cost per square foot established by this section that was in
27 effect at the time of the beginning of the construction of the school
28 facility. Before the ~~school facilities~~ board ~~distributes~~ DIRECTS THE
29 DIVISION TO DISTRIBUTE any monies pursuant to this subsection, the school
30 district shall demonstrate to the ~~school facilities~~ board that the
31 facilities to be funded pursuant to this section meet the minimum adequacy

1 standards prescribed in section ~~15-2011~~ 41-5711. The agreement entered
2 into pursuant to section 15-342, paragraph 33 shall set forth the
3 procedures for the allocation of these funds to the parties that
4 participated in the agreement.

5 P. Accommodation schools are not eligible for monies from the new
6 school facilities fund.

7 Q. If the ~~school facilities~~ board approves a school district for
8 funding from the new school facilities fund and the full legislative
9 appropriation is not available to the school district in the fiscal year
10 following the approval by the ~~school facilities~~ board, the school district
11 may use any legally available monies to pay for the land or the new
12 construction project approved by the ~~school facilities~~ board and may
13 reimburse the fund from which the monies were used in subsequent years with
14 legislative appropriations when those appropriations are made available by
15 this state.

16 Sec. 71. Section 41-5751, Arizona Revised Statutes, as transferred
17 and renumbered, is amended to read:

18 41-5751. Authorization of state school facilities revenue
bonds

20 A. The ~~school facilities~~ board may issue negotiable revenue bonds
21 pursuant to this article. If authorized by the legislature, bonds may be
22 issued under this article in a principal amount not exceeding ~~two hundred~~
23 ~~million dollars~~ \$200,000,000 in a fiscal year to:

24 1. Provide monies to pay the cost of:

25 (a) Acquiring real property and constructing new school facilities
26 as provided by section ~~15-2041~~ 41-5741.

27 (b) Bond related expenses including any expenses incurred by the
28 ~~school facilities~~ board to issue and administer its bonds including
29 underwriting fees and costs, trustee fees, financial consultant fees,
30 printing and advertising costs, paying agent fees, transfer agent fees,
31 legal, accounting, feasibility consultant and other professional fees and

1 expenses, bond insurance or other credit enhancements or liquidity
2 facilities, attorney and accounting fees and expenses related to credit
3 enhancement, bond insurance or liquidity enhancement, remarketing fees,
4 rating agency fees and costs, travel and telephone expenses and all other
5 fees considered necessary by the ~~school facilities~~ board in order to market
6 and administer the bonds.

7 2. Fully or partially fund any reserves or sinking accounts
8 established by the bond resolution.

9 B. The ~~school facilities~~ board shall authorize the bonds by
10 resolution. The resolution shall prescribe:

11 1. The fixed or variable rate or rates of interest, the date or
12 dates on which interest is payable and the denominations of the bonds.

13 2. The date or dates of the bonds and maturity, within ten years
14 after the date of issuance.

15 3. The form of the bonds.

16 4. The manner of executing the bonds.

17 5. The medium and place of payment.

18 6. The terms of redemption, which may provide for a premium for
19 early redemption.

20 C. The bonds issued pursuant to this article shall be known as state
21 school facilities revenue bonds.

22 Sec. 72. Section 41-5752, Arizona Revised Statutes, as transferred
23 and renumbered, is amended to read:

24 41-5752. Issuance and sale of revenue bonds

25 A. The ~~school facilities~~ board shall issue the bonds in the number
26 and amount provided in the resolution.

27 B. The bonds shall be sold at public or private sale at the price
28 and on the terms prescribed in the resolution at, above or below par.

29 C. The net proceeds of the sale of the bonds shall be deposited in
30 the revenue bond proceeds fund established pursuant to section ~~41-2053~~
31 41-5753.

1 Sec. 73. Section 41-5753, Arizona Revised Statutes, as transferred
2 and renumbered, is amended to read:

3 41-5753. School facilities revenue bond proceeds fund; use for
4 new school facilities

5 A. If the ~~school facilities~~ board issues revenue bonds under this
6 article, the board shall establish a school facilities revenue bond
7 proceeds fund consisting of the net proceeds received from the sale of the
8 bonds.

9 B. The ~~school facilities~~ board may use monies in the school
10 facilities revenue bond proceeds fund only for the purposes provided in
11 section ~~15-2051~~ 41-5751, subsection A. Monies in the revenue bond proceeds
12 fund are exempt from lapsing under section 35-190.

13 C. The state treasurer or bond trustee shall administer and account
14 for the school facilities revenue bond proceeds fund.

15 Sec. 74. Section 41-5754, Arizona Revised Statutes, as transferred
16 and renumbered, is amended to read:

17 41-5754. School facilities revenue bond debt service fund

18 A. The ~~school facilities~~ board shall establish a school facilities
19 revenue bond debt service fund consisting of monies transferred to the fund
20 pursuant to sections 37-521 and 42-5030.01.

21 B. Monies in the school facilities revenue bond debt service fund
22 may be used only for the purposes authorized by this article.

23 C. The state treasurer or bond trustee shall administer and account
24 for the school facilities revenue bond debt service fund.

25 Sec. 75. Section 41-5755, Arizona Revised Statutes, as transferred
26 and renumbered, is amended to read:

27 41-5755. Securing principal and interest

28 A. In connection with issuing bonds authorized by this article and
29 to secure the principal and interest on the bonds, the ~~school facilities~~
30 board by resolution may:

1 1. Segregate the school facilities revenue bond debt service fund
2 into one or more accounts and subaccounts and provide that bonds issued
3 under this article may be secured by a lien on all or part of the monies
4 paid into the school facilities revenue bond debt service fund or into any
5 account or subaccount in the fund.

6 2. Provide that the bonds issued under this article are secured by a
7 first lien on the monies paid into the school facilities revenue bond debt
8 service fund as provided by section 37-521, subsection B, paragraph 1 and
9 section 42-5030.01, and pledge and assign to or in trust for the benefit of
10 the holder or holders of the bonds all or part of the monies in the school
11 facilities revenue bond debt service fund, any account or subaccount in the
12 fund or in the school facilities revenue bond proceeds fund as is necessary
13 to secure and pay the principal, the interest and any premium on the bonds
14 as they come due.

15 3. Establish priorities among bondholders based on criteria adopted
16 by the board.

17 4. Set aside, regulate and dispose of reserves and sinking accounts.

18 5. Prescribe the procedure, if any, by which the terms of any
19 contract with bondholders may be amended or abrogated, the amount of bonds
20 the holders of which must consent to and the manner in which the consent
21 may be given.

22 6. Provide for payment of bond related expenses from the proceeds of
23 the sale of the bonds or other revenues authorized by this article and
24 available to the board.

25 7. Provide for the services of trustees, cotrustees, agents and
26 consultants and other specialized services with respect to the bonds.

27 8. Take any other action that in any way may affect the security and
28 protection of the bonds or interest on the bonds.

29 9. Refund any bonds issued by the board, if these bonds are secured
30 from the same source of revenues as the bonds authorized by this article,
31 by issuing new bonds.

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 issued by the board as provided
4 by subsection A, paragraphs 9 and 10 of this section are not subject to
5 legislative authorization or the ~~two hundred million dollar limitation~~
6 \$200,000,000 LIMIT prescribed by section ~~15-2051~~ 41-5751, subsection A.

7 Sec. 76. Section 41-5757, Arizona Revised Statutes, as transferred
8 and renumbered, is amended to read:

9 41-5757. Bond purchase; cancellation

10 The ~~school facilities~~ board may purchase bonds for cancellation out
11 of any monies available for the purchase, at a price of not more than
12 either of the following:

13 1. If the bonds are redeemable at the time of the purchase, the
14 applicable redemption price plus accrued interest to the next interest
15 payment date on the bonds.

16 2. If the bonds are not redeemable at the time of the purchase, the
17 applicable redemption price on the first date after the purchase on which
18 the bonds become subject to redemption plus accrued interest to that date.

19 Sec. 77. Section 41-5758, Arizona Revised Statutes, as transferred
20 and renumbered, is amended to read:

21 41-5758. Payment of revenue bonds

22 A. The revenue bonds shall be paid solely from monies from the
23 school facilities revenue bond debt service fund established by section
24 ~~15-2054~~ 41-5754 and other monies that are credited to the school facilities
25 revenue bond debt service fund.

26 B. The state treasurer or the paying agent for the revenue bonds
27 shall cancel all revenue bonds when paid.

28 Sec. 78. Section 41-5759, Arizona Revised Statutes, as transferred
29 and renumbered, is amended to read:

30 41-5759. Investment of monies in school facilities revenue
31 bond proceeds fund

A. As provided by section ~~15-2062~~ 41-5761, the ~~school facilities~~ board may authorize the state treasurer or bond trustee to invest monies in the school facilities revenue bond proceeds fund established by section ~~15-2053~~ 41-5753.

B. The order directing an investment shall state a specified time when the proceeds from the sale of the bonds will be used. The state treasurer or bond trustee shall make the investment in such a way as to mature at the specified date.

C. All monies earned as interest or otherwise derived from the investment of the monies in the school facilities revenue bond proceeds fund shall be credited to the school facilities revenue bond debt service fund established by section ~~15-2054~~ 41-5754.

Sec. 79. Section 41-5760, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5760. Investment of monies in school facilities revenue bond debt service fund

A. The ~~school facilities~~ board may authorize the state treasurer or bond trustee to invest and reinvest any monies in the school facilities revenue bond debt service fund as provided by section ~~15-2062~~ 41-5761.

B. All monies earned as interest or otherwise derived from the investment of the monies in the school facilities revenue bond debt service fund shall be credited to that fund.

Sec. 80. Section 41-5761, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5761. Authorized investments of fund monies

A. On notice from the ~~school facilities~~ board, the state treasurer or bond trustee shall invest and divest monies in either the school facilities revenue bond proceeds fund or the school facilities revenue debt service fund in any of the following:

1. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.

2. State, county or municipal bonds issued in this state on which the payments of interest have not been deferred.

3. Investment agreements and repurchase agreements collateralized by investments described in paragraph 1 **OF THIS SUBSECTION**.

B. The purchase of the securities shall be made by the state treasurer or bond trustee on authority of a resolution of the board. The treasurer or bond trustee shall act as custodian of all securities purchased. The securities may be sold on an order of the board.

Sec. 81. Section 41-5763, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5763. Effect of changing circumstances on bonds; agreement of state

A. Bonds issued under this article remain valid and binding obligations of the board notwithstanding that, before the delivery of the bonds, any of the persons whose signatures appear on the bonds cease to be members of the ~~school facilities~~ board.

B. An amendment of any provision of this article does not diminish or impair the validity of bonds issued under this article or the remedies and rights of bondholders.

C. This state pledges to and agrees with the holders of the bonds authorized by this article that this state will not limit, alter or impair the rights and remedies of the bondholders, until all bonds issued under this article, together with interest on the bonds, interest on any unpaid installments of principal or interest and all costs and expenses in connection with any action or proceedings by or on behalf of the bondholders, are fully met and discharged. The board, as agent for this state, may include this pledge and undertaking in its resolutions and indentures authorizing and securing the bonds.

1 Sec. 82. Section 41-5764, Arizona Revised Statutes, as transferred
2 and renumbered, is amended to read:

3 41-5764. Validity of bonds; certification by attorney general

4 A. This article constitutes full authority for authorizing and
5 issuing bonds without reference to any other law of this state. No other
6 law with regard to authorizing or issuing obligations or that in any way
7 impedes or restricts performing the acts authorized by this article may be
8 construed to apply to any proceedings taken or acts done pursuant to this
9 article.

10 B. The validity of bonds issued under this article does not depend
11 on and is not affected by the legality of any proceeding relating to any
12 action by the ~~school facilities~~ board in granting or lending monies or the
13 acquisition, construction or improvement of any facility paid with monies
14 provided by the board.

15 C. The ~~school facilities~~ board may submit to the attorney general
16 revenue bonds to be issued under this article after all proceedings for
17 authorizing the bonds have been completed. Within fifteen days after
18 submission, the attorney general shall examine the bonds and pass on the
19 validity of the bonds and the regularity of the proceedings. If the bonds
20 and proceedings comply with the Constitution of Arizona and this article,
21 and if the bonds when delivered and paid for will constitute binding and
22 legal obligations of the board, the attorney general shall certify in
23 substance that the bonds are issued according to the constitution and laws
24 of this state. The certificate shall also state that the bonds are also
25 validly secured by the obligation to transfer monies from designated
26 sources of revenue, including income on the permanent state school fund
27 established by section 37-521, to cover any insufficiencies.

28 D. The bonds shall recite that they are regularly issued pursuant to
29 this article. That recital, together with the certification by the
30 attorney general under subsection C of this section, constitutes prima
31 facie evidence of the legality and validity of the bonds. From and after

1 the sale and delivery of the bonds, they are incontestable by the ~~school~~
2 ~~facilities~~ board or this state.

3 Sec. 83. Section 41-5781, Arizona Revised Statutes, as transferred
4 and renumbered, is amended to read:

5 41-5781. Authorization of state school improvement revenue
6 bonds: expiration

7 A. The ~~school facilities~~ board may issue revenue bonds in a
8 principal amount not to exceed ~~eight hundred million dollars~~ \$800,000,000
9 pursuant to this article. The ~~school facilities~~ board may also issue
10 qualified zone academy bonds within the meaning of section 1397e of the
11 United States internal revenue code of 1986 or successor provisions
12 pursuant to this article in a principal amount not to exceed ~~twenty million~~
13 ~~dollars~~ \$20,000,000. The qualified zone academy bonds shall be separately
14 accounted for within the school improvement revenue bond proceeds fund
15 established by section ~~15-2083~~ 41-5783. All bonds authorized by this
16 section may be issued for the following purposes:

17 1. To provide monies to pay the cost of:

18 (a) ~~Correcting existing deficiencies as prescribed by section~~
19 ~~15-2021.~~

20 (b) ~~Bond related~~ BOND-RELATED expenses, including any expenses
21 incurred by the ~~school facilities~~ board to issue and administer its bonds,
22 including underwriting fees and costs, trustee fees, financial consultant
23 fees, printing and advertising costs, paying agent fees, transfer agent
24 fees, legal, accounting, feasibility consultant and other professional fees
25 and expenses, bond insurance or other credit enhancements or liquidity
26 facilities, attorney and accounting fees and expenses related to credit
27 enhancement, bond insurance or liquidity enhancement, remarketing fees,
28 rating agency fees and costs, travel and telephone expenses and all other
29 fees considered necessary by the ~~school facilities~~ board in order to market
30 and administer the bonds.

1 2. To fully or partially fund any reserves or sinking accounts
2 established by the bond resolution.

3 B. The ~~school facilities~~ board shall authorize the bonds by
4 resolution. The resolution shall prescribe:

5 1. The fixed or variable rate or rates of interest, the date or
6 dates on which interest is payable and the denominations of the bonds.

7 2. The date or dates of the bonds and maturity, within twenty years
8 after the date of issuance.

9 3. The form of the bonds.

10 4. The manner of executing the bonds.

11 5. The medium and place of payment.

12 6. The terms of redemption, which may provide for a premium for
13 early redemption.

14 C. The bonds issued pursuant to this article shall be known as state
15 school improvement revenue bonds.

16 D. The authority of the ~~school facilities~~ board to issue school
17 improvement revenue bonds pursuant to this article expires from and after
18 June 30, 2003, except for bonds issued to refund any bonds issued by the
19 board.

20 Sec. 84. Section 41-5782, Arizona Revised Statutes, as transferred
21 and renumbered, is amended to read:

22 41-5782. Issuance and sale of school improvement revenue bonds

23 A. The ~~school facilities~~ board shall issue the school improvement
24 revenue bonds in the number and amount provided in the resolution.

25 B. The bonds shall be sold at public or private sale at the price
26 and on the terms prescribed in the resolution at, above or below par.

27 C. The net proceeds of the sale of the bonds shall be deposited in
28 the school improvement revenue bond proceeds fund established pursuant to
29 section ~~15-2083~~ 41-5783.

30 Sec. 85. Section 41-5783, Arizona Revised Statutes, as transferred
31 and renumbered, is amended to read:

41-5783. School improvement revenue bond proceeds fund; use for school improvements

A. If the ~~school facilities~~ board issues revenue bonds under this article, the board shall establish a school improvement revenue bond proceeds fund consisting of the net proceeds received from the sale of the bonds.

B. The ~~school facilities~~ board may use monies in the school improvement revenue bond proceeds fund only for the purposes provided in section ~~15-2081~~ 41-5781, subsection A. Monies in the school improvement revenue bond proceeds fund are exempt from lapsing under section 35-190.

C. The state treasurer or bond trustee shall administer and account for the school improvement revenue bond proceeds fund.

Sec. 86. Section 41-5784, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5784. School improvement revenue bond debt service fund

A. The ~~school facilities~~ board shall establish a school improvement revenue bond debt service fund consisting of monies received by the ~~school facilities~~ board pursuant to section 42-5029, subsection E, ~~section 42-5029.02, subsection A, paragraph 1~~ and section 37-521, subsection B, paragraph 1. All monies received pursuant to section 42-5029, subsection E ~~and section 42-5029.02, subsection A, paragraph 1~~ shall be accounted for separately and shall be used only for debt service of school improvement revenue bonds. All monies received pursuant to section 37-521, subsection B, paragraph 1 shall be accounted for separately and shall be used only for debt service of qualified zone academy bonds.

B. Monies in the school improvement revenue bond debt service fund may be used only for the purposes authorized by this article.

C. The state treasurer or bond trustee shall administer and account for the school improvement revenue bond debt service fund.

Sec. 87. Section 41-5785, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

1 41-5785. Securing principal and interest

2 A. In connection with issuing bonds authorized by this article and
3 to secure the principal and interest on the bonds, the ~~school facilities~~
4 board by resolution may:

5 1. Segregate the school improvement revenue bond debt service fund
6 into one or more accounts and subaccounts and provide that bonds issued
7 under this article may be secured by a lien on all or part of the monies
8 paid into the revenue bond debt service fund or into any account or
9 subaccount in the fund.

10 2. Provide that the bonds issued under this article ~~are~~ BE secured
11 by a first lien on the monies paid into the school improvement revenue bond
12 debt service fund as provided by section 42-5029, subsection E, paragraph 1
13 ~~and section 42-5029.02, subsection A, paragraph 1~~ and pledge and assign to
14 or in trust for the benefit of the holder or holders of the bonds all or
15 part of the monies in the school improvement revenue bond debt service
16 fund, in any account or subaccount in the fund or in the school improvement
17 revenue bond proceeds fund as is necessary to secure and pay the principal,
18 the interest and any premium on the bonds as they come due.

19 3. Establish priorities among bondholders based on criteria adopted
20 by the board.

21 4. Set aside, regulate and dispose of reserves and sinking accounts.

22 5. Prescribe the procedure, if any, by which the terms of any
23 contract with bondholders may be amended or abrogated, the amount of bonds
24 the holders of which must consent to and the manner in which the consent
25 may be given.

26 6. Provide for payment of ~~bond-related~~ BOND-RELATED expenses from
27 the proceeds of the sale of the bonds or other revenues authorized by this
28 article and available to the board.

29 7. Provide for the services of trustees, cotrustees, agents and
30 consultants and other specialized services with respect to the bonds.

1 8. Take any other action that in any way may affect the security and
2 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, whether at or before maturity of the bonds being
6 refunded.

7 10. Issue bonds partly to refund outstanding bonds and partly for
8 any other purpose consistent with this article.

9 B. Bonds issued to refund any bonds **THAT ARE** issued by the board as
10 provided by subsection A, paragraphs 9 and 10 of this section are not
11 subject to legislative authorization or subject to the **eight hundred**
12 **million dollar limitation** **\$800,000,000 LIMIT** prescribed by section **41-5781**
13 **41-5781**, subsection A.

14 Sec. 88. Section 41-5787, Arizona Revised Statutes, as transferred
15 and renumbered, is amended to read:

16 41-5787. **Bond purchase; cancellation**

17 The **school facilities** board may purchase bonds for cancellation out
18 of any monies available for the purchase at a price of not more than either
19 of the following:

20 1. If the bonds are redeemable at the time of the purchase, the
21 applicable redemption price plus accrued interest to the next interest
22 payment date on the bonds.

23 2. If the bonds are not redeemable at the time of the purchase, the
24 applicable redemption price on the first date after the purchase on which
25 the bonds become subject to redemption plus accrued interest to that date.

26 Sec. 89. Section 41-5788, Arizona Revised Statutes, as transferred
27 and renumbered, is amended to read:

28 41-5788. **Payment of revenue bonds**

29 A. The revenue bonds shall be paid solely from monies from the
30 school improvement revenue bond debt service fund established pursuant to

section ~~15-2084~~ 41-5784 and other monies that are credited to the school improvement revenue bond debt service fund.

B. The state treasurer or the paying agent for the revenue bonds shall cancel all revenue bonds when paid.

Sec. 90. Section 41-5789, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5789. Investment of monies in school improvement revenue bond proceeds fund

A. As provided by section ~~15-2091~~ 41-5791, the ~~school facilities~~ board may authorize the state treasurer or bond trustee to invest monies in the school improvement revenue bond proceeds fund established pursuant to section ~~15-2083~~ 41-5783.

B. The order directing an investment shall state a specified time when the proceeds from the sale of the bonds will be used. The state treasurer or bond trustee shall make the investment in such a way as to mature at the specified date.

C. All monies earned as interest or otherwise derived from the investment of the monies in the school improvement revenue bond proceeds fund shall be credited to the school improvement revenue bond debt service fund established by section ~~15-2084~~ 41-5784.

Sec. 91. Section 41-5790, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5790. Investment of monies in school improvement revenue bond debt service fund

A. The ~~school facilities~~ board may authorize the state treasurer or bond trustee to invest and reinvest any monies in the school improvement revenue bond debt service fund as provided by section ~~15-2091~~ 41-5791.

B. All monies earned as interest or otherwise derived from the investment of the monies in the school improvement revenue bond debt service fund shall be credited to that fund.

Sec. 92. Section 41-5791, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5791. Authorized investments of fund monies

A. On notice from the ~~school facilities~~ board, the state treasurer or bond trustee shall invest and divest monies in either the school improvement revenue bond proceeds fund or the school improvement revenue **BOND** debt service fund in any of the following:

1. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.

2. State, county or municipal bonds that are issued in this state and on which the payments of interest have not been deferred.

3. Investment agreements and repurchase agreements collateralized by investments described in paragraph 1 of this subsection.

B. The purchase of the securities shall be made by the state treasurer or bond trustee on authority of a resolution of the board. The treasurer or bond trustee shall act as custodian of all securities purchased. The securities may be sold on an order of the board.

Sec. 93. Section 41-5793, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5793. Effect of changing circumstances on bonds; agreement of state

A. Bonds issued under this article remain valid and binding obligations of the board notwithstanding that before the delivery of the bonds any of the persons whose signatures appear on the bonds cease to be members of the ~~school facilities~~ board.

B. An amendment of any provision of this article does not diminish or impair the validity of bonds issued under this article or the remedies and rights of bondholders.

C. This state pledges to and agrees with the holders of the bonds authorized by this article that this state will not limit, alter or impair

1 the rights and remedies of the bondholders until all bonds issued under
2 this article, together with interest on the bonds, interest on any unpaid
3 installments of principal or interest and all costs and expenses in
4 connection with any action or proceedings by or on behalf of the
5 bondholders, are fully met and discharged. The board, as agent for this
6 state, may include this pledge and undertaking in its resolutions and
7 indentures authorizing and securing the bonds.

8 Sec. 94. Section 41-5794, Arizona Revised Statutes, as transferred
9 and renumbered, is amended to read:

10 **41-5794. *Validity of bonds; certification by attorney general***

11 A. This article constitutes full authority for authorizing and
12 issuing bonds without reference to any other law of this state. No other
13 law with regard to authorizing or issuing obligations or that in any way
14 impedes or restricts performing the acts authorized by this article may be
15 construed to apply to any proceedings taken or acts done pursuant to this
16 article.

17 B. The validity of bonds issued under this article does not depend
18 on and is not affected by the legality of any proceeding relating to any
19 action by the ~~school facilities~~ board in granting or lending monies or the
20 acquisition, construction or improvement of any facility paid with monies
21 provided by the board.

22 C. The ~~school facilities~~ board may submit to the attorney general
23 revenue bonds to be issued under this article after all proceedings for
24 authorizing the bonds have been completed. Within fifteen days after
25 submission, the attorney general shall examine the bonds and pass on the
26 validity of the bonds and the regularity of the proceedings. If the bonds
27 and proceedings comply with the Constitution of Arizona and this article,
28 and if the bonds when delivered and paid for will constitute binding and
29 legal obligations of the board, the attorney general shall certify in
30 substance that the bonds are issued according to the constitution and laws
31 of this state.

1 D. The bonds shall recite that they are regularly issued pursuant to
2 this article. That recital, together with the certification by the
3 attorney general under subsection C of this section, constitutes prima
4 facie evidence of the legality and validity of the bonds. From and after
5 the sale and delivery of the bonds, they are incontestable by the ~~school~~
6 ~~facilities~~ board or this state.

7 Sec. 95. Section 41-5805, Arizona Revised Statutes, as transferred
8 and renumbered, is amended to read:

9 41-5805. Securing principal and interest

10 To secure the principal and interest on the impact aid revenue bonds,
11 the **SCHOOL DISTRICT** governing board by resolution may:

12 1. Segregate the impact aid revenue bond debt service fund into one
13 or more accounts and subaccounts and provide that bonds issued under this
14 article may be secured by a lien on all or part of the monies paid into the
15 impact aid revenue bond debt service fund or into any account or subaccount
16 in the fund.

17 2. Provide that the bonds issued under this article ~~are~~ BE secured
18 by a first lien on the monies paid in the impact aid revenue bond debt
19 service fund as provided by section ~~15-2104~~ 41-5804 and pledge and assign
20 to or in trust for the benefit of the holder or holders of the bonds all or
21 part of the monies in the impact aid revenue bond debt service fund or an
22 account or subaccount as is necessary to secure and pay the principal, the
23 interest and any premium on the bonds as they come due.

24 3. Establish priorities among bondholders based on criteria adopted
25 by the governing board.

26 4. Set aside, regulate and dispose of reserves and sinking accounts.

27 5. Prescribe the procedure, if any, by which the terms of any
28 contract with bondholders may be amended or abrogated, the amount of bonds
29 the holders of which must consent to and the manner in which the consent
30 may be given.

1 6. Provide for payment of bond related expenses from the proceeds of
2 the sale of the bonds or other revenues authorized by this article
3 available to the school district.

4 7. Provide for the services of trustees, cotrustees, agents and
5 consultants and other specialized services with respect to the bonds.

6 8. Take any other action that in any way may affect the security and
7 protection of the bonds or interest on the bonds.

8 9. Refund any bonds issued by the school district, if these bonds
9 are secured from the same source of revenues as the bonds authorized by
10 this article, by issuing new bonds.

11 10. Issue bonds partly to refund outstanding bonds and partly for
12 any other purpose consistent with this article.

13 Sec. 96. Section 41-5810, Arizona Revised Statutes, as transferred
14 and renumbered, is amended to read:

15 41-5810. Authorized investments of fund monies

16 A. The monies in either the impact aid revenue bond building fund or
17 debt service fund may be invested and reinvested at the direction of the
18 SCHOOL DISTRICT governing board in any of the investments authorized by
19 section ~~15-2062~~ 41-5761.

20 B. The purchase of the securities shall be made by the county
21 treasurer or the treasurer's designated agent on authority of a resolution
22 of the governing board. The county treasurer shall act as custodian of all
23 securities purchased. The securities may be sold on an order of the
24 governing board.

25 Sec. 97. Section 41-5832, Arizona Revised Statutes, as transferred
26 and renumbered, is amended to read:

27 41-5832. Indoor air quality requirements

28 A. When the ~~school facilities~~ board OR THE DIVISION approves the
29 construction of a school building, the ~~school facilities board~~ DIVISION
30 shall conduct an environmental site assessment. The ~~board~~ DIVISION shall
31 consider site assessment standards in accordance with the American society

1 for testing and materials standard E1527, standard practice for
2 environmental site assessments: phase I environmental site assessment
3 process.

4 B. The ~~school facilities~~ board OR THE DIVISION shall not approve a
5 school 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~~ DIVISION. The ~~board~~ DIVISION shall consider
13 indoor air quality guidelines in accordance with the sheet metal and air
14 conditioning contractors national association's publication entitled
15 "indoor air 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~~ DIVISION. The ~~board~~ DIVISION
22 shall consider 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 board's
26 satisfaction that the quantity of outdoor air supplied by an air supply
27 system that is not mechanically driven meets the requirements for air
28 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

1 with the prevailing maintenance and standards at the time of the
2 installation or renovation of the HVAC system.

3 Sec. 98. Section 41-5841, Arizona Revised Statutes, as transferred
4 and renumbered, is amended to read:

5 41-5841. Achievement district school application

6 A. The credit enhancement eligibility board established by section
7 15-2152 41-5852 shall establish an application process, application forms
8 and selection criteria for a public school or charter school to qualify as
9 an achievement district school for the purposes of article 11 of this
10 chapter.

11 B. A public school or charter school that meets all of the following
12 criteria is eligible to qualify as an achievement district school:

13 1. Has been assigned a letter grade of A, or an equivalent successor
14 classification, pursuant to section 15-241.

15 2. Has proven instructional strategies and curricula that
16 demonstrate high academic outcomes.

17 3. Has a verifiable enrollment demand, including the placement of
18 prospective pupils on a waiting list.

19 4. Has a sound financial plan that contemplates operational costs
20 and future enrollment growth.

21 5. Has shown a commitment to provide technical assistance, including
22 business services, curriculum development and teacher training, to an
23 underperforming school in the state.

24 6. Meets any other criteria established by the credit enhancement
25 eligibility board.

26 C. The credit enhancement eligibility board shall meet regularly to
27 evaluate achievement district school applications and shall either approve
28 or deny each application submitted. The board shall report its decision on
29 each application to the public school or charter school within ten business
30 days after the board's decision.

1 D. If a school's application is approved pursuant to this section,
2 the school qualifies as an achievement district school and is eligible to
3 apply for participation in the Arizona public school credit enhancement
4 program established by section ~~15-2155~~ 41-5855.

5 Sec. 99. Section 41-5851, Arizona Revised Statutes, as transferred
6 and renumbered, is amended to read:

7 41-5851. Definitions

8 In this article, unless the context otherwise requires:

9 1. "Achievement district school" means a public school or a charter
10 school that has qualified as an achievement district school pursuant to
11 article 10 of this chapter and that has submitted an application with the
12 board pursuant to this article to obtain guaranteed financing.

13 2. "Board" means the credit enhancement eligibility board
14 established by section ~~15-2152~~ 41-5852.

15 3. "Fund" means the Arizona public school credit enhancement fund
16 established by section ~~15-2154~~ 41-5854.

17 4. "Guaranteed financing" means debt obligations that are issued by
18 or on behalf of a public school or a charter school to acquire, construct,
19 renovate, equip, refinance or improve capital facilities and for which the
20 board has approved a guarantee of all or a portion of the principal and
21 interest payments pursuant to the program.

22 5. "Program" means the Arizona public school credit enhancement
23 program established by section ~~15-2155~~ 41-5855.

24 6. "Program funding obligations" means program funding obligations
25 approved and issued by the board pursuant to section ~~15-2157~~ 41-5857.

26 7. "Program leverage ratio" means the ratio at any time between the
27 aggregate principal amount of guaranteed financings outstanding and the
28 amounts on deposit in the fund.

29 Sec. 100. Section 41-5853, Arizona Revised Statutes, as transferred
30 and renumbered, is amended to read:

31 41-5853. Powers and duties of the board

1 A. The board is a body corporate and politic and may have an
2 official seal that is judicially noticed.

3 B. The board may:

4 1. Sue and be sued in its own name.

5 2. Contract and enter into agreements as necessary to carry out its
6 responsibilities under this article.

7 3. Contract with experts, advisers, consultants and agents,
8 including financial experts, legal counsel and other advisers and
9 consultants as may be necessary for services to assist the board.

10 4. Make and execute contracts and other instruments necessary or
11 convenient for the performance of its duties and the exercise of its power
12 and functions.

13 5. Pursuant to section ~~15-2155~~ 41-5855, approve financing for an
14 achievement district school as guaranteed financing under the program.

15 6. Do all acts, whether or not expressly authorized, that may be
16 deemed necessary or proper for the protection of the monies in the Arizona
17 public school credit enhancement fund, except that the board may not take
18 any action that would create a general or moral obligation of this state or
19 any agency of the state.

20 7. Contract with any entity relating to guaranteed financings.

21 8. Issue program funding obligations pursuant to section ~~15-2157~~
22 41-5857.

23 9. Adopt rules governing the operation of the program.

24 10. Take any other action that is necessary or appropriate to carry
25 out this article.

26 C. The ~~school facilities board~~ DIVISION shall provide staff as
27 requested by the board to support the activities of the ~~credit enhancement~~
28 ~~eligibility~~ board.

Sec. 101. Section 41-5854, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5854. Arizona public school credit enhancement fund; purposes; exemption

A. The Arizona public school credit enhancement fund is established consisting of:

1. Payments of program participation fees paid by schools that have participated in guaranteed financings pursuant to section ~~15-2155~~ 41-5855.

2. Repayments of monies of the fund that are used to make payments of principal and interest on guaranteed financings pursuant to section ~~15-2156~~ 41-5856.

3. The proceeds of program funding obligations issued by the board pursuant to section ~~15-2157~~ 41-5857.

4. Gifts, grants and donations received from any public or private source to carry out the purposes of this article.

5. Interest earnings and investment income earned on monies in the fund.

6. Any other monies distributed, paid or deposited to the fund by law or pursuant to contracts arising out of a guaranteed financing.

B. Monies and other assets of the fund shall be held and disbursed separate and apart from all other monies or assets of this state or political subdivisions of this state.

C. Monies in the fund shall be used for the following purposes:

1. By the state treasurer to make payments of principal or interest on guaranteed financings pursuant to section ~~15-2156~~ 41-5856.

2. By the board at its direction:

(a) To pay any operational or administrative expenses of the board, including fees for advisers, rating agencies and professionals retained by the board.

(b) To make payments to bond insurers to provide municipal bond insurance guaranteeing the timely payment of all or a portion of any guaranteed financing.

(c) To make payments of principal and interest in connection with any program funding obligations.

D. The state treasurer shall administer the fund and shall disburse monies in the fund as required by subsection C, paragraph 1 of this section and as directed by the board pursuant to subsection C, paragraph 2 of this section. The state treasurer shall separately account for monies received from each source listed in subsection A of this section and may establish accounts and subaccounts as necessary to properly account for and use monies in the fund.

E. Monies received pursuant to subsection A of this section may not be used for any purpose except guaranteeing or making payments of principal and interest on guaranteed financings approved by the board and any costs and expenses of the program or the board as provided in this article.

F. The state treasurer shall invest and divest monies in the fund as provided in section 35-313, and monies earned from investment shall be credited to the fund. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

Sec. 102. Section 41-5857, Arizona Revised Statutes, as transferred and renumbered, is amended to read:

41-5857. Program funding obligations; immunity

A. The board may deliver nonnegotiable program funding obligations in one or more series in an aggregate principal amount of not more than ~~eighty million dollars~~ \$80,000,000.

B. The board shall sell any program funding obligations prescribed in subsection A of this section to the state treasurer, and the state treasurer shall buy such obligations as an allowable investment of the fund. The total principal amount of program funding obligations outstanding at any one time may not exceed ~~eighty million dollars~~.

1 \$80,000,000. The board may reissue to the state treasurer any called
2 program funding obligations on the same terms as the obligations that were
3 called and in a principal amount that does not exceed the principal amount
4 called.

5 C. The board shall authorize each program funding obligation by a
6 resolution that sets forth:

- 7 1. The rate or rates of interest.
- 8 2. The date or dates of maturity.
- 9 3. The terms of redemption.
- 10 4. The form and manner of execution of the program funding
11 obligation.

12 5. Any terms necessary to secure credit enhancement or other sources
13 of payment or security.

14 6. Any other terms deemed necessary or advisable by the board.

15 D. The interest rate to be paid on program funding obligations
16 authorized by the board pursuant to subsection C of this section shall be
17 equal to the sum of the following:

18 1. The actual rate of interest earned by the state treasurer on the
19 investment of the proceeds from the sale of the program funding
20 obligations.

21 2. For any period during which guaranteed financings are
22 outstanding, an additional interest rate of at least one hundred basis
23 points as determined by the board.

24 E. The principal of and interest on the program funding obligations
25 shall be secured by and paid from monies deposited in the fund, on the
26 terms set forth in the resolution, and are subordinate to any payments that
27 are necessary to be made for guaranteed financings. Principal payments
28 shall be paid on a basis proportional to the reduction in outstanding
29 principal of guaranteed financings under the program. Interest shall be
30 paid on an annual or more frequent basis as set forth in the resolution of
31 the board. The monies pledged under this section to the program funding

1 obligations are immediately subject to the lien of the pledge without any
2 future physical delivery or further act. A lien of any pledge is valid and
3 binding against all parties having claims of any kind in tort, contract or
4 otherwise against the board irrespective of whether the parties have notice
5 of the lien. When placed in the board's records, the resolution by which
6 the pledge is created is notice to all concerned of the creation of the
7 pledge.

8 F. Program funding obligations shall be sold at private sale to the
9 state treasurer at a price and on terms provided by the board in its
10 resolution pursuant to this section. The proceeds from the sale of program
11 funding obligations shall be deposited into the fund and may be used for
12 the purposes of the fund as set forth in section ~~15-2154~~ 41-5854.

13 G. Program funding obligations are:

14 1. Special obligations of the board.
15 2. Not obligations that are general, special or otherwise of this
16 state.
17 3. Not a legal debt of this state.

18 4. Payable and enforceable only from the monies and fund pledged and
19 assigned by the board in its resolution.

20 H. Any member of the board or a person executing a program funding
21 obligation is not personally liable for the payment of the program funding
22 obligation.

23 Sec. 103. Section 41-5858, Arizona Revised Statutes, as transferred
24 and renumbered, is amended to read:

25 41-5858. Quarterly reports

26 Within thirty days after the last day of each calendar quarter, the
27 ~~school facilities board~~ DIVISION staff, in collaboration with the ~~credit~~
28 ~~enhancement~~ ~~eligibility~~ board, shall submit to the speaker of the house of
29 representatives, the president of the senate, the director of the joint
30 legislative budget committee and the director of the governor's office of
31 strategic planning and budgeting a quarterly report on the implementation

1 of the program pursuant to this article. The quarterly report shall
2 include at least the following information:

3 1. A listing of all outstanding guaranteed financings approved by
4 the board, including the following information for each financing:

5 (a) The name of the public school or charter school by or on behalf
6 of which the debt obligation was issued.

7 (b) The date of the issuance.

8 (c) The original amount of the issuance.

9 (d) The interest rate of the issuance.

10 (e) The term length of the issuance.

11 (f) The credit rating of the issuance.

12 (g) The amount of principal and interest due on the debt obligation
13 in the current fiscal year.

14 (h) The purpose for which the debt obligation was issued, separately
15 delineated for obligations to construct new capital facilities, renovate
16 existing capital facilities or refinance existing debt obligations.

17 (i) The current outstanding principal of the debt obligation.

18 2. A listing of all guaranteed financings subject to section ~~15-2156~~
19 [41-5856](#) in the prior quarter, including the amounts disbursed for payment
20 of principal and interest for the guaranteed financing and the terms and
21 conditions the school is subject to under section ~~15-2156~~ [41-5856](#),
22 subsections C, D and E.

23 3. The current balance of the Arizona public school credit
24 enhancement fund.

25 4. The current program leverage ratio.

1 Sec. 104. Subject to the requirements of article IV, part 1, section
2 1, Constitution of Arizona, section 42-5029, Arizona Revised Statutes, is
3 amended to read:

4 42-5029. Remission and distribution of monies; withholding;
5 definition

6 A. The department shall deposit, pursuant to sections 35-146 and
7 35-147, all revenues collected under this article and articles 4, 5 and 8
8 of this chapter pursuant to section 42-1116, separately accounting for:

- 9 1. Payments of estimated tax under section 42-5014, subsection D.
- 10 2. Revenues collected pursuant to section 42-5070.

11 3. Revenues collected under this article and article 5 of this
12 chapter from and after June 30, 2000 from sources located on Indian
13 reservations in this state.

14 4. Revenues collected pursuant to section 42-5010, subsection G and
15 section 42-5155, subsection D.

16 5. Revenues collected pursuant to section 42-5010.01 and section
17 42-5155, subsection E.

18 B. The department shall credit payments of estimated tax to an
19 estimated tax clearing account and each month shall transfer all monies in
20 the estimated tax clearing account to a fund designated as the transaction
21 privilege and severance tax clearing account. The department shall credit
22 all other payments to the transaction privilege and severance tax clearing
23 account, separately accounting for the monies designated as distribution
24 base under sections 42-5010, 42-5164 and 42-5205. Each month the
25 department shall report to the state treasurer the amount of monies
26 collected pursuant to this article and articles 4, 5 and 8 of this chapter.

27 C. On notification by the department, the state treasurer shall
28 distribute the monies deposited in the transaction privilege and severance
29 tax clearing account in the manner prescribed by this section and by
30 sections 42-5164 and 42-5205, after deducting warrants drawn against the
31 account pursuant to sections 42-1118 and 42-1254.

1 D. Of the monies designated as distribution base, and subject to the
2 requirements of section 42-5041, the department shall:

3 1. Pay twenty-five percent to the various incorporated
4 municipalities in this state in proportion to their population to be used
5 by the municipalities for any municipal purpose.

6 2. Pay 38.08 percent to the counties in this state by averaging the
7 following proportions:

8 (a) The proportion that the population of each county bears to the
9 total state population.

10 (b) The proportion that the distribution base monies collected
11 during the calendar month in each county under this article, section
12 42-5164, subsection B and section 42-5205, subsection B bear to the total
13 distribution base monies collected under this article, section 42-5164,
14 subsection B and section 42-5205, subsection B throughout the state for the
15 calendar month.

16 3. Pay an additional 2.43 percent to the counties in this state as
17 follows:

18 (a) Average the following proportions:
19 (i) The proportion that the assessed valuation used to determine
20 secondary property taxes of each county, after deducting that part of the
21 assessed valuation that is exempt from taxation at the beginning of the
22 month for which the amount is to be paid, bears to the total assessed
23 valuations used to determine secondary property taxes of all the counties
24 after deducting that portion of the assessed valuations that is exempt from
25 taxation at the beginning of the month for which the amount is to be paid.
26 Property of a city or town that is not within or contiguous to the
27 municipal corporate boundaries and from which water is or may be withdrawn
28 or diverted and transported for use on other property is considered to be
29 taxable property in the county for purposes of determining assessed
30 valuation in the county under this item.

(ii) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B and section 42-5205, subsection B bear to the total distribution base monies collected under this article, section 42-5164, subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state for the calendar month.

(b) If the proportion computed under subdivision (a) of this paragraph for any county is greater than the proportion computed under paragraph 2 of this subsection, the department shall compute the difference between the amount distributed to that county under paragraph 2 of this subsection and the amount that would have been distributed under paragraph 2 of this subsection using the proportion computed under subdivision (a) of this paragraph and shall pay that difference to the county from the amount available for distribution under this paragraph. Any monies remaining after all payments under this subdivision shall be distributed among the counties according to the proportions computed under paragraph 2 of this subsection.

4. After any distributions required by sections 42-5030, 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer to the water quality assurance revolving fund as required by section 49-282, subsection B, credit the remainder of the monies designated as distribution base to the state general fund. From this amount the legislature shall annually appropriate to:

(a) The department of revenue sufficient monies to administer and enforce this article and articles 5 and 8 of this chapter.

(b) The department of economic security monies to be used for the purposes stated in title 46, chapter 1.

(c) The firearms safety and ranges fund established by section 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected from the retail classification pursuant to section 42-5061 for the current fiscal year.

1 E. If approved by the qualified electors voting at a statewide
2 general election, all monies collected pursuant to section 42-5010,
3 subsection G and section 42-5155, subsection D shall be distributed each
4 fiscal year pursuant to this subsection. The monies distributed pursuant
5 to this subsection are in addition to any other appropriation, transfer or
6 other allocation of public or private monies from any other source and
7 shall not supplant, replace or cause a reduction in other school district,
8 charter school, university or community college funding sources. The
9 monies shall be distributed as follows:

10 1. If there are outstanding state school facilities revenue bonds
11 pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 7, each month one-twelfth
12 of the amount that is necessary to pay the fiscal year's debt service on
13 outstanding state school improvement revenue bonds for the current fiscal
14 year shall be transferred each month to the school improvement revenue bond
15 debt service fund established by section ~~15-2084~~ 41-5784. The total amount
16 of bonds for which these monies may be allocated for the payment of debt
17 service shall not exceed a principal amount of ~~eight hundred million~~
18 ~~dollars~~ \$800,000,000 exclusive of refunding bonds and other refinancing
19 obligations.

20 2. After any transfer of monies pursuant to paragraph 1 of this
21 subsection, twelve ~~per cent~~ PERCENT of the remaining monies collected
22 during the preceding month shall be transferred to the technology and
23 research initiative fund established by section 15-1648 to be distributed
24 among the universities for the purpose of investment in technology and
25 research-based initiatives.

26 3. After the transfer of monies pursuant to paragraph 1 of this
27 subsection, three ~~per cent~~ PERCENT of the remaining monies collected during
28 the preceding month shall be transferred to the workforce development
29 account established in each community college district pursuant to section
30 15-1472 for the purpose of investment in workforce development programs.

1 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
2 this subsection, one-twelfth of the amount a community college that is
3 owned, operated or chartered by a qualifying Indian tribe on its own Indian
4 reservation would receive pursuant to section 15-1472, subsection D,
5 paragraph 2 if it were a community college district shall be distributed
6 each month to the treasurer or other designated depository of a qualifying
7 Indian tribe. Monies distributed pursuant to this paragraph are for the
8 exclusive purpose of providing support to one or more community colleges
9 owned, operated or chartered by a qualifying Indian tribe and shall be used
10 in a manner consistent with section 15-1472, subsection B. For the
11 purposes of this paragraph, "qualifying Indian tribe" has the same meaning
12 as defined in section 42-5031.01, subsection D.

13 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of
14 this subsection, one-twelfth of the following amounts shall be transferred
15 each month to the department of education for the increased cost of basic
16 state aid under section 15-971 due to added school days and associated
17 teacher salary increases enacted in 2000:

- 18 (a) In fiscal year 2001-2002, \$15,305,900.
- 19 (b) In fiscal year 2002-2003, \$31,530,100.
- 20 (c) In fiscal year 2003-2004, \$48,727,700.
- 21 (d) In fiscal year 2004-2005, \$66,957,200.
- 22 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
23 \$86,280,500.

24 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
25 this subsection, ~~seven million eight hundred thousand dollars~~ \$7,800,000 is
26 appropriated each fiscal year, to be paid in monthly installments, to the
27 department of education to be used for school safety as provided in section
28 15-154 and ~~two hundred thousand dollars~~ \$200,000 is appropriated each
29 fiscal year, to be paid in monthly installments, to the department of
30 education to be used for the character education matching grant program as
31 provided in section 15-154.01.

1 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of
2 this subsection, ~~no~~ NOT more than ~~seven million dollars~~ \$7,000,000 may be
3 appropriated by the legislature each fiscal year to the department of
4 education to be used for accountability purposes as described in section
5 15-241 and title 15, chapter 9, article 8.

6 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of
7 this subsection, ~~one million five hundred thousand dollars~~ \$1,500,000 is
8 appropriated each fiscal year, to be paid in monthly installments, to the
9 failing schools tutoring fund established by section 15-241.

10 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of
11 this subsection, ~~twenty-five million dollars~~ \$25,000,000 shall be
12 transferred each fiscal year to the state general fund to reimburse the
13 STATE general fund for the cost of the income tax credit allowed by section
14 43-1072.01.

15 10. After the payment of monies pursuant to paragraphs 1 through 9
16 of this subsection, the remaining monies collected during the preceding
17 month shall be transferred to the classroom site fund established by
18 section 15-977. The monies shall be allocated as follows in the manner
19 prescribed by section 15-977:

20 (a) Forty ~~per cent~~ PERCENT shall be allocated for teacher
21 compensation based on performance.

22 (b) Twenty ~~per cent~~ PERCENT shall be allocated for increases in
23 teacher base compensation and employee related expenses.

24 (c) Forty ~~per cent~~ PERCENT shall be allocated for maintenance and
25 operation purposes.

26 F. The department shall credit the remainder of the monies in the
27 transaction privilege and severance tax clearing account to the state
28 general fund, subject to any distribution required by section 42-5030.01.

29 G. Notwithstanding subsection D of this section, if a court of
30 competent jurisdiction finally determines that tax monies distributed under
31 this section were illegally collected under this article or articles 5 and

1 8 of this chapter and orders the monies to be refunded to the taxpayer, the
2 department shall compute the amount of such monies that was distributed to
3 each city, town and county under this section. Each city's, town's and
4 county's proportionate share of the costs shall be based on the amount of
5 the original tax payment each municipality and county received. Each month
6 the state treasurer shall reduce the amount otherwise distributable to the
7 city, town and county under this section by ~~one-thirty-sixth~~ 1/36 of the
8 total amount to be recovered from the city, town or county until the total
9 amount has been recovered, but the monthly reduction for any city, town or
10 county shall not exceed ten percent of the full monthly distribution to
11 that entity. The reduction shall begin for the first calendar month after
12 the final disposition of the case and shall continue until the total
13 amount, including interest and costs, has been recovered.

14 H. On receiving a certificate of default from the greater Arizona
15 development authority pursuant to section 41-2257 or 41-2258 and to the
16 extent not otherwise expressly prohibited by law, the state treasurer shall
17 withhold from the next succeeding distribution of monies pursuant to this
18 section due to the defaulting political subdivision the amount specified in
19 the certificate of default and immediately deposit the amount withheld in
20 the greater Arizona development authority revolving fund. The state
21 treasurer shall continue to withhold and deposit the monies until the
22 greater Arizona development authority certifies to the state treasurer that
23 the default has been cured. In no event may the state treasurer withhold
24 any amount that the defaulting political subdivision certifies to the state
25 treasurer and the authority as being necessary to make any required
26 deposits then due for the payment of principal and interest on bonds of the
27 political subdivision that were issued before the date of the loan
28 repayment agreement or bonds and that have been secured by a pledge of
29 distributions made pursuant to this section.

30 I. Except as provided by sections 42-5033 and 42-5033.01, the
31 population of a county, city or town as determined by the most recent

1 United States decennial census plus any revisions to the decennial census
2 certified by the United States bureau of the census shall be used as the
3 basis for apportioning monies pursuant to subsection D of this section.

4 J. Except as otherwise provided by this subsection, on notice from
5 the department of revenue pursuant to section 42-6010, subsection B, the
6 state treasurer shall withhold from the distribution of monies pursuant to
7 this section to the affected city or town the amount of the penalty for
8 business location municipal tax incentives provided by the city or town to
9 a business entity that locates a retail business facility in the city or
10 town. The state treasurer shall continue to withhold monies pursuant to
11 this subsection until the entire amount of the penalty has been withheld.
12 The state treasurer shall credit any monies withheld pursuant to this
13 subsection to the state general fund as provided by subsection D, paragraph
14 4 of this section. The state treasurer shall not withhold any amount that
15 the city or town certifies to the department of revenue and the state
16 treasurer as being necessary to make any required deposits or payments for
17 debt service on bonds or other long-term obligations of the city or town
18 that were issued or incurred before the location incentives provided by the
19 city or town.

20 K. On notice from the auditor general pursuant to section 9-626,
21 subsection D, the state treasurer shall withhold from the distribution of
22 monies pursuant to this section to the affected city the amount computed
23 pursuant to section 9-626, subsection D. The state treasurer shall
24 continue to withhold monies pursuant to this subsection until the entire
25 amount specified in the notice has been withheld. The state treasurer
26 shall credit any monies withheld pursuant to this subsection to the state
27 general fund as provided by subsection D, paragraph 4 of this section.

28 L. Except as otherwise provided by this subsection, on notice from
29 the attorney general pursuant to section 41-194.01, subsection B, paragraph
30 1 that an ordinance, regulation, order or other official action adopted or
31 taken by the governing body of a county, city or town violates state law or

1 the Constitution of Arizona, the state treasurer shall withhold the
2 distribution of monies pursuant to this section to the affected county,
3 city or town and shall continue to withhold monies pursuant to this
4 subsection until the attorney general certifies to the state treasurer that
5 the violation has been resolved. The state treasurer shall redistribute
6 the monies withheld pursuant to this subsection among all other counties,
7 cities and towns in proportion to their population as provided by
8 subsection D of this section. The state treasurer shall not withhold any
9 amount that the county, city or town certifies to the attorney general and
10 the state treasurer as being necessary to make any required deposits or
11 payments for debt service on bonds or other long-term obligations of the
12 county, city or town that were issued or incurred before committing the
13 violation.

14 M. For the purposes of this section, "community college district"
15 means a community college district that is established pursuant to sections
16 15-1402 and 15-1403 and that is a political subdivision of this state and,
17 unless otherwise specified, includes a community college tuition financing
18 district established pursuant to section 15-1409.

19 Sec. 105. Section 42-5030.01, Arizona Revised Statutes, is amended
20 to read:

21 42-5030.01. Distribution of revenues for school facilities

22 From and after June 30, 1999, if there are outstanding state school
23 facilities revenue bonds pursuant to title ~~15~~ 41, chapter ~~16~~ 56, article 6,
24 and if the amount of monies available under section 37-521, subsection B,
25 paragraph 1 is insufficient to pay the debt service due on the outstanding
26 bonds in that fiscal year, the state treasurer shall transfer to the state
27 school facilities revenue bond debt service fund established pursuant to
28 section ~~15-2054~~ 41-5754 the amount that is necessary to pay the debt
29 service due in that fiscal year on the outstanding bonds from state general
30 fund revenues that were collected pursuant to this chapter.

1 Sec. 106. Section 43-1089.02, Arizona Revised Statutes, is amended
2 to read:

3 43-1089.02. Credit for donation of school site

4 A. A credit is allowed against the taxes imposed by this title in
5 the amount of thirty percent of the value of real property and improvements
6 donated by the taxpayer to a school district or a charter school for use as
7 a school or as a site for the construction of a school.

8 B. To qualify for the credit:

9 1. The real property and improvements must be located in this state.
10 2. The real property and improvements must be conveyed unencumbered
11 and in fee simple, except that:

12 (a) The conveyance must include as a deed restriction and protective
13 covenant running with title to the land the requirement that as long as the
14 donee holds title to the property the property shall only be used as a
15 school or as a site for the construction of a school, subject to subsection
16 I or J of this section.

17 (b) In the case of a donation to a charter school, the donor shall
18 record a lien on the property as provided by subsection J, paragraph 3 of
19 this section.

20 3. The conveyance shall not violate section 15-341, subsection D or
21 section 15-183, subsection U.

22 C. For the purposes of this section, the value of the donated
23 property is the property's fair market value as determined in an appraisal
24 as defined in section 32-3601 that is conducted by an independent party and
25 that is paid for by the donee.

26 D. If the property is donated by co-owners, including individual
27 partners in a partnership, each donor may claim only the pro rata share of
28 the allowable credit under this section based on the ownership
29 interest. If the property is donated by a husband and wife who file
30 separate returns for a taxable year in which they could have filed a joint
31 return, they may determine between them the share of the credit each will

1 claim. The total of the credits allowed all co-owner donors may not exceed
2 the allowable credit.

3 E. If the allowable tax credit exceeds the taxes otherwise due under
4 this title on the claimant's income, or if there are no taxes due under
5 this title, the taxpayer may carry the amount of the claim not used to
6 offset the taxes under this title forward for not more than five
7 consecutive taxable years' income tax liability.

8 F. The credit under this section is in lieu of any deduction
9 pursuant to section 170 of the internal revenue code taken for state tax
10 purposes.

11 G. On written request by the donee, the donor shall disclose in
12 writing to the donee the amount of the credit allowed pursuant to this
13 section with respect to the property received by the donee.

14 H. A school district or charter school may refuse the donation of
15 any property for purposes of this section.

16 I. If the donee is a school district:

17 1. The district shall notify the DIVISION OF school facilities ~~board~~
18 ~~established by section 15-2001~~ WITHIN THE DEPARTMENT OF ADMINISTRATION and
19 furnish the ~~board~~ DIVISION with any information the ~~board~~ DIVISION requests
20 regarding the donation. A school district shall not accept a donation
21 pursuant to this section unless the ~~school facilities board~~ DIVISION has
22 reviewed the proposed donation and has issued a written determination that
23 the real property and improvements are suitable as a school site or as a
24 school. The ~~school facilities board~~ DIVISION shall issue a determination
25 that the real property and improvements are not suitable as a school site
26 or as a school if the expenses that would be necessary to make the property
27 suitable as a school site or as a school exceed the value of the proposed
28 donation.

29 2. The district may sell any donated property pursuant to section
30 15-342, but the proceeds from the sale shall only be used for capital
31 projects. The school facilities OVERSIGHT board shall DIRECT THE DIVISION

1 OF SCHOOL FACILITIES WITHIN THE DEPARTMENT OF ADMINISTRATION TO withhold an
2 amount that corresponds to the amount of the proceeds from any monies that
3 would otherwise be due the school district from the ~~school facilities~~ board
4 pursuant to section ~~15-2041~~ 41-5741.

5 J. If the donee is a charter school:

6 1. The charter school shall:

7 (a) Immediately notify the sponsor of the charter school by
8 certified mail and shall furnish the sponsor with any information requested
9 by the sponsor regarding the donation during the ~~ten year~~ TEN-YEAR period
10 after the conveyance is recorded.

11 (b) Notify the sponsor by certified mail, and the sponsor shall
12 notify the state treasurer, in the event of the charter school's financial
13 failure or if the charter school:

14 (i) Fails to establish a charter school on the property within
15 forty-eight months after the conveyance is recorded.

16 (ii) Fails to provide instruction to pupils on the property within
17 forty-eight months after the conveyance is recorded.

18 (iii) Establishes a charter school on the property but subsequently
19 ceases to operate the charter school on the property for twenty-four
20 consecutive months or fails to provide instruction to pupils on the
21 property for twenty-four consecutive months.

22 2. The charter school, or a successor in interest, shall pay to the
23 state treasurer the amount of the credit allowed under this section, or if
24 that amount is unknown, the amount of the allowable credit under this
25 section, if any of the circumstances listed in paragraph 1, subdivision (b)
26 of this subsection occurs. If the amount is not paid within one year after
27 the treasurer receives notice under paragraph 1, subdivision (b) of this
28 subsection, a penalty and interest shall be added, determined pursuant to
29 title 42, chapter 1, article 3.

30 3. A tax credit under this section constitutes a lien on the
31 property, which the donor must record along with the title to the property

1 to qualify for the credit. The amount of the lien is the amount of the
2 allowable credit under this section, adjusted according to the average
3 change in the GDP price deflator, as defined in section 41-563, for each
4 calendar year since the donation, but not exceeding twelve and one-half
5 percent more than the allowable credit. The lien is subordinate to any
6 liens securing the financing of the school construction. The lien is
7 extinguished on the earliest of the following:

8 (a) Ten years after the lien is recorded. After that date, the
9 charter school, or a successor in interest, may request the state treasurer
10 to release the lien.

11 (b) On payment to the state treasurer by the donee charter school,
12 or by a successor in interest, of the amount of the allowable credit under
13 this section, either voluntarily or as required by paragraph 2 of this
14 subsection. After the required amount is paid, the charter school or
15 successor in interest may request the state treasurer to release the lien.

16 (c) On conveyance of fee simple title to the property to a school
17 district.

18 (d) On enforcement and satisfaction of the lien pursuant to
19 paragraph 4 of this subsection.

20 4. The state treasurer shall enforce the lien by foreclosure within
21 one year after receiving notice of any of the circumstances described in
22 paragraph 1, subdivision (b) of this subsection.

23 5. Subject to paragraphs 3 and 4 of this subsection, the charter
24 school may sell any donated property."

25 Renumber to conform

26 Page 107, line 39, after "year" insert ", except that school districts and
27 charter schools with fewer than one hundred eighty days of instruction
28 pursuant to section 15-341.01, Arizona Revised Statutes, shall report
29 whether they offered in-person, teacher-led instruction for an equivalent
30 proportion of instructional days"

31 Page 109, line 2, strike "complete" insert "subsequent"

1 Page 111, line 5, after "facilities" insert "oversight"

2 Line 7, strike "15-2041" insert "41-5741"

3 Line 8, after "as" insert "transferred, renumbered and"

4 Between lines 32 and 33, insert:

5 "Sec. 115. Career technical education; funding following
6 student graduation: fiscal years 2021-2022
7 through 2024-2025

8 Notwithstanding section 15-393, subsection Y, Arizona Revised
9 Statutes, as added by this act, for fiscal years 2021-2022, 2022-2023,
10 2023-2024 and 2024-2025, a student participating in an approved career
11 technical education program included on the in-demand regional education
12 list compiled pursuant to section 15-393, subsection X, Arizona Revised
13 Statutes, as added by this act, on the date the list is compiled qualifies
14 for funding in the year immediately following graduation.

15 Sec. 116. Terms of school facilities board members

16 Notwithstanding section 41-5701.02, Arizona Revised Statutes, as
17 transferred, renumbered and amended by this act, a person who is serving as
18 a member of the school facilities board on the effective date of this act
19 is eligible to continue to serve as a member of the school facilities
20 oversight board until expiration of the current term of office.

21 Sec. 117. Succession

22 A. As provided by this act, the school facilities oversight board
23 within the school facilities division within the department of
24 administration and the school facilities division within the department of
25 administration succeed to the authority, powers, duties and
26 responsibilities of the school facilities board as provided in this act.

27 B. This act does not alter the effect of any actions that were taken
28 or impair the valid obligations of the school facilities board in existence
29 before the effective date of this act.

30 C. Administrative rules and orders that were adopted by the school
31 facilities board continue in effect until superseded by administrative

action by the school facilities oversight board or the school facilities division within the department of administration as provided in this act.

D. All administrative matters, contracts and judicial and quasi-judicial actions, whether completed, pending or in process, of the school facilities board on the effective date of this act are transferred to and retain the same status with the school facilities oversight board or the school facilities division within the department of administration as provided in this act.

E. All certificates, licenses, registrations, permits and other indicia of qualification and authority that were issued by the school facilities board retain their validity for the duration of their terms of validity as provided by law.

F. All equipment, records, furnishings and other property, all data and investigative findings, all obligations and all appropriated monies that remain unexpended and unencumbered on the effective date of this act of the school facilities board are transferred to the school facilities oversight board or the school facilities division within the department of administration as provided in this act.

G. All personnel who are under the state personnel system and employed by the school facilities board are transferred to comparable positions and pay classifications in the respective administrative units of the school facilities oversight board on the effective date of this act.

Sec. 118. Classroom site fund; per pupil calculation; recalculation; fiscal year 2021-2022; retroactivity

A. Notwithstanding section 15-977, subsection G, paragraph 1, Arizona Revised Statutes, within ten days after the effective date of this act, the staff of the joint legislative budget committee shall revise its calculation of the per pupil amount from the classroom site fund established by section 15-977, Arizona Revised Statutes, for fiscal year 2021-2022 to include children participating in an Arizona empowerment

1 scholarship account as prescribed in section 15-2402, subsection D, Arizona
2 Revised Statutes, as added by this act.

3 B. Subsection A of this section applies retroactively to from and
4 after March 29, 2021."

5 Rerumber to conform

6 Page 111, between lines 38 and 39, insert:

7 "A. Section 15-342.05, Arizona Revised Statutes, as added by this
8 act, applies retroactively to from and after June 30, 2021."

9 Reletter to conform

10 After line 42, insert:

11 "Sec. 121. Effective date

12 Section 15-973, Arizona Revised Statutes, as amended by this act, is
13 effective from and after June 30, 2022.

14 Sec. 122. Conditional enactment

15 Section 15-711.01, Arizona Revised Statutes, as added by this act,
16 does not become effective unless House Bill 2035, fifty-fifth legislature,
17 first regular session, relating to parental rights and sex education
18 instruction, becomes law.

19 Sec. 123. Requirements for enactment: three-fourths vote

20 Pursuant to article IV, part 1, section 1, Constitution of Arizona,
21 section 42-5029, Arizona Revised Statutes, as amended by this act, is
22 effective only on the affirmative vote of at least three-fourths of the
23 members of each house of the legislature."

24 Amend title to conform

KAREN FANN

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